



T.C. ZİRAAT BANKASI

Annual Report 2011

Together, to a better future

## Contents

### INTRODUCTION

	REPORT ON COMPLIANCE OF ANNUAL REPORT
2	THE FIRST STEP TOGETHER, TO A BETTER FUTURE
4	OUR VISION-OUR MISSION
5	CORPORATE PROFILE
6	FINANCIAL INDICATORS
8	HIGHLIGHTS FROM ZİRAAT BANK'S HISTORY
10	CHAIRMAN'S MESSAGE
14	GENERAL MANAGER'S MESSAGE
18	MACROECONOMIC AND SECTORAL OUTLOOK
22	AN ASSESSMENT OF 2011: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE
36	SOCIAL RESPONSIBILITY AT ZİRAAT BANK
38	ZİRAAT BANK'S SUBSIDIARIES IN 2011

### MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

44	ZİRAAT BANK BOARD OF DIRECTORS
46	ZİRAAT BANK SENIOR MANAGEMENT
48	BOARD OF DIRECTORS REPORT
49	HUMAN RESOURCES PRACTICES
50	INFORMATION ON THE ACTIVITIES OF THE COMMITTEES
50	ATTENDANCE BY THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE AUDIT COMMITTEE IN THE MEETINGS HELD DURING THE REPORTING PERIOD
51	RELATED PARTY TRANSACTIONS
52	ACTIVITIES FOR WHICH SUPPORT SERVICES ARE OUTSOURCED IN ACCORDANCE WITH THE "REGULATION 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

### FINANCIAL INFORMATION AND RISK MANAGEMENT

54	STATUTORY AUDITORS REPORT
55	AUDIT COMMITTEE'S ASSESSMENT OF THE OPERATION OF THE INTERNAL AUDIT, INTERNAL CONTROL, AND RISK MANAGEMENT SYSTEMS
58	INDEPENDENT AUDITOR'S REPORT; UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE PERIOD JANUARY 1- DECEMBER 31, 2011
144	ZİRAAT BANK'S FINANCIAL STANDING, PROFITABILITY AND SOLVENCY RATIOS
147	RISK MANAGEMENT POLICIES ADHERED TO ACCORDING TO TYPES OF RISK
149	31 DECEMBER 2007 - 31 DECEMBER 2011 SUMMARY BALANCE SHEET AND INCOME STATEMENT
150	CREDIT RATINGS
151	INDEPENDENT AUDITOR'S REPORT; CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2011
246	DIRECTORY

# Report on Compliance of Annual Report

## ZİRAAT BANK'S SHAREHOLDING STRUCTURE

The Undersecretariat for the Treasury of the Republic of Turkey, is the sole owner of Ziraat Bank. The Chairman and Board Members, Members of the Board of Auditors, General Manager and Assistant General Managers do not hold shares in the Bank.

## AMENDMENTS TO THE ARTICLES OF INCORPORATION DURING THE REPORTING PERIOD

No amendments were made to the Bank's Articles of Incorporation during the 2011 reporting period.

## CONVENIENCE TRANSLATION OF THE REPORT ON COMPLIANCE OF ANNUAL REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH

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

We have audited the compliance and consistency of the financial information included in the annual report of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("the Bank") as of 31 December 2011 with the audited financial statements. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on the annual report that we have audited.

We conducted our audit in accordance with principles and procedures set out by the regulations on preparation and issuance of annual report in the Banking Law No.5411 and independent auditing principles. Those regulations require that we plan and perform the audit to obtain reasonable assurance whether the financial information included in the annual report is free from material errors. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial information included in the accompanying annual report accurately reflects, in all material respects, the information regarding the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. at 31 December 2011 in accordance with the principles and procedures set out by the regulations in conformity with article 40 of the Banking Law No.5411 and includes a summary of the Board of Directors' report and the convenience translations of independent auditor's reports originally issued by us in Turkish and is consistent with the convenience translations of audited financial statements originally issued in Turkish.

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



Haluk Yalçın, SMMM  
Partner

Istanbul, 13 March 2012

## Moving Forward with Customer-and Transformation-oriented Structuring...

Competition in the future will be based on the value offered to customers. Banks that reach their customers with the right value proposition will shape the competitive environment and come out on top. During this period, instead of offering the routine and ordinary products, services and approaches we believe that the factors to bring sustainable leadership will be;

- Meeting customers' varying and diversifying needs,
- Ensuring customers feel special; and
- Making a difference



## The first step together, to a better future

As the founder of the Turkish banking industry, Ziraat Bank's ability to be a "bank of reference" in today's rapidly changing financial markets depends on a dynamic business model that is continually renewed based on such principles as sustainable efficiency and profitability.

In this context, our journey "Together, to a better future" began in December 2011 as a team that is going to such great lengths to create the Ziraat Bank of the future by the 150th anniversary of its foundation, by protecting the values of the Bank.

Within the framework of the project entitled "Together, to a better future", our aim is not only to be "successful", but also "to make a difference".

The principle of change summarized with the expression, **“Together, to a better future”**, will more strongly prepare Ziraat Bank for global competition in a world that has undergone rapid restructuring.

In line with this principle, Ziraat Bank determined the following as its priorities:

- to focus on customer experience,
- to keep customer satisfaction at the maximum level,
- to ensure continuous development, and
- to seek excellence.

In the next two-year period - in which we will reshape the corporate structure of our Bank in order to listen to and understand our customers' financial needs and offer the right value proposition to them - our most important criterion of success will be to take 1<sup>st</sup> place in our customers' minds by winning their hearts and minds, and thus to further strengthen the brand value of Ziraat Bank.

### **Our fundamental principles are:**

- To meet our customers' financial needs at the right time, through the right channel and with the right value proposition
- To increase customer loyalty based on the understanding “The Bank and the Ziraat Customer” by allowing our customers to receive services of the same quality from our branches and subsidiaries in any part of the world
- To carry out, altogether, all necessary efforts to lead to the sector “with the best practices”

## Our Vision-Our Mission

### Our Vision

By further strengthening our leading role in the banking industry, to be an extensive and trusted bank that offers high-quality service and is taken as a model by our competitors in Turkey and around the world.

### Our Mission

To support the real sector with a focus on agriculture, to deliver a broad range of suitably-priced products to retail customers through an extensive branch network, and to contribute to the development of the national economy and of the Turkish banking industry in keeping with our sense of social responsibility and commitment to the rules of banking ethics.

## Corporate Profile

**Ziraat Bank,  
Turkey's strongest  
and most deeply  
rooted bank,  
entered operation  
in 1863.**

As the cornerstone of the Turkish banking sector, Ziraat Bank has been the driving force of economic development in various phases of the national history; while uninterruptedly providing resources to merchants, entrepreneurs and individuals, it has also delivered banking products and services throughout Turkey.

With its extensive product and service diversity, unrivalled knowledge and experience, synergic organization with its subsidiaries, superior human resources and robust financial structure, Ziraat Bank is in a unique and selective position in its sector.

Ziraat Bank provides uninterrupted and superior services to its customers in the corporate, commercial, agricultural and retail banking segments with:

- 1,434 branches nationwide,
- 3,820 ATMs,
- 52 Video Teller Machines,
- A widely used internet branch,
- The Ziraat Mobile Phone branch,
- Call center, and
- 24,374 employees

Ziraat Bank is committed to supporting the real sector and to contribute to the national development with its wide branch network, effective delivery channels and experienced personnel, and by working in line with the principles of profitability and productivity.

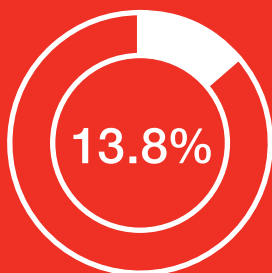
## Financial Indicators

(TL million)			
	2011	2010	Change (%)
Total Assets	160,681	151,160	6
Liquid Assets and Banks	15,593	14,907	5
Securities Portfolio	70,766	76,352	-7
Loans	71,430	57,443	24
Deposits	113,067	125,796	-10
Shareholders' Equity	13,177	13,458	-2
Interest Income	13,706	12,392	11
Interest Expense	8,465	7,036	20
Pretax Profit	2,780	4,469	-38
Net Profit	2,101	3,713	-43

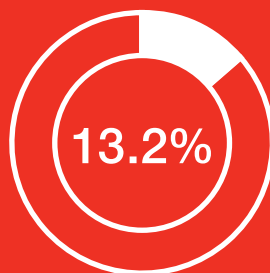
**Ziraat Bank focused on balanced, effective, efficient and highly risk-sensitive balance sheet management in 2011.**

### Ziraat Bank's Market Shares - 31 December 2011

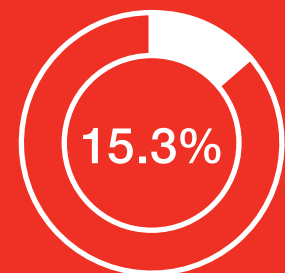
Number of Branches



Total Assets



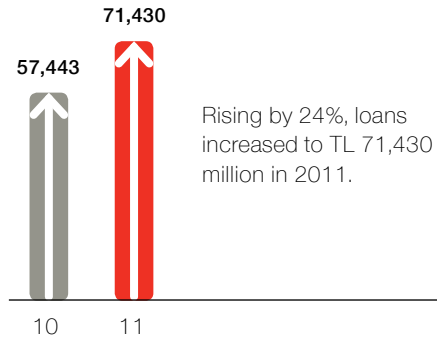
Deposits





**Loans**

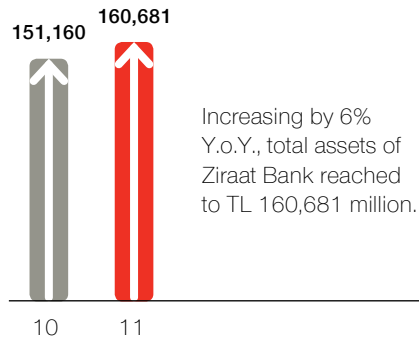
(TL million)

**44%**

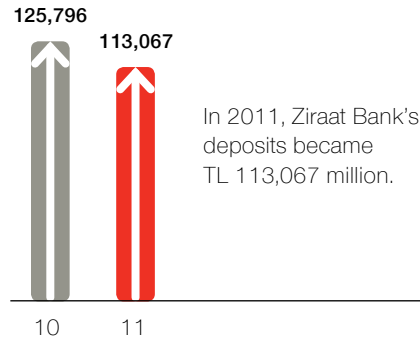
The share of loans in total assets rose to 44% in 2011 from 38% in 2010.

**Total Assets**

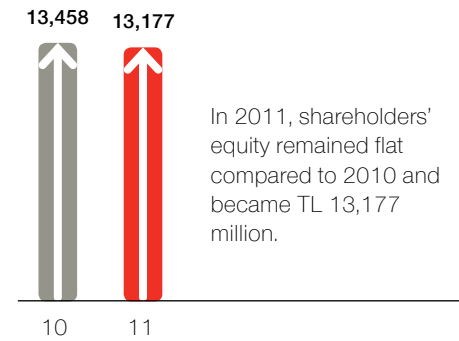
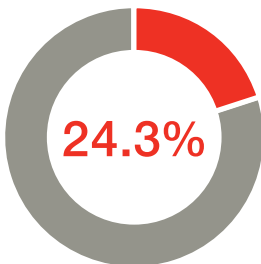
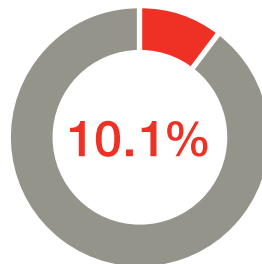
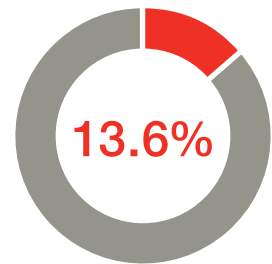
(TL million)

**Deposits**

(TL million)

**Shareholders' Equity**

(TL million)

**Securities****Loans****Retail Loans**

# Highlights from Ziraat Bank's History

**As the pioneer and the leader of change for 148 years, Ziraat Bank has continuously reshaped its strategies and targets.**

## The foundation years...

The "Homeland Coffers" established in the town of Piro in 1863 were the seeds from which Ziraat Bank grew. The organization, known as the "Homeland Coffers", set up by Mithat Pasha was established by and under the auspices of the state, and we went down in history as the initial example of National Banking.

Mithat Pasha was inspired by the tradition of collective work based on the principle of helping each other, which was already a Turkish tradition while setting up the "Homeland Coffers" organization, established with the resources provided by farmers.

A set of regulations governing such funds, known collectively as "Regulations for the Homeland Coffers", was enacted in 1867 and became the legal framework for the first regulated credit system in the Ottoman Empire. With these regulations, the "Homeland Coffers" entered operation, serving successfully for many years.

In 1883, the Homeland Coffers was replaced by Benefit Funds.

On August 15th, 1888, Ziraat Bank was officially established, and was to undertake the functions of the "Benefit Funds" as a modern financial institution. The governing statute of Ziraat Bank was enacted on August 28th, 1888, and the Bank's headquarters was opened on September 17th. As Benefit Funds were turned into bank branches, a new era began in our organized agricultural loan history.

## The war years and the republic...

During World War I and the ensuing Turkish War of Independence, Ziraat Bank undertook vitally important duties. Money supplied by Ziraat Bank in 1919 to cover the expenses of detachments of the Turkish National Army during the War of Independence was used to purchase equipment for soldiers.

When the Grand National Assembly of Turkey convened in Ankara on April 23rd, 1920, the Ankara Branch of Ziraat Bank was placed in charge of all the branches and assistance funds in territories under the assembly's jurisdiction. Subsequently, control of the Bank's Izmir and Istanbul organizations was taken over by the Ankara Branch. Ziraat Bank's national unity was completely restored from October 23rd, 1922.

With the establishment of the Turkish Republic in 1923, Ziraat Bank embarked upon a period of rapid growth and development, expanding its branch and service network, first reaching farmers and then the whole of Turkish society. Ziraat Bank's mission was no longer confined to agriculture. Ziraat Bank served as the motor of Turkey's economic recovery and development.

## 1980s...

Ziraat Bank continued to grow, ultimately becoming the truly global banking institution that it is today. The Bank's New York and London representative's offices were turned into branches in 1983 and 1987 respectively, while other offices entered service in Duisburg, Berlin, Munich, Stuttgart, and Rotterdam. Ziraat Bank was ranked 452nd in the Euromoney magazine's 1988 list of the World's Five Hundred Biggest Banks in terms of Equity.

During this period, Ziraat Bank publicly opened Turkey's first banking museum in its head office building in the Ulus district of Ankara and also launched the country's first banking school. 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 entered operation in 1993.

In the same year, the Euromoney survey of the "World's Top 500 Banks" placed Ziraat Bank in 202nd place overall, in 41st position on the basis of its net profit and in 1st place worldwide in terms of its return on equity.

By 1999, the Bank had 21 subsidiaries, and had also opened a branch in Skopje that year as well.

## 2000s...

Law 4603 ratified by Parliament in 2000 transformed Ziraat Bank into a joint-stock company. This change represented a milestone in Ziraat Bank's journey towards becoming a stronger, more effective, and profitable financial institution. In 2001, Ziraat Bank embarked upon a thorough 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 Bank, another state-owned bank, was merged into Ziraat Bank.

In 2001, a board of directors had been set up and given responsibility for the administration of all state-owned banks. Having successfully completed its mission, the joint board of directors was disbanded in 2005.

In March 2008, Ziraat Bank's branch in Skopje, Macedonia was turned into a foreign subsidiary bank in order to meet the needs of local customers.

In order to strengthen its presence in the Balkans and the Middle East, Ziraat Bank opened branches in Greece, Iraq and Saudi Arabia, increasing the number of countries where it was present to 17 as of 2011.

In the Turkish Customers Satisfaction Index carried out by the Turkish Quality Association (KalDer), Ziraat Bank received the highest score among public banks in the retail banking customer satisfaction category between 2007 and 2010.

## Moving towards its 150th year of service...

Ziraat Bank was Turkey's most profitable bank in 2004, 2005, 2006, 2007, 2008, 2009 and 2010.

With a net profit of TL 3.5 billion in 2009, Ziraat Bank attained the highest profit ever recorded by any Turkish company.

The list of "1,000 Largest Banks" based on data pertaining to the end of 2010 was published by the magazine, "The Banker", in 2011. Ziraat Bank was ranked 2nd in Western Europe and 5th in the world in the "Best Return on Average Capital" category in this study.

As a result of a reshuffle of duties in 2011, Mr. Hüseyin Aydın was appointed as the General Manager of the Bank. In 2011, a project of change and transformation was launched in Ziraat Bank in line with the Bank's vision, mission and values in order to give priority to the best practices in the sector.

Successfully moving forward toward its 150th year of service, Ziraat Bank continues to contribute to Turkey's sustainable development and to offer service to millions of customers from all segments.

# 2011

## Chairman's Message



**Muharrem Karalı**  
Chairman of the Board of Directors

**As the cornerstone of the Turkish banking industry, Ziraat Bank has continuously supported Turkey's national economic development since its foundation in 1863.**

Without interruption, our Bank has allocated resources to farmers, merchants, entrepreneurs and individuals, offering its banking products and services throughout Turkey under the most viable conditions.

**As it prepares to celebrate its 150th anniversary in 2013, Ziraat Bank aims to maintain and strengthen its role as the driving force of the economy and to demonstrate a sustainable and profitable growth performance.**

Esteemed shareholders,

2011 will be remembered as the third year of the global financial crisis. The decoupling between the growth rates and inflation rates of developed and developing countries continued in 2011, while the most important development that left its mark was the public debt crisis in Europe.

In the developed world, the public sector - which was the key supporter of the real and financial sectors at the beginning of the crisis - became the leading actor of the crisis in 2011. The crisis that broke out in Greece - a relatively small economy - led to significant and worrying developments, particularly in the Eurozone in the second half of the year. During this period, EU authorities searched for a solution to the problem in Greece, while a stream of bad news from larger economies such as Italy, Spain and France clearly indicated that the public debt problem was the most burning fundamental problem of the Eurozone.

Sovereign risks, as well as mounting concerns with respect to developments in the growth path of the global economy and the strength of the banking systems of some countries, added to global financial stresses, particularly in the second half of the year, while global capital retreated from risky assets.

Share prices of banks exhibited a sharp decline and a significant deterioration was observed in total funding conditions of financial institutions. Pressure on already

tight credit conditions increased, in turn, further raising concerns over global growth and sovereign risk. In such an environment, European authorities announced a string of measures aimed at tackling the mounting concerns surrounding the ability of European countries and banking industries to complete their debt repayments. Instead of purchasing bonds, the European Central Bank began to provide direct liquidity to the banks in the Eurozone towards the end of the year. In December, a total of Eur 489 billion in resources with a maturity of 3 years and interest rate of 1% was transferred to a total of 523 banks operating in the Eurozone.

Meanwhile, the international credit rating agencies, Standard & Poor's, Moody's and Fitch, cut the credit ratings of many countries because of the impacts of the debt crisis in the Eurozone and placed the credit outlook of some major banks, companies and developed countries on a negative watch. Mounting risks and sinking ratings set the stage for a significant expansion of the capital deficits at European banks in 2011. The IMF estimates that the total capital deficit of European banks amounts to Eur 200 billion.

Problems in the developed world raised the prospect of economic recession, especially in the Eurozone, while emerging economies also felt the heat of this state of affairs through channels such as foreign trade and capital flows.

Having returned to its sustainable growth path in 2010, the Turkish economy demonstrated a strong performance in the first three quarters of 2011, exhibiting steady growth of 12% in the 1<sup>st</sup> quarter, 8.8% in the 2<sup>nd</sup> and 8.2% in the 3<sup>rd</sup> quarter. While economic growth has been supported by domestic demand, volatility in the global economy and wobbles in global economic

Problems in the developed world raised the prospect of economic recession, especially in the Eurozone, while emerging economies also felt the heat of this state of affairs through channels such as foreign trade and capital flows.

## Chairman's Message

In 2011, we reflected the unique potential offered by our economies of scale and the massive volume of tangible assets under our control to our performance.

growth triggered by the European debt crisis led our economy to show a relative slower performance.

However, the initial indicators show that economic growth continues, but at a slower pace. Industrial production grew by an average of 8.9% in 2011, while manufacturing industrial production grew by an average of 9.2%. Moreover, the manufacturing industry's capacity utilization rate was realized 75.5% in December 2011. In light of these figures, the Turkish economy is expected to grow by about 8% in 2011. In 2012, however, Turkey's economic growth is predicted to slow down in response to the measures taken to cool down domestic demand and, in particular, the developments in Europe.

The current account deficit remained the most fundamental risk facing the Turkish economy in 2011. The two primary causes of the current account deficit, that has reached a 12-month rolling figure of US\$ 77.1 billion, can be listed as imports of intermediate goods and external dependency in the area of energy. The quality of financing for the current account could prove vital in dealing with the problems facing European economies, which are Turkey's largest export markets, as a slackening in exports to Europe would raise Turkey's current account.

Another development in 2011 which will have far reaching impacts on the banking industry was the measures taken by the CBT and BRSA to cool down economic growth. In an effort to cool down the economy, the CBT raised the required reserve ratio and

the BRSA introduced new regulations with respect to provisions and capital adequacy. However, the CBT later cut the required reserve ratio because of the change in the international conjuncture.

We predict that the Turkish banking sector will emerge from global crisis relatively unscathed in 2012 when compared to Europe, thanks to its robust capital structure and asset quality. According to the projections, about 400 new branches will be opened and at least 7,000 more people will be employed in the Turkish banking sector in 2012, with the sector on course to expand its total assets by 15-18% by the end of the year. On the other hand, credit volume is set to continue growing in a balanced manner.

**As one of the most important cornerstone of the sector, our Bank continued to grow and strategically moved towards an efficient and productive balance sheet and investment portfolio in 2011.**

In 2011, we reflected the unique potential offered by our economies of scale and the massive volume of tangible assets under our control to our performance. We also have continued both households and the Turkish business world in an approach that is independent of market conditions.

The results we achieved in different business lines throughout the year are provided in detail in this report for your consideration as our stakeholders.

In this section of my message, I would like to discuss a key strategic decision we took during 2011. Based on the principles of sustainable profitability and efficiency, our Bank's Board of Directors decided to apply a customer-oriented business model aimed at improving our working habits with our customers and to respond to our customers' financial needs rapidly and in a qualified manner. To this end, we adopted the principle, "Together, to a better future", which is the main theme of this year's annual report; and we determined the motto of this program as 'managing change'.

Rising from the deeply rooted and robust foundations of a history dating back nearly 150 years, Ziraat Bank is ready to adopt change in the most accurate and rapid manner and to produce growing added value for all of its stakeholders, thanks to its healthy financial structure, unique knowledge and market experience, its corporate capabilities, its millions of customers nationwide, its unrivalled service network and its precious human resources.

**Within the framework of our project of change, we aim to provide the banking services required by our customers at the right time, through the right channel and with the right value proposition. To realize this, we determined as our primary targets as reinforcing the concept of the 'Ziraat Customer' and raising customer loyalty.**

As long as we fully execute our strategies of change, Ziraat Bank will grow stronger with new achievements and maintain a place

in customers' hearts, while remaining the unwavering option of its employees.

At this point we will all play key roles - the Board of Directors, that guides us in the Bank's strategic visions, the executive committee, that goes to such great lengths manage our Bank properly at all times with their corporate and professional competencies, and our Bank's employees, who all strive with self-sacrifice to realize our targets.

Esteemed shareholders,

I would like to take this opportunity to extend our gratitude to you all - our business partners and those who have complete trust in our brand and provide substantial or spiritual contributions to the value we produce through various channels.

With your trust, preference and support, Ziraat Bank advances on its path by saying, **Together, to a better future.**

Yours sincerely,



Muharrem Karsli  
Chairman of the Board of Directors

Ziraat Bank is ready to adopt change in the most accurate and rapid manner and to produce growing added value for all of its stakeholders.

## General Manager's Message



**Hüseyin Aydın**  
General Manager

**As the founder and the cornerstone of the Turkish banking industry, Ziraat Bank again demonstrated a strong performance in 2011.**

Our Bank continued to produce value for its customers, employees and business partners during this period, in which the global financial crisis moved to a new phase with global banking markets increasingly coming under financial stress.



Esteemed shareholders,

2011 will go down in our corporate history as a year in which Ziraat Bank launched a key project of change and transformation in order to prepare itself for the competition-service cycle of the future. Within the framework of this project, which fully complies with the Bank's vision and mission, we attach importance to the best practices in the sector in order to promote a universal and balanced banking approach that offers value to both our individual and corporate customers in all of our business lines.

Based on our project of change and transformation, we aim to ensure Ziraat Bank's performance is sustainable and based on such tenets as efficiency, productivity and profitability.

Founded on the values that reflect Ziraat Bank's deeply rooted past, this project will allow us to adopt a value-based product-service approach that places customers at the heart of each activity at every level and every corner of our organization.

This project will also equip Ziraat Bank with the competencies and organizational attributes that best fit the new competitive environment in the markets which will emerge when the current global financial crisis gives way to ordinary and stable market conditions.

### Highlights from our financial performance

Ziraat Bank's total assets reached TL 161 billion at the end of 2011, a year in which we focused on balanced, effective, efficient and highly risk-sensitive balance sheet management. With this result, Ziraat Bank commanded a 13.2% market share, with loans constituting 44% of the Bank's assets. The Bank's total credit volume increased by 24% while its total placements reached TL 71.4 billion during 2011. With its extensive product and service portfolio, Ziraat Bank continued to support millions

of individuals and corporations involved in the manufacturing-trade-consumption cycle, particularly in the agricultural sector.

The breakdown of Ziraat Bank's loan portfolio is as follows: 46% of the loans are individual, 29% are agricultural and 25% are commercial loans. The ratio of non-performing loans was 1.2%, at the end of the year - considerably lower than the sector average of 2.7%. Ziraat Bank held a 15.3% market share in terms of deposits in 2011, remaining the most popular bank in this category with a total deposit volume of TL 113 billion. During the year, the Bank generated TL 2,101 million in profit with a return on equity of 16.1% - about 2 points higher than the sector average.

In 2011 Ziraat Bank strategically opted to balance its cost structure as optimally as possible through balanced and efficient balance sheet management and implemented its investment and funding policies and practices accordingly. In this context, our Bank continued to fulfill both its sectoral mission and responsibility and succeeded in balancing its cost structure at the right point by demonstrating both an extremely elaborate and cautious approach in deposit interest rates.

In line with its strategic decision concerning its balance sheet management, Ziraat Bank also began to utilize non-deposit resources in 2011.

The Bank maintains its efforts to expand its resource diversity, an important element in bringing resource costs down. Resource diversity and depth also has an important bearing on interest risk management.

On the other hand, Ziraat Bank aims to enrich the products and services that it offers to its customers in a manner that encourages saving. This is especially important in countries such as Turkey where savings are limited.

### We have begun to build the Ziraat Bank of the future with our call "Together, to a better future".

Our Bank began to apply a customer-oriented business model in a bid to improve our working habits with our customers and to respond to our customers' financial needs rapidly and in a qualified manner. This model will allow Ziraat Bank to progress on principles of sustainable profitability and efficiency and to reinforce its position in the market.

Our project of change envisages the simultaneous completion of a number of projects at our headquarters, regional directorates and branches. At the end of 2011, we had already embarked on these measures which are based on the principle, "Together, to a better future".

Our project of change, whose initial practices began to be implemented with the voluntary support and strong participation of our employees, essentially aims to update Ziraat Bank's 148-year corporate culture in light of the current market conditions while remaining true to our deeply rooted values.

As a service provider that has always existed with and worked for its customers, our Bank started to take the "customer" concept to a new dimension through a project of change and transformation. In this context, we plan to reinforce the concept of "Ziraat customer", to crown our brand - a classic name in the Turkish banking industry - with customer loyalty and to make a difference in the sector.

We know that we must work hard to reach these ambitious targets in the Turkish financial services market, which has been recently been opened to international competition. However, the following factors will help us in our journey towards meeting these targets: our competencies, our scale, our human resources, our corporate culture and, most importantly, our values.

## General Manager's Message

We believe our customers will choose to work with us and the Ziraat brand as long as they are offered value to an extent that complements the values of our brand in every product and/or service they receive.

**Ziraat Bank's infrastructure and organization has been rearranged in a customer-oriented manner in line with the principle of separation of powers.**

With its management approach that places people on top of everything, Ziraat Bank aims at customer orientation and an approach in its human resources management in which employees are encouraged and rewarded.

We have demonstrated efforts to adopt a management approach that adds value to Turkey, Ziraat Bank and our stakeholders by making maximum use of the customer relations management facilities offered by our widespread branch network and our other distribution channels.

We are determined to provide our human resources with the dynamism required by modern banking. This way we will be able to establish a new Ziraat Bank which produces high added value, which is able to meet its customers' expectations more rapidly and in a qualified manner, and which offers superior technological facilities.

**Value will determine the competition, not pricing**

We predict that the most important determinant factor of the competitive landscape in the near future will be offering value to customers. Companies that place customers at the heart of their business and give them the highest priority, and who are

deeply committed to serving their customers, will enjoy success in this period and take the lead in the competition.

Our Bank attaches tremendous importance to the rendering of banking services required by our customers at the right time, through the right delivery channel and with the right value proposition. The main aim of our change and transformation project, which we launched at the end of 2011, is to accurately identify and structure the value which we offer our customers through our products and services. We believe our customers will choose to work with us and the Ziraat brand as long as they are offered value to an extent that complements the values of our brand in every product and/or service they receive.

This will ensure highly valuable sales facilities in the coming period, not only for our Bank, but also for our subsidiaries, which constitute our financial services group. Our project of change and transformation will also create an innovative and productive environment that will ensure our Bank – which has broken so much ground in the Turkish national banking industry throughout its corporate history – to increasingly perform the new best practices in 2012 and beyond.

As long as we complement financial accessibility with the right value proposition, Ziraat Bank will continue to progress on its path of sustainable and profitable growth with strong and firm steps.

### Attaching great importance to equity management

As its primary management strategy, Ziraat Bank aims to grow with sustainable profitability and efficiency. Profitability is a crucial issue in equity management. One of the most crucial steps in the coming period will be to raise the return on capital. We consider sustainable equity growth as a necessity for healthy asset growth. We perform efforts to achieve significant improvements in non-interest income/expense management, which, besides the net profit margin, plays a key role in our Bank's profitability.

### Going forward, our profit must be sustainable, solid and diversified. Our primary goal is to be big while meeting these criteria, not merely to compete to be bigger in size.

Ziraat Bank will continue to finance the agricultural sector, its primary mission, with new products and services and to transfer funds for the development and transformation of the Turkish agricultural industry. On the other hand, our Bank will begin to focus on extending greater support to the real sector in an environment of falling interest rates amid a declining borrowing need in the public sector.

After laying its foundations in 1863, Ziraat Bank's 150<sup>th</sup> anniversary is now just two years away. We are determined to capitalize on this new era as a stepping stone for our Bank to rejuvenate itself and become more dynamic. Going forward, while we will build

effective credit evaluation and allocation processes on a system which dynamically identifies the Bank's risk appetite, in which we will increase the loans / assets and the loans / deposits ratios in line with the edicts of the institutions which regulate, audit and draw up the policies for the banking industry. In this vein, we will raise the volume of resources we provide for the real sector, while continuing to provide unstinting support for households.

Instead of setting short-term targets, Ziraat Bank is determined to keep a wide horizon with a sectoral outlook. As a transparent publicly-owned company, we are determined to share be at the public's side in every step we take along this long path, and to experience the honor of our achievements altogether.

I would like to extend my thanks to all of those who have brought the Ziraat brand into the present and believed in the future of Ziraat, for their support and their valuable contributions.



Hüseyin Aydın  
General Manager

We will raise the volume of resources we provide for the real sector, while continuing to provide unstinting support for households.

## Macroeconomic and Sectoral Outlook

**2011 was a year in which the Turkish economy maintained its high growth rate despite the uncertainty affecting global economy and the deepening public debt crisis in the Eurozone.**

The Turkish banking industry continues to grow despite the financial structural problems affecting the banking sectors of developed countries.



## OUTLOOK OF THE GLOBAL ECONOMY

**The trend towards a recovery in the global economy that was observed in 2010 gave way to a volatile and fragile environment in 2011 in which concerns of global recession increased.**

The key factors which stunted the global economic recovery in 2011 were the earthquake in Japan at the beginning of the year, as well as high commodity prices, the debt crisis in Europe and related problems arising in the Eurozone, as well as the large scale borrowing in the USA.

On the other hand, signs of overheating were observed in some emerging economies, particularly some Asian economies, raising the prospect of tight fiscal policies being introduced. Accordingly, in February, China and Russia raised their policy interest rates and their required reserve ratios in a bid to keep inflationary pressures under control.

Tight fiscal and monetary policies to be implemented by major emerging markets could affect commodity prices in global markets. The tight monetary policy could also lead to a contraction of capital flows into such countries.

In its report entitled "The Global Economic Outlook", IMF projects that the global GDP growth rate will edge down from 5.2% in 2010 to 3.8% in 2011 and to 3.3% in 2012.

Developed countries are expected to have chalked up 1.6% growth in their GDP in 2011 and a further 1.9% growth in 2012. This projection is based on the assumption that European policymakers keep the debt crisis under control and establish a reasonable balance between the policies to support the

EU economy while at the same time reducing budget deficits. Also basing its projections on the assumption that there is no worsening in the volatility in the markets, the IMF stressed that the developments surrounding the debt crisis in the Eurozone have reached such a level that they have begun to threaten global economic activity.

Emerging markets, which generally demonstrated a strong growth performance in the first half of 2011, are expected to post weaker growth rates in 2012.

### Mounting concerns over the Eurozone

The deterioration in public finance in Europe associated with swelling public debts and budget deficits, as well as the problems in the banking industry and high unemployment rates do not only threaten the Eurozone, but place an increasing burden on the global economic recovery. Fears that some European countries such as Spain and Portugal could suffer the same problems as Ireland and Greece gained traction when ratings agencies downgraded the sovereign ratings for Spain, Italy, Ireland, Portugal and France.

Projections indicate that a slight recession may be observed in the Eurozone in 2012. Recession in the Eurozone may affect the global economy through two channels; the contracting demand in the Eurozone, which is the world's largest export market, could limit global foreign trade volume. On the other hand, the structural problems facing financial institutions in the Eurozone are expected to take their toll on global economic activity through global credit conditions.

### Inflationary pressure from rising energy and commodity prices

The rising trend in energy and commodity prices, which began in the second half of 2010 and continued in 2011, pushed the rate of inflation up in both developed and developing countries.

Data related to the USA and the Eurozone indicate that inflation has increased beyond expectations. The central banks of some emerging markets increased interest rates, while others preferred non-interest instruments like the required reserve ratio in order to cool down overheated economies.

### In 2012...

- The debt problem afflicting the Eurozone will remain the most important global risk factor.
- In the global economy, inflationary pressures are expected to be relieved with the effect of declining domestic and foreign demand.
- A more negative trend is expected in liquidity conditions in the coming period in terms of market depth and buy-sell spreads, that reflect market dynamism.
- The slowdown in developed countries will begin to have a knock-on effect on emerging economies in 2012.

## Macroeconomic and Sectoral Outlook

The Turkish economy maintained its high growth rate and financial discipline, preserving its prominent position, especially among emerging markets and European economies.

### OUTLOOK FOR THE TURKISH ECONOMY

**2011 was a year in which the Turkish economy maintained its high growth rate despite the uncertainty affecting the global economy and the deepening public debt crisis in the Eurozone.**

Although concerns with respect to global economic developments unsettled the Turkish markets from time to time, the Turkish economy maintained its high growth rate and financial discipline, preserving its prominent position, especially among emerging markets and European economies.

Data pertaining to Q3/2011 indicates that the Turkish economy continues to grow strongly and is estimated to have grown by about 8% in 2011, while growth is expected to slow down in 2012 because of the base effect and worsening global conjuncture.

Turkey's 12-month rolling current account deficit reached US\$ 77 billion and was on course to have reached 10% of GDP by the end of 2011. A combination of the problems currently affecting countries in the Eurozone and the mounting risks over global economic growth will limit export growth. Accordingly, the current account is expected to remain a risk factor. Since energy importing countries, like Turkey, are known to exhibit a positive relationship between economic growth and the current deficit, the current account deficit is expected to contract in 2012 on the back of the likely slowdown in economic activity as well as the impact of the undervalued TL.

It has been argued that the quality of current account deficit financing is lower, because long-term direct capital inflows have been replaced by portfolio entries and short-term funds during the crisis period. The gradual worsening in the financial structure of European banks and faltering risk appetite are deemed as fundamental factors which could lead to more difficulty in financing during 2012.

Unless permanent solutions are found that will reduce Turkey's energy dependency, the current account deficit is expected to remain one of the most important structural problems facing our economy.

Bond yields in Turkey increased later in the year, on the back of a combination of factors, including the rising perception that the weaker TL was here to stay, combined with uncertainty abroad, Turkey's rising country risk premium and the CBT's tight monetary policy.

The annual rate of PPI inflation ended 2011 at 13.3% with CPI inflation of 10.5%, exceeding expectations. In its evaluations, the Central Bank cited strong domestic demand, rising unprocessed food and energy prices and the pass through effect as the key factors behind the upside surprise in inflation.

### In 2012...

It is clear that the financial crisis, which so corrupted macroeconomic balances that took many years to establish and which set the stage for a number of new developments, affected and will continue to affect our country. The biggest difference between this crisis and the crises of the past is that the causes of the present crisis stem from external shocks, not from negative domestic economic conditions.

The fact that economic growth in Turkey continued unabated in 2011 despite the increasing uncertainty and further undermining of trust globally should be perceived as positive for the coming period.

Economic stability was maintained as the political risks, which had negatively impacted Turkey's economic performance in the past, have gradually eased in recent years and decisions are now made according to economic requirements and Turkey's position within the international conjuncture, and not on the basis of political priorities.

## DEVELOPMENTS IN THE BANKING SECTOR

**The Turkish banking industry continues to grow despite the financial structural problems affecting the banking sectors of developed countries.**

Following the crisis in early 2000, the subsequent restructuring of the Turkish banking industry, the tightening of monitoring and supervision in the sector, the increase in capital adequacy and the buttressing of the risk management and liquidity management approach within the sector have all played a major role in shoring up the resistance of the industry against the negative impacts of the global financial crisis since 2008.

