

Annual Report 2006

Ziraat Bank is a hallmark in the Turkish banking industry

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Compliance Opinion

To the General Assembly of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.:

We have been appointed to audit the annual report of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. as of 15 March 2007. The Board of Directors of the Bank is responsible for the annual report. As an independent auditors, our responsibility is to express an opinion on the audited annual report based on the compliance of information provided in the annual report with the audited financial statements and explanatory notes.

Our audit was performed in accordance with the accounting standards and principles and procedures of preparing and issuing annual reports set out by the Banking Act No: 5411. Those standards require that we planned and performed our audit to obtain reasonable assurance whether the compliance of information provided in the annual report with the audited financial statements and explanatory notes is free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, information provided in the accompanying annual report presents fairly, in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. as of 31 December 2006 in accordance with the prevailing accounting principles and standards set out as per Article 40 of the Banking Act No: 5411. Information provided in the annual report is in compliance with the audited financial statements and explanatory notes and it includes the Management's summary report given and our audit opinion on these financial statements.

DRT BAĞIMSIZ DENETİM VE
SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU

Bülent Beydüz
Partner

Ankara, 22 March, 2007

Changes made in the articles of incorporation during the reporting period

At the annual general meeting of T.C. Ziraat Bankası held on 30 May 2006, articles 4, 5, 9, 17, 18, 20, 23, 25, 28, and 30 of the bank's articles of incorporation were amended to bring them into compliance with the requirements of the Banking Act.

T.C. Ziraat Bankası Partnership Structure T.C. Başbakanlık Hazine Müsteşarlığı (Undersecretariat for the Treasury of the Republic of Turkey) is the sole owner of T.C. Ziraat Bankası. Neither the chairman nor the members of the Ziraat Bank Board of Directors, nor the statutory auditors, nor the general manager, nor any assistant general manager is a shareholder in the bank.

Vision

By further strengthening our leading role in the banking industry, to be an extensive and reliable bank that offers high-quality service and pursued by the competitors.

Mission

To support non-financial sector giving priority to agricultural sector, to deliver a broad range of suitably-priced products to retail customers with the highest speed through our extensive branch network, and to contribute to the economy and the development of the banking industry by supplying services in keeping with our sense of social responsibility and commitment to the rules of banking ethics.

2,100

Net Profit (YTL million)

1,146

Branches

Corporate profile The biggest and the oldest bank in Turkey, Ziraat Bank's origins reached back to 1863. Today it is the country's leading bank with 20,684 employees and 1,146 branches (1,137 domestic and 9 international).

Ziraat Bank's door is open to people from every walk of life and to businesses in every sector. Delivering congenial, high-quality service to a million and a half customers a day, the bank has a unique servicing scale.

Cited as Western Europe's most profitable bank,* Ziraat Bank's total assets worth YTL 72 billion as of end-2006 corresponded to 14% of all the assets held by the Turkish banking industry.

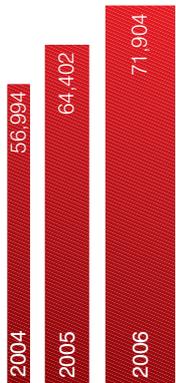
* The Banker, based on 2005 figures.

20,684

Employees

Key Financial Highlights

Total Assets
YTL million



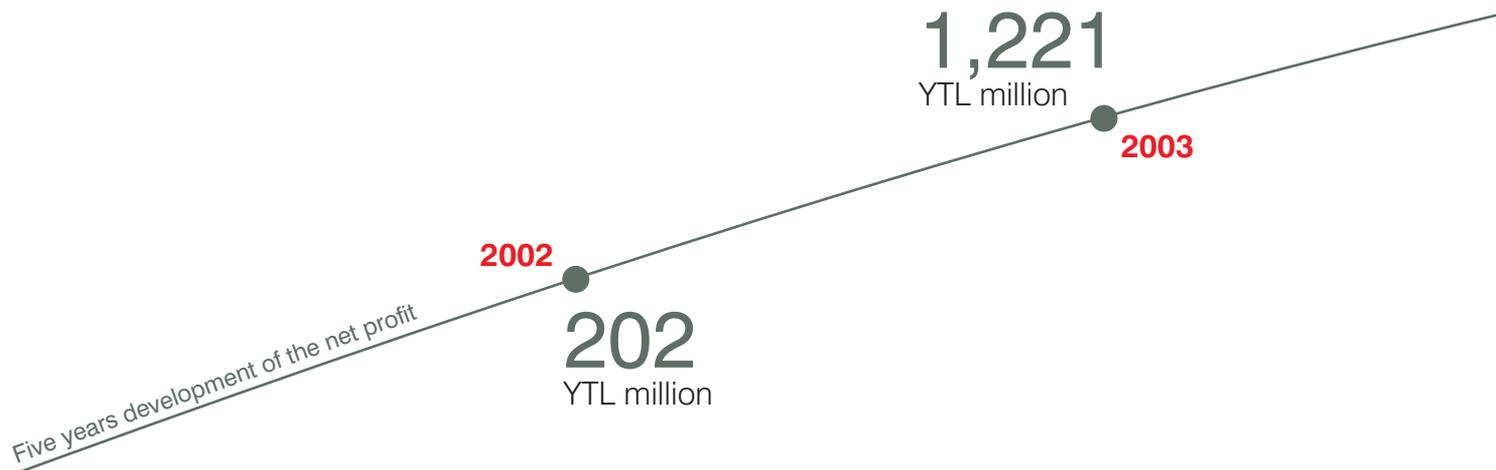
Shareholders' Equity
YTL million



Net Profit
YTL million

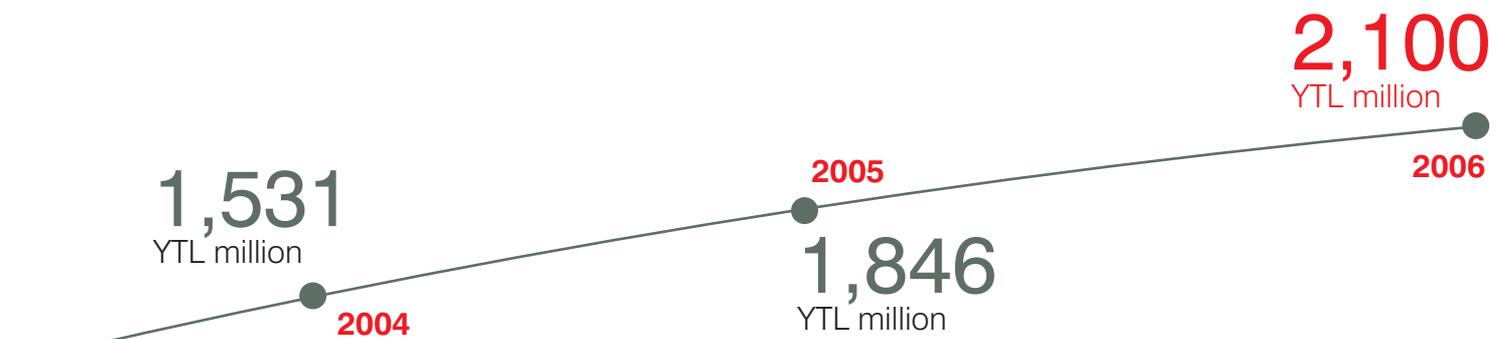


Having posted the highest profits of any single bank in the history of the Turkish banking sector and on its own generated a third of the entire sector's net profit in 2005...



Ziraat Bank has consistently registered a strong, sustainable performance in **the last four years.**

(YTL million)	2006	2005	Change (%)
Total assets	71,904	64,402	12
Liquid assets and banks	9,150	10,306	(11)
Securities	43,890	38,835	13
Loans	17,371	13,691	27
Deposits	59,653	52,132	14
Shareholders' equity	6,579	5,840	13
Interest revenues	9,436	7,924	19
Interest expenses	6,034	5,066	19
Profit before tax	2,720	2,682	1
Net profit	2,100	1,846	14



...Ziraat Bank once again was the sector's leader with a net profit of YTL 2.1 billion that it secured in 2006.

Highlights from Ziraat Bank's History

1863

From the "Homeland Funds" to Ziraat Bank...

Spearheaded by Mithat Pasha, the Ottoman governor of Nis, the "Homeland Funds" were set up in the town of Piro in 1863 to provide financial support to farmers. A set of regulations governing such funds that was promulgated in 1867 became the legal framework for the first regulated credit system in the Ottoman Empire.

In 1883 the Homeland Funds were replaced by "Benefit Funds", which also provided financial assistance to farmers. On 28 August 1888 the governing statute of Ziraat Bank was promulgated and the bank's headquarters became operational about three weeks later on September 17th.

The wartime years

Money supplied by Ziraat Bank in 1919 to cover the expenses of detachments of Turkish Nationalist Army during the War of Independence was used to purchase gear for soldiers. During the war, branches of the bank in occupied territories were placed under foreign control. When the Grand National Assembly of Turkey met for the first time in Ankara on 23

April 1920, the Ankara branch of Ziraat Bank was put in charge of all the branches and assistance funds in territories subject to the assembly's jurisdiction. On 9 September 1922, control of the bank's İzmir organization was taken over by the Ankara branch and less than two months later that of the İstanbul organization was too. As of 23 October 1922, Ziraat Bank's national unity had been completely restored.

The early years of the Republic

With the establishment of a republic, Ziraat Bank embarked upon a period of rapid growth and development, expanding its branch and service network so as to reach farmers everywhere in Turkey.

Ziraat Bank's mission was not limited to agriculture however and the bank began supplying increasingly more resources to nourish the growth and development of all sectors of the economy. In the process of Turkey's economic recovery and development, Ziraat Bank served as a driving force.



The 1980s and 1990s

In the years that followed, Ziraat Bank continued to grow, ultimately becoming the banking institution global in scale that it is today. In 1983 the bank's New York representative office was turned into a branch while other offices were opened in Duisburg, Berlin, Munich, Stuttgart, and Rotterdam. Ziraat is ranked 452nd in the "Top-500 Bank According to Equity Size" listing of Euromoney magazine.

The repeated author of firsts in its sector, Ziraat Bank opened Turkey's first museum devoted to banking in its headquarters building in the Ulus district of Ankara and also the country's first banking school in the 1980s.

Keeping pace with technological developments, Ziraat Bank joined the SWIFT system in 1990 and introduced self-service banking in the same year.

T.C. Ziraat Bank Moscow, Kazkommerts Ziraat International Bank (KZI Bank), Turkmen Turkish Commercial Bank (TTC Bank), and Uzbekistan Turkish Bank (UT-Bank) were all founded and became operational in 1993. The same year, the Euromoney survey of the world's top 500 banks showed Ziraat Bank in 202nd place overall, in 41st place on the basis of net profit, and in 1st place worldwide in terms of return on equity. By 1999, the bank had 21 subsidiaries and it opened a branch in Skopje.

A new century and the dawn of an important new era in Ziraat Bank's long and distinguished history...

Statute 4603 passed by Parliament in 2000 transformed T.C. Ziraat Bankası into a joint-stock company. This was the first move in an ambitious program to restructure Turkey's publicly-owned banks and in 2001, Ziraat Bank embarked upon a thorough-going transformation in which the bank's organizational structure was completely overhauled to bring it into line with the needs of modern banking and international competition. In this process Emlak Bankası, another publicly-owned bank, was merged into Ziraat Bank and wound up.

In 2003 M. Zeki Sayın was appointed chairman of a board of directors that had been set up and given responsibility for the administration of all publicly-owned banks while Can Akın Çağlar became general manager of Ziraat Bank.

Having successfully completed its mission, that joint board of directors was disbanded in 2005 and Prof İlhan Uludağ was appointed chairman of Ziraat Bank's board of directors.

During the last four years, Ziraat Bank has continued to perform strongly as it focuses on real banking activities and remakes itself into a productive and effective bank that can face the future with confidence. In 2004, 2005, and 2006 T.C. Ziraat Bankası posted the highest profits of any bank in Turkey.



Chairman's Message



T.C. Ziraat Bankası has completed yet another successful year of operation. In 2006 it was the country's most profitable bank for the third year in a row while continuing to supply every segment of society with products and services of increasingly greater quality and diversity.

Prof. Dr. İlhan ULUDAĞ
Chairman

The trusted keystone of its sector by virtue of **its strong financial structure and huge customer base**, our bank is simultaneously experiencing both financial and operational changes and innovations in line with its objectives.

T.C. Ziraat Bankası has completed yet another successful year of operation. In 2006 it was the country's most profitable bank for the third year in a row while continuing to supply every segment of society with products and services of increasingly greater quality and diversity.

The Turkish banking industry also had one of the best years in its history in 2006. The sector's total assets continued to grow and there were significant rises in profitability. Thanks to the lessons learned from past crises and also to the restructuring programs that have been and are being followed, the financial volatilities experienced in May and June last year were overcome without serious difficulty.

It is common knowledge that the presence of foreign banks in the Turkish banking sector has been growing significantly over the last two years. Increasing saturation and thinner profit margins brought on by excessive competition in developed markets' banking sectors have prompted international banks to seek out new markets. The growth potential inherent in the Turkish banking sector, the restructuring that it has undergone based on the important lessons learned from past crises, and the stability that has been achieved on the political and economic fronts have all made our country a center of attraction for foreign banks.

The arrival of foreign banks in the sector of course has increased competition, which is concentrating on two fronts: taking on new customers on the one hand and, on the other, developing new products and services-which also has the effect of increasing the variety and quality of both. We have also been seeing significant rises in personnel and branch numbers and increasingly greater use of alternative delivery channels.

Our bank has been making important progress in recent years in the fulfillment of what is its historical mission: providing financial support to farmers. Over the last four years Ziraat Bank's lending in this category has risen eleven fold. In 2006 alone, agricultural loans increased 63% year-on and topped YTL 3.5 billion. The importance and support that the bank gives to agriculture will continue and indeed increase in the future as Ziraat Bank continues to develop and diversify the high-quality and modern banking services that sector needs.

The trusted keystone of its sector by virtue of its strong financial structure and huge customer base, our bank is simultaneously experiencing both financial and operational changes and innovations in line with its objectives. With a structure now capable of supporting sectoral competition, we continue to make progress towards becoming a bank that is more productive and more profitable. Our objective must first of all be to ensure that our bank is able to conduct its business soundly but we are also aware of what Ziraat Bank means to the national economy as well. In the last few years in particular, our bank has become a market-making institution that makes effective use of its resources, transfers substantial resources to the public sector in the form of dividend paid to Treasury, abides by its principle of not upsetting sectoral balances, directly supports national monetary policy through its own interest rate policy, and steps up its lending to the real sector in recognition of the importance of its duty to support it.

In closing I extend my thanks to all our personnel for their ongoing efforts to ensure the continued success of the services that Ziraat Bank has been providing for a hundred and forty-three years and at the same time to our customers as well for their unstinting confidence and support.



Prof. Dr. İlhan Uludağ
Chairman of the Board of Directors

General Manager's Message



In 2006 we continued to take our performance to even greater heights...

T.C. Ziraat Bankası not only booked a net profit of YTL 2.1 billion in 2006 but was also the sector's most profitable bank once again for the third year in a row.

Can Akın ÇAĞLAR
General Manager

Our bank remains the keystone of the banking sector. Ziraat Bank's total assets worth YTL 72 billion as of end-2006 corresponded to 14% of all the assets held by the Turkish banking industry.

The superior performance achieved in the last few years took Ziraat Bank to even greater heights in 2006. The YTL 2.1 billion net profit booked by the bank last year was not only a new record for the Turkish banking sector but also confirmed the bank's position as the sector's leader.

In addition to this important success in profitability, our bank remained the keystone of the banking sector. Ziraat Bank's total assets worth YTL 72 billion as of end-2006 corresponded to 14% of all the assets held by the Turkish banking industry.

The momentum achieved in the bank's lending activities over the last three years continued in 2006 with the ratio of bank-supplied credit to total assets reaching the 20% level and total lending in the amount of YTL 17.4 billion.

Steadfast support for agriculture

Our steadfast financial support for agriculture continued in 2006 and indeed increased substantially. Our agricultural loan portfolio balance rose 63% year-to-year and topped YTL 3.5 billion. During the year the bank lent an average of YTL 70 million a week to borrowers engaged in agriculture.

Last year our bank continued to support agricultural productivity with investment finance and other banking products in addition to its traditional operating capital loans. In 2006 the ratio of the bank's loans to finance investment in agriculture to its total agricultural lending reached 20%, more than three times higher than its 6% level in 2002. The bank supplied loans to finance an average of 400 tractor purchases a week last year. In the investment finance category it also lent YTL 417 million to 27 thousand producers in the dairy industry and YTL 158 million to 7 thousand greenhouse farming projects.

Retail lending accounted for the biggest percentage of the loan book.

Ziraat Bank devoted great importance to retail lending in 2006 and such loans once again accounted for the biggest percentage of its loan book. Specially-designed products that the bank has developed and the most extensive branch network in the country enabled it to meet the financing needs of retail customers everywhere. One out of every four general-purpose loan customers in Turkey in 2006 borrowed from Ziraat Bank.

In house-finance loans, Ziraat Bank was one of the top four banks in the sector in terms of lending volume. Last year the bank also lent about YTL 500 million to about 55 thousand out of 76 thousand people who had outstanding unpaid premiums owed to the Bağ-Kur pension program for self-employed individuals and in this way supported their efforts to save up for their retirement.

Our support for SMEs continues to grow.

The bank's successful growth in the business of commercial loans in recent years continued in 2006. In particular there was significant development in its lending to small to medium-sized enterprises. As of end-2006, the portfolio of SME lending showed a balance of YTL 1.5 billion and contained about 80 thousand customers. One of the most important contributions that Ziraat Bank makes to the national economy is the lending it makes to meet the financial needs of small businesses in 449 counties and townships where there are no other bank branches.

Despite the large rise in lending, the increase in the number of non-performing loans remained quite limited thanks to the bank's sound lending policies and credit-monitoring practices. At end-2006 the ratio of non-performing loans to the total was only 1.9%, well below the sector average.

General Manager's Message

We are the sector's leader in deposits.

In deposit numbers, the most important indicator of the confidence that our customers have in our bank, Ziraat Bank also remained the leader of its sector. The deposits held by the bank make up about one-fifth of all deposits available to the entire sector and rose 14% year-on in 2006 to reach YTL 59.7 billion.

The impact of all these positive developments in 2006 was to be seen in our bank's profit performance last year. In 2005 Ziraat Bank posted the highest profit of any bank in the history of the Turkish banking industry and on its own generated a third of the entire sector's net profit. In 2006 the bank once again led the sector in profitability with a net profit of YTL 2.1 billion. This rise in profits was the natural result of sound credit and asset & liability management policies that are also careful to protect the bank's deposit base and of increases in bank service revenues as well as of tight controls over operating costs-which is to say of more effective and productive operations.

In addition to its numerical growth, our bank continues to make **a determined effort to deliver even better service to its customers.**

To offer customers the best

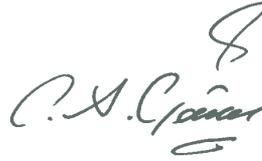
In addition to such numerical growth, our bank continues to make a determined effort to deliver even better service to its customers. With the inclusion of the monthly pension and direct assistance payments that it makes, Ziraat Bank conducted a total of 335 million customer transactions in 2006 and served an average of 1.5 million people a day. The bank's data processing infrastructure has been completely renewed and centralized in order to serve customers faster and more securely. The Ziraat Bank internet branch was introduced last year and work on its expansion and development is continuing. The number of terminals in the ATM network was increased to 1,902 and more than half of the units were replaced during the year.

As one of Turkey's oldest institutions, Ziraat Bank is also well aware of its social responsibilities. During 2006 the bank continued to support and sponsor activities in the areas of science, art, culture, and sports while also supporting the country's social development through its backing of social projects.

We are building the future on the strengths of our past.

For the foreseeable future, the competition in the Turkish banking industry will become even more intense as banks vie with one another to deliver better and better service. Our bank is determined to build its future on the strong foundations of its past successes. To achieve this it must continue to be a bank that serves customers even better, is more productive, contributes still more to the real sector and to the national economy, leads the way in new products and services, and bases its decisions on economic developments.

In achieving these objectives, our greatest source of strength will unquestionably be our personnel, who have always been the biggest contributors to Ziraat Bank's success. Thanks to their dedicated efforts and to the confidence that our customers have in us, I am certain that we will continue to be the sector's most successful bank in the years ahead as well. I take this occasion therefore to thank all our customers for their excellent loyalty and our employees for their superior performance.



Can Akın Çağlar
General Manager

Trends in the Global and Turkish Economies in 2006

In the global economy...

- Economic growth in excess of expectations in many regions of the world resulted in strong global growth in 2006, a year in which the global economy grew 5.4%.
- Although strong in the first quarter, growth in the US economy slowed down for the remainder of the year. In the Eurozone, economic growth gained momentum while in all the emerging economies, particularly that of China, growth was rapid in 2006.
- Responding to pressures exerted by higher oil and commodity prices, there were signals that inflation was on the rise again both in the developed and the developing economies. There was also strong evidence that the deflation of the Japanese economy had at last come to an end.

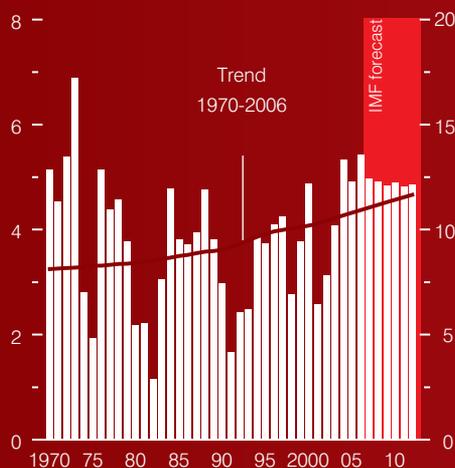
• Confronted by these market conditions, the US Federal Reserve and many other central banks had recourse to interest rate hikes and tended towards tightening their monetary policies. The European Central Bank recently raised interest rates again while the Bank of Japan increased its base borrowing rate to something over zero for the first time in years.

• Oil and some commodity prices broke new records. Geopolitical tensions in the Middle East and production risks in some other major oil producers such as Nigeria were the two main factors that continued to push oil prices up on global markets.

• Worries caused by rising inflation and tighter monetary policy in many countries resulted in volatilities and declines in the capital markets of the developed economies in May and June 2006. It was eventually understood that these volatilities were market corrections in response to the price rises that had been going on and that their impact on global growth was limited.

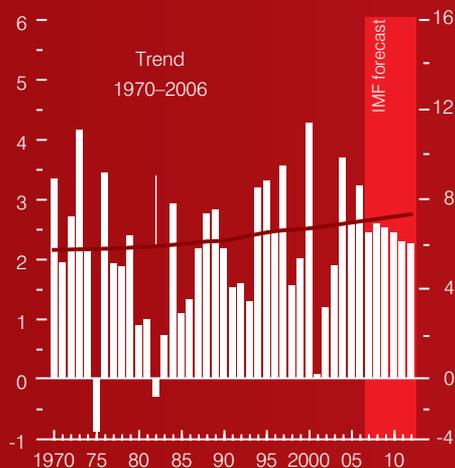
• Projections put global growth in 2007 on the order of 4.9%.

World GDP Growth in Real Terms



Source: IMF, World Economic Outlook, April 2007

World Trade Volume (Goods and Services)



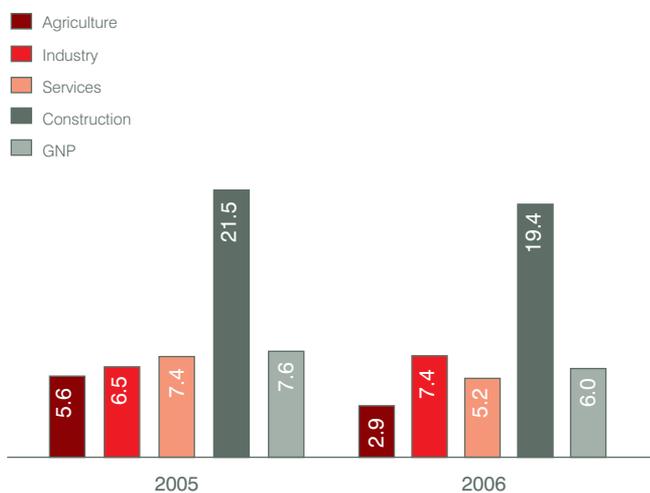
Expanding 6% year-on, the driving forces of economic growth in the Turkish economy were private-sector consumption and investment outlays.

In the Turkish economy...

- Expanding 6% year-on in 2006, the driving forces of economic growth in the Turkish economy were private-sector consumption and investment outlays.
- Exports were up 16.1% and imports 17.6% year-on in 2006 with exports weighing in at USD 85.3 billion and imports at USD 137.3 billion in value. Two factors that contributed to the rise in imports were greater use of imported inputs and high oil and commodity price levels. However in the wake of the short-term volatilities experienced in May, the Turkish lira lost value and this was arguably the biggest single cause of the observed rise in exports.
- In the twelve months to end-2006 the producer price index (PPI) increased 11.58% while the rise in the consumer price index (CPI) was 9.65%. The principal causes for the observed increase in inflation in 2006 are said to be higher food prices, lively domestic demand, and costlier raw materials.

- The Central Bank of the Republic of Turkey (CBT) overnight borrowing interest rate, which was 13.25% in April, rose to the 17.50% level as a result of measures taken by the bank to deal with the short-term volatilities experienced in May.
- Exchange rates followed a rather unsteady course in 2006. Although they remained fairly stable during the first five months of the year, the ensuing market volatilities changed that irreversibly. As of 31 December 2006, the YTL had depreciated 5.2% against the USD and 16.9% against the EUR. The YTL lost 10.77% of its value against a basket consisting of USD 1.00 + EUR 0.77.
- The targets for 2007 are a 5% rate of real growth and CPI inflation of 4%.

GNP Growth by Sector (%)

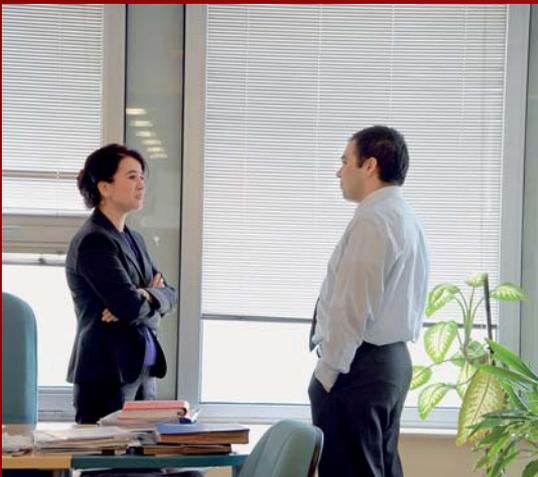


An Assessment of 2006: Strategies and Developments

One symbol

A strategy focused on balanced asset and liability management once again made Ziraat Bank the most profitable bank in the entire Turkish banking system in 2006.

The steady momentum that has been gained in Ziraat Bank's financial performance over the last four years is the natural outcome of its correct execution of this strategy. In a sector dominated by intense competition and which international capital has been moving into, the bank further advanced its position as the country's strongest bank in every category, registering significant progress and increasing transaction volumes in every aspect of agricultural, commercial, corporate, and retail banking.



Since it was founded in 1863, T.C. Ziraat Bankası has always stood by the country's merchants, businessmen, entrepreneurs, pensioners, and employees as well as its farmers, has supplied them all with resources, and has been a driving force of economic growth and development.

In the course of the comprehensive transformation project that it is undergoing in order to remake itself into a productive and effective bank that can face the future with confidence, in 2006 Ziraat Bank posted the highest profits of any bank in Turkey. Total assets were up 12% last year and reached YTL 72 billion while the bank registered a net profit of YTL 2.1 billion. Ziraat Bank's total assets corresponded to 14% of all the assets held by the Turkish banking industry.

Ziraat Bank is a symbol in the Turkish banking industry

Ever since it was founded in 1863, Ziraat Bank has always stood by Turkey's merchants, businessmen, entrepreneurs, pensioners, and employees as well as its farmers, has supplied them all with resources, and has been a driving force of economic growth and development during every historical and economic phase that the country has gone through.

As it embarked upon 2007, the bank was continuing to fulfill its mission with the same dedication and enthusiasm the day it started doing business nearly a century and a half ago. With a trademark that is synonymous with trust, endurance, rootedness and as Turkey's pride and prestige in the international arena, Ziraat Bank is focused on pursuing even more growth both at home and around the world.



An Assessment of 2006: Strategies and Developments

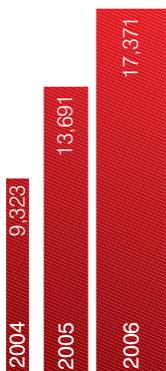
Turkey's most profitable bank

Having posted the highest profits of any bank in both 2004 and 2005, Ziraat Bank repeated that performance in 2006 by announcing a net profit in the amount of YTL 2.1 billion.

As a result of strict adherence to effective asset/liability management and to risk-sensitive lending policies, the bank's return on assets reached 3.1% while its 33.9% return on equity was well above the sector's average.

The position that the bank has reached is the inevitable outcome of the joint efforts and dedication of the 20,684 members of the Ziraat Bank family.

Total Loans
YTL million



Possessing the most extensive banking service network in Turkey, Ziraat Bank's total transaction volume is also the sector's biggest.

Serving an average 1.5 million customers a day

Ziraat Bank is a huge institution with an extensive reach through:

- 1,137 domestic branches, 70 special transaction centers, 28 offices, 6 bureaux de change, and 2 mobile banking vehicles in Turkey
- 9 international branches, 9 subsidiaries, and 3 representative offices active at 46 locations in 17 countries.

Possessing the most extensive banking service network in Turkey, Ziraat Bank's total transaction volume is also the sector's biggest. With the inclusion of the monthly pension and direct assistance payments that it makes, Ziraat Bank conducted a total of 335 million customer transactions in 2006 and served an average of 1.5 million people a day.

These numbers not only sum up the excellent scale that Ziraat Bank possesses but also point to the strong growth potential that the bank enjoys in a country in which the use of banking products and services is still relatively low compared with more developed economies.

Nine fold growth in lending during the last four years

Under the new lending strategy that Ziraat Bank introduced in 2003, the bank redefined its loan portfolio targets for individual business lines as 50% in the retail segment and 25% each in the agricultural and commercial segments.

Ziraat Bank's performance figures for 2006 show that the bank has substantially achieved these strategic targets. As a result of the active lending policy to which it has been adhering over the last three years, Ziraat Bank increased the overall size of its loan portfolio and achieved a loan composition in which 54% of its bank-source lending consists of retail loans, 25% of agricultural loans, and 21% of commercial loans.

During 2006, the bank's progress in lending during the most recent three years continued. Total loans were up 27% year-on and reached YTL 17.4 billion, which gives the bank a more than 7% share of all the lending by its sector. Save for credit extended from external sources, the rates of increase in Ziraat Bank's lending

in the last four years have been well above the sector averages. One other indicator that confirms the striking development the bank has achieved in lending is the ratio of its loan book to its total assets. In 2002, bank-source lending accounted for only a 4% share of total assets: as of end-2006, it stood at 20%.

New technologies and new products support our growth strategy

The restructuring that Ziraat Bank launched in 2001 successfully concluded with the comprehensive renovation of both the bank's technological infrastructure and of its product and service gamut.

The technological transformation brought with it rapid gains in customer satisfaction as well as a huge improvement in the bank's cost base. Newly introduced products and services in the corporate and commercial segments also helped deepen relationships with such customers and increase transaction volumes.

More support for agriculture

At its inception, Ziraat Bank was given the mission of contributing towards economic development by providing the resources that the agricultural sector needed. Throughout its history, the bank has been the mainstay of our country's agriculture and has supplied substantial amounts of financing to producers engaged in virtually every activity.

Over the last four years, there has been an eleven fold rise in Ziraat Bank's agricultural lending. In 2006, a 63% year-to-year increase brought the total to over YTL 3.5 billion. Throughout the year the bank continued to stand by farmers by lending to them at interest rates varying between 7% and 13%.

Resources for 531 thousand farmers

In 2006 Ziraat Bank lent an average of YTL 70 million a week to the agricultural sector. In the last three years, the number of farmers the bank has lent to has reached 531 thousand while the total volume of this subsidized lending amounted to YTL 5.6 billion.

An Assessment of 2006: Strategies and Developments

In 2002 Ziraat Bank's agricultural loans corresponded to a 0.5% share of the country's agricultural added value; as of end-2006, in a year in which the bank lent more to agriculture than it had done at any previous time in its history, that ratio stood at 6.4%. The bank has set itself a target of 7% in 2007.

Priority to agricultural productivity

In addition to lending to farmers to finance their operations, Ziraat Bank also helps support improvements in agricultural productivity by means of agricultural investment finance loans and other banking products.

In 2006 the ratio of the bank's loans to finance investment in agriculture to its total agricultural lending reached 20%, more than three times higher than its 6% level in 2002. The bank supplied fixed-interest loans to finance an average of 400 tractor purchases a week last year. In the investment finance category it also lent USD 417 million to 27 thousand producers in the dairy industry and YTL 158 million to 7 thousand greenhouse farming projects.

In keeping with its customer satisfaction focused service approach, the bank has issued its "Bankkart" debit cards to 2.8 million producers to give them quick and convenient access to their farm subsidy payments. Under another project, Ziraat Bank opened

Bankkart accounts for 220 thousand producers through which Turkish Grain Board purchasing payments may be made to them.