The banking industry's net interest margin contracted in 2011 as interest rates began to increase, as funding costs increased because of tight monetary policies and as the re-pricing period of liabilities became shorter than that of assets. Rising personnel costs and other non-interest expenses, as well as provision costs were among other factors to compromise profitability in the sector. Declining profitability paved the way for lower rates of return on assets and returns on equity.

The banking industry has undergone a significant change in its asset composition. According to BRSA data, the loans to assets ratio, which stood at 44.9% in 2006, had risen to 56.6% by the end of 2011.

## 2011 was a year marked by rising credit demand in the national banking sector.

An analysis of the sector finds that loan volumes have increased on the back of the rising competition between banks. Thanks to the Central Bank's precautionary interest rate decisions in 2011, as well as its disciplined position in its financial policy and the new measures taken by the BRSA, credit conditions were tightened in a bid to slow the growth in credit. In line with these efforts, the rate of increase in credit was observed to moderate from September.

### In 2012...

The impacts of the financial crisis on the Turkish banking industry are expected to remain relatively mild when compared to Europe in 2012, thanks to the robust capital structure and asset quality of Turkish banks.

Loan volume is expected to continue in a balanced manner in 2012 with a slight increase in the ratio of SME and consumer loans in total loan volume. The loan growth rate is projected to come in between 16-20% in 2012, with deposits projected to grow by around 15%.

The impacts of the financial crisis on the Turkish banking industry are expected to remain relatively mild when compared to Europe in 2012, thanks to the robust capital structure and asset quality of Turkish banks.

## An Assessment of 2011: Strategies, Developments and Targets for the Future

**Having completed a successful operating period, Ziraat Bank continued in 2011 to provide customers from all segments of the community with products and services of increasing quality and diversity.**

Its customer-oriented business model will allow Ziraat Bank, which currently offers tremendous growth potential in terms of market share, market penetration and sales volumes, to reflect such potential to its performance rapidly and in an increasing manner.





**Broadly speaking,**

- Ziraat Bank's corporate target is to demonstrate sustainable growth in its profitability and efficiency and to generate value for the nation and the banking industry, while remaining loyal to its primary mission.
- In line with this target, the Bank has adopted a customer-oriented business model which aims to improve the bank's working habits with customers and to respond to its customers' financial needs in a more rapid and highly qualified manner. To this end, related efforts were launched at the headquarters, as well as in regional directorates and branches.
- Its customer-oriented business model will allow Ziraat Bank, which currently offers tremendous growth potential in terms of market share, market penetration and sales volumes, to reflect such potential to its performance rapidly and in an increasing manner.
- Ziraat Bank continued to expand its domestic branch network in 2011. The total number of branches, which stood at 1,379 at the end of 2010, rose to 1,434 in 2011 with the addition of 55 new branches during the year.
- Ziraat Bank's founding mission was identified as contributing to economic development by providing the resources needed by the agricultural sector. The total volume of loans supplied to the agricultural sector increased by 39% in 2011 to more than TL 18.9 billion. Ziraat Bank supported hundreds of thousands of manufacturers in the agricultural sector and played a key role in increasing agricultural added value and efficiency through a number of distinct programs, agreements and practices.
- Ziraat Bank continued to place priority on SME's in its commercial lending operations in 2011. The volume of loans extended by the Bank to small enterprises increased from TL 5.3 billion in 2010 to TL 6.9 billion in 2011, corresponding to a 29% YoY increase in SME loans issued. In a clear indication of Ziraat Bank's strength and scale, the total number of SMEs that had received loans from the Bank reached 129,000 at the end of 2011.
- Retail customers account for Ziraat Bank's largest customer mass. The Bank offers its retail customers a rich product portfolio, which includes an array of products ranging from consumer loans to credit cards. The Bank responds to the financing needs of an ever increasing number of individuals by offering tailor-made products and through competitive pricing. The total volume of retail loans provided by Ziraat Bank increased by 30% YoY to TL 30.5 billion in 2011.
- Ziraat Bank commands the largest market share in deposits. Ziraat Bank's total deposits amounted to TL 113.1 billion in 2011 and the Bank, with a 15.3% market share, maintained its leadership in the sector in terms of deposits, as in previous years.
- Ziraat Bank rapidly expanded its loan volume in 2011, while achieving a significant reduction in its ratio of non-performing loans through its cautious and painstaking risk management policies. While the Bank's total loan volume increased by 24% in 2011, the increase in its non-performing loan volume was less than 1%. As a result, Ziraat Bank's non-performing loans ratio fell from 1.5% in 2010 to 1.2% by the end of 2011. This ratio is considerably lower than the sector average of 2.7%.
- Ziraat Bank has all the qualifications necessary to grow, produce further added value and become the best service provider in the sector in 2012 and beyond.

Ziraat Bank has all the qualifications necessary to grow, produce further added value and become the best service provider in the sector in 2012 and beyond.

## An Assessment of 2011: Strategies, Developments and Targets for the Future

# Having established sustainable profitability and efficiency as its primary management strategy, Ziraat Bank's total assets rose to TL 161 billion by the end of 2011.

**In the face of fierce competition, Ziraat Bank covered a significant amount of ground in its agricultural, commercial, corporate and retail banking business lines and expanded its transaction volume and number of its customers by further reinforcing its identity as a strong national bank.**

Having completed a successful operating period, Ziraat Bank continued in 2011 to provide customers from all segments of the community with products and services of increasing quality and diversity.

**Balanced balance sheet targets achieved in 2011**

Having established sustainable profitability and efficiency as its primary management strategy, Ziraat Bank's total assets rose to TL 161 billion by the end of 2011.

The Bank targeted a balanced balance sheet performance in 2011; in line with this target, it increased its cash loans by 24% and its total assets by 6%, while reduced its securities portfolio in parallel with its strategic preferences.

The bank's loans (including rediscount) to assets ratio rose from 38% at the end of 2010 to 44% by the end of 2011, while the Bank's securities to assets ratio fell from 51% to 44% during the same period.

In 2011, Ziraat Bank realized a pretax profit of TL 2,780 million and net a profit of TL 2,101 million. The Bank achieved a 1.3% return on assets and a 16.1% return on equity in 2011.

**Continued organic growth in 2011**

Having sustained its efforts to expand its service network in 2011, Ziraat Bank maintained its position of offering the widest branch network of any bank in Turkey.

The Bank opened 55 new branches in 2011, converted 21 special transaction centers (STC) into branches, renamed seven branches and opened seven additional service buildings. At the end of 2011, Ziraat Bank had reached a total of 1,434 points of service in Turkey that consisted of:

- 1,373 domestic branches,
- 32 special transaction centers,
- 27 bureaus,
- 2 mobile vehicles.

Ziraat Bank is the sole provider of banking services at 414 points throughout Turkey. Ziraat Bank also continued to offer the most extensive reach in the international arena. Ziraat Bank operates at 78 points in 17 countries through:

- 16 international branches and 8 international sub-branches,
- 1 international representative office,
- 8 international banking subsidiaries and 53 branches.

**Within the scope of activities to support the real sector...**

**Working with a mission of providing more resources and services to an increasing number of customers with each passing day, Ziraat Bank continued to provide financing to all segments of the Turkish economy in 2011, particularly in the agricultural sector.**

Pursuing a balanced distribution strategy in retail, agricultural and commercial loans, the Bank recorded 39% growth in agricultural loans, 30% growth in retail loans and 4% growth in commercial loans in 2011.

**Ziraat Bank extensively provides funds to the agricultural sector**

One of Ziraat Bank's primary targets is to ensure the development and growth of the agricultural sector and to ensure that the sector gains a competitive edge on a global scale. In parallel with this target, the Bank continued to extensively provide funds to the agricultural sector in 2011.

Having increased its agricultural loan volume by 39% to TL 18.9 billion in 2011, Ziraat Bank remained the biggest supporter of the agricultural sector in Turkey.

**Subsidized loan practice continued in 2011**

Launched in 2004, the subsidized loan practice continued in 2011. In such loans, the Bank applied an annual interest rate of between 0% and 5%, by applying discounts of 50% to 100% to current interest rates, depending on the sector, and extended TL 10,081.7 million in loans to a total of 961,629 manufacturers in 2011.

#### Ratio of agricultural investment loans in total agricultural loan volume reaches 45%

Ziraat Bank continued to increase its support for agricultural efficiency through investment loans and other banking products, in addition to agricultural enterprise loans. In 2011, the ratio of agricultural investment loans in total agricultural loan volume was realized at 45%.

#### Increase in interest-free agricultural irrigation loans

In 2011, the Bank continued to extend interest-free Agricultural Irrigation Loans, a practice that has been applied since 2007 in order to increase the number of areas where irrigated farming is performed and to minimize loss of water caused by reckless and uncontrolled irrigation.

In 2011, the Bank extended TL 273 million in investment loans to nearly 15,000 manufacturers through firms and cooperatives that work with the Bank based on protocols. With this result, Ziraat Bank has provided a total of TL 1.4 billion in loans to 93,000 manufacturers in the last 5 years, contributing significantly to the generalization of drip and sprinkler irrigation systems.

#### Working to widen the use of modern greenhouse cultivation in Turkey

In 2011, Ziraat Bank supplied a total of TL 391 million in loans to about 23,000 manufacturers, who operate in the field of greenhouse cultivation. By providing 73,000 manufacturers with TL 1.6 billion in loans in the last eight years, the Bank continued to support the establishment of new and modern greenhouses.

#### Contributing to Turkey's agricultural machinery park by extending fixed interest rate tractor loans

Some 50% of the brand new tractors sold in our country in 2011 were financed with Fixed Interest rate Tractor Loans, a product offered by Ziraat Bank.

The Bank supplied TL 1 billion in tractor loans to more than 31,000 manufacturers in 2011. Within the scope of this service conducted since 2004, the total number of manufacturers supplied tractor loans reached 90,000, while the total loan volume rose to TL 2.6 billion.

#### Supporting the development of stockbreeding and animal production through interest-free loans

Ziraat Bank has been extending Interest-free Stockbreeding Loans since August 2010 to support the development of domestic stockbreeding and to increase animal production. Within the framework of this loan program, which primarily aims to modernize and increase capacity of existing ovine and bovine, breeder and fattening enterprises and to support new stockbreeding enterprises, the Bank extended TL 2.3 billion in loans to 63,000 manufacturers in 2011.

The Bank transferred a total of TL 5.9 billion in funds to manufacturers in the last two years through interest-free stockbreeding loans. In the program, the loans were used to purchase a total of 4.3 million livestock.

#### A loan for thoroughbreds – a first in our country

In another groundbreaking development, Ziraat Bank began to offer solutions for the financial needs of thoroughbred breeders through agricultural enterprise and investment loans. In 2011, a total of TL 25.1 million in loans was supplied to breeders for more than 2,000 thoroughbreds.

#### Supporting a broader mass through diversified agricultural loans

In order to diversify and expand the volume of loans Ziraat Bank extends to manufacturers, as well as to enhance the competitive strengths of Ziraat Bank branches, to shorten and to accelerate loan procurement processes and to meet customer requests in the shortest possible time, the Bank:

- allowed the use of investment loans of up to TL 20,000 through loans on guarantee;
- allowed the use of agricultural loans against the letter of guarantee to be received from foreign banks;
- began to provide loans for tractors of the previous year's model, provided that they were new and unused; and
- added the "Poultry Sector" to the Parameters of Non-Project Investment Loans for the financing of machinery and equipment such as curb, feeder, ventilating fan, etc., which can be exclusively bought by poultry manufacturers.

One of Ziraat Bank's primary targets is to ensure that the agricultural sector gains a competitive edge on a global scale.

## An Assessment of 2011: Strategies, Developments and Targets for the Future

### Providing SMEs with all kinds of financial support and banking services, Ziraat Bank increased its support for SMEs in 2011.

#### The Başakkart financing facility – a modern practice that eases the financial burden on manufacturers

In 2011, a total of 296,000 manufacturers were supplied with TL 1,125 million in agricultural loans within the scope of Başakkart. Manufacturers holding the Başakkart purchased a total of TL 239 million of fuel oil, seeds, fertilizers and other agricultural inputs from more than 11,000 contracted merchants for a grace period of up to 6 months; this reduced the financial burden on manufacturers in production processes.

#### An opportunity to provide financing to an increasing number of manufacturers within the scope of collaborations with agricultural associations

In order to ease the pressure on manufacturers, who are members of agricultural associations, access credit facilities, Ziraat Bank signed protocols with the Association of Breeding Cattle Farmers, the Association of Dairies and the Association of Sheep / Goat Farmers. Within the scope of the protocols, a total of TL 211 million in loans was supplied to 54,000 manufacturers, while TL 28 million was granted to 26,000 manufacturers for product prices and TL 478 million was granted to more than 75,000 manufacturers as subsidies through the Bank.

#### As mediating services...

In 2011, Ziraat Bank mediated in:

- the payment of TL 6 billion in subsidies to 4.3 million manufacturers and associations,
- the payment of TL 431.7 million product prices by the Turkish Grain Board,

- the payment of TL 350.4 million by Türkiye Şeker Fabrikaları (Turkish Sugar Factories) for sugar beet prices, and
- the payment of TL 282.5 million for grants in line with the Rural Development Program.

#### Ziraat Bank hosts CICA's Central Committee Meeting

The Central Committee Meeting of the International Confederation for Agricultural Credit (CICA), which is organized in a different country each year, was held in Istanbul in 2011, hosted by Ziraat Bank.

The meeting, which is open to senior managers of the world's leading agricultural banks, as well as the major players of the Turkish agricultural sector and the representatives of corporations and institutions serving the sector, brought together more than 400 Turkish and foreign participants this year.

In a meeting held under the theme of "A Global Look at Agriculture: New Agricultural Strategies", topics such as the agricultural sector and agricultural financing, food safety, the use of renewable energy as well as the economic situation and expectations in Turkey and in the world were discussed.

#### The 2011 reports for work on project related to the GAP (Southeastern Anatolia Project) Region were completed

Within the framework of the GAP Action Plan, in which the Bank plays an active role, Ziraat Bank prepared quarterly reports that include the Bank's activities in the cities in the GAP Region in 2011 and submitted them to the Southeastern Anatolia Project Regional Development Administration.

#### Cooperation with the World Bank for the financial needs of small and medium sized enterprises

Within the framework of the 2<sup>nd</sup> Access to Finance for Small and Medium Enterprises Project, the Bank continued to negotiate and carry out regulatory work with the World Bank in 2011 with respect to the best use of the resources provided from the World Bank to meet the financial needs of small and medium-sized enterprises.

The primary objective of the project is to expand and extend the facilities of access to include middle- and long-term finance for small and medium enterprises in Turkey and to increase employment.

In 2011, Ziraat Bank began to negotiate with respect to new credit lines to be provided by the World Bank.

#### Ziraat Bank offers its commercial products and services to a wide and diverse client base.

#### The Bank increased its support to the commercial sector by combining the advantages brought by its strong resource structure and its rich product and service portfolio, despite the volatile market circumstances of 2011.

Backed by the strength of a brand synonymous with trust, persistence and a deeply rooted past...

With its rich commercial banking product and service portfolio, Ziraat Bank serves a large and diverse mass of customers that range from large-scale multinational and national companies that use a large volume of loans to medium commercial enterprises and SMEs.

The Bank commands a leading position in the sector thanks to its widespread domestic and international branches, its low funding costs and liquidity advantage and its ability to meet the large-scaled financial needs of its customers.

The strength of the Ziraat Bank brand, which is synonymous with trust, persistence and a deeply rooted past, represents another competitive strength for the Bank in commercial banking.

#### Free-of-charge resources and cross sales facilities

Ziraat Bank aims to add a competitive edge to its products and services in the sector and to ensure that they meet the needs of the Bank's customers. For this purpose, the Bank offers resources that are free to use along with cross sales facilities.

#### Pressing ahead in its efforts to expand its portfolio

In 2011, the Bank sustained its efforts to expand its commercial client portfolio, and improved and diversified its relations with corporations.

Executing its marketing activities to ensure that its customers capture a share of all banking transactions and cash flows, Ziraat Bank continued to make use of dealer, supplier and retailer networks of large-scaled corporations as a business area with high potential for the offering of its banking products and services.

#### Capturing market share in FX commercial loans during 2011

Ziraat Bank's total commercial cash loan volume (TL) declined in parallel with market balances in 2011. Accordingly, the share of the Bank's TL-based commercial cash loans fell from 66% in 2010 to 58% in 2011, while the share of its FX-based commercial cash loans increased from 34% to 42%.

#### SMEs, the vital pillar of the Turkish economy, are Ziraat Bank's primary customer mass

Providing SMEs with all kinds of financial support and banking services since 2008, Ziraat Bank increased its support for SMEs in 2011.

The Bank increased the volume of cash loans provided to SMEs by 29% when compared to the end of 2010. With this growth, the ratio of SME loans in total commercial loan volume reached 42%, while the share of SME loans in overall loan volume climbed to 10%.

#### Highlights of the special and preferential loan facilities offered to SMEs

- Ziraat Bank has been providing preferential products and services to the members of Chambers of Commerce/ Industry and Chambers of Merchants/ Craftsmen, which have received extensive financing from the Bank in recent years and which have been collaborating with the Bank in order to support SMEs. The Bank revised and expanded the scope of these products and services in line with the prevailing economic conditions in 2011.
- Having already signed protocols with 520 chambers across Turkey, Ziraat Bank supplied TL 760 million in loans to a total of 36,200 SMEs in 2011 in line with such protocols.
- Ziraat Bank signed special protocols with Chambers of Industry and Commerce. In line with these protocols, the chambers would deposit their resources at the Bank, while the Bank, in turn, would provide financial support those SMEs which are members of such chambers. In 2011, Ziraat Bank diversified its products and services by extending loan facilities at attractive interest rates to such SMEs.
- Ziraat Bank received EIB (European Investment Bank)-funded loans from Türk Eximbank in 2011, while continuing to offer SMEs long-term FX loans, which were provided from the World Bank in 2010, in order to provide long-term financing to SMEs in a bid to encourage them to undertake investment, to contribute to their operating capital and to support their growth.

The Bank increased the volume of cash loans provided to SMEs by 29% when compared to the end of 2010.

## An Assessment of 2011: Strategies, Developments and Targets for the Future

### The total volume of retail loans extended by Ziraat Bank increased by 30% compared to the previous year.

- Having demonstrated that it stands by SMEs at all times, Ziraat Bank signed a protocol with the Social Security Institution in order to ensure that employers pay their overdue premiums while offering SMEs the opportunity to pay these debts over the long-term, in line with the Law on the Restructuring of Receivables, the Law on Social Security and the General Health Insurance and Law no. 6111 on Undertaking Amendments to selective Legislative items and Statutory Decrees.
- Following the postponement of KOSGEB's (Small and Medium Enterprises Development Organization) new interest support program, which was expected to be launched in 2011, Ziraat Bank held a 1-month credit campaign under the **KOSGEB "Bridge Loan Campaign"**, in June 2011 in order to respond to the financing needs of SMEs, which the Bank had established contact with during the preliminary work related to the postponed program. The Bank provided financing to 8,500 SMEs during the campaign.
- In order to contribute to regional economic and social development, Ziraat Bank continued its collaboration – which began in previous years – with Developmental Agencies and signed protocols with such agencies in 2011. The Bank provided "simultaneous financing" to those SMEs which were undertaking developmental projects, which had applied to the developmental agencies' financial Support Program and were deemed worthy of developmental grants.
- In order to support SMEs operating in the Turkish Republic of Northern Cyprus (TRNC), the Bank joined forces with the Ministry of Economy and Energy and Ministry of Tourism, Environment and Culture of the TRNC in 2011 and provided funds to enterprises operating in the republic.
- Having maintained its close relations with organizations that support SMEs in 2011, the Bank joined the practice known as **micro loans for micro SMEs** within the framework of the Credit Guarantee Fund's programs entitled **"Rapid Guaranty Package for Micro SMEs"** and **"Loan Facilities for Growing Anatolia (BAKK)"**.
- Committed to standing by SMEs in difficult times, Ziraat Bank relieved the debts of SMEs which had suffered losses because of the Van earthquake, and participated in KOSGEB's interest support program aimed at such SMEs.
- In order to support and provide liquidity to customers who may have temporarily fallen into financial difficulty, Ziraat Bank successfully continued to restructure the debts of SMEs in 2011, a practice which the Bank has been applying since 2009.
- Aiming to serve all SMEs, Ziraat Bank continued with its occupational group based loan efforts in 2011 and added self-employed customers such as architects / engineers, accountants / freelance accountants, financial consultants / certified public accountants, notaries and vets to its customer portfolio.
- KOBİkart, the world's first Visa company credit card with pay wave, which also offers its users the advantages of Bankkart, became a highly popular payment method for SMEs in 2011.

This development allowed Ziraat Bank to consistently increase its share in the company credit card market.

**Ziraat Bank continued to expand its retail banking portfolio in terms of transaction volume, number of customers and placements, raising its market share in these categories. The Bank maintained its position as the most popular bank among real persons from different segments.**

#### Healthy growth in retail loan volume

The total volume of retail loans extended by Ziraat Bank increased by 30% from TL 23.5 billion to reach TL 30.5 billion by the end of 2011. The ratio of the Bank's retail banking loan volume in its total credit portfolio reached 46.4%, while Ziraat Bank attained a 13.6% market share in this category in 2011.

The breakdown of the retail loans provided by Ziraat Bank by type was as follows:

- housing loans rose by 13% to TL 7.9 billion;
- vehicle loans rose by 35% to TL 328 million;
- consumer loans rose by 38% to TL 20.2 billion; and
- credit card transaction volume rose by 35% to TL 1.6 billion.

The Bank's market shares in these loan categories were:

- housing loans: 10.6% (2010: 11.5%);
- vehicle loans: 4.5% (2010: 4.3%);
- consumer loans: 32.5% (2010: 32.0%); and
- credit cards: 2.8% (2010: 2.7%).

In 2011, Ziraat Bank succeeded in increasing its market share in all retail loan categories with the exception of housing loans. Ziraat Bank extended TL 21 billion in retail loans in a total of 1,912,509 transactions in 2011.

Meanwhile, effective pricing policies carried out in a bid to increase non-interest income allowed Ziraat Bank to raise its commission revenues from banking services by 25% in 2011.

As of December 2011, Ziraat Bank's non-performing retail loans ratio was realized at 0.6%, lower than the 2010 level of 0.7% and the sector average of 2.9% at the end of 2011.

#### Innovations, campaigns and attractive opportunities lead to satisfied customers

Ziraat Bank continued to produce new products and services in 2011 in order to increase its competitive strength in the sector and its revenues, to expand its client base and to meet its customers' requests with regard to how to make the best use of their savings.

- The Bank held general credit campaigns for its customers / customer groups, as well as special campaigns for various occupational groups and "target list" based credit campaigns, providing retail loans to a total of 1,351,008 people.
- Through these campaigns, the Bank gained 56,565 new customers.
- In 2011, Ziraat Bank offered loans to 152,436 customers for the first time, and issued a total of 662,634 credit cards. The Bank also identified a total of 60,566 users for internet banking and received a total of 30,320 standing payment orders and 57,633 automatic payment orders. The Bank opened overdraft accounts for 454,799 customers and accounts of salary advances for 418,223 customers.
- Ziraat Bank launched efforts to increase the use and activation of overdraft accounts. The overdraft and debit card sales automation entered operation for all retail loan applications. The Bank also evaluated accounts where the overdraft limit was insufficient, while also issuing the debit card to its overdraft customers, linking the overdraft with the debit card.
- A total of 60,703 customers benefited from the Discounted Overdraft Account Campaign that was organized for those customers, who have both overdraft account and active automatic payment orders.
- The product entitled "Başak Account" was offered to those customers buying and selling funds automatically, and which is associated with the drawing account.
- "Ziraat Package for Young People" was prepared for university students in Turkey, investing in the future of the Bank by ensuring young customers benefit from the value offered by the Bank throughout their lives and to offer various advantages to the students within the framework of the Bank's social mission.
- In order to raise awareness of insulation and to contribute to energy efficiency initiatives in Turkey, the Bank offered its customers the "Energy Saving Package", with the technical consultancy of İZODER (Association of Thermal Insulation, Waterproofing, Sound Insulation and Fireproofing Material Producers, Suppliers and Applicators).
- Ziraat Bank added private pension plans to its insurance products portfolio and sold a total of 6,929 private pension contracts. Ziraat Bank maintained its leadership in the sector in terms of premiums in life and non-life insurance products sales performed through the Bank channel.
- Within the framework of the cooperation established with Ziraat Investment, Ziraat Bank branches throughout Turkey were responsible for book building of the following public offerings; Adese, Akfen GYO, Ataç İnşaat, Bilici Yatırım, Bimeks, Bizim Toptan, Kiler, Kiler GYO, Rönnesans Gayrimenkul Yatırım and Yaprak Süt in 2011.
- With the aim of raising the number of customers and the transaction volume of Ziraat Investment, as well as to increase the number of customers and the use of Maximum Card, Ziraat Bank implemented a campaign that allows stock trade commissions to be returned to Maximum Card as Maxipuan (Maxi-points).

Ziraat Bank continued to produce new products and services in 2011.

## An Assessment of 2011: Strategies, Developments and Targets for the Future

### Ziraat Bank is the primary bank of a large mass of individuals ranging from students to pensioners, merchants to entrepreneurs, housewives to farmers.

- Within the framework of TOKİ (Housing Development Administration of Turkey) projects mediated by Ziraat Bank, the Bank was responsible for carrying out the sale of real estate and related follow-up procedures. The Bank was actively involved in the sale of 23,149 properties at a total price of TL 2,243.8 million and extended TL 180.7 million in housing loans to 3,720 people through the TOKİ projects.
- The Bank reached 206,000 customers through deposit accounts of advances, an original product developed by Ziraat Bank and a first in the sector, and 2 million customers through accounts of salary advances.
- The Bank began to provide retail loans to self-employed customers such as doctors, lawyers, notaries, financial advisors, architects, engineers and pharmacists, who do not answer to a specific employer, who are highly educated in their fields and who have scientific or occupational knowledge or expertise.
- Ziraat Bank began to provide the following products to its customers (including employees of public and private sectors, pensioners), who are Turkish citizens but do not reside or have any commercial activity in Turkey and who have been working for at least six months, in order to finance or refinance properties which they may have purchased or will purchase in Turkey: Housing Loans / Refinancing Loans/ Individual Workplace Loans / Common Workplace Loans / Common Housing Loans / "Buy To Rent" Housing Loans.

**The Bank aims to increasingly integrate its alternative delivery channels into its service offering process. Large and comprehensive projects conducted by Ziraat Bank for this purpose contribute continuously not only to the Bank's cost basis but also to customer satisfaction.**

**Aiming to provide efficiency and customer satisfaction through alternative delivery channels**

As the primary bank of a large mass of individuals ranging from students to pensioners, merchants to entrepreneurs, housewives to farmers, Ziraat Bank is determined to offer effective services to its individual customers through its branch network that reaches everywhere throughout Turkey, as well as through its diversified electronic service channels.

At the end of 2011, the Bank's number of active ATMs rose by 30% to 3,820, while the number of its ATMs offering the cash deposit feature reached 1,095.

Ziraat Bank began to accept card applications and card limit increase requests through alternative delivery channels in 2011. Of a total of 602,369 applications received through alternative delivery channels, 247,131 were applications for cards and 355,238 were applications to raise card limits.

In 2011, the number of POS devices provided by Ziraat Bank increased by 45%.

Ziraat Bank's internet branch at [www.ziraatbank.com.tr](http://www.ziraatbank.com.tr) provides extensive services with a rich content. In 2011, the Internet Banking transaction volume and the number of internet branch users increased by 108% and 92%, respectively.

**The sector leader in debit cards**

As the sector leader in debit cards, Ziraat Bank raised the number of Bankkart cards by 18%, a rate of growth 3 points higher than the sector average of 15% in 2011.

The number of Bankkart cards increased by 2,556,169 compared to the end of 2010 and reached 16,512,976, while the number of TSK chip debit cards rose to 368,703.

Ziraat Bank provided one in every 4 debit cards issued in the sector in 2011 and one of every 5 debit cards used in 2011.

**Growth in the number and turnover of credit cards in excess of the sector average**

Ziraat Bank increased the number of its credit cards and its turnover from credit cards at a rate in excess of the sector rate during 2011. The number of the Bank's credit cards grew by 13% and its credit card turnover by 40%

The number of credit cards issued by Ziraat Bank rose by 406,174 when compared to the end of 2010 to reach 3,481,247, while the Bank's turnover from credit cards rose by TL 2,185.4 million to TL 7,658.8 million.

Launched on June 13<sup>th</sup>, 2011, cash advances with repayment through installment represented a new practice for Ziraat Bank customers, reaching a broad customer mass since the system's infrastructure was completed rapidly and effectively.

As a result of this practice, the total volume of cash advances payable through installments reached TL 126.6 million, while the total number of transactions in this category was realized at 218,756.



**In 2011, Ziraat Bank further strengthened its permanent and widespread deposit base by increasing its savings deposit volume.**

**The sector leader with a permanent and widespread deposit base**

With 70% of its balance sheet liabilities comprised of deposits, Ziraat Bank focused on increasing its profitability by reducing resource costs through effective liabilities and deposit management in 2011, while maintaining its TL weighted deposit composition by taking its credit policies and asset composition into account.

Positioned as a bank that sets interest rates in the market through its rational pricing and competition strategy, Ziraat Bank painstakingly fulfills its role in the sector as a market maker.

In 2011, Ziraat Bank increased its savings deposit volume, strengthening its permanent and widespread deposit base. The weight of TL savings deposits in the Bank's total deposits remained high, while at the end of 2011 savings volume composed 51% of total deposits excluding banking deposits.

Having concentrated on product development efforts in order to strengthen its permanent deposit base, Ziraat Bank began to offer the cumulative deposit account in 2011, while accelerating its efforts for other deposit products.

**Ziraat Bank remained one of the active participants of money, FX and capital markets in 2011.**

**Liquidity and securities portfolio management**

Ziraat Bank's Treasury Management Group performs the management of risks in the Bank's balance sheet, determines the Bank's interest, FX and liquidity policies, performs central treasury management services for all branches and conducts the pricing service for investment instruments.

The primary function of the Treasury Management Group is to monitor and manage the financial risks in the Bank's balance sheet, ensure product diversity and provide a qualified service by making use of the advantages of the Bank's widespread branch network and to ensure that the Bank makes maximum profit.

Ziraat Bank remained one of the active participants of the money, FX and capital markets in 2011. The Bank stepped up its use of financial derivatives and diversified investment and funding facilities in order to manage the financial risks in the Bank's balance sheet and its assets and liabilities composition more effectively and to offer alternative banking products to its customers.

**Market maker position**

As one of the market maker banks in the Turkish bonds-bills market as determined by the Undersecretariat of the Treasury of the Republic of Turkey, Ziraat Bank maintains its market maker position. As one of the active participants in the primary and second bonds-bills markets, the Bank has achieved a significant increase in its profit from capital market transactions.

As one of the market maker banks in the Turkish bond market as determined by the Undersecretariat of the Treasury of the Republic of Turkey, Ziraat Bank maintains its market maker position.

## An Assessment of 2011: Strategies, Developments and Targets for the Future

# In 2011, Ziraat Bank intensively pursued its efforts to maintain its position of commanding the largest international service network of any Turkish bank.

### New products contributing to treasury transaction volume

Ziraat Bank expanded the diversity of its treasury products through a variety of measures taken in 2011. The Bank pursued competitive pricing policies through its widespread branch network and continuously improved alternative delivery channels, while designed new services that would increase customer satisfaction and effectively meet customers' needs. As a result of these efforts, the Bank increased the transaction volume of its treasury products in 2011.

In 2011, Ziraat Bank began to offer a service to its customers where they could sell and purchase gold by the gram. The Bank also launched measures for trading gold through drawing accounts and started to offer customers gold checking accounts in the first quarter of 2012.

In 2011, the Bank began to release FX selling and buying rates for the Chinese Yuan for non-effective transactions.

### New capital guarantee mutual funds

In order to effectively meet the needs of customers with different risk-income profiles, the Bank issued three Type B 100% Capital Guarantee Sub-Funds under the Capital Guarantee Umbrella Fund during 2011.

In line with customer requests, Ziraat Bank plans to continue offering capital guarantee mutual funds, the first of which was issued in February 2012.

### Ziraat Bank commands a strong and respected position in the field of international banking, thanks to its widespread service network with robust foundations throughout the world, its strong correspondence relations with financial institutions and banks and its strong funding base.

In 2011, The Bank intensively pursued its efforts to maintain its position of commanding the largest international service network of any Turkish bank and to achieve stronger growth by increasing its efficiency.

### Global points of service

Ziraat Bank provides services through its branches, representative offices and banking subsidiaries at 78 points in 17 countries.

The Bank's organization is composed of the following global points of service:

- The New York Branch in USA,
- The London Branch in the UK,
- The Tbilisi Branch in Georgia,
- The Sofia Branch, and Plovdiv, Kardzhali and Varna sub-branches in Bulgaria,
- The Athens, Komotini, Xanthi and Rhodes branches in Greece,
- The Baghdad and Erbil branches in Iraq,
- Jeddah Branch in Saudi Arabia,
- The Lefkoşa, Girne, Gazimağusa, Güzelyurt and Gönyeli branches, and the Akdoğan, Near East University, Çatalköy, Karaoğlanoğlu and İskele sub-branches in the Turkish Republic of Northern Cyprus (TRNC),
- The Tehran Representative Office in Iran, and
- Eight foreign banking subsidiaries, which have a total of 53 branches.

In line with Ziraat Bank's international banking strategy and vision, the Bank continued to restructure its global points of service in order to:

- increase their efficiency in the countries where they operate;
- contribute to the development of commercial and economic relations between Turkey and these countries;
- obtain a high share of foreign trade financing; and
- ensure that the Bank's global points of service offer rapid, modern, and qualified service to all of their customers, particularly Turkish entrepreneurs and companies.

### Projects aimed at the regional expansion of the Bank

Accurately analyzing the developments in global markets, in the coming period Ziraat Bank will strive to make use of the possible opportunities in every area it operates, to provide a level of efficiency which is at least in line with the sector average, and to become the most powerful and efficient bank in Turkey and in the region.

To this end, the Bank continually conducts analysis and evaluations in line with its targets such as bringing service to any location or region with a specific business volume and a potential for developing commercial relations, particularly in the nearby geographical region, and expanding the scope of its activities.

Ziraat Bank serves its customers in **Bulgaria** through 4 branches: a central branch in Sofia, and sub-branches in Plovdiv, Kardzhali and Varna.

In Bulgaria, Ziraat Bank has recently developed and implemented various practices in branchless banking such as the debit card, ATM and internet banking. The Bank plans to expand the scope of its activities in Bulgaria by developing products such as credit cards, phone banking and POS devices in 2012.

Ziraat Bank serves its customers in **Greece** through four branches in Athens, Komotini, Xanthi and Rhodes.

Having begun to offer services in the **TRNC** in 1974, Ziraat Bank increased the number of its branches in the TRNC to 10, with the opening of 5 new points of service at the Near East University, Gönyeli, Çatakköy, Karaoğlanoğlu and Iskele in the last two years. In parallel with its steady growth in recent years, the Bank worked intensively to expand its product portfolio and improve service quality. Most notably, agricultural loans, which were recently developed by the Bank, began to be extended to customers in the TRNC during 2011.

Offering all of the banking services available in mainland Turkey, the Bank's branches in TRNC contribute significantly to the national TRNC economy by ranking as the number one among all banks operating in the TRNC in terms of size and profitability.

Having entered operation in **Georgia** in 2001, Ziraat Bank is undertaking necessary evaluations to structure its Tbilisi Branch as a foreign banking subsidiary and to open a sub-branch in Batumi. The Bank's efforts to offer ATM and debit card services have now reached their final stage. The Bank plans to offer these products to its customers in Georgia in 2012.

In **Saudi Arabia**, Ziraat Bank opened its Jeddah Branch on March 14<sup>th</sup>, 2011. The branch has added momentum to its efforts to meet the needs of Turkish contracting companies for letters of guarantee, as well as to cover the banking needs of businessmen working in Saudi Arabia and Turkish citizens who visit Saudi Arabia for pilgrimage.

With its Baghdad Branch in **Iraq** which was opened in 2008, Ziraat Bank began to provide services under extraordinary circumstances. The Bank opened a branch in Erbil on February 14<sup>th</sup>, 2011 as the first Turkish bank. The Bank, which provides the letters of guarantee requested by Turkish contracting companies operating in the region and mediates intensively in the money transfers of Turkish firms and workers, plans to expand its activities in Iraq in 2012.

**Reaching every spot on the globe through strong and well established correspondence relations**

At the end of 2011, Ziraat Bank maintained its strong and well established correspondence relations with about 1,300 banks in 108 countries.

The Bank's broad correspondent network is continuously improved and updated in parallel with customer needs and the conjuncture and trends in the world economy.

Working in close cooperation with export insurance agencies throughout the world, the Bank signed framework agreements with various correspondent banks in order to mediate the loans to be provided by these agencies to its customers.

Ziraat Bank operates at 78 points in 17 countries.

## An Assessment of 2011: Strategies, Developments and Targets for the Future

# In 2011, Ziraat Bank generated a total of TL 31.8 million in dividend income from subsidiaries.

### Activity in foreign transaction operations...

With the largest international service network of any Turkish bank, Ziraat Bank provides global correspondence banking services through the nostro/vostro account relations it has built with other banks. Those Banks fortunate enough to have established correspondent account relations with Ziraat Bank benefit from banking services at global standards in their transactions in Turkey and all other countries in the world.

Ziraat Bank designed, developed and implemented a system known as DTR (FX Transfer), to be used in the FX transfers of banks in Turkey. By the end of 2011, 7 banks had joined the DTR. Thanks to the DTR system, the Bank has been able to provide rapid and effective mediating services to FX transfers for banks in Turkey without recourse to correspondent banks abroad. Payments are completed without commission between those banks who participate in this system and become DTR members by opening vostro accounts in Ziraat Bank, while there is no delay or fault during existing payment processes. Moreover, those banks which are involved in this privileged system by opening accounts in Ziraat Bank enjoy the advantages of minimum costs and an easily understandable cost practice.

Banks involved in this system benefit from all types of correspondence services through the strong international network of Ziraat Bank, which has reached 50 nostro accounts and 61 vostro accounts including TL accounts as of December 31<sup>st</sup>, 2011. Services provided by Ziraat Bank through vostro accounts are not confined to FX payments, but also cover TL payments, which are sent by other banks to Ziraat Bank through the EFT system and which are then transferred by Ziraat Bank branches to other Turkish banks. With this system, these payments began to be made automatically.