Ziraat Bank will continue to expand and diversify the scope of the use of alternative delivery channels in agricultural banking.

27% rise in commercial lending

Ziraat Bank is Turkey's strongest bank in terms of the diversity of its products, services, and delivery channels. Access to low-cost funds and a high degree of liquidity naturally position Ziraat Bank as a service provider in the corporate and commercial banking segments that can focus on rapid growth.

In addition to supplying the big-ticket financing needs of corporate customers, the bank also responds with the same effectiveness to the product and service needs of small businesses as well. In keeping with its identity as a national bank, Ziraat Bank plays a role in every sector and at every stage of the production / consumption cycle.

In the past, the bank's corporate and commercial loan portfolio was dominated by its lending to large corporate customers. In recent years the composition has been changing in favor of smaller businesses, whose share of the total has been increasing.



During 2006 Ziraat Bank made effective use of its branch network, which is truly national in scope, to deliver resources to an average 2,000 new SME customers every month.

As a result of this development, which is also in keeping with the bank's principle of decreasing the concentration of its risk exposure, the share of lending to small to medium-sized enterprises in the total has gone from 19% in 2004 to 31% in 2005 and most recently to 49% in 2006.

The bank's commercial loans increased 27% in 2006 and topped YTL 3 billion in value.

Resources for an average 2,000 SMEs a month

In its commercial lending, small to medium-sized enterprises are Ziraat Bank's highest priority.

At end-2002 the total volume of the bank's lending to small businesses amounted to YTL 29 million; four years later at end-2006 it stood at YTL 1.5 billion and the year-to-year increase in small business lending was 101%.

Making effective use of its branch network, which is truly national in scope, Ziraat Bank delivered resources to an average 2,000 new SME customers every month last year. As of end-2006, the bank's SME lending portfolio contained about 80 thousand customers, a number that clearly reveals Ziraat Bank's strength and scale.

Last year the bank continued to give special importance to lending under protocol agreements signed with chambers of industry and commerce and with other professional chambers such as those of tradesmen, artisans, and pharmacists. Under this program Ziraat Bank lent to 10,780 members of such professional organizations in 2006.

New small business credit products

An arrangement has been made to enable the guarantees of Credit Guarantee Fund Inc be acceptable for the bank's lending to SMEs.

New credit products designed for small businesses have also been added to the portfolio. Newly introduced products in 2006 consisted of loans with 48-month repayment terms, vehicle

purchase financing, machinery and equipment purchase financing, place of business financing with 60-month repayment terms, one-year FX-indexed loans, and one-year FX loans.

Commercial branch segmentation

The bank's ongoing branch segmentation project continued in 2006. Last year 26 of the bank's branches were restructured as commercial branches and they were provided with the infrastructure and staffing needed.

The aim of these newly restructured branches is to ensure that customers' credit and loan applications are processed and finalized faster and more efficiently by personnel who are experienced and proficient in lending to commercial customers. Ziraat Bank's commercial branches also serve SME customers as well as commercial customers.

The most extensive branch network

There are 449 counties and townships scattered around Turkey in which Ziraat Bank is the only bank that has a local presence.

All of the financial services and banking products needed by the small businesses in such localities are supplied by Ziraat Bank. The bank will continue to make use of this unique position in the sector, turning it into a competitive advantage in its efforts to provide only the best to all individuals and businesses that are in need of banking products and services.

Seeking to have a presence in every aspect of the banking service process and ultimately to exploit cross-sale opportunities wherever they may arise, in 2006 Ziraat Bank introduced new applications such as mobile POS devices and company debit cards for its commercial customers in 2006.

NPL ratio below the sector average

Despite the sevenfold rise in total lending in the last four years, Ziraat Bank has succeeded in reducing the ratio of its non-performing loans (NPL) to total lending to a significant degree through sound lending policies and watchful credit-monitoring practices.

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Although total lending increased 27% in 2006, non-performing loans accounted for less than 2% of the overall volume. That ratio, which was 11.7% in 2002, was only 1.9% in 2006, a figure that is well below the sector average.

More and more resources for the economy year after year

In 2007 and the years that follow, Ziraat Bank will be making the best possible use of the advantages that arise from its extensive branch network in order to continue to enlarge its loan and customer portfolios by lending to the real sector.

The bank will achieve this by expanding the gamut of its corporate and commercial banking products, continuously improving its customer satisfaction focused service quality, establishing long-term and multi-dimensional relationships with customers, making effective use of cross-sale opportunities, and increasing customer loyalty.

More service for retail customers

Retail customers make up Ziraat Bank's biggest customer group. The bank offers its retail customers a rich and diversified array of products and services ranging from consumer loans to credit cards.

The outstanding progress that Ziraat Bank made in the primary retail banking product groups in just one year's time is shown in the chart below.

Tenfold rise in four years; 57% increase in the last year

In recent years the bank is responding to increasingly more retail customers' financing needs through the special products that it develops and its competitive interest rate policies. Over the last four years there was a tenfold rise in Ziraat Bank's retail lending, which was up 57% in 2006 and reached YTL 7.6 billion as of year-end.

That strong growth raised the 7% share that retail loans had in total assets in 2005 to 11% in 2006. During the same twelve-

Development of Retail Products

(YTL million)		2005	2006	Change (%)
Retail loans (net)	Overdraft savings account	50	53	6
	General purpose	2,835	4,125	46
	Automobile	201	221	10
	Housing	1,357	2,788	105
	Total	4,824	7,575	57
Insurance premium production	Başak Sigorta	31	36	16
	Başak Emeklilik	123	229	86
	Total	144	256	78
OGS* (units per year)	Units	136,899	354,151	159
KGS** (units per year)	KKGS***	8,256	9,394	14
	NKGS****	5,676	180,048	3,072
Western Union	Number of transactions	265,445	407,126	53
TOK *****	Units	9,152	29,235	219

* Automated pass system

** Card-based pass system

*** Credit card-based pass system

**** Prefilled card-based pass system

***** Housing Development Administration of Turkey

More service for retail customers

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month period, Ziraat Bank's share of the sector's retail lending increased a point from 10% to 11% while the ratio of the NPLs in this category contracted from 0.49% to 0.37%, a result that is just under one-eighth of the sector average of 2.93% on such lending.

This performance, achieved in a business line that is characterized by intense competition, once again confirms the validity of the strategies to which Ziraat Bank adheres in retail banking.

105% increase in housing loans

The bank registered a year-on rise of 105% in its house-finance lending.

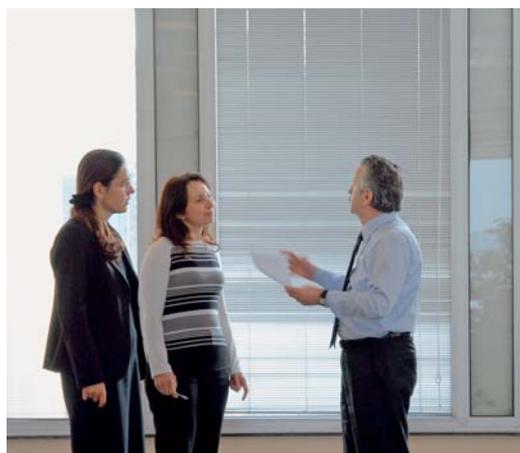
During 2006 Ziraat Bank extended housing-finance loans to an average of 1,200 people a week and was one of the top four banks lending in this category in Turkey. The bank's housing loans totaled YTL 2.8 billion at year-end 2006 and accounted for a 12% share of the sector's total.

One out of four people prefer Ziraat

The year-to-year increase in general-purpose loans made to customers was 46% in 2006. The 20% share of this segment that the bank controlled in 2002 was up to 26% last year. More than one out of every four people in Turkey who takes out loans in this category receives them from Ziraat Bank.

Ziraat Bank has designed a large number of specialized lending programs that successfully meet the needs of different segments of society for financing.

- In 2006 the bank lent about YTL 500 million to about 55 thousand out of 76 thousand people who had outstanding unpaid premiums owed to the Bağ-Kur pension program for self-employed individuals and in this way supported their efforts to save up for their retirement.
- Ziraat Bank's lineup of credit products was expanded with the addition of loans for school tuition payments, and refinancing of housing and consumer loans.
- Loans were extended to former depositors of T. İmar Bankası.
- During Teachers Week (20-30 November), the bank organized a campaign that focused on lending to educators.
- The bank launched its refinancing consumer loans program which provides refinancing for personal loan and credit card (but



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not housing-finance) obligations owed to other banks by government employees and by those receiving pensions from the Civil Servants' Retirement Fund.

- Projects to sell Automated Pass System tags and downloaded mobile phone counters via the internet banking, website, call center, and PTT outlets and to query balances and load counters by SMS were completed. These sales and downloadings via alternative delivery channels are now being made.

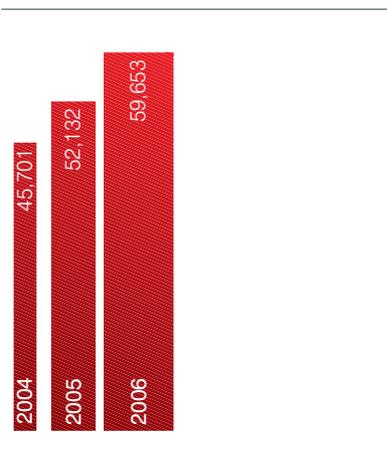
The leader in deposits

Ziraat Bank holds the biggest share of the Turkish banking industry's total deposits.

In 2006 the bank's total deposits increased 14% and reached YTL 59.7 billion. As a result of this, the bank successfully defended its share of the sector's deposits and its position as the sector's leader in deposits. Ziraat Bank controlled more than an 18% share of the banking sector's total deposits last year.

In a sector characterized by slim profit margins and stiff competition and in line with its own objective of maintaining a high level of profitability, Ziraat Bank is focused on effectively managing the deposits that make up about 83% of its balance sheet liabilities.

Total Deposits
YTL million



A deposit structure that is predominantly YTL

In 2006 Ziraat Bank once again further developed its broad and enduring deposit base.

The bank's deposit structure remained predominantly in favor of YTL in 2006.

That structure is a natural outcome of the bank's deposit policies, which are formulated by taking into account its own lending policies and asset make up.

A force that shapes the sector

Managing as it does the biggest share of the sector's deposits, Ziraat Bank is a potent force in the development of market interest rate levels. Aware of its strength, the bank takes pains to fulfill the macroeconomic responsibilities that are incumbent upon it as a result by adhering to strictly rational pricing and competition strategies.

The deposit and effective liability management policies that Ziraat Bank follows have a positive impact on its cost base. That in turn has a direct impact on its lending and plays a key role in sustaining the growth in the bank's credit placements.

Convenient banking everywhere at any time

Ziraat Bank's objective is to integrate increasingly more of its alternative delivery channels into its overall service delivery process. Large-scale and comprehensive projects being undertaken to accomplish this make a strong contribution to greater customer satisfaction while also reducing the bank's cost base.

The center of Turkey's biggest and most extensive branch network, Ziraat Bank also manages an alternative delivery channel network consisting of 1,902 ATM units. In 2006 the bank purchased 750 new ATM units, installed new units at 425 locations, and replaced units at 277 locations with more advanced models. The ATM network's software and functions were completely renewed. All of the new units are EMV-compliant.

A pioneer in interbank cooperation in the use of alternative delivery channels, Ziraat Bank collaborates with Halkbank, Vakıfbank, Denizbank, and Finansbank in ATM network sharing.

Ziraat Bank is focused on supplying uninterrupted and high-quality service to its retail customers via its alternative delivery channels. The center of Turkey's biggest and most extensive branch network, Ziraat Bank also manages an alternative delivery channel network consisting of 1,902 ATM units.

Continuously expanding internet banking

Another of the bank's alternative delivery channels is its internet branch located at www.ziraatbank.com.tr and serving customers with a rich selection of features.

The Ziraat Bank internet branch was given a makeover in 2006 while the number of customer service options was also increased. Last year:

- The Ziraat Bank corporate internet branch went into service.
- An investment transactions module was added and made operational 24 hours a day/7 days a week.
- Premium payment, check & promissory note, merchant partner, and group transfer menus were added.
- A one-time password feature was added.
- New security functions such as SMS validation, IP restriction, and transaction restrictions were introduced.

Work continues intensively on the Ziraat Bank telephone banking module, which has an important part in the bank's alternative delivery channel strategy. The services that the module will offer customers have been identified, process documentation has been approved, and the CTI system has been procured. The software for the telephone banking screens has been written and tested. The financial transactions menu of the interactive voice response (IVR) system is currently being tested.

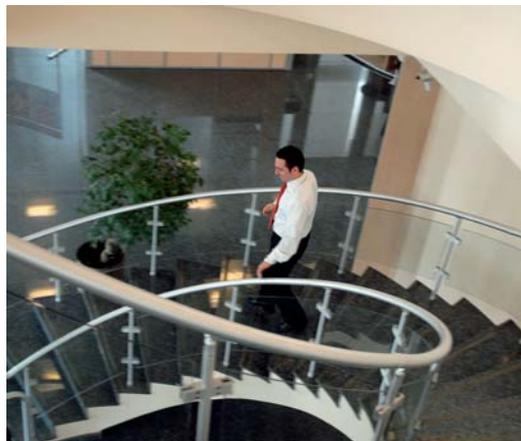
Developments in bank and credit cards

- Ziraat Bank has completed the conversion of its credit cards to chip-based models and PIN assignments have been made.
- Preparations have been completed to introduce a bonus point system for cards in line with the bank's strategy of providing cardholders with extra advantages. The possibilities of collaboration on this front are being explored.
- The number of Ziraat debit cards issued increased 1.7 million during 2006.
- Projects concerned with cards targeted at particular groups continued. Work was carried out on a contactless card to be used by producers for payments made by the Turkish Grain Board. 220 thousand Ziraat debit cards were issued for Turkish Grain Board accounts and the bank has also begun issuing the cards to commercial concerns.
- The number of the bank's merchant partners increased 39% to 12 thousand in 2006 while the number of merchant partners accepting installment payments was up 51% to 5 thousand.

Uninterrupted service for more customers

Ziraat Bank is focused on supplying uninterrupted and high-quality service to its customers via its alternative delivery channels.

The bank is undertaking a number of large-scale projects for this purpose and continues to develop the features of both its ATMs and its internet branch in line with customer demand and market trends.



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Effective management of the bank's balance sheet and of customers' assets

Ziraat Bank is the leading player in Turkey's money and capital markets.

During 2006 the bank again played an active role in all money and capital markets in order to manage its liquidity and the risks carried on its balance sheet in the best way possible, to determine interest rate and exchange rate policies, to provide effective centralized management to supply the funds needed by branches and to price investment vehicles, and to serve its customers at every point on the investment cycle.

The most important developments taking place in the bank's treasury operations last year are summarized below.

- Ziraat Bank takes part in Turkish Treasury auctions both for its own portfolio and mutual funds and on behalf of its customers. In 2006 the bank controlled a 12% share of the YTL primary market and a 44% of the FC primary market.
- As of end-2006, Ziraat Bank was the custodian of 7% of the Eurobonds owned by the non-banking segment and of 10% of the similarly owned YTL and foreign currency government borrowing instruments.
- During 2006 the spread between FX buying and selling rates narrowed substantially and traders began publishing much more competitive rates in order to attract business. As a result of this and also due to the heightened efficiency achieved in customer FX trading through the Fin@rt system, the volume of the bank's FX trading with its customers during the year increased 89% and reached USD 8.7 billion in value.
- Ziraat Bank became a member of the Turkish Derivatives Exchange (futures and options market) in 2006 and it plans to begin trading in derivatives in 2007.
- Ziraat Bank has acted as a market-maker for Turkish government borrowing instruments since its beginning in September 2002. This status continued in the fifth round that began in September 2006.
- Ziraat Bank took part in the auctioning of two Eurobond issues made by the Turkish Treasury as a co-manager along with a number of foreign banks.
- As a result of new additions made to the Fin@rt central banking infrastructure, it is now possible to provide customers with security trading and repo services 24 hours a day/7 days a week through internet branch.

- In line with the bank's goal of keeping track of the treasury operations of its international branches and subsidiaries and of its correspondents' funds management on a consolidated basis, in August 2006 all of the bank's international units (other than the Sofia and Tbilisi branches) began using the Fin@rt integrated web module for such purposes.

A more profitable structure

During 2006, Ziraat Bank gave special importance to the management of its securities portfolio in order to increase its profitability. As a result of this, there was a year-on rise in the amount of interest earned on the portfolio while efforts continued to be made to reduce the weight of instruments assigned to the bank's portfolio as "duty losses" by the Treasury.

A prestigious position in international banking

Ziraat Bank enjoys a prestigious position in the business of international banking thanks to its strong correspondent relationships and to its solid funding base.

The high degree of credibility that Ziraat Bank enjoys in the international arena finds expression in the high-volume credit limits that the world's premier banks and financial institutions assign to it. This in turn is the source of the bank's competitive edge and pricing ability when providing financing for its customers' big-ticket projects.

As of end-2006, Ziraat Bank was working with 746 correspondent banks located in 94 countries. This extensive correspondent bank network continues to grow in line with trends and developments in the global economy. When selecting correspondent banks to work with, Ziraat Bank gives priority to its customers' wishes.

A Turkish bank with a global reach

Ziraat Bank has the most extensive global presence of any Turkish bank with four branches (Lefkoşa, Girne, Gazimağusa, Güzelyurt) and an office (Paşaköy) in the Turkish Republic of Northern Cyprus; one branch each in New York, Sofia, and Tbilisi; a branch and sub-branch in both London and in Skopje; and representative offices in Kabul, Karachi, and Tehran.

Work is currently in progress to open another branch in Baghdad and it is expected that it will become operational in 2007. Continuing its strategy of further strengthening the bank's worldwide presence, Ziraat Bank also plans to open a branch in Jeddah and work is currently in progress on that front.

Ziraat Bank enjoys a prestigious position in the business of international banking thanks to its strong correspondent relationships and to its solid funding base.

Collaboration with export credit agencies

Ziraat Bank works with the export credit agencies (Hermes, COFACE, SERV, SACE, etc) of the world's leading exporter countries and has entered into agreements with a number of correspondent banks to negotiate the financing provided by such organizations.

The credit limit assigned to Ziraat Bank under the GSM program of the US Department of Agriculture's Commodity Credit Corporation in 2007 is USD 184 million. Ziraat Bank also continues to work with institutions such as US Ex-Im Bank and the Islamic Development Bank on an individual transaction basis.

trA+/trA-1 national scale ratings

In the Turkish national rating scale that Standard & Poor's launched in May 2006, Ziraat Bank was assigned trA+/trA-1 national scale ratings. In its published report, S&P referred to Ziraat Bank's strong performance during the last three years and noted that the bank ranked among the institutions that had benefited the most from the strong improvements taking place in the Turkish economy in recent years.

In a similar development, on 30 January 2007 Fitch Ratings raised Ziraat Bank's "D" individual credit rating to "C/D". According to Fitch, this increase reflected the bank's strong brand position in an improving operational environment, the growth in its main business lines, and its solid funding and capital base.

More effective service

Having successfully introduced its Fin@rt basic banking program throughout the bank in 2004, Ziraat Bank continued to work intensively in the area of information technology during 2006 in order to give this extensive service delivery platform a more effective and productive structure.

Among the countless projects undertaken under this heading, the ones that first come to mind are the consolidation of the bank's domestic and international treasury operations, a foreign trade imports module, a new customer-friendly transaction statement application, the consolidation of PTT accounts under a single customer number, enabling branch expenditure payments to be made online, a revision of the fees and commissions structure and the completion of identification information of accounts project.

Ziraat Bank will continue to integrate the latest technology into its business processes and to design high value added technological products and services in order to be closer to its customers and serve them in the best way possible.

The scale of our bank's operations

Ziraat Bank delivers uninterrupted 7/24 service to millions of customers located all over the country.

The extraordinary high transaction numbers and volumes that it has reached in different business lines are incontrovertible evidence of the unchallenged position of Ziraat Bank at the operational scale.

In 2006:

- More than 8 million outgoing messages moving YTL 623 billion in funds were sent through the EFT system while there were 5.4 million messages received from other banks totaling YTL 1,230 billion in value.
- Two million checks worth a total of YTL 8.8 billion drawn on Ziraat Bank were processed at the Clearing Center.
- Interest payments on the national compulsory savings program were made twice in 2006: YTL 1.2 billion to 4.2 million people and YTL 1.3 billion to 4.5 million people.
- YTL 4.7 billion in direct subsidy payments were made that involved 10.4 million transactions.
- As a result of loading centralization of the ATM network, 407 units at 193 branches were started to be loaded centrally.
- 354 thousand automated pass system devices were formatted and sent out to regional headquarters.
- The bank processed 1.4 million incoming international transfers worth a total of USD 15.2 billion and 170 thousand outgoing transfers worth USD 11.4 billion.

A Sense of Social Solidarity

A sense of Solidarity

A sense of social solidarity is the foundation of Ziraat Bank's contributions to culture, art, and sport.

In addition to operating a museum, cinema, and art galleries, Ziraat Bank also contributes towards social solidarity through a variety of projects that it supports.

In the conduct of these activities, Ziraat Bank's objective is to contribute whatever it can towards ensuring that our national values are passed on to future generations in their entirety.

The Ziraat Bank Art Collection: One of the richest collections of paintings in Turkey

Shortly after the establishment of the Republic of Turkey, Ziraat Bank began purchasing works by Turkish artists in order to foster the development of the art of painting in the country.

The foundations of the collection were laid in 1926 and today it provides a vast panorama of Turkish art from the 19th century to the present day. One of the richest and most comprehensive collections of its kind in the country, the Ziraat Bank Art Collection contains 1,997 original paintings in a variety of styles and genres.

This is a living collection, one that continues to grow through new acquisitions made from works exhibited at the bank's art galleries and through donations. In 2006, 90 works were added to the collection: 53 from the bank's galleries, 16 from the Presidential Collection, 7 from branches, and 14 as private or corporate donations.

Ziraat Bank Art Galleries: 64 exhibitions and more than 85 thousand visitors

Ziraat Bank has four art galleries (two in Ankara, one in İstanbul, and one in Safranbolu), an exhibition hall in Samsun, and a foyer exhibition space in Tandoğan in Ankara.



A sense of social solidarity is the foundation of Ziraat Bank's contributions to culture, art, and sport.

Artists' works are exhibited to visitors at these venues in shows that last for three weeks.

During 2006, 64 exhibitions were held and they were attended by more than 85 thousand people.

The Ziraat Bank Cinema: The only cinema in Turkey operated for public benefit

The auditorium of Ziraat Bank's Mithatpaşa Cultural Center is the only movie theater that is operated for public benefit. It is also used for theatrical performances as well.

During 2006, 30 selected newly released films were shown to nearly 100 thousand people for a total of 37 weeks.

The Ziraat Bank Museum: Turkey's first museum of banking

Founded on 20 November 1981 with the permission of the Ministry of Culture and Tourism, the Ziraat Bank Museum is a privately-owned museum that is subject to the oversight of the ministry's Directorate of War of Independence and Republic of Turkey Museums. It is also the first museum specializing in the history of banking in the country.

Located in the ceremonial hall of the bank's original headquarters building in the Ulus district of Ankara, the Ziraat Bank Museum offers a panoramic view of the commercial, economic, political, cultural, artistic, and educational transformations that the Turkish banking industry has undergone since the beginning down to the present day. On display in this historic setting are a host of objects and materials highlighting the progress and development of banking in Turkey.

Open to the public, the museum is also used for university drama workshops and is frequently visited by students on field trips. Some of the museum's objects are on permanent display at a Ziraat Bank stand located at the Atatürk Mausoleum.

Other activities

During 2006, Ziraat Bank sponsored a large number of publications and activities both in Turkey and abroad as part of its ongoing sponsorship and promotion program. These activities are carried out regularly to improve both the recognition and visibility of the bank's brand in national and international markets.



The Ziraat Bank International Service Network

Ziraat Bank is the world's most global Turkish bank.

Ziraat Bank engages in an ongoing effort to serve its customers wherever they may be or need to be. Service points located in 17 different countries ranging from Turkmenistan to Germany and from the USA to Pakistan support Turkish entrepreneurs in the international arena.

Ziraat Bank International AG

Active in the areas of corporate, commercial, and retail banking and with EUR 108 million in paid-in capital and more than EUR 150 million in shareholders' equity, Ziraat Bank International AG, stands in the front ranks of the Turkish-owned banks that are active in the European Union.

While cash and non-cash credit transactions related to financing foreign trade moving between Turkey and EU countries make up an important part of the bank's corporate and commercial banking services, Ziraat Bank International AG's branches in Berlin, Hamburg, Hanover, Duisburg, Cologne, Frankfurt, Stuttgart, and Munich are engaged primarily in retail banking.

In 2004, Ziraat Bank International AG acquired a 32% stake in Turkish Ziraat Bank Bosnia dd.

Turkish Ziraat Bank Bosnia dd

The first foreign bank to open its doors for business in Bosnia & Herzegovina, Turkish Ziraat Bank Bosnia dd provides corporate, commercial, and retail banking products and services to customers through branches located in Strossmayerova, Tuzla, Zenica, Ilica, Mostar, and Bihac and sub-branches/offices in fourteen locations.

As of end-2006, the bank had total assets worth USD 80 million and had posted a gross profit of USD 3 million. According to BiH Banke, a banking industry magazine published in Bosnia & Herzegovina, Turkish Ziraat Bank Bosnia dd ranked first in the country on the basis of its return on assets in both 2005 and 2006, for which performance it awarded the bank a gold plaque.



Ziraat Bank (Moscow) CJSC

Commencing operations in 1993, Ziraat Bank (Moscow) CJSC takes a customer-focused approach to service while meeting all of the banking needs of its Turkish and Russian customers. At end-2006 the bank had total assets worth USD 17.1 million.

Kazakhstan Ziraat International Bank

The first foreign-owned bank in Kazakhstan, Kazakhstan Ziraat International Bank commenced operations in that country in 1993 and provides service at international standards of quality with an approach that is fast, reliable, and customer-focused. Expanding its loan portfolio substantially in 2006, at year-end Kazakhstan Ziraat International Bank had USD 22 million in deposits, USD 20.8 million in shareholders' equity, USD 42.6 million in assets, and a net profit of USD 1.5 million.

Uzbekistan Turkish Bank

Uzbekistan Turkish Bank (UT-Bank) was founded in 1993 as a joint venture of Ziraat Bank and AT Pakhta Bank (Uzbekistan) in which each controls an equal stake. UT-Bank is licensed to perform all banking transactions. In 2006 the bank's total assets increased 44% while its loans were up 11% and its deposits 45% during the same twelve months. According to end-2006 figures, the bank's total assets were worth USD 28 million.

Turkmen Turkish Joint Stock Commercial Bank (TTJSC Bank)
TTJSC Bank is a joint venture of TDT Dayhanbank and Ziraat Bank in which each controls an equal stake. The bank provides the complete range of corporate, commercial, and retail banking products and services. According to end-2006 figures, the bank had USD 5 million in paid-in capital and total assets worth USD 14.3 million.

Azer Türk Bank Açık Şahimdar Cemiyeti (Azer-Türk Bank ASC)
Azer-Türk Bank is a joint venture of Ziraat Bank and Agrar Senaye Bank (Azerbaijan). In the three years to end-2006 the bank's assets increased nearly fivefold and reached USD 29.6 million in value.

Azer-Türk Bank's total assets increased 32.8% in 2006 while the growth in its loan portfolio was 71.8%. As of year-end it had a net profit of USD 1.5 million and a 5.1% return on assets and a 15.7% return on capital. Regarded as one of the best managers of assets in the Azerbaijan financial services industry, Azer-Türk Bank ranked first among the 46 banks active in the country from the standpoint of return on assets.



Ziraat Bank Subsidiaries in Turkey

Ziraat Bank offers its customers a rich array of financial products and services through the synergetic collaborations that it has developed with the members of the financial services group of which it is the leader. Similarly the strong relationships that the bank has developed with its subsidiaries in Turkey increases Ziraat Bank's cross-sale opportunities while also giving it access to a customer base that grows steadily larger year after year.

Ziraat Finansal Kiralama AŞ

Founded in 1991, Ziraat Leasing provides lease financing services for investments in agriculture as well as in manufacturing, construction, and health. As a result of active marketing activities in 2006 the company wrote USD 93 million worth of new leasing contracts. The company's paid-in capital is worth YTL 20 million. At end-2006 the company had YTL 187 million in assets and a net profit of YTL 11.7 million.

Ziraat Yatırım Menkul Değerler AŞ

Ziraat Yatırım Menkul Değerler is a brokerage house that supplies the investment banking products that make up an important part of Ziraat Bank's product line. Each of the bank's branches acts as an agent for the company and serves customers in that capacity. Ziraat Yatırım makes active use of alternative delivery channels in the conduct of its business from its internet branch at www.ziraatyatirim.com.tr and the Ziraat Bank call center on 444 0 000.

In 2006 the company handled YTL 3.9 billion worth of stock market transactions and YTL 22.3 billion in repo/reverse repo transactions undertaken both on and off the Istanbul Stock Exchange. The company's outright trading in bonds and bills last year was worth YTL 5.9 billion.

Ziraat Portföy Yönetimi AŞ

Ziraat Portföy Yönetimi is an asset management company that manages its clients' investment portfolios of capital market vehicles. With YTL 1.5 million in capitalization, the company manages the seven Ziraat Bank mutual funds and the five Başak Emeklilik private pension funds as well as a large number of corporate customers' portfolios. Total assets under the company's management as of end-2006 amounted to YTL 1,516 million, which ranked it in fifth place in its sector with a market share of 5.8%. The company booked a net profit of YTL 1,711 thousand in 2006.

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri AŞ

Bileşim is an information technology company that supplies alternative delivery channel and payment system services to Ziraat Bank, Halkbank, and Turkish Ziraat Bank Bosnia. Among the major projects completed by Bileşim that may be cited are the conversion to the new Turkish lira project and the automated toll system using prefilled and credit cards to pay tolls on bridges and highways. Bileşim was the first information technology service provider in Turkey to have been awarded Turkish Payment Card Industry certification.

Fintek Finansal Teknoloji Hizmetleri AŞ

A joint venture of Ziraat Bank and Halkbank, Fintek is a financial technology services company that provides both banks with IT services in the areas of infrastructure, support & operations, application development, and technical consulting. Fintek carried out the Fin@rt project that converted Ziraat Bank's distributed computer architecture to a centralized system.

Arap Türk Bankası AŞ

Arap Türk Bank was founded in 1977 as a joint venture of a number of Arab and Turkish financial institutions. The bank offers its customers the full range of banking products and services. According to end-2006 figures, the bank had YTL 41 million in paid-in capital, YTL 87 million in shareholders' equity, and YTL 372.8 million in total assets.

Management and Corporate Governance Practices

Ziraat Bank Board of Directors



Prof. Dr. İlhan Uludağ (1)

Chairman

(Mudanya, 1948.) İlhan Uludağ graduated from Anadolu University (Department of Economics) in 1969 and received her doctorate from the same school. She served as an associate professor of economic policy at Uludağ University (1987) and became a professor of banking at Marmara University in 1998. She has served as a faculty member at Marmara University, Uludağ University, London School of Economics, and Maryland University. She has published fourteen books and a large number of articles and papers in her areas of specialization. She received the Turkish Banking Association Award for her work entitled Competitiveness of the Turkish Banking System in Comparison to Banking in the European Union in 1993; the Marmara University Superior Service Award in 1994; and the Marmara University School and Institute of Banking and Insurance "Founding Manager" award in 2001. Prof. Dr. Uludağ speaks English. She has been a member of the Board of Directors since 2003 and became chairman in 2005.

Mehmet Mumcuoğlu (2)

Deputy Chairman

(Kayseri, 1952.) Mehmet Mumcuoğlu graduated from İstanbul University (Faculty of Business Administration) in 1974. He served in various positions such as inspector, assistant branch manager, head of the Board of Inspectors, and personnel manager at Akbank and Dışbank and as a manager and consultant in a number of private-sector concerns. Mr. Mumcuoğlu speaks English and German. He became a member of the Board of Directors in 2003.

Can Akin Çağlar (3)

General Manager and Member of the Board

(Sivas, 1962.) Can Akin Çağlar is a graduate of İstanbul University (Faculty of Economics) and completed the money and banking master's program at the same school. He also holds a master's degree in banking and finance from Boston University. In 1985 he became a certified bank auditor for the Treasury Undersecretariat, assistant general manager of Egebank in 1997, and subsequently general manager of Ege Yatırım Menkul Değerler, a brokerage house of the same bank. Beginning in 1998 he served as a general manager of a private finance institution. Mr. Çağlar speaks English. He has been a member of the Board of Directors and the bank's general manager since 2003.

Ahmet Candan (4)

Member of the Board

(Konya, 1963.) Ahmet Candan is a graduate of Ankara University Faculty of Political Sciences. Upon graduation he joined the Ministry of Finance as an assistant inspector. He subsequently served in management positions in private-sector concerns in Turkey and abroad and has published three works on economic and financial subjects. Mr. Candan became a member of the Board of Directors in 2006.