The Bank's foreign trade transactions are carried out by competent personnel who hold the Certificate in International Trade and Finance (CITF) (8 certificates) and the Certified Documentary Credit Specialist (CDCS) Certification (24 certificates).

Ziraat Bank maintains its efforts to develop products with high technological added value in order to gain a more effective and productive structure in foreign trade transactions.

### Ziraat Bank's subsidiary policy and activities in 2011

Ziraat Bank's policy in relation to its subsidiaries is spelled out as follows:

- to establish new subsidiaries that will provide synergy for the Bank,
- to enter partnerships with existing companies,
- to ensure that the current subsidiaries provide an effective service,
- to promote domestic subsidiaries, which are parent companies where the Bank has control, to a leading position in their relevant sectors for the following purposes:
- to provide customers both in Turkey and abroad with contemporary financial services in the best and the most profitable manner,
- to gain cost advantages, and
- to provide a competitive edge through product diversification.

The primary developments in the Bank's subsidiary organization in 2011 are summarized below:

- Ziraat Hayat ve Emeklilik A.Ş., founded in early 2010 to offer services in private pension and life insurance branches, began its operations in the area of private pension in July 2011, having received an operating license in the private pension segment from the Undersecretariat of Treasury and registered its funds at the CMB.

- By purchasing shares held by the Ziraat Bank Personnel Foundation in Ziraat Yatırım Menkul Değerler A.Ş. (Ziraat Investment), the Bank increased its share in Ziraat Investment to 51%.
- By purchasing the shares held by Başak Sigorta ve Başak Emeklilik's (Başak Insurance and Pension) Retirement and Provident Funds Foundation in Ziraat Finansal Kiralama A.Ş. (Ziraat Leasing), the Bank increased its share in Ziraat Leasing to 50.25%.
- By purchasing the share held by Groupama Sigorta A.Ş. (Groupama Insurance) and Licorne Gestion in Kazakhstan Ziraat International Bank, the Bank increased its share in the Kazakhstan Ziraat International Bank to 99.36%.
- Ziraat Bank sold the shares of Elektronal Antrepo ve Lojistik Hizmetler Sanayi ve Dış Ticaret A.Ş. in the name of and on behalf of the Turkish Treasury. This company is a subsidiary of Mülga Odibank A.Ş., which was transferred to Ziraat Bank upon the Cabinet's decision no: 83/7242 and dated: October 27<sup>th</sup>, 1983.
- In order to raise the profitability and transaction volume of the subsidiaries, the Bank completed a capital increase of TL 50.2 million in its domestic subsidiaries and a capital increase of US\$ 34.9 million and Eur 3.3 million in foreign subsidiaries.
- As of December 31<sup>st</sup>, 2011, the total amount of the Bank's subsidiary investments amounts to TL 1,027.5 million, of which TL 306.6 million is for domestic subsidiaries and TL 720.9 million for foreign subsidiaries.
- In 2011, Ziraat Bank generated a total of TL 31.8 million in dividend income from domestic subsidiaries (TL 29.3 million) and foreign subsidiaries (TL 2.5 million).

Detailed information concerning Ziraat Bank's subsidiaries is given on page 38 of this report.

**Ziraat Bank is aware that the most important means of setting itself apart in a competitive environment is its human resources. In 2011, the Bank pressed ahead with its intensive efforts and projects in a bid to maintain the highly qualified nature of its human resources.**

The Bank, which has maintained its contemporary human resource management system based on the principles as transparency, participation, efficiency and compliance with banking ethics, organized training programs aimed at improving the knowledge and skills of all of its employees.

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## Social Responsibility at Ziraat Bank

**Continuing to invest in Turkey's future through comprehensive social responsibility projects, Ziraat Bank unstintingly works to support individuals and the community in various areas such as culture, art, education and sport.**

The Bank is determined to take its social responsibility mission one step forward every year and to provide continuity in this area.



Continuing to invest in Turkey's future through comprehensive social responsibility projects, Ziraat Bank unstintingly works to support individuals and the community in various areas such as culture, art, education and sport.

Conducting projects that, in particular, contribute to the cultural knowledge of the community, the Bank is determined to take its social responsibility mission one step forward every year and to provide continuity in this area.

#### **Support for sport**

As in the 2009-2010 and 2010-2011 football seasons, Ziraat Bank became a sponsor of the royalty of the Turkish Football Cup for the 2011-2012 season. The organization was renamed as the "Ziraat Turkish Cup".

#### **"In Art for Art"**

Having expressed the importance that it has been attaching to art and artists since its foundation under the slogan, "In Art for Art", Ziraat Bank continued to support events in various artistic disciplines in 2011.

Supporting art since the 1990's, Ziraat Bank expanded its support through new initiatives. The Bank opened the Mithatpaşa, Kuğulu, Tünel and Kızıltan Ulukavak art galleries and the Ömer Nafi Güvenli Exhibition Hall for art-lovers. During the 2010-2011 exhibition season, more than 100,000 art-lovers visited a total of 33 exhibitions at the Kuğulu and Mithatpaşa art galleries in Ankara, and at the Tünel art gallery in Istanbul. With a total of 2,249 works of art, including 32 new paintings, Ziraat Bank's original collection represents one of the richest collections of paintings in our country.

Ziraat Bank's contribution to art continued with the cinema hall at the Mithatpaşa Show Center. A total of 24 films were shown to cinema lovers in 2011 at Ziraat Bank's cinema, the only cinema in Turkey to operate for the common good. More than 60,000 viewers watched these films.

In 2011, educational animated films were shown to the pupils of schools designated by the Ministry of National Education for 4 days a week for a period of 8 weeks within the framework of the joint working platform between Ziraat Bank and Ankara Governorship's Provincial Directorate of National Education.

Under this project, which aimed to entertain school pupils and ensure that they like the films, as well as to increase their motivation and improve their social habits, pupils were transported in shuttle buses provided by the Bank together with their teachers. In this 8-week program, a total of 6,200 pupils from 30 schools benefited from this service.

#### **Turkey's First Banking Museum**

The Ziraat Bank Museum, which opened on November 20<sup>th</sup>, 1981, is located in the Ceremonial Hall of the Bank's Original Head Office building in Ankara's Ulus district. The museum, which has borne witness to the Bank's 148 year-long past, including momentous events such as the birth of the Republic of Turkey, was the first museum to be opened in Turkey to be devoted to banking.

The Ziraat Bank Museum offers a view of the commercial, economic, political, cultural, artistic and educational transformations that the Turkish banking industry has undergone since its beginning right up 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.

#### **Other activities**

Ziraat Bank provided donations to help those people – our brethren and our friends – who were forced to leave their homelands because of the drought in Africa in 2011. Moreover, the Bank staged aid campaigns to support those who had become victims of the earthquakes in Van and in its districts on October 23<sup>rd</sup>, 2011.

## Ziraat Bank's Subsidiaries in 2011

### **Ziraat Bank enhances its product and service portfolio by means of its synergetic cooperation with its financial subsidiaries.**

Ziraat Bank serves its customers wherever possible. With service points in 17 different countries around the world including Turkmenistan, Germany, the USA and Saudi Arabia, Ziraat Bank provides Turkish businesses and foreign customers with products, services and solutions on an international platform.



## International Subsidiaries

**Ziraat Bank aims to serve its customers wherever possible. With service points in 17 different countries around the world including Turkmenistan, Germany, the USA and Saudi Arabia, Ziraat Bank provides Turkish businesses and foreign customers with products, services and solutions on an international platform.**

### ZIRAAT BANK INTERNATIONAL AG

Ziraat Bank's largest international subsidiary, Ziraat Bank International AG is one of the largest banks backed by Turkish capital operating in the European Union.

Active in corporate, commercial, and retail banking, Ziraat Bank International AG's corporate and commercial banking services are mainly comprised of cash and non-cash credit transactions related to financing foreign trade between Turkey, Germany and other EU countries as well as firms operating in Germany and multinational firms.

Constantly increasing its total assets each year, Ziraat Bank International AG has been mediating the money transfers of Turkish citizens living in Germany to Turkey for 47 years with a modern and rapid technical infrastructure.

The "Non-Cash Money Transfer" facility, added to Ziraat Bank International AG's rich product spectrum in 2011, allows Bank customers to undertake money cashless transfers and to complete these transactions in the shortest time possible.

Ziraat Bank International AG has broadened its activities in retail banking in recent years. Making use of the internet as an effective delivery channel, the Bank offers its customers comprehensive internet banking services. The "Ingenious Account", one of the Bank's internet banking products, was rated "Constantly Good" for the fifth consecutive time by "Stiftung Warentest/Finanztest", the most respectable independent consumer foundation in Germany.

Included in the savings deposit insurance fund of Bundesverband deutscher Banken e.V. (Banking Association of Germany), Ziraat Bank International AG is also a member of Entschädigungseinrichtung deutscher Banken GmbH (the deposit protection fund of Germany). Also a member of Verband der Auslandsbanken in Deutschland e.V. (Association of Foreign Banks in Germany), Ziraat Bank International AG has been represented at the board of the association for the last four years.

The Bank has a total of ten branches operating in Frankfurt, Hamburg, Cologne, Hannover, Berlin, Duisburg, Stuttgart, Munich, Nurnberg and Essen.

As of December 31<sup>st</sup>, 2011, Ziraat Bank International AG's paid-in capital stood at Eur 108 million, with shareholders' equity of Eur 155 million, Eur 760 million of loans and deposits amounting to Eur 720 million. Employing a total of 148 people, the bank's total assets grew by 32% YoY in 2011 and reached Eur 907 million.

### TURKISH ZIRAAT BANK BOSNIA d.d.

**The first foreign bank established in Bosnia & Herzegovina, Turkish Ziraat Bank Bosnia d.d. started operating in 1997.**

The bank provides an entire suite of banking products and services to its corporate, commercial, and retail banking customers through 30 ATMs, 23,000 credit cards, 10,000 debit cards, and 749 POS devices and 157 employees, as well as at a total of 21 service units across the Federation.

Turkish Ziraat Bank Bosnia d.d. succeeded in maintaining its profitability, even though the country has been hit hard by the global crisis since 2009. As of December 31<sup>st</sup>, 2011, Turkish Ziraat Bank Bosnia d.d.'s total asset volume amounted to US\$ 108 million, with loans of US\$ 48 million, deposits of US\$ 58 million and its shareholders' equity of US\$ 46 million.

### ZIRAAT BANKA AD SKOPJE

**Ziraat Bank converted the Skopje Branch, which was opened for service in 1999, into a banking subsidiary operating under the company name "Ziraat Banka AD Skopje" in March 2008.**

The bank operates in a total of 5 branches in Macedonia, of which three are in Skopje – the capital city – which includes the central branch, and the Old Turkish Bazaar and Ramstore branches, and two branches in Tetovo and Gostivar.

The bank's primary target is to maximize the synergy created with the backup strength of Ziraat Bank, to enhance customer satisfaction by expanding its product and service portfolio and to contribute to the strengthening of economic and commercial relations between Turkey and Macedonia.

With its internet branch that came online in 2011 and its credit card project which is currently in the final stages of development, the bank aims to enrich its product and service portfolio, to offer complementary products and create cross-sales opportunities. In the country, which has been hit hard by the global crisis in the recent period, Ziraat Banka AD Skopje maintained its profitability. Its total assets amounted to about US\$ 54 million with shareholders' equity of around US\$ 24 million as of December 31<sup>st</sup>, 2011.

### ZIRAAT BANK (MOSCOW) CJSC

**Seeking to meet all of the banking needs of its Turkish and Russian customers and adopting a customer-focused approach to service in the conduct of its activities, Ziraat Bank (Moscow) CJSC started operations in 1993 in Moscow.**

The Bank offers rapid, modern and high quality banking services to Russian companies, as well as to Turkish companies operating in Russia, in areas of corporate and commercial banking and non-cash loans.

At the end of 2011, Ziraat Bank (Moscow) CJSC's total assets amounted to US\$ 52 million, with loans of US\$ 42 million and shareholders' equity of US\$ 27 million. Its total assets grew by 12% YoY with its loans growing by 59.7% YoY.

## Ziraat Bank's Subsidiaries in 2011

### KAZAKHSTAN-ZİRAAT INTERNATIONAL BANK

The Kazakhstan-Ziraat International Bank was incorporated as the first foreign capital-owned bank in Kazakhstan in 1993.

Headquartered in Almaty, Kazakhstan-Ziraat International Bank provides services through three branches located in Almaty, Astana and Shymkent. As of December 31<sup>st</sup>, 2011, the bank's total assets amount to US\$ 112 million, with shareholders' equity of US\$ 76 million and a profit of US\$ 2 million for the period.

### AZER-TÜRK BANK ASC

Incorporated as a joint venture of Ziraat Bank and Agrarkredit QSC (Republic of Azerbaijan), Azer-Türk Bank started operations in 1995.

The Bank currently provides services through five different units, with four branches: Central, Baku, Ganca and Nakhchivan and the Customer Services Department under the Head Office organization.

As of December 31<sup>st</sup>, 2011, Azer-Türk Bank's total assets amounted to US\$ 82.6 million, with shareholders' equity of US\$ 14.8 million and a net profit for the year of US\$ 1.4 million.

Thanks to the transparency of its activities and its sensitivity in dealing with money laundering, as well as the high quality of its banking transactions, the bank was deemed worthy of the **"2010 Quality Recognition Award"** by Citibank N.A. New York.

### TURKMEN TURKISH JOINT STOCK COMMERCIAL BANK (TTJSC BANK)

The Turkmen Turkish Joint Stock Commercial Bank has been operating in Turkmenistan as a subsidiary of Ziraat Bank since 1993.

Capable of providing a full-scale banking service, the bank has taken on a significant role in advancing of economic, commercial and social links between Turkmenistan and Turkey since its foundation and also become one of the ports linking Turkmenistan with the rest of the world.

With its 5 exchange offices, the Bank is one of the country's most active banks in terms of foreign currency transactions. In addition, one of the Bank's three Western Union points ranked among the world's top 500 points in terms of transaction volumes.

At the end of 2011, the bank's total assets amounted to US\$ 58 million, with shareholders' equity of US\$ 5.3 million and a net profit of US\$ 2.9 million during the year.

### UZBEKISTAN-TURKISH BANK (UTBANK)

Uzbekistan Turkish Bank (UTBANK) was founded in 1993 in Tashkent as a joint venture between Ziraat Bank and Agrobank (Uzbekistan), with each controlling an equal stake.

The Bank serves its customers in all business lines of banking. At the end of 2011, UTBANK's total assets amounted to US\$ 113.6 million, with US\$ 13 million of deposits, shareholders' equity of US\$ 19.2 million and a net profit of US\$ 1.2 million during the year.

## Domestic Subsidiaries

**Through the synergy it has built with its subsidiaries concentrated in the finance sector, Ziraat Bank develops and enhances its products and services portfolio.**

**The strong relations it has developed with its domestic subsidiaries increase Ziraat Bank's cross selling facilities, helping the Bank to gain new customers.**

### ZİRAAT SİGORTA A.Ş.

Ranking among the top 20 insurance companies in its first year, Ziraat Sigorta grew about four times more rapidly than the sector average in 2011.

Founded on May 11<sup>th</sup>, 2009, Ziraat Sigorta began its insurance operations in 2010 and completed its first operating year with premiums amounting to TL 173 million. This result placed the company at 18<sup>th</sup> ranking in the sector, out of a total of 57 companies. Having generated TL 318 million in premiums in the non-life insurance branch in 2011, the company grew by about four times as rapidly as the sector average in 2011. With this result, the company ranked 12<sup>th</sup> in this area out of a total of 59 corporations, and increased its market share from 1.4% in 2010 to 2.2% by the end of 2011.

At the end of the year, the company ranked 2<sup>nd</sup> in bancassurance premium production and 1<sup>st</sup> in the sector in terms of its return on equity and premium production per employee.

The company's shareholders' equity, which had stood at TL 19.3 million on January 1<sup>st</sup>, 2010, the first day the company became operational, rose to TL 75 million by the end of 2011, while its assets rose to TL 198 million with a pre-tax profit of over TL 52 million.

In its first operating year, the company offered two new products to the insurance market through Ziraat Bank. The "Hospital Daily Compensation" product was enhanced to include assurance for cancer treatment and renamed as "Medical Support Insurance" in 2011, while the product entitled "My Family is under Ziraat's Assurance" was enriched with the advance payment assurance of TL 25,000 in addition to the existing guarantees.

Besides the high quality standards provided with the efforts of the company's employees, the adoption of this new company by Ziraat Bank as its primary shareholder, as well as Ziraat Bank's involvement in the insurance business contributed to Ziraat Sigorta's successful results.

### ZİRAAT HAYAT VE EMEKLİLİK A.Ş.

Having commanded a leading position in the life insurance branch in its first year of foundation, Ziraat Hayat ve Emeklilik A.Ş. also began to operate in the Private Pension System in July 2011.

Founded on May 11<sup>th</sup>, 2009, Ziraat Hayat ve Emeklilik A.Ş. entered operation in the life insurance and personal accident insurance branches at the beginning of 2010. The company was also involved in the Private Pension System in July 2011 as the representative of Ziraat Bank.

During 2010, the company's first year in operation, the company was the sector's leader in the life branch with premium production of TL 601.7 million, corresponding to a market share of 27.6%, based on the end year premium production data published by the Association of the Insurance and Reinsurance Companies of Turkey (TSRŞB). The company maintained its

leading position throughout 2011. According to TSRŞB data, the company commanded a 30% market share at the end of 2011, generating TL 806 million in premiums, corresponding to a 34% YoY increase. This result ensured that the company maintained its number one position (out of 27 companies) in the sector in 2011.

The total assets of Ziraat Hayat ve Emeklilik A.Ş. rose from TL 437 million at the end of 2010 to TL 900 million by the end of 2011, corresponding to an increase of approximately 106% YoY. On the other hand, while the life insurance sector grew by 23%, it is notable that Ziraat Emeklilik grew by 34%.

In July 2011, Ziraat Emeklilik began its operations in the Private Pension System, which has been developing rapidly for the last seven years.

Through the Private Pension System, the company serves various customer masses through an array of private pension plans such as "Güldüren Yarınlar Planı" (planning for a future that will make you smile) that can be bought by everyone, the "Bereket Planı" (Plan for Plenty) aimed at non-interest investment instruments and the "Şemsiye Planı" (Umbrella Plan) that provides special advantages to newcomers who enter the System with their savings. Other major products are as follows: "Hayata Dair Yıllık Hayat Sigortası" (Annual Life Insurance for Life) that pays an indemnity not only in the event of death or disability but also in the event of contracting a dangerous illness; "Hayat Arkadaşım Yıllık Hayat Sigortası" (Annual Life Insurance for my Spouse) which is optional and which offers various assurances; and "Group Private Pension System", "Group Accident Insurance" and "Group Life Insurance" for corporate customers.

Ziraat Hayat ve Emeklilik A.Ş. aims to make more effective use of its distribution channels and expand its product range in 2012 in such a manner that it is able to provide special solutions to its segmented customers by stressing the importance of the niche market.

### ZİRAAT FİNANSAL KİRALAMA A.Ş.

With 20 years of service under its belt, Ziraat Leasing maintained its leadership in the sector in 2011.

Founded in 1991, Ziraat Leasing has carved out a position for itself as a stable, deeply rooted and powerful company in the sector. Working to a principle of producing the right financial solutions for the right projects, the company provided about US\$ 1.2 billion of financing for various projects.

Having maintained its steady growth in 2011, Ziraat Leasing increased its turnover by 40% to TL 286 million and its total assets by 42% to TL 559 million during the year.

By providing financing to a wide array of sectors, including construction, healthcare, textiles, food, steel-iron, metal processing, printing and manufacturing industry, Ziraat Leasing aims to support technological advancement in mechanization. Having played a key role in promoting the use of financial leasing for agricultural machinery, Ziraat Leasing maintained its position as the leader in its sector in 2011 with the leasing transactions directed at the agricultural sector.

Ziraat Leasing's mission is "to finance investments by producing effective and accurate solutions in order to contribute to the national economy and to the deepening of financial markets". Working to its vision of "being the first choice of leasing company for investors and employees", and with Ziraat Bank's support and experienced staff, the company moves forward to be one of the pioneering and leading companies in the sector.

## Ziraat Bank's Subsidiaries in 2011

### ZİRAAT YATIRIM MENKUL DEĞERLER A.Ş.

Ziraat Yatırım Menkul Değerler was set up in 1997. The company is an active participant in the capital markets with its professional team of 110 staff and its mission of providing an efficient service to its customers.

Holding authorization certificates for Trade Brokerage, Public Offering Brokerage, Portfolio Management, Investment Consultancy, Trade on Credit, Short Sale and Borrowing-Lending, Options and Derivatives Transactions, the company provides services through 5 branches and 20 investment centers, as well as its internet branch and full-service call center on 44 44 979. All domestic branches of Ziraat Bank function as agencies of Ziraat Yatırım Menkul Değerler.

Ziraat Yatırım Menkul Değerler undertakes active use of alternative delivery channels. The company's comprehensive delivery channels include the Company's internet branch at www.ziraatyatirim.com.tr; "Ziraat Trader", which allows orders to be placed via mobile phones, tablet PCs and data screens; and the Bank's full-service call center, on 44 44 979.

Ziraat Yatırım Menkul Değerler's trade volume in the stock exchange market reached TL 22.1 billion by the end of 2011. During the same period, the company recorded a total of TL 59.7 billion in repo-reverse repo transaction volume in and outside the ISE, while its outright purchase and sale transaction volume in the bonds and bills market reached TL 8.5 billion. As a leading participant of the derivatives exchange market, Ziraat Yatırım's total derivatives transaction volume was realized at TL 10.8 billion in 2011.

### ZİRAAT PORTFÖY YÖNETİMİ A.Ş.

Founded in 2002, Ziraat Portföy Yönetimi is an asset management company that manages its clients' investment portfolios of capital market instruments.

With TL 1.5 million of capital, Ziraat Portföy Yönetimi manages ten mutual funds owned by Ziraat Bank, four mutual funds owned by Ziraat Yatırım and six private pension funds owned by Ziraat Hayat ve Emeklilik and nine

private pension funds owned by Groupama Emeklilik.

The total volume of assets managed by the company reached TL 2.1 billion as of December 2011. With this result, the company commanded a 4.3% market share, ranking 7<sup>th</sup> among 32 asset management companies. The company closed 2011 with a net profit of TL 1.6 million.

### FİNTEK FİNANSAL TEKNOLOJİ HİZMETLERİ A.Ş.

Since its foundation in 2001, Fintek has been providing IT services to Ziraat Bank and its subsidiaries in the fields of infrastructure, integration, system management, support-operations, application development and technical consultancy.

Holding the TS ISO/IEC 27001 Information Security Management System certificate, Fintek ranked among the top 100 IT companies in "Turkey's Top 500 IT Companies Survey" in 2011 - as in previous years.

With its competent and dynamic human resources, that expanded to include a total of 587 staff, and by employing its technology and expertise to the full, Fintek constantly aims to achieve more.

The company continued to provide strong technological support to Ziraat Bank in 2011 with its innovative and up-to-date technological investments and products that comply with the TSE EN ISO 9001: 2000 criteria.

As the architect of the Finart project, Ziraat Bank's basic banking practice, Fintek undertook a number of application development projects in 2011, in line with its continuous development approach, in order to maximize operational efficiency and customer orientation. These projects include a project of generating "Customer Profitability" information aimed at providing substantial information to the Bank's decision makers from all levels, and an infrastructural work for the practice entitled "Corporate Content Management", which would include forms and documents in processes and ensure the management of these forms and documents through an automation system. The "Central Queue System" was developed

in order to better manage customer overcrowding in branches, with touch-screen kiosks installed in branches. Moreover, the Bank's ATM portfolio was enhanced with 1,505 recycle ATMs, which can perform palm validation in card or non-card transactions.

Fintek's organization was restructured in 2011 in order to meet Ziraat Bank's IT needs more accurately and rapidly. Thanks to its renewed organization and the projects it carries out, Fintek will continue to provide Ziraat Bank with a fast and superior technological infrastructure and hardware support in 2012 by increasing the Bank's operating efficiency in line with the Bank's purpose of gaining a competitive edge in the sector.

### BİLEŞİM ALTERNATİF DAĞITIM KANALLARI VE ÖDEME SİSTEMLERİ A.Ş.

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. provides an alternative delivery channel and payment system services to Ziraat Bank.

Bileşim A.Ş. successfully passed audit for compliance under the security standards set by major international payment card organizations such as Visa and MasterCard. The Company was the fourth firm in the service provider category to be awarded PCI DSS (Payment Card Industry Data Security Standards) certification in Europe and the first in Turkey. The Company continues to fulfill all the requirements of the certification and again successfully passed the relevant annual audit with international standards in 2011.

Servicing one of Turkey's biggest ATM networks, Bileşim A.Ş. climbed up thirteen places to rank in 62<sup>nd</sup> position in the "Income from Sales" category in the "Top 500 IT Companies - Turkey 2010" listing. The company also climbed two levels to rank in 25<sup>th</sup> position among 50 companies in the "Services" category and also ranked second in the category of "Income from Outsourced Services", which is its primary field of activity.

With its robust financial and technological infrastructure, personnel who are highly specialized in their fields and a dynamism that allows the company to rapidly adapt to innovations, Bileşim A.Ş. maintained its leading position in the sector in 2011.

# Management and Corporate Governance Practices

# Ziraat Bank Board of Directors



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## 1- MUHARREM KARSLI

### Chairman

Muharrem Karslı graduated from İstanbul University (Faculty of Economics, Department of Business Administration and Finance) in 1959, where he later completed a master's degree in money and banking. As he worked as an assistant inspector and inspector at İşbank from 1965 until 1974, he also pursued one-year research studies in banking in the UK and France. Based on his research studies, he introduced ATM devices to Turkey for the first time in 1972. In 1974, he set up the Securities Department at the same bank, a first in the Turkish banking industry, and continued to lead this process for 11 years until 1985. In 1985, he assumed the duty of establishing İstanbul Stock Exchange and served as its chairman for 5 years. He subsequently established his own brokerage firm, which he transferred 10 years later in 2001. On November 3<sup>rd</sup>, 2002, he was elected as a member of the Parliament representing İstanbul during the 22<sup>nd</sup> government of the republic. During his employment at İşbank, he served as a board member with Tofaş Türk Otomobil Fabrikaları A.Ş., the bank's subsidiary, for 5 years and for Dışbank A.Ş. (Fortis Bank) for 1 ½ years, and as a statutory auditor for T. Şişe ve Cam Fabrikaları A.Ş. and Takasbank. During his term of office as a member of Parliament, he served as a member on the Turkey-EU Joint Parliamentary Commission for 2 ½ years and on the NATO Parliamentary Assembly for 2 ½ years. Mr. Karslı has been serving as the Chairman of the Bank since May 2010. His published work includes a book entitled "Sermaye Piyasası Borsa Menkul Kıymetler" (Capital Markets, Stock Exchange and Securities), which is used as a textbook at universities.

## 2- MEHMET MUMCUOĞLU

### Deputy Chairman

Mehmet Mumcuoğlu graduated from İstanbul University (Faculty of Business Administration) in 1974 after which he served in various positions such as bank 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. He became a member of the Board of Directors in 2003 and has been deputy chairman since 2005.

## 3- HÜSEYİN AYDIN

### General Manager and Member of the Board

Hüseyin Aydın graduated from the Ankara Academy of Economics and Commercial Sciences (Faculty of Economics) in 1981. He began his career as an Assistant Inspector at Ziraat Bank and served as a director in various departments at Ziraat Bank until March 27<sup>th</sup>, 2003. After working as an Executive Board member at Halkbank, as a Board member at Pamukbank and as Deputy Chairman at Ziraat Bank, Mr. Aydın worked as the General Manager and Board member at Halkbank between May 31<sup>st</sup>, 2005 and July 14<sup>th</sup>, 2011. Having joined Ziraat Bank as the General Manager on July 15<sup>th</sup>, 2011, Mr. Aydın also serves as the Chairman of the Banks Association of Turkey.

## 4- OĞUZ KAYHAN

### Member of the Board Audit Committee Member

Oğuz Kayhan graduated from Ankara University (Faculty of Political Sciences, Department of Economics) in 1986. Having completed an MBA degree in Accounting-Finance at Gazi University,

Mr. Kayhan is continuing PhD studies at Ankara University (Department of Business Administration, Faculty of Political Sciences). He began his career in 1987 as an assistant certified bank auditor for the Undersecretariat of Treasury. Mr. Kayhan served as an assistant vice president of the Board of Certified Bank Auditors between 1998-2001, during which time he served as deputy president for a period of nine months. From February 2001 to November 2006 he headed a number of offices at the Banking Regulation and Supervision Agency. He was promoted to the position of a senior certified bank auditor in November 2006. Oğuz Kayhan has held a seat on the Ziraat Bank Board of Directors as a Member of the Bank's Audit Committee since June 2007.

## 5- HİKMET AYDIN SİMİT

### Member of the Board

Hikmet Aydın Simit graduated from Ankara University (Faculty of Political Sciences, Department of Business Administration). After undertaking a variety of duties in privately-owned banks, he joined the Ziraat Bank Board of Directors as a Member of the Board in June 2007.

## 6- Dr. ÜMRAN DEMİRÖRS

### Member of the Board

Ümrán Demirörs graduated from Bursa Academy of Economics and Commercial Sciences (Department of Economics) in 1976. He completed an MA in economics in 1981 and a PhD in the same discipline in 1988 from New York University (Faculty of Economics). He worked as a research associate at the Institute for Economic Analysis of NYU from 1981 to 1982. Between 1983 and 1988, he worked for Project LINK as an economic



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consultant at the Department of International Economic and Social Affairs of the United Nations in New York, while between 1988 and 1989, he worked as an economist at the International Finance Department of the Federal Reserve Bank of New York, before working as a senior economic and financial consultant at the International Management Consultant and Advisory (IMCA) Group between 1989 and 1992. He then went on to head the Research and Strategy Department of Vestcor Partners Group Asset Management and Investment Bank between 1992 and 1994, before serving as the head of Investment Committee of Renaissance Fund between 1994 and 1995. From 1996 to 2002, he headed the Investments Committee of the Franklin Templeton Investment Company, and between 2002 and 2008, he worked as the founding and managing partner of Gables Investment Management, a boutique hedge fund and investment advisory firm. Dr. Demirörs has been serving as a chief advisor to the Prime Minister of the Republic of Turkey since December 13<sup>th</sup>, 2007 and as a member of Ziraat Bank Board of Directors since April 2008.

#### 7- HALİL ÇELİK

##### Member of the Board

##### Audit Committee Member

Halil Çelik graduated from the Eskişehir Academy of Economics and Commercial Sciences (Faculty of Economics) in 1980. He began his career in 1982 at Ziraat Bank as an assistant inspector and served as an inspector, chief inspector and regional director at Ziraat Bank until August 1<sup>st</sup>,

2002. He worked at İller Bank as an inspector between August 2<sup>nd</sup>, 2002 and July 27<sup>th</sup>, 2003. Mr. Çelik continued his career as a Deputy General Manager responsible for various departments at Halkbank between July 28<sup>th</sup>, 2003 and May 23<sup>rd</sup>, 2010. He joined Ziraat Bank as a Member of the Board and Audit Committee Member on May 24<sup>th</sup>, 2010.

#### 8- MUSTAFA ÇETİN

##### Member of the Board

Mustafa Çetin graduated from Ankara University (Faculty of Law) in 1974. He served as a Governor and Mayor in the Hadım, Akçakale and Pasinler districts between 1979 and 1985. He then went on to work as a Chief Civil Inspector, Vice Chairman of the Board of Inspectors, Minister's Advisor and General Secretary at the Ministry of Internal Affairs between 1985 and 1996. He worked as the Governor of Gümüşhane between 1996 and 1999, as a Chairman of the Committee of Research, Planning and Coordination at the Ministry of Internal Affairs from 1999 to 2000, a Central Governor from 2000 to 2002, and Prime Ministry Deputy Undersecretary from 2002 to 2007. While he was serving as the Prime Ministry Deputy Undersecretary, he was a member of the General Assembly of the Press and Publication Agency and a member of the board of Anadolu Agency. He also served as a member of parliament representing the province of Uşak between 2007 and 2011. Mr. Mustafa Çetin has been serving as a member of the board of Ziraat Bank since July 2011.

#### 9- ABDULLAH YALÇIN

##### Statutory Auditor

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

#### 10- MAHMUT GÜRSES

##### Statutory Auditor

Mahmut Gürses graduated from Ankara University (Faculty of Political Sciences) in 1986. He began his career at the Board of Inspectors of the Ministry of Finance as a financial inspector. He completed an MBA at Exeter University in the UK between 1995-1996. Following his return to Turkey, he completed a stint as the Vice President of the MASAK (Financial Crimes Investigation Board), a unit founded under the Ministry of Finance. He joined the Board of Inspectors in 2000 as the Vice President, but then resigned his duty and joined the private sector. Mr. Gürses has been working as a certified public accountant since 2001 and as a statutory auditor at Ziraat Bank since May 2010.

\* Mr. Burhanettin Aktaş, a member of the Board, resigned from his duty at Ziraat Bank on January 5<sup>th</sup>, 2012.

## Ziraat Bank Senior Management



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### 1- HÜSEYİN AYDIN

**General Manager and Member of the Board**

### 2- ÖMER MUZAFFER BAKTIR

**Assistant General Manager for Marketing**

Ömer Muzaffer Baktır graduated from Istanbul Technical University (Department for Mining Engineering). He joined Pamukbank in 1990, where he worked as an Assistant Inspector, Inspector, Service Director and as a departmental manager. Having joined Halkbank in December 2004, Mr. Baktır was appointed as an Assistant General Manager on June 14<sup>th</sup>, 2005 and he was responsible for Corporate Commercial Marketing, Corporate and SME Marketing, and Credit Allocation and Management respectively until March 2010. He then joined Cengiz Holding in March 2010 where he served as a CFO and Member of the Executive Committee until October 2011. Mr. Baktır has been serving at Ziraat Bank as an assistant general manager responsible for marketing since November 2011.

### 3- MUSA ARDA

**Assistant General Manager for Credit Allocation and Management**

Musa Arda graduated from Çukurova University (Faculty of Economics and Administrative Sciences). He began his career at Pamukbank in 1994 as a financial analyst. He worked at the same bank as an analyst, a service manager in various units at the headquarters and a marketing director at Güneşli Corporate Branch between 1994 and 2004. He joined Halkbank in 2005 as a division manager at the Commercial Marketing Department before working as the head of the Financial Analysis Department, the head of the Department of Credit Policies and Project Evaluation, the head of the Department of Commercial Loans and, most recently, as the coordinator responsible for the Istanbul 2<sup>nd</sup> Region. He has been serving at Ziraat Bank as an assistant general manager responsible for credit allocation and management since November 2011.

### 4- CEM İNAL

**Assistant General Manager for Retail Banking**

Cem İnal graduated from Ankara University (Department of Finance, Faculty of Political Sciences). He joined Ziraat Bank in 1992 as an assistant inspector and served in a number of posts, as an inspector, branch manager, regional head manager and a departmental manager. He has been serving at Ziraat Bank as an assistant general manager responsible for retail banking since November 2011.

### 5- MEHMET CENGİZ GÖĞEBAKAN

**Assistant General Manager for Credit Policies**

Mehmet Cengiz Göğebakan graduated from Ankara University (Department of Economics, Faculty of Political Sciences) in 1987. He began his career at Pamukbank as an assistant inspector in the same year. He served at the same bank between 1994 and 2004 as a manager of the Department of Firm Evaluation, Department of Credit Monitoring, Department of Credit Allocation, Department of Administrative Follow-up and Department of Credit Policies. He joined Halkbank on November 17<sup>th</sup>, 2004 where he worked as an executive responsible for Retail Loans; he was promoted to the post of assistant general manager responsible for risk liquidation on June 9<sup>th</sup>, 2005. He served as an assistant general manager for credit policies from 2007 to 2010. He worked at Anadolubank as an assistant general manager responsible for loans from May 2010 to October 2011. Mr. Göğebakan has been serving at Ziraat Bank as an assistant general manager responsible for credit policies since November 2011.

### 6- BİLGEHAN KURU

**Assistant General Manager for Treasury Management**

Bilgehan Kuru graduated from the Middle East Technical University (Department of Mining Engineering). He studied for a master degree in finance at the Institute of Physical Sciences of the same university. He began his career as a foreign exchange clerk at Halkbank, where he worked from 1986 to 1988. He joined Pamukbank in 1988 as an assistant specialist before serving as





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a service director and manager of the Treasury Department at the same bank. He was appointed as the Head of the Department of Foreign Exchange and Money Markets at Halkbank in November 2004. After serving as an assistant general manager responsible for retail banking at Halkbank from June 2007 to July 2011, he joined Ziraat Bank as an assistant general manager responsible for treasury management.

#### 7- NUMAN BEK

##### Assistant General Manager for International Banking

Numan Bek graduated from Çukurova University (Department of Economics, Faculty of Economics and Administrative Sciences) in 1991. He later graduated from Ziraat Bank's School of Banking. He began his career at the Department of Securities at the Ziraat Bank head office. He went on to work as an inspector and a manager responsible for fund management at VakıfBank and the general manager of the bank's New York Branch. He served as a general manager and the chairman of the board of directors of VakıfBank International AG from 2004 to November 2010. He joined Ziraat Bank in November 2010 as an assistant general manager responsible for foreign relations and subsidiaries. Mr. Bek has been serving at Ziraat Bank as an assistant general manager responsible for international banking since January 2012.



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#### 8- ALİ TOKER

##### Assistant General Manager for Human Resources

Ali Toket graduated from Gazi University (Department of Public Management, Faculty of Economics and Administrative Sciences). He joined Ziraat Bank in 1992 as an assistant inspector. He later served as the Vice Chairman of the Board of Inspection, Head of the Department of Agricultural Loans and Head of the Department of Internal Control. Mr. Toket currently serves as an assistant general manager responsible for human resources at Ziraat Bank.