Osman Arıoğlu (5)

Member of the Board

(Sinop-Boyabat, 1959.) Osman Arıoğlu graduated from Ankara University (Faculty of Political Sciences, Department of Economics and Public Finance) in 1979. In 1980-1984 he served as an assistant tax inspector for the Ministry of Finance and as a tax inspector from 1984 to 1994. He did studies on municipal revenues in the UK in 1988-89 and then served as an assistant provincial finance director in İstanbul in 1989-1994 and as an assistant general director for the finance ministry's General Directorate of Revenues in 1994-2002. In 1997, he completed the Financial Programming and Structural Harmonization program organized jointly by the International Monetary Fund and the Islamic Development Bank. He was appointed deputy general director of the General Directorate of Revenues in November 2002. He is currently a member of the Board of Directors of the Fencing Federation. He has also served as a member of the Electric Survey Authority's audit committee and as a member of the Board of Directors of Güven Sigorta's subsidiary in Cyprus. He is a member of the Ankara University Political Sciences Faculty Alumni Association, the İstanbul Chamber of Certified Public Accountants, and the Association of Tax Inspectors. Mr. Arıoğlu speaks English. He has been a member of the Board of Directors since 2003.

Mehmet Emin Özcan (6)

Member of the Board and Audit Committee Member

(Beytüşşebap, 1960.) Mehmet Emin Özcan graduated from Ankara University (Faculty of Political Sciences, Department of Economics and Public Finance) in 1982. He began his career the same year as an assistant inspector at İşbank and subsequently served in management positions in the financial services industry. On 27 March 2003 he was elected to a seat on the board of directors of Halkbank and served as an executive director responsible for non-branch profit centers (treasury management, financial institutions and international banking, subsidiaries, international organization) at that bank. He also held seats concurrently on the boards of directors of Demir-Halk Bank Holland, Halk Yatırım, and Halk Leasing. He was appointed to a seat on the Ziraat Bank board of directors on 12 April 2005 and is presently a member of the Bank's audit committee. He also serves as chairman of the Board of Directors of the Islamic Development Bank Association of National Development Finance Institutions (ADFIMI) of which Ziraat Bank is a member. He holds seats on the boards of directors of banks in Azerbaijan, Uzbekistan and Turkmenistan and is chairman of Kazakhstan Ziraat Bank International Bank. Mr. Özcan speaks English.

Burhanettin Aktaş (7)

Member of the Board and Audit Committee Member

(Yıldızeli, 1965.) Burhanettin Aktaş graduated from Ankara University (Faculty of Political Sciences) in 1987. The same year he placed first in the Treasury Undersecretariat's comptrollers placement examination and after three years of professional training and experience he again placed first in the Treasury's written and oral proficiency examinations. He was appointed chief comptroller of the Treasury in 1998. He completed the master's program at Carnegie Mellon University (H. John Heinz III School of Public Policy and Management) in 2000 and served as deputy head of the Treasury Board of Comptrollers in 2001-2002. In November of the latter year he became a consultant to the minister of state responsible for the Treasury and on 19 August 2003 was made deputy assistant undersecretary of the Treasury. He currently services as an assistant undersecretary. Mr. Aktaş speaks English. He has been a member of the Board of Directors since 2003.

Member of the board Murat Ulus, resigned office on 31 October 2006.

Statutory Auditors

Süleyman Saygı (8)

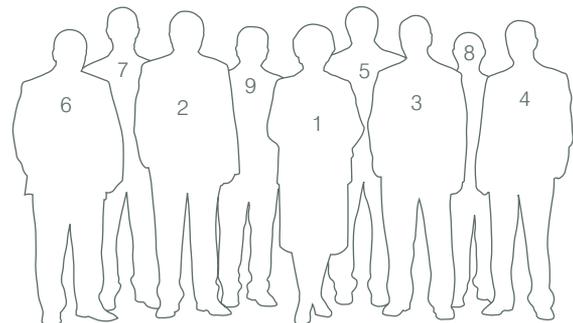
Statutory Auditor

(Konya, 1962.) Süleyman Saygı graduated from Ankara University (Faculty of Political Sciences) in 1985. He served as a member of the Ministry of Finance Board of Tax Inspectors and in various capacities in the private sector. Mr. Saygı speaks English. He has been a Ziraat Bank statutory auditor since 2003.

Abdullah Yalçın (9)

Statutory Auditor

(Konya, 1953.) Abdullah Yalçın graduated from Ankara Academy of Economic and Commercial Sciences in 1977. His career began in 1975 at Etibank in its headquarters department of accounting and financial affairs. He later served at the Central Bank of the Republic of Turkey and in positions such as inspector, manager, and branch manager at Vakıfbank. After retiring from that bank, he worked as a manager in the private sector for a time. Mr. Yalçın has been a Ziraat Bank statutory auditor since 2003.



Management and Corporate Governance Practices

Ziraat Bank Senior Management



Can Akın Çağlar (1)
General Manager and Member of the Board

Senih Boyacıgil (2)
Assistant General Manager for Corporate Banking
(Ankara, 1958.) Senih Boyacıgil is a graduate of Ankara Academy of Economic and Commercial Sciences (Department of Business Administration) and holds a master's degree from the same school. He joined Ziraat Bank in 1981 and has served as an inspector, assistant manager, branch manager, and department head. He was appointed an assistant general manager in 2001.

Aysun Yoltar (3)
Assistant General Manager for Foreign Relations and Subsidiaries
(Ankara, 1964.) Aysun Yoltar is a graduate of Middle East Technical University (Faculty of Administrative Sciences, Department of Business Administration). After serving in various positions in an auditing firm and as an assistant general manager for a privately-owned bank, she became an assistant general manager at Ziraat Bank in 2001. Ms Yoltar speaks English.

Muzaffer Şahin (4)
Assistant General Manager for Loans and Non-Performing Loans
(Çerkeş, 1960.) Muzaffer Şahin is a graduate of Gazi University (Faculty of Economic and Administrative Sciences, Department of Business Administration) and holds a master's degree in business administration from the same school and a doctorate in business administration from İstanbul University (Institute of Social Sciences). Having served in many positions at Ziraat Bank, Mr. Şahin became an assistant general manager in 2001.

Cem Özşen (5)
Assistant General Manager for Treasury
(Ankara, 1969.) Cem Özşen is a graduate of Ankara University (Faculty of Political Sciences, Department of Business Administration) and holds a master's degree in business administration from Bentley College. After serving in various positions in the private sector, the Treasury Undersecretariat, and Ziraat Bank, he became an assistant general manager of the bank in 2002. Mr. Özşen speaks English.

Emin Çubukçı (6)
Assistant General Manager for Human Resources
(Havza, 1959.) Emin Çubukçı is a graduate of Uludağ University (Faculty of Economic and Administrative Sciences, Department of Econometrics). He joined Ziraat Bank in 1988 as a member of the Board of Inspectors and has served as an assistant inspector, inspector, assistant manager, and branch manager. Mr. Çubukçı was appointed an assistant general manager in 2003.

Hüsamettin Gülhan (7)
Assistant General Manager for Agricultural Banking
(Burdur, 1961.) Hüsamettin Gülhan is a graduate of Çukurova University (Faculty of Economic and Administrative Sciences). He joined Ziraat Bank in 1984 as an assistant inspector and has served as inspector, assistant manager, branch manager, and regional manager both in Turkey and abroad. Mr. Gülhan became an assistant general manager in 2005.

Bülent Yalım (8)
Assistant General Manager for Banking Operations
(Niğde, 1964.) Bülent Yalım is a graduate of Ankara University (Faculty of Political Sciences). He joined Ziraat Bank in 1987 and has served as assistant inspector, inspector, assistant manager, branch manager, and department head. Mr. Yalım became an assistant general manager in 2005.

Recep Türkay (9)
Assistant General Manager for Support Services
(Sivas-Aciyurt, 1964.) Recep Türkay is a graduate of Karadeniz University (Faculty of Economic and Administrative Sciences, Department of Business Administration). He joined Ziraat Bank in 1987 as an assistant inspector and has served as an inspector, assistant manager, branch manager, and regional manager. Mr. Türkay became an assistant general manager in 2005.

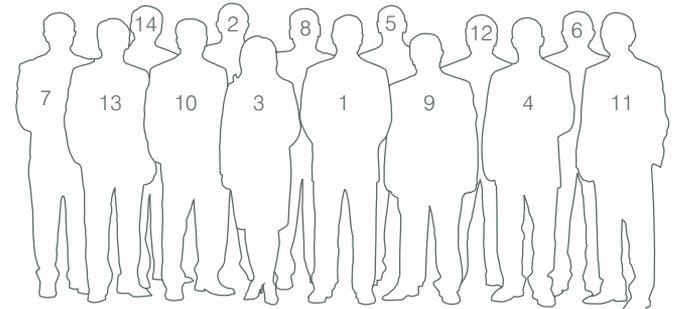
Selim Güray Çelik (10)
Assistant General Manager for General Accounting and Strategic and Financial Management
(Erciş, 1971.) Selim Güray Çelik is a graduate of Ankara University (Faculty of Political Sciences, Department of Business Administration) and holds a master's degree from the University of Illinois. He served as an assistant auditor, auditor, and chief auditor at the Treasury Undersecretariat and then a department head at the Banking Regulation and Supervision Agency. He became an assistant general manager in 2005. Mr. Çelik speaks English.

A. Mesut Güraylı (11)
Assistant General Manager for Retail Banking
(Ankara, 1955.) A. Mesut Güraylı is a graduate of Ankara University (Faculty of Political Sciences, Department of Business Administration). He began his career at the Treasury Undersecretariat as a certified bank auditor and served in senior management positions in the banking industry before joining Ziraat Bank in March 2006 as an assistant general manager. Mr. Güraylı speaks English.

Mustafa Şahin (12)
Head of the Board of Inspectors
(Ünye, 1966.) Mustafa Şahin is a graduate of İstanbul University (Faculty of Political Sciences). He became a member of the Board of Inspectors in 1991 and has served as an inspector, assistant manager, branch manager, and regional manager and also as a department head in 2003-2006. Mr. Şahin has been head of the Board of Inspectors since December 2006.

Yusuf Bilmiz (13)
Internal Control Group Head
(Tortum, 1953.) Yusuf Bilmiz is a graduate of Hacettepe University (Department of Business Administration). He began his career at Ziraat Bank in 1983 as an assistant inspector and has served as an inspector, assistant manager, and branch manager and as an assistant general manager in 2003-2006. Mr. Bilmiz has been head of the Internal Control Group since December 2006.

Turgay Geçer (14)
Risk Management Group Head
(Samsun, 1970.) Turgay Geçer is a graduate of İstanbul University (Faculty of Business Administration) and holds a master's degree and doctorate from Marmara University (Institute of Banking and Insurance). After serving in various capacities in the private sector he joined Ziraat Bank as an assistant general manager in 2005 and has been head of the Risk Management Group since December 2006. Mr. Geçer speaks English.



BOARD OF DIRECTORS AND AUDIT COMMITTEE MEETINGS HELD DURING THE REPORTING PERIOD AND THE ATTENDANCE IN THEM

Board of Directors

The Board of Directors meets regularly at least once a month and convenes upon a summons by the chairman, the deputy chairman, or any member. The board met 29 times during 2006 and passed 395 resolutions.

Audit Committee

An audit committee has been constituted as per article 24 of the Banks Act (Statute 5411) by the Board of Directors resolution 25/324 dated 31 October 2006. However this committee did not meet during 2006 because its working principles and procedures had not yet been set out.

ACTIVITIES OF THE CREDIT COMMITTEE AND OF COMMITTEES THAT HAVE BEEN SET UP SUBJECT TO THE BOARD OF DIRECTORS OR TO ASSIST IT AS PER THE “REGULATIONS CONCERNING THE INTERNAL AUDIT OF BANKS AND THEIR RISK MANAGEMENT SYSTEMS”

Credit Committee

As required by the bank’s “Regulation of Management Bodies”, the Credit Committee engages in such activities as examining credit risk strategies and lending policies on a regular basis and, based on the results of such examinations, making recommendations to the Board of Directors concerning changes that need to be made in policies and strategies; taking proposed lendings under consideration if they are in compliance with the Banks Act and relevant legislation; approving those that fall within its authority and presenting those which exceed that authority and which it regards as favorable to the Board of Directors with its favorable opinion; assessing credit-related regulations and presenting those that it regards as suitable to the Board of Directors for its approval; coming to decisions related to lending proposals on such credit restructuring issues as new allocations, term extensions, increases, changes in conditions, and interest reductions. The Credit Committee met 25 times during 2006 and took 266 decisions.

Chairman

Can Akın Çağlar, General Manager and Member of the Board

Members

Ahmet Candan, Member of the Board

Mehmet Mumcuoğlu, Deputy Chairman

Senior Risk Committee

A senior risk committee has been constituted to formulate and develop any and all manner of risk management policies and strategies that will mitigate the impact that the risks the bank assumes will have on the bank’s financial structure.

Chairman

Mehmet Emin Özcan, Member of the Board and Audit Committee Member

Members

Can Akın Çağlar, General Manager and Member of the Board

Emin Çubukcı, Assistant General Manager

Turgay Geçer, Risk Management Group Head

ACTIVITIES OF THE CREDIT COMMITTEE AND OF COMMITTEES THAT HAVE BEEN SET UP SUBJECT TO THE BOARD OF DIRECTORS OR TO ASSIST IT AS PER THE “REGULATIONS CONCERNING THE INTERNAL AUDIT OF BANKS AND THEIR RISK MANAGEMENT SYSTEMS”

Bank Risk Committee

A bank risk committee has been constituted to ensure that action is taken in accordance with the risk management policies and strategies formulated by the Senior Risk Committee and to assess bank-assumed risks.

Chairman

Turgay Geçer, Risk Management Group Head

Members

Mustafa Şahin, Board of Inspectors Head

Ali Toker, Department of Internal Control Head

M. Aylin Ertem, Department of Risk Management Head

Operational Risks Committee

An operational risks committee has been constituted to determine and evaluate the activities of the Risk Management and Internal Audit Group and to make recommendations concerning the formulation of policies and strategies needed to mitigate the adverse impact that the operational risks to which the bank is exposed have on its financial structure.

Chairman

M. Aylin Ertem, Department of Risk Management Head

Members

Mustafa Şahin, Board of Inspectors Head

Ali Toker, Department of Internal Control Head

BOARD OF DIRECTORS REPORT

Ziraat Bank in 2006

In 2006 T.C. Ziraat Bankası once again defended its superior position as the bank possessing the most extensive service network in the sector with 1,137 branches, 70 special transaction centers, and 28 offices in Turkey and with 9 foreign branches, 9 subsidiaries, and 3 representative offices in 17 other countries. Ziraat Bank's 20,684 personnel represent 14% of the sector's employment while the number of its branches makes up 16% of the sector's total. Ziraat Bank has a presence in 449 counties and townships in Turkey that are served by no other bank.

In addition to its four branches and an office in the Turkish Republic of Northern Cyprus; Ziraat Bank also has branches in London, New York, Skopje, Sofia, and Tbilisi; representative offices in Kabul, Karachi, and Tehran; and international subsidiary banks in Azerbaijan, Bosnia & Herzegovina, France, Germany, Kazakhstan, Russia, Turkmenistan, and Uzbekistan. All together they give Ziraat Bank a presence at 46 locations in 17 countries and the most extensive reach of any Turkish bank in the world.

In 2006 Ziraat Bank adhered to a strategy based on sound growth and profitability rather than rapid expansion. As a result, the bank's total assets were up 12% year-on to YTL 72 billion and represented approximately 14% of the sector's total. The bank controlled sectoral shares of over 7% in loans and 18% in deposits. The bank's pretax profit last year amounted to YTL 2.7 billion while its net profit after setting aside YTL 620 million as a tax provision was YTL 2.1 billion.

The progress made in the business of lending by Ziraat Bank in the last three years continued in 2006. Total loans were up 27% and reached YTL 17.4 billion as of year-end.

Ziraat Bank continues to support the agricultural sector without interruption. The bank's agricultural loans were up 63% in 2006 and topped YTL 3.5 billion at year-end. Ziraat Bank's lending in this category accounted for a 6.4% share of the country's agricultural added value last year.

In commercial lending, Ziraat Bank has identified small to medium-sized enterprises as its primary target. Loans made to firms in this category increased 101% year-on in 2006 and reached YTL 1.5 billion.

Retail loans, which account for a large part of our bank's portfolio, increased 57% last year and reached YTL 7.6 billion while also increasing the bank's sectoral share of such lending from 10% to 11%.

The year-on rise in house-finance loans was up 105% and reached YTL 2.8 billion, bringing the bank's share of the sector total to 12%.

Ziraat Bank has designed a large number of specialized lending programs that successfully meet the needs of different segments of society for individual financing. The year-to-year increase in general-purpose loans was 46% in 2006 and the bank's share of the sector total rose to 26%.

Thanks to sound lending policies and to watchful credit-monitoring practices, the rise in non-performing loans was less than 2% even though total lending was up 27% year-on. The ratio of NPL to total lending in 2006 was only 1.9%, a figure that is well below the sector average.

BOARD OF DIRECTORS REPORT

Ziraat Bank once again remained the leader of its sector in deposits. The deposits held by the bank make up about one-fifth of all deposits available to the entire sector and they rose 14% year-on in 2006 to reach YTL 59.7 billion.

Having posted the highest profits of any bank in Turkey in both 2004 and 2005, Ziraat Bank repeated that performance in 2006 by announcing a net profit in the amount of YTL 2.1 billion.

As a result of effective asset/liability management, the bank's return on assets reached 3.1% in 2006 while its 33.9% return on equity was well above the sector's average. In The Banker magazine's ranking based on 2005 figures, Ziraat Bank was Western Europe's most profitable bank and it stood ninth among banks worldwide.

Conclusion

Having posted the highest profits of any single bank in the history of the Turkish banking sector and on its own generated a third of the entire sector's net profit in 2005, Ziraat Bank once again was the sector's leader with the net profit of YTL 2.1 billion that it secured in 2006.

Ziraat Bank's goal in 2006 was to be more productive and more profitable than ever and thanks to its successful strategies it did exactly that. In the period ahead our bank will continue to be a symbol of reliability and the keystone of its sector while increasing both productivity and service quality.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.



Can Akın Çağlar
General Manager



Prof. Dr. İlhan Uludağ
Chairman of the Board of Directors

HUMAN RESOURCES PRACTICES

Ziraat Bank has adopted a modern human resources management system that is in keeping with its transformation strategy within the framework of the ongoing restructuring of the bank; is in line with the transparency, participatory, and productivity principles of its strategic vision; and will enable it to accomplish its mission. As the most important element making a difference in a competitive environment, the bank's human resources are its most important capital.

Ziraat Bank's objective is to be the bank that the best people in the sector prefer as an employer and want to work for. To this end, it is the bank's principle to train its own management personnel itself. Newcomers are recruited into the positions of assistant inspector, Banking School assistant specialist, and assistant internal controller, which are the beginnings of career paths leading to management positions. In addition to recruiting to these positions, which require specialized qualifications, in the first half of 2006 Ziraat Bank began recruiting personnel into assistant service officer positions that will be carrying out basic operations in order to handle the increasing workload resulting from the net reduction in work force that is taking place as part of the bank's restructuring process.

In recruiting personnel into assistant service officer positions, attention is given to choosing university graduates who are computer-literate, young, and dynamic; can be team players; and possess effective communication skills and the ability to think analytically.

Those who received at least 70 points in the 2004-2005 Civil Servant Selection Exam conducted by the Student Selection and Placement Center were invited by the bank to take part in interviews starting from the highest ranking individuals in each category. Recruitment and hiring procedures were completed for those who were successful in their interviews.

Advancements to higher job positions at the bank are based on objective criteria in line with the principles of its personnel career paths. In order for an employee to be promoted, there must be a position vacancy. In addition, in order to be promoted the employee must have completed the minimum service period required of his existing position, must have received at least a "good" performance rating, must have successfully completed the course(s) and/or seminar(s) required of the new position, must possess the competencies required of the new position, and must successfully pass a promotion exam and interview.

Promotion exams are held at regular intervals every year. Successful employees who receive scores in the promotion exams and interviews above specified thresholds will be promoted to a higher position in line with their scores and preferences and depending on normal staffing requirements.

In the case of job positions that are not subject to the examination process, promotions are made in line with the principles set forth in the bank's human resources regulations and based on length of service in the current job position and the existence of position vacancies.

RELATED PARTY TRANSACTIONS

As per article 49 of the Banks Act (Statute 5411) and because its capital belongs entirely to the Turkish Treasury, the risk group of which Ziraat Bank is a member consists of itself and the companies that it controls either directly or indirectly.

Relations between the bank and the members of the risk group in which it controls a stake are banking transactions conducted in compliance with the Banks Act within the framework of normal bank-customer relationships and consist primarily of borrowing and lending and of accepting and giving deposits.

Details of the amounts and reasons for the transactions that Ziraat Bank engaged in with members of its own risk group in 2006 are presented in footnote VII of section five of the year's non-consolidated financial report that is included in the 2006 annual report.

ACTIVITIES FOR WHICH SUPPORT SERVICES ARE OUTSOURCED IN ACCORDANCE WITH THE “REGULATIONS CONCERNING THE OUTSOURCING OF SUPPORT SERVICES BY BANKS AND THE AUTHORIZATION OF ORGANIZATIONS PROVIDING SUCH SERVICES” AND THE PERSONS AND ORGANIZATIONS FROM WHICH THEY ARE OBTAINED

1. Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.

Bileşim is an information technology company that supplies alternative delivery channel and payment system services to Ziraat Bank. It was originally founded in 1998 as “Ziraat Kart İşlemleri AŞ” and was reorganized with a new partnership structure and its current name in 2002.

The alternative delivery channel and payment system services and operations that Bileşim provides are concerned with Ziraat Bank’s credit cards, debit cards, ATMs, merchant partners (POS), and call center. As of end-2006, it was delivering service to more than 1 million credit cards and 10.6 million debit cards on Ziraat Bank’s behalf and managing the operations of 13 thousand POS and 1,902 ATM terminals. It also provides support services on information and screen use concerning the bank’s products and services through the Branch Support Hotline as well as through the Customer Communication Center on 444 00 00.

2. Fintek Finansal Teknoloji Hizmetleri A.Ş.

Fintek was set up in 2001 to provide information technology services to Ziraat Bank and Halkbank. Fintek employs nearly 400 people at its Ankara and İstanbul offices in the conduct of its services.

Fintek provides application development services on a variety of platforms as well as systems operation and management services, operational services, communication network and infrastructure installation services, project management services, and consultancy services.

FINANCIAL INFORMATION AND RISK MANAGEMENT

STATUTORY AUDITORS' REPORT

T.C. Ziraat Bankası A.Ş.

Statutory Auditors' Report

To the General Assembly of T.C. Ziraat Bankası A.Ş.

We have examined the accounts and transactions of T.C. Ziraat Bankası A.Ş. for the period 1 January 2006 to 31 December 2006 for compliance with the bank's articles of incorporation, the Banks Act, the Turkish Commercial Code, and other laws, regulations, and administrative provisions as well as with Banking Regulation and Supervision Agency regulations. On that basis:

1. It was observed that the books and records of account that must be maintained pursuant to the Turkish Commercial Code, the Banks Act, and other laws, regulations, and administrative provisions were duly maintained as required by law and that records and substantiating documentation were kept in regular order.
2. It was ascertained that the balance sheet dated 31 December 2006 and the 2006 profit & loss statement appended to the Ziraat Bank Board of Directors report and the statements made in that report conform to the books of account.
3. It was observed that decisions concerning the bank's management were duly entered into the Resolution Book.

In our opinion therefore, the enclosed independently audited balance sheet dated 31 December 2006 and the profit & loss statement for 2006, the contents of which we endorse, accurately reflect the true financial standing of the bank and the true results of its activities for that year.

We therefore recommend that the balance sheet dated 31 December 2006 and the profit & loss statement for 2006 be approved and that the Board of Directors be acquitted of their fiduciary responsibilities.

Ankara, 26 March 2007

Statutory Auditors



Abdullah Yalçın



Süleyman Saygı

AUDIT COMMITTEE'S ASSESSMENT OF THE OPERATION OF THE INTERNAL AUDIT, INTERNAL CONTROL, AND RISK MANAGEMENT SYSTEMS

Operation of the internal audit system

Periodically or based on risk, the Board of Inspectors examines and audits all of the bank's activities and branch and head office departments everywhere within the bank whether in Turkey and abroad and subject to no limitations whatsoever; provides senior management with assurances that the bank's activities are being conducted in accordance with the requirements of laws, regulations, and administrative provisions and in line with the bank's own strategies, policies, principles, and objectives and that its internal control and risk management systems are functioning effectively and adequately; and makes recommendations to senior management concerning the prevention of any repetition of shortcomings, errors, or instances of malfeasance that may be discovered and concerning the effective and productive use of the bank's resources.

To this end during 2006 the Board of Inspectors and its staff of 182 inspectors and assistant inspectors audited a large part of the bank's headquarters units and national and international branches and subsidiaries. In addition, audits were also conducted to determine the effectiveness of internal control and risk management processes by giving priority to transactions that were at risk or likely would be at risk. Efforts were made to correct any shortcomings identified in the course of these audits and to undo any losses the bank had incurred or might incur on account of negligence or wrongdoing on the part of personnel and reports were drawn up concerning administrative, financial, and/or criminal responsibility.

Work continued on a project launched within the Board of Inspectors to reduce onsite inspection times and increase the effectiveness of the checks that are made by means of centralized auditing techniques. As a result of data analyses, assessments, and interpretations made in this way, there was significant success in heading off possible risks and discovering instances of malfeasance.

Reports are composed so as to inform senior management about the compliance of every unit or activity with the requirements of laws, regulations, and administrative provisions and with the bank's own policies and practices; about the effectiveness of business processes and internal controls; and about corrective action that is thought to be necessary. The units that are selected for inclusion in the board's inspection programs are chosen on the basis of the size of their assets, their performing and non-performing loan volumes, their deposit and customer numbers, and their levels of risk exposure.

As required by the "Regulations concerning the internal audit of banks and their risk management systems", in 2007 the bank's goal will be to create a more effective internal audit infrastructure by taking into account the risks to which the bank is exposed and their controls when making risk assessments in order to determine the areas to which priority will be given when auditing as well as the issues to be given attention and the frequency of inspections; by inspecting areas that are identified as being riskier on the basis of such assessments; and by achieving compliance with international standards in all auditing activities, including the auditing of data processing systems.

Great importance is given to professional training activities related to national and international banking as well as auditing issues so as to ensure that the members of the Board of Inspectors are able to carry out their inspection duties more capably and effectively and to train competent management personnel to meet the bank's needs.

In the period ahead the Board of Inspectors will continue its activities of preparing and implementing a risk-based internal audit plan; executing it through its working programs; reporting the results to the internal audit unit, the Audit Committee, and the Board of Directors through the Audit Committee; and monitoring the measures taken by units within the framework of its inspection

AUDIT COMMITTEE'S ASSESSMENT OF THE OPERATION OF THE INTERNAL AUDIT, INTERNAL CONTROL, AND RISK MANAGEMENT SYSTEMS

reports with the same high sense of responsibility and duty that it has always had. Our vision is to add value to the bank by means of a modern approach to auditing that amalgamates principles that have been filtered through more than 140 years of experience, modern international auditing principles, and the opportunities made possible by advanced technology today and in doing so to ensure the satisfaction of our employees, our business partners, and our customers while leading the way in change and innovation.

Operation of the internal control system

Internal control functions at the bank are carried out in line with the most recent laws, regulations, and administrative provisions put into effect by the authorities concerned and with a risk-focused control approach that encompasses all activities.

The bank's internal control system is structured so as to cover all of the bank's activities with the objectives of ensuring that the bank's assets are protected; that its activities are conducted in an effective and productive way and in accordance with the Banks Act and relevant laws, regulations, and administrative provisions, the bank's own policies and rules, and established banking practices; and that its accounting and financial reporting system is reliable and consist and that it supplies information in a timely manner.

Using programs prepared in line with the overall objective of the centralized monitoring of all the bank's operations and the risks inherent in them, branch allocations and scales, and the qualifications and deployment of human resources, as of year-end 2006 all of the activities and operations of the banks' 28 head office departments, 24 regional departments, 1,137 branches, 70 special transaction centers, 28 offices, and 9 international branches were being check centrally and onsite by 321 internal control personnel.

Internal control activities are undertaken making maximum use of the opportunities offered by information technologies today and particular attention is given to matters that are likely to be fraught with a high level of risk. The results of internal control activities are reported as quickly as possible and action is taken as required. Results are also consolidated according to category and are reported to the appropriate units at quarterly intervals for their attention and action.

Employees' internal control knowledge and productivity is increased by means of on-the-job training activities to which attention is given taking into account changes that occur in the bank's needs. Changes are also made in the internal control reporting system and its content on the basis of the knowledge and experience that is built up over time through centralized internal control activities as part of the bank's effort to take a proactive approach to internal control functions.

Operation of the risk management system

The fundamental approach to the risk management activities carried out at Ziraat Bank is to achieve the best possible practices in risk management functions by inculcating a culture of risk-awareness throughout the bank and by continuously improving both the system and the bank's human resources. Maximum attention is given to ensuring that the risk management activities that take place are conducted with the coordinated participation of all units that are involved in every activity associated with each category of risk.

AUDIT COMMITTEE'S ASSESSMENT OF THE OPERATION OF THE INTERNAL AUDIT, INTERNAL CONTROL, AND RISK MANAGEMENT SYSTEMS

The activities of the Risk Management Department are conducted under the separating headings of market risk, credit risk, liquidity risk, structural interest rate risk, and operational risk with the ultimate objective of achieving full compliance with the Basel II criteria that are the reflections of best practices. The basic functions of risk management activities at the bank are summarized below.

Under the heading of Basel II activities, Ziraat Bank is taking part in the "Qualitative Impact Study" (QIS-TR2), whose objective is to analyze the effects that the Basel II rules will have on banks' capital requirements when they go into force. Ziraat Bank is providing consultancy services to designated banks under the coordination of the Banking Regulation and Supervision Agency.

Under the heading of credit risk, the dimensions of the loan portfolio are closely monitored and regularly reported to those concerned.

Under the heading of operational risk, operational risks are defined and analyzed, their points of concentration are identified, and findings are reported so as to take measures to mitigate them. In addition, recommendations are developed to reduce operational risk exposures and these are passed on to the units concerned. Use is made of risk indicators and self-evaluation in activities aimed at determining the operational risk levels of branches and headquarters units.

The bank at present is focusing on infrastructure and intensive R&D activities aimed at making it possible to use advanced measurement methods to determine both operational risk and credit risk.

Under the heading of market risk, activities at this time are concentrated on measurement, follow-up, stress tests, and scenario analyses. In addition, the bank's exposure to liquidity risk and structural interest rate risk is revealed by means of detailed analyses and advanced measurement methods.

The basic objective in all risk categories is to make the output of risk management activities a fundamental element of all of the bank's strategic decision-making processes. The activities that we have been carrying out in line with that goal will continue without letup.



Burhanettin AKTAŞ
Audit Committee Member



Mehmet Emin ÖZCAN
Audit Committee Member

Deloitte.

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To the Board of Directors of
T.C. Ziraat Bankası A.Ş.
Ankara

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

INDEPENDENT AUDITORS' REPORT FOR THE PERIOD JANUARY 1 – DECEMBER 31, 2006

We have been appointed to audit the accompanying balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (the "Bank") as at December 31, 2006, and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the regulation on "Procedures And Principles Regarding The Accounting Practices And Documentation of Banks" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

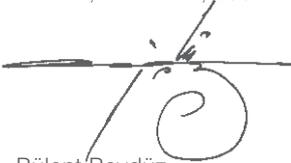
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We planned and performed our audit to obtain reasonable assurance whether these consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per Article 37 of the Banking Act No: 5411 and other regulations, pronouncements in respect of accounting and financial reporting made by the BRSA.

DRT BAĞIMSIZ DENETİM VE
SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU

Ankara, March 14, 2007



Bülent Beydüz
Partner

Additional paragraph for the English translation:

The accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices accepted in countries and jurisdictions other than those in Turkey. The standard procedures and practices to audit the accompanying financial statements are those accepted and approved in Turkey.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

THE UNCONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2006

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 Address: zbmail@ziraatbank.com.tr

The unconsolidated financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on "Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures" consists of the sections listed below:

- Section One : GENERAL INFORMATION ABOUT THE BANK
- Section Two : UNCONSOLIDATED FINANCIAL STATEMENTS
- Section Three : EXPLANATIONS ON ACCOUNTING POLICIES
- Section Four : NOTES TO THE UNCONSOLIDATED FINANCIAL STRUCTURE OF THE BANK
- Section Five : EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- Section Six : OTHER EXPLANATIONS AND DISCLOSURES
- Section Seven : EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures are prepared in thousand of the New Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on "Banks' Accounting Practice and Maintaining Documents", Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Prof. Dr. İlhan ULUDAĞ
Chairman of the
Board of Directors

Mehmet Emin ÖZCAN
Member of the
Audit Committee

Burhanettin AKTAŞ
Member of the
Audit Committee

Can Akın ÇAĞLAR
General Manager

Selim Güray ÇELİK
Vice-General Manager
Responsible for
Financial Reporting

Erdoğan VAROL
General Accounting
Department Head

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

Name/Title : Recep Berktaş/ Manager
Tel No : 0312 584 70 91
Fax No : 0312 584 71 50

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2006**

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

SECTION I: GENERAL INFORMATION**I. ESTABLISHMENT DATE OF THE BANK, INITIAL ARTICLES OF ASSOCIATION, THE HISTORY OF BANK INCLUDING THE CHANGES OF THESE ARTICLES**

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. is based on Homeland Funds established in 1863. In 1883, Homeland 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 Turkish Treasury.