#### 9- ALPASLAN ÇAKAR

##### Assistant General Manager for Operational Processes

Alpaslan Çakar graduated from Ankara University (Department of Public Management, Faculty of Economics and Administrative Sciences). He joined Ziraat Bank in 1996 as an assistant inspector and later served as an inspector and branch manager. Mr. Çakar was appointed as the regional head manager in 2005. He was promoted as a departmental manager in August 2007 and an assistant general manager in July 2010. Mr. Çakar currently serves as an assistant general manager for operational processes at Ziraat Bank.



11

#### 10- ALİ ARAS

##### Head of the Board of Inspectors

Ali Aras graduated from Ankara University (Department of Finance, Faculty of Political Sciences) in 1990. He joined Ziraat Bank in 1991 as an assistant inspector. He later went on to serve as an inspector, assistant manager, branch manager, regional head manager and department manager. Mr. Aras has been serving as the head of the board of inspectors since September 2008.

#### 11- BÜLENT YALIM

##### Head of the Internal Control and Risk Management Group

Bülent Yalim graduated from Ankara University (Faculty of Political Sciences). He joined Ziraat Bank in 1987, where he worked as an assistant inspector, inspector, assistant manager, branch manager, department manager, assistant general manager and head of a group. Mr. Yalim has been serving as the Head of Internal Control and Risk Management Group since November 2011.

# Board of Directors Report

## Ziraat Bank in 2011

Two years away from celebrating its 150th anniversary, Ziraat Bank designated 2011 as the year of change, and initiated a change and transformation project in line with the Bank's values, vision and mission keeping a close eye on the best practices in the industry. During 2011, Ziraat Bank restructured its infrastructure and organization, targeting a human resource management that encouraged and rewarded employees, as well as customer-focus. Owing to the project launched, Ziraat Bank will become a bank that possesses higher added value power in every aspect, that is able to respond to customer expectations with greater speed and quality, and that commands cutting-edge technology.

With its primary management strategy defined as achieving growth on the basis of sustainable profitability and productivity, the Bank's total assets had risen to TL 161 billion as at year-end 2011. The Bank targeted a well-balanced balance sheet in 2011 and attained 6% growth in total assets resulting from contracted securities portfolio despite the 24% rise in cash loans. The share of loans in total assets went up from 37% at year-end 2010 to 43% at year-end 2011, while that of marketable securities dropped from 49% to 43%.

Ziraat Bank strictly adheres to its activities focused on supporting the real sector. In 2011, the Bank increased its agricultural loans by 39% to TL 18.9 billion and remained the greatest supporter of the agricultural industry. SME loans grew 29% to TL 6.9 billion, while total commercial loans went over TL 16.5 billion. Retail loans were also up by 30% year-on and increased to TL 30.5 billion.

With a total of 1,434 points of service, the Bank maintained its position of offering the widest branch network of any bank in Turkey. The Bank, which has 24,374 employees (12% of the sector) and a share of 14% in terms of branch number, is the sole provider of banking services at 414 points throughout Turkey.

Ziraat Bank is the most extensive Turkish bank in the international arena with its 16 branches, 8 sub-branches, 8 overseas subsidiary banks and 1 representative office at 78 locations in 17 countries: In addition to its 5 branches and 5 sub-branches in the Turkish Republic of Northern Cyprus, Ziraat Bank has New York Branch in the USA, London Branch in the UK, Sofia Branch and Plovdiv, Kardzhali and Varna sub-branches in Bulgaria, Tbilisi Branch in Georgia, Athens, Komotini, Xanthi and Rhodes branches in Greece, Baghdad and Erbil branches in Iraq, Jeddah Branch in Saudi Arabia, Tehran representative office in Iran, and international banking subsidiaries and their branches, sub-branches and offices in Germany, Macedonia, Azerbaijan, Bosnia-Herzegovina, Kazakhstan, Uzbekistan, Russia, and Turkmenistan.

## Conclusion

In 2011, Ziraat Bank generated a pretax profit of TL 2,780 million and a net profit of TL 2,101 million. The Bank's return on assets was 1.3% in the reporting period, while its return on equity was 16.1%.

Serving the Turkish people for 148 years, Ziraat Bank will continue to work in alignment with the principles of profitability and productivity backed –still today as it has always been– by its extensive service branch network, effective delivery channels, and experienced personnel in view of profitability and productivity principles.

## TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.



Hüseyin AYDIN  
General Manager



Muharrem KARSLI  
Chairman of the Board

# Human Resources Practices

Having preserved its strong position in the banking sector in 2011, Ziraat Bank recognizes that the human resource is the key element that makes a difference in competition, and sustains the modern human resources management system it has adopted in line with the principles of transparency, participation, productivity and compliance with banking ethics.

## Demographics

Aiming to fulfill the requirements of banking and international competition and to provide modern and reliable banking service, Ziraat Bank had 24,374 employees on its payroll at the end of 2011. Total headcount increased by 7.33% as compared with year-end 2010. While 12% of our employees work at the head office units, 88% are assigned at regional offices and branches. 81% of the employee body holds undergraduate and graduate degrees; average age of employees is 37 and average tenure is 14 years.

## Recruitment

Adopting a transparent approach to career management and offering young people the chance to advance in their banking careers, Ziraat Bank continued to open its doors to numerous new graduates in 2011 following suit of previous years. 66,755 people took part in the online recruitment tests, which is a system developed and implemented for the first time in Turkey by Ziraat Bank in 2009.

As a result of the tests given, a total of 3,164 new employees joined the Ziraat Bank family and were placed in various positions under various titles.

## Career

Regarding its qualified human resource as its most important equity, Ziraat Bank espouses a transparent approach to career management where career paths and requirements are defined clearly, and gives young people the chance to advance in their banking careers. The bank aims to fill managerial positions through promotion from within.

## Performance System

Ziraat Bank implements Branch Performance System; according to the results of this system, Performance Bonuses are paid as a separate element apart from the salaries and compensations paid on the basis of salary determination principles. In this framework, employees are paid performance bonuses at quarterly intervals along with their salaries in February, May, August and November.

Performance Bonuses do not exceed 7% of an employee's total salary for one month and are determined based on two different criteria, general and specific. 60% of the bonus amounts is distributed to employees as General Performance Bonus and the remaining 40% as Specific Performance Bonus.

"General Performance Bonus" payments are determined according to branch rankings based on scales announced quarterly by the Budget, Performance and Profitability Management Department.

Ranked among their peers in each scale, branches are divided into six Performance Groups according to percentage tranches. While each Performance Group receives payments calculated using different coefficients, the branches that fall under the final 6th group do not usually benefit from the General Performance Bonus payment.

"Specific Performance Bonus", on the other hand, is calculated based on the target actualization rates announced once in every three months by the Budget, Performance and Profitability Management Department.

Employees of branches with a target actualization rate of 90% and above receive a specific performance bonus calculated on the basis of predetermined coefficients. Branches with target realization rates of below 90% are not entitled to Specific Performance Bonus.

On the other hand, employees of regional offices receive performance bonus payments based on the average General and Specific Performance Bonus coefficients of affiliated branches, whereas head office employees are paid performance bonuses on the basis of the average General and Specific Performance Bonus coefficients of regional offices.

Given the retrospective nature of these payments, employees who have left the Bank or are on unpaid leave are paid the performance bonus amount that they have become entitled to in relation to the timeframe they have actively worked. However, employees who have been given disciplinary punishment may not benefit from the performance bonus payments for the period of time set forth in the bylaws depending on the punishment given.

# Information on the Activities of the Committees

## Information on the Activities of the 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 Banking Law and applicable legislation; approving those that fall within its authority and presenting those which exceed that authority and which are deemed appropriate to the Board of Directors with its favorable opinion; assessing credit-related regulations and presenting those that it regards suitable to the Board of Directors for its approval; taking into consideration lending policies and presenting those that are deemed appropriate to the Board of Directors for 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 30 times during 2011 and took 297 decisions.

### Chairman

Hüseyin AYDIN, General Manager and Member of the Board

### Members

Mehmet MUMCUOĞLU, Deputy Chairman of the Board  
Hikmet Aydın SİMİT, Member of the Board

## Information on the Activities of the Audit Committee

Pursuant to the Bank's "Regulation on Management Bodies", the Audit Committee is obliged to satisfy the duties, powers and responsibilities set out by the Banking Law and the Banking Regulation and Supervision Agency (BRSA). The Committee is responsible for the execution of the Compliance Program that will be formed pursuant to the "Regulation on Compliance Program concerning Prevention of Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism" issued in relation to the enforcement of the Law on the Prevention of Legalization (Laundering) of Proceeds from Crime, and fulfills the duties, powers and responsibilities set out in the legislation issued concerning these matters.

### Members

Oğuz KAYHAN, Member of the Board  
Halil ÇELİK, Member of the Board

# Attendance by the Members of the Board of Directors and of the Audit Committee in the Meetings Held During the Reporting Period

## Board of Directors

The Board of Directors meets regularly at least once a month upon summons by the chairman, deputy chairman or any member of the Board. The Board met 27 times during 2011 and passed 352 resolutions.

## Audit Committee

The Audit Committee meets regularly at least once a month with the attendance of all members. The committee met 27 times during 2011 and passed 65 resolutions.

## Related Party Transactions

As per article 49 of the Banking Law no 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 Banking Law within the framework of normal bank-customer relationships carried out at arm's length 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 2011 are presented in footnote VII of section five of the year-end financial report that is included in this annual report.

# Activities for Which Support Services are Outsourced in Accordance with the “Regulation 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. BİLEŞİM ALTERNATİF DAĞITIM KANALLARI VE ÖDEME SİSTEMLERİ A.Ş.

Bileşim was originally founded in 1995. In 1998, by taking the title “Ziraat Kart İşlemleri A.Ş.”, the company changed its field of activity. In 2002, it was reorganized with a new partnership structure under the current title of “Bileşim A.Ş.”. Bileşim is an information technology company that supplies operational and support services for alternative delivery channel and payment system services of Ziraat Bank.

The alternative delivery channel and payment system services and operations that Bileşim provides are concerned with Ziraat Bank’s credit cards, debit cards, ATMs, VTMs, merchant partners (POS), bridge and highway toll systems and call center. As of end-2011, it was delivering operational service to 3.5 million credit cards and 16.5 million debit cards on Ziraat Bank’s behalf and managing the operations of 972,739 OGS (automated toll system), 98,236 POS, 3,820 ATM and 52 VTM terminals.

Providing service to our Bank’s customers and branches, the Customer Communication Center on 444 00 00 and 444 0 434 handled 14.9 million calls in 2011. As of 2011, the Customer Communication Center continued to offer service 24/7 to Ziraat Yatırım A.Ş. (Ziraat Investment), Ziraat Sigorta A.Ş. (Ziraat Non-life Insurance) and Ziraat Hayat Emeklilik A.Ş. (Ziraat Life and Pension).

Maintaining the same service quality and customer-focused approach in fulfilling significant volumes in its areas of service in 2011, Bileşim successfully completed various projects in the reporting period. Major projects completed in 2011 by Bileşim A.Ş. include cooperation with the Turkish Armed Forces, accepting card applications and limit increase requests through ADCs, provision of assistance and lounge services to Ziraat Maximum platinum card holders, Genç Kart (Junior Card) and Gençlik Paketi (Youth Package), cash advance with installments and subsequent installment option, transition to customer authentication through use of static password in the 3D secure application for e-trade transactions, use of Bankkart (Ziraat debit cards) in e-trade transactions, and installation of modern and functional new ATMs.

## 2- FİNTEK FİNANSAL TEKNOLOJİ HİZMETLERİ A.Ş.

Since its establishment in 2001, Fintek Finansal Teknoloji Hizmetleri A.Ş. has been providing Ziraat Bank and its subsidiaries with information technology services in the areas of infrastructure, integration, system management, support/operation, application development and technical consultancy.

Always targeting to achieve the better by utilizing its competent and dynamic human resources in conjunction with technology and its expertise, Fintek kept providing strong technology support to Ziraat Bank in 2011 with its innovative and up-to-date technology investments and productions. The architect of Finart, the basic banking software, Fintek carried out numerous application developments to ensure operational efficiency and customer-focus in 2011, in keeping with constant improvement understanding. These projects included creation of “Customer Profitability” data aimed at providing the decision-makers at any level across the Bank with meaningful information, and the infrastructural work on the “Corporate Content Management” application that will integrate forms and documents into processes and manage them on an automation system. Fintek developed the “Centralized Turn in Line System” aimed at better managing the customer density in branches, and started introducing touch-screen kiosks in branches. In addition, the Bank’s ATM pool has been strengthened with 1,505 cash recycling ATMs that are able to perform palm authentication in card or cardless transactions.

In 2012, Fintek will continue to provide superior and rapid technological infrastructure and hardware support in line with the target of achieving increased operational efficiency and capturing competitive advantage in the sector by supporting the business strategies of Ziraat Bank.

# Financial Information and Risk Management

# Statutory Auditors Report

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

In the assessment relating to the accounts and transactions of T.C. Ziraat Bankası A.Ş. for the period 1 January 2011 to 31 December 2011 within the context of the provisions of applicable legislation, it was observed that:

1. Legally required books and records are kept in accordance with the requirements of the law, and records and supporting documents are maintained in an organized manner,
2. The balance sheet and the profit & loss statement dated 31 December 2011 appended to the Ziraat Bank Board of Directors report and the statements made in that report conform to accounting records,
3. Decisions concerning the Bank management were duly entered into the Resolution Book.

We have reached the opinion that the independently audited balance sheet and profit/loss statement for the period 1 January 2011 and 31 December 2011 attached accurately reflect the true financial standing of the Bank and the true results of its activities for that year, and we hereby submit it for the approval of the General Assembly that the Bank's balance sheet and profit/loss statement be ratified and the Board of Directors be released.

Ankara, 06.03.2012

### Statutory Auditors



Abdullah YALÇIN



Mahmut GÜRSES



# Audit Committee's Assessment of the Operation of the Internal Audit, Internal Control, and Risk Management Systems

The internal audit, internal control and risk management activities at Ziraat Bank are carried out by the Board of Auditors and Internal Control and Risk Management Group, which have segregated duties and responsibilities, are organizationally independent from each other, but work in coordination.

Set up to cover all units, branches and the Bank's subsidiaries subject to audit, the organization aims to ensure complete and secure pursuance of banking activities, realization of long-term profit targets, reliable financial and administrative reporting, and minimization of unexpected risks that might negatively affect the Bank's reputation and financial stability.

## Operation of the Internal Audit System

The Board of Auditors adopts a risk-focused approach to auditing and controls compliance of the activities carried out by all of the Bank's head office units, domestic and international branches, and subsidiaries under its control with the law and other applicable legislation, as well as the Bank's internal strategy, policy, principles and targets, including internal control and risk management. The Board of Auditors keeps the Bank's Senior Management informed and pursues its efforts in a manner to contribute to the decision-making processes of the Senior Management.

Having 228 members and working in line with the international internal audit standards, the Board of Auditors, during 2011, audited and evaluated the effectiveness and efficiency of transaction steps that make up the primary processes, and the secondary processes, besides auditing the compliance of the Bank's activities with the processes that they are governed by. In addition, the Bank's IT Inspectors audited the processes identified in the Regulation on Bank Information Systems and Banking Processes published by the Banking Regulation and Supervision Agency (BRSA) in line with the Bank's implementations.

Apart from on-site audits, the Centralized Audit Team, which operates under the Board of Auditors and produces a dissuasive effect in terms of establishing actual irregularities and of preventing possible irregularities with the scenario analyses implemented, continues to increase its contributions to the activities of the Board of Auditors owing to these characteristics.

In addition, the members of the Board of Auditors strived to build up the personnel's practical knowledge through on-site trainings given in branches. On the other hand, the inspectors have the opportunity to conduct audit in different units periodically and thereby to constantly build on their professional knowledge and experience; they were also given training at certain intervals to support their personal and professional development. Along the line, the Bank continued in 2011 to implement the training catalogue, which is formulated by identifying the training programs for each member of the Board of Auditors in any seniority, and opportunities were created for the members of the Board of Auditors to take part in numerous extramural meetings, conferences and workshops during the reporting period.

In the period ahead, the Board of Auditors will continue to be guided by a high sense of responsibility and duty in the execution of the internal audit plan to be devised in line with the targets and policies determined by the Bank's Senior Management and within the frame of the modern approach to audit; in the reporting of their outcomes to the Board of Directors via the Audit Committee, and in monitoring the precautions to be adopted based on audit reports.

## Audit Committee's Assessment of the Operation of the Internal Audit, Internal Control, and Risk Management Systems

### Internal Control and Risk Management Group

#### Operation of the Internal Control System

Internal control activities are organized so as to cover all activities of the Bank's domestic and international branches and head office units under the Regulation on Banks' Internal Systems issued by the BRSA, and are constantly revised in line with the requirements.

Control programs for branches are devised quarterly within the frame of the risk-focused approach to control. They take into consideration a number of criteria including branch scales, transaction volumes, risk exposures, changes in the amount of lendings and results of the previous control period, etc. These programs are enforced upon approval of our Committee. Controls are carried out on an average of 1,000 branches in every quarter within the scope of the program.

Findings contained in the reports resulting from the control activities conducted at branches and at head office units are categorized under certain headings, and the results produced are shared with the relevant units and the Senior Management for necessary action.

It has been an ongoing practice also in 2011 to make maximum use of technological innovations and centralizing the controls to the highest extent possible. This has been instrumental in alleviating the operational workloads of Internal Controllers assigned to the field, thus allowing them to conduct risk-focused control and concentrate their activities in this field.

Another continued practice in 2011 was the preliminary examinations conducted by on-site Internal Controllers regarding matters established during the control activities and deemed to require further examination. Necessary action to be taken by the Bank based on the preliminary examination reports so issued were put into life forthwith and transactions doubted to be subject to abuse were shared with the Board of Auditors for ensuring that necessary examinations/investigations are undertaken.

In addition to the above, compliance control activities are also carried out by internal control within the frame of Article 18 of the Regulation on the Banks' Internal Systems. In this frame, all of the past and planned activities of the Bank, as well as new products and transactions are controlled in terms of their compliance with the Law and other applicable legislation, internal policies and guidelines, and established banking practices. Furthermore, legislation issued or modified by the Bank is also reviewed within the scope of compliance controls and resulting opinions are shared with the related units.

Besides control activities, recommendation reports continued to be issued, which are aimed at improving the processes related to the activities carried out at the Bank by Internal Controllers and at prevention of possible risks. The objectives of this implementation are to prevent risks by identifying them in advance, improving processes so as to achieve alignment with the competitive environment and customer satisfaction, and taking cost-saving measures.

Besides the activities mentioned above that can be considered as basic duties, Internal Controllers are encouraged to take on administrative duties; along this line, 37 Internal Controllers were transferred to administrative positions during 2011, thus continuing to supply qualified human resource to the Bank's administrative personnel.

In brief, internal control activities are being carried out in harmony with the Bank's primary targets and strategies with respect to scope and implemented method. However, a proactive structure has been adopted to ensure immediate alignment with the changed risk perception, strategy and conditions. This proactive structure contributed to the execution of the Bank's activities at a level above the industrial norms and in alignment with internal and external regulations, as well as competitive conditions.

## Operation of the Risk Management System

The Risk Management Department effectively carried out its activities with 22 risk analysts and assistant risk analysts in 2011. The fundamental approach to risk management activities carried out at the 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 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.

Risk management activities cover the main headings of credit risk, market risk, operational risk and balance sheet risks (structural interest rate risk and liquidity risk), and have the ultimate objective of achieving compliance with international best practices.

Under credit risk management activities, work is undertaken for measuring, analyzing, reporting and monitoring credit risk, employing methods that are in alignment with Basel II. In this context, the end-of-month credit risk is measured using the standardized method, and reported to the BRSA. Calculations which fell under Basel I requirements until 30 June 2012 and which relate to Basel II requirements that will come into force on 01 July 2012 are revised as necessary upon new announcements made from time to time by the BRSA. Efforts are ongoing at the Bank for measuring creditworthiness in connection with advanced measurement methods. In this frame, work is being carried out on the outcomes of scoring models used for different loan portfolios.

Under the operational risk management activities, operational risks are defined, classified and analyzed. Basic Indicator Approach is employed in calculating the amount at operational risk, and activities are underway in relation to Advanced Measurement Methods. Self-assessments are used to ensure that operational risks are identified on-site by competent personnel. Operational risk loss database in Finart environment allows tracking incidents of operational risk. An Operational Risk Map has been prepared for use in the Internal Control audit program for the purpose of establishing the risk levels of the Bank's branches. In addition, risk exposure assessments are conducted for companies providing outsourced support services within the frame of the BRSA's regulations in force.

Within the scope of market and balance sheet risk management activities, market, liquidity, and structural interest rate risks are measured, analyzed, limited, scenario analysis is conducted thereon, and they are stress-tested, reported and monitored.

Within the framework of risk management activities, global and national developments are also monitored via time-series, and projections are made on economic and financial indicators used in risk management, employing econometric models, while work is carried out on "Economic Capital" projections that cover basic risks, as part of the internal capital adequacy assessment process.

Results of the analyses made under risk management activities and risk indicators are reported in different levels of content to the Board of Directors and the Audit Committee at six-month intervals, and to executive units and internal system units at monthly, weekly and daily intervals.

The new operating period will see continued activities under all risk categories on the basis of internationally accepted advanced risk management techniques, as well as execution of these activities as an integral part of the Bank's strategic decision-making processes.



Halil ÇELİK  
Member of the Audit Committee



Oğuz KAYHAN  
Member of the Audit Committee

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Independent Auditor's Report for the period January 1-December 31, 2011

(Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish)

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

We have audited the accompanying unconsolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("the Bank") at 31 December 2011 and the related unconsolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Disclosure for the responsibility of the Bank's Board of Directors:

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Basis for the qualified opinion:

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Unconsolidated Financial Statements; as of the balance sheet date, the accompanying financial statements include a general reserve amounting to TL130,000 thousand, provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from changes in the economy or market conditions and this reserve amount was charged to the income statement as an expense in the current period.

Independent Auditor's Opinion:

In our opinion, except for the effect of the matter described in the "Basis for the qualified opinion" paragraph above on the financial statements, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. as of 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by regulations in conformity with Article 37 of Banking Act No. 5411 and other regulations, communiques, interpretations and circulars published by the BRSA about accounting and financial reporting principles.

Additional Paragraph for Convenience Translation:

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

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



Haluk Yalçın, SMMM  
İstanbul, 5 March 2012

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

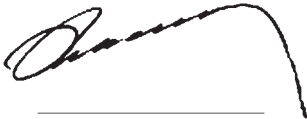
## The Unconsolidated Financial Report of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. as of 31 December 2011

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

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

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

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



Muharrem KARSLI  
Chairman of the Board of Directors



Hüseyin AYDIN  
Member of the Board of Directors  
General Manager



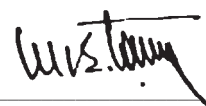
Oğuz KAYHAN  
Member of the Board of Directors  
Member of the Audit Committee



Halil ÇELİK  
Member of the Board of Directors  
Member of the Audit Committee



Bilgehan KURU  
Deputy Assistant General Manager  
Responsible for Financial Reporting



Mehmet Şükrü TAŞCI  
Head of General Accounting  
and Reporting Unit

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

Name/Title : Atakan BEKTAŞ/Financial Statements Unit Manager  
Telephone Number : 0312 584 70 97 – 70 98  
Fax Number : 0312 584 71 61

## Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**CONTENTS****Page No****SECTION ONE****General Information about the Bank**

I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status, if any.....	62
II.	Explanation about the Bank's capital structure, shareholders of the Bank who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters (if any) and the group the Bank belongs to .....	62
III.	Information on the Board of Directors, members of the audit committee, Chief Executive Officer and executive vice presidents, changes in these matters (if any) and shares of the Bank they possess.....	62
IV.	Information about the persons and institutions that have qualified shares attributable to the Bank.....	63
V.	Summary information on the Bank's activities and services.....	63

**SECTION TWO****The Bank's Unconsolidated Financial Statements**

I.	Balance sheet .....	64
II.	Statement of off-balance sheet commitments .....	66
III.	Statement of income .....	68
IV.	Statement of profit and loss items accounted under shareholders' equity .....	69
V.	Statement of changes in shareholders' equity .....	70
VI.	Statement of cash flows.....	72
VII.	Profit appropriation statement .....	73

**SECTION THREE****Explanations on Accounting Policies**

I.	Basis of presentation.....	74
II.	Explanations on strategy of using financial instruments and foreign currency transactions.....	74
III.	Explanations on investments in associates, subsidiaries and joint ventures.....	75
IV.	Explanations on forward transactions, options and derivative instruments.....	75
V.	Explanations on interest income and expense.....	75
VI.	Explanations on fee and commission income and expense .....	75
VII.	Explanations on financial assets.....	76
VIII.	Explanations on impairment of financial assets .....	77
IX.	Explanations on offsetting of financial assets and liabilities .....	78
X.	Explanations on sales and repurchase agreements and securities lending transactions.....	78
XI.	Information on assets held for sale and related to discontinued operations and explanations on liabilities related with these assets.....	78
XII.	Explanations on goodwill and other intangible assets .....	78
XIII.	Explanations on property and equipment .....	78
XIV.	Explanations on leasing transactions .....	79
XV.	Explanations on provisions, contingent asset and liabilities .....	79
XVI.	Explanations on obligations related to employee rights .....	80
XVII.	Explanations on taxation.....	81
XVIII.	Explanations on borrowings.....	82
XIX.	Explanations on issuance of share certificates.....	82
XX.	Explanations on avalized drafts and acceptances .....	82
XXI.	Explanations on government grants .....	82
XXII.	Cash and cash equivalents .....	82
XXIII.	Explanations on segment reporting .....	82
XXIV.	Explanations on other matters.....	82

## Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**SECTION FOUR****Explanations Related to the Financial Position of the Bank**

I.	Explanations on the capital adequacy standard ratio .....	83
II.	Explanations on the credit risk .....	88
III.	Explanations on the market risk.....	92
IV.	Explanations on the operational risk .....	93
V.	Explanations on the currency risk.....	94
VI.	Explanations on the interest rate risk.....	96
VII.	Explanations on the liquidity risk .....	101
VIII.	Explanations on operating segments.....	104
IX.	Explanations on the presentation of financial assets and liabilities at their fair values .....	107
X.	Explanations on the activities carried out on behalf and on account of other parties .....	108

**SECTION FIVE****Explanations and Notes related to the Unconsolidated Financial Statements**

I.	Explanations and notes related to assets .....	109
II.	Explanations and notes related to liabilities .....	124
III.	Explanations and notes related to off-balance sheet accounts .....	131
IV.	Explanations and notes related to income statement.....	135
V.	Explanations and notes related to changes in shareholders' equity .....	139
VI.	Explanations and notes related to statement of cash flows .....	140
VII.	Explanations and notes to the risk group of the Bank .....	140
VIII.	Explanations and notes related to subsequent events .....	142
IX.	Explanations and notes related to domestic, foreign, off-shore branches or affiliates and foreign representatives of the Bank .....	142

**SECTION SIX****Other Explanations and Notes**

I.	Other explanations on the Bank's operations.....	143
----	--	-----

**SECTION SEVEN****Explanations on the Independent Auditor's Report**

I.	Explanations on independent auditor's report.....	143
II.	Explanations and notes prepared by the independent auditors .....	143

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

### SECTION ONE

#### GENERAL INFORMATION ABOUT THE BANK

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

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("Ziraat Bankası" or "the Bank") is based on Government Funds established in 1863. In 1883, Government Funds were replaced with Benefit Funds. The Bank was officially established by the re-organization of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and an intermediary for agricultural operations. The Bank, which was given the authority to perform all the banking activities, has its head office located in Ankara and all shares of the Bank belong to the Undersecretariat of Treasury of the Turkish Republic.

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

The sole shareholder of the Bank is the Undersecretariat of Treasury of the Turkish Republic.

##### III. INFORMATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE BANK THEY POSSESS

Name	Administrative Function
<b>Members of the Board of Directors</b>	
Muharrem KARSLI	Chairman
Mehmet MUMCUOĞLU	Deputy Chairman
Hüseyin AYDIN	General Manager and Board Member
Burhanettin AKTAŞ <sup>(*)</sup>	Member
Halil ÇELİK	Member
Hikmet Aydın SİMİT	Member
Mustafa ÇETİN	Member
Oğuz KAYHAN	Member
Dr. Ümran DEMİRÖRS	Member
<b>Members of the Audit Committee</b>	
Halil ÇELİK	Member
Oğuz KAYHAN	Member
<b>Assistant General Managers</b>	
Ali TOKER	Human Resources
Alpaslan ÇAKAR	Operational Transactions
Bilgehan KURU	Treasury Management
Bilgehan KURU (Deputy)	Financial Management
Cem İNAL	Retail Banking
Mehmet Cengiz GÖĞEBAKAN	Credit Policies
Musa ARDA	Credit Allocation and Management
Numan BEK	International Banking
Ömer Muzaffer BAKTIR	Marketing
<b>Group Head</b>	
Bülent YALIM	Internal Control and Risk Management
<b>Chairman of the Internal Audit</b>	
Ali ARAS	Chairman of the Internal Audit

<sup>(\*)</sup> Resigned as of 5 January 2012.

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

Name/Trade Name	Amount of Share	Percentage of Share %	Paid-in Shares	Unpaid Shares
Undersecretariat of Treasury	2,500,000	100	2,500,000	-

The sole shareholder of the Bank is the Undersecretariat of Treasury of the Turkish Republic.

### V. SUMMARY INFORMATION ON THE BANK'S ACTIVITIES AND SERVICES

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

As of 31 December 2011, Bank carries its activities with a grand total of 1,458 branches; 1,434 domestic branches including 1,373 branches, 27 bureaus, 32 private operation centers, 2 mobile branches (2010: 1,379 branches including 1,299 domestic branches, 25 bureaus, 53 private operation centers, 2 mobile branches) and 24 branches abroad including 16 branches and 8 sub branches (New York branch in United States, London branch in England, Tbilisi branch in Georgia, Baghdad and Erbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Filibe/Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Lefkoşa, Güzelyurt, Gazimağusa and Gönyeli branches with Akdoğan, Near East University, Karaoğlanoğlu, Çatalköy and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran. Besides, preparations for opening a sub branch in Georgia (Batumi) are still continuing.

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

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

### SECTION TWO

#### UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet
- II. Statement of Off-Balance Sheet Commitments
- III. Statement of Income
- IV. Statement of Profit and Loss Items Accounted Under Shareholders' Equity
- V. Statement of Changes in Shareholders Equity
- VI. Statement of Cash Flows
- VII. Profit Appropriation Statement

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Unconsolidated Financial Statements at 31 December 2011 and 2010**

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

<b>I. BALANCE SHEET</b>							
<b>ASSETS</b>	Note (Section Five I)	<b>Current Period (31/12/2011)</b>			<b>Prior Period (31/12/2010)</b>		
		TL	FC	Total	TL	FC	Total
<b>I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	6,318,336	7,954,038	14,272,374	7,652,000	2,613,064	10,265,064
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	(2)	92,992	40,604	133,596	211,577	28,012	239,589
2.1 Financial Assets Held for Trading		92,992	40,604	133,596	211,577	28,012	239,589
2.1.1 Public Sector Debt Securities		42,289	14,139	56,428	183,889	26,229	210,118
2.1.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.1.3 Derivative Financial Assets Held for Trading		50,703	26,465	77,168	27,688	1,783	29,471
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	61,040	1,259,419	1,320,459	44,514	4,597,596	4,642,110
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables From Reverse Repurchase Agreements		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	33,842,067	4,285,716	38,127,783	35,943,019	3,781,486	39,724,505
5.1 Securities Representing a Share in Capital		123,809	93,586	217,395	118,312	46,394	164,706
5.2 Public Sector Debt Securities		33,313,947	4,145,154	37,459,101	35,618,082	3,695,037	39,313,119
5.3 Other Marketable Securities		404,311	46,976	451,287	206,625	40,055	246,680
<b>VI. LOANS AND RECEIVABLES</b>	(5)	64,330,044	7,099,931	71,429,975	51,982,988	5,460,465	57,443,453
6.1 Loans and Receivables		64,073,451	7,099,809	71,173,260	51,700,885	5,460,465	57,161,350
6.1.1 Loans Granted to Risk Group of The Bank		14,193	264,996	279,189	-	206,449	206,449
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		64,059,258	6,834,813	70,894,071	51,700,885	5,254,016	56,954,901
6.2 Loans under Follow-up		850,293	12,748	863,041	844,746	10,324	855,070
6.3 Specific Provisions (-)		593,700	12,626	606,326	562,643	10,324	572,967
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	27,600,761	4,903,436	32,504,197	32,331,551	4,056,500	36,388,051
8.1 Public Sector Debt Securities		27,592,135	4,902,915	32,495,050	32,325,607	4,056,071	36,381,678
8.2 Other Marketable Securities		8,626	521	9,147	5,944	429	6,373
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	59,806	-	59,806	52,177	-	52,177
9.1 Accounted with Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		59,806	-	59,806	52,177	-	52,177
9.2.1 Financial Associates		53,781	-	53,781	47,123	-	47,123
9.2.2 Non-financial Associates		6,025	-	6,025	5,054	-	5,054
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	123,000	576,949	699,949	114,700	520,976	635,676
10.1 Unconsolidated Financial Subsidiaries		117,279	576,949	694,228	108,979	520,976	629,955
10.2 Unconsolidated Non-Financial Subsidiaries		5,721	-	5,721	5,721	-	5,721
<b>XI. ENTITIES UNDER COMMON CONTROL (Net)</b>	(9)	-	50,359	50,359	-	43,231	43,231
11.1 Accounted with Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Entities Under Common Control		-	50,359	50,359	-	43,231	43,231
11.2.1 Financial Entities Under Common Control		-	50,359	50,359	-	43,231	43,231
11.2.2 Non Financial Entities Under Common Control		-	-	-	-	-	-
<b>XII. RECEIVABLES FROM LEASING TRANSACTIONS</b>	(10)	-	-	-	-	-	-
12.1 Finance Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(14)	921,322	9,176	930,498	821,178	4,864	826,042
<b>XV. INTANGIBLE ASSETS (Net)</b>	(15)	52,614	11,363	63,977	33,736	1,688	35,424
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		52,614	11,363	63,977	33,736	1,688	35,424
<b>XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(12)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>		281,913	-	281,913	316,340	-	316,340
17.1 Current Tax Asset		211	-	211	1,504	-	1,504
17.2 Deferred Tax Asset		281,702	-	281,702	314,836	-	314,836
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(13)	51,882	-	51,882	14,945	-	14,945
18.1 Held for Sale		51,882	-	51,882	14,945	-	14,945
18.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>		703,217	51,157	754,374	478,769	54,332	533,101
<b>TOTAL ASSETS</b>		<b>134,438,994</b>	<b>26,242,148</b>	<b>160,681,142</b>	<b>129,997,494</b>	<b>21,162,214</b>	<b>151,159,708</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Unconsolidated Financial Statements at 31 December 2011 and 2010**

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

<b>I. BALANCE SHEET</b>								
<b>LIABILITIES AND EQUITY</b>		<b>Note (Section Five II)</b>	<b>Current Period (31/12/2011)</b>			<b>Prior Period (31/12/2010)</b>		
			<b>TL</b>	<b>FC</b>	<b>Total</b>	<b>TL</b>	<b>FC</b>	<b>Total</b>
<b>I.</b>	<b>DEPOSITS</b>	<b>(1)</b>	<b>89,189,709</b>	<b>23,876,973</b>	<b>113,066,682</b>	<b>103,371,049</b>	<b>22,425,423</b>	<b>125,796,472</b>
1.1	Deposits Held By the Risk Group of the Bank		1,066,830	108,861	1,175,691	1,395,435	131,613	1,527,048
1.2	Other		88,122,879	23,768,112	111,890,991	101,975,614	22,293,810	124,269,424
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(2)</b>	<b>29,853</b>	<b>9,968</b>	<b>39,821</b>	<b>5,514</b>	<b>85</b>	<b>5,599</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>(3)</b>	<b>65,526</b>	<b>487,956</b>	<b>553,482</b>	<b>28,679</b>	<b>70,084</b>	<b>98,763</b>
<b>IV.</b>	<b>MONEY MARKET BALANCES</b>		<b>23,319,266</b>	<b>2,468,904</b>	<b>25,788,170</b>	<b>5,003,477</b>	<b>-</b>	<b>5,003,477</b>
4.1	Interbank Money Market Borrowings		-	871,449	871,449	-	-	-
4.2	İstanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3	Funds Provided under Repurchase Agreements		23,319,266	1,597,455	24,916,721	5,003,477	-	5,003,477
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
5.1	Bills		-	-	-	-	-	-
5.2	Asset-backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
<b>VI.</b>	<b>FUNDS</b>		<b>3,871,136</b>	<b>-</b>	<b>3,871,136</b>	<b>3,525,458</b>	<b>-</b>	<b>3,525,458</b>
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		3,871,136	-	3,871,136	3,525,458	-	3,525,458
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>688,700</b>	<b>199,156</b>	<b>887,856</b>	<b>574,576</b>	<b>139,130</b>	<b>713,706</b>
<b>VIII.</b>	<b>OTHER LIABILITIES</b>	<b>(4)</b>	<b>794,385</b>	<b>340,473</b>	<b>1,134,858</b>	<b>626,643</b>	<b>297,670</b>	<b>924,313</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X.</b>	<b>PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
10.1	Finance Lease Payables		-	-	-	-	1	1
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	<b>(7)</b>	<b>1,886,463</b>	<b>5,973</b>	<b>1,892,436</b>	<b>1,223,040</b>	<b>4,990</b>	<b>1,228,030</b>
12.1	General Provisions		977,551	139	977,690	254,814	31	254,845
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Employee Benefits Provisions		656,600	-	656,600	600,830	-	600,830
12.4	Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5	Other Provisions		252,312	5,834	258,146	367,396	4,959	372,355
<b>XIII.</b>	<b>TAX LIABILITY</b>	<b>(8)</b>	<b>269,111</b>	<b>337</b>	<b>269,448</b>	<b>405,625</b>	<b>179</b>	<b>405,804</b>
13.1	Current Tax Liability		269,111	337	269,448	405,625	179	405,804
13.2	Deferred Tax Liability		-	-	-	-	-	-
<b>XIV.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1	Held for Sale		-	-	-	-	-	-
14.2	Held from Discontinued Operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>(9)</b>	<b>13,140,811</b>	<b>36,442</b>	<b>13,177,253</b>	<b>13,271,440</b>	<b>186,645</b>	<b>13,458,085</b>
16.1	Paid-in Capital		2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital Reserves		150,032	36,442	186,474	1,302,740	186,645	1,489,385
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences		(410,811)	36,442	(374,369)	741,963	186,645	928,608
16.2.4	Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6	Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7	Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17,361	-	17,361	17,295	-	17,295
16.2.8	Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9	Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10	Other Capital Reserves		543,482	-	543,482	543,482	-	543,482
16.3	Profit Reserves		8,230,307	-	8,230,307	5,596,300	-	5,596,300
16.3.1	Legal Reserves		2,290,756	-	2,290,756	2,012,298	-	2,012,298
16.3.2	Statutory Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		5,305,510	-	5,305,510	3,000,593	-	3,000,593
16.3.4	Other Profit Reserves		634,041	-	634,041	583,409	-	583,409
16.4	Profit or Loss		2,260,472	-	2,260,472	3,872,400	-	3,872,400
16.4.1	Prior Years Profit/Loss		159,798	-	159,798	159,798	-	159,798
16.4.2	Net Period Profit/Loss		2,100,674	-	2,100,674	3,712,602	-	3,712,602
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>133,254,960</b>	<b>27,426,182</b>	<b>160,681,142</b>	<b>128,035,501</b>	<b>23,124,207</b>	<b>151,159,708</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Unconsolidated Financial Statements at 31 December 2011 and 2010**