II. CAPITAL STRUCTURE OF THE BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT MANAGEMENT AND CONTROL OF THE BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE BANK

The unique single shareholder of the Bank is the Turkish Treasury.

III. QUALIFICATIONS OF THE BANK'S BOARD OF DIRECTORS, AND AUDIT MEMBERS AND GENERAL MANAGER AND VICE PRESIDENTS AND THE CHANGES IF ANY, DISCLOSURES OF OWNERSHIP STRUCTURE

Title and Name	Administrative Function	Education	Starting Date
Chairman of the Board of Directors			
Prof. Dr. İlhan ULUDAĞ	Chairman	Professor	13.04.2005
Members of the Board of Directors			
Mehmet MUMCUOĞLU	Deputy Chairman	Bachelor Degree	06.07.2005
Can Akın ÇAĞLAR	Board Member and General Manager	Master Degree	28.03.2003
Mehmet Emin ÖZCAN	Member	Bachelor Degree	13.04.2005
Ahmet CANDAN	Member	Bachelor Degree	06.11.2006
Osman ARIOĞLU	Member	Bachelor Degree	04.12.2003
Burhanettin AKTAŞ	Member	Master Degree	06.07.2005
Assistant General Managers			
Aysun YOLTAR	Foreign Relations and Participations	Bachelor Degree	24.09.2001
Ahmet Mesut GÜRAYLI	Retail Banking	Bachelor Degree	27.03.2006
Bülent YALIM	Banking Operations	Bachelor Degree	17.06.2005
Cem ÖZŞEN	Fund Management	Master Degree	13.03.2002
Dr. Muzaffer ŞAHİN	Loans and Overdue Loans	Doctorate	15.08.2001
Emin ÇUBIKCI	Human Resources	Bachelor Degree	11.07.2003
Hüsamettin GÜLHAN	Agricultural Banking	Bachelor Degree	17.06.2005
Recep TÜRKAY	Support Services	Bachelor Degree	17.06.2005
Selim Güray ÇELİK	General Accounting, Strategic and Financial Management	Master Degree	17.06.2005
Senih BOYACIGİL	Corporate Banking	Master Degree	01.08.2001
Members of the Audit Committee			
Mehmet Emin ÖZCAN	Member	Bachelor Degree	31.10.2006
Burhanettin AKTAŞ	Member	Master Degree	31.10.2006

The directors above-mentioned do not retain any shares of capital.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2006**

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

IV. DISCLOSURES REGARDING THE ENTITIES AND ESTABLISHMENTS THAT RETAIN QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

Name/Trade Name	Amount of Share	Percentage of Share	Paid-in Shares	Unpaid Shares
Turkish Treasury	2,500,000	100	2,221,978	278,022

The unique single shareholder of the Bank is the Turkish Treasury.

V. SUMMARY ON THE BANK'S FUNCTIONS AND LINES OF ACTIVITY

The purpose of activity of the Bank is stated in articles of association as to perform all kind 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, 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 associations 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, 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.

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

I. BALANCE SHEET

II. STATEMENT OF OFF BALANCE SHEET

III. INCOME STATEMENT

IV. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

V. CASH FLOW STATEMENT

VI. PROFIT DISTRIBUTION TABLE

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

ASSETS	Note Ref	THOUSANDS OF YTL					
		Audited CURRENT PERIOD (31.12.2006)			Audited PRIOR PERIOD (31.12.2005)		
		YTL	FC	Total	YTL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	3,702,489	1,454,873	5,157,362	2,714,605	1,112,843	3,827,448
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	1,902,866	631,818	2,534,684	415,521	594,227	1,009,748
2.1 Trading Financial Assets		1,902,866	631,818	2,534,684	415,521	594,227	1,009,748
2.1.1 Public Sector Debt Securities		1,902,865	630,449	2,533,314	414,560	590,997	1,005,557
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Other Marketable Securities		1	1,369	1,370	961	3,230	4,191
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Other Marketable Securities		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading		-	-	-	-	-	-
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	1,055,416	2,936,950	3,992,366	1,112,841	1,737,022	2,849,863
IV. MONEY MARKET PLACEMENTS		-	-	-	3,628,119	-	3,628,119
4.1 Interbank money market placements		-	-	-	1,100,000	-	1,100,000
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	2,528,119	-	2,528,119
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	17,951,812	6,343,471	24,295,283	11,613,549	4,344,355	15,957,904
5.1 Share Certificates		67,701	2	67,703	54,702	2	54,704
5.2 Public Sector Debt Securities		17,884,111	6,337,244	24,221,355	11,558,847	4,335,441	15,894,288
5.3 Other Marketable Securities		-	6,225	6,225	-	8,912	8,912
VI. LOANS	(5)	16,866,162	505,239	17,371,401	13,026,740	664,574	13,691,314
6.1 Loans		16,804,937	505,239	17,310,176	12,971,953	664,574	13,636,527
6.2 Non-performing Loans		311,323	8,430	319,753	306,593	7,596	314,189
6.3 Specific Provisions (-)		250,098	8,430	258,528	251,806	7,596	259,402
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	16,282,115	777,561	17,059,676	19,728,818	2,138,238	21,867,056
8.1 Public Sector Debt Securities		16,279,393	777,104	17,056,497	19,726,511	2,137,845	21,864,356
8.2 Other Marketable Securities		2,722	457	3,179	2,307	393	2,700
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	17,423	7,748	25,171	16,324	6,562	22,886
9.1 Accounted with Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		17,423	7,748	25,171	16,324	6,562	22,886
9.2.1 Financial Investments		12,887	7,748	20,635	12,102	6,562	18,664
9.2.2 Non-financial Investments		4,536	-	4,536	4,222	-	4,222
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	46,285	283,111	329,396	43,770	241,802	285,572
10.1 Unconsolidated Financial Subsidiaries		46,285	283,111	329,396	43,770	241,802	285,572
10.2 Unconsolidated Non-financial Subsidiaries		-	-	-	-	-	-
XI. JOINT VENTURES (Net)	(9)	-	12,738	12,738	-	11,792	11,792
11.1 Accounted with Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Joint Ventures		-	12,738	12,738	-	11,792	11,792
11.2.1 Financial Joint Ventures		-	12,738	12,738	-	11,792	11,792
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
12.1 Finance Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1 Fair Value Risk Hedging		-	-	-	-	-	-
13.2 Cash Flow Risk Hedging		-	-	-	-	-	-
13.3 Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	679,815	3,437	683,252	706,939	3,141	710,080
XV. INTANGIBLE ASSETS (Net)	(13)	11,585	1,365	12,950	11,064	405	11,469
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		11,585	1,365	12,950	11,064	405	11,469
XVI. TAX ASSET	(14)	84,875	2,430	87,305	95,071	-	95,071
16.1 Current Tax Asset		-	-	-	-	-	-
16.2 Deferred Tax Asset		84,875	2,430	87,305	95,071	-	95,071
XVII. FIXED ASSETS HELD FOR SALE	(15)	5,685	-	5,685	9,852	-	9,852
XVIII. OTHER ASSETS	(16)	320,033	16,468	336,501	372,318	51,013	423,331
TOTAL ASSETS		58,926,561	12,977,209	71,903,770	53,495,531	10,905,974	64,401,505

This financial statements and disclosures attached are appropriate to provisions of legislation on Procedures and Principles about Banks Accounting Applications and Preservation of Documents and accounting records of the Bank.



Prof. Dr. İlhan ULUDAĞ
Chairman of the
Board of Directors



Mehmet Emin ÖZCAN
Member of the
Audit Committee



Burhanettin AKTAŞ
Member of the
Audit Committee



Can Akın ÇAĞLAR
General Manager



Selim Güray ÇELİK
Vice-General Manager Responsible
for Financial Reporting



Erdoğan VAROL
Head of General
Accounting Department

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

LIABILITIES AND EQUITY	Note Ref	THOUSANDS OF YTL					
		Audited CURRENT PERIOD (31.12.2006)			Audited PRIOR PERIOD (31.12.2005)		
		YTL	FC	Total	YTL	FC	Total
I. DEPOSITS	(1)	46,971,122	12,681,780	59,652,902	41,521,632	10,610,466	52,132,098
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	-	-	-	-	-	-
III. BORROWING FUNDING LOANS	(3)	11,746	2,893	14,639	6,609	1,877	8,486
IV. MONEY MARKET BALANCES		967,955	-	967,955	502,719	-	502,719
4.1 Interbank Money Market Takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Takasbank Takings		-	-	-	-	-	-
4.3 Funds From Repurchase Agreements		967,955	-	967,955	502,719	-	502,719
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		2,908,270	-	2,908,270	4,112,849	-	4,112,849
VII. SUNDRY CREDITORS		232,216	136,503	368,719	381,850	114,159	496,009
VIII. OTHER LIABILITIES	(4)	87,541	73,318	160,859	140,955	111,764	252,719
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES (Net)	(5)	6	5,933	5,939	134	11,055	11,189
10.1 Finance Lease Payables		7	6,057	6,064	148	11,424	11,572
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		1	124	125	14	369	383
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-	-	-	-
11.1 Fair Value Risk Hedging		-	-	-	-	-	-
11.2 Cash Flow Risk Hedging		-	-	-	-	-	-
11.3 Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XII. PROVISIONS	(7)	889,473	1,799	891,272	662,569	1,586	664,155
12.1 General Loan Provisions		107,405	726	108,131	65,367	375	65,742
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		383,421	-	383,421	288,182	-	288,182
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		398,647	1,073	399,720	309,020	1,211	310,231
XIII. TAX LIABILITY	(8)	353,779	33	353,812	381,264	25	381,289
13.1 Current Tax Liability		353,779	33	353,812	381,264	25	381,289
13.2 Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES REGARDING ASSETS HELD FOR SALE	(9)	-	-	-	-	-	-
XV. TIER -II CAPITAL	(10)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(11)	6,530,408	48,995	6,579,403	5,803,403	36,589	5,839,992
16.1 Paid-in capital		2,221,978	-	2,221,978	2,221,978	-	2,221,978
16.2 Capital Reserves		572,423	48,995	621,418	764,993	36,589	801,582
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Revaluation Fund		27,859	48,995	76,854	221,245	36,589	257,834
16.2.4 Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6 Non-paid-up Shares of Subsidiaries, Associates and Joint Ventures		1,082	-	1,082	266	-	266
16.2.7 Hedging Funds (Effective portion)		-	-	-	-	-	-
16.2.8 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.9 Other Capital Reserves		543,482	-	543,482	543,482	-	543,482
16.3 Profit Reserves		1,476,207	-	1,476,207	854,514	-	854,514
16.3.1 Legal Reserves		962,392	-	962,392	722,232	-	722,232
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		90,121	-	90,121	90,121	-	90,121
16.3.4 Other Profit Reserves		423,694	-	423,694	42,161	-	42,161
16.4 Profit/Loss		2,259,800	-	2,259,800	1,961,918	-	1,961,918
16.4.1 Prior Years Income/Loss		159,798	-	159,798	115,506	-	115,506
16.4.2 Period Profit/Loss		2,100,002	-	2,100,002	1,846,412	-	1,846,412
16.5 Minority Interest	(12)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		58,952,516	12,951,254	71,903,770	53,513,984	10,887,521	64,401,505

This financial statements and disclosures attached are appropriate to provisions of legislation on Procedures and Principles about Banks Accounting Applications and Preservation of Documents and accounting records of the Bank.



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Member of the
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General Manager



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Vice-General Manager Responsible
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Erdoğan VAROL
Head of General
Accounting Department

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

UNCONSOLIDATED OFF BALANCE SHEET ACCOUNTS

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

	Note Ref	THOUSANDS OF YTL					
		Audited CURRENT PERIOD (31.12.2006)			Audited PRIOR PERIOD (31.12.2005)		
		YTL	FC	Total	YTL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		2,853,801	3,276,115	6,129,916	2,346,206	3,222,267	5,568,473
I. GUARANTEES AND WARRANTIES	(1), (3)	652,436	1,605,354	2,257,790	378,083	1,435,499	1,813,582
1.1. Letters of Guarantee		652,415	1,288,505	1,940,920	378,032	905,698	1,283,730
1.1.1. Guarantees Subject to Public Procurement Law		84,890	1,149,881	1,234,771	60,457	804,551	865,008
1.1.2. Guarantees Given for Foreign Trade Operations		541,377	-	541,377	309,506	-	309,506
1.1.3. Other Letters of Guarantee		26,148	138,624	164,772	8,069	101,147	109,216
1.2. Bank Loans		-	5,351	5,351	-	1,122	1,122
1.2.1. Import Acceptances		-	5,351	5,351	-	1,122	1,122
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		21	311,498	311,519	51	528,679	528,730
1.3.1. Documentary Letters of Credit		21	311,286	311,307	51	528,345	528,396
1.3.2. Other Letters of Credit		-	212	212	-	334	334
1.4. Guaranteed Prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7. Factoring Guarantees		-	-	-	-	-	-
1.8. Other Guarantees		-	-	-	-	-	-
1.9. Other Warranties		-	-	-	-	-	-
II. COMMITMENTS	(1), (3)	2,201,365	1,570,246	3,771,611	1,968,123	1,526,947	3,495,070
2.1. Irrevocable commitments		1,461,399	165,735	1,627,134	1,479,082	37,929	1,517,011
2.1.1. Forward Asset Purchase Commitments		-	37,222	37,222	-	37,929	37,929
2.1.2. Forward Deposit Purchase and Sale Commitments		-	-	-	-	-	-
2.1.3. Capital Commitments to Subsidiaries and Associates		-	-	-	-	-	-
2.1.4. Loan Granting Commitments		75,918	-	75,918	-	-	-
2.1.5. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6. Payment Commitments for Reserve Deposits		-	-	-	-	-	-
2.1.7. Payment Commitments for Cheques		654,645	-	654,645	704,147	-	704,147
2.1.8. Tax and Fund Dues from Export Commitments		-	-	-	-	-	-
2.1.9. Credit Card Expenditure Limit Commitments		699,587	-	699,587	730,637	-	730,637
2.1.10. Receivables from Short Sale Commitments		-	-	-	2,891	-	2,891
2.1.11. Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.12. Other Irrevocable Commitments		31,249	128,513	159,762	41,407	-	41,407
2.2. Revocable Commitments		739,966	1,404,511	2,144,477	489,041	1,489,018	1,978,059
2.2.1. Revocable Loan Granting Commitments		738,171	1,404,511	2,142,682	487,220	1,489,018	1,976,238
2.2.2. Other Revocable Commitments		1,795	-	1,795	1,821	-	1,821
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	-	100,515	100,515	-	259,821	259,821
3.1. Derivative Financial Instruments for Hedging		-	-	-	-	-	-
3.1.1. Fair Value Risk Hedging Transactions		-	-	-	-	-	-
3.1.2. Cash Flow Risk Hedging Transactions		-	-	-	-	-	-
3.1.3. Net Abroad Investment Risk Hedging Transactions		-	-	-	-	-	-
3.2. Transactions for Trading		-	100,515	100,515	-	259,821	259,821
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	450	450	-	454	454
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	225	225	-	225	225
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	225	225	-	229	229
3.2.2. Currency and Interest Rate Swaps		-	100,065	100,065	-	259,367	259,367
3.2.2.1. Currency Swap-Buy		-	50,046	50,046	-	129,310	129,310
3.2.2.2. Currency Swap-Sell		-	50,019	50,019	-	130,057	130,057
3.2.2.3. Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4. Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3. Currency, Interest Rate and Marketable Securities Options		-	-	-	-	-	-
3.2.3.1. Currency Call Options		-	-	-	-	-	-
3.2.3.2. Currency Put Options		-	-	-	-	-	-
3.2.3.3. Interest Rate Call Options		-	-	-	-	-	-
3.2.3.4. Interest Rate Put Options		-	-	-	-	-	-
3.2.3.5. Marketable Securities Call Options		-	-	-	-	-	-
3.2.3.6. Marketable Securities put Options		-	-	-	-	-	-
3.2.4. Currency Futures		-	-	-	-	-	-
3.2.4.1. Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2. Currency Futures-Sell		-	-	-	-	-	-
3.2.5. Interest Rate Buy/Sell Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		45,043,052	1,290,177	46,333,229	29,863,961	1,149,174	31,013,135
IV. CUSTODIES		9,144,411	618,930	9,763,341	9,442,762	584,416	10,027,178
4.1. Assets Under Management		-	-	-	-	-	-
4.2. Custody Marketable Securities		6,480,305	531,383	7,011,688	7,860,967	509,012	8,369,979
4.3. Cheques in Collection Process		793,529	7,903	801,432	605,625	6,810	612,435
4.4. Commercial Notes in Collection Process		1,366,577	42,617	1,409,194	355,562	29,196	384,758
4.5. Other Assets in Collection Process		795	-	795	5,001	25,758	30,759
4.6. Underwritten Securities		289,460	226	289,686	404,589	360	404,949
4.7. Other Custodies		211,532	36,801	248,333	204,767	13,280	218,047
4.8. Custodians		2,213	-	2,213	6,251	-	6,251
V. PLEDGED ASSETS		35,898,641	671,247	36,569,888	20,421,199	564,758	20,985,957
5.1. Marketable Securities		208,168	11,127	219,295	239,069	6,001	245,070
5.2. Collateral Notes		4,405,414	252,325	4,657,739	2,532,150	209,453	2,741,603
5.3. Commodity		1,346,188	10,899	1,357,087	1,280,618	12,012	1,292,630
5.4. Warranty		-	-	-	-	-	-
5.5. Land and Buildings		27,870,319	296,884	28,167,203	15,117,510	253,153	15,370,663
5.6. Other Pledged Assets		2,061,730	94,593	2,156,323	1,242,883	79,157	1,322,040
5.7. Pledges		6,822	5,419	12,241	8,969	4,982	13,951
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		47,896,853	4,566,292	52,463,145	32,210,167	4,371,441	36,581,608

This financial statements and disclosures attached are appropriate to provisions of legislation on Procedures and Principles about Banks Accounting Applications and Preservation of Documents and accounting records of the Bank.

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Chairman of the
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Member of the
Audit Committee

Burhanettin AKTAŞ
Member of the
Audit Committee

Can Akın ÇAĞLAR
General Manager

Selim Güray ÇELİK
Vice-General Manager Responsible
for Financial Reporting

Erdoğan VAROL
Head of General
Accounting Department

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**UNCONSOLIDATED STATEMENT OF INCOME**

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

		THOUSANDS OF YTL	
		Audited	Audited
INCOMES and EXPENSES		CURRENT PERIOD	PRIOR PERIOD
		(31.12.2006)	(31.12.2005)
I.	INTEREST INCOME	9,435,928	7,924,274
1.1	Interest on Loans	2,091,766	1,736,737
1.2	Interest received from reserve deposits	309,225	221,889
1.3	Interest received from banks	150,381	148,345
1.4	Interest received from money market placements	195,798	170,057
1.5	Interest income on marketable securities	6,664,719	5,635,904
1.5.1	Financial assets held for trading	234,181	265,577
1.5.2	Financial assets at fair value through profit and loss	-	-
1.5.3	Financial Assets Available-for-sale	2,958,605	1,669,180
1.5.4	Investments held-to-maturity	3,471,933	3,701,147
1.6	Finance Lease Income	-	-
1.7	Other Interest Income	24,039	11,342
II.	INTEREST EXPENSE	6,034,422	5,065,701
2.1	Interest on Deposits	5,896,395	4,990,237
2.3	Interest on Borrowings	1,680	1,838
2.4	Interest on money market borrowings	122,173	65,861
2.5	Interest on marketable securities issued	-	-
2.6	Other Interest Expense	14,174	7,765
III.	NET INTEREST INCOME (I - II)	3,401,506	2,858,573
IV.	NET FEES AND COMMISSIONS INCOME	625,820	500,335
4.1	Fees and commissions income	671,974	532,265
4.1.1	Cash Loans	134,465	122,598
4.1.2	Non-cash Loans	14,606	12,033
4.1.3	Other	522,903	397,634
4.2	Fees and commissions expenses	46,154	31,930
4.2.1	Cash Loans	118	77
4.2.2	Non-cash Loans	-	-
4.2.3	Other	46,036	31,853
V.	DIVIDEND INCOME	17,416	27,733
VI.	NET TRADING PROFIT	104,885	265,617
6.1	Profit/Loss from Capital Market Operations(Net)	104,123	185,705
6.2	Foreign exchange gains/losses (net)	762	79,912
VII.	OTHER OPERATING INCOME	237,517	522,544
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	4,387,144	4,174,802
IX.	LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	251,631	227,224
X.	OTHER OPERATING EXPENSES(-)	1,415,221	1,265,241
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	2,720,292	2,682,337
XII.	AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER	-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD	-	-
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION	-	-
XV.	INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	2,720,292	2,682,337
XVI.	TAX INCOME PROVISION (±)	(620,290)	(835,925)
16.1	Current Tax Provision	(532,039)	(906,717)
16.2	Deferred Tax Provision	(88,251)	70,792
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	2,100,002	1,846,412
17.1	Discontinued Operations	-	-
17.2	Other	-	-
XVIII.	NET PROFIT/(LOSS)	2,100,002	1,846,412
	Earnings per share	0.000840	0.000739

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY

	Note Ref	Paid-in Capital	Effect of Inflation Adjustments on Paid-in Capital	Share Premium	Share Certificate Cancellation Profits
PRIOR PERIOD					
(31/12/2005)					
I. Beginning Balance		2,221,978	543,482		
II. Corrections according to TAS 8		-	-	-	-
2.1 The effect of corrections of errors					
2.2 The effects of changes in accounting policy.					
III. New Balance (I + II)		2,221,978	543,482	-	-
Changes in period					
IV. Increase/Decrease related to merger					
V. Marketable securities available for sale					
VI. Hedging Transactions					
6.1 Cash-flow risk hedging					
6.2 Net Abroad Investment Risk Hedging					
Amounts Transferred					
VII. Marketable securities available for sale					
VIII. Hedging Transactions					
8.1 Cash-flow risk hedging					
8.2 Net Abroad Investment Risk Hedging					
IX. Net period income/(loss)					
X. Profit distribution		-	-	-	-
10.1 Dividends distributed					
10.2 Transfers to reserves					
10.3 Other					
XI. Capital increase		-	-	-	-
11.1 Cash					
11.2 Tangible assets revaluation increase					
11.3 Non-paid-up shares of subsidiaries ,associates and joint ventures					
11.4 Marketable securities revaluation fund					
11.5 Inflation adjustment on paid-in capital					
11.6 Marketable Securities Issued					
11.7 Foreign Exchange Differences					
11.8 Other					
XII. Disposals of Assets					
XIII. Reclassification of Assets					
XIV. Primary Tier-II Capital					
XV. Secondary Tier-II Capital					
XVI. The effect of change in associate's equity on Bank's equity					
Closing Balances (III+IV+...+XIV+XV+XVI)		2,221,978	543,482	-	-
CURRENT PERIOD					
(31/12/2006)					
I. Prior period closing balance		2,221,978	543,482	-	-
Changes in period					
II. Increase/Decrease related to merger					
III. Marketable securities available for sale					
IV. Hedging Transactions					
4.1 Cash-flow risk hedging					
4.2 Net Abroad Investment Risk Hedging					
Amounts Transferred					
V. Marketable securities available for sale					
VI. Hedging Transactions					
6.1 Cash-flow risk hedging					
6.2 Net Abroad Investment Risk Hedging					
VII. Net period income/(loss)					
VIII. Profit distribution		-	-	-	-
8.1 Dividends distributed					
8.2 Transfers to reserves					
8.3 Other					
IX. Capital increase		-	-	-	-
9.1 Cash					
9.2 Tangible assets revaluation increase					
9.3 Non-paid-up shares of subsidiaries ,associates and joint ventures					
9.4 Marketable securities revaluation fund					
9.5 Inflation adjustment on paid-in capital					
9.6 Marketable Securities Issued					
9.7 Foreign Exchange Differences					
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X. Disposals of Assets					
XI. Reclassification of Assets					
XII. Primary Tier-II Capital					
XIII. Secondary Tier-II Capital					
XIV. The effect of change in associate's equity on Bank's equity					
Closing Balances (III+IV+...+XIV+XV+XVI)		2,221,978	543,482	-	-

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UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

Audited THOUSANDS OF YTL											
Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Revaluation Fund	Revaluation Reserve	Marketable Securities Revaluation Fund	Total Equity Except Minority Interest	Minority Interest	Total Equity
534,312	-	90,121	(1,312)	-	1,530,665	-	8,859	118,671	5,046,776	-	5,046,776
-	-	-	(81,515)	-	115,506	-	-	-	33,991	-	33,991
534,312	-	90,121	(81,515)	-	115,506	-	8,859	118,671	33,991	-	33,991
-	-	-	(82,827)	-	1,646,171	-	8,859	118,671	5,080,767	-	5,080,767
187,920	-	-	-	1,846,412	-	-	-	-	1,846,412	-	1,846,412
187,920	-	-	-	-	(1,530,665)	-	-	-	(1,342,745)	-	(1,342,745)
-	-	-	124,988	-	(1,184,696)	-	(8,593)	139,163	(1,184,696)	-	(1,184,696)
-	-	-	-	-	(187,920)	-	-	-	-	-	-
-	-	-	-	-	(158,049)	-	-	-	(158,049)	-	(158,049)
-	-	-	-	-	-	-	-	139,163	255,558	-	255,558
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	139,163	139,163	-	139,163
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	1,248	-	1,248
-	-	-	-	-	-	-	(8,593)	-	115,147	-	115,147
722,232	-	90,121	42,161	1,846,412	115,506	-	266	257,834	5,839,992	-	5,839,992
722,232	-	90,121	42,161	-	1,961,918	-	266	257,834	5,839,992	-	5,839,992
-	-	-	-	-	-	-	-	(11,020)	(11,020)	-	(11,020)
-	-	-	-	-	-	-	-	(210,441)	(210,441)	-	(210,441)
240,160	-	-	-	2,100,002	-	-	-	-	2,100,002	-	2,100,002
240,160	-	-	-	-	(1,802,120)	-	-	-	(1,561,960)	-	(1,561,960)
-	-	-	-	-	(1,492,736)	-	-	-	(1,492,736)	-	(1,492,736)
-	-	-	-	-	(240,160)	-	-	-	-	-	-
-	-	-	381,533	-	(69,224)	-	816	40,481	(69,224)	-	(69,224)
-	-	-	-	-	-	-	816	-	422,830	-	422,830
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	816	-	816	-	816
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(81,537)	-	-	-	-	4,589	(76,948)	-	(76,948)
-	-	-	463,070	-	-	-	-	35,892	498,962	-	498,962
962,392	-	90,121	423,694	2,100,002	159,798	-	1,082	76,854	6,579,403	-	6,579,403

This financial statements and disclosures attached are appropriate to provisions of legislation on Procedures and Principles about Banks Accounting Applications and Preservation of Documents and accounting records of the Bank.



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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

	Note Ref	THOUSANDS OF YTL	
		Audited CURRENT PERIOD (31.12.2006)	Audited PRIOR PERIOD (31.12.2005)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities (+)		1,058,413	3,004,487
1.1.1 Interest received (+)		8,407,702	8,259,068
1.1.2 Interest paid (-)		5,884,332	5,031,270
1.1.3 Dividend received(+)		16,197	18,829
1.1.4 Fees and commissions received (+)		671,974	532,265
1.1.5 Other income (+)		453,444	752,200
1.1.6 Collections from previously written off loans (+)		51,246	52,784
1.1.7 Cash payments to personnel and service suppliers (-)		771,973	691,436
1.1.8 Taxes paid		1,210,678	257,903
1.1.9 Other (+/-)	(2)	(675,167)	(630,050)
1.2 Changes in Assets and Liabilities Subject to Banking Operations		1,825,900	5,021,919
1.2.1 Net (Increase) decrease in financial assets held for sale (+/-)		(1,434,928)	2,522,872
1.2.2 Net (Increase) decrease in financial assets at fair value through profit or loss (+/-)		-	-
1.2.3 Net (Increase) decrease in due from banks and other financial institutions (+/-)		(2,825)	5,000
1.2.4 Net (increase) decrease in loans (+/-)		(3,554,965)	(4,229,960)
1.2.5 Net (increase) decrease in other assets (+/-)	(2)	382,229	344,978
1.2.6 Net increase (decrease) in bank deposits (+/-)		76,577	(252,842)
1.2.7 Net increase (decrease) in other deposits (+/-)		7,295,421	6,648,836
1.2.8 Net increase (decrease) in loans borrowed (+/-)		5,715	(10,389)
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)	(2)	(941,324)	(6,576)
I. Net cash provided from banking operations (+/-)		2,884,313	8,026,406
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net cash provided from investing activities (+/-)		(3,155,245)	(3,477,408)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries(-)		250	756
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries (+)		6	309
2.3 Fixed assets purchases (-)		31,342	42,939
2.4 Fixed assets sales(+)		63,299	36,208
2.5 Cash paid for purchase of financial assets available for sale (-)		17,241,773	6,468,324
2.6 Cash obtained from sale of financial assets available for sale (+)		9,324,445	-
2.7 Cash paid for purchase of investment securities (-)		242,780	-
2.8 Cash obtained from sale of investment securities (+)		5,097,029	2,970,171
2.9 Other (+/-)	(2)	(123,879)	27,923
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities (+/-)		(1,215,305)	(1,184,695)
3.1 Cash obtained from loans borrowed and securities issued (+)		-	-
3.2 Cash used for repayment of loans borrowed and securities issued (-)		-	-
3.3 Marketable Securities Issued (+)		-	-
3.4 Dividends paid (-)		1,214,713	1,184,695
3.5 Payments for finance leases (-)		592	-
3.6 Other (+/-)	(2)	-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents(+/-)	(2)	-	-
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		(1,486,237)	3,364,303
VI. Cash and cash equivalents at beginning of the period (+)		9,204,161	5,839,858
VII. Cash and cash equivalents at end of the period (V+VI)		7,717,924	9,204,161

This financial statements and disclosures attached are appropriate to provisions of legislation on Procedures and Principles about Banks Accounting Applications and Preservation of Documents and accounting records of the Bank.



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Head of General
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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

PROFIT DISTRIBUTION TABLE

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

		THOUSANDS OF YTL	
		Audited	Audited
		CURRENT PERIOD	PRIOR PERIOD
		(31.12.2006)	(31.12.2005)
Note Ref			
I.	DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	CURRENT YEAR INCOME	2,720,292	2,639,613
1.2	TAXES AND DUTIES PAYABLE	620,290	906,717
1.2.1	Corporate Tax (Income tax)	532,039	906,717
1.2.2	Income withholding tax		
1.2.3	Other taxes and duties (1)	88,251	
A.	NET INCOME FOR THE YEAR (1.1-1.2)	2,100,002	1,732,896
1.3	PRIOR YEARS LOSSES (-)		
1.4	FIRST LEGAL RESERVES (-)	105,000	86,645
1.5	OTHER STATUTORY RESERVES (-)		
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	1,995,002	1,646,251
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	111,099	111,099
1.6.1	To owners of ordinary shares	111,099	111,099
1.6.2	To owners of preferred shares		
1.6.3	To owners of preferred shares (preemptive rights)		
1.6.4	To profit sharing bonds		
1.6.5	To holders of profit and loss sharing certificates		
1.7	DIVIDENDS TO PERSONNEL (-)		
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)		
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	1,695,513	1,381,637
1.9.1	To owners of ordinary shares	1,695,513	1,381,637
1.9.2	To owners of preferred shares		
1.9.3	To owners of preferred shares (preemptive rights)		
1.9.4	To profit sharing bonds		
1.9.5	To holders of profit and loss sharing certificates		
1.10	SECOND LEGAL RESERVES (-)	188,390	153,515
1.11	STATUTORY RESERVES (-)		
1.12	GENERAL RESERVES		
1.13	OTHER RESERVES		
1.14	SPECIAL FUNDS		
II.	DISTRIBUTION OF RESERVES		
2.1	APPROPRIATED RESERVES		
2.2	SECOND LEGAL RESERVES (-)		
2.3	DIVIDENDS TO SHAREHOLDERS (-)		
2.3.1	To owners of ordinary shares		
2.3.2	To owners of preferred shares		
2.3.3	To owners of preferred shares (preemptive rights)		
2.3.4	To profit sharing bonds		
2.3.5	To holders of profit and loss sharing certificates		
2.4	DIVIDENDS TO PERSONNEL (-)		
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)		
III.	EARNINGS PER SHARE		
3.1	TO OWNERS OF ORDINARY SHARES (2)	0.840	0.739
3.2	TO OWNERS OF ORDINARY SHARES (%)	84.00	73.86
3.3	TO OWNERS OF PRIVILEGED SHARES		
3.4	TO OWNERS OF PRIVILEGED SHARES (%)		
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES (2)	0.898	0.741
4.2	TO OWNERS OF ORDINARY SHARES (%)	89.78	74.09
4.3	TO OWNERS OF PRIVILEGED SHARES		
4.4	TO OWNERS OF PRIVILEGED SHARES (%)		

This financial statements and disclosures attached are appropriate to provisions of legislation on Procedures and Principles about Banks Accounting Applications and Preservation of Documents and accounting records of the Bank.

(1) Includes deferred tax income.

(2) Demonstrated by YTL amount.

(3) Profit distribution of current period has been given to be presented in General Assembly. As the General Assembly has not met as of the report date, draft profit distribution is presented in the accompanying financial statements.