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

<b>II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS</b>							
	Note (Section Five III)	Current Period (31/12/2011)			Prior Period (31/12/2010)		
		TL	FC	Total	TL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>36,255,578</b>	<b>21,183,840</b>	<b>57,439,418</b>	<b>21,918,514</b>	<b>11,352,571</b>	<b>33,271,085</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(1),(3)</b>	<b>4,046,543</b>	<b>7,932,118</b>	<b>11,978,661</b>	<b>2,600,853</b>	<b>4,921,101</b>	<b>7,521,954</b>
1.1 Letters of Guarantee		4,044,509	5,922,741	9,967,250	2,598,621	3,898,990	6,497,611
1.1.1 Guarantees Subject to State Tender Law		392,196	5,600,700	5,992,896	306,182	3,675,222	3,981,404
1.1.2 Guarantees Given for Foreign Trade Operations		2,959,563	-	2,959,563	1,782,538	-	1,782,538
1.1.3 Other Letters of Guarantee		692,750	322,041	1,014,791	509,901	223,768	733,669
1.2 Bank Acceptances		2,000	371,588	373,588	2,000	37,164	39,164
1.2.1 Import Letter of Acceptance		-	6,354	6,354	-	8,721	8,721
1.2.2 Other Bank Acceptances		2,000	365,234	367,234	2,000	28,443	30,443
1.3 Letters of Credit		34	1,637,789	1,637,823	232	984,947	985,179
1.3.1 Documentary Letters of Credit		34	1,637,789	1,637,823	232	984,947	985,179
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(1),(3)</b>	<b>30,945,781</b>	<b>8,304,720</b>	<b>39,250,501</b>	<b>17,265,250</b>	<b>4,282,801</b>	<b>21,548,051</b>
2.1 Irrevocable Commitments		7,755,616	974,747	8,730,363	5,684,559	491,315	6,175,874
2.1.1 Asset Purchase and Sale Commitments		268,644	367,070	635,714	93,489	167,788	261,277
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		1,000	-	1,000	2,000	-	2,000
2.1.4 Loan Granting Commitments		143	-	143	-	-	-
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		2,461,000	-	2,461,000	2,303,845	-	2,303,845
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Limits		3,822,106	-	3,822,106	2,673,734	-	2,673,734
2.1.10 Commitments for Credit Cards and Banking Services Promotions		8,131	-	8,131	10,958	-	10,958
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		1,194,592	607,677	1,802,269	600,533	323,527	924,060
2.2 Revocable Commitments		23,190,165	7,329,973	30,520,138	11,580,691	3,791,486	15,372,177
2.2.1 Revocable Loan Granting Commitments		23,189,863	7,329,973	30,519,836	11,580,339	3,791,486	15,371,825
2.2.2 Other Revocable Commitments		302	-	302	352	-	352
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>1,263,254</b>	<b>4,947,002</b>	<b>6,210,256</b>	<b>2,052,411</b>	<b>2,148,669</b>	<b>4,201,080</b>
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2 Trading Transactions		1,263,254	4,947,002	6,210,256	2,052,411	2,148,669	4,201,080
3.2.1 Forward Foreign Currency Buy/Sell Transactions		133,195	134,512	267,707	9,352	10,353	19,705
3.2.1.1 Forward Foreign Currency Transactions-Buy		66,617	67,248	133,865	4,682	5,187	9,869
3.2.1.2 Forward Foreign Currency Transactions-Sell		66,578	67,264	133,842	4,670	5,166	9,836
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		1,130,059	4,812,490	5,942,549	2,043,059	2,138,316	4,181,375
3.2.2.1 Foreign Currency Swap-Buy		-	2,977,218	2,977,218	61,728	2,039,638	2,101,366
3.2.2.2 Foreign Currency Swap-Sell		1,130,059	1,835,272	2,965,331	1,981,331	98,678	2,080,009
3.2.2.3 Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4 Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3 Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1 Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2 Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Unconsolidated Financial Statements at 31 December 2011 and 2010**

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

<b>II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS</b>							
	Note (Section Five III)	Current Period (31/12/2011)			Prior Period (31/12/2010)		
		TL	FC	Total	TL	FC	Total
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>	<b>212,862,987</b>	<b>14,045,181</b>	<b>226,908,168</b>	<b>144,257,120</b>	<b>7,326,577</b>	<b>151,583,697</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>21,201,775</b>	<b>1,362,383</b>	<b>22,564,158</b>	<b>12,077,658</b>	<b>645,771</b>	<b>12,723,429</b>
4.1	Customer Fund and Portfolio Balances		-	-		-	-
4.2	Investment Securities Held in Custody	3,561,620	1,133,079	4,694,699	2,917,066	515,859	3,432,925
4.3	Checks Received for Collection	977,787	14,781	992,568	867,258	15,434	882,692
4.4	Commercial Notes Received for Collection	2,770,680	143,105	2,913,785	2,161,082	75,767	2,236,849
4.5	Other Assets Received for Collection	8,893	-	8,893	8,442	-	8,442
4.6	Assets Received for Public Offering	13,672,892	93	13,672,985	5,920,736	305	5,921,041
4.7	Other Items Under Custody	208,254	71,325	279,579	201,422	38,406	239,828
4.8	Custodians	1,649	-	1,649	1,652	-	1,652
<b>V.</b>	<b>PLEDGES RECEIVED</b>	<b>191,661,212</b>	<b>12,598,473</b>	<b>204,259,685</b>	<b>132,179,462</b>	<b>6,647,063</b>	<b>138,826,525</b>
5.1	Marketable Securities	264,618	38,111	302,729	261,333	13,549	274,882
5.2	Guarantee Notes	24,543,558	4,242,379	28,785,937	15,576,321	2,641,709	18,218,030
5.3	Commodity	1,249,461	14,118	1,263,579	1,227,795	25,555	1,253,350
5.4	Warranty		-	-		-	-
5.5	Immovable	154,386,204	6,685,510	161,071,714	107,084,713	3,050,964	110,135,677
5.6	Other Pledged Items	11,212,162	1,611,171	12,823,333	8,024,091	909,357	8,933,448
5.7	Pledged Items-Depository	5,209	7,184	12,393	5,209	5,929	11,138
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>-</b>	<b>84,325</b>	<b>84,325</b>	<b>-</b>	<b>33,743</b>	<b>33,743</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>249,118,565</b>	<b>35,229,021</b>	<b>284,347,586</b>	<b>166,175,634</b>	<b>18,679,148</b>	<b>184,854,782</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Unconsolidated Financial Statements at 31 December 2011 and 2010**

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

<b>III. STATEMENT OF INCOME</b>				
		Note (Section Five IV)	Current Period 01/01-31/12/2011	Prior Period 01/01-31/12/2010
<b>INCOME AND EXPENSE ITEMS</b>				
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>13,706,442</b>	<b>12,391,498</b>
1.1	Interest Income from Loans		7,392,119	5,776,757
1.2	Interest Income From Reserve Deposits		1,650	1,145
1.3	Interest Income from Banks		34,657	176,506
1.4	Interest Income from Money Market Placements		38	5,301
1.5	Interest Income from Marketable Securities		6,265,869	6,418,601
1.5.1	Financial Assets Held for Trading		9,571	20,312
1.5.2	Financial Assets at Fair Value through Profit and Loss		-	-
1.5.3	Financial Assets Available-for-Sale		3,202,880	2,701,743
1.5.4	Investments Held-to-Maturity		3,053,418	3,696,546
1.6	Finance Lease Income		-	-
1.7	Other Interest Income		12,109	13,188
<b>II.</b>	<b>INTEREST EXPENSES</b>	<b>(2)</b>	<b>8,464,864</b>	<b>7,035,839</b>
2.1	Interest Expense on Deposits		7,348,651	6,554,119
2.2	Interest on Borrowings		6,583	1,892
2.3	Interest on Money Market Borrowings		1,088,513	456,102
2.4	Interest on Marketable Securities Issued		-	-
2.5	Other Interest Expense		21,117	23,726
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>5,241,578</b>	<b>5,355,659</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>625,613</b>	<b>510,581</b>
4.1	Fees and Commissions Received		773,958	609,248
4.1.1	Non-cash Loans		45,158	27,934
4.1.2	Other		728,800	581,314
4.2	Fees and Commissions Paid		148,345	98,667
4.2.1	Non-cash Loans		12	1
4.2.2	Other		148,333	98,666
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>31,788</b>	<b>33,648</b>
<b>VI.</b>	<b>TRADING PROFIT/LOSS (Net)</b>	<b>(4)</b>	<b>(61,453)</b>	<b>(13,137)</b>
6.1	Profit/Loss from Capital Market Operations		93,140	22,348
6.2	Profit/losses on Derivative Financial Transactions	<b>(5)</b>	291,574	111,554
6.3	Profit/Loss from Foreign Exchanges		(446,167)	(147,039)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(6)</b>	<b>372,414</b>	<b>976,774</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>6,209,940</b>	<b>6,863,525</b>
<b>IX.</b>	<b>PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	<b>(7)</b>	<b>807,997</b>	<b>144,505</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES(-)</b>	<b>(8)</b>	<b>2,622,439</b>	<b>2,249,660</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>2,779,504</b>	<b>4,469,360</b>
<b>XII.</b>	<b>GAINS RECORDED AFTER MERGER</b>		-	-
<b>XIII.</b>	<b>PROFIT/LOSS ON EQUITY METHOD</b>		-	-
<b>XIV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV.</b>	<b>INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(9)</b>	<b>2,779,504</b>	<b>4,469,360</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(10)</b>	<b>(678,830)</b>	<b>(756,758)</b>
16.1	Current Tax Provision		(314,816)	(807,390)
16.2	Deferred Tax Provision		(364,014)	50,632
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(11)</b>	<b>2,100,674</b>	<b>3,712,602</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1	Income from Non-current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3	Other Income From Discontinued Operations		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3	Other Expenses From Discontinued Operations		-	-
<b>XX.</b>	<b>PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(12)</b>	<b>2,100,674</b>	<b>3,712,602</b>
	Earnings/Loss per Share		0.000840	0.001485

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Unconsolidated Financial Statements at 31 December 2011 and 2010**

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Current Period	Prior Period
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		(31/12/2011)	(31/12/2010)
I.	ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	(320,948)	1,184,512
II.	PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(17,038)	1,756
V.	PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(216)	62,173
IX.	DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	85,332	(211,259)
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(252,870)	1,037,182
XI.	CURRENT YEAR PROFIT/LOSS	(1,050,107)	(599,181)
11.1	Net change in fair value of marketable securities (transfer to profit-loss)	(1,055,826)	(576,649)
11.2	Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3	Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4	Other	5,719	(22,532)
XII.	TOTAL PROFIT/LOSS FOR THE CURRENT PERIOD (X±XI)	(1,302,977)	438,001

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Unconsolidated Statement of Changes in Shareholders' Equity**

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY							
31 December 2010		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves
<b>I.</b>	<b>Balance at the beginning of the period</b>		2,500,000	543,483	-	-	1,758,096
	Changes During the Period						
<b>II.</b>	<b>Increase/Decrease Related to Merger</b>		-	-	-	-	-
<b>III.</b>	<b>Marketable Securities Valuation Differences</b>		-	-	-	-	-
<b>IV.</b>	<b>Hedging Funds (Active Part)</b>		-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-
<b>V.</b>	<b>Revaluation Differences of Tangible Assets</b>		-	-	-	-	-
<b>VI.</b>	<b>Revaluation Differences of Intangible Assets</b>		-	-	-	-	-
<b>VII.</b>	<b>Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)</b>		-	-	-	-	-
<b>VIII.</b>	<b>Foreign Exchange Differences</b>		-	-	-	-	-
<b>IX.</b>	<b>Changes Resulted from Disposal of Assets</b>		-	-	-	-	-
<b>X.</b>	<b>Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-
<b>XI.</b>	<b>Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity</b>		-	-	-	-	-
<b>XII.</b>	<b>Increase in Capital</b>		-	-	-	-	-
12.1	Cash		-	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-
<b>XIII.</b>	<b>Issuance of Share Certificates</b>		-	-	-	-	-
<b>XIV.</b>	<b>Share Cancellation Profits</b>		-	-	-	-	-
<b>XV.</b>	<b>Adjustment to Paid-in Capital</b>		-	-	-	-	-
<b>XVI.</b>	<b>Other</b>		-	(1)	-	-	-
<b>XVII.</b>	<b>Net Profit or Losses</b>		-	-	-	-	-
<b>XVIII.</b>	<b>Profit Distribution</b>		-	-	-	-	254,202
18.1	Dividend Distributed		-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	254,202
18.3	Other		-	-	-	-	-
	<b>Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)</b>		<b>2,500,000</b>	<b>543,482</b>	<b>-</b>	<b>-</b>	<b>2,012,298</b>

V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY							
31 December 2011		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves
<b>I.</b>	<b>Balance at the Beginning of the Period</b>		2,500,000	543,482	-	-	2,012,298
	Changes During the Period						
<b>II.</b>	<b>Increase/Decrease Related to Merger</b>		-	-	-	-	-
<b>III.</b>	<b>Marketable Securities Valuation Differences</b>		-	-	-	-	-
<b>IV.</b>	<b>Hedging Funds (Active Part)</b>		-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-
<b>V.</b>	<b>Revaluation Differences of Tangible Assets</b>		-	-	-	-	-
<b>VI.</b>	<b>Revaluation Differences of Intangible Assets</b>		-	-	-	-	-
<b>VII.</b>	<b>Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)</b>		-	-	-	-	-
<b>VIII.</b>	<b>Foreign Exchange Differences</b>		-	-	-	-	-
<b>IX.</b>	<b>Changes Resulted from Disposal of Assets</b>		-	-	-	-	-
<b>X.</b>	<b>Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-
<b>XI.</b>	<b>Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity</b>		-	-	-	-	-
<b>XII.</b>	<b>Increase in Capital</b>		-	-	-	-	-
12.1	Cash		-	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-
<b>XIII.</b>	<b>Issuance of Share Certificates</b>		-	-	-	-	-
<b>XIV.</b>	<b>Share Cancellation Profits</b>		-	-	-	-	-
<b>XV.</b>	<b>Adjustment to Paid-in Capital</b>		-	-	-	-	-
<b>XVI.</b>	<b>Other</b>		-	-	-	-	-
<b>XVII.</b>	<b>Net Profit or Losses</b>		-	-	-	-	-
<b>XVIII.</b>	<b>Profit Distribution</b>		-	-	-	-	278,458
18.1	Dividend Distributed		-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	278,458
18.3	Other		-	-	-	-	-
	<b>Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)</b>		<b>2,500,000</b>	<b>543,482</b>	<b>-</b>	<b>-</b>	<b>2,290,756</b>

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





Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Unconsolidated Statement of Cash Flows at 31 December 2011 and 2010**

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

VI. STATEMENT OF CASH FLOWS		Note (Section Five VI)	Current Period (31/12/2011)	Prior Period (31/12/2010)
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		2,826,818	3,135,587
1.1.1	Interest Received		14,662,653	12,017,169
1.1.2	Interest Paid		(8,515,062)	(6,979,212)
1.1.3	Dividend Received		31,788	38,185
1.1.4	Fees and Commissions Received		772,430	604,451
1.1.5	Other Income		692,076	173,266
1.1.6	Collections from Previously Written-off Loans and Other Receivables		823,027	635,478
1.1.7	Payments to Personnel and Service Suppliers		(2,366,768)	(2,068,396)
1.1.8	Taxes Paid		(651,052)	(911,528)
1.1.9	Other		(2,622,274)	(373,826)
1.2	Changes in Operating Assets and Liabilities		(9,835,062)	2,270,643
1.2.1	Net (Increase)/Decrease in Trading Securities		148,418	236,202
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Banks		(5,297,641)	(817,408)
1.2.4	Net (Increase)/Decrease in Loans		(13,786,911)	(20,905,224)
1.2.5	Net (Increase)/Decrease in Other Assets		(189,121)	(166,178)
1.2.6	Net Increase/(Decrease) in Bank Deposits		21,717,650	(2,264,439)
1.2.7	Net Increase/(Decrease) in Other Deposits		(13,610,193)	25,334,357
1.2.8	Net Increase/(Decrease) in Funds Borrowed		452,364	77,467
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		730,372	775,866
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>(7,008,244)</b>	<b>5,406,230</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>		<b>2,866,552</b>	<b>(5,062,108)</b>
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(78,697)	(22,807)
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3	Fixed Assets Purchases		(181,265)	(163,745)
2.4	Fixed Assets Sales		32,217	76,915
2.5	Cash for Purchase of Financial Assets Available for Sale		(51,478,756)	(25,603,705)
2.6	Cash Obtained from Sale of Financial Assets Available for Sale		50,861,760	12,806,347
2.7	Cash Paid for Purchase of Investment Securities		(4,373,548)	(2,041,461)
2.8	Cash Obtained from Sale of Investment Securities		9,003,719	9,886,348
2.9	Other		(918,878)	-
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>(1,078,596)</b>	<b>(1,051,175)</b>
3.1	Cash from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Marketable Securities Issued		-	-
3.4	Dividends Paid		(1,078,595)	(1,051,175)
3.5	Payments for Finance Leases		(1)	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>606,441</b>	<b>192,319</b>
<b>V.</b>	<b>Net Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(4,613,847)</b>	<b>(514,734)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>(1)</b>	<b>12,301,839</b>	<b>12,816,573</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>(1)</b>	<b>7,687,992</b>	<b>12,301,839</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Unconsolidated Statement of Profit Appropriation at 31 December 2011 and 2010

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

VII. PROFIT APPROPRIATION STATEMENT <sup>(1)</sup>		Current Period (31/12/2011)	Prior Period <sup>(2)</sup> (31/12/2010)
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	Current Year Income	2,779,504	4,469,360
1.2	Taxes and Duties Payable (-) <sup>(3)</sup>	678,830	807,390
1.2.1	Corporate Tax (Income tax)	(314,816)	(807,390)
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes and Duties	(364,014)	-
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>2,100,674</b>	<b>3,661,970</b>
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	105,034	183,099
1.5	Other Statutory Reserves (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>1,995,640</b>	<b>3,478,871</b>
1.6	First Dividend to Shareholders (-)	-	125,000
1.6.1	To Owners of Ordinary Shares	-	125,000
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.7	Dividends to Personnel (-)	-	111,898
1.8	Dividends to Board of Directors (-)	-	-
1.9	Second Dividend to Shareholders (-)	-	841,697
1.9.1	To Owners of Ordinary Shares	-	841,697
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	95,359
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	2,304,917
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends to Shareholders (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Privileged Shares	-	-
2.3.3	To Owners of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders of Profit and Loss Sharing Certificates	-	-
2.4	Dividends to Personnel (-)	-	-
2.5	Dividends to Board Of Directors (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	To Owners of Ordinary Shares	0.000840	0.001485
3.2	To Owners of Ordinary Shares (%)	-	-
3.3	To Owners of Privileged Shares	-	-
3.4	To Owners of Privileged Shares (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	To Owners of Ordinary Shares	-	0.000387
4.2	To Owners of Ordinary Shares (%)	-	-
4.3	To Owners of Privileged Shares	-	-
4.4	To Owners of Privileged Shares (%)	-	-

<sup>(1)</sup> Profit distribution is approved by the Ordinary General Assembly. As of the date of the preparation of financial statements, the meeting for Ordinary General Assembly has not been held.<sup>(2)</sup> The profit distribution table belongs to prior period becomes definite with the decision of Ordinary General Assembly after the publishing of 31 December 2010 financial statement. It is rearranged in this direction.<sup>(3)</sup> The deferred tax asset of previous period amounting to TL50,632 is not subject to profit distribution.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

### SECTION THREE

#### EXPLANATIONS ON ACCOUNTING POLICIES

##### I. BASIS OF PRESENTATION

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

The unconsolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Keeping Documents" published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA ("Banking Regulation and Supervision Agency") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the Turkish Accounting Standards Board ("TASB") and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 26430 dated 10 February 2007.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets and liabilities carried at fair value.

As of 31 December 2011, financial statements are presented comparatively with independently audited financial statements as of 31 December 2010.

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

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

The accounting policies and valuation principles applied in the preparation of these financial statements are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II. to XXIV. below.

##### Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

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

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

Since the Bank's total debt to the market is low among its total liabilities, the Bank can borrow easily from short-term markets, such as; İstanbul Stock Exchange ("ISE"), Central Bank of the Republic of Turkey, Money Market or Interbank Money Market in case of need. In case of a liquidity crisis, the deposit base of the Bank is not presumed to be significantly affected from such a case since the Bank is a public bank with an extensive branch network.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

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

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

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

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

Investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. For these subsidiaries, fair value is determined by valuation reports, TL equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries' values are recognized in "Marketable Securities Value Increase Fund" under shareholder's equity.

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

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

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

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

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

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

### V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 "Financial Instruments: Recognition and Measurement". In accordance with the Communiqué on "Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions" came into force after being published in the Official Gazette numbered 26333 dated 1 November 2006, no interest accrual is calculated for non-performing loans. Realized interest accruals calculated for non-performing loans and recognized as income although not collected are reversed and interest income related to these loans is recognized as interest income only when they are collected.

### VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

Commission income from banking, agency, intermediary services is recognized as income on the date they are collected. Whereas, commission income from trade and agricultural cash loans and from individual loans in which the commission is in the form of interest, (depending on the amount of commission that the interest rate is changed), are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. As of December 2011, commissions obtained from consumer loans that are not in the form of interest, are booked into the related profit/loss accounts in accordance with the matching principle on an accrual basis using the effective interest rate. Other fees and commission expenses are recorded as expense on the date they are paid.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

### VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

Held to maturity assets are initially recognized at cost. The cost of the securities is regarded as fair value.

#### c. Loans and receivables:

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

The Bank sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 on "Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions". Furthermore, while allocating specific provision, minimum rates defined in the related regulation and prudence principle are taken into account without considering collaterals. Allocated provisions are deducted from the income for the period. If the receivables for which provisions were set in the previous years are collected, provision for allowances are released and recognized as income under "Other Operating Income" account. Releases of current period provisions are made by the reversal of the amount from the "Provision for Impairment of Loans and Other Receivables" account.

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

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

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

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

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

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

### VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

Apart from special provisions, as per the relevant regulations, Banks set aside general loan provisions for its loan and other receivables. The practice in which the general provision rate was considered as 0% for newly extended cash loans excluding credit card receivables, and which was implemented starting from 6 March 2010 according to Communiqué related to provisions was terminated by the Bank as of 1 January 2011. However, in line with Note (a) of the first paragraph of Article 7 of the Communiqué related to provisions, the general provision is set aside at 1% for standard cash loans effective from 1 January 2011. In accordance with the decision taken at the Assets and Liabilities Committee ("ALCO") meeting on 21 December 2010, the practice of applying a general and free provision rate at 3% to total loans, excluding interest loans, was terminated as of 1 January 2011. Accordingly, the existing free provision held for loans were transferred to general provision accounts. Moreover, the additional general provision resulting from the amendments to the "Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions" on 28 May 2011 and 18 June 2011 were reflected to the related accounts.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

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

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

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

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

As of the balance sheet date, there are securities lending transactions.

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

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

A discontinued operation is a part of the Bank's business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Bank has no discontinued operations.

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

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

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

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

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

### XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

Estimated depreciation rates of tangible fixed assets are as follows;

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

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

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

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

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

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

### XIV. EXPLANATIONS ON LEASING TRANSACTIONS

#### Financial Lease

The Bank, as the lessee, recognizes its leasing operations in accordance with the requirements of TAS 17 "Leases". Fixed assets that are acquired under financial leasing are amortized with respect to the rates used for directly acquired assets that have similar nature. Assets held under financial leases are recognized under the tangible fixed assets account and are depreciated on annual and monthly basis with respect to their useful lives. Principal and installment paid for tangible fixed assets that are acquired under financial leasing are charged to liability account "Finance Lease Payable", whereas interests are recognized in "Deferred Financial Leasing Expenses" account. At installment payments, principal and interest amount of installment amount are debited to "Financial Lease Payable" account, whereas interest is credited in "Deferred Financial Leasing Expenses" account and recorded to the "Other Interest Expenses".

The Bank does not perform financial operations as "Lessor".

#### Operational Lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operating lease. Payments that are made as operating leases are accounted in income statements with linear method during the lease period.

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

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

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

#### a. Employment Termination and Vacation Benefits

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

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

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

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

#### b. Pension Rights

Some of the Bank's personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees Pension Fund ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2011, the number of personnel who benefit from the Fund, excluding dependents, is 14,325 (2010: 11,625). 10,925 of these members are active while 3,400 are passive members. (2010: 8,339 active members, 3,286 passive members).

In accordance with 23rd provisional clause of the Banking Act numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Act numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Act numbered 5411 allowing pension funds to be transferred to Social Security Institution ("SSI") is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

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

The technical balance sheet report as of 31 December 2011 which is prepared in accordance with the new law and the rate determined as 9.80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

### XVII. EXPLANATIONS ON TAXATION

#### a. Current Tax

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

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

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

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

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

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

#### b. Deferred tax

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

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

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

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

### XVIII. EXPLANATIONS ON BORROWINGS

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

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

### XIX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

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

### XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

### XXI. EXPLANATIONS ON GOVERNMENT GRANTS

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

### XXII. CASH AND CASH EQUIVALENTS

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

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

### XXIII. EXPLANATIONS ON SEGMENT REPORTING

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

### XXIV. EXPLANATIONS ON OTHER MATTERS

The General Assembly for the year 2010 was carried out on 1 March 2011. In accordance with the decision taken, of the profit for the year 2010 amounting to TL3,712,602, TL278,458 is transferred to legal reserves, TL111,898 of TL116,000 is distributed as dividend to employees provided that dividend amount does not exceed two month gross wage for each employee and TL818,205 is distributed to the Undersecretariat of Treasury after deducting withholding tax of 15% (TL144,390) in cash on 30 March 2011. Besides, TL2,304,917 of the profit has been preserved and deferred tax income amounting to TL50,632 is not distributed. The remaining part of dividend reserved to be distributed to personnel (TL4,102) is transferred to the account of the Undersecretariat of Treasury as net TL3,487, after deducting withholding tax of 15% (TL615).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

### SECTION FOUR

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

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

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

The Bank's unconsolidated capital adequacy ratio calculated in accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" is 15.61% (2010: 19.20%).

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

Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published in the Official Gazette, dated 1 November 2006 and numbered 26333.

In the computation of capital adequacy standard ratio, information prepared in accordance with the statutory accounting requirements is used. Additionally, the market risk, the credit risk and the operational risk amounts are 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 value loss among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciation and value loss.

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 for 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 (1) 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 amounts subject to credit 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**Information related to capital adequacy ratio:**

Current Period	Risk Weights						
	Bank Only						
	0%	10%	20%	50%	100%	150%	200%
<b>Credit Risk Base Amount</b>							
<b>Balance Sheet Items (Net)</b>	<b>52,351,581</b>	-	<b>1,775,476</b>	<b>16,339,203</b>	<b>45,821,684</b>	<b>1,198,149</b>	<b>4,847,168</b>
Cash	1,331,212	-	66	-	-	-	-
Matured Marketable Securities	3	-	-	-	-	-	-
Central Bank of the Republic of Turkey	5,192,098	-	-	-	-	-	-
Domestic, Foreign Banks, Head Offices and Branches Abroad	-	-	1,137,520	-	180,126	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Receivables from Reverse Repo Transactions	-	-	-	-	-	-	-
Required Reserve Deposits	7,748,998	-	-	-	-	-	-
Loans <sup>(1)</sup>	5,246,346	-	396,074	16,100,257	42,047,967	1,198,149	4,847,168
Loans Under Follow-up (Net) <sup>(1)</sup>	-	-	-	-	102,417	-	-
Financial Lease Receivables	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-	-	-	-
Investments Held to Maturity	31,823,531	-	-	-	8,884	-	-
Receivables from Forward Sale of Assets	-	-	-	-	3,231	-	-
Miscellaneous Receivables	7,571	-	73,378	-	156,844	-	-
Interest and Income Accruals	687,571	-	18,340	238,946	1,201,890	-	-
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures) (Net)	-	-	-	-	810,114	-	-
Fixed Assets	-	-	-	-	982,341	-	-
Other Assets	314,251	-	150,098	-	327,870	-	-
<b>Off-Balance Sheet Items</b>	<b>299,575</b>	-	<b>373,286</b>	-	<b>7,770,437</b>	-	-
Non-cash Loans and Commitments	299,575	-	287,758	-	7,769,680	-	-
Derivative Financial Instruments	-	-	85,528	-	757	-	-
Non-Risk Weighted Accounts	-	-	-	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>52,651,156</b>	-	<b>2,148,762</b>	<b>16,339,203</b>	<b>53,592,121</b>	<b>1,198,149</b>	<b>4,847,168</b>

<sup>(1)</sup> The balance of loans originated by funds whose risk does not belong to the Bank which is presented in Loans Under Follow-up (Net) balance in the financial statements; is shown in the 0% risk weight column in the table above.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

Prior Period	Risk Weights						
	Bank Only						
	0%	10%	20%	50%	100%	150%	200%
<b>Credit Risk Base Amount</b>							
<b>Balance Sheet Items (Net)</b>	<b>51,566,459</b>	-	<b>4,906,371</b>	<b>13,127,561</b>	<b>41,412,283</b>	<b>55,855</b>	-
Cash	1,291,045	-	129	-	-	-	-
Matured Marketable Securities	-	-	-	-	-	-	-
Central Bank of the Republic of Turkey	6,549,245	-	-	-	-	-	-
Domestic, Foreign Banks, Head Offices and Branches Abroad	-	-	4,543,751	-	97,392	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Receivables from Reverse Repo Transactions	-	-	-	-	-	-	-
Required Reserve Deposits	2,424,645	-	-	-	-	-	-
Loans	4,547,023	-	184,218	13,056,906	38,545,233	55,855	-
Loans Under Follow-up (Net) <sup>(1)</sup>	-	-	-	-	112,952	-	-
Financial Lease Receivables	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-	-	-	-
Investments Held to Maturity	35,638,709	-	-	-	6,146	-	-
Receivables from Forward Sale of Assets	-	-	-	-	2,932	-	-
Miscellaneous Receivables	19,775	-	120	-	123,971	-	-
Interest and Income Accruals	753,601	-	1,722	70,655	846,303	-	-
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures) (Net)	-	-	-	-	731,084	-	-
Fixed Assets	-	-	-	-	840,797	-	-
Other Assets	342,416	-	176,431	-	105,473	-	-
<b>Off-Balance Sheet Items</b>	<b>248,224</b>	-	<b>167,813</b>	-	<b>4,924,591</b>	-	-
Non-cash Loans and Commitments	248,224	-	128,169	-	4,924,497	-	-
Derivative Financial Instruments	-	-	39,644	-	94	-	-
Non-Risk Weighted Accounts	-	-	-	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>51,814,683</b>	-	<b>5,074,184</b>	<b>13,127,561</b>	<b>46,336,874</b>	<b>55,855</b>	-

<sup>(1)</sup> The balance of loans originated by funds whose risk does not belong to the Bank which is presented in Loans Under Follow-up (Net) balance in the financial statements; is shown in the 0% risk weight column in the table above.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Current Period	Prior Period
Credit Risk Base Amount (CRBA)	73,683,034	53,999,274
Market Risk Base Amount (MRBA)	6,431,913	5,526,838
Operational Risk Base Amount (ORBA)	10,895,348	10,009,066
Shareholders' Equity	14,208,686	13,350,237
<b>Shareholders' Equity/(CRBA+MRBA+ORBA) * 100</b>	<b>15.61</b>	<b>19.20</b>

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

	Current Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	2,500,000	2,500,000
Nominal Capital	2,500,000	2,500,000
Capital Commitments (-)	-	-
Inflation Adjustment to Paid-in Capital	543,482	543,482
Share Premium	-	-
Share Cancellation Profits	-	-
Legal Reserves	2,290,756	2,012,298
I. Legal Reserves (TCC 466/1)	1,018,023	834,924
II. Legal Reserves (TCC 466/2)	1,272,733	1,177,374
Legal Reserves per Special Legislations	-	-
Statutory Reserves	-	-
Extraordinary Reserves	5,939,551	3,584,002
Reserves Allocated as per the Decision held by the General Assembly	5,305,510	3,000,593
Retained Earnings	634,041	583,409
Accumulated Loss	-	-
Foreign Currency Share Capital Exchange Difference	-	-
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-
Profit	2,260,472	3,872,400
Net Profit for the Period	2,100,674	3,712,602
Retained Earnings	159,798	159,798
Portion of Free Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	140,248	275,125
Subsidiary and Associate Shares and Gains on Sale of Real Estate to be Added to Capital	-	-
Primary Subordinated Loans (up to 15% of the Core Capital) <sup>(1)</sup>	-	-
Loss (-) Portion of Losses that Cannot be Covered by Reserves	-	-
Net Loss of the Period	-	-
Accumulated Loss	-	-
Leasehold Improvements (-) <sup>(2)</sup>	34,382	16,666
Prepaid Expenses (-) <sup>(3)</sup>	-	73,771
Intangible Assets (-)	29,595	18,758
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-
Excess Amount defined in 3 <sup>rd</sup> Clause 56 <sup>th</sup> Article of the Banking Act (-)	-	-
<b>Total Core Capital</b>	<b>13,610,532</b>	<b>12,678,112</b>

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

<sup>(2)</sup> In accordance with the regulation mentioned above, the name of "Leasehold Improvements" is changed as "Costs for Operational Leasing Development".

<sup>(3)</sup> In accordance with the regulation mentioned above, the practice of making "Prepaid Expenses" a discount item from the Core Capital has been cancelled.



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

	Current Period	Prior Period
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	977,690	254,845
45% of Movable Assets Revaluation Fund	-	-
45% of Immovables Revaluation Fund	-	-
Bonus Shares of Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	17,361	17,295
Primary Subordinated Loans Excluding the Portion included in the Core Capital	-	-
Secondary Subordinated Loan	-	-
45% of Marketable Securities Revaluation Fund	(374,369)	417,874
From Subsidiaries and Associates	81,478	36,763
From Financial Assets Available for Sale	(455,847)	381,111
Inflation Adjustments for Capital Reserves, Profit Reserves and Retained Earnings/Accumulated Losses (Except Inflation Adjustments for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
<b>Total Supplementary Capital</b>	<b>620,682</b>	<b>690,014</b>
<b>TIER-III CAPITAL</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>14,231,214</b>	<b>13,368,126</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>22,528</b>	<b>17,889</b>
Equity Shares in Banks and Financial Institutions (Domestic and Foreign), 10% or More of whose Capital is Owned by the Bank and which are Excluded from the Consolidation	-	-
Total Equity Shares in Banks and Financial Institutions (Domestic and Foreign), less than 10% of whose Capital is Owned by the Bank and that Exceeds 10% of the Total Core Capital and Supplementary Capital	-	-
Loans to Banks, Financial Institutions (Domestic/Foreign), Holders of Qualified Shares in the form of Secondary Subordinated Loan and Loan Instruments Purchased from those Parties Qualified as Primary or Secondary Subordinated Loan	21,638	17,699
Loans Granted not in Compliance with the Provisions Stated in Articles 50 and 51 of the Act	-	-
Total Net Book Value of the Bank's Real Estates in excess of 50% of the Equity and in accordance with Article 57 of the Act, Net Book Value of Real Estates and Commodities Acquired in Exchange of Loans and Receivables that should be Disposed of however; have not been Disposed for the Last 5 Years Since the Beginning of the Acquisition Date	39	190
Other	851	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>14,208,686</b>	<b>13,350,237</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

### II. EXPLANATIONS ON CREDIT RISK

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

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

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

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

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

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

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

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

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

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

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

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

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

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

The percentage of top 100 cash loans in the total cash loan portfolio is 11% (2010: 15%).

The percentage of top 100 non-cash loans in the total non-cash loan portfolio is 71% (2010:75%).

The percentage of top 100 cash and non-cash loans in the total cash and non-cash loan portfolio is 17% (2010: 17%).

General provision made by the Bank for the credit risk is TL977,690 (2010: TL254,845).

### Credit risk by types of borrowers and geographical concentration:

	Individual and Corporate Loans		Loans to Banks and Other Financial Institutions		Marketable Securities <sup>(1)</sup>		Other Loans <sup>(2)</sup>	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Sectoral distribution</b>	<b>70,606,088</b>	<b>55,799,721</b>	<b>567,172</b>	<b>1,361,629</b>	<b>70,688,408</b>	<b>76,352,145</b>	<b>2,223,452</b>	<b>5,343,781</b>
Private Sector	19,997,218	16,685,707	364,069	648,191	-	39,243	11,746	116,591
Public Sector	713,774	470,541	7,229	709,316	70,242,580	76,118,877	207,003	31,495
Banks	-	-	195,874	4,122	228,433	29,319	2,001,471	5,192,763
Individual Customers	49,895,096	38,643,473	-	-	-	-	3,232	2,932
Equity Instruments	-	-	-	-	217,395	164,706	-	-
<b>Geographical distribution</b>	<b>70,606,088</b>	<b>55,799,721</b>	<b>567,172</b>	<b>1,361,629</b>	<b>70,688,408</b>	<b>76,352,145</b>	<b>2,223,452</b>	<b>5,343,781</b>
Domestic	69,134,097	54,820,282	520,041	1,310,467	70,226,365	75,962,690	1,357,779	4,291,711
European Union Countries	607,742	499,488	33,341	33,136	186,806	171,281	295,560	163,041
OECD Countries <sup>(3)</sup>	-	-	-	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	464,365	255,045	13,553	18,026	172,110	111,177	391,045	863,172
Other Countries	399,884	224,906	237	-	103,127	106,997	179,068	25,857

<sup>(1)</sup> Includes marketable securities designated at fair value through profit or loss, available for sale and held to maturity.

<sup>(2)</sup> Includes the transactions that are not presented in the first 3 columns but defined as loans and receivables in the 48th article of Banking Act numbered 5411. The unallocated other loans and receivables are presented under "individuals customers" line.

<sup>(3)</sup> OECD countries other than EU countries, USA and Canada.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**Information according to geographical concentration:**

	Assets	Liabilities	Non-Cash Loans	Capital Expenditures	Net Income
<b>Current Period</b>					
Domestic	156,918,237	144,555,556	11,463,481	-	2,087,239
European Union Countries	1,167,029	1,179,715	36,321	-	251
OECD Countries <sup>(1)</sup>	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	1,031,327	1,027,202	346,918	-	3,624
Other Countries	754,435	741,416	131,941	-	9,560
Subsidiaries, Investments and Joint Ventures	-	-	-	810,114	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-
<b>Total</b>	<b>159,871,028</b>	<b>147,503,889</b>	<b>11,978,661</b>	<b>810,114</b>	<b>2,100,674</b>
<b>Prior Period</b>					
Domestic	147,671,930	134,973,739	7,162,786	-	3,700,049
European Union Countries	891,094	881,055	36,280	-	(292)
OECD Countries <sup>(1)</sup>	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	1,248,830	1,249,053	312,169	-	(737)
Other Countries	616,770	597,776	10,719	-	13,582
Subsidiaries, Investments and Joint Ventures	-	-	-	731,084	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-
<b>Total</b>	<b>150,428,624</b>	<b>137,701,623</b>	<b>7,521,954</b>	<b>731,084</b>	<b>3,712,602</b>

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada<sup>(2)</sup> Assets and liabilities that could not be distributed on a consistent basis.**Sectoral concentrations for cash loans:**

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	22,950,572	35.82	332,387	4.68	16,768,330	32.43	201,399	3.69
Farming and Raising Livestock	22,603,867	35.28	330,439	4.65	16,520,797	31.95	197,808	3.62
Forestry	-	-	-	-	-	-	-	-
Fishing	346,705	0.54	1,948	0.03	247,533	0.48	3,591	0.07
Manufacturing	2,181,803	3.41	2,625,475	36.98	3,598,316	6.96	2,064,530	37.81
Mining	74,693	0.12	206,479	2.91	416,967	0.81	121,208	2.22
Production	2,088,730	3.26	2,120,705	29.87	3,137,641	6.07	1,777,267	32.55
Electric, Gas and Water	18,380	0.03	298,291	4.20	43,708	0.08	166,055	3.04
Construction	1,059,939	1.65	236,591	3.33	669,062	1.29	203,967	3.74
Services	5,816,829	9.08	2,600,390	36.63	6,095,327	11.79	1,352,231	24.76
Wholesale and Retail Trade	2,205,077	3.44	304,086	4.28	1,971,802	3.81	203,845	3.73
Hotel Food and Beverage Services	369,671	0.58	266,492	3.75	311,606	0.60	214,006	3.92
Transportation and Telecommunication	846,469	1.32	137,949	1.94	889,433	1.72	113,043	2.07
Financial Institutions	134,304	0.21	505,678	7.12	1,237,690	2.39	123,939	2.27
Real Estate and Leasing Services	31,766	0.05	781,205	11.00	20,803	0.04	16,339	0.30
Self Employment Services	22,770	0.04	-	-	19,198	0.04	-	-
Education Services	82,528	0.13	3,908	0.06	64,166	0.12	2,171	0.04
Health and Social Services	2,124,244	3.32	601,072	8.47	1,580,629	3.06	678,888	12.43
Other <sup>(1)</sup>	32,064,308	50.04	1,304,966	18.38	24,569,850	47.52	1,638,338	30.00
<b>Total</b>	<b>64,073,451</b>	<b>100.00</b>	<b>7,099,809</b>	<b>100.00</b>	<b>51,700,885</b>	<b>100.00</b>	<b>5,460,465</b>	<b>100.00</b>

<sup>(1)</sup> Consumer loans are presented under other line.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	133,596	239,589
Banks	1,320,459	4,642,110
Interbank Money Market Placements	-	-
Available-for-sale Financial Assets	38,127,783	39,724,505
Held-to-maturity Investments	32,504,197	36,388,051
Loans	71,429,975	57,443,453
Other Assets	597,043	450,105
<b>Total credit risk exposure of balance sheet items</b>	<b>144,113,053</b>	<b>138,887,813</b>
Financial Guarantees	11,978,661	7,521,954
Commitments	39,250,501	21,548,051
<b>Total credit risk exposure of off-balance sheet items</b>	<b>51,229,162</b>	<b>29,070,005</b>
<b>Total credit risk exposure</b>	<b>195,342,215</b>	<b>167,957,818</b>

Credit quality per class of financial assets is as follows:

Financial Assets	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
Banks	1,320,459	-	1,320,459	4,642,110	-	4,642,110
Financial Assets at Fair Value Through Profit or Loss	133,596	-	133,596	239,589	-	239,589
Loans	67,458,041	3,715,219	71,173,260	53,433,759	3,727,591	57,161,350
Commercial Loans	15,979,007	729,498	16,708,504	15,500,607	532,079	16,032,686
Retail Loans	29,562,673	2,401,145	31,963,818	22,554,172	2,254,154	24,808,326
Specialized Loans	21,916,361	584,576	22,500,938	15,378,980	941,358	16,320,338
Available-for-sale Financial Assets	38,127,783	-	38,127,783	39,724,505	-	39,724,505
Held-to-maturity Investments	32,504,197	-	32,504,197	36,388,051	-	36,388,051

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

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans	579,101	915,293
Commercial Loans	125,242	132,191
Retail Loans	48,513	39,932
Specialized Loans	405,346	743,170
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

### III. EXPLANATIONS ON THE MARKET RISK

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

The Bank has established market risk management operations and taken the necessary measures in order to hedge market risk within its financial risk management purposes, in accordance with "Measurement and Assessment of the Capital Adequacy of Banks" issued in the Official Gazette numbered 26333 and dated 1 November 2006.

Market risk management strategy policy and implementation procedures of the Bank are determined within the context of "Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management".

Bank pays attention not to change the position materially in the view of foreign exchange position management and maximum position amount is limited. Also, there is position limit application for limiting interest rate risk stated within the context of market risk of Bank.

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

Daily Value at Risk ("VAR") forecasts is made based on financial instruments with different risk factors and portfolios in the Bank and is reported to the related units. Also, backward testing is performed so as to measure performance of used model. Bank limits market risk exposure by VAR based limit within the context of "Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management".

Also, Bank performs monthly market risk stress tests so as to observe the effect of excessive market fluctuations that are not covered by models over the Bank's financial position.

#### Information Related to Market Risk:

	Current Period
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	396,735
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	21,056
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	96,762
(IV) Capital Requirement to be Employed for Commodity Risk - Standard Method	-
(V) Capital Requirement to be Employed for Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed for Market Risk Resulting From Options - Standard Method	-
(VII) 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)	514,553
<b>(IX) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x VII)</b>	<b>6,431,913</b>

#### 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	400,308	406,666	396,140	252,905	367,395	193,508
Equity Share Risk	30,315	33,044	31,048	20,668	26,352	3,846
Currency Risk	73,177	94,274	49,896	31,007	47,322	19,553
Commodity Risk	1,373	2,185	1,825	890	1,078	759
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
<b>Amount Subject to Total Risk</b>	<b>6,314,663</b>	<b>6,702,113</b>	<b>5,986,363</b>	<b>3,818,375</b>	<b>5,526,838</b>	<b>2,720,825</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

### IV. EXPLANATIONS ON OPERATIONAL RISK

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

Operational risk is defined as the probability of loss or damage due to the overlooked errors and irregularities arising from failures of the internal controls of the Bank, and not responding timely by the Bank's management and the personnel, errors and irregularities of the information systems, and due to the disasters earthquake, flood, or fire.

Bank is calculating Operational Risk Base Amount on yearly basis using "Basic Indicator Method". In this method, the parameter which determines the operational risk is the gross income. Gross income is composed of the total of net interest income and net non interest income in general whereas profit and loss from sale of available for sale securities and held to maturity securities and extraordinary income is excluded from calculation. Calculation of Operational Risk Base Amount is done by multiplying the averages of the three years gross income by 12.5.

The Bank's operation risk managerial policy and application procedures are determined within the context of "Operational Risk Management Regulation".

Operational Risk Management actions are conducted by Internal Control and Risk Management Department. In this context generally;

- Realized operational risks are followed in the "Operational Lost Database". At this database, under the context of the identification of operational risk, the lost operational risk information occurred at the Bank are collected appropriate to the standards anticipated at the Basel II.
- The calculation of economic capital with the Advanced Measurement Techniques that are projected to be performed by the banks rendering service on a global scale as envisaged within the framework of Basel II Accord is applied by the Bank and operations regarding the improvement of the techniques are continuing.
- "Operational Risk Map" studies have been conducted, to be used in the internal control audit program by the help of operational risk indicators, operational risk database and unit/volume information for transactions identified in order to determine the risk levels of branches.
- "Self Evaluation Studies" are undertaken in the format of working groups that are formed with the personnel selected from branches and regional heads with the aim of carrying out on-site determination of risks through discussions with the personnel.
- Within the scope of Information Securities and Risk Management Operations, and in coordination with the related departments of the Bank, study on the Bank Business Sustainability Plan has been carried out. The current Emergency State Plan has been revised and the "T.C. Ziraat Bankası A.Ş. Business Continuity and Emergency State Plan" has been prepared by combining two plans. Within this scope, training has been arranged for Bank personnel in order to inform them about their responsibilities and make the Plan a part of institutional culture.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

### V. EXPLANATIONS ON THE CURRENCY RISK

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

The Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR is calculated for daily foreign exchange position and reported to the related departments.

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

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

None.

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

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
23.12.2011	1.8840	2.4544	1.9168	0.33142	0.27440	2.0161	1.8549	0.31629	2.9604	0.48865	2.4152
26.12.2011	1.8811	2.4544	1.9094	0.33057	0.27345	2.0118	1.8430	0.31589	2.9408	0.48621	2.4096
27.12.2011	1.8903	2.4645	1.9165	0.33210	0.27501	2.0223	1.8526	0.31642	2.9611	0.48840	2.4223
28.12.2011	1.9012	2.4629	1.9252	0.33178	0.27560	2.0250	1.8651	0.31620	2.9500	0.49237	2.4421
29.12.2011	1.9074	2.4575	1.9249	0.33113	0.27563	2.0238	1.8652	0.31665	2.9416	0.49264	2.4478
30.12.2011	1.8816	2.4390	1.9199	0.32834	0.27406	2.0076	1.8461	0.31466	2.9205	0.48661	2.4343

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
1.8609	2.4438	1.8844	0.32928	0.27179	1.9967	1.8188	0.31583	2.9047	0.48127	2.3880



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	EUR	USD	Yen	Other FC <sup>(1)</sup>	Total
<b>Current Period</b>					
<b>Assets</b>					
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	4,690,220	2,306,241	450	957,127	7,954,038
Banks	274,721	867,440	523	116,735	1,259,419
Financial Assets at Fair Value Through Profit and Loss	9,663	4,476	-	-	14,139
Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale	2,754,558	1,531,158	-	-	4,285,716
Loans <sup>(2)</sup>	3,002,122	4,074,519	-	24,854	7,101,495
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	382,227	207,612	-	37,469	627,308
Investments Held-to-Maturity	1,869,951	3,033,150	-	335	4,903,436
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Fixed Assets	4,685	1,960	-	2,531	9,176
Intangible Assets	987	3,205	-	7,171	11,363
Other Assets	37,749	7,666	-	3,428	48,843
<b>Total Assets</b>	<b>13,026,883</b>	<b>12,037,427</b>	<b>973</b>	<b>1,149,650</b>	<b>26,214,933</b>
<b>Liabilities</b>					
Interbank Deposits	155,590	508,468	-	17,734	681,792
Foreign Currency Deposits	13,378,752	9,215,814	364	600,251	23,195,181
Money Market Borrowings	231,705	2,237,199	-	-	2,468,904
Funds Provided from Other Financial Institutions	12,860	475,096	-	-	487,956
Issued Marketable Securities	-	-	-	-	-
Sundry Creditors	171,415	27,596	-	145	199,156
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities	171,121	150,061	-	25,601	346,783
<b>Total Liabilities</b>	<b>14,121,443</b>	<b>12,614,234</b>	<b>364</b>	<b>643,731</b>	<b>27,379,772</b>
<b>Net Balance Sheet Position</b>	<b>(1,094,560)</b>	<b>(576,807)</b>	<b>609</b>	<b>505,919</b>	<b>(1,164,839)</b>
<b>Net Off-Balance Sheet Position<sup>(3)</sup></b>	<b>926,948</b>	<b>611,005</b>	<b>-</b>	<b>(396,023)</b>	<b>1,141,930</b>
Financial Derivative Assets	956,261	1,567,061	-	521,144	3,044,466
Financial Derivative Liabilities	29,313	956,056	-	917,167	1,902,536
<b>Non-cash Loans</b>	<b>2,183,920</b>	<b>5,457,371</b>	<b>-</b>	<b>290,827</b>	<b>7,932,118</b>
<b>Prior Period</b>					
Total Assets	11,322,952	9,289,547	687	551,331	21,164,517
Total Liabilities	11,845,163	10,571,741	318	520,224	22,937,446
<b>Net Balance Sheet Position</b>	<b>(522,211)</b>	<b>(1,282,194)</b>	<b>369</b>	<b>31,107</b>	<b>(1,772,929)</b>
<b>Net Off-Balance Sheet Position<sup>(3)</sup></b>	<b>580,141</b>	<b>1,322,538</b>	<b>-</b>	<b>38,302</b>	<b>1,940,981</b>
Financial Derivative Assets	609,850	1,396,673	-	38,302	2,044,825
Financial Derivative Liabilities	29,709	74,135	-	-	103,844
<b>Non-cash Loans</b>	<b>1,399,582</b>	<b>3,440,443</b>	<b>1,357</b>	<b>79,719</b>	<b>4,921,101</b>

<sup>(1)</sup> Of the foreign currencies presented in the other FC column of assets 80.63% is Gold, 4.10% is GBP, 3.26% is MKD, and the remaining 12.01% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 44.30% is GBP, 33.85% is CHF, 10.20% is DKK and the remaining 11.65% is other foreign currencies.

<sup>(2)</sup> TL1,388 equivalent of USD and TL176 equivalent of EUR loans are originated as foreign currency indexed loans (2010: TL2,745 equivalent of USD and TL2,376 equivalent of EUR).

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

The Bank's sensitivity to foreign currency rates has been analyzed and 10% increase/decrease is anticipated in the US Dollar, EURO and other foreign currency units. 10% is the rate used in Bank's internal reporting. The following table shows the result of analysis.

	Change in exchange rate in %	Effect on Profit/Loss <sup>(1)(2)</sup>	
		Current Period	Prior Period
USD	10% increase	(13,809)	(4,032)
	10% decrease	13,809	4,032
EUR	10% increase	(56,294)	(33,982)
	10% decrease	56,294	33,982
Other	10% increase	5,916	2,367
	10% decrease	(5,916)	(2,367)

<sup>(1)</sup> The effects on profit or loss and shareholders' equity are presented before tax, in the above table.

<sup>(2)</sup> Investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. Since TL amount of their fair values are fixed as of the valuation date, they do not create currency risk and is not considered in the analysis above.

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

The Bank's structural interest rate management policy and methods of applications are set under the scope of "Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management".

The structural interest rate risk analysis is made based on the income and economic value approaches. Under economic value approach, the Bank is applying the Banking Accounts Interest Shock Value Loss analysis, whereas under income approach the Bank is applying Net Interest Margin/Income analysis. The Banking Accounts Interest Shock Value Loss Analysis is applied over interest rate sensitive balance sheet items excluding the positions subject to the market risk and the results are compared with discounted total assets. At the Net Interest Margin/Income analysis the change in the interest income of the Bank resulting from changes in interest rates is analyzed. About the structural interest rate risk; the macaulay duration, convexity and repricing gap analysis are applied at the Bank. The Bank limits the interest rate exposure. Moreover, an early warning system regarding the structural interest rate risk has also been established by the Bank.

Using possible changes in the interest rate, the changes in the assets and the liabilities of the Bank have been analyzed. With this respect;

In order to analyze the effect of the increases and decreases in the interest rate on the interest income/expense of the Bank, interest rate sensitive instruments in balance sheet have been grouped on the basis of repricing periods. As a result of the funding/placing of these assets and liabilities with the changing interest rates, the net interest income of the Bank has been analyzed. In this analysis, TL and foreign currency interest rates are increased/decreased by the ratios seen at the tables below and the amounts of the repriced assets and liabilities are assumed to be constant during the balance sheet period. The below mentioned analysis is presenting the net interest income of the Bank generated within the balance sheet period.

Change in Interest Rate		Net Interest Income Effect <sup>(1)(2)</sup>	
TL	FC	Current Period	Prior Period
3 points increase	1 point increase	(685,112)	(527,263)
2 points increase	0.66 point increase	(456,383)	(351,177)
1 point increase	0.33 point increase	(228,191)	(175,607)

<sup>(1)</sup> Demand deposits are excluded.

<sup>(2)</sup> Net interest income effect presented above reflects amounts before tax.

Change in Interest Rate		Net Interest Income Effect <sup>(1)(2)</sup>	
TL	FC	Current Period	Prior Period
3 points decrease	1 point decrease	685,112	527,263
2 points decrease	0.66 point decrease	456,383	351,177
1 point decrease	0.33 point decrease	228,191	175,607

<sup>(1)</sup> Demand deposits are excluded.

<sup>(2)</sup> Net interest income effect presented above reflects amounts before tax.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

On the other hand, the analysis of the interest sensitivity of the financial assets which are monitored within the positions exposed to market risk only (Fair Value through Profit or Loss and Securities Available for Sale) is presented below. The interest rate sensitivity analysis expressed the effect of 1 basis point increases in TL, 0.33 basis point increase in FC and 3 basis point increases in TL and 1 basis point increase in FC over accounting records. The financial assets recorded under so-called accounts are repriced as a result of the foregoing interest rate increases and the effect of the change in prices aroused on the equity and profit/loss accounts is stated. The effect of the changes in prices calculated for the positions exposed to market risk is resulting from the financial assets available for sale.

Change in Interest Rate <sup>(1)</sup>		Effect on	Effect on	Effect on	Effect on
TL	FC	Profit and Loss	Shareholders' Equity	Profit and Loss	Shareholders' Equity
		Current Period	Current Period	Prior Period	Prior Period
3 points increase	1 point increase	(1,276)	(771,615)	(1,873)	(806,196)
1 point increase	0.33 point increase	(437)	(264,321)	(642)	(276,273)

<sup>(1)</sup> The effects on profit and loss and shareholders' equity in the table above present the amounts before tax.

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

Interest rate sensitivity of assets and liabilities is followed 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 eliminate the negative effects of interest rate fluctuations in the market on the balance sheet of the Bank, Assets-Liabilities 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 limits for the maximum interest rates considering the interest rate risk. In order to limit the effects of change in interest rates on the Bank's financial structure; risk limit, which is approved by the Board of Directors, is periodically monitored.

### 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, in order to decrease the interest rate risk level, as much as market conditions allow, the Bank used long-term derivative financial instruments and completed preparations for issuing bonds.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	31,397	-	-	-	-	14,240,977	14,272,374
Banks	380,375	132,635	353,321	-	-	454,128	1,320,459
Financial Assets at Fair Value Through Profit and Loss	3,055	1,969	39,216	2,152	10,033	77,171	133,596
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	10,354,947	4,543,244	7,897,512	10,110,833	4,604,154	617,093	38,127,783
Loans Given	19,361,919	5,494,705	18,292,788	24,884,640	3,139,207	256,716	71,429,975
Investments Held-to-Maturity	7,745,536	15,940,143	3,492,699	2,506,070	2,819,749	-	32,504,197
Other Assets	-	-	-	-	-	2,892,758	2,892,758
<b>Total Assets</b>	<b>37,877,229</b>	<b>26,112,696</b>	<b>30,075,536</b>	<b>37,503,695</b>	<b>10,573,143</b>	<b>18,538,843</b>	<b>160,681,142</b>
<b>Liabilities</b>							
Interbank Deposits	3,318,766	-	2,000	-	-	84,707	3,405,473
Other Deposits	69,995,785	12,596,492	7,000,667	254,876	-	19,813,389	109,661,209
Money Market Borrowings	25,314,528	-	473,642	-	-	-	25,788,170
Sundry Creditors	-	-	-	-	-	887,856	887,856
Issued Marketable Securities	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	153,321	16,802	362,886	20,449	24	-	553,482
Other Liabilities	8,852	30,877	93	3,860,700	-	16,484,430	20,384,952
<b>Total Liabilities</b>	<b>98,791,252</b>	<b>12,644,171</b>	<b>7,839,288</b>	<b>4,136,025</b>	<b>24</b>	<b>37,270,382</b>	<b>160,681,142</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>13,468,525</b>	<b>22,236,248</b>	<b>33,367,670</b>	<b>10,573,119</b>	<b>-</b>	<b>79,645,562</b>
<b>Balance Sheet Short Position</b>	<b>(60,914,023)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18,731,539)</b>	<b>(79,645,562)</b>
Off-Balance Sheet Long Position	16,245	528,198	268	-	-	-	544,711
Off-Balance Sheet Short Position	-	-	-	(532,800)	-	-	(532,800)
<b>Total Position</b>	<b>(60,897,778)</b>	<b>13,996,723</b>	<b>22,236,516</b>	<b>32,834,870</b>	<b>10,573,119</b>	<b>(18,731,539)</b>	<b>11,911</b>

<sup>(1)</sup> Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.<sup>(2)</sup> TL3,860,700 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the "1 - 5 Years" column. TL10,436 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.<sup>(3)</sup> Deferred tax asset is shown under the non-interest bearing column.<sup>(4)</sup> Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.<sup>(5)</sup> Total shareholders' equity is shown under the non-interest bearing column.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**Average interest rates applied to monetary financial instruments:**

	EUR	USD	Yen	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	5.00
Banks	2.38	2.18	-	-
Financial Assets at Fair Value Through Profit and Loss	3.36	5.57	-	7.80
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.65	6.14	-	8.43
Loans Given <sup>(2)</sup>	5.01	4.22	-	17.04
Investments Held-to-Maturity	6.23	7.00	-	9.51
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	2.94	2.90	-	11.13
Other Deposits <sup>(4)</sup>	2.07	2.73	-	6.87
Money Market Borrowings	3.30	2.77	-	10.81
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	-	-	-
Funds Provided from Other Financial Institutions	3.17	1.55	-	7.46

<sup>(1)</sup> The ratio in TL column shows interest rate applied to reserve requirement for Central Bank of Northern Cyprus<sup>(2)</sup> Credit card loans are not included.<sup>(3)</sup> Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.<sup>(4)</sup> Related ratios include demand deposits.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	24,690	-	-	-	-	10,240,374	10,265,064
Banks	3,533,936	33,971	180,042	-	-	894,161	4,642,110
Financial Assets at Fair Value Through Profit and Loss	181,302	2,897	20,710	23,735	10,945	-	239,589
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	10,841,104	6,016,715	9,710,485	10,074,915	2,715,629	365,657	39,724,505
Loans Given	17,434,103	3,636,438	13,552,569	20,019,291	2,518,949	282,103	57,443,453
Investments Held-to-Maturity	12,572,545	16,380,174	2,334,664	2,048,890	3,051,778	-	36,388,051
Other Assets	-	-	-	-	-	2,456,936	2,456,936
<b>Total Assets</b>	<b>44,587,680</b>	<b>26,070,195</b>	<b>25,798,470</b>	<b>32,166,831</b>	<b>8,297,301</b>	<b>14,239,231</b>	<b>151,159,708</b>
<b>Liabilities</b>							
Interbank Deposits	2,411,992	3,061	-	-	-	57,463	2,472,516
Other Deposits	82,014,044	16,206,916	6,023,946	147,097	-	18,931,953	123,323,956
Money Market Borrowings	5,003,477	-	-	-	-	-	5,003,477
Sundry Creditors	-	-	-	-	-	713,706	713,706
Issued Marketable Securities	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	2,027	10,268	80,421	5,942	105	-	98,763
Other Liabilities	5,441	140	18	3,180,350	-	16,361,341	19,547,290
<b>Total Liabilities</b>	<b>89,436,981</b>	<b>16,220,385</b>	<b>6,104,385</b>	<b>3,333,389</b>	<b>105</b>	<b>36,064,463</b>	<b>151,159,708</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>9,849,810</b>	<b>19,694,085</b>	<b>28,833,442</b>	<b>8,297,196</b>	<b>-</b>	<b>66,674,533</b>
<b>Balance Sheet Short Position</b>	<b>(44,849,301)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,825,232)</b>	<b>(66,674,533)</b>
Off Balance Sheet Long Position	20,606	227	558	-	-	-	21,391
Off Balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>(44,828,695)</b>	<b>9,850,037</b>	<b>19,694,643</b>	<b>28,833,442</b>	<b>8,297,196</b>	<b>(21,825,232)</b>	<b>21,391</b>

<sup>(1)</sup> Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.<sup>(2)</sup> TL3,180,350 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the "1 - 5 Years" column. TL345,108 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.<sup>(3)</sup> Deferred tax asset is shown under the non-interest bearing column.<sup>(4)</sup> Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in other assets.<sup>(5)</sup> Total shareholders' equity is shown under the non-interest bearing column.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	EUR	USD	Yen	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	5.00
Banks	0.84	1.05	-	-
Financial Assets at Fair Value Through Profit and Loss	3.56	5.58	-	8.78
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.68	6.04	-	8.22
Loans Given <sup>(2)</sup>	4.06	3.74	-	14.90
Investments Held-to-Maturity	6.23	7.00	-	8.79
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0.88	0.21	-	6.93
Other Deposits	1.65	2.23	-	6.95
Money Market Borrowings	-	-	-	6.66
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	-	-	-
Funds Provided from Other Financial Institutions	3.04	0.93	-	7.13

<sup>(1)</sup> The ratio in TL column shows interest rate applied to reserve requirement for Central Bank of Northern Cyprus.<sup>(2)</sup> Credit card loans are not included.<sup>(3)</sup> Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.**VII. EXPLANATIONS ON THE LIQUIDITY RISK**

General principles of liquidity and financial emergency state management and the related application procedures are considered in the scope of "Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management".

Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management consist of subjects about early warning system and process of transition to liquidity and financial emergency state management.

The Bank calculates liquidity adequacy ratio and reports to BRSA on a weekly basis in accordance with the "Measurement and Assessment of Liquidity Adequacy of Banks" issued in the Official Gazette numbered 26333 and dated 1 November 2006. The liquidity adequacy of the Bank is over the limit values specified in the mentioned regulation.

The Bank performs "Remaining Maturity Analysis" for the observation of the maturity structure of the balance sheet, "Liquidity Gap" and "Structural Liquidity Gap Analysis" for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank's liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the Bank's most crucial funding resource is monitored on a daily basis. Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

According to the "Measurement and Assessment of Liquidity Adequacy of Banks" issued in the Official Gazette numbered 26333 dated 1 November 2006, from 1 June 2007, at the weekly and monthly calculations of the banks, the liquidity ratio requirement is 80% for the foreign currency assets/liabilities and 100% for the total assets/liabilities at minimum. The liquidity ratios for 2011 and 2010 are as follows:

Current Period	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	446.14	293.62	227.38	157.38
Maximum (%)	558.04	436.26	277.85	196.57
Minimum (%)	320.63	172.03	170.36	119.83

Prior Period	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	590.41	458.90	285.73	204.77
Maximum (%)	718.37	573.02	362.97	228.54
Minimum (%)	446.74	381.04	259.59	182.13

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

The Bank's source of funds is mainly formed of deposits. The Bank's deposits do not fluctuate considerably in line with the broadly dispersed customer network. Besides, internal and external sources that can be used to meet the immediate liquidity need are monitored periodically. Borrowing limits of the Bank from organized markets and other financial institutions can cover the corresponding liquidity gaps with different periods. Bank limits its liquidity risk exposure by the approval of Board of Directors in context with "Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management".

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

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

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

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

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

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(1)(2)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	14,272,374	-	-	-	-	-	-	14,272,374
Banks	454,128	380,375	132,635	353,321	-	-	-	1,320,459
Financial Assets at Fair Value Through Profit and Loss	-	29,488	1,869	39,594	52,537	10,105	3	133,596
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	341,687	428,502	1,393,789	22,917,267	12,829,142	217,396	38,127,783
Loans Given	-	2,159,265	4,527,172	24,482,361	34,933,524	5,070,937	256,716	71,429,975
Investments Held-to-Maturity	-	206,620	1,913,588	1,191,401	23,511,513	5,681,075	-	32,504,197
Other Assets	590,786	-	-	211	3,232	-	2,298,529	2,892,758
<b>Total Assets</b>	<b>15,317,288</b>	<b>3,117,435</b>	<b>7,003,766</b>	<b>27,460,677</b>	<b>81,418,073</b>	<b>23,591,259</b>	<b>2,772,644</b>	<b>160,681,142</b>
<b>Liabilities</b>								
Interbank Deposits	84,707	3,318,766	-	2,000	-	-	-	3,405,473
Other Deposits	19,813,389	69,995,785	12,596,492	7,000,667	254,876	-	-	109,661,209
Funds Provided from Other Financial Instruments	-	2,793	16,375	100,819	170,977	262,518	-	553,482
Money Market Borrowings	-	25,314,528	-	473,642	-	-	-	25,788,170
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	535,116	352,740	-	-	-	-	-	887,856
Other Liabilities <sup>(3)</sup>	1,141,578	200,663	118,949	93	3,860,700	656,600	14,406,369	20,384,952
<b>Total Liabilities</b>	<b>21,574,790</b>	<b>99,185,275</b>	<b>12,731,816</b>	<b>7,577,221</b>	<b>4,286,553</b>	<b>919,118</b>	<b>14,406,369</b>	<b>160,681,142</b>
<b>Liquidity Gap</b>	<b>(6,257,502)</b>	<b>(96,067,840)</b>	<b>(5,728,050)</b>	<b>19,883,456</b>	<b>77,131,520</b>	<b>22,672,141</b>	<b>(11,633,725)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	11,601,845	12,846,917	5,986,673	30,850,070	68,140,930	19,276,584	2,456,689	151,159,708
Total Liabilities	20,397,863	90,170,278	16,473,522	6,042,640	3,333,895	662,625	14,078,885	151,159,708
<b>Liquidity Gap</b>	<b>(8,796,018)</b>	<b>(77,323,361)</b>	<b>(10,486,849)</b>	<b>24,807,430</b>	<b>64,807,035</b>	<b>18,613,959</b>	<b>(11,622,196)</b>	<b>-</b>

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

<sup>(2)</sup> Deferred tax asset is included under the "Undistributed" column.

<sup>(3)</sup> TL3,860,700 of the funds balance, whose risk is not born by the Bank, is included in other liabilities and shown under the "1-5 year" column, fund balance amounted to TL10,436 is not granted as loan and is included under "Up to One Month" column.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

<b>Current Period<sup>(1)</sup></b>	<b>Demand and Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Bank Deposits	3,408,222	-	2,184	-	-	3,410,406
Other Deposits	90,031,718	12,725,613	7,157,453	268,281	-	110,183,065
Funds Borrowed from Other Financial Institutions	2,657	16,649	102,422	177,550	315,531	614,809
Funds Borrowed from Interbank Money Market	25,335,087	-	476,485	-	-	25,811,572
<b>Total</b>	<b>118,777,684</b>	<b>12,742,262</b>	<b>7,738,544</b>	<b>445,831</b>	<b>315,531</b>	<b>140,019,852</b>
<b>Prior Period<sup>(1)</sup></b>						
Bank Deposits	2,470,954	3,083	-	-	-	2,474,037
Other Deposits	101,164,383	16,401,176	6,146,017	156,721	-	123,868,297
Funds Borrowed from Other Financial Institutions	2,013	9,722	30,211	6,872	61,588	110,406
Funds Borrowed from Interbank Money Market	5,005,959	-	-	-	-	5,005,959
<b>Total</b>	<b>108,643,309</b>	<b>16,413,981</b>	<b>6,176,228</b>	<b>163,593</b>	<b>61,588</b>	<b>131,458,699</b>

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

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

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

Known as having the most extensive branch network in retail (consumer) banking sector, the Bank renders services, such as; deposits, consumer loans, loans originated from funds whose risk does not belong to the Bank, credit cards, automatic payment, cheques and notes, money transfer order, foreign exchange transactions, internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing instruments are improved and new banking instruments are created in order to benefit from services undertaken as being a state bank in increasing the profitability of the Bank. By Finart system, which is working in a centralized manner, the Bank has the technical infrastructure required by modern banking sector to meet its clients' needs.

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

As the Bank is the main financial institution that meets the financing needs of agricultural sector, it extends agricultural operations and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and agricultural credit corporations. Besides, it gives support to entities and enterprises having operations in agricultural sector by acting as an intermediary for loans originated from funds.

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 enables sources of funds in Turkish Lira and foreign currencies according to the needs of the Bank. The Bank acts as an intermediary for transaction of securities and Eurobonds by the related departments, for transaction of shares and public offerings as an agency of Ziraat Yatırım Menkul Değerler A.Ş. and for transaction of investment funds founded by the Bank and Ziraat Yatırım Menkul Değerler A.Ş. and keeps records of these financial instruments and the Bank performs repo/reverse repo transactions. Besides the Bank performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Bank performs foreign currency forward agreements and currency swap transactions.

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

As of 31 December 2011, explanations on segment reporting as shown below are in line with Communiqué on "Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures".

**Table for Segment Reporting:**

	<b>Retail Banking</b>	<b>Commercial and SME Banking<sup>(1)</sup></b>	<b>Specialized Banking<sup>(2)</sup></b>	<b>Investment Banking</b>	<b>International Banking</b>	<b>Total Operations of the Bank</b>
<b>Current Period</b>						
Total Operating Income/Expense <sup>(3)</sup>	1,825,562	663,779	761,156	2,919,150	40,293	6,209,940
Net Operating Profit	807,757	293,703	336,789	1,291,638	17,829	2,747,716
Income from Subsidiaries <sup>(4)</sup>	-	-	-	-	-	31,788
Income Before Taxes	-	-	-	-	-	2,779,504
Tax Provision	-	-	-	-	-	(678,830)
<b>Net Profit for the Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,100,674</b>
Segment Assets-net <sup>(3)</sup>	32,135,208	15,530,268	22,857,553	84,312,608	2,952,747	157,788,384
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	810,114
Undistributed Assets <sup>(5)</sup>	-	-	-	-	-	2,082,644
<b>Total Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160,681,142</b>
Segment Liabilities - net <sup>(3)</sup>	23,141,676	11,183,884	20,331,651	85,161,273	2,947,325	142,765,809
Undistributed Liabilities <sup>(5)</sup>	-	-	-	-	-	4,738,080
Shareholders' Equity	-	-	-	-	-	13,177,253
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160,681,142</b>
Other Segment Items						
Capital Investment	-	-	-	-	-	-
Depreciation	-	-	-	-	-	72,111
Restructuring Costs	-	-	-	-	-	-

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

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

	Retail Banking	Commercial and SME Banking <sup>(1)</sup>	Specialized Banking <sup>(2)</sup>	Investment Banking	International Banking	Total Operations of the Bank
<b>Prior Period</b>						
Total Operating Income/Expense <sup>(3)</sup>	1,845,329	524,373	811,026	3,651,272	31,525	6,863,525
Net Operating Profit	1,192,587	338,888	524,149	2,359,719	20,369	4,435,712
Income from Subsidiaries <sup>(4)</sup>	-	-	-	-	-	33,648
Income Before Taxes	-	-	-	-	-	4,469,360
Tax Provision	-	-	-	-	-	(756,758)
<b>Net Profit for the Period</b>	-	-	-	-	-	<b>3,712,602</b>
Segment Assets-net <sup>(3)</sup>	24,929,058	15,306,196	16,685,924	89,147,122	2,634,472	148,702,772
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	731,084
Undistributed Assets <sup>(5)</sup>	-	-	-	-	-	1,725,852
<b>Total Assets</b>	-	-	-	-	-	<b>151,159,708</b>
Segment Liabilities – net <sup>(3)</sup>	21,283,066	13,067,593	17,770,987	79,567,149	2,642,211	134,331,006
Undistributed Liabilities <sup>(5)</sup>	-	-	-	-	-	3,370,617
Shareholders' Equity	-	-	-	-	-	13,458,085
<b>Total Liabilities</b>	-	-	-	-	-	<b>151,159,708</b>
Other Segment Items						
Capital Investment	-	-	-	-	-	-
Depreciation	-	-	-	-	-	53,559
Restructuring Costs	-	-	-	-	-	-

<sup>(1)</sup> Commercial and SME Banking column shows the Bank's commercial and SME loans with interest and commission income related to these loans.<sup>(2)</sup> Current period for Specialized Banking column shows agricultural loans with interest and commission income related to these loans.<sup>(3)</sup> For the presentation of operating income, intradepartmental interest charged between branches and Treasury is considered in order to present operations of related departments accurately. However, debtor-creditor relations arising from funds transferred between branches are not included in table since they could not be reported separately.<sup>(4)</sup> "Dividend income", a part of operating income of the Bank, is included in the "Income from Subsidiaries" row since it could not be decomposed to segments.<sup>(5)</sup> The total of tangible and intangible assets, tax asset and assets held for sale is shown in "Undistributed Assets" row, whereas the total of borrowings, miscellaneous payables, other liabilities, finance lease payables, provisions and tax liability is shown in "Undistributed Liabilities" row.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**IX. EXPLANATIONS ON THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES****a) Information regarding the fair value of financial assets and liabilities:**

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>143,382,414</b>	<b>138,198,119</b>	<b>143,892,376</b>	<b>138,941,089</b>
Due From Interbank Money Market	-	-	-	-
Banks	1,320,459	4,642,110	1,320,459	4,642,110
Available-for-sale Financial Assets	38,127,783	39,724,505	38,127,783	39,724,505
Held-to-maturity Investments	32,504,197	36,388,051	33,014,159	37,131,021
Loans	71,429,975	57,443,453	71,429,975	57,443,453
<b>Financial Liabilities</b>	<b>114,508,020</b>	<b>126,608,941</b>	<b>114,508,020</b>	<b>126,608,941</b>
Bank Deposits	3,405,473	2,472,516	3,405,473	2,472,516
Other Deposits	109,661,209	123,323,956	109,661,209	123,323,956
Funds Borrowed From Other Financial Institutions	553,482	98,763	553,482	98,763
Issued Marketable Securities	-	-	-	-
Miscellaneous Payables	887,856	713,706	887,856	713,706

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

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

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>56,428</b>	<b>77,168</b>	-	<b>133,596</b>
Government Debt Securities	56,428	-	-	56,428
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	77,168	-	77,168
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	<b>37,599,117</b>	<b>511,281</b>	-	<b>38,110,398</b>
Equity Securities <sup>(1)</sup>	94,218	105,792	-	200,010
Government Debt Securities	37,459,101	-	-	37,459,101
Other Marketable Securities	45,798	405,489	-	451,287
<b>Total Assets</b>	<b>37,655,545</b>	<b>588,449</b>	-	<b>38,243,994</b>
Trading Derivative Financial Liabilities	-	39,821	-	39,821
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	<b>39,821</b>	-	<b>39,821</b>

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

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>210,118</b>	<b>29,471</b>	-	<b>239,589</b>
Government Debt Securities	210,118	-	-	210,118
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	29,471	-	29,471
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	<b>39,606,210</b>	<b>101,206</b>	-	<b>39,707,416</b>
Equity Securities <sup>(1)</sup>	47,415	100,202	-	147,617
Government Debt Securities	39,313,119	-	-	39,313,119
Other Marketable Securities	245,676	1,004	-	246,680
<b>Total Assets</b>	<b>39,816,328</b>	<b>130,677</b>	-	<b>39,947,005</b>
Trading Derivative Financial Liabilities	-	5,599	-	5,599
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	<b>5,599</b>	-	<b>5,599</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL17,089 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

**X. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF OTHER PARTIES****1. Transaction, Custody, Management and Consultancy Services of the Bank on behalf of Third Parties:**

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

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

The Bank has no fiduciary transactions.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**SECTION FIVE****EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS****I. EXPLANATIONS AND NOTES RELATED TO ASSETS****a) Information on Cash and Balances with Central Bank of the Republic of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,094,841	225,692	1,078,065	206,992
Central Bank of the Republic of Turkey	5,223,495	7,717,601	6,573,935	2,399,955
Other	-	10,745	-	6,117
<b>Total</b>	<b>6,318,336</b>	<b>7,954,038</b>	<b>7,652,000</b>	<b>2,613,064</b>

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

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

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	5,192,098	-	6,549,245	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1)(2)</sup>	31,397	7,717,601	24,690	2,399,955
<b>Total</b>	<b>5,223,495</b>	<b>7,717,601</b>	<b>6,573,935</b>	<b>2,399,955</b>

<sup>(1)</sup> Required reserve of branches abroad amounting to TL40,505 is presented in this line (2010: TL30,582).