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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES**I. BASIS OF PRESENTATION****a. Financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards and Communiqué on “Banks’ Accounting Practice and Maintaining Documents”:**

According to Article 37 of the Banking Act No: 5411, consulting the associations of institutions and the Turkish Accounting Standards Board, banks should apply uniformity in their accounting systems in line with the principles and procedures based on the international standards established by the Banking Regulation and Supervision Agency (BRSA); correctly record all their transactions; and timely and correctly prepare their financial reports in a style and format that will meet the requirements of providing information, that is clear reliable and comparable and suitable for auditing, analysis and interpretation. Besides, as also stated in 1st Provisional Article of the related Act, “Any legislation, which has been put into force, based on repealed provisions and the provisions, shall remain in force and effect before any decrees, regulations and communiqués shall be put into effect in accordance with the related Act that are not in conflict herewith”.

In this context; the Bank’s unconsolidated financial statements are prepared in accordance with the Communiqué on “Procedures and Principles Regarding the Accounting Practices and Documentation of Banks” published in the Official Gazette No: 26333 on November 1, 2006, the Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) effective by the Turkish Accounting Standards Board. The Bank’s accounting records are filed in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

All financial statements are given comparatively with the 31 December 2005 audited balances.

Unless otherwise specified, all balances in the financial statements and footnotes are expressed in thousand of the New Turkish Lira (YTL).

b. Accounting policies applied and valuation methods used in the preparation of the financial statements:

The Bank’s first adaptation of preparing its financial statements in accordance with TAS is 31 December 2006 and transition date of the first adaptation to Turkish Financial Reporting Standards is 1 January 2005. Employee benefit provision, foreign currency difference and deferred tax effects attributable to foreign currency equity investments, subsidiaries and entities under common control included in 31 December 2005 financial statements are adjusted in the 1 January 2005 opening balance sheet and accordingly, resulting differences are recognized under Equity as “Other Profit Reserves” and “Retained Earnings and Losses”.

	31.12.2005	31.12.2005
	Income Statement	Profits of Previous Periods
Net period profit/retained earnings before TAS adjustments	1,802,120	-
Foreign Exchange difference adjustments for foreign associates	34,309	81,514
Retirement Payment Provision correction with TAS 19	8,416	61,188
Effects of adjustment on deferred tax	1,567	(27,196)
Total	44,292	115,506
Net period profit/retained earnings after TAS adjustments	1,846,412	115,506

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

	31.12.2006	31.12.2006
	Income Statement	Profits of Previous Periods
Net period profit/retained earnings before TAS adjustments	2,125,997	-
Foreign Exchange difference adjustments for foreign associates	(42,869)	115,823
Retirement Payment Provision adjustment in accordance with TAS 19	10,375	69,604
Effects of adjustment on deferred tax	6,499	(25,629)
Total	(25,995)	159,798
Net period profit/retained earnings after TAS adjustments	2,100,002	159,798

Foreign currency gain and losses, arising from foreign currency operations, are recognized at the transaction date. At period-ends, foreign currency asset and liability balances are valued at the Bank's period end buying rates and translated to the Turkish currency and the resulting exchange differences are recognized as a foreign exchange gain or loss.

c. Accounting Policies Followed:

Accounting policies used in preparing financial statements are defined and applied according to the principles of TAS. In this scope, accounting policies used for the true understanding of these financial statements are explained in this section. The Bank, sets 100% of provision for liabilities related to retirement and termination payments within the context of the Communiqué No: 10 on "Recognition of Former Employee Benefits" in the prior periods. In accordance with the Turkish Accounting Standard "Employee Benefits" (TAS 19) put into effect by the BRSA on 1 November 2006, liabilities arising from retirement and termination payments are re-calculated by discounting them and prior year financial statements are restated in accordance with the related standard. On the other hand, foreign exchange differences from associates, subsidiaries and entities under common control are followed under the shareholders' equity. In addition to these, accounting principles used during the preparation of prior period financial statements are also used in the 31 December 2006 financial statements without subject to any changes.

d. Different accounting policies applied to financial statement items during the preparation of the consolidated financial statements and their proportions to the total amount of the related accounts in the consolidated financial statements:

The Bank does not prepare consolidated financial statements in accordance with the following provision of the paragraph 5 (Requirement for Preparing Consolidated Financial Statements) of Article 5 of the Communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette No: 26340 on 8 November 2006: "If total assets of an association subsidiary or entity under common control qualified as a loan or financial institution is less than 1% of the Parent Bank's total assets and if total of shares of an association subsidiary or entity under common control qualified as a loan or financial institution below that limit does not exceed 5% of the Parent Bank's total assets, those associations may be excluded from consolidation considering the materiality principle".

II. EXPLANATIONS ON STRATEGY OF USE OF 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, shareholders' equity and funds transferred from the budget, ministerial offices and other public resources by means of

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

legislative and administrative decisions to the Bank. The Bank directs these funds to assets with high return and low risk. These assets include predominantly government securities 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, rate of return of some of the securities in assets is variable. Since the remaining time of the source repricing 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 in activities from which the Bank gains above the average return calculated for its fields of activity. Letter of guarantees, commercial letter of credits, checks and expense limit commitments for credit cards are the most important risk areas in the off-balance sheet.

Foreign currency risks are restricted by imposing foreign exchange position, daily and position loss limit to render service to customers applying competitive pricing and to obtain market yield from the short-term price movements.

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; İstanbul Stock Exchange repo, Central Bank of the Republic of Turkey, Money Market or Interbank Money Market in case of need. In case of a liquidity crisis, deposit base of the Bank will grow considerably by being a public bank having an extensive branch network.

The Bank's policy is to avoid entering any foreign currency positions. Therefore, there is no foreign currency risk exposure. Since most of the foreign currencies are indexed to LIBOR or the rates in foreign exchange liquidity market by CBRT, the Bank is not exposed to interest risks. Cost and return of foreign currency assets are subject to a close follow up. Positive margin of profit is sustained by adjusting deposit rates to the market rates.

Gains and losses arising from foreign currency operations are recognized at the transaction date. At period- ends, foreign currency asset and liability balances are valued at the Bank's period end buying rates and translated to Turkish currency and the resulting exchange differences are recognized as a foreign exchange gain or loss.

Assets and liabilities of the abroad branches of the Bank are translated into YTL according to the Bank's prevailing buying rates at the balance sheet date while, profit and loss are translated based on the average rates. Resulting differences from translation are followed under equity as other profit reserves.

On the other hand, exchange rate differences arising from the translation to YTL attributable to foreign currency investments of associates, subsidiaries and entities under common control are accounted for under equity as other profit reserves.

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

The derivative instruments of the Bank are composed of currency swaps and foreign currency forward agreements. 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 "Financial Instruments: Recognition and Measurement" (TAS 39). The Bank has no hedging derivative instruments

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

during the balance sheet period. Accordingly, the Bank is not subject to issues whether derivative instruments satisfy the determination criteria of classification of hedging instruments or whether such derivative transactions are finalized through sale, term expiry or fulfillment of obligations under the contract.

Acquisition cost is used in the initial recognition of derivative transactions. Liabilities and receivables arising from derivative transactions are recognized at their contractual amounts in the off-balance sheet accounts. Derivative transactions are carried at fair value subsequent to initial recognition. The Bank uses its period-end foreign exchange buying rates in determining fair value of foreign exchange future contracts and swaps on the assumption that current market foreign exchange rates are the best estimate of the present value of the forward exchange rates. When fair value difference is positive, fair value differences arising from the valuation are shown in the balance sheet as "Interest and income accruals" and when fair value difference is negative, fair value differences arising from the valuation are shown in the balance sheet as "Interest and expense accruals" and they are recognized under "Profit/Loss from Capital Market Transactions" in the income statement.

As of December 31, 2006, net fair value of the Bank's derivative instruments is YTL 27 Thousand.

IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method in conformity with TAS 39 "Financial Instruments: Recognition and Measurement. In accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions" came into force after being published in the Official Gazette No: 26333 dated November 1, 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 an interest income only when they are collected.

V. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

Commissions and income from banking services are recognized as an income in the period they are collected. Whereas, loan fee and commission expenses paid to other financial institutions, and income obtained through contracts or consulting services and project management services provided to third parties relating to the sale/purchase of ownership shares; or the purchase of assets are recognized on an accrual basis.

VI. EXPLANATIONS AND DISCLOSURES 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 instruments 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 held for trading are securities that are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost including the transaction costs and carried at fair value in the financial statements.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

Government bonds and treasury bills included in held for trading portfolio traded in Istanbul Stock Exchange (ISE) are carried at weighted average ISE prices effective as of the balance sheet date. Government bonds and treasury bills included in held for trading portfolio traded in ISE but not subject to purchase or sale in ISE as of the balance sheet date are carried at prices calculated adding a daily interest on weighted average ISE prices effective on the recent transaction date. Those securities that are not traded in ISE are carried at prices of the Central Bank of Republic of Turkey.

The difference between the cost and fair value of such marketable securities is accounted for as an interest, income accrual or impairment loss for marketable securities account. Interest received from securities held for trading is reflected under interest income, and dividends received from such securities are reflected under dividend income.

Financial assets held to maturity include securities where there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and available for sale non-derivative assets except for bank loans and receivables.

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

Financial assets available for sale include all securities other than loans and receivables, and those held to maturity and held for trading.

Financial assets are classified as securities held-to-maturity, loans and receivables or financial assets available for sale at their acquisition dates.

Securities held-to-maturity, financial assets available for sale, and loans and receivables are initially carried at cost. Financial assets available for sale are subsequently measured at amortized cost using the internal rate of return method, and they are accounted for allocating impairment loss or applying rediscount. Fair and amortized values of those securities are subject to comparison and the difference is presented under shareholders' equity as a "revaluation fund". Amortized values and costs are also compared and the difference is recognized as an interest income/expense for impairment loss.

Held to maturity securities are subsequently measured at amortized cost using the internal rate of return method, less impairment loss, if any.

The Bank does not have any financial instruments that are previously classified as held-to-maturity investments but prohibited to be classified as held-to-maturity investments for two years because of incompliance with the principles of securities classification.

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

Securities sale and purchase transactions are accounted for at the settlement dates.

Loans originated by the Bank are to be measured at amortized cost using internal rate of return method. As short-term and long-term YTL loans are classified as open or guaranteed, FC loans are recognized with fixed price and at period-ends revalued by the exchange buying rate of the Bank.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

The Bank set specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette No. 26333 dated November 1, 2006 on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions". Allocated provisions are deducted from the income of the year. If the loans for which provisions were set in the previous year are collected, provision for allowances are released and recognized as income under "Income from Other Activities" account. Releases of current year provisions are made by the reversal of the amount from the "Provision for Decrease in Value of Loans and Other Receivables" account.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

A financial asset or a group of financial asset 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 fair value of securities through profit/loss is less than the prior revalued amount, 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 "Expenses for Impairment Loss of Securities". If there is an increase in value, initially recognized impairment loss is reversed to income.

If securities available for sale are subject to permanent impairment, the amount is charged to "Impairment Loss Expenses for Securities" account in accordance with the related Turkish Accounting Standard.

Loans and other receivables are classified in accordance with the Communiqué on "Methods, Principles on Determining the Nature of Loans, Other Receivables, and Allocation of Provisions" published in the Official Gazette numbered 26333 and dated November 1, 2006. However, the Bank does not limit the provision amount with the minimum rates defined in related regulation and allocates 100% of specific provision for such loans and they are recognized in the statement of income. Collections made related to those loans are offset against the capital and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

In accordance with the provisions of the above-mentioned legislation, the Bank allocates general loan provisions for loans and its receivables in addition to specific provisions.

VIII. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

IX. EXPLANATION ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under "Securities held for trading", "Securities available for sale" and/or "Securities held-to-maturity" and they are valued based on the valuation principles of the related portfolios.

Registered total costs of securities sold under repurchase agreements amount to YTL 943,256 Thousand. Funds obtained against these agreements are followed under the "Funds from Repurchase Transactions" account in the balance sheet and interest

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expense accrual is calculated by the internal rate of return method. Reverse repo transactions are recognized under the "Receivables from Reverse Repo Transactions" account. Corresponding portion for the period arising from the difference between the repurchase and resale prices determined is calculated using the internal rate of return method. As of December 31, 2006 the Bank has no reverse repo transactions.

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

X. EXPLANATIONS ON TANGIBLE FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Bank has no discontinued operations. Tangible assets acquired in consideration of receivables are accounted for in accordance with the requirements of the Communiqué on "Methods and 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 November 1, 2006 and these assets are by no means subject to revaluation.

The Bank's immovables acquired amount to YTL 5,819 Thousand consisting of YTL 5,615 Thousand of its trade receivables and YTL 204 Thousand of its agricultural receivables. Total disposable assets together with its properties equal to YTL 5,923 Thousand. Total amortization cost is YTL 238 Thousand for these assets.

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

Other intangible assets are carried at historical costs and are amortized by using the straight-line method based on their useful lives.

Useful lives of other intangible assets are determined by evaluating some considerations, such as; expected usage 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. Annual depreciation rate is 20% (5 years) for establishment/formation expenses and leasehold improvements with uncertain leasing period 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 they are subject to amortization for 1-3 years to by adding constructive expenses to the initial cost of software considering their useful lives.

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost and they are not subject any revaluation process. Since the application of inflation accounting applied in the banking system is ceased as of 1 January 2005, based on the view stated in the BRSA's circular No: 5 issued on 28 April 2005 that the indicators of hyperinflationary period are eliminated to a large extent, the Bank's Property, plant and equipment are carried at restated cost in the balance sheet before 31 December 2004 and its Property, plant and equipment that are purchased subsequent to 1 January 2005 are valued at historical cost in accordance with the BRSA's decree No:1623 dated 21 April 2005. Subsequent to recognition, property, plant and equipment are carried at cost less any accumulated depreciation and impairment loss, if any. Property, plant and equipment are amortized by using the straight-line method over their useful lives. No change is applied in the depreciation method in the current period.

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Estimated depreciation rates of property, plant and equipment are as follows:

Buildings	: 2%-10%
Vehicles, Furniture and Fixtures	: 2%-50%

Gain or loss arising from the disposal or retirement of an item of property, plant and equipment 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 property, plant and equipment items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of tangible assets are included to the cost of tangible asset.

There are no mortgages, pledges or similar precautionary measures on property, plant and equipment, or commitments given for the purchase or any restrictions designated for the use of those property, plant and equipment.

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

The Bank, as the lessee, recognizes its leasing operations in accordance with the requirements of the Turkish Accounting Standards (TAS17) "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 property, plant and equipment account and are depreciated on annual and monthly bases with respect to their useful lives. Principal paid for leasing is charged to liability column, whereas interests recognized in deferred financial leasing expenses account as a regulator account and to other interest expenses.

As of the balance sheet date, the Bank has no financial leasing operations as a lessor.

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

A provision should be recognized in the financial statements when there is a present obligation as a result of a past event (legal or implicit), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions and contingent liabilities other than loans and specific and general provisions for other receivables are recognized in accordance with the Turkish Accounting Standards (TAS 37) "Provisions, Contingent Liabilities and Contingent Assets".

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.

Since the Bank has no centralized database for respective lawsuits, summary on the number and amount of those lawsuits cannot be obtained from the data processing system. However, no provision is allocated for those lawsuits since there are no material issues affecting the financial statement items as a result of the work done by the Bank for lawsuits amounting YTL 100 Thousand or more. For receivables that will be settled, the Bank allocates 100% of provision. These provisions are followed under the specific provisions account.

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

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard (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, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, retirement pay 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 Retirement Payment Provision ceiling).

Since there are no soft data about the used paid leaves for all personnel and the legislation requires 10 days of paid leave to be used at a minimum, paid leave liability is calculated based on the assumption of average 12 days of paid leave used deducted from the earned vacation.

As of 2006 year-end, provision allocated for all employee benefit liabilities is YTL 383,421 Thousand. The Bank is not in favor of employing its personnel by means of limited-period contracts.

Actuary audits are required for T.C. Ziraat Bankası ve T. Halk Bankası A.Ş. Mensupları Emekli ve Yardım Sandığı Vakfı (Ziraat Bankası ve T. Halk Bankası A.Ş. Employees Pension Fund) in accordance with the Turkish Accounting Standard (TAS 19) "Employee Benefits". In accordance with 23rd provisional clause of the Banking Act No: 5411, the pension fund is expected to be transferred to the Social Security Agency in three years after the publication of the 5411 numbered Banking Law. No provision is allocated for the liabilities of the fund since the audit report, which was based on the 10.24% technical interest rate defined by official institutions, indicates that there are no technical deficits for T.C. Ziraat Bankası ve T. Halk Bankası A.Ş. Mensupları Emekli ve Yardım Sandığı Vakfı.

XVI. EXPLANATIONS ON TAXATION

Corporate Tax:

In accordance with Article 6 "Taxation and Payment Of Tax Payers - Determination of Tax Base" and Article 32 "Corporate Tax and Temporary Tax Rates" of the Corporate Tax Law No: 5220, corporate tax is calculated based on the net corporate income of tax-payers in an accounting period by using 20% of tax rate.

In accordance with the requirements in Income Tax Act (by taking non-allowable charges, discounts and exceptions and provisions of the Tax Procedure Law on revaluation into account), corporate tax-payers pay provisional tax which is calculated with the current tax rate (2005-30%) and will be offset against the current period's corporate tax.

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Corporate tax returns are delivered to related tax administration in the period between the 1st and the 25th days of the fourth month subsequent to the end of accounting period and paid in full before the end of the related month. Nevertheless, the tax audit authorities can investigate accounting records in 5-year period and the corporate tax payable amount may subject to a change in case of any false entry.

In case of tax base calculation on accounting profit, provision is allocated for Corporate and Income Tax liability based on the results of the current period activities.

Deferred Tax Liability/Asset:

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

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, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and 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 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 apply 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 also associated directly with equity.

XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Bank accounts for its debt instruments in accordance with the Turkish Accounting Standard (TAS 39) "Financial Instruments: Recognition and Measurement". In the following periods, financial liabilities are valued at amortized cost by using the internal rate of return method. Hedging techniques are not used for borrowings and hedge accounting is not applied in accounting and valuation of debt instruments and the liabilities that represent the borrowings.

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

XVIII. EXPLANATIONS ON SHARES AND SHARE ISSUE

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

As per the report date, the Bank has no dividends announced after the balance sheet date.

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General Assembly of the Bank is in charge of the current profit distribution. The General Assembly has not been held yet as of the report date.

XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

Commitments regarding bill guarantees and acceptances of the Bank are presented in the "Off Balance Sheet" accounts.

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

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

XXI. EXPLANATIONS ON SEGMENT REPORTING

The Bank has operations in individual banking, corporate and commercial banking, agricultural banking, treasury transactions and international banking.

Known as having the most extensive branch network in the individual 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 order, foreign exchange transactions, internet banking, mobile banking, safe-deposit box and insurance. Moreover, 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 changing its data processing system from "Bank 2000" that has a dispersed structure to Finart system, which is working in a centralized manner, the Bank reaches the technical infrastructure required by modern banking to meet its clients' needs.

In the scope of corporate and commercial banking, the Bank gives loans for operations, middle and long-term investment loans, foreign trade financing loans in Turkish Lira and foreign currencies; renders other corporate financing, 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, it gives agricultural operations and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and agricultural credit corporations. Besides, it gives support to entities and enterprises having operations in agricultural sector by acting as an intermediary for loans originated from funds.

Treasury 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 sources in Turkish Lira and foreign currencies are provided 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. Repo/reverse repo transactions are also performed.

The Bank performs its international banking operations via one each branch in New York, London, Skopje, Sofia and Tbilisi, 4 branches in the Turkish Republic of Northern Cyprus and representative offices in Afghanistan, Pakistan and Iran. Moreover, the Bank operates in Germany, France, Bosnia and Herzegovina, Russia, Kazakhstan, Azerbaijan, Turkmenistan and Uzbekistan via equity participation investments abroad.

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XXII. EXPLANATION ON OTHER MATTERS

There are no other matters to be explained.

SECTION IV: INFORMATION ON THE FINANCIAL STRUCTURE OF THE BANK

I. EXPLANATIONS RELATED TO 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 39.55%.

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

Capital Adequacy Standard Ratio calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published in the Official Gazette numbered 24657 on January 31, 2002 is 47.68% as of December 2005. The stated Communiqué was replaced by the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette numbered 26333 and dated November 1, 2006. Capital Adequacy Standard Ratio is calculated according to this legislation starting from November 2006 and it is 39.55% for December 2006.

In the computation of capital adequacy standard ratio, information prepared in accordance with the statutory accounting requirements is used. Additionally, the market risk amount is calculated in accordance with the Communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

Amounts deducted from the capital in the calculation of shareholders' equity are not considered in the calculation of risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and depletion among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

In the calculation of the amounts subject to credit risk regarding the transactions on the non-cash loans, the net receivable amount from the counter parties is calculated by deducting the specific provision amount set in accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions", if any, and the net amount is multiplied by the conversion rates presented in Clause 2 in Article 5 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks". Then the risk ratios declared in the Capital Adequacy Analysis Form are used to weight the resulting amount.

To calculate the loan amount subject to loan risk for foreign exchange and interest rate transactions, receivables from counter parties are multiplied by the conversion rates stated in Clause 2, Article 5 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" and weighted by risk weights declared in the Capital Adequacy Analysis Form.

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Information related to capital adequacy ratio:

	Risk Weights			
	Bank only			
	%0	%20	%50	%100
Credit Risk Base Amount				
Balance Sheet Items (Net)	50,046,662	4,148,432	2,770,655	12,723,528
Cash	875,110	115	-	-
Matured Marketable Securities	137	-	-	-
Central Bank of Republic of Turkey	2,856,030	-	-	-
Domestic, Foreign Banks, Head Offices and Branches Abroad	-	4,145,254	-	301,251
Interbank Money Market Placements	-	-	-	-
Receivables from Reverse Repo Transactions	-	-	-	-
Required Reserve Deposits	1,336,284	-	-	-
Loans	2,963,480	-	2,767,690	11,235,552
Loans Under Follow-up (Net) ¹	-	-	-	202
Financial Lease Receivables	-	-	-	-
Financial Assets Available-For-Sale	22,630,236	864	-	24,142
Investments Held to Maturity	16,589,470	-	-	3,100
Receivables from Forward Sale of Assets	-	-	-	762
Sundry Debtors	234,511	-	-	42,102
Interest and Income Accruals	2,150,660	2,199	2,965	391,659
Subsidiaries, Associates and Joint Ventures (Net)	-	-	-	4,786
Fixed Assets	-	-	-	683,714
Other Assets	410,744	-	-	36,258
Off Balance Sheet Items	32,589	500,492	170,759	1,036,164
Non-cash Loans and Commitments	32,589	500,492	170,759	1,035,159
Derivative Financial Instruments	-	-	-	1,005
Non-Risk Weighted Accounts	-	-	-	-
Total Risk Weighted Assets	50,079,251	4,648,924	2,941,414	13,759,692

¹ In the financial statements, Loans under Follow-up (Net) is YTL 61,225 Thousand, however, YTL 61,023 Thousand of this balance is shown in the 0% risk weight column since it represents the amount of fund originated loans whose risk do not belong to the Bank.

Summary information about the capital adequacy standard ratio:

	Bank only Current Period
Credit Risk Base Amount (CRBA)	16,160,184
Market Risk Base Amount (MRBA)	401,238
Operational Risk Base Amount (ORBA)(*)	-
Shareholders' Equity	6,549,645
Shareholders' Equity/(CRBA+MRBA+ORBA) *100	39.55

(*) Operational risk will be considered in calculation of the capital adequacy ratio starting from June 30, 2007.

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Information related to components Shareholders' Equity:

	Current Period
CORE CAPITAL	
Paid-in Capital	2,221,978
Nominal Capital	2,500,000
Capital Commitments (-)	278,022
Inflation Adjustment for Paid-in Capital	543,482
Share Premium	-
Share Cancellation Profits	-
Legal Reserves	962,392
I. Degree Legal Reserves (TCC 466/1)	347,916
II Degree Legal Reserves (TCC 466/2)	614,476
Other Legal Reserves per Special Legislations	-
Statutory Reserves	-
Extraordinary Reserves	513,815
Reserves Allocated per General Assembly Minutes	-
Retained Earnings	513,815
Accumulated Loss	-
Foreign Currency Share Capital Exchange Difference	-
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-
Profit	2,259,800
Net Profit of the Period	2,100,002
Retained Earnings	159,798
Portion of Free Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	348,627
Subsidiary and Associate Shares and Gains on Sale of Real Estate To Be Added To Capital	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-
Portion of losses that cannot be covered by reserves (-)	-
Net Loss of the Period	-
Accumulated Loss	-
Leasehold Improvements (-)	3,902
Prepaid Expenses (-)	2,521
Intangible Assets (-)	9,048
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-
Excess Amount defined in, 3rd Clause, 56th Article of the Banking Act (-)	-
Total Core Capital	6,834,623

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	Current Period
SUPPLEMENTARY CAPITAL	
General Provisions	108,131
45% of Movable Assets Revaluation Fund	-
45% of Real Estates Revaluation Fund	-
Non-paid-up Shares of Subsidiaries, Associates and Joint Ventures	1,082
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-
Secondary Tier -II Capital	-
45% of Marketable Securities Revaluation Fund	34,584
From Subsidiaries and Associates	-
From Financial Assets Available For Sale	34,584
Inflation adjustments for capital reserves, profit reserves and retained earnings/accumulated losses (Except inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-
Total Supplementary Capital	143,797
Tier-III Capital	-
CAPITAL	6,978,420
DEDUCTIONS FROM CAPITAL	428,775
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	409,425
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	-
Borrowing Instruments and Loans qualified as Tier-II Capital from and to banks, financial institutions (domestic and foreign), preferred stockholders	14,127
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 of although it has been 5 years since the beginning of the acquisition date	5,223
Other	-
TOTAL SHAREHOLDERS' EQUITY	6,549,645

II. EXPLANATIONS RELATED TO THE CREDIT RISK

1. a) For credit risk, whether debtor or a group of debtors or geographical segments and sectors are subject to risk limitation, segment information for risk limits and determination of their timings:

Loans are reviewed weekly based on the loan definition in the Banking Act. The Bank evaluates its loan portfolio in three main parts; corporate, individual and agricultural loans.

Domestic limits for corporate loans are determined on cash (YTL-FC), non-cash (YTL-FC), sectoral, regional basis and for branches abroad (public-private) maximum counter-party and different debtor groups determined. Risk limits for debtor or a group of debtors or geographical segments and sectors are revised once a year, in the first couple of months of each year.

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For individual loans, according to the budget, targets, source structure and costs of the Bank, authorization for each loan is given depending on the character of the region and the branch, competency of the personnel in District Offices and branches. Moreover, loans with more than 24 month-periods are subject to limitation.

Global risk limits for bank originated agricultural loans are calculated in accordance with the anticipations of the Bank's Assets and Liabilities Management Committee and determined by the approval of the Board of Directors. These limits are revised quarterly. Risk limits determined are distributed by the Head-Quarters to District Offices considering the actual portfolio structure, customer and loan potential and regional characters.

Furthermore, the Bank has domestic and foreign bank and country limits. Although these limits are revised each year, the necessary actions are taken for any limit changes related to several banks when needed.

b) Determining the risk limits and their distribution regarding the daily transactions, monitoring risk concentration of off-balance sheet risks on individual customers and authorities in treasury departments of banks on a daily basis:

Treasury transactions are performed under the allocated bank lines. Transactions performed are followed based on those limits. Moreover, authorized personnel in charge of performing transactions have clearance based on their status and transactions are performed in this context.

c) Regular reviews of credit worthiness of loan and other debtors, control of statement of financial positions whether they are audited according to the related legislation and reasons if they are not audited, changes in credit limits, guarantees taken for loans and other receivables:

For agricultural loans, regular reviews are made to agricultural loan customers by visiting their agricultural production facility regularly and changes in credit worthiness are determined accordingly. In order to determine loan limit and make changes in the actual limit, determination on site is required. For loan demands of legal entities and real entities keeping their records according to the balance sheet base for loan demands more than YTL fifty thousand, statement of financial position is required, and this statement is renewed every year in the following six months after the period-end as long as loans are granted. Statements of financial positions have to be audited in accordance with the procedures defined in the related legislation. For the loans granted, the Bank obtains adequate guarantees according to the related legislation.

Corporate loan limits are determined and approved for one year and renewed every year. Renewal of the limits is completed in two months at the latest after the year-end. Moreover, interim intelligence form is prepared quarterly for the companies given loans. For loan demands of legal entities and real persons that keep their records according to the balance sheet base for loan demands more than YTL forty thousand, statement of financial position is required, and this statement is renewed every year in the following six months after the period-end as long as loans are granted. For the loans granted, the Bank obtains adequate guarantees according to the related legislation.

2. Control limit of the Bank on forward transactions and option agreements and other similar agreement positions, management of credit risk undertaken for such instruments by the potential risks arising from the fluctuations in the market:

At present, the Bank has no forward transactions and option positions. However, foreign currency swaps that are not exposed to risks are performed considering the balance of assets and liabilities and legal limits.

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3. Mitigation of the risk total in a short time by forward transactions, options and similar agreements, using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions when the Bank is exposed to significant credit risk:

The Bank is considered not to be exposed to significant credit risk as a result of credit policies and cycles relying on obtaining reliable and secure guarantees.

4. a) Weighting indemnified non-cash loans in the same risk group with non-performing loans:

Indemnified non-cash loans are weighted in the same risk group with the non-performing loans.

b) Reorganization of restructured and rescheduled loans to new rating group and weight according to risk management systems other than the method defined by the related legislation, new precautions taken about these methods, risk decomposition according to risk management systems on the assumption that long-term commitments are exposed to higher credit risk than short-term commitments:

The Bank is required to provide provisions for restructured and rescheduled loans based on the credit group they were classified until the date of restructure (20%, 50% or 100%) as stated by the related decree on provisions. The Bank allocates 100% of special provision for such loans.

5. a) Evaluation of risk considering the economical conditions of the concerned country in the event that banks' banking operations and lending transactions abroad are performed by limited number of countries or financial institutions:

Since the Bank's banking and lending operations abroad have no significant effect on the financial statements, and operations and transactions are diversified by conducting by means of financial institutions in various countries, the Bank is not exposed to significant credit risk.

b) Credit risk concentration of the Bank when compared to the financial operations of other financial institutions as an active participant of the international banking market:

The Bank is not subject to significant credit risks.

6. a) The percentage of top 100 cash loans to the total cash loan portfolio is 15.6%.

b) The percentage of top 100 non-cash loans to the total non-cash loan portfolio is 80.1%.

c) The percentage of top 100 cash and non-cash loans to the total assets and off-balance sheet items is 3.6%.

7. General Provision for the credit risk undertaken by the Bank:

General loan loss provision related to the credit risk incurred by the Bank in accordance with the Communiqué on "Principles and Procedures on Determining the Nature of Loans and Receivables and the Allocation of Provisions" is YTL 108,131 Thousand.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

Information according to geographical concentration:

	Assets	Liabilities (****)	Non-Cash Loans	Equity Investments	Net Income (***)
Current Period					
Domestic	67,697,694	64,963,580	1,682,880	-	2,100,002
European Union Countries	2,688,530	84,621	216,764	-	-
OECD Countries (*)	276,246	151	56,662	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	752,983	9,810	260,530	-	-
Other Countries	121,012	266,205	40,956	-	-
Associates, Subsidiaries and Entities					
Under Common Control	-	-	-	367,305	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
Total	71,536,465	65,324,367	2,257,792	367,305	2,100,002
Prior Period					
Domestic	61,714,518	58,235,042	1,302,570	-	1,846,412
European Union Countries	1,637,957	85,953	341,640	-	-
OECD Countries (*)	6,321	77	79,335	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	612,784	26,632	62,403	-	-
Other Countries	109,675	213,809	27,634	-	-
Associates, Subsidiaries and Entities					
Under Common Control	-	-	-	320,250	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
Total	64,081,255	58,561,513	1,813,582	320,250	1,846,412

* OECD countries other than EU countries, USA and Canada.

** Assets and liabilities that cannot be allocated on a consistent basis

*** Presents net profit for the period but, YTL 159.798 Thousand of retained earnings for the current period and YTL 115.506

Thousand of retained earnings for the previous period are not included in the amount stated in the net profit column and it is not possible to allocate this amount according to the geographical concentration.

**** Shareholders' equity is not included in the liabilities.

***** Sum of assets and equity investments equal to the total balance sheet assets

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

Sector concentration for cash loans:

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agriculture	5,193,266	30.90	-	0.00	5,089,636	39.23	-	0.00
Farming and Raising Livestock	5,162,794	30.72	-	0.00	5,071,299	39.09	-	0.00
Forestry	-	0.00	-	0.00	-	0.00	-	0.00
Fishery	30,472	0.18	-	0.00	18,337	0.14	-	0.00
Industry	578,661	3.44	393,613	77.91	340,642	2.63	465,568	70.05
Mining and Quarry	32,707	0.19	769	0.15	-	0.00	-	0.00
Manufacturing	540,611	3.22	392,164	77.62	340,642	2.63	260,060	39.13
Electricity, Gas and Water	5,343	0.03	680	0.14	-	0.00	205,508	30.92
Construction	118,714	0.71	6,232	1.23	39,481	0.30	936	0.14
Services	1,413,415	8.41	74,250	14.70	1,351,606	10.42	22,122	3.33
Wholesale and Retail Trade	711,522	4.23	11,529	2.28	1,351,606	10.42	22,122	3.33
Hotel, Tourism, Food and Beverage Services	31,641	0.19	-	0.00	-	0.00	-	0.00
Transportation and Communication	56,416	0.34	96	0.02	-	0.00	-	0.00
Financial Institutions	65,351	0.39	61,654	12.21	-	0.00	-	0.00
Real Estate and Renting Services	7,229	0.04	-	0.00	-	0.00	-	0.00
Self-Employment Services	234,035	1.39	116	0.02	-	0.00	-	0.00
Education Services	13,323	0.08	855	0.17	-	0.00	-	0.00
Health and Social Services	293,898	1.75	-	0.00	-	0.00	-	0.00
Other (*)	9,500,881	56.54	31,144	6.16	6,150,588	47.42	175,948	26.48
Total	16,804,937	100.00	505,239	100.00	12,971,953	100.00	664,574	100.00

(*) Current period YTL 384,870 Thousand, FC 5,480 Thousand and for the prior period YTL 258,489 Thousand and FC 7,613 Thousand of interest accruals are stated in "other" line.

Total amount of YTL 9,532,025 Thousand stated in "other" line of YTL and FC attributable to the current period column consists of approximately 75.39% customer loans, 3.04% credit cards and 11.79% fund sourced housing loans.

Total amount of YTL 6,326,536 Thousand stated in "other" line of YTL and FC attributable to the prior period column consists of approximately 71.04% customer loans and 4.56% credit cards.

Sector concentration for the prior period followed-up at the bases of five main sectors by the related Bank Department, however, because of the technical deficiencies, it is not possible to allocate them according to sub-sectors. Therefore, energy is included in gas and water, service is included in wholesale and retail trade, manufacturing and textile are included in industry columns.

Cash loan allocation table prepared on the sectoral basis is only for normal loans.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2006**

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

III. EXPLANATIONS RELATED TO THE MARKET RISK**1. Whether measures are taken for market risk hedge 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" issued in the Official Gazette numbered 26333 and dated November 1, 2006.

On a monthly period basis, interest rate risk, exchange rate risk, common stock risk, settlement risk and specific risks are computed according to the "Standard Method" and total market risk amount is calculated accordingly. This amount is included in the calculation of Bank's Standard Capital Adequacy Ratio.

The Bank's policy is to avoid having positions in foreign currency management. In addition to monthly and 3-monthly reports related with the market risk, exchange risk analysis is prepared on a weekly basis for each foreign exchange type and this report is given to the Banking Regulation and Supervision Agency.

Daily Value at Risk forecasts are made based on financial instruments with different risk factors and portfolios in the Bank and for the purpose of providing information those are reported to the top management and the related units.

a) Information Related to Market Risk

	Amount
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	16,553
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	-
(III) Capital Requirement to be Employed For Currency Risk - Standard Method	15,300
(IV) Capital Requirement to be Employed For Commodity Risk - Standard Method	246
(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) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model	-
(VIII) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI)	32,099
(IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)	401,238

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	134,927	173,221	16,553	117,008	127,628	102,084
Common Stock Risk	-	-	-	-	-	-
Currency Risk	9,999	17,798	4,748	6,566	15,394	4,413
Commodity Risk	246	246	246	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Total Value at Risk	1,811,835	2,313,063	401,238	1,544,666	1,689,438	1,340,675

IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

Operational risk will be calculated as of 30 June 2007 in accordance with Article 28 of the Communiqué on "Disclosure of Financial Statements by the Banks and the Related Foot-notes and Explanations".

V. EXPLANATIONS RELATED TO 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 having positions in foreign currency management. Hence, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, Value at Risk (VAR) is calculated for daily foreign exchange position and reported to the top management and related departments for providing information.

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

b. Protection of foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if considerable:

Rather than hedging purposes, derivative instruments are used by the Bank's foreign branches and Head Quarters as to gain profit. The volume of these transactions is very low.

c. Management policy for Foreign Currency:

"Liquidity Gap Analysis" and "Repricing Gap Analysis" are prepared periodically in order to define liquidity and interest rate risks at Dollar and Euro, which are mainly used by the Bank in its operations. The result of these analyses is reported to the top management. Within the context of legal reporting, Foreign Currency Net General Position/Shareholders' equity ratio and foreign currency liquidity position are also monitored regularly.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

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d. Announced foreign exchange buying rates of the Bank as of the balance sheet date and the previous five working days are as follows:

	25.12.2006	26.12.2006	27.12.2006	28.12.2006	29.12.2006
USD	1.41960	1.41960	1.42010	1.40700	1.41270
EUR	1.86250	1.86450	1.86470	1.84960	1.86250
AUD	1.14050	1.11200	1.11380	1.10930	1.11250
DKK	0.24958	0.25018	0.25018	0.24805	0.24970
SEK	0.20716	0.20712	0.20673	0.20468	0.20628
CHF	1.16450	1.16380	1.15970	1.15190	1.15640
CAD	1.22550	1.22490	1.22210	1.21380	1.21270
NOK	0.22772	0.22775	0.22642	0.22437	0.22669
GBP	2.80200	2.77810	2.77850	2.75670	2.76310
SAR	0.37850	0.37856	0.37868	0.37520	0.37632
100 JPY	1.19510	1.19300	1.19710	1.18330	1.18450

e. Simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days prior to the balance sheet:

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
1.42416	1.88012	1.12031	0.25223	0.20833	1.17679	1.23428	0.23023	2.79450	0.37978	1.21309

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

Information on the foreign currency of the Bank:

	EURO	USD	Yen	Other FC ²	Total
Current Period					
Assets					
Cash (Cash in vault, money in transit, cheques purchased) and balances with Central Bank of Republic of Turkey	1,389,465	52,357	191	12,860	1,454,873
Receivables from Banks and Other Financial Institutions	694,158	1,940,204	563	302,025	2,936,950
Financial Assets at Fair Value Through Profit and Loss	36,596	594,167	-	1,055	631,818
Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale	4,535,281	1,801,924	-	6,266	6,343,471
Loans ¹	141,974	338,696	-	25,827	506,497
Subsidiaries, Associates and Joint Ventures	262,274	41,323	-	-	303,597
Investment securities held-to-maturity	777,146	97	-	318	777,561
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	1	436	-	3,000	3,437
Intangible Assets	-	556	-	809	1,365
Other Assets	13,780	3,338	-	1,780	18,898
Total Assets	7,850,675	4,773,098	754	353,940	12,978,467
Liabilities					
Bank Deposits	147,984	67,872	1	18,526	234,383
Foreign Currency Deposits	7,510,563	4,616,777	448	319,609	12,447,397
Money Market Borrowings	-	-	-	-	-
Funds provided from Other Financial Institutions	1,153	1,740	-	-	2,893
Issued Marketable Securities	-	-	-	-	-
Sundry Debtors	129,456	6,459	-	588	136,503
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities	61,973	64,195	436	3,474	130,078
Total Liabilities	7,851,129	4,757,043	885	342,197	12,951,254
Net Balance Sheet Position	(454)	16,055	(131)	11,743	27,213
Net Off-Balance Sheet Position³	(13,685)	(9,427)	-	23,139	27
Financial Derivative Assets	-	20,449	-	29,822	50,271
Financial Derivative Liabilities	13,685	29,876	-	6,683	50,244
Non-cash Loans	367,519	1,217,543	9,913	9,768	1,604,743
Prior Period					
Total Assets	6,097,831	4,498,331	2,531	309,474	10,908,167
Total Liabilities	6,089,873	4,517,476	2,644	277,528	10,887,521
Net Balance Sheet Position	7,958	(19,145)	(113)	31,946	20,646
Net Off-Balance Sheet Position³	(27,006)	(13,618)	-	39,873	(751)
Financial Derivative Assets	18,981	38,654	-	71,900	129,535
Financial Derivative Liabilities	45,987	52,272	-	32,027	130,286
Non-cash Loans	304,318	1,102,907	4,963	22,736	1,434,924

¹ YTL 1,191 Thousand USD and YTL 67 Thousand EUR equivalent balances of loans are originated from foreign exchange indexed loans. (Prior Period: YTL 2,193 Thousand)

² In foreign currencies shown in the other FC column of assets, 11.47% is DKK, 20.77% is CHF, 51.72% is GBP and the remaining 16.04%, consists of other foreign currencies.

In foreign currencies shown in the FC column of liabilities, 14.18% is DKK, 23.47% is CHF, 54.32% is GBP and the remaining 8.03%, consists of other foreign currencies.

³ Indicates the net balance of receivables and payables from derivative financial instruments.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK

a) Measurement of interest rate sensitivity of assets, liabilities and off-balance sheet items:

Interest rate sensitivity of assets and liabilities is followed and reported to the management periodically by applying various analysis methods.

b) Effects of interest rate fluctuations in the market on financial position and cash flow of the Bank, expectations on interest income, limitations on daily interest rates by the Bank's Board of Directors:

To remove the negative effects of interest rate fluctuations in the market on the balance sheet of the Bank, Assets and Liabilities Management Committee follows interest margin and monitors its effects on profitability on a consistent basis. The committee makes interest rate arrangements especially for sources and defines the maximum interest rates considering the interest rate risk.

c) Measures taken for the current interest rate risk of the Bank and expected effects on the following periods' net income and shareholders' equity:

In the current period, the Bank is not exposed to any interest rate risk that requires structural changes in its positions or taking necessary measures.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

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

Current Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in vault, money in transit, cheques purchased) and balances with Central Bank of Republic of Turkey	4,281,452	-	-	-	-	875,910	5,157,362
Receivables from Banks and Other Financial Institutions	3,989,515	-	-	2,851	-	-	3,992,366
Financial Assets at Fair Value Through Profit and Loss	234,940	149,254	734,603	1,034,542	379,839	1,506	2,534,684
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	7,629,159	9,037,493	2,835,469	512,372	4,213,089	67,701	24,295,283
Loans	5,017,892	1,027,249	1,009,018	1,863,856	8,392,161	-	17,310,176
Investment securities held-to-maturity	8,034,129	8,257,313	1,314	189,639	577,281	-	17,059,676
Other Assets	-	-	-	-	-	1,554,223	1,554,223
Total Assets	29,187,087	18,471,309	4,580,404	3,603,260	13,562,370	2,499,340	71,903,770
Liabilities							
Bank Deposits	233,673	6,054	-	-	-	-	239,727
Foreign Currency Deposits	45,141,425	10,476,941	1,409,749	2,313,668	71,392	-	59,413,175
Money Market Borrowings	967,955	-	-	-	-	-	967,955
Sundry Debtors	-	-	-	-	-	368,719	368,719
Marketable Securities Issued	-	-	-	-	-	-	-
Funds provided from Other Financial Institutions	11,298	600	2,030	-	711	-	14,639
Other Liabilities	-	-	-	-	2,914,209	7,985,346	10,899,555
Total Liabilities	46,354,351	10,483,595	1,411,779	2,313,668	2,986,312	8,354,065	71,903,770
Balance Sheet Long Position	-	7,987,714	3,168,625	1,289,592	10,576,058	-	23,021,989
Balance Sheet Short Position	(17,167,264)	-	-	-	-	(5,854,725)	(23,021,989)
Off Balance Sheet Long Position	-	-	-	-	-	-	-
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(17,167,264)	7,987,714	3,168,625	1,289,592	10,576,058	(5,854,725)	-

- Balances without maturity are shown in the "Up to 1 month" column.
- YTL 2,908,270 Thousand of fund balance in other liabilities is shown under the "1 year and over" column.
- Deferred tax asset is shown under the "Non-interest bearing" column.
- Net balance of follow-up loans is shown under the "Non-interest bearing" column in other assets.
- Total shareholders' equity is shown under the "Non-interest bearing" column.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

Average interest rates applied to monetary financial instruments:

	EURO	USD	JPY	YTL
Current Period				
Assets				
Cash (cash in vault, money in transit, cheques purchased) and balances with the Central Bank of Turkey	1.73	2.52	-	13.12
Due from banks and other financial institutions	3.66	5.30	-	18.86
Trading securities	4.72	8.56	-	16.29
Money market placements	-	-	-	-
Investment securities available-for-sale	5.54	7.33	-	20.74
Loans	4.33	6.68	-	23.14
Investment securities held-to-maturity	6.00	-	-	20.33
Liabilities				
Bank deposits	3.58	4.85	-	18.65
Other deposits	2.30	2.59	-	13.89
Money market borrowings	-	-	-	14.86
Sundry debtors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions ³	-	-	-	-

¹ Except for foreign exchange interest rates in the Bank deposits Deposits, interest rates in the table above are calculated by using annual domestic simple interest rates.

² Securities given for payments of İmar Bankası are excluded.

³ Since interest rates of funds provided from other financial institutions cannot be decomposed in branch basis, they are not shown in the table.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

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

Prior Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-Interest Bearing	Total
Assets							
Cash (cash in vault, money in transit, cheques purchased) and balances with the Central Bank of Turkey	1,096,373	-	-	-	-	2,731,075	3,827,448
Due from banks and other financial institutions	2,831,240	6,627	-	6,779	-	5,217	2,849,863
Trading securities	26	6,700	357,028	309,047	335,837	1,110	1,009,748
Money market placements	3,627,348	-	-	-	-	771	3,628,119
Investment securities available-for-sale	2,084,877	7,260,595	2,655,005	476,793	3,475,529	5,105	15,957,904
Loans	6,312,274	1,015,628	1,133,919	1,234,799	3,939,907	-	13,636,527
Investment securities held-to-maturity	9,226,638	11,001,870	-	913,469	725,014	65	21,867,056
Other assets	-	-	-	-	-	1,624,840	1,624,840
Total assets	25,178,776	19,291,420	4,145,952	2,940,887	8,476,287	4,368,183	64,401,505
Liabilities							
Bank deposits	153,307	7,363	-	-	-	2,350	163,020
Other deposits	35,413,804	10,045,552	1,455,406	2,422,392	2,631,924	-	51,969,078
Money market borrowings	502,719	-	-	-	-	-	502,719
Sundry debtors	-	-	-	-	-	496,009	496,009
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	-	-	-	8,486	-	-	8,486
Other liabilities	2,182,149	47,153	-	241,297	1,653,439	7,138,155	11,262,193
Total liabilities	38,251,979	10,100,068	1,455,406	2,672,175	4,285,363	7,636,514	64,401,505
Balance Sheet Long Position	-	9,191,352	2,690,546	268,712	4,190,924	-	16,341,534
Balance Sheet Short Position	(13,073,203)	-	-	-	-	(3,268,331)	(16,341,534)
Off Balance Sheet Long Position	-	-	-	-	-	-	-
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(13,073,203)	9,191,352	2,690,546	268,712	4,190,924	(3,268,331)	-

- Balances without maturity are shown under the "Up to 1 month" column.
- YTL 4,112,849 Thousand of fund balance is distributed according to maturities of funds originated loans whose risk is not belong to the Bank.
- Deferred tax asset is shown under the "Non-interest bearing" column.
- Net balance of follow-up loans is shown under the "Non-interest bearing" column in other assets.
- Total shareholders' equity is shown under the "Non-interest bearing" column.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

Average interest rates applied to monetary financial instruments:

	EURO	USD	JPY	YTL
Prior Period				
Assets				
Cash (cash in vault, money in transit, cheques purchased) and balances with the Central Bank of Turkey	1.14	2.03	-	10.25
Due from banks and other financial institutions	2.41	4.21	-	16.52
Trading securities	4.60	7.79	-	16.15
Money market placements	-	-	-	14.44
Investment securities available-for-sale	5.21	6.05	-	18.55
Loans	3.70	5.70	-	19.72
Investment securities held-to-maturity	5.73	6.03	-	16.60
Liabilities				
Bank deposits	2.47	3.74	-	-
Other deposits	2.11	1.82	-	11.96
Money market borrowings	-	-	-	11.91
Sundry debtors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	-	-	-	-

¹ Rates shown in the table are calculated by using the annual domestic interest rates.² Securities given for payments of İmar Bankası are excluded.³ These rates are calculated by using the annual simple interest rates.

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VII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK

a) Basis of the actual liquidity risk of the Bank and whether the necessary measures taken, and 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:

When funding and liquidity sources are considered, the Bank covers majority of its liquidity need through deposits. The Bank's deposits do not fluctuate considerably depending on 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 maturities.

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 Bank follows the consistency of payments with the assets and liabilities and the interest rates regularly and there is 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, coupon securities constituting majority of the securities portfolio supply significant liquidity for the Bank. Besides, volume of deposits forming the majority of the liabilities is not subject to significant changes. The Bank also provides funds by repurchase agreements, however, volume of these transactions are relatively limited.

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

The Bank's major source is deposits, and funds are evaluated as securities portfolio, other banks and loan placements. Since most significant cash inflows are originated from securities portfolio, this reduces the liquidity risk of the Bank.

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Presentation of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Undistributed	Total
Current Period								
Assets								
Cash (cash in vault, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	5,157,362	-	-	-	-	-	-	5,157,362
Due from banks and other financial institutions	47,724	3,941,791	-	26	2,825	-	-	3,992,366
Trading securities	1,506	26,432	132,917	734,603	1,034,542	604,684	-	2,534,684
Money market placements	-	-	-	-	-	-	-	-
Investment securities available-for-sale	-	707,769	1,073,658	1,262,981	1,593,572	19,589,602	67,701	24,295,283
Loans (3)	-	735,652	1,428,834	1,489,194	5,193,698	8,462,798	-	17,310,176
Investment securities held-to-maturity	-	1,151,782	164,397	1,314	2,189,639	13,552,544	-	17,059,676
Other assets	331,011	-	-	-	-	762	1,222,450	1,554,223
Total assets	5,537,603	6,563,426	2,799,806	3,488,118	10,014,276	42,210,390	1,290,151	71,903,770
Liabilities								
Bank deposits	10,852	222,821	6,054	-	-	-	-	239,727
Other deposits	11,553,986	33,587,429	10,477,045	1,409,660	2,313,663	71,392	-	59,413,175
Funds provided from other financial instruments	-	11,298	600	2,030	-	711	-	14,639
Money market borrowings	-	967,955	-	-	-	-	-	967,955
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry debtors	368,719	-	-	-	-	-	-	368,719
Other liabilities	160,859	635,293	-	226,371	-	3,297,629	6,579,403	10,899,555
Total liabilities	12,094,416	35,424,796	10,483,699	1,638,061	2,313,663	3,369,732	6,579,403	71,903,770
Liquidity Gap	(6,556,813)	(28,861,370)	(7,683,893)	1,850,057	7,700,613	38,840,658	(5,289,252)	-
Prior Period								
Total Assets	6,346,581	9,556,496	2,055,781	2,804,523	10,580,907	31,850,740	1,206,477	64,401,505
Total Liabilities	14,235,837	25,154,279	10,587,016	1,685,540	2,695,963	4,272,482	5,770,388	64,401,505
Liquidity Gap	(7,889,256)	(15,597,783)	(8,531,235)	1,118,983	7,884,944	27,578,258	(4,563,911)	-

• Assets which are necessary to provide banking services and could not be liquidated in a short-term, such as; tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and non-performing loans, are classified as undistributed.

• Deferred tax asset is included under the undistributed column.

• For YTL 61,225 Thousand of follow-up loans, no special provision is allocated and this amount is included in other assets.

• In liabilities table, shareholders' equity is shown under the undistributed column in other liabilities.

• Funds balance amounted to YTL 2,908,270 Thousand is included in other liabilities and shown under the "1 year and over" column.

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VIII. EXPLANATIONS RELATED TO THE PRESENTATION OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE**1. Carrying and fair value of the financial assets and liabilities that are not carried at fair value in the Bank's financial statements:**

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	62,657,501	57,939,469	62,657,501	57,939,469
Receivables from Money Market	-	3,628,119	-	3,628,119
Receivables from Banks and Other Financial Institutions	3,992,366	2,849,863	3,992,366	2,849,863
Investment securities available-for-sale	24,295,283	15,957,904	24,295,283	15,957,904
Investment securities held-to-maturity	17,059,676	21,867,056	17,059,676	21,867,056
Loans	17,310,176	13,636,527	17,310,176	13,636,527
Financial Liabilities	60,036,260	52,636,593	60,036,260	52,636,593
Bank deposits	239,727	163,020	239,727	163,020
Other deposits	59,413,175	51,969,078	59,413,175	51,969,078
Funds provided from other financial institutions	14,639	8,486	14,639	8,486
Marketable securities issued	-	-	-	-
Sundry debtors	368,719	496,009	368,719	496,009

2. Explanation regarding the determination of fair value of each item shown in the above table:

Since there are no listed assets on the stock market in held-to-maturity securities portfolio, amortized value calculated by the internal rate of return method is presented as the fair value.

In determination of available-for-sale securities' fair value, market prices are taken into consideration. If there is no market price, the amortized value calculated by the internal rate of return method is regarded as fair value based on the assumption that fair value cannot be determined reliably.

Fair value of bank originated loans and receivables are the amortized values calculated by the internal rate of return method.

Estimated fair value of deposits represents the amount paid at the time of demand and amortized value calculated by the internal rate of return method reflects fair value.

Except for the ones explained above, fair value of all financial assets and liabilities is determined by the sum of acquisition cost and discounts calculated by the internal rate of return method.

IX. EXPLANATION RELATED TO TRANSACTIONS MADE ON BEHALF AND ACCOUNT OF THE THIRD PARTIES, FIDUCIARY TRANSACTIONS**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 and legal persons, conducts repo transactions, and provides safe-deposit box services.

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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.

SECTION V: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES TO ASSETS

1.a) Information on Cash Assets and Account of the Central Bank of Turkey:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Cash	749,329	125,782	418,932	81,669
CBRT	2,953,160	1,328,976	2,295,673	1,031,163
Other	-	115	-	11
Total	3,702,489	1,454,873	2,714,605	1,112,843

1. a.1 Information on Obligatory Provisions:

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to the Turkish Republic Central Bank's Communiqué No: 2005/1 "Obligatory Provisions". The Bank's total domestic liabilities excluding the items stated in the Communiqué as deductibles and the deposits accepted on behalf of foreign branches from Turkey constitutes the obligatory provision liabilities. The obligatory provision ratios are 6% for YTL liabilities and 11% for foreign currency liabilities. The Turkish Republic Central Bank accrues interest for obligatory provisions at the end of March, June, September and December. The obligatory provision interest rates in 31 December 2006 are 13.12% for YTL, 2.52% for USD and 1.73% for EURO.

1. b) Information related to the account of the Central Bank of Turkey:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Demand Unrestricted Account	2,856,030	-	2,230,463	-
Time Unrestricted Account	-	-	-	-
Demand Restricted Account	-	-	-	-
Required Reserves (*)	97,130	1,328,976	65,210	1,031,163
Total	2,953,160	1,328,976	2,295,673	1,031,163

(*) Obligatory provisions amount of 17,764 YTL of foreign branches are included.

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2. a) Financial assets at fair value through profit and loss blocked/given as a collateral or subject to repurchase agreements are presented comparatively with their net values.

a.1) Information on financial assets at fair value through profit and loss repo transactions:

None

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

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	1	-	1	-
Other	-	-	-	-
Total	1	-	1	-

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

None

3.a) Information on Banks and Other Financial Institutions:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	1,055,416	2,936,950	1,110,586	1,736,500
Domestic	476,270	56,533	617,000	1,873
Foreign	579,146	2,880,417	493,586	1,734,627
Foreign Head Office and Branches	-	-	-	-
Other Financial Institutions	-	-	-	-
Interest Income Accrual and Discounts (*)	-	-	2,255	522
Total	1,055,416	2,936,950	1,112,841	1,737,022

(*) Prior Period interest income accrual and discount cannot be decomposed.

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b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	2,546,299	1,569,738	-	-
USA and Canada	605,134	609,634	-	-
OECD Countries (*)	276,237	6,316	-	-
Off-shore banking regions	-	-	-	-
Other	26,989	42,525	2,826	-
Interest Income Accrual and Rediscounts	2,078	1,524	-	-
Total	3,456,737	2,229,737	2,826	-

(*) European Union Countries, USA and Canada excluded.

4. a) Financial assets available-for-sale blocked/given as a collateral or subject to repurchase agreements:

There is no financial asset available-for-sale blocked/given as collateral or subject to repurchase agreements.

b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt securities	24,232,352	15,904,289
Quoted in a stock exchange	20,653,451	12,592,264
Not quoted	3,578,901	3,312,025
Share certificates	68,377	64,093
Quoted in a stock exchange	-	-
Not quoted	68,377	64,093
Impairment provision (-)	5,446	10,478
Total	24,295,283	15,957,904

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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 Loans	Non-cash loans	Cash Loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect Loans granted to shareholders	-	-	-	-
Loans granted to employees (*)	109,005	-	97,869	-
Total	109,005	-	97,869	-

(*) Interest income accrual and rediscount amount of 1,396 Thousand YTL in the current period and 1,543 Thousand YTL in the prior period are included in the table.

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
Non-specialized loans	11,726,146	414	-	-
Discount Notes	84	-	-	-
Export loans	503,617	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	4,509	-	-	-
International loans	45,001	-	-	-
Consumer loans	7,186,201	-	-	-
Credit cards	289,980	-	-	-
Precious metals loans (Gold, etc.)	-	-	-	-
Other	3,696,754	414	-	-
Specialized lending	5,181,967	11,299	-	-
Other receivables	-	-	-	-
Interest Income Accruals and Rediscounts	390,350	-	-	-
Total	17,298,463	11,713	-	-

- Interest income accruals and rediscounts of restructured loans cannot be decomposed in the current data processing system.
- Balances associated with loans under close follow-up and other receivables are recognized under standard loans and other receivables because they cannot be decomposed in the current data processing system.

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c) Loans according to their maturity:

	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
Short-term loans	6,828,884	416	-	-
Non-specialized loans	3,094,326	414	-	-
Specialized loans	3,734,558	2	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	10,079,229	11,297	-	-
Non-specialized loans	8,631,820	-	-	-
Specialized loans	1,447,409	11,297	-	-
Other receivables	-	-	-	-
Interest Income Accruals and Rediscounts	390,350	-	-	-

- Interest income accruals and discounts of restructured loans cannot be decomposed in the current data processing system.
- Balances associated with loans under close follow-up and other receivables are recognized under standard loans and other receivables because they cannot be decomposed in the current data processing system.

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d) Information on Consumer Loans, Individual Credit Cards and Personnel Loans and Personnel Credit Cards:

	Short-term	Medium and long-term	Total
Consumer loans-YTL	577,046	6,564,120	7,141,166
Real estate loans	1,239	2,786,799	2,788,038
Automobile Loans	3,674	217,100	220,774
Consumer Loans	568,797	3,556,352	4,125,149
Other	3,336	3,869	7,205
Consumer loans- Indexed to FC	-	165	165
Real estate loans	-	165	165
Automobile Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer loans- FC	25	62	87
Real estate loans	-	-	-
Automobile Loans	-	-	-
Consumer Loans	25	62	87
Other	-	-	-
Individual Credit Cards-YTL	277,188	-	277,188
Installment	3,389	-	3,389
Non-Installment	273,799	-	273,799
Individual Credit Cards-FC	218	-	218
Installment	-	-	-
Non-Installment	218	-	218
Personnel Loans-YTL	1,891	90,886	92,777
Real estate loans	-	-	-
Automobile Loans	-	-	-
Consumer Loans	1,891	90,886	92,777
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Automobile Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real estate loans	-	-	-
Automobile Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-YTL	10,956	-	10,956
Installment	270	-	270
Non-Installment	10,686	-	10,686
Personnel Credit Cards-FC	9	-	9
Installment	-	-	-
Non-Installment	9	-	9
Overdraft Account - YTL (Real Person)	52,515	-	52,515
Overdraft Account - FC (Real Person)	-	-	-
Total	919,848	6,655,233	7,575,081

(*) YTL 96,531 Thousand of interest income accrual and rediscount amount of consumer loans cannot be decomposed and not included in the above table.

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e) Information on Commercial Installment Loans and Corporate Credit Cards:

	Short-term	Medium and long-term	Total
Commercial Installment Loans-YTL	110,230	612,416	722,646
Business Residential Loans	407	13,843	14,250
Automobile Loans	4,091	67,429	71,520
Consumer Loans	105,732	531,144	636,876
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	-	-
Business Residential Loans	-	-	-
Automobile Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans – FC	-	-	-
Business Residential Loans	-	-	-
Automobile Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-YTL	1,605	-	1,605
Installment	10	-	10
Non-Installment	1,595	-	1,595
Corporate Credit Cards-FC	4	-	4
Installment	-	-	-
Non-Installment	4	-	4
Overdraft Account-YTL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	111,839	612,416	724,255

(*) Interest income accruals and discounts cannot be decomposed, therefore; interest income accruals and discounts of loans cannot be included in the above table.

f) Breakdown of loans by users:

	Current Period	Prior Period
Public	557,367	906,730
Private	16,362,459	12,463,695
Interest Income Accruals and Discounts	390,350	266,102
Total	17,310,176	13,636,527

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g) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic loans	16,874,825	13,331,200
Foreign loans	45,001	39,225
Interest Income Accruals and Rediscounts	390,350	266,102
Total	17,310,176	13,636,527

h) Loans granted to subsidiaries and investments:

	Current Period	Prior Period
Direct loans granted to subsidiaries and investments	63,038	262,348
Indirect loans granted to subsidiaries and investments	-	-
Total	63,038	262,348

(*) Interest Income Accruals and Rediscounts are not included into the table.

i) Specific provisions provided for loan losses:

	Current Period	Prior Period
Loans and receivables with limited collectibility	73,607	56,507
Loans and receivables with doubtful collectibility	34,268	29,777
Uncollectible loans and receivables	150,653	173,118
Total	258,528	259,402

j) Information on non-performing loans (Net):**1) Information on loans and other receivables included in restructured or rescheduled non-performing loans:**

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current period	4,185	1,925	5,603
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	2,230	1,925	4,422
Rescheduled loans and other receivables	1,955	-	1,181
Prior period	2,592	232	3,252
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	2,039	232	2,886
Rescheduled loans and other receivables	553	-	366

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

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Prior period end balance	67,363	34,469	212,357
Additions (+)	123,232	7,466	3,866
Transfers from other categories of loans under follow-up (+)	-	13,737	10,863
Transfers to other categories of loans under follow-up (-)	16,596	7,911	-
Collections (-)	80,059	10,241	38,793
Write-offs (-)	-	-	-
Current period end balance	93,940	37,520	188,293
Specific provision (-)	73,607	34,268	150,653
Net Balance on balance sheet	20,333	3,252	37,640

3) Information on foreign currency non-performing loans and other receivables:

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current Period:			
Period end balance	43	3,414	4,973
Specific provision (-)	43	3,414	4,973
Net Balance on balance sheet	-	-	-
Prior Period:			
Period end balance	1	2,897	4,698
Specific Provision (-)	1	2,897	4,698
Net Balance on balance sheet	-	-	-

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.

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6. Information on held-to-maturity securities:**a) Information on comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked:****a.1) Investment Securities held-to-maturity subject to repo transactions:**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Government Bonds	967,833	-	502,666	-
Treasury Bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	967,833	-	502,666	-

a.2) Investment securities held-to-maturity given as a collateral or blocked:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Bills	-	-	-	-
Bonds and similar investment securities	3,149,269	569,233	3,118,486	751,852
Other	-	-	-	-
Total	3,149,269	569,233	3,118,486	751,852

b) Information on held-to-maturity state notes:

	Current Period	Prior Period
Government Bonds	967,833	502,666
Treasury Bills	-	-
Other public sector debt securities	16,088,664	21,361,690
Total	17,056,497	21,864,356

c) Information on held-to-maturity securities

	Current Period	Prior Period
Debt securities	17,059,676	21,867,056
Quoted in a stock exchange	-	-
Not quoted	17,059,676	21,867,056
Impairment provision (-)	-	-
Total	17,059,676	21,867,056

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d) Movements of Held-to-Maturity Securities:

	Current Period	Prior Period
Beginning Balance	21,867,056	25,724,959
Foreign currency differences on monetary assets	206,978	(158,050)
Purchases during year	83,138	935,449
Disposals through sales and redemptions (*)	(5,097,496)	(4,635,302)
Impairment provision (-)	-	-
Period end balance	17,059,676	21,867,056

Ziraat Bank is given domestic government bonds as of 2004 as to make payments to customers of Türkiye İmar Bankası T.A.Ş. (its authorization for performing banking transactions and accepting deposits is annulled) having deposit accounts in savings, commercial and other institutions in accordance with the agreement signed between Turkish Treasury, Central Bank of the Republic of Turkey, Saving Deposits Insurance Fund, and T.C. Ziraat Bankası A.Ş. regarding the customer payments of Türkiye İmar Bankası T.A.Ş. included in securities held to maturity portfolio on 7 January 2004. Nature and maturity dates of these domestic government bonds below are determined by the Turkish Treasury and they are in line with the customer payment dates.