<sup>(2)</sup> TL4,917,924 of the current period's FC required reserve is the part of the TL required reserves that is held in FC.

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar Securities	-	-	1	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets Held-for-Trading				
Forward Transactions	982	6	253	21
Swap Transactions	49,721	26,459	27,435	1,762
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>50,703</b>	<b>26,465</b>	<b>27,688</b>	<b>1,783</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	-	49,179	-	1,520,551
Foreign Banks	61,040	1,210,240	44,514	3,077,045
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>61,040</b>	<b>1,259,419</b>	<b>44,514</b>	<b>4,597,596</b>

**b) Information on foreign banks accounts:**

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	761,463	2,117,889	-	-
USA, Canada	330,826	816,108	-	-
OECD Countries <sup>(1)</sup>	22,491	86,143	-	-
Off-shore Banking Regions	-	-	-	-
Other	156,500	101,419	-	-
<b>Total</b>	<b>1,271,280</b>	<b>3,121,559</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> OECD countries except EU countries, USA and Canada.**4. a) Explanation regarding to the comparison of net values of financial assets available-for-sale given or blocked as collateral and subject to repurchase agreements:**

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	17,061	-
Assets Blocked/Given as Collateral	2,602	280
<b>Total</b>	<b>19,663</b>	<b>280</b>

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

	Current Period	Prior Period
Debt Securities	38,354,836	39,570,457
Quoted in Stock Exchange	37,949,347	39,569,453
Not Quoted in Stock Exchange	405,489	1,004
Share Certificates	219,828	165,345
Quoted in Stock Exchange	94,717	47,519
Not Quoted	125,111	117,826
Provision for Impairment (-)	446,881	11,297
<b>Total</b>	<b>38,127,783</b>	<b>39,724,505</b>



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**5. Information related to loans:****a) Information on all types of loans and advances given to shareholders and employees of the Bank:**

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-	-	-
<b>Loans Granted to Employees</b>	244,850	-	209,595	-
<b>Total</b>	244,850	-	209,595	-

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

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Cash Loans</b>				
<b>Non-Specialized Loans</b>	45,350,251	42,539	3,031,031	99,612
Discount Notes	1,884	-	114	-
Export Loans	1,273,996	-	1,360	324
Import Loans	-	-	-	-
Loans Given to Financial Sector	518,554	-	-	-
International Loans	1,003,557	95	38	-
Consumer Loans	26,433,235	10,658	2,314,212	18,238
Credit Cards	1,597,623	497	68,695	-
Precious Metals Loans	-	-	-	-
Other <sup>(1)</sup>	14,521,402	31,289	646,612	81,050
<b>Specialized Lending<sup>(2)</sup></b>	20,286,015	310,126	547,488	37,088
<b>Other Receivables</b>	-	-	-	-
<b>Interest Income Accruals</b>	1,469,110	-	-	-
<b>Total</b>	67,105,376	352,665	3,578,519	136,700

<sup>(1)</sup> Decomposition of rediscount of restructured or rescheduled loans and loans and other receivables under close monitoring could not be obtained from existing data processing system.<sup>(2)</sup> Agricultural loans originated from funds are shown under Specialized Lending.**c) Loans according to maturity structure:**

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled <sup>(1)</sup>	Loans and Other Receivables <sup>(1)</sup>	Restructured or Rescheduled <sup>(1)</sup>
<b>Short-term Loans</b>	19,109,329	27,276	502,226	12,699
Non-specialized Loans	7,377,010	2,581	251,648	4,670
Specialized Loans	11,732,319	24,695	250,578	8,029
Other Receivables	-	-	-	-
<b>Medium and Long-term Loans and Other Receivables</b>	47,996,047	325,389	3,076,293	124,001
Non-specialized Loans <sup>(2)</sup>	38,379,498	39,958	2,779,383	94,942
Specialized Loans	9,616,549	285,431	296,910	29,059
Other Receivables	-	-	-	-

<sup>(1)</sup> Decomposition of rediscount of restructured or rescheduled loans and loans and other receivables under close monitoring could not be obtained from existing data processing system.<sup>(2)</sup> Agricultural loans originated from funds are shown under Specialized Lending.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	423,967	28,030,751	28,454,718
Real Estate Loans	2,597	7,928,815	7,931,412
Vehicle Loans	1,978	319,839	321,817
Consumer Loans	416,893	19,616,400	20,033,293
Abroad <sup>(2)</sup>	2,499	165,697	168,196
Other	-	-	-
Consumer Loans- Indexed to FC	-	17	17
Real Estate Loans	-	17	17
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	15	532	547
Real Estate Loans	-	55	55
Vehicle Loans	-	-	-
Consumer Loans	15	477	492
Other	-	-	-
Individual Credit Cards-TL	1,509,037	888	1,509,925
With Installment	511,765	807	512,572
Without Installment	997,272	81	997,353
Individual Credit Cards-FC	2,205	-	2,205
With Installment	-	-	-
Without Installment	2,205	-	2,205
Personnel Loans-TL	19,225	154,405	173,630
Real Estate Loans	-	980	980
Vehicle Loans	-	-	-
Consumer Loans	6,001	152,615	158,616
Abroad <sup>(2)</sup>	22	810	832
Other	13,202	-	13,202
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	68,198	24	68,222
With Installment	26,577	20	26,597
Without Installment	41,621	4	41,625
Personnel Credit Cards-FC	113	-	113
With Installment	-	-	-
Without Installment	113	-	113
Overdraft Accounts-TL (Real Person)	316,458	-	316,458
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total<sup>(1)</sup></b>	<b>2,339,218</b>	<b>28,186,617</b>	<b>30,525,835</b>

<sup>(1)</sup> TL239,521 of interest income accrual could not be decomposed therefore accruals are not included in the table above.<sup>(2)</sup> TL832 of consumer loans used by the personnel abroad and TL168,196 of consumer loans have been shown under "International Loans" of 5-b Table.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	259,925	4,455,794	4,715,719
Business Loans	108	130,763	130,871
Vehicle Loans	2,908	385,134	388,042
Consumer Loans	235,339	3,576,483	3,811,822
Other	21,570	363,414	384,984
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	-	1,863	1,863
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	1,863	1,863
Other	-	-	-
Corporate Credit Cards-TL	85,848	214	86,062
With Installment	142	200	342
Without Installment	85,706	14	85,720
Corporate Credit Cards-FC	288	-	288
With Installment	-	-	-
Without Installment	288	-	288
Overdraft Account-TL (Legal Entity)	15,165	-	15,165
Overdraft Account-FC (Legal Entity)	-	-	-
<b>Total<sup>(1)</sup></b>	<b>361,226</b>	<b>4,457,871</b>	<b>4,819,097</b>

<sup>(1)</sup> Since interest income accruals could not be decomposed by type, accruals are not included in the table above.**f) Loans according to types of borrowers:**

	Current Period	Prior Period
Public	835,725	1,161,099
Private	68,868,425	55,076,685
Interest Income Accruals of Loans	1,469,110	923,566
<b>Total</b>	<b>71,173,260</b>	<b>57,161,350</b>

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

	Current Period	Prior Period
Domestic Loans	68,700,460	55,656,522
Foreign Loans	1,003,690	581,262
Interest Income Accruals of Loans	1,469,110	923,566
<b>Total</b>	<b>71,173,260</b>	<b>57,161,350</b>

**h) Loans granted to subsidiaries and investments:**

	Current Period	Prior Period
Direct loans granted to subsidiaries and investments	279,189	206,449
Indirect loans granted to subsidiaries and investments	-	-
<b>Total<sup>(1)</sup></b>	<b>279,189</b>	<b>206,449</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Current Period	Prior Period
Loans and other receivables with limited collectability	12,202	14,730
Loans and other receivables with doubtful collectability	104,637	101,888
Uncollectible loans and other receivables	489,487	456,349
<b>Total</b>	<b>606,326</b>	<b>572,967</b>

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Current period</b>	<b>2,981</b>	<b>23,208</b>	<b>63,547</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	2,981	23,208	63,547
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>	<b>1,581</b>	<b>10,616</b>	<b>36,394</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	1,581	10,616	36,394
Rescheduled loans and other receivables	-	-	-

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Prior Period Ending Balance</b>	<b>76,792</b>	<b>166,397</b>	<b>611,881</b>
Additions (+)	537,499	84,518	208,981
Transfers from other Categories of Loans under Follow-Up (+)	-	395,467	378,200
Transfers to other categories of Loans under Follow-Up (-)	395,467	378,200	-
Collections (-) <sup>(1)</sup>	155,127	102,004	565,896
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance<sup>(2)</sup></b>	<b>63,697</b>	<b>166,178</b>	<b>633,166</b>
Specific Provision (-)	12,202	104,637	489,487
<b>Net Balance on Balance Sheet<sup>(2)</sup></b>	<b>51,495</b>	<b>61,541</b>	<b>143,679</b>

<sup>(1)</sup> The restructured and rescheduled loans are included on the stated sum.<sup>(2)</sup> Includes the loans originated from funds amounting to TL154,205 whose risk does not belong to the Bank.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	<b>Group III: Loans and other receivables with limited collectability</b>	<b>Group IV: Loans and other receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and other receivables</b>
<b>Current Period:</b>			
<b>Period Ending Balance</b>	-	<b>6,126</b>	<b>6,622</b>
Specific Provision (-)	-	6,004	6,622
Net Balance on Balance Sheet	-	122	-
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	-	<b>4,838</b>	<b>5,486</b>
Specific Provision (-)	-	4,838	5,486
<b>Net Balance on Balance Sheet</b>	-	-	-

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

	<b>Group III: Loans and other receivables with limited collectability</b>	<b>Group IV: Loans and other receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and other receivables</b>
<b>Current Period (Net)</b>	<b>51,495</b>	<b>61,541</b>	<b>143,679</b>
Loans to Real Persons and Legal Entities (Gross)	63,697	115,121	633,166
Specific Provisions (-)	12,202	53,580	489,487
Loans to Real Persons and Legal Entities (Net)	51,495	61,541	143,679
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	51,057	-
Specific Provisions (-)	-	51,057	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>62,062</b>	<b>64,509</b>	<b>155,532</b>
Loans to Real Persons and Legal Entities (Gross)	76,792	118,843	611,881
Specific Provisions (-)	14,730	54,334	456,349
Loans to Real Persons and Legal Entities (Net)	62,062	64,509	155,532
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	47,554	-
Specific Provisions (-)	-	47,554	-
Other Loans and Receivables (Net)	-	-	-

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

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

**m) Other explanations and disclosures:**

Current Period	Commercial <sup>(2)</sup>	SME	Retail <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired Loans	9,032,999	6,946,008	29,562,673	21,916,361	67,458,041
Past Due but not Impaired Loans	729,498	-	2,401,145	584,576	3,715,219
Impaired Loans	104,207	156,204	247,051	355,579	863,041
<b>Total</b>	<b>9,866,704</b>	<b>7,102,212</b>	<b>32,210,869</b>	<b>22,856,516</b>	<b>72,036,301</b>
Specific Provisions of Impaired Loans(-)	97,445	130,272	200,211	178,398	606,326
<b>Net Loan Amount</b>	<b>9,769,259</b>	<b>6,971,940</b>	<b>32,010,658</b>	<b>22,678,118</b>	<b>71,429,975</b>

<sup>(1)</sup> TL1,198,462 retail, TL2,507,770 agricultural, and TL168 commercial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.

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

Prior Period	Commercial <sup>(2)</sup>	SME	Retail <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired	10,115,343	5,385,264	22,554,172	15,378,980	53,433,759
Past Due but not Impaired Loans	532,079	-	2,254,154	941,358	3,727,591
Impaired Loans	97,428	151,382	226,623	379,637	855,070
<b>Total</b>	<b>10,744,850</b>	<b>5,536,646</b>	<b>25,034,949</b>	<b>16,699,975</b>	<b>58,016,420</b>
Specific Provisions of Impaired Loans(-)	96,475	128,096	185,401	162,995	572,967
<b>Net Loan Amount</b>	<b>10,648,375</b>	<b>5,408,550</b>	<b>24,849,548</b>	<b>16,536,980</b>	<b>57,443,453</b>

<sup>(1)</sup> TL1,153,742 retail, TL2,093,805 agricultural, and TL168 commercial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.

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

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

Current Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	117,513	25,137	10,087	-	152,737
Retail Loans	42,638	15,672	5,264	-	63,574
Agricultural Loans	112,600	28,416	8,624	-	149,640
<b>Total</b>	<b>272,751</b>	<b>69,225</b>	<b>23,975</b>	<b>-</b>	<b>365,951</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installments equals to TL3,349,268.

Prior Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	64,982	17,074	8,160	-	90,216
Retail Loans	37,724	16,457	5,641	-	59,822
Agricultural Loans	90,830	40,815	1,205	-	132,850
<b>Total</b>	<b>193,536</b>	<b>74,346</b>	<b>15,006</b>	<b>-</b>	<b>282,888</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installments equals to TL3,444,703.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	6,920,200	1,638,210	4,960,309	-
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>6,920,200</b>	<b>1,638,210</b>	<b>4,960,309</b>	<b>-</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	9,241,832	1,023,067	5,301,398	-
Other	-	-	-	-
<b>Total</b>	<b>9,241,832</b>	<b>1,023,067</b>	<b>5,301,398</b>	<b>-</b>

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

	Current Period	Prior Period
Government Bonds	32,495,050	36,381,678
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>32,495,050</b>	<b>36,381,678</b>

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

	Current Period	Prior Period
Debt securities	32,504,197	36,388,051
Quoted in a Stock Exchange	30,174,631	34,064,577
Not Quoted in a Stock Exchange	2,329,566	2,323,474
Provision for Impairment (-)	-	-
<b>Total</b>	<b>32,504,197</b>	<b>36,388,051</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>36,388,051</b>	<b>44,843,796</b>
Foreign Currency Differences on Monetary Assets	817,735	(17,236)
Purchases During the Year	4,302,130	1,447,839
Disposals through Sales and Redemptions	(9,003,719)	(9,886,348)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>32,504,197</b>	<b>36,388,051</b>

Within the year 2008, the Bank has reclassified securities previously classified in available for sale portfolio with nominal values of TL23,630,115, EUR717,616 thousand and USD1,483,317 thousand to held-to-maturity portfolio with fair values of TL22,971,669, EUR702,950 thousand and USD1,562,742 thousand respectively which have been taken into consideration as book values after reclassification. The Bank has also reclassified securities previously classified in financial assets at fair value through profit and loss portfolio with nominal values of EUR37,951 thousand and USD45,501 thousand to held-to-maturity portfolio with fair values of EUR37,178 thousand and USD62,311 thousand respectively which have been taken into consideration as book values after reclassification in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" published in the Official Gazette No. 27040 dated 31 October 2008 by TASB.

Revaluation differences of reclassified available for sale securities before deferred tax are TL68,984, EUR(23,067) thousand and USD(15,207) thousand respectively and are recorded under shareholders' equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. As of balance sheet date, positive revaluation difference, which is accounted under shareholders' equity, is TL4,225, negative revaluation differences which are accounted under shareholders' equity are USD14,017 thousand and EUR11,511 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR39,287 thousand and USD69,560 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL17,682 would have been recorded. As of 31 December 2011, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL(9,892).

**7. Information about associates (net):****a) 1) Information about unconsolidated associates:**

	Description	Address (City/Country)	The Bank's Share Percentage, if Different, Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	İstanbul/TURKEY	12.50	17.98
2	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	11.11	9.09

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	24,961	18,559	10,345	967	-	2,694	1,465	-
2	44,844	33,989	2,465	2,634	4	18,340	14,132	-

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

<sup>(2)</sup> Current period information of associates has been provided from unaudited financial statements as of 31 December 2011. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2010.

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Description	Address (City/Country)	The Bank's Share Percentage, if Different, Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	Istanbul/TURKEY	20.00	15.43

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	3,012,586	353,977	25,087	56,317	27,770	48,095	23,669	-

<sup>(1)</sup> Since shares of Arap Türk Bankası A.Ş. are not traded in the stock market, fair values cannot be identified.<sup>(2)</sup> Current period information of Arap Türk Bankası A.Ş. has been provided from unaudited financial statements as of 31 December 2011. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2010.<sup>(3)</sup> The shareholding right of the Arap Türk Bankası A.Ş. which is 62.37%, excluding dividends, was transferred to the Savings Deposit Insurance Fund with Council of Ministers Decree No. 2011/2001, was promulgated in Official Gazette No. 27982, dated 2 July 2011. Hikmet Aydın Simit and Oğuz Kayhan, who were members of the Executive Board of the Bank, have been appointed as the executive board members of Arap Türk Bankası A.Ş. by the Saving Deposit Insurance Fund.**2) Information about consolidated associates:**

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>47,123</b>	<b>74,147</b>
Movement During the Period	<b>6,658</b>	<b>(27,024)</b>
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation <sup>(1)</sup>	-	47,123
Transfer <sup>(1)</sup>	-	(74,147)
Sales	-	-
Revaluation	6,658	-
Impairment Provision	-	-
<b>Ending Balance</b>	<b>53,781</b>	<b>47,123</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation	15.43	15.43

<sup>(1)</sup> The transfer of TL74,147 during the prior period results from the transfer of the capital amount of Axa Sigorta A.Ş. which was previously classified under the "Associate" account to the "Available for Sale Securities" account. In addition, Arap Türk Bank was included in the scope of consolidation in the prior period.**3) Sector information about consolidated associates:**

	Current Period	Prior Period
Banks	53,781	47,123
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

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

None (2010: None).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**8. Information on subsidiaries (net):****a) 1) Information about unconsolidated subsidiaries:**

	Description	Address (City/Country)	The Bank's Share Percentage-if different Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.	Istanbul/TURKEY	62.50	52.54
2	Fintek Finansal Teknoloji Hizmetleri A.Ş.	Ankara/TURKEY	62.50	64.61

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	23,203	12,659	3,955	909	-	2,474	4,571	-
2	10,672	4,795	74	243	118	569	345	-

<sup>(1)</sup> Since shares of subsidiaries are not traded in the stock market, fair values cannot be identified.<sup>(2)</sup> Current period information of subsidiaries has been provided from unaudited financial statements as of 31 December 2011. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2010.**b) 1) Information about consolidated subsidiaries:**

Investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. For these subsidiaries, fair value is determined by valuation reports, TL equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries' values are recognized in "Marketable Securities Value Increase Fund" under shareholder's equity.

	Description	Address (City/Country)	The Bank's Share Percentage-if different Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	Istanbul/TURKEY	100.00	99.98
2	Ziraat Sigorta A.Ş.	Istanbul/TURKEY	100.00	99.98
3	Ziraat Finansal Kiralama A.Ş.	Istanbul/TURKEY	100.00	50.25
4	Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/TURKEY	100.00	63.06
5	Ziraat Portföy Yönetimi A.Ş.	Istanbul/TURKEY	60.00	65.70
6	Ziraat Bank International A.G.	Frankfurt/GERMANY	100.00	100.00
7	Turkish Ziraat Bank Bosnia dd	Sarajevo/BOSNIA HERZEGOVINA	100.00	100.00
8	Ziraat Bank (Moscow) CJSC	Moscow/RUSSIA	100.00	99.91
9	Kazakhstan Ziraat Int. Bank	Almaty/KAZAKHSTAN	100.00	99.36
10	Ziraat Banka Ad Skopje	Skopje/MACEDONIA	100.00	100.00

	Total Assets <sup>(3)</sup>	Shareholders' Equity <sup>(3)</sup>	Total Non-Current Assets <sup>(3)</sup>	Interest Income <sup>(3)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(3)</sup>	Prior Period Profit/Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>
1	900,164	120,234	1,258	-	69,137	51,829	48,521	-
2	198,452	74,690	806	-	11,365	41,656	13,738	-
3	558,655	126,928	779	279	-	17,230	14,540	-
4	90,342	75,225	853	29,769	1,532,276	14,740	12,473	-
5	9,811	9,539	25	861	3,272	1,607	1,904	-
6	2,208,109	379,914	3,274	42,841	5,545	7,104	4,438	323,328
7	200,473	87,272	9,032	8,588	436	1,096	468	48,632
8	100,480	53,071	4,020	5,538	105	2,698	1,530	43,477
9	214,878	146,432	8,749	5,466	948	3,494	1,037	124,043
10	101,534	44,951	3,523	2,921	1,745	513	1,448	37,469

<sup>(1)</sup> The subsidiaries other than the ones presented with fair value are not traded in stock exchange and accordingly fair values cannot be determined and they are carried at cost less impairment, if any. For the subsidiaries having fair value, fair value shows the portion belonging to Ziraat Bank.<sup>(2)</sup> The income from marketable securities portfolio of Ziraat Yatırım Menkul Değerler A.Ş. and Ziraat Portföy Yönetimi A.Ş. are representing the net sales.<sup>(3)</sup> Information on subsidiaries shown in the above table has been provided from the audited financial statements as of 31 December 2011, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2010.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**2) Information about consolidated subsidiaries:**

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>629,955</b>	<b>-</b>
<b>Movements During the Period</b>	<b>64,273</b>	<b>629,955</b>
Additions to Scope of Consolidation <sup>(1)</sup>	-	629,955
Purchases	56,690	-
Bonus Shares Obtained	7,583	-
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	-	-
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>694,228</b>	<b>629,955</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

<sup>(1)</sup> According to Communiqué related to making amendments to communiqué about Publicly Announced Financial Statements of Banks and Related Disclosures was issued in Official Gazette no: 27824 dated 23 January 2011, the Bank consolidates all of its financial subsidiaries.

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

	Current Period	Prior Period
Banks	576,949	520,975
Insurance Companies	39,984	39,984
Factoring Companies	-	-
Leasing Companies	57,443	49,860
Financing Companies	-	-
Other Financial Subsidiaries	19,852	19,136

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

None (2010: None).

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

Entities under Common Control (Joint Ventures) <sup>(1)</sup>	Parent Bank's Share <sup>(2)</sup>	Group's Share	Current Assets	Non-Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	8,075	8,075	91,275	17,167	6,788	10,393	5,559
Uzbekistan- Turkish Bank	20,173	20,181	210,924	2,929	3,203	7,175	5,159
Azer Türk Bank ASC	13,840	15,044	78,471	76,865	568	35,039	32,761
<b>Total</b>	<b>42,088</b>	<b>43,300</b>	<b>380,670</b>	<b>96,961</b>	<b>10,559</b>	<b>52,607</b>	<b>43,479</b>

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

The Bank has no finance lease receivables.

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

The Bank has no derivative financial assets for hedging purposes.

### 12. Information on investment property:

None (2010: None).

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

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

The Bank's total immovables acquired amount to TL52,304 consisting of TL656 due to consumer loans, TL50,559 due to commercial loans and TL1,089 due to agricultural loans. Total depreciation expense is TL422 for these held for sale assets.

### 14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Other Tangibles	Total
<b>Prior Period End:</b>					
Cost	1,354,014	52,906	24,582	199,460	1,630,962
Accumulated Depreciation (-)	606,743	46,895	10,337	140,945	804,920
<b>Net Book Value</b>	<b>747,271</b>	<b>6,011</b>	<b>14,245</b>	<b>58,515</b>	<b>826,042</b>
<b>Current Period End:</b>					
Net Book Value at the Beginning of the Period	747,271	6,011	14,245	58,515	826,042
Change During the Period (Net)	35,028	(87)	473	108,878	144,292
Depreciation – net (-)	13,760	2,044	3,250	16,876	35,930
Impairment (-)	3,906	-	-	-	3,906
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-
Cost at Period End	1,385,136	52,819	25,055	308,338	1,771,348
Accumulated Depreciation at Period End (-)	620,503	48,939	13,587	157,821	840,850
<b>Closing Net Book Value</b>	<b>764,633</b>	<b>3,880</b>	<b>11,468</b>	<b>150,517</b>	<b>930,498</b>

### 15. Explanations on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	48,758	14,376	34,382	21,067	4,402	16,666
Establishment Costs	4,631	2,267	2,364	3,686	2,156	1,530
Goodwill	-	-	-	-	-	-
Intangible Rights	37,564	10,333	27,231	25,318	8,090	17,228
<b>Total</b>	<b>90,953</b>	<b>26,976</b>	<b>63,977</b>	<b>50,071</b>	<b>14,648</b>	<b>35,424</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

### 16. Information on deferred tax asset:

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

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

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

	Current Period	Prior Period
Deferred Tax Assets	290,053	329,755
Deferred Tax Liabilities	8,351	14,919
Net Deferred Tax Assets	281,702	314,836
Net Deferred Tax Income/(Expense)	(364,014)	50,632

	Current Period	Prior Period
Reserve for Employment Termination Benefits	106,220	97,940
Short Term Employee Benefits	25,100	22,226
Other Provisions	16,646	16,645
Valuation of Financial Assets	131,731	174,330
Other	2,005	3,695
<b>Net Deferred Tax Assets</b>	<b>281,702</b>	<b>314,836</b>

	Current Period	Prior Period
<b>As of 1 January</b>	<b>314,836</b>	<b>344,819</b>
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax (Expense)/Income	(364,014)	50,632
<b>Deferred Tax Expenses (Net)</b>	<b>(364,014)</b>	<b>50,632</b>
Deferred Tax recognized Under Shareholders' Equity	330,880	(80,615)
<b>Deferred Tax Assets</b>	<b>281,702</b>	<b>314,836</b>

### 17. Information on other assets:

As of 31 December 2011 and 2010, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES****1. a) Information on maturity structure of deposits collected:****1) For deposit banks:**

Current Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	6,303,548	-	3,428,901	39,648,178	4,902,631	567,637	917,048	-	55,767,943
Foreign Currency Deposits	3,783,284	-	3,713,836	8,421,222	2,058,980	604,386	4,618,697	-	23,200,405
Residents in Turkey	3,443,111	-	3,473,509	7,619,551	1,888,306	493,256	4,126,789	-	21,044,522
Residents Abroad	340,173	-	240,327	801,671	170,674	111,130	491,908	-	2,155,883
Public Sector Deposits	5,681,968	-	2,131,409	4,862,490	217,595	78,515	14,151	-	12,986,128
Commercial Inst. Deposits	2,231,012	-	2,855,185	3,260,719	713,601	944,841	26,536	-	10,031,894
Other Inst. Deposits	1,813,577	-	644,007	2,861,162	2,164,509	116,823	74,761	-	7,674,839
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank Deposits	84,706	-	3,245,496	73,271	-	-	2,000	-	3,405,473
CBRT	1,936	-	376	-	-	-	-	-	2,312
Domestic Banks	28,456	-	3,044,061	-	-	-	2,000	-	3,074,517
Foreign Banks	32,962	-	201,059	73,271	-	-	-	-	307,292
Participation Banks	21,352	-	-	-	-	-	-	-	21,352
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19,898,095</b>	<b>-</b>	<b>16,018,834</b>	<b>59,127,042</b>	<b>10,057,316</b>	<b>2,312,202</b>	<b>5,653,193</b>	<b>-</b>	<b>113,066,682</b>

Prior Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	6,140,203	-	10,634,241	38,091,351	2,802,331	396,027	550,097	-	58,614,250
Foreign Currency Deposits	3,333,545	-	5,090,126	7,183,678	1,970,116	524,026	3,971,421	-	22,072,912
Residents in Turkey	3,211,711	-	4,921,626	6,709,267	1,663,946	463,559	3,647,069	-	20,617,178
Residents Abroad	121,834	-	168,500	474,411	306,170	60,467	324,352	-	1,455,734
Public Sector Deposits	5,873,459	-	1,631,287	4,803,742	678,124	2,410	13,871	-	13,002,893
Commercial Inst. Deposits	2,506,389	-	4,418,724	11,000,102	882,668	241,408	37,748	-	19,087,039
Other Inst. Deposits	1,078,357	-	1,178,823	7,111,987	1,119,916	50,230	6,201	-	10,545,514
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank Deposits	57,463	-	2,388,340	26,000	2,061	-	-	-	2,473,864
CBRT	1,496	-	1,539	-	-	-	-	-	3,035
Domestic Banks	13,515	-	2,293,971	26,000	-	-	-	-	2,333,486
Foreign Banks	33,020	-	92,830	-	2,061	-	-	-	127,911
Participation Banks	9,432	-	-	-	-	-	-	-	9,432
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>18,989,416</b>	<b>-</b>	<b>25,341,541</b>	<b>68,216,860</b>	<b>7,455,216</b>	<b>1,214,101</b>	<b>4,579,338</b>	<b>-</b>	<b>125,796,472</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

### b) Information on saving deposits:

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

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

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits <sup>(2)</sup>	30,206,627	30,298,251	25,297,249	28,090,165
Foreign Currency Saving Deposits <sup>(2)</sup>	7,404,412	6,883,869	9,275,852	7,051,300
Other Deposits in the Form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	412,909	287,445	42,243	22,157
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-	-	-

<sup>(1)</sup> In Bulgaria and Greece, since both real person and legal entity's saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL17,026 and TL5,792 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2010: Bulgaria and Greece, TL6,730 and TL4,802, respectively).

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

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL3,253 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of the Banks. As total of capital amount and interest expense accruals of saving deposits up to TL50 attributable to a real person is covered by the insurance, TL377,859 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 7 November 2006 and numbered 26339.

#### 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 abroad, and reasons if it is covered in where the head office is located:

The Bank's head office is located in Turkey.

#### 3) Amounts which are not covered by deposit insurance:

##### a) Saving deposits not covered by the deposit insurance fund:

	Current Period	Prior Period
Deposits and Other Accounts in Branches Abroad	4,436	33,935
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors and Their Close Families	1,199	2,038
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**2. Information on derivative financial liabilities held for trading:****a) Negative differences related to the derivative financial liabilities held for trading:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	943	28	241	-
Swap Transactions	28,910	9,940	5,273	85
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>29,853</b>	<b>9,968</b>	<b>5,514</b>	<b>85</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	65,526	43,778	28,679	8,073
Foreign Banks, Institutions and Funds	-	444,178	-	62,011
<b>Total</b>	<b>65,526</b>	<b>487,956</b>	<b>28,679</b>	<b>70,084</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	63,631	63,384	27,090	7,397
Medium and Long-Term	1,895	424,572	1,589	62,687
<b>Total</b>	<b>65,526</b>	<b>487,956</b>	<b>28,679</b>	<b>70,084</b>

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

70.37% of the Bank's liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Bank's liabilities are not subject to a significant concentration risk.

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

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

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

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

Information on finance lease payables:

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

There are no derivative financial liabilities for hedging purposes.

**7. Explanations on provisions:****a) Information on general provisions:**

	Current Period	Prior Period
<b>General Provisions</b>	<b>977,690</b>	<b>254,845</b>
Allocated for Group-I Loans and Receivables	820,567	114,210
Allocated for Group-II Loans and Receivables	93,766	74,552
Allocated for Non-cash Loans	38,354	24,858
Other	25,003	41,225

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

i) Rescheduled loans and other receivables that are standard:

31 December 2011	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Number of Rescheduled Loan Agreements	326	612	6,831	5,322	-	13,091
Risk Amount	3,825	14,275	222,762	252,905	-	493,767

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

31 December 2011	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Number of Rescheduled Loan Agreements	207	56	319	692	-	1,274
Risk Amount	4,564	3,394	15,990	37,579	-	61,527

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

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

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

Specific provisions for unindemnified non-cash loans amount to TL2,747.

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

Apart from special provisions, as per the relevant regulations, Banks set aside general loan provisions for its loan and other receivables. The practice in which the general provision rate was considered as 0% for newly extended cash loans excluding credit card receivables, and which was implemented starting from 6 March 2010 according to Temporary Article 4 of the Regulation on Provisions, was terminated by the Bank as of 1 January 2011. However, in line with Note (a) of the first paragraph of Article 7 of the Communiqué related to provisions, the general provision is set aside at 1% for standard cash loans effective from 1 January 2011. In accordance with the decision taken at the Assets and Liabilities Committee ("ALCO") meeting on 21 December 2010, the practice of applying a general and free provision rate at 3% to total loans, excluding interest loans, was terminated as of 1 January 2011. Accordingly, the existing free provisions of TL266,330 held for loans were transferred to general provision accounts. Based on the decision of the Bank management on December 2011, TL130,000 was provided as free provisions as a precaution taking into account possible developments in the economy and markets. Moreover, the provision of TL10,000 is due to the cash transfers made by Bank officials and there exists other provision amounting to TL248.

	Current Period	Prior Period
General provisions for possible risks	140,248	275,125

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

Since the Bank has no centralized database for the outstanding lawsuits, summary of the number and amount of those lawsuits cannot be obtained from the data processing system. However, based on the information provided by the legal department, lawsuits against the Bank over TL100 amounts to TL59,817. Full provision has been provided in the accompanying financial statements for law suits ended against the Bank but not finalized yet, amounting to TL9,059. In addition to these, for the interest expenses calculated for the lawsuits against the Bank concerning the remuneration liabilities related to KOSGEB and National Productivity Center, general provision equal to TL62,932 has been provided.

Furthermore, based on the decision of the Bank management, provision amounting to TL20,000 is allocated for the consumer loans of loan customers (without taking into consideration the guarantees) who has outstanding balances in the non performing loan portfolio of the Bank, in line with the conservatism principle and in accordance with the "Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions", published in Official Gazette numbered 26333, dated 1 November 2006, and whose consumer loans are followed under the standard loan portfolio due to the Act on Preservation of Consumers numbered 4077.

The Bank also provided provisions amounting to TL2,747 for unindemnified non-cash loans, TL15,424 for previously unconfirmed current account recordings and TL7,984 for other provisions. As a result, in addition to the provisions mentioned above, the other provision balance on the Bank's balance sheet amounts to TL258,146 (2010: TL372,355).

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

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

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

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
As of 1 January	489,700	429,000
Payments in the period	(47,300)	(43,139)
Charge for the period	88,700	103,839
<b>Total</b>	<b>531,100</b>	<b>489,700</b>

As of 31 December 2011, unpaid vacation liability amounted to TL125,500 (2010: TL111,130) is presented under the "Employee Benefits Provision" in the financial statements.

#### 2) Pension Rights

The technical balance sheet report as of 31 December 2011 which is prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9.80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2011 and 2010.

The liability related to Bank's benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act's, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9.80% real discount rate, etc.).

According to related Actuary Report, the Fund's surplus is TL810,181 (2010: TL633,381) as of 31 December 2011.

	Current Period	Prior Period
Present value of funded obligations	181	(121,619)
- Pension benefits transferable to SSI	(266,243)	(316,767)
- Post employment medical benefits transferable to SSI	266,415	195,148
Fair value of plan assets	810,000	755,000
<b>Actuarial Surplus</b>	<b>810,181</b>	<b>633,381</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

The principal actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9.80%	9.80%
- Post employment medical benefits transferable to SSI	9.80%	9.80%

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

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank Placements	612,231	76	583,664	77
Property and Equipment	160,771	20	160,323	21
Marketable Securities	26,498	3	5,972	1
Other	10,500	1	5,041	1
<b>Total</b>	<b>810,000</b>	<b>100</b>	<b>755,000</b>	<b>100</b>

### 8. Information on tax liability:

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

##### 1) Information on tax provisions:

As of 31 December 2011, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL85,187 (2010: TL252,667).