Maturity dates of the securities transferred by the Turkish Treasury in consideration of payments made to İmar Bank customers for the period January 2004 - December 2004 are shown below:

3 Months Maturity	12 Months Maturity	18 Months Maturity	24 Months Maturity	30 Months Maturity	36 Months Maturity
TRB190404T19 NOM	TRT170105T13	TRT180705T16	TRT160106T13	TRT170706T16	TRT150107T13
748,422	988,928	868,603	843,795	890,317	846,249

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Maturity dates of the securities transferred by the Turkish Treasury in consideration of payments made to İmar Bank customers for the period January 2005 - December 2005 are shown below:

	3 Months Maturity	12 Months Maturity	18 Months Maturity	24 Months Maturity	30 Months Maturity	36 Months Maturity
TRB190404T19 NOM	TRT170105T13	TRT180705T16	TRT160106T13	TRT170706T16	TRT150107T13	
05.04.2005	483	673	622	802	1,204	704
20.05.2005	65	72	59	113	274	69
22.07.2005	64	98	75	75	56	-
06.10.2005	110	155	186	154	274	204
16.11.2005	63	69	92	125	63	-
20.12.2005	44	69	71	84	19	-
Total	829	1,136	1,105	1,353	1,890	977

Maturity dates of the securities transferred by the Turkish Treasury in consideration of payments made to İmar Bank customers for the period January 2006 - December 2006 are shown below:

	3 Months Maturity	12 Months Maturity	18 Months Maturity	24 Months Maturity	30 Months Maturity	36 Months Maturity
TRB190404T19 NOM	TRT170105T13	TRT180705T16	TRT160106T13	TRT170706T16	TRT150107T13	
04.01.2006	8,803	14,159	14,548	13,976	13,838	16,020
24.02.2006	52	80	133	214	215	56
16.03.2006	91	129	154	107	1	-
26.04.2006	4	-	6	-	-	-
26.05.2006	10	20	4	-	-	-
01.09.2006	25,216	40,987	45,121	52,038	85,165	229,549
29.09.2006	116	161	110	172	291	362
01.12.2006	21,144	25,124	15,000	12,522	31,538	5,592
Total	55,436	80,660	75,076	79,029	131,048	251,579

Maturity dates of the securities transferred by the Turkish Treasury in consideration of payments made to İmar Bank customers for the period January 2004 - December 2006 and total amounts of cash transfer by the Saving Deposits Insurance Fund with their maturities are shown below:

Portfolio	Definition	Nominal Value	Cost
Available for Sale Investment	TRT130707T19	1,081,129	1,081,200
Held-to-Maturity Investment	TRB190404T19	804,687	804,687
Held-to-Maturity Investment	TRT170105T13	1,070,724	1,070,724
Held-to-Maturity Investment	TRT180705T16	944,784	944,784
Held-to-Maturity Investment	TRT160106T13	924,177	924,177
Held-to-Maturity Investment	TRT170706T16	1,023,255	1,023,255
Held-to-Maturity Investment	TRT150107T13	1,098,805	1,098,805
Total		6,947,561	6,947,632

Based on the statement of Banking Regulation and Supervision Agency (BRSA), since the related deposit accounts and expense and income rediscunts for securities in held-to-maturity securities in consideration of those accounts are equal; those are not included in the Bank's accounts.

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7. The Information about unconsolidated associates:

a) The information about the unconsolidated associates in accordance with the Communiqué on “Preparing of Consolidated Financial Statements Attributable to Banks” and the related Turkish Accounting Standards, if any, and the reasons for not consolidating:

The Bank does not prepare consolidated financial statements in accordance with the following provision of the paragraph 5 (Requirement for Preparing Consolidated Financial Statements) of Article 5 of the Communiqué on “Preparation of Consolidated Financial Statements of Banks” published in the Official Gazette No: 26340 on 8 November 2006: “If total assets of an association, subsidiary or entity under common control qualified as a loan or financial institution is less than 1% of the Parent Bank’s total assets and if total of shares of an association, subsidiary or entity under common control qualified as a loan or financial institution below that limit does not exceed 5% of the Parent Bank’s total assets, those associations may be excluded from consolidation considering the materiality principle”.

Description	Address (City/Country)	The Bank’s share percentage, if different-voting percentage (%)	The Bank’s risk group share percentage (%)
1 Banque du Bosphore	Paris/FRANCE	33.33	26.00
2 Arap Türk Bankası A.Ş.	İstanbul/TURKEY	9.09	15.00
3 Bankalararası Kart Merkezi A.Ş.	İstanbul/ TURKEY	12.50	17.98
4 Kredi Kayıt Bürosu A.Ş.	İstanbul/ TURKEY	10.00	9.09
5 Bileşim A.Ş.	İstanbul/ TURKEY	66.67	32.50
6 Fintek Finansal Teknoloji Hizmetleri A.Ş.	Ankara/ TURKEY	62.50	31.80
7 Gelişen İşletmeler Piyasaları A.Ş.	İstanbul/ TURKEY	9.09	5.00
8 Tasfiye Halinde Antalya Mepasan A.Ş.	Antalya/ TURKEY	66.67	30.00

	Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair value
1	48,451	34,294	114	2,157	(77)	(3,121)	198	-
2	372,818	86,688	20,613	32,038	20,205	5,006	4,821	-
3	11,265	9,637	3,847	825	-	2,193	624	-
4	18,257	15,474	1,757	3,121	-	3,673	2,031	-
5	7,774	4,426	1,150	171	10	2,005	516	-
6	5,687	2,861	79	351	94	338	96	-
7	5,441	5,416	5	-	-	441	-	-
8	-	-	-	-	-	-	-	-

- Since Antalya Mepasan is in settlement process, financial statement information cannot be given.
- Since associates are not traded in the stock market, fair value determination cannot be done.
- Information on subsidiaries are provided from the 31 December 2006 financial statements of subsidiaries.
- By the decisions taken in the 29 May 2006 dated Extraordinary Meeting; “Banque du Bosphore” is started its settlement process, French Banking Authority (CECEI) abrogated the Bank’s banking license as of 31 January 2007, and by the decision taken in the 8 February 2007 dated Extraordinary Meeting; the Bank’s title was changed as “La Compagnie du Bosphore” and its banking activities are terminated.

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b) The Information about consolidated associates:

Since the Bank does not consolidate its associates, consolidated financial statements are not prepared in accordance with the following provision of the paragraph 5 (Requirement for Preparing Consolidated Financial Statements) of Article 5 of the Communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette No: 26340 on 8 November 2006.

8. The information about Subsidiaries (Net):**a) The information about the unconsolidated subsidiaries in accordance with the Communiqué on "Preparing of Consolidated Financial Statements Attributable to Banks" and the related Turkish Accounting Standards, if any, and the reasons for not consolidating:**

Since the Bank does not consolidate its subsidiaries, consolidated financial statements are not prepared in accordance with the following provision of the paragraph 5 (Requirement for Preparing Consolidated Financial Statements) of Article 5 of the Communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette No: 26340 on 8 November 2006: "If total assets of an association, subsidiary or entity under common control qualified as a loan or financial institution is less than 1% of the Parent Bank's total assets and if total of shares of an association, subsidiary or entity under common control qualified as a loan or financial institution below that limit does not exceed 5% of the Parent Bank's total assets, those associations may be excluded from consolidation considering the materiality principle".

1) Information on unconsolidated Subsidiaries (Net):

Description	Address (City/Country)	The Bank's share percentage, if different-voting percentage (%)	The Bank's risk group share percentage (%)
1 Ziraat Finansal Kiralama A.Ş.	İstanbul/TURKEY	100.00	50.00
2 Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/ TURKEY	100.00	62.00
3 Ziraat Portföy Yönetimi A.Ş.	İstanbul/ TURKEY	60.00	65.44
4 Ziraat Bank International A.G.	Frankfurt/GERMANY	100.00	100.00
5 Turkish Ziraat Bank Bosnia dd	Sarajevo/BOSNIA & HERZEGOVINA	100.00	100.00
6 Ziraat Bank (Moscow) CJSC	Moscow/RUSSIA	100.00	99.22
7 Kazakhstan Ziraat Int. Bank	Almaty/KAZAKHSTAN	100.00	93.88

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	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair value
1	186,817	64,226	466	200	2	11,740	637	-
2	49,306	47,418	793	3,484	-	6,297	6,050	-
3	6,065	5,869	109	894	-	1,711	1,620	-
4	605,958	279,491	2,385	23,464	9,198	5,993	2,567	-
5	113,361	59,255	4,015	9,054	353	4,247	3,013	-
6	24,265	5,055	3,936	2,061	1,152	382	260	-
7	62,708	29,458	7,521	3,741	386	2,100	1,340	-

- Since subsidiaries are not traded in the stock market, fair value determination cannot be done.
- Information on subsidiaries are provided from the 31 December 2006 financial statements of subsidiaries.

b) Consolidated Information on Subsidiaries (Net):

Since the Bank does not consolidate its subsidiaries, consolidated financial statements are not prepared in accordance with the following provision of the paragraph 5 (Requirement for Preparing Consolidated Financial Statements) of Article 5 of the Communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette No: 26340 on 8 November 2006.

9.a) Information on Joint Ventures:

Entities under common control	Parent Bank's Portion	Group's Portion	Current Asset	Fixed Asset	Long-term liability	Revenue	Expenditure
TURKMEN –TURKISH JOINT							
STOCK COMMERCIAL BANK	4,178	4,178	17,365	2,807	206	2,187	1,506
UZBEKISTAN-TURKISH BANK	4,213	4,213	36,932	1,667	51	2,825	1,389
AZER TÜRK BANK ASC	6,272	6,818	34,256	7,614	769	7,780	5,014
Total	14,663	15,209	88,553	12,088	1,026	12,792	7,909

b) Information on the reasons why unconsolidated joint ventures is not subject to consolidation and method of accounting of entity under common control in the Bank's unconsolidated financial statements:

Since the Bank does not consolidate its joint ventures in accordance with the following provision of the paragraph 5 (Requirement for Preparing Consolidated Financial Statements) of Article 5 of the Communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette No: 26340 on 8 November 2006: "If total assets of an association subsidiary or a joint venture qualified as a loan or financial institution is less than 1% of the Parent Bank's total assets and if total of shares of an association subsidiary or a joint venture qualified as a loan or financial institution below that limit does not exceed 5% of the Parent Bank's total assets, those associations may be excluded from consolidation considering the materiality principle".

The Bank recognizes its joint ventures at acquisition cost in its unconsolidated financial statements and reflects possible impairment loss amounts calculated at period-ends in its financial statements.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
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10. Information on finance lease receivables (Net):

None

11. Information on derivative financial assets for hedging purposes:

None

12. Information on tangible assets:

	Land and Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period End:					
Cost	1,208,118	40,805	24,166	378,119	1,651,208
Accumulated Depreciation (-)	555,204	5,233	24,006	356,685	941,128
Net Book Value	652,914	35,572	160	21,434	710,080
Current Period End:					
Net Book Value as of January 1,2006	652,914	35,572	160	21,434	710,080
Additions	8,644	11,780	9	10,380	30,813
Disposals (-)	19,330	4,299	316	6,073	30,018
Impairment Loss	-	-	-	-	-
Depreciation Charge (-)	16,181	8,369	(151)	3,224	27,623
Foreign Currency Differences from Foreign Sub. (-)	-	-	-	-	-
Period End Cost	1,197,432	48,286	23,859	382,426	1,652,003
Period End Accumulated Depreciation (-) (Net)	571,385	13,602	23,855	359,909	968,751
Period End Net Book Value	626,047	34,684	4	22,517	683,252

13. Information on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Special Costs	31,445	27,544	3,901	28,822	26,041	2,781
Establishment Cost	1,024	551	473	632	438	194
Goodwill	-	-	-	-	-	-
Intangible Rights	14,138	5,562	8,576	12,076	3,582	8,494
Total	46,607	33,657	12,950	41,530	30,061	11,469

Intangible fixed assets are recognized at cost and amortization is charged on a straight-line basis over their estimated useful lives. In prior periods, special costs were followed under intangible assets, however prior and current period special costs are followed under intangible assets in the current period.

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14. Information on deferred tax assets, if any:

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 offset in the financial statements.

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

	Current Period	Prior Period
Deferred tax assets	92,364	104,291
Deferred tax liabilities	5,059	9,220
Net deferred tax assets	87,305	95,071
Net deferred tax income/expense	(88,251)	70,792
	Current Period	Prior Period
As of 1 January	95,071	86,345
Effect on Change in the Effective Tax Rate	(9,507)	(2,590)
Deferred Tax (Expense)/Income	(78,744)	73,382
Deferred Tax Expenses (Net)	(88,251)	70,792
Deferred Tax recognized Under Shareholders' Equity	80,485	(62,066)
Deferred Tax Assets	87,305	95,071

15. Information on fixed assets held for sale:

The Bank's immovables acquired amount to YTL 5,819 Thousand consisting of YTL 5,615 Thousand of its trade receivables and YTL 204 Thousand of its agricultural receivables. Total disposable assets together with its properties equal to YTL 5,923 Thousand including YTL 104 Thousand of properties acquired in consideration of its receivables. Total amortization cost is YTL 238 Thousand for these assets.

16. Information on other assets:

a) Other assets which exceed 10% of the balance sheet total (excluding the off-balance sheet commitments) and breakdown of these which constitute at least 20% of grand total:

Except for the off-balance sheet commitments, other asset items do not exceed 10% of the total balance sheet.

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II. EXPLANATIONS AND NOTES TO LIABILITIES**1.a) Information on maturity structure of deposits/funds collected:**

Current Period	Demand	7 day call accounts	Up to 1 month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and over	Accumulated Deposits	Discount of deposits interests	Total
Saving Deposits	2,399,477	-	3,230,930	20,928,344	1,963,372	235,974	1,328,782	-	329,058	30,415,937
Foreign Currency										
Deposits	2,640,004	-	3,310,759	2,965,923	843,387	27,375	2,606,833	-	52,651	12,446,932
Residents in Turkey	2,575,125	-	3,225,624	2,750,076	800,336	25,348	2,356,795	-	-	11,733,304
Residents Abroad	64,879	-	85,135	215,847	43,051	2,027	250,038	-	-	660,977
Public Sector Deposits	4,077,339	-	372,506	1,701,095	31,048	698	1,883	-	20,615	6,205,184
Commercial Inst.										
Deposits	998,176	-	840,713	2,523,423	254,073	105,556	4,508	-	37,721	4,764,170
Other Inst. Deposits	1,438,990	-	425,720	3,073,489	483,077	64,381	32,877	-	62,418	5,580,952
Precious Metals	-	-	-	-	-	-	-	-	-	-
Bank deposits	10,853	-	220,674	3,000	4,954	-	-	-	246	239,727
CBRT	6,766	-	6,357	-	-	-	-	-	-	13,123
Domestic Banks	2,215	-	182,416	3,000	1,000	-	-	-	-	188,631
Foreign Banks	1,862	-	31,901	-	3,954	-	-	-	-	37,717
Participation Banks	9	-	-	-	-	-	-	-	-	9
Other	1	-	-	-	-	-	-	-	-	1
Total	11,564,839	-	8,401,302	31,195,274	3,579,911	433,984	3,974,883	-	502,709	59,652,902

(*) 502,709 thousand YTL of demand interest discount is decomposed according to the types in the table.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

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Prior Period	Demand	7 day call	Up to 1	1-3	3-6	6 Months-	1 Year	Accumulated	Total
		accounts	month	Months	Months	1 Year	and over		
Saving Deposits	2,242,165	-	1,515,113	17,124,477	1,633,782	459,366	2,831,662	-	25,806,565
Foreign Currency Deposits	2,087,787	-	2,759,487	2,438,712	1,014,489	106,813	2,004,838	-	10,412,126
Residents in Turkey	2,034,427	-	2,281,921	2,372,361	984,044	104,985	1,845,463	-	9,623,201
Residents Abroad	53,360	-	477,566	66,351	30,445	1,828	159,375	-	788,925
Public Sector Deposits	4,324,400	-	350,354	1,785,246	29,352	3,036	3,304	-	6,495,692
Commercial Inst. Deposits	1,476,013	-	862,658	2,269,940	104,635	71,517	6,776	-	4,791,539
Other Inst. Deposits	1,242,533	-	218,679	2,019,016	190,907	316,440	121,794	-	4,109,369
Precious Metals	-	-	-	-	-	-	-	-	-
Bank Deposits	8,615	-	145,024	3,376	1,070	4,819	-	-	162,904
CBRT	1,492	-	6,019	-	-	-	-	-	7,511
Domestic Banks	3,010	-	102,155	-	-	-	-	-	105,165
Foreign Banks	4,106	-	36,850	3,376	1,070	4,819	-	-	50,221
Participation Banks	7	-	-	-	-	-	-	-	7
Other	-	-	-	-	-	-	-	-	-
Discount of deposit interests	-	-	-	-	-	-	-	-	353,903
Total	11,381,513	-	5,851,315	25,640,767	2,974,235	961,991	4,968,374	-	52,132,098

• In the prior period, 353,903 Thousand YTL of demand interest discount is shown under the total column because they are not decomposed according to demand types and maturity.

b) Information on Saving Deposits/Special Current and Participation Accounts in the scope of Saving Deposits Insurance Fund:

1) Amounts exceeding the insurance limit:

i) Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	20,025,273	17,528,215	9,164,179	5,843,696
Foreign Currency Saving Deposits	6,637,945	5,966,038	3,159,108	2,180,518
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at foreign branches and under the guarantees subject to foreign authority insurance	154,569	118,318	69,545	32,870
Deposits at off-shore banking regions and under foreign authorities' insurance	-	-	-	-

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Based on the Council of Minister's decree No: 2003/6668 on 29 December 2003, YTL 1,106,650 Thousand of new time and demand deposits is not included in the above calculation, since the Bank paid the saving deposit 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 saving deposit total of interest discount and capital amount up to YTL 50 Thousand attributable to a real person is covered by the insurance, YTL 368,914 Thousand of discount amount 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 No: 26339 on 07.11.2006.

2) 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.

3) Uncovered amounts:

i) Saving deposits not covered by the deposit insurance fund:

	Current Period ¹	Prior Period ²
Saving Deposits at Foreign Branches	168,588	513,666
Saving Deposits at Off-shore Banking Regions	-	-

¹ YTL 154,171 Thousand of the saving deposit portion in the foreign branches belongs to the New York Branch, and discount amount is not included in the above table.

² YTL 481,136 Thousand of the prior period portion belongs to the New York Branch.

2. Information on Derivative Financial Liabilities Held For Trading:

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

None

3. a) Information on borrowings from banks and Other Financial Institutions:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	11,076	2,174	6,353	1,287
Foreign Banks, Institutions and Funds	-	680	-	576
Accruals	670	39	256	14
Total	11,746	2,893	6,609	1,877

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

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b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-Term	10,589	2,174	5,829	1,287
Medium and Long-Term	487	680	524	576
Accruals	670	39	256	14
Total	11,746	2,893	6,609	1,877

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

The Bank's 83% of its liabilities consist of deposits. Deposits are ranging over a wide base and have steady structures. The Bank's liabilities are not subject to risk concentrations.

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

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 paid in equal installments. The Bank has no significant liabilities under the scope of these agreements.

For financial leasing agreements; total of cost, VAT, and other expenses were classified as capital. As of 20 September 2005, VAT accrual from the goods received from the supplier by Ziraat Financial Leasing A.Ş., VAT accrual from the leasing transaction by the related company, and certification fee related to all agreements are paid in advance.

Information on Finance Lease Payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1,923	1,895	-	-
Between 1-4 Years	2,357	2,260	7,239	7,139
More than 4 Years	1,784	1,784	4,333	4,050
Total	6,064	5,939	11,572	11,189

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6. Information on Derivative Financial Liabilities for hedging purposes:

a) There are no negative differences associated with the derivative financial liabilities for hedging purposes.

7. Explanations on Provisions:**a) Information on General Loan Provisions:**

	Current Period	Prior Period
General Provisions	108,131	65,742
Allocated for Group- I Loans and Receivables	77,510	43,164
Allocated for Group- II Loans and Receivables	741	372
Allocated for non-cash loans	3,955	3,940
Other	25,925	18,266

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

c) Specific provisions for un-indemnified non-cash loans

Specific provisions for unidentified non-cash loans amount to YTL 654 Thousand.

d) Information on Other Provisions:**1) Information on free provisions for possible risks**

	Current Period	Prior Period
Free provisions for possible risks	348,627	259,067

Based on the decision made in the Bank's Assets and Liabilities Committee, YTL 342,953 Thousand of free provision portion allocated for various risks in the current period includes an additional provision amount since total of general loan provision is determined as 3%, except for the accretion credits and the fund sourced credits.

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

The Bank recognizes YTL 399,720 Thousand of other provision amount consisting of YTL 654 Thousand of uncollected non-cash loans, YTL 5,500 Thousand of cash transactions made by the clerk, YTL 342,953 Thousand of provision due to the decision made by the Assets and Liabilities Committee, YTL 50,152 Thousand of payment dues and YTL 461 Thousand of other amounts in the balance sheet.

e) Vacation and retirement pay obligations

The Bank accounts for its vacation and retirement pay liabilities in accordance with the Turkish Accounting Standards No: 19 "Employee Benefits". The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation.

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Movement table of the retirement pay

	Current Period	Prior Period
As of 1 January	288,182	250,926
Charged for the period	(33,154)	(37,053)
Period expense	67,193	74,309
Total	322,221	288,182

As of 31 December 2006, YTL 61,200 Thousand of total vacation liability is recognized in the "Employee Benefits Provision" account in the financial statements.

8. Information on tax liability:**a) Information on current tax liability:****1) Information on tax provisions:**

As of 31 December 2006, tax liability amount after deducting temporary taxes paid for the period is YTL 226,371 Thousand (2005: YTL 281,978 Thousand).

2) Information on payable taxes:

	Current Period	Prior Period
Corporate tax payable	-	-
Taxation of securities	90,995	57,777
Property tax	226	172
Banking Insurance Transaction Tax	15,788	16,297
Foreign exchange transaction tax	603	354
Value added tax payable	686	857
Other	18,880	23,698
Total	127,178	99,155

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3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums – Employee	15	18
Social Security Premiums – Employer	25	29
Bank Social Aid Pension Fund Premium-Employee	31	10
Bank Social Aid Pension Fund Premium Employer	41	16
Pension Fund Membership Fees and Provisions – Employee	3	-
Pension Fund Membership Fees and Provisions – Employer	4	-
Unemployment Insurance – Employee	45	27
Unemployment Insurance – Employer	88	53
Other	11	3
Total	263	156

b) Information on deferred tax liabilities, if any:

As of 31 December 2006, the Bank's deferred tax liability amounts to YTL 5,059 Thousand, however; this amount is offset against the deferred tax asset and subsequently YTL 87,305 Thousand of deferred tax asset is recognized in the financial statements.

9. Information on liabilities regarding fixed assets held for sale:

None

10. Details on the number, maturity, interest rate, borrowing institution, conversion option attributable to the Bank's Tier –II Capitals, if any:**a) Information on the subordinated debts**

None

11. Information on Shareholders' Equity:**a) Presentation of Paid-in capital:**

	Current Period	Prior Period
Common stock	2,221,978	2,221,978
Preferred stock	-	-

Upon the decision taken in the Bank's Ordinary General Committee Meeting held on 30 May 2006 and the BRSA's written statement No: 1078 on 26 January 2007, all unpaid-in capital is paid and classified as paid-in on 8 February 2007.

b) Application of registered capital system and registered capital ceiling amount:

The Bank does not have a registered capital system.

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

There is no increase in the Bank's capital in the current period.

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

There are no additions made from the capital reserves to capital.

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

The Bank's unpaid-in capital amounts to YTL 278,022 Thousand. In accordance with the decision made in the Ordinary General Assembly Meeting held on 30 May 2006, net dividend amount accrued from the 2005 operating profit in favor of the Treasury is decided to be offset against the Bank's un-paid capital and the remaining amount will be deposited to the Treasury. In this context, YTL 278,022 Thousand is not transferred to the Treasury and retained in the Bank accounts and based on the BRSA's written statement No: 1078 on 26 January 2007, all unpaid-in capital is paid and classified as paid-in on 8 February 2007.

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

The Bank continues its current period operations similar with the previous periods. Some of the profit obtained in 2005, which is equal to unpaid capital (YTL 278,022 Thousand), is not distributed and legal reserves are allocated from the remaining amount and it is transferred to the Turkish Treasury. The Bank plans distribute its 2006 profit in accordance with articles of its association. If profit distribution is made as it was planned, it will have no effect on equity, except for legal reserves. However, as of the report date, there is no decision made on the profit distribution.

g) Preferred Stocks:

The Bank has no preferred stocks.

h) Information on Marketable Securities Revaluation Fund:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
From Subsidiaries, Associates and joint ventures	-	-	-	1,562
Revaluation difference	27,859	48,995	221,245	35,027
Exchange Rate difference	-	-	-	-
Total	27,859	48,995	221,245	36,589

12. Information on minority interests:

In accordance with the BRSA's Communiqué on the "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette No: 26340 on November 8, 2006, the Bank does not prepare consolidated financial statements; therefore there is no information disclosed on minority interests.

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III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES**1. Information On Off-Balance Sheet Liabilities:****a) Nature and amount of irrevocable loan commitments:**

	Current Period	Prior Period
Payment Commitments for Cheques	654,645	704,147
Forward Asset Purchase Commitments	37,222	37,929
Commitments for credit card expenditure limits	699,587	730,637
Loan Granting Commitments	75,918	-
Other Irrevocable Commitments	159,762	44,298
Total	1,627,134	1,517,011

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

None

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

	Current Period	Prior Period
Letters of Guarantee	1,940,920	1,283,730
Bank Acceptance	5,351	1,122
Letter of Credit	311,519	528,730
Total	2,257,790	1,813,582

2) Bid bonds, Performance bonds, warranties and similar transactions:

	Current Period	Prior Period
Bid bonds	33,641	28,924
Performance bonds	960,737	616,295
Letters of advance guarantees	781,770	529,295
Letters of guarantee given to customs offices	11,330	2,111
Other letters of guarantee	153,442	107,105
Total	1,940,920	1,283,730

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c) 1) Total Non-cash Loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	146,763	82,455
One year or less original maturity	72,263	60,777
More than one year original maturity	74,500	21,678
Other non-cash loans	2,111,027	1,731,127
Total	2,257,790	1,813,582

2) Non cash loans risk intensity distribution based on sectors:

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agriculture	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Industry	274,830	42.12	1,120,110	69.77	99,814	26.40	573,054	39.92
Mining and Quarry	1,995	0.31	12,990	0.81	-	-	-	-
Manufacturing	101,862	15.61	1,050,807	65.45	49,049	12.97	559,723	38.99
Electricity, Gas and Water	170,973	26.20	56,313	3.51	50,765	13.43	13,331	0.93
Construction	44,575	6.83	60,632	3.78	31,413	8.31	45,292	3.16
Services	294,395	45.12	117,649	7.33	217,651	57.57	396,153	27.60
Wholesale and Retail Trade	101,965	15.63	8,666	0.54	217,651	57.57	396,153	27.60
Hotel and Food Services	2,568	0.39	17	0.00	-	-	-	-
Transportation and Communication	20,027	3.07	19,886	1.24	-	-	-	-
Financial Institutions	114,920	17.61	84,616	5.28	-	-	-	-
Real Estate and Leasing Services	557	0.09	126	0.01	-	-	-	-
Self-employment	32,621	5.00	190	0.01	-	-	-	-
Educational Services	4,104	0.63	3,286	0.20	-	-	-	-
Health and Social Services	17,633	2.70	862	0.05	-	-	-	-
Other	38,636	5.93	306,963	19.12	29,205	7.72	421,000	29.32
Total	652,436	100.00	1,605,354	100.00	378,083	100.00	1,435,499	100.00

• Sectoral distribution is followed on the five main factors in the prior period by the related Bank department and it is not possible to distribute with respect to sub-sectors due to the lack of information systems. Therefore, energy is included in gas and water, service is included in wholesale and retail trade, production and textile are included in manufacturing industry columns.

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3) Non-cash loans classified in Group I and II:

	Group I		Group II	
	YTL	FC	YTL	FC
Non-cash loans	652,436	1,605,354	-	-
Letters of Guarantee	652,415	1,288,505	-	-
Bill Guarantees and Acceptances	-	5,351	-	-
Letters of Credit	21	311,498	-	-
Endorsements	-	-	-	-
Purchase guarantees on marketable security underwritings	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Surety ships	-	-	-	-

- Group II non-cash loans cannot be decomposed.

2. Derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	100,515	259,821
Forward Foreign Currency Buy/Sell Transactions	450	454
Currency Buy/Sell Swap	100,065	259,367
Currency Futures	-	-
Currency Put/Call Options	-	-
Interest related derivative transactions (II)	-	-
Interest Rate Contracts	-	-
Interest Rate Buy/Sell Swap	-	-
Interest Rate Put/Call Options	-	-
Interest Rate Buy/Sell Futures	-	-
Other trading derivative transactions (III)	-	-
A. Total trading derivative transactions (I+II+III)	100,515	259,821
Types of derivative transactions for hedging		
Fair Value Fluctuations Hedging	-	-
Cash flow Risk Hedging	-	-
FC Investment in Associates Risk Hedging	-	-
B. Total derivative transactions for hedging	-	-
Total Derivative Transactions (A+B)	100,515	259,821

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The Bank has no derivative instruments and as of the balance sheet date, information on the Bank's forward transactions is given below. 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.

	ORIGINAL AMOUNT	FOREIGN EXCHANGE TYPE	YTL EQUIVALENT	VALUE DATE	DUE DATE
Forward FX contracts (purchase)	330,000	DKK	83	14.12.2006	19.03.2007
	35,000	CHF	40	27.12.2006	30.03.2007
	15,000	GBP	41	14.11.2006	14.02.2007
	22,000	GBP	61	07.12.2006	12.03.2007
Forward FX contracts (sale)	28,478	USD	40	14.11.2006	14.02.2007
	43,219	USD	61	07.12.2006	12.03.2007
	58,557	USD	83	14.12.2006	19.03.2007
	28,852	USD	41	27.12.2006	30.03.2007
FC Swaps (purchase)	33,000,000	DKK	8,240	14.12.2006	19.03.2007
	6,000,000	CHF	6,938	27.12.2006	30.03.2007
	3,000,000	USD	4,238	04.12.2006	04.01.2007
	1,765,098	USD	2,494	08.12.2006	08.01.2007
	20,000	USD	28	11.12.2006	11.01.2007
	5,050,000	USD	7,134	11.12.2006	11.01.2007
	20,000	USD	28	20.12.2006	19.01.2007
	4,620,000	USD	6,527	20.12.2006	19.01.2007
	1,150,000	GBP	3,178	14.11.2006	14.02.2007
	1,518,174	GBP	4,195	04.12.2006	04.01.2007
	1,650,000	GBP	4,559	07.12.2006	12.03.2007
	900,000	GBP	2,487	08.12.2006	08.01.2007
FC Swaps (sale)	15,147	EUR	28	11.12.2006	11.01.2007
	3,824,300	EUR	7,123	11.12.2006	11.01.2007
	15,129	EUR	28	20.12.2006	19.01.2007
	3,493,233	EUR	6,506	20.12.2006	19.01.2007
	2,182,760	USD	3,084	14.11.2006	14.02.2007
	3,000,000	USD	4,238	04.12.2006	04.01.2007
	3,240,783	USD	4,578	07.12.2006	12.03.2007
	1,765,084	USD	2,494	08.12.2006	08.01.2007
	5,855,757	USD	8,273	14.12.2006	19.03.2007
	4,944,783	USD	6,985	27.12.2006	30.03.2007
	1,518,372	GBP	4,195	04.12.2006	04.01.2007
	900,000	GBP	2,487	08.12.2006	08.01.2007

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3. Information on contingent liabilities and assets:

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 YTL 654,645 Thousand and this amount is recognized under the off-balance sheet commitment accounts. If cheques that are paid to beneficiaries qualify as bad cheques, the Bank may have an obligation to pay up to YTL 410 for the portion of bad cheques amount.

Since the Bank has no centralized database for respective lawsuits, summary on the number and amount of those lawsuits cannot be obtained from the data processing system. There are no material issues affecting the financial statement items as a result of the work done by the Bank for lawsuits amounting YTL 100 Thousand or more.

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

4. Services supplied on behalf of others:

Explanation about services supplied on behalf of others is disclosed in the IX.1 footnote of Section Four.

IV. EXPLANATIONS RELATED TO INCOME STATEMENT**1. a) Information on interest income on loans:**

	Group I		Group II	
	YTL	FC	YTL	FC
Interest on Loans	2,058,737	33,029	-	-
Short term loans	901,858	18,055	-	-
Medium and long term loans	1,105,633	14,974	-	-
Interest on non-performing loans	51,246	-	-	-
Premiums from Resource Utilization Support Fund	-	-	-	-

(*) Interest income on Group II cannot be decomposed.

b) Information on interest received from banks:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of the Republic of Turkey	-	1	-	4
Domestic Banks	16,793	4,621	73,564	1,725
Foreign Banks	15,331	113,635	23,599	49,453
Head office and Branches	-	-	-	-
Total	32,124	118,257	97,163	51,182

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1. c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Financial assets held for trading	182,862	51,319	189,776	75,801
Financial assets at fair value through profit and loss	-	-	-	-
Financial assets available-for-sale	2,658,169	300,436	1,493,368	175,812
Investments held-to-maturity	3,367,978	103,955	3,562,993	138,154
Total	6,209,009	455,710	5,246,137	389,767

d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest income from subsidiaries and associates	1,922	1,514

2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	1,530	145	1,793	25
Central Bank of the Turkish Republic	-	-	-	-
Domestic Banks	1,502	82	1,793	25
Foreign Banks	-	17	-	-
Head office and Branches	28	46	-	-
Other Institutions	5	-	20	-
Total	1,535	145	1,813	25

b) Information on interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	243	204

c) Information on interest on securities issued:

The Bank does not have any securities issued.

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2. d) 1) Maturity structure of interest expense on deposits:

Account Name	Time Deposits						Accumulated Deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
YTL	-	-	-	-	-	-	-	-
Bank Deposits	3	622	-	-	-	-	-	625
Saving Deposits	23,966	356,023	2,911,993	282,133	59,164	350,064	-	3,983,343
Public Deposits	18,770	38,267	303,990	7,944	395	537	-	369,903
Commercial Deposits	10,734	113,092	373,981	47,274	42,068	1,353	-	588,502
Other Deposits	5,499	103,201	480,893	61,213	21,894	20,222	-	692,922
7 day call accounts	-	-	-	-	-	-	-	-
Total	58,972	611,205	4,070,857	398,564	123,521	372,176	-	5,635,295
FC	-	-	-	-	-	-	-	-
Foreign Currency Deposits	12,456	71,821	68,650	25,844	1,911	68,631	-	249,313
Bank Deposits	11,787	-	-	-	-	-	-	11,787
7 day call accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	24,243	71,821	68,650	25,844	1,911	68,631	-	261,100
Grand Total	83,215	683,026	4,139,507	424,408	125,432	440,807	-	5,896,395

3. Information on dividend income:

	Current Period	Prior Period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	6,051	8,476
Other (*)	11,365	19,257
Total	17,416	27,733

(*) This shows the dividend income of subsidiaries, associates and joint ventures.

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

	Current Period	Prior Period
Profit	477,744	530,880
Profit from the Capital Market Operations	108,053	187,461
Profit on derivative financial instruments	156	258
Other	107,897	187,203
Foreign Exchange Gains	369,691	343,419
Loss (-)	372,859	265,263
Loss from the Capital Market Operations	3,930	1,756
Loss on derivative financial instruments	3,441	706
Other	489	1,050
Foreign Exchange Gains	368,929	263,507

5. Information on other operating income:**Information on factors covering the recent developments and has significant effect on the Bank's income and the extent of effect on income:**

There are no significant matters covering the recent developments and has significant effect on the Bank's income. Majority of the Bank's other operating income consists of reversals from prior period provisions and various service income collected from customers.

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6. a) Provision expenses of banks for loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	66,687	53,655
III. Group	56,843	47,012
IV. Group	7,084	5,265
V. Group	2,760	1,378
Doubtful Fees, Commissions and Other Receivables	-	-
General provision expenses	43,296	16,054
Provision expenses for possible losses	138,612	147,706
Marketable securities impairment expense	2,375	8,181
Trading securities	86	-
Investment securities available for sale	2,289	8,181
Impairment provision expense	332	980
Associates	332	159
Subsidiaries	-	495
Joint ventures	-	326
Investment securities held to maturity	-	-
Other	329	648
Total	251,631	227,224

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7. a) Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	771,973	691,436
Reserve for employee termination benefits	34,038	59,488
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	38,728	40,241
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	3,243	1,761
Impairment expense for equity shares subject to the equity method	-	-
Impairment expense for investment securities that will be disposed of	-	-
Amortization expenses of investment securities that will be disposed of	238	-
Impairment expense for property and equipment held for sale purposes	-	-
Other operating expenses	200,141	187,177
Operational leasing expenses	125	75
Maintenance expenses	32,419	24,954
Advertisement expenses	3,499	3,771
Other expenses	164,098	158,377
Loss on sales of assets	5,074	20,592
Other	361,786	264,546
Total	1,415,221	1,265,241

8. Information on profit/loss before tax:

	Current Period	Prior Period
Net Interest Income	3,401,506	2,858,573
Net fee and Commission Income	625,820	500,335
Dividend Income	17,416	27,733
Trading Profit/Loss	104,885	265,617
Other Operating Income	237,517	522,544
Provision expenses for Loans and other receivables (-)	251,631	227,224
Other Operating Expense (-)	1,415,221	1,265,241
Before Tax Profit/Loss	2,720,292	2,682,337

9. Information on income tax provisions:

As of 31 December 2006, the Bank's income tax provision amounting to YTL 620,290 Thousand consists of YTL 532,039 Thousand of current tax charge and YTL 88,251 Thousand of deferred tax charge.

10. Information on net operating income/expense after tax:

The Bank's net operating income after tax amounts to YTL 2,100,002 Thousand.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

11. Information on net profit/loss:

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

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 possible effect of a change made to the financial statement items in accounting estimates for future periods.

c) Information on profit/loss attributable to minority interests:

None

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

Other items do not exceed 10% of the total income statement.

V. EXPLANATIONS RELATED TO STATEMENT OF 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 adjustments of equity items:

As per the BRSA's Circular No: 5 announced on 28 April 2005, it is stated that the indicators of hyperinflationary period are eliminated to a large extent, therefore; inflation accounting applied in the banking system has been ceased as of January 1, 2005 in accordance with the BRSA' decree numbered 1623 on 21 April 2005.

b) Explanations on profit distribution:

The Bank's unpaid capital amount is YTL 278,022 Thousand. In accordance with the decision made in the Ordinary General Assembly Meeting held on 30 May 2006, net dividend amount accrued from the 2005 operating profit in favor of the Treasury is decided to be offset against the Bank's un-paid capital and the remaining amount (YTL 1,065,440 Thousand) will be deposited to the Treasury. In this context, YTL 278,022 Thousand is not transferred to the Treasury.

The Bank plans to distribute its 2006 profit in accordance with articles of incorporation. However, as of the report date, there is no decision made on the profit distribution.

c) Explanations on exchange differences:

Foreign currency subsidiaries recognized on an acquisition cost basis are disclosed in the balance sheet at foreign currency acquisition cost multiplied by the exchange rates as of the balance sheet date. Exchange differences related to these foreign currency subsidiaries are recognized under the "Other profit reserves" account in equity.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

d) Explanations on Available for sale financial assets:

Available for sale financial assets are not included in the current income statement, until when their collections, disposals, sales or losses are realized and those assets are recognized under the "Marketable Securities Revaluation Fund" in equity.

e) Profit Reserves:

As of the balance sheet date, legal reserves amount to YTL 962,392 Thousand, extraordinary reserves amount to YTL 90,121 Thousand and other profit reserves amount to YTL 423,694 Thousand.

VI. EXPLANATIONS RELATED TO CASH FLOW STATEMENT

(1) In accordance with the Turkish Accounting Standards, the disclosures on cash flow statement are made accordingly in the order of financial statement items in this section.

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

(2) The effects of other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

"Other" item under "Operating profit before changes in operating assets and liabilities" in cash flow statement consists YTL 46,154 Thousand of fees and commission given, YTL 249,799 Thousand of loan and other receivable provision and YTL 379,214 Thousand of other operating expenses.

"Other" item under "Changes in operating assets and liabilities" represents YTL 297,927 Thousand of decrease in obligatory provisions, YTL 20,293 Thousand of increase in miscellaneous receivables, YTL 33,899 Thousand of decrease in intangible fixed assets, YTL 693,762 Thousand of increase in other assets, YTL 464,392 Thousand of increase in money market liabilities, YTL 1,204,580 Thousand of decrease in funds, YTL 96,719 Thousand of decrease in other liabilities, YTL 28,130 Thousand of increase in taxes, duties, charges and premium payable, YTL 5,257 Thousand of decrease in leasing liabilities and YTL 127,290 Thousand of decrease in various liabilities.

"Other" item under "Net cash flow from Investments" consists of YTL 81,537 Thousand of decrease in difference arising from income and expense of branches recognized using the average FX rates, YTL 817 Thousand of increase in revaluation fund and YTL 43,159 Thousand of decrease in foreign exchange gain/loss for subsidiaries, associates and joint ventures.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

Period opening and end cash and cash equivalents balance:

Period Opening	Current Period	Prior Period
Cash in YTL and in Foreign Currency	500,601	321,730
Central Bank of Turkey and other	5,077,560	3,718,128
Money Market Operations	3,626,000	1,800,000
Total Cash and Cash Equivalents	9,204,161	5,839,858

Period Ending	Current Period	Prior Period
Cash in YTL and in Foreign Currency	875,111	500,601
Central Bank of Turkey and other	6,842,813	5,077,560
Money Market Operations	-	3,626,000
Total Cash and Cash Equivalents	7,717,924	9,204,161

VII. EXPLANATION RELATED 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:**

Risk Group	Subsidiaries, Associates and Joint ventures		Direct or Indirect Shareholders of the bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Beginning Balance	262,348	539,309	-	-	-	-
Closing Balance	437,881	277,448	-	-	-	-
Interest and Commissions Income	1,922	-	-	-	-	-

(*) Accruals are not included since they are not decomposed from the existing data processing system.

b) Prior Period:

Risk Group	Subsidiaries, Associates and Joint ventures		Direct or Indirect Shareholders of the bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Beginning Balance	163,554	503,003	-	-	-	-
Closing Balance	262,348	539,309	-	-	-	-
Interest and Commissions Income	1,514	-	-	-	-	-

(*) Accruals are not included since they are not decomposed.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

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

Risk Group	Subsidiaries, Associates and 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
Beginning Balance	27,574	18,685	-	-	-	-
Closing Balance	26,221	27,574	-	-	-	-
Interest expense on deposits	243	204	-	-	-	-

(*) Accruals are not included since they are not decomposed.

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

None

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVE OFFICES**1. The following information is explained on the Bank's domestic branches, foreign representative offices/branches abroad:**

	Quantity	Number of employees	Country			
Domestic Branches	1,137	16,862				
Foreign Representative Offices	1	2	1-	Afghanistan		
	1	2	2-	Pakistan		
	1	2	3-	Iran		
					Total Assets	Legal Capital
Foreign Branches	1	26	1-	USA	375,397	122,102
	1	29	2-	England	355,363	75,596
	1	30	3-	FYR Macedonia	50,100	27,187
	1	20	4-	Bulgaria	37,170	25,065
	1	14	5-	Georgia	10,523	7,585
	4	57	6-	T.R. of Northern Cyprus	286,695	5,961
Off-shore Branches						

¹ Number of branches; excludes special transactions centers, offices, change offices and mobile offices (vehicles).² District Offices and Head Office employees are not included in the number of domestic branch employees.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in thousand of the New Turkish Lira (YTL) unless otherwise stated.)

2. Explanation on Branch and Agency Openings or Closings of the Bank and Definition on changing its organizational structure significantly:

There are no significant matters changing the organizational structure of the Bank.

SECTION VI: OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE ACTIVITY OF THE BANK

There are no other important matters, material disclosures or footnotes related to the operations of the Bank that have not been stated in the above sections.

SECTION VII: EXPLANATIONS ON THE INDEPENDENT AUDITOR'S REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and footnotes of the Bank disclosed herein for the period then ended were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu) and Independent Auditors' Report dated March 14, 2007 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None

Prof. Dr. İlhan ULUDAĞ
Chairman of the
Board of Directors

Mehmet Emin ÖZCAN
Member of the
Audit Committee

Burhanettin AKTAŞ
Member of the
Audit Committee

Can Akın ÇAĞLAR
General Manager

Selim Güray ÇELİK
Vice-General Manager
Responsible for
Financial Reporting

Erdoğan VAROL
General Accounting
Department Head

T.C. ZIRAAT BANK'S FINANCIAL STANDING, PROFITABILITY, AND DEBT SERVICE ABILITY

Asset structure

Ziraat Bank's total assets of YTL 64,402 million in 2005 increased 12% during 2006 and reached YTL 71,904 million as of year-end.

Securities portfolio continued to dominate the bank's assets.

Ziraat Bank's Securities portfolio was the single biggest asset-side item and contributed a 61% share of the total.

Total assets

(YTL million)	2006	% Share	2005	% Share	% Change
Liquid assets	9,150	13	10,306	16	(11)
Securities portfolio	43,890	61	38,835	60	13
Loans	17,371	24	13,691	21	27
Other	1,493	2	1,570	3	(5)
Total	71,904	100	64,402	100	12

Asset Structure

%



Liquid assets

(YTL million)	2006			2005			% Change
	YTL	FC	Total	YTL	FC	Total	
Cash items and CBRT	3,703	1,455	5,158	2,715	1,113	3,828	35
Banks	1,055	2,937	3,992	1,113	1,737	2,850	40
Money markets	-	-	-	3,628	-	3,628	(100)
Total	4,758	4,392	9,150	7,456	2,850	10,306	(11)

T.C. ZIRAAT BANK'S FINANCIAL STANDING, PROFITABILITY, AND DEBT SERVICE ABILITY

High liquidity policy

Ziraat Bank takes a risk-focused approach to asset management. Due to the potential impact of its actions on the sector on account of its dimensions, the bank adheres to prudent policies and maintains a high level of liquidity. The biggest (56%) share of total liquid assets consists of cash items and the bank's deposits held by the Central Bank of the Republic of Turkey.

Securities portfolio

(YTL million)	2006			2005			% Change
	YTL	FC	Total	YTL	FC	Total	
Securities held for trading purposes	1,903	632	2,535	416	594	1,010	151
Securities available for sale	17,952	6,343	24,295	11,614	4,344	15,958	52
Securities to be held until maturity	16,282	778	17,060	19,729	2,138	21,867	(22)
Total	36,137	7,753	43,890	31,759	7,076	38,835	13

As was the case in 2005, the biggest share of the bank's securities portfolio in 2006 consisted of long-term government borrowing instruments held for investment purposes.

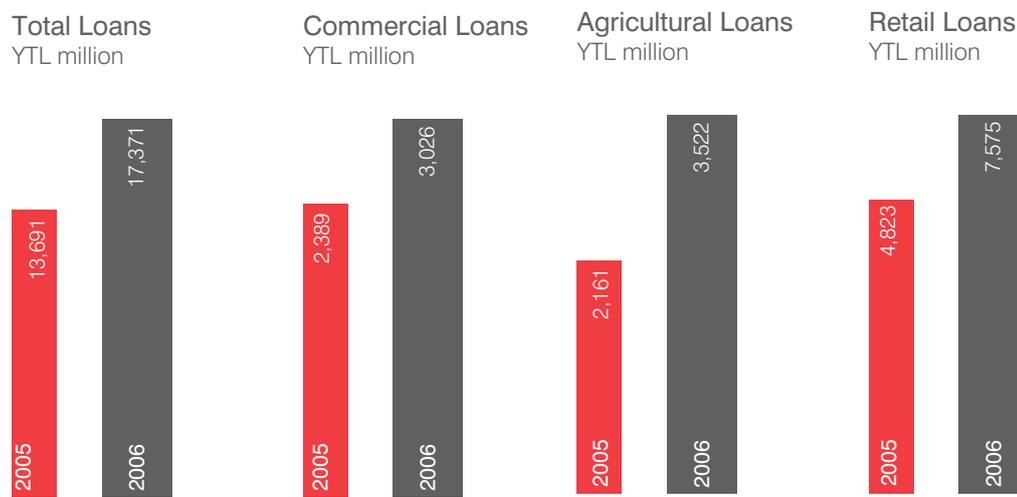
Loans (YTL million)	2006	2005	% Change
Agricultural	3,522	2,161	63
Commercial	3,026	2,389	27
Retail	7,575	4,823	57
Fund-sourced	2,797	3,997	(30)
Interest accruals	390	266	47
Non-performing loans (net)	61	55	11
Total	17,371	13,691	27

T.C. ZIRAAT BANK'S FINANCIAL STANDING, PROFITABILITY, AND DEBT SERVICE ABILITY

Results in line with lending strategy and goals

The results that Ziraat Bank registered in its credit placements in 2006 were in line with the new lending strategy and goals that the bank introduced in 2003.

The year-on rise in the bank's total lending in 2006 was 27%.



While registering this substantial increase in its lending however, the bank also experienced a substantial decline in the ratio of its non-performing loans to the total.

Non-performing loans (YTL million)	2006	2005
Non-performing loans (gross)	320	314
Provisions	259	259
Total (net)	61	55

Decline in NPL ratio

The ratio of gross non-performing loans to the total was down 19% compared with the previous year.

Liability structure

Deposits are the bank's most important resource.

Deposits were once again Ziraat Bank's most important resource in 2006.

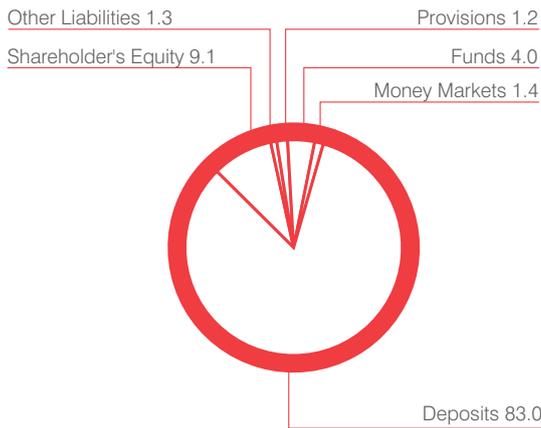
As of year-end, deposits accounted for an 83% share of total liabilities. Total deposits increased 14% in 2006 and approached YTL 60 billion.

T.C. ZIRAAT BANK'S FINANCIAL STANDING, PROFITABILITY, AND DEBT SERVICE ABILITY

Total liabilities (YTL million)	2006	% Share	2005	% Share	% Change
Deposits	59,653	83	52,132	81	14
Money markets	968	1	503	1	92
Funds	2,908	4	4,113	6	(29)
Provisions	891	1	664	1	34
Other liabilities	905	2	1,150	2	(21)
Shareholders' Equity	6,579	9	5,840	9	13
Total	71,904	100	64,402	100	12

Liability Structure

%



Deposits

(YTL million)	2006	% Share	2005	% Share	% Change
Banks	239	-	163	-	47
Savings	28,890	49	23,176	47	25
Public entities	6,185	11	6,496	13	(5)
Commercial Entities	4,723	8	4,787	10	(1)
Other Entities	5,519	10	4,109	8	34
FC deposits	12,394	21	10,412	21	19
Interest accruals	503	1	354	1	42
Total deposits	58,453	100	49,496	100	18
İmar Bank deposits	1,200		2,636		(54)
Total*	59,653		52,132		14

*(Including İmar Bank deposits)

T.C. ZIRAAT BANK'S FINANCIAL STANDING, PROFITABILITY, AND DEBT SERVICE ABILITY

Nearly half of the deposits held by the bank are in savings accounts.

Savings accounts contribute the biggest (49%) share of the bank's total deposits. YTL deposits, which made up 80% of total deposits at end-2005, slipped a point to 79% of the total in 2006.

Looking at the maturity structure of the bank's deposits, demand accounts increased 1% year-to-year from YTL 11.3 billion to YTL 11.5 billion while contributing a 19% share of total deposits

Time deposits remain important

As of year-end 2006, time deposits stood at YTL 48 billion in value and accounted for an 81% share of the bank's total deposits.

Over 18% of the total deposits available to the Turkish banking sector in 2006 were held by Ziraat Bank.

Increase in total shareholders' equity

Total shareholders' equity increased 13% year-to-year in 2006.

After setting aside the legal reserve requirements on its 2005-year profits, Ziraat Bank transferred the remaining YTL 1,065,440 to the Turkish Treasury.

Shareholders' equity (YTL million)	2006	2005	% Change
Paid-in capital	2,222	2,222	-
Reserves	2,257	1,772	27
Profit / (loss)	2,100	1,846	14
Total	6,579	5,840	13

T.C. ZIRAAT BANK'S FINANCIAL STANDING, PROFITABILITY, AND DEBT SERVICE ABILITY

Off Balance-Sheet Accounts

The bank's off balance-sheet accounts increased 10% year-to-year in 2006.

Letters of guarantee and letters of credit were the most important items among contingencies, while revocable credit limit commitments made up the most important item in total commitments.

Off Balance-Sheet Accounts (YTL million)	2006	2005	% Change
Contingencies	2,258	1,813	24
Commitments	3,772	3,495	8
Derivatives	100	260	(61)
Total	6,130	5,568	10

Income and expenditures

Income statement (YTL million)	2006	2005
Interest income	9,436	7,924
Interest expenditures	6,034	5,066
Net interest income	3,402	2,858
Net fee & commission income	626	500
Fees & commissions received	672	532
Fees & commissions paid	46	32
Capital market trading profit (net)	104	186
FX gains (net)	1	80
Dividend income	17	28
Other operating income	237	522
Total operating income	4,387	4,174
Provisions for loans & other receivables	252	227
Other operating expenses	1,415	1,265
Pretax profit / (loss)	2,720	2,682
Tax provision	620	836
Net profit / (loss)	2,100	1,846

T.C. ZIRAAT BANK'S FINANCIAL STANDING, PROFITABILITY, AND DEBT SERVICE ABILITY

14% rise in net profit

Net profit increased from YTL 1,846 million in 2005 to YTL 2,100 million in 2006. The year-to-year rise in net profit was 14%. This result makes 2006 the third consecutive year in which Ziraat Bank was the most profitable bank in Turkey.

Interest income (YTL million)	2006	2005
On loans	2,092	1,737
On reserve requirements	309	222
From banks	150	148
From interbank money market	196	170
On securities portfolio	6,665	5,636
Other	24	11
Total	9,436	7,924

The interest earned on securities portfolio, which accounts for the biggest share of the bank's total assets, was up 18% year-on in 2006.

20% rise in interest on loans

The interest earned on the bank's loan portfolio was also up 20% year-to-year due to an increase in the bank's lending in 2006.

Interest expenditures (YTL million)	2006	2005
To deposits	5,896	4,990
To interbank money market	122	66
To borrowings	2	2
Other	14	8
Total	6,034	5,066

The interest paid on deposits accounts for the biggest (98%) share of the bank's total interest outlays which was up 19% year-on in 2006.

T.C. ZIRAAT BANK'S FINANCIAL STANDING, PROFITABILITY, AND DEBT SERVICE ABILITY

Ratios

Ziraat Bank's financial position, profitability, and debt service ability ratios are shown below.

Capital	2006	2005
Capital adequacy ratio (standard)	39.6	47.7
(Shareholders' equity + Profit)/Total assets	9.2	9.1
(Shareholders' equity + Profit)/(Total assets + Non-cash credits)	8.9	8.8
(Shareholders' equity + Profit)/(Deposits* + Non-deposit liabilities)	10.4	10.3
Asset quality		
Total loans / Total assets	24.2	21.3
NPL (gross) / Total loans	1.9	2.3
NPL (gross) / (Non-cash credits + Cash loans + NPL)	1.6	2.0
FC assets / FC liabilities	100.0	100.0
Liquidity		
Liquid assets / Total assets	12.7	16.0
Liquid assets / (Deposits + Non-deposit liabilities)	14.4	18.2
Profitability		
Net profit (loss) / Average total assets	3.1	3.0
Net profit (loss) / Average shareholders' equity	33.9	33.9
Net profit (loss) / Average paid-in capital	94.5	83.1
Income/expenditures		
Interest income / Interest expenditures	156.4	156.4
Non-interest income / Non-interest expenditures	59.1	88.2
Total income / Total expenditures	135.3	140.9
Interest income / Total income	90.5	85.8
Non-interest income / Total income	9.5	14.2
Interest expenditures / Total expenditures	78.4	77.2
Non-interest expenditures / Total expenditures	21.6	22.8

* Excluding İmar Bank deposits

RISK MANAGEMENT POLICIES ADHERED TO ACCORDING TO TYPES OF RISK

Market risk

Market risk is defined as the probability of suffering a loss due to the interest rate risks, currency risks, common stock risks, specific risks, commodity risks, and settlement risks to which one is exposed on account of all financial debt instruments, equities, other investment securities that are traded in and whose yields are associated with interest rates as well as on all FX assets and liabilities in whatever currency whether shown on or off the balance sheet.

Ziraat Bank does not trade in either common stocks or commodities and for that reason these two risks are not taken into account when managing its market risk exposure. Specific risks, currency risks, and interest rate risks are measured using the Standardized Method and the results are included when calculating the bank's capital adequacy ratio.

Daily value at risk (VaR) calculations are also performed for financial instruments and portfolios that are exposed to a variety of risk factors. The usefulness of the VaR calculation methodology based on this model was subjected to preliminary testing by an international consultancy in 2006.

In addition to the foregoing, a draft "Market risk policies and practices" handbook that deals with all the risk categories dealt with under the heading of market risk has been prepared.

Liquidity risk

Liquidity risk at Ziraat Bank is defined as the probability of suffering a loss because there is not enough cash on hand or a cash flow sufficient in volume and quality to satisfy all its cash disbursements in full and on time due to imbalances in its cash flow.

As is the case with other risk categories, it is Ziraat Bank's principle to employ advanced measurement methods to determine its risk exposure in the case of liquidity as well. As a first step, the structure of the bank's deposits and the trends in its development over time has been analyzed. These analyses show that, because of the bank's extensive branch network and its sterling reputation in the sector, the bank has never experienced any difficulty in rolling over its deposits even at what were historically the worst times and that the structure of the bank's depositor base consisting as it does of a large number of relatively small accounts is sufficient to counteract the bank's liquidity risk exposure. In addition to the deposit monitoring activities that are carried out, gap analyses are also performed in order to understand the resources the bank needs to have at hand for different maturity segments.

Nearly all of the analyses that have been performed so far indicate that the bank is unlikely to experience serious liquidity problems even in the worst-case historical scenarios. Nevertheless the Risk Management Department continuously monitors the sources that the bank could have recourse to in the event of an extraordinary liquidity crunch as well as the amounts that would be available from them.

A draft "Liquidity risk policies and practices" handbook that deals with liquidity risk has been prepared.

Structural interest rate risk

Structural interest rate risk at Ziraat Bank is defined as the probability of suffering a loss because of mismatches in the maturity and repricing cycles of its non-trading on and off balance-sheet positions and because of disparities in its interest income and expenditure structures.

RISK MANAGEMENT POLICIES ADHERED TO ACCORDING TO TYPES OF RISK

In order to determine the bank's sensitivity to changes in interest rates and the possible impact that such changes could have on its profits and losses, balance sheet items that are interest rate-sensitive are identified and they are analyzed according to their maturity or repricing cycles. On the basis of these analyses, attention is focused on the disparities in the repricing cycles of asset and liability side items and an assessment is made of the bank's exposure to interest rate risk. Scenario analyses are also performed to determine the possible impact that changes in market interest rates would have on the bank's own interest income and expenditures.

Work has been completed on the "interest rate shock" methodology that is recommended under the second pillar of Basel II. We are now at the stage where reporting based on this methodology can begin.

A draft "Structural interest rate risk policies and practices" handbook that deals with structural interest rate risks was prepared during 2006.

Credit risk

"Credit" conforms to the definition stipulated in article 48 of the Banks Act (Statute 5411).

Credit risk is the possibility of suffering a loss due to a reduction in the credit-worthiness of a credit customer because that customer fails to fulfill on time some or all of his obligations of a lending agreement that he has entered into.

A draft "Credit risk policies and practices" handbook has been prepared.

The bank's credit risk strategy is formulated so as to make it possible to manage credit risk within the framework of BRSA regulations and according to the volume, nature, and complexity of lendings. In line with the BRSA's Basel II roadmap, work is currently in progress to change over to the Standardized Method primarily, (The Bank Credit Risk Standardized Method Software Project has been completed) and then, to Advanced Measurement Methods by fulfilling the qualitative and quantitative conditions. The underlying policy in the fulfillment of this strategy is that all the credit risks to which the bank is exposed on account of any transaction that is specified in the Banks Act and is in the nature of "credit" must be included in the evaluative process.

Under the heading of credit risk management practices, the duties, authorities, and responsibilities of the bank's management echelons have been defined as follows:

"The Board of Directors, Audit Committee, Credit Committee, and General Manager shall fulfill the duties, exercise the authorities, and bear the responsibilities for credit risk management as defined in the Management Organs Regulations. Internal Systems units and other related units shall fulfill the duties, exercise the authorities, and bear the responsibilities for credit risk management as defined in their own regulations."

The bank calculates the amount of its credit risk exposure within the framework of the BRSA's "Regulation on measurement and assessment of banks' capital adequacy". Measurement activities are also carried out in compliance with BRSA regulations. For Basel II measurement methods and in line with the BRSA roadmap, priority is given to using the Standardized Method when measuring credit risk however work on Advanced Measurement Methods is also being carried out. Under the heading of these activities, the bank is taking part in the "Qualitative Impact Study" (QIS-TR2) being coordinated by BRSA and it is providing consultancy services as well.

RISK MANAGEMENT POLICIES ADHERED TO ACCORDING TO TYPES OF RISK

The bank performs stress tests to measure the potential ability of a portfolio to cope with unexpected risks to which it may be exposed and it assesses the results of such tests.

Operational Risk

Operational risk at Ziraat Bank is defined as the probability of suffering loss or harm on account of internal factors such as errors and irregularities stemming from failures in the bank's internal controls, failure on the part of bank management and/or personnel to take timely and appropriate action, mistakes committed by the bank's management, errors and failures in information technology systems and also on account of external factors such as instances of fraud committed by third parties outside the bank, natural disasters (such as earthquakes, fires, and floods), terrorist acts, and civil unrest.

Under the heading of operational risk management, work is currently in progress to discover operational risks and to collect, monitor, and report loss-related information. In the classification used for the loss data base, the types of losses and business lines specified in Basel II are used. A project is being planned to collect operational risk-related loss data through the bank's information systems.

Under the heading of identifying operational risk concentration points and fostering an operational risk culture throughout the bank, a branch and headquarters Risk Map is updated at six-month intervals. To accomplish this, self-evaluation questionnaires are sent out to all branch managers, internal controllers, and headquarters units. The bank plans to launch a program of branch visits in order to identify operational risks on location and complete these questionnaires on a face-to-face basis.

At monthly intervals reports are submitted to senior management containing operational risk loss figures, key risk indicators, and recommendations that have been developed to reduce operational risks.

A draft "Operational risk policies and practices" handbook has been prepared.

The amount of capital needed to cover the bank's operational risks is calculated at three-month intervals based on the methods (Basic Indicator Approach / Standardized Approach / Alternative Standardized Approach) specified under Basel II and the impact of this on the bank's capital adequacy ratio is assessed. The bank is taking part in the "Basel II Quantitative Impact Study" (QIS-TR2) based on data as of 30 September 2006 and is providing consultancy services to three banks on this issue. Preparations are in progress to begin the mandated reporting of operational risk capital requirements in July 2007.

An "Information Security Policy" has been prepared based on the views of the units involved. Bank personnel have attended information security training courses provided by the Scientific and Technical Research Council of Turkey (TÜBİTAK) and are taken part in information system audits performed in consultation with TÜBİTAK. Other work related to information technology risk management is currently in progress.

CREDIT RATINGS

CREDIT RATINGS OF T.C. ZİRAAT BANKASI A.Ş. AS OF 30 JANUARY 2007

Credit Rating Agency	Type	Credit Rating	Rating Date
Standard&Poor's	Counterparty Foreign Currency Credit	BB- / B	19 August 2004 (upgraded)
	Certificate of Deposit	BB- / B	19 August 2004 (upgraded)
	Outlook	Stable	28 June 2006
	National Scale	trA+ / A-1	26 May 2006 (first assessment)
Fitch Ratings	Foreign Currency	BB- / B	14 January 2005 (upgraded) / 14 January 2005 (affirmed)
	Outlook	Positive	8 December 2005
	National (YTL)	A (TUR) (Stable)	8 December 2005 (upgraded)
	Individual	C/D	30 January 2007
Moody's	Bank Deposit	B1 / NP	20 December 2005 (upgraded)
	Outlook	Stable	20 December 2005
	Financial Strength	E+	19 December 2000 (affirmed)
	Outlook	Positive	27 December 2006

SUMMARY BALANCE SHEET AND INCOME STATEMENT FOR THE PERIOD 2002-2006

(YTL million)

ASSETS	2002	2003	2004	2005	2006
Liquid Assets	7.484	8.854	7.892	10.306	9.150
Securities Portfolio	32.598	35.408	38.136	38.835	43.890
Loans	6.343	6.335	9.323	13.691	17.371
Associates and Subsidiaries	528	436	339	320	367
Fixed Assets	804	789	732	720	689
Other Assets	1.130	1.290	572	530	437
TOTAL	48.887	53.112	56.994	64.402	71.904
LIABILITIES	2002	2003	2004	2005	2006
Deposits	36.812	38.936	45.701	52.132	59.653
Money Markets	1.436	1.371	889	503	968
Funds	3.558	4.033	3.590	4.113	2.908
Provisions	885	1.213	781	664	891
Other Liabilities	799	919	986	1.150	905
Shareholder's Equity	5.397	6.640	5.047	5.840	6.579
TOTAL	48.887	53.112	56.994	64.402	71.904
PROFIT/LOSS	2002	2003	2004	2005	2006
Interest Income	15.119	12.023	9.032	7.924	9.436
Interest Expense	10.979	8.049	5.354	5.066	6.034
Net Interest Income	4.140	3.974	3.678	2.858	3.402
Fees and Commissions Income (net)	357	272	408	500	626
Capital Market Trading Profit	84	623	124	186	104
FX Gains (net)	139	51	153	80	1
Other Operating Income	259	238	237	550	254
Total Operating Income	4.980	5.158	4.600	4.174	4.387
Provisions for Loans and Other Receivables	977	788	183	227	252
Other Operating Expenses	1.988	1.676	1.367	1.265	1.415
Operating Profit	2.014	2.694	3.050	2.682	2.720
Net Monetary Position Gain/Loss	-1.210	-623	-822	0	0
Pretax Profit	804	2.071	2.228	2.682	2.720
Tax Provision	602	850	697	836	620
Net Profit/Loss for the Period	202	1.221	1.531	1.846	2.100

Note: The financial data of the year 2002, 2003, 2004 are expressed with the purchasing power of TL at 31.12.2004.

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