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

	Current Period	Prior Period
Corporate Tax Payable	85,187	252,667
Taxation on Income From Securities	108,145	90,373
Property Tax	840	747
Banking Insurance Transactions Tax (BITT)	40,014	30,390
Foreign Exchange Transactions Tax	4	4
Value Added Tax Payable	1,266	1,141
Other	24,590	29,582
<b>Total</b>	<b>260,046</b>	<b>404,904</b>

##### 3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	22	17
Social Security Premiums - Employer	31	26
Bank Social Aid Pension Fund Premium - Employee	3,263	110
Bank Social Aid Pension Fund Premium - Employer	4,598	192
Pension Fund Membership Fees and Provisions - Employee	7	6
Pension Fund Membership Fees and Provisions - Employer	17	16
Unemployment Insurance - Employee	485	164
Unemployment Insurance - Employer	973	357
Other	6	12
<b>Total</b>	<b>9,402</b>	<b>900</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

The Bank's deferred tax liability amounts to TL8,351 (2010: TL14,919). However, this amount is netted off against the deferred tax asset and accordingly deferred tax asset amounting to TL281,702 (2010: TL314,836) is presented in the financial statements.

### 9. Information on shareholders' equity:

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

	Current Period	Prior Period
Common stock	2,500,000	2,500,000
Preferred stock	-	-

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

The Bank does not have a registered capital system.

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

There is no share capital increase and increased capital shares.

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

There is no increase from capital reserves.

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

The Bank has no capital commitments.

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

In the current period, the Bank follows its operations in line with the previous periods. The Bank's balance sheet has been managed with precaution by being affected by the interest, rate of exchange and credit risks at the minimum level. This helps to reduce the effects of fluctuations in the market to the Bank's performance and contributes to the profitability structure to be sustainable.

#### g) Information on preferred shares:

The Bank has no preferred shares.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities Under Common Control	-	81,479	-	81,694
Revaluation Difference	-	81,479	-	81,694
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	(410,811)	(45,037)	741,963	104,951
Revaluation Difference	(545,156)	(45,037)	938,119	104,951
Deferred Tax Effect	134,345	-	(196,156)	-
Foreign Exchange Differences	-	-	-	-
<b>Total</b>	<b>(410,811)</b>	<b>36,442</b>	<b>741,963</b>	<b>186,645</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**III. EXPLANATIONS AND NOTES TO THE OFF-BALANCE SHEET ACCOUNTS****1. Information on off-balance sheet liabilities:****a) Nature and amount of irrevocable loan commitments:**

	Current Period	Prior Period
Payment Commitments for Cheques	2,461,000	2,303,845
Asset Purchase Commitments	635,714	261,277
Commitments for Credit Card Expenditure Limits	3,822,106	2,673,734
Loan Granting Commitments	143	-
Other Irrevocable Commitments	1,802,269	924,060
Subsidiaries and Associates Capital Contribution Commitments	1,000	2,000
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	8,131	10,958
<b>Total</b>	<b>8,730,363</b>	<b>6,175,874</b>

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

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

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

	Current Period	Prior Period
Guarantee Letters	9,967,250	6,497,611
Bank Acceptances	373,588	39,164
Letter of Credits	1,637,823	985,179
<b>Total</b>	<b>11,978,661</b>	<b>7,521,954</b>

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

	Current Period	Prior Period
Letter of Temporary Guarantees	416,997	199,701
Letter of Certain Guarantees	5,421,564	3,384,045
Letters of Advance Guarantees	3,113,897	2,180,191
Letters of Guarantees given to Customs Offices	100,080	113,707
Other Letters of Guarantees	914,712	619,967
<b>Total</b>	<b>9,967,250</b>	<b>6,497,611</b>

**c) 1) Total non-cash loans:**

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>257,133</b>	<b>593,228</b>
With Original Maturity of One Year or Less	86,156	38,589
With Original Maturity of More than One Year	170,977	554,639
<b>Other Non-Cash Loans</b>	<b>11,721,528</b>	<b>6,928,726</b>
<b>Total</b>	<b>11,978,661</b>	<b>7,521,954</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	71,486	1.77	51,560	0.65	53,810	2.07	63,253	1.29
Farming and Raising Livestock	70,540	1.74	50,671	0.64	52,446	2.02	62,556	1.27
Forestry	-	-	-	-	-	-	-	-
Fishing	946	0.02	889	0.01	1,364	0.05	697	0.01
Manufacturing	1,056,482	26.11	4,948,404	62.38	684,400	26.31	3,219,081	65.41
Mining	259,156	6.40	488,577	6.16	151,356	5.82	308,275	6.26
Production	638,665	15.78	4,337,959	54.69	431,248	16.58	2,848,904	57.89
Electric, Gas and Water	158,661	3.92	121,868	1.54	101,796	3.91	61,902	1.26
Construction	649,232	16.04	661,891	8.34	305,715	11.75	190,022	3.86
Services	2,146,153	53.04	1,202,170	15.16	1,453,929	55.90	766,485	15.58
Wholesale and Retail Trade	452,642	11.19	188,019	2.37	255,478	9.82	64,555	1.31
Hotel, Food and Beverage Services	15,650	0.39	23,783	0.30	8,996	0.35	1,995	0.04
Transportation and Telecommunication	387,899	9.59	122,255	1.54	338,884	13.03	80,686	1.64
Financial Institutions	818,616	20.23	238,855	3.01	525,096	20.19	215,123	4.37
Real Estate and Leasing Services	4,725	0.12	10,679	0.13	1,105	0.04	4	-
Self-employment Services	5,533	0.14	-	-	5,038	0.19	-	-
Education Services	10,592	0.26	6,099	0.08	5,636	0.22	13,688	0.28
Health and Social Services	450,496	11.13	612,480	7.72	313,696	12.06	390,434	7.93
Other	123,190	3.04	1,068,093	13.47	102,999	3.96	682,260	13.86
<b>Total</b>	<b>4,046,543</b>	<b>100.00</b>	<b>7,932,118</b>	<b>100.00</b>	<b>2,600,853</b>	<b>100.00</b>	<b>4,921,101</b>	<b>100.00</b>

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

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash loans</b>	<b>3,999,961</b>	<b>7,928,718</b>	<b>46,582</b>	<b>3,400</b>
Letters of Guarantee	3,997,927	5,919,341	46,582	3,400
Bank Acceptances	2,000	371,587	-	-
Letters of Credit	34	1,637,790	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**2. Explanations on derivative transactions:**

	Current Period	Prior Period
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions (I)	6,210,256	4,201,080
Forward Transactions	267,707	19,705
Swap Transactions	5,942,549	4,181,375
Futures Transactions	-	-
Option Transactions	-	-
Interest Related Derivative Transactions (II)	-	-
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	-	-
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	-	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>6,210,256</b>	<b>4,201,080</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>6,210,256</b>	<b>4,201,080</b>

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	16,332	(36,371)	269	31,680	-	11,910
- Inflow	1,927,325	590,375	28,903	564,480	-	3,111,083
- Outflow	(1,910,993)	(626,746)	(28,634)	(532,800)	-	(3,099,173)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total inflow</b>	<b>1,927,325</b>	<b>590,375</b>	<b>28,903</b>	<b>564,480</b>	<b>-</b>	<b>3,111,083</b>
<b>Total outflow</b>	<b>(1,910,993)</b>	<b>(626,746)</b>	<b>(28,634)</b>	<b>(532,800)</b>	<b>-</b>	<b>(3,099,173)</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	20,606	226	558	-	-	21,390
- Inflow	2,081,265	10,837	19,133	-	-	2,111,235
- Outflow	(2,060,659)	(10,611)	(18,575)	-	-	(2,089,845)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total inflow</b>	<b>2,081,265</b>	<b>10,837</b>	<b>19,133</b>	<b>-</b>	<b>-</b>	<b>2,111,235</b>
<b>Total outflow</b>	<b>(2,060,659)</b>	<b>(10,611)</b>	<b>(18,575)</b>	<b>-</b>	<b>-</b>	<b>(2,089,845)</b>

**3. Explanations on contingent assets and liabilities:**

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

The Bank's liability resulting from the cheques given to its customers amounts to TL2,461,000 (2010: TL2,303,845)

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

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

**4. Explanations on services in the name of others:**

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on Loans<sup>(1)</sup></b>	<b>7,104,203</b>	<b>287,916</b>	<b>5,651,965</b>	<b>124,792</b>
Short Term Loans	1,921,473	60,766	1,775,750	38,660
Medium and Long Term Loans	5,079,534	227,142	3,769,368	86,131
Interest on Non-Performing Loans	103,196	8	106,847	1
Premiums from Resource Utilization Support Fund	-	-	-	-

<sup>(1)</sup> Includes fees and commissions income on cash loans.**b) Information on interest received from the banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	8,604	-	157,476	-
Domestic Banks	74	858	124	675
Foreign Banks	2,569	22,552	704	17,527
Head Office and Branches	-	-	-	-
<b>Total</b>	<b>11,247</b>	<b>23,410</b>	<b>158,304</b>	<b>18,202</b>

**c) Information on interest income on marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Trading Financial Assets	6,297	3,274	18,893	1,419
From Financial Assets at Fair Value through Profit or Loss	-	-	-	-
From Available-for-sale Financial Assets	2,999,546	203,334	2,524,817	176,926
From Held-to-maturity Investments	2,757,847	295,571	3,440,266	256,280
<b>Total</b>	<b>5,763,690</b>	<b>502,179</b>	<b>5,983,976</b>	<b>434,625</b>

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

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	9,976	3,734

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks<sup>(1)</sup></b>	<b>3,976</b>	<b>2,607</b>	<b>1,609</b>	<b>283</b>
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	3,958	574	1,599	162
Foreign Banks	18	2,033	10	121
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>3,976</b>	<b>2,607</b>	<b>1,609</b>	<b>283</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	118,028	70,302

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

The bank has no securities issued.

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

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	138,041	-	-	-	-	-	138,041
Saving Deposit	25	345,359	3,370,690	435,039	47,035	63,035	-	4,261,183
Public Sector Deposit	351	76,000	378,778	45,916	3,945	1,137	-	506,127
Commercial Deposit	154	153,702	702,105	185,014	63,795	4,142	-	1,108,912
Other Deposit	69	36,060	509,333	319,179	11,268	4,089	-	879,998
Deposit With 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>599</b>	<b>749,162</b>	<b>4,960,906</b>	<b>985,148</b>	<b>126,043</b>	<b>72,403</b>	<b>-</b>	<b>6,894,261</b>
FC								
Foreign Currency Deposit	1,318	78,849	192,209	56,899	13,622	107,040	-	449,937
Bank Deposit	4,453	-	-	-	-	-	-	4,453
Deposit With 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,771</b>	<b>78,849</b>	<b>192,209</b>	<b>56,899</b>	<b>13,622</b>	<b>107,040</b>	<b>-</b>	<b>454,390</b>
<b>Grand Total</b>	<b>6,370</b>	<b>828,011</b>	<b>5,153,115</b>	<b>1,042,047</b>	<b>139,665</b>	<b>179,443</b>	<b>-</b>	<b>7,348,651</b>

**3. Explanations on dividend income:**

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	18,658	24,979
Other <sup>(1)</sup>	13,130	8,669
<b>Total</b>	<b>31,788</b>	<b>33,648</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

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

	Current Period	Prior Period
<b>Profit</b>	<b>3,537,224</b>	<b>1,439,587</b>
Profit from the Capital Market Transactions	94,480	22,429
Profit on Derivative Financial Instruments	1,533,252	492,924
Foreign Exchange Gains	1,909,492	924,234
<b>Loss (-)</b>	<b>3,598,677</b>	<b>1,452,724</b>
Loss from the Capital Market Transactions	1,340	81
Loss on Derivative Financial Instruments	1,241,678	381,370
Foreign Exchange Loss	2,355,659	1,071,273

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(978,210)	72,619
Effect of the change in interest rates on profit/loss	1,269,784	38,935
<b>Total</b>	<b>291,574</b>	<b>111,554</b>

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

There are no significant matters covering the recent developments which have significant effect on the Bank's income. Main component of the Bank's other operating income consists of reversals from prior period provisions amounting to TL244,869.

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	188,374	139,723
Group III Loans and Receivables	14,828	15,692
Group IV Loans and Receivables	55,729	55,618
Group V Loans and Receivables	117,817	68,413
General Provision Expenses <sup>(2)</sup>	464,703	1,174
Provision Expenses for the Possible Losses	131,535	1,200
Marketable Securities Impairment Expense	2,916	218
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	2,916	218
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	41	1,636
Associates	41	-
Subsidiaries	-	1,636
Entities under Common Control	-	-
Investment Securities Held to Maturity	-	-
Other <sup>(3)</sup>	20,428	554
<b>Total</b>	<b>807,997</b>	<b>144,505</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL155,015 are presented in other operating income (2010: TL249,590).

<sup>(2)</sup> The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL8,189 are presented in other operating income (2010: TL512,797).

<sup>(3)</sup> Based on the decision of the Bank management, provision amounting to TL20,000 is allocated for the retail loans of loan customers (without taking into consideration the guarantees) who has outstanding balances in the non performing loan portfolio of the Bank, in line with the conservatism principle and in accordance with the "Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions", published in Official Gazette numbered 26333, dated 1 November 2006, and whose retail loans are followed under the standard loan portfolio due to the Act on Preservation of Consumers numbered 4077.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

	Current Period	Prior Period
Personnel Expenses	1,312,835	1,234,914
Reserve for Employee Termination Benefits	88,700	103,839
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	58,011	46,206
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	13,815	7,353
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	285	182
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	632,713	443,513
Operational Leasing Expenses	75,269	51,877
Maintenance Expenses	40,086	31,613
Advertisement Expenses	36,455	20,782
Other Expenses	480,903	339,241
Loss on Sales of Assets	1,624	405
Other <sup>(1)</sup>	514,456	413,248
<b>Total</b>	<b>2,622,439</b>	<b>2,249,660</b>

<sup>(1)</sup> TL209,381 (2010: TL159,153) of other item consists of Saving Deposit Insurance Fund accrual expense while TL199,880 (2010: TL176,299) consists of taxes, duties and charges expense.

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

The Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period	Prior Period
Net Interest Income	5,241,578	5,355,659
Net Fees and Commissions Income	625,613	510,581
Dividend Income	31,788	33,648
Trading Income/Expense (Net)	(61,453)	(13,137)
Other Operating Income	372,414	976,774
Provision for Loan or Other Receivables Losses (-)	807,997	144,505
Other Operating Expenses (-)	2,622,439	2,249,660
<b>Income/(Loss) From Continuing Operations</b>	<b>2,779,504</b>	<b>4,469,360</b>

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

As of 31 December 2011, TL314,816 (2010: TL807,390) of the Bank's total tax provision expense amounting to TL678,830 (2010: TL756,758), consists of current tax expense while the rest amounting to TL364,014 (2010: TL50,632) consists of deferred tax expense (2010: income).

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

The Bank's net operating income after tax amounts to TL2,100,674 (2010: TL3,712,602).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

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

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

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

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (2010: None).

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

As of 31 December 2011, the Bank's other fee and commission income amounting to TL728,800 (2010: TL581,314) consists of TL193,991 (2010: TL143,277) of credit card fees and commission income, TL169,191 (2010: TL114,945) of insurance commission and the remaining TL365,618 (2010: TL323,092) of money order, account management fee and other commission income.

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

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

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

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

#### b) Explanations on profit distribution:

The General Assembly for the year 2010 was carried out on 1 March 2011. In accordance with the decision taken, of the profit for the year 2010 amounting to TL3,712,602, TL278,458 is transferred to legal reserves, TL111,898 of TL116,000 is distributed as dividend to employees provided that dividend amount does not exceed two month gross wage for each employee and TL818,205 is distributed to the Undersecretariat of Treasury after deducting withholding tax of 15% (TL144,390) in cash on 30 March 2011. Besides, TL2,304,917 of the profit has been preserved and deferred tax income amounting to TL50,632 is not distributed. The remaining part of dividend reserved to be distributed to personnel (TL4,102) is transferred to the account of the Undersecretariat of Treasury as net TL3,487, after deducting withholding tax of 15% (TL615).

Bank is planning to distribute its 2011 profit in accordance with its articles of association. However, as of the report date, there is no decision taken regarding the profit distribution.

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

### d) Profit Reserves:

As of the balance sheet date, legal reserves amount to TL2,290,756, extraordinary reserves amount to TL5,305,510 and other profit reserves amount to TL634,041.

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

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

"Operating Profit before Changes in Operating Assets and Liabilities" amounting to TL2,684,671 is composed mainly from interest received from loans and securities amounting to TL14,662,653 and interest paid to deposit and money market operations which is amounting to TL8,515,062. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rate on cash and cash equivalents is determined, approximately, as TL606,441 as of 31 December 2011 (2010: TL192,319).

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

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

Period Opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	1,291,174	1,029,744
Central Bank of the Republic of Turkey and Other Banks	11,010,665	11,786,829
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>12,301,839</b>	<b>12,816,573</b>

Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	1,331,278	1,291,174
Central Bank of the Republic of Turkey and Other Banks	6,356,714	11,010,665
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>7,687,992</b>	<b>12,301,839</b>

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

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

#### a) Current Period:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash <sup>(2)</sup>	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	1,239,818	351,271	-	-	-	-
Closing Balance	1,812,188	675,435	-	-	-	-
<b>Interest and Commissions Income</b>	<b>9,976</b>	-	-	-	-	-

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

<sup>(2)</sup> Placements to foreign banks in the risk group amounting to TL722,884 are included in the cash loans.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2011**

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

**b) Prior Period:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash <sup>(2)</sup>	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	811,676	305,249	-	-	-	-
Closing Balance	1,239,818	351,271	-	-	-	-
<b>Interest and Commissions Income</b>	<b>3,734</b>	-	-	-	-	-

<sup>(1)</sup> The cash loans balance includes the investments to associates, subsidiaries and entities under common control.<sup>(2)</sup> Placements to foreign banks in the risk group amounting to TL302,285 are included in the cash loans.**c) 1) Deposits held by the Bank's risk group:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	1,527,048	100,952	-	-	-	-
Closing Balance	1,175,691	1,527,048	-	-	-	-
<b>Interest Expense on Deposits</b>	<b>118,028</b>	<b>70,302</b>	-	-	-	-

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	12,768	-	-	-	-
Closing Balance	7,402	-	-	-	-	-
<b>Total Profit/Loss</b>	<b>(359)</b>	<b>(228)</b>	-	-	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	<b>-</b>	<b>-</b>	-	-	-	-

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

Fees paid to the Bank's key management amount to TL9,082 (2010: TL10,059).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

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

1. With the Bank's Board of Directors' Decision No. 4, dated 11 January 2012, the whole equity share of the Bank in Ziraat Bank AD Skopje will be transferred to Halk Bank A.D. Skopje, Joint Venture of T. Halk Bankası A.Ş., considering the legislation of Turkey and Macedonia within the scope of Decision No. 2002/3555 by the Council of Ministers. The transfer process is expected to be completed by October 2012.

2. The Board of Directors, on 15 June 2011 with the decision no: 12/163, has authorised the Head Office to issue domestic bank bills and/or bonds in different types and maturities up to TL4 billion. The Bank applied to ISE on 29 September 2011 to trade bills and bonds on the market. In the context of this application, the approval of Banking Supervision and Regulation Agency has been sent to Bank and these bills and/or bonds have been recorded by the Capital Markets Board. Subsequently, the issue process for bank bills with a nominal value of TL750 million was approved by the Capital Markets Board on 8 February 2012 and the issue amount may be increased up to TL1 billion depending on demand. The issuance procedure is expected to be completed after the book-building process during 13-14-15 February 2011.

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

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

	Number	Number of Employees		Total Assets	Statutory Share Capital
Domestic Branch <sup>(1)</sup>	1,434	20,181			
			<b>Country of Incorporation</b>		
Foreign Representative Office	1	1	1- Iran		
Foreign Branch <sup>(2)</sup>	1	3	1- USA	1,031,327	221,022
	1	3	2- England	801,445	99,913
	4	4	3- Bulgaria	66,902	34,562
	1	4	4- Georgia	27,051	17,128
	2	6	5- Iraq	58,147	26,342
	4	5	6- Greece	296,446	43,902
	1	3	7- Saudi Arabia	38,328	28,224
	10	29	8-T.R. of Northern Cyprus	691,466	38,422
Off-shore Banking Region Branches	-	-			

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

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2011

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

### SECTION SIX

#### OTHER EXPLANATIONS AND NOTES

##### I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

### SECTION SEVEN

#### EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

##### I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

As of 31 December 2011, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Independent Auditor's Report dated 5 March 2012 is presented preceding the financial statements.

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

None.

## Ziraat Bank's Financial Standing, Profitability and Solvency

In 2011, Ziraat Bank targeted a well-balanced balance sheet structure and gave importance to improving asset quality and productivity element. The Bank's total assets grew 6.3% as a result of its 2011 activities and reached TL 160.7 billion.

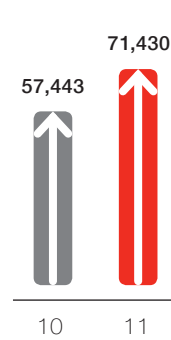
During the reporting period, the Bank concentrated on lending activities and attained 24% expansion in total cash loans in keeping with its target of 25% growth in loans on an annual basis. The share loans including rediscounts got from total assets rose from 38% to 44% during the twelve months to end-2011, whereas the share of marketable securities dropped from 51% to 44%. In 2011, agricultural loans and retail loans grew 39% and 30% respectively.

The ratio of NPL to total loans that stood at 1.5% at year-end 2010 declined to 1.2% at year-end 2011. Excluding loans arising from funds for which the Bank does not set aside any provisions and other receivables, this ratio goes down to 1%. The NPL ratio to total loans remains well below the sector's average of 3%. The NPL ratio to total loans that lags highly behind the sector's average is an indication of the Bank's gradually improving assets structure.

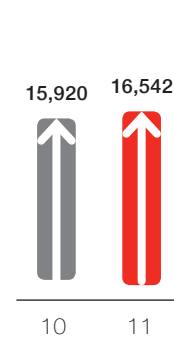
**Total Assets**  
(TL million)



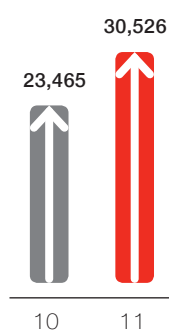
**Total Loans**  
(TL million)



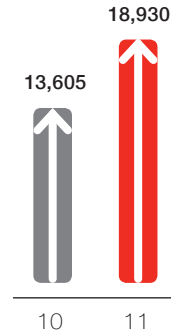
**Commercial Loans**  
(TL million)



**Retail Loans**  
(TL million)



**Agricultural Loans**  
(TL million)



Excluding rediscount on loans

## Ziraat Bank's Financial Standing, Profitability and Solvency

In 2011, Ziraat Bank focused on increasing its profitability by reducing its funding costs through effective liability and deposit management. In addition, work was started during the reporting period to increase the diversity of funds in an effort to secure long-term, low-cost resources. On the deposits wing, the Bank gave weight to broad-based and permanent deposits. While deposits remained the most important source of funding for the Bank with 70% share of the liabilities at year-end 2011, non-deposit resources increased their share from 6% at year-end 2010 to 19% year-on. The share of shareholders' equity, on the other hand, stood at 8% at the end of 2011.

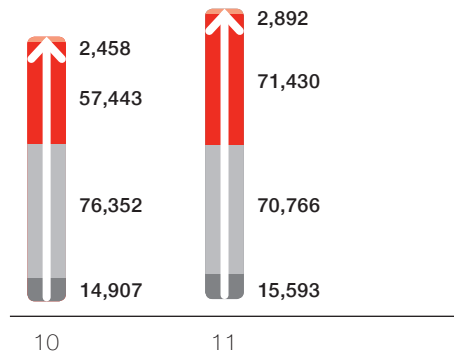
The Bank posted TL 2,101 million in net profit on its 2011 activities. The Bank's RoE as at year-end 2011 was 16.1% and its capital adequacy ratio was 15.6%, which is higher than the legal requirement.

At TL 13.7 billion, interest income makes up the Bank's most important income item. A breakdown of interest income shows that interests charged on loans make up the biggest item. As a result of the lending activities during the reporting period, the share of interests charged on loans within total interest income rose from 47% to 54%.

Other operating expenses amounted to TL 2,622 million. Personnel costs represent the highest share with 50% within other operating expenses.

### Asset Composition

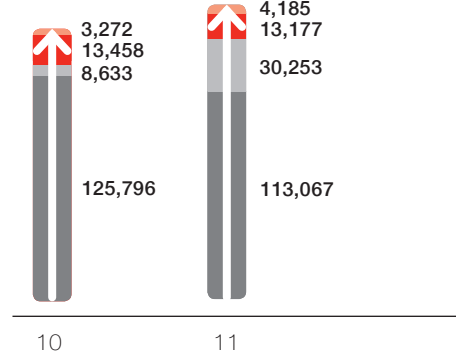
(TL million)



Liquid Assets and Banks
  Marketable Securities
  Loans
  Other Assets

### Liabilities Composition

(TL million)



Deposits
  Non-Deposit Resources
  Shareholders' Equity
  Other Liabilities

# Ratios

%	2011	2010
<b>CAPITAL</b>		
Capital Adequacy Ratio	15.6	19.2
Shareholders' Equity/Total Assets	8.2	8.9
Shareholders' Equity/(Total Assets+Non-cash Loans)	7.6	8.5
Shareholders' Equity/(Deposits+Non-Deposit Resources)	9.2	10.0
<b>ASSET QUALITY</b>		
Total Loans/Total Assets	44.5	38.0
NPL (Gross)/Cash Loans	1.2	1.5
NPL (Gross)/(Non-cash Loans+Cash Loans)	1.0	1.3
FC Assets/FC Liabilities	95.7	91.5
<b>LIQUIDITY</b>		
Liquid Assets/Total Assets	9.7	9.9
Liquid Assets/(Deposits+Non-Deposit Resources)	10.9	11.1
<b>PROFITABILITY</b>		
Net Profit (Loss)/Average Total Assets	1.3	2.8
Net Profit (Loss)/Average Shareholders' Equity	16.1	31.8
Net Profit (Loss)/Average Paid-in Capital	84.0	148.5
<b>COST-INCOME STRUCTURE</b>		
Interest Income/Interest Expenses	161.9	176.1
Non-Interest Income/Non-Interest Expenses	31.2	64.4
Total Income/Total Expenses	123.1	146.9
Interest Income/Total Income	92.5	88.5
Non-Interest Income/Total Income	7.5	11.5
Interest Expenses/Total Expenses	70.3	73.8
Non-Interest Expenses/Total Expenses	29.7	26.2

# Risk Management Policies Adhered to According to Types of Risk

Risk management activities at the Bank are conducted under the Risk Management Guidelines approved by the Board of Directors decision no. 377, dated 27 November 2007. The fundamental approach to risk management 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.

Risk management activities cover the primary headings of credit risk, market risk, operational risk, and balance sheet risks. Policy and implementation principles concerning the management of these risks are carried out in accordance with regulations on the basis of each type of risk, which are approved by the Board of Directors. 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.

Risk management policy is concerned with the execution of measurement, monitoring, stress testing and scenario analyses of credit risk, operational risk, market and balance sheet risks which are aligned with the volume, nature and complexity of the Bank's activities, and reporting the results therefrom. New products are considered within the frame of risk management activities.

Results of risk analyses and risk indicators are reported in varying scope and extent to the Board of Directors, Audit Committee, executive units and internal system units at semi-annual, monthly, weekly and daily intervals.

The Bank places utmost importance on acquiring expertise in the field of risk management; in this vein, the activities are being carried out by the Risk Analyst Group career professional staff. Employees assigned with risk management are encouraged to earn FRM (Financial Risk Manager) certification awarded by GARP (Global Association of Risk Professionals) and the number of certified employees grows by the year.

## Credit Risk

Within the frame of credit risk management, end-of-month amount at credit risk is calculated using the standardized method under Basel II requirements published by the BRSA in March 2011, and the results are reported to the BRSA. Calculations subject to Basel II requirements, which were implemented in parallel with Basel I requirements from 01 July 2011 and 30 June 2012 based on the BRSA decision dated 24 February 2011, are revised as necessary upon new announcements made from time to time by the BRSA. In order to allow the use of advanced measurement methods as well for calculating the amount at credit risk, work is carried out on the results of rating/scoring models used for different loan portfolios.

## Operational Risk

The Bank acknowledges that operational risk management is a process encompassing all activities and personnel. When fulfilling their duties, authorities and responsibilities, it is essential that the Bank personnel are aware of operational risks and consider their ramifications, take necessary precautions for mitigation and/or prevention of these risks or come up with proposals to this end, and carry out their activities with an awareness of control. The Bank's operations are evaluated with respect to operational risks arising from the personnel, processes, system and external factors.

Operational risk loss database uses the lines of business and types of losses identified under Basel II. Data on operational risk losses that occur throughout the Bank are monitored through the system as and when they are recognized in the accounts. Pursuant to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks, legal capital requirement is calculated for operational risk, as well as for credit risk and market risk, using the basic indicator approach. Advanced measurement methods are used within the frame of internal capital analyses and economic capital is estimated for operational risk. The calculations employ the Monte Carlo Simulation within the scope of the Loss Distribution Approach. Efforts are ongoing to develop advanced measurement methods required to be used by banks offering service on a global scale within the framework of Basel II Accord.

Self-assessments were conducted by way of meetings held at Regional Offices and face-to-face interviews with employees for on-site identification of risks. The meetings were completed in June 2011, and the report issued was shared with related units.

Under the Information Systems Risk Management activities, the Business Continuity Plan has been developed in coordination with the concerned units in keeping with the BRSA regulation in force, the Contingency Plan in place has been revised, and the two plans were merged to produce the "Ziraat Bank Business Continuity and Contingency Plan". Training sessions regarding the plan was organized to raise awareness of the personnel and the plan has been distributed in hard copy to all Bank units.

Operational Risk Map 2011 has been formulated to establish the risk levels of the Bank's branches for use in the creation of the Internal Control audit program.

Work is in progress relating to the risk exposure evaluation of the companies from which the Bank obtains support services, within the frame of the BRSA's applicable regulations concerning banks' outsourced support services.

Efforts are ongoing to achieve compliance with the draft regulations published in line with Basel II requirements based on the BRSA decision numbered 4099.

# Risk Management Policies Adhered to According to Types of Risk

## Market and Balance Sheet Risks

With a view to revealing the market and balance sheet risks that the Bank may be exposed to, risk measuring and monitoring are carried out, whose results are taken into consideration in the Bank's strategic decision-making process.

In market risk control, the Bank's accounts and positions exposed to market risk and the developments that affect the present values thereof are monitored at least on a daily basis, as well as analyzing the impact of ordinary or extraordinary downward and upward moves in markets upon the Bank's accounts and positions exposed to market risk.

In liquidity risk control, maturity mismatches between funds and placements are monitored, as well as their concentration levels, while also following-up cash and cash-equivalent primary liquid reserve levels and free capital levels that will allow the Bank to pursue its normal day-to-day activities.

In structural interest rate risk control, analyses and monitoring are carried out for maturity mismatches between fixed and variable interest rate funds and utilizations, behavioral, as well as contractual maturities of assets and liabilities, and the effects of probable downward and upward, ordinary and extraordinary interest rate changes on the interest rate and on the current value of assets and liabilities.

With a view to being able to evaluate in advance the impact of adverse developments that will take place in the parameters affecting the Bank's financial strength on the activities and market and balance sheet risks, stress tests are conducted and their results are used in the Bank's strategic decision-making process.

In an attempt to prevent the Bank's financial strength from being significantly affected by increased volatility in the markets and potential mismatches in cash inflows and outflows in the performance of its day-to-day activities, signal values in the early warning system are monitored and risk levels are restricted with limits.

In this frame, the Bank calculates and reports the amount at market risk to be included in the legal capital adequacy ratio using standardized method. In addition to that, the Bank started reporting the amount at market risk that is calculated in line with Basel II requirements to the BRSA for information. VaR-based internal method employed in addition to the standardized method for measuring market risk has been assessed, and endorsed for fitness, within the frame of international best practices by an independent consultancy firm.

As per the Capital Markets Board of Turkey decision 35/1012 dated 28 September 2007, price verification is performed once in every fifteen days for over-the-counter options contracts that take place within the Principal Guaranteed Funds.

For liquidity risk measurement, liquidity gap, structural liquidity gap, average maturity, and deposit renewal analyses and liquidity stress testing are conducted. Repricing gap, duration, convexity, net interest margin/income and net present value of banking book change for standardized interest rate shock analyses are performed for structural interest rate risk measurement.

Within the frame of risk management activities, global and national developments are tracked via time-series, and efforts are taken on to estimate economic and financial indicators used in risk management on the basis of econometric models, while work is carried out on "Economic Capital" projections that cover basic risks, as part of the internal capital adequacy assessment process.

# 31 December 2007 – 31 December 2011

## Summary Balance Sheet and Income Statement

(TL million)

<b>ASSETS</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Liquid Assets	11,167	13,086	14,604	14,907	15,593
Securities Portfolio	46,577	58,522	70,988	76,352	70,766
Loans	21,604	30,836	36,725	57,443	71,430
Associates and Subsidiaries	374	661	715	731	810
Fixed Assets	649	815	816	826	930
Other Assets	571	492	681	901	1,152
<b>TOTAL</b>	<b>80,942</b>	<b>104,412</b>	<b>124,529</b>	<b>151,160</b>	<b>160,681</b>
<b>LIABILITIES</b>					
Deposits	68,250	83,883	98,529	125,796	113,067
Money Markets	196	7,268	9,144	5,003	25,788
Funds	2,769	2,914	3,245	3,525	3,871
Provisions	1,102	1,428	1,704	1,228	1,892
Other Liabilities	1,407	1,558	1,553	2,150	2,886
Shareholders' Equity	7,218	7,361	10,354	13,458	13,177
<b>TOTAL</b>	<b>80,942</b>	<b>104,412</b>	<b>124,529</b>	<b>151,160</b>	<b>160,681</b>
<b>PROFIT/LOSS</b>					
Interest Income	11,329	13,368	14,203	12,392	13,706
Interest Expense	7,528	9,266	8,134	7,036	8,465
Net Interest Income	3,802	4,102	6,069	5,356	5,242
Fees and Commissions Income (net)	564	572	437	511	626
Dividend Income	26	26	27	34	32
Capital Market Trading Profit (net)	72	-47	17	134	385
FX Gains (net)	70	-5	44	-147	-446
Other Operating Income	177	338	350	977	372
Total Operating Income	4,710	4,986	6,944	6,864	6,210
Provisions for Loans and Other Receivables	252	546	632	145	808
Other Operating Expenses	1,495	1,725	1,895	2,250	2,622
Pretax Profit	2,963	2,715	4,417	4,469	2,780
Tax Provision	612	581	906	757	679
<b>Net Profit/Loss for the Period</b>	<b>2,351</b>	<b>2,134</b>	<b>3,511</b>	<b>3,713</b>	<b>2,101</b>

# Credit Ratings

Credit ratings assigned to the Bank as of 31 December 2011 are presented below:

Rating Agency	Type	Rating	Date
Fitch	Foreign Currency Counterparty Long-Term/Short-Term	BB+ / B	11 December 2009 (upgraded)
	Local Currency Counterparty Long-Term/Short-Term	BB+ / B	11 December 2009 (upgraded)
	Outlook	Stable	28 November 2011
	Individual	C/D	30 January 2007 (upgraded)
	National Long-Term	AA+ (TUR) (stable)	14 December 2007 (upgraded)
	Support Rating	3 / BB+	11 December 2009 (upgraded)
	Financial Viability Rating	bb+	20 July 2011
Moody's	Foreign Currency Deposits	Ba3 / NP	8 January 2010 (upgraded)
	Outlook	Positive	7 October 2010 (upgraded)
	Local Currency Deposits	Baa3/P-3	9 November 2009
	Outlook	Stable	24 April 2007
	Financial Strength	D+	26 August 2008 (upgraded)
	Outlook	Stable	26 August 2008
JCR Eurasia	Foreign Currency Long-Term / Short-Term	BB+ / B	3 February 2010 (upgraded)
	Local Currency Long-Term / Short-Term	BBB- / A-3	6 June 2009 (new rating)
	Outlook	Stable / Stable	3 February 2010
	National Local Rating Long-Term / Short-Term	AAA (Trk) / A-1+ (Trk)	6 June 2009 (new rating)
	Outlook	Stable	6 June 2009 (new rating)
	Sponsored Support	2	6 June 2009 (new rating)
	Stand-alone	AB	6 June 2009 (new rating)



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
Consolidated Financial Statements Together with  
Independent Auditor's Report  
at 31 December 2011

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Independent Auditor's Report for the period January 1 - December 31, 2011

(Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish)

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

We have audited the accompanying consolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("the Bank") and its consolidated subsidiaries at 31 December 2011 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

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

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

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

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

**Basis for the qualified opinion:**

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Consolidated Financial Statements; as of the balance sheet date, the accompanying financial statements include a general reserve amounting to TL130,000 thousand, provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions and this reserve amount was charged to the income statement as an expense in the current period.

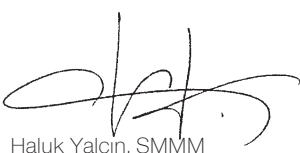
**Independent Auditor's Opinion:**

In our opinion, except for the effects of matter described in the "Basis for qualified opinion" paragraph above on the consolidated financial statements, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its consolidated subsidiaries as of 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by regulations in conformity with articles 37 and 38 of the Banking Act No. 5411 and other regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

**Additional Paragraph for Convenience Translation:**

As explained in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with articles 37 and 38 of Banking Law No. 5411, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



Haluk Yalçın, SMMM

Istanbul, 21 March 2012

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## The Consolidated Financial Report of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. as of 31 December 2011

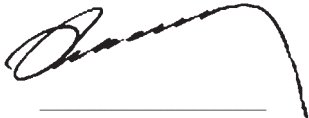
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CAPITAL: 2,500,000,000 TURKISH LIRA

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

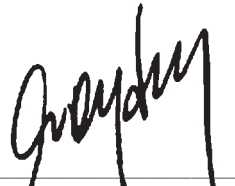
The consolidated financial report includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

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

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



Muharrem KARSLI  
Chairman of the Board of Directors



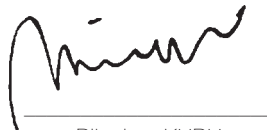
Hüseyin AYDIN  
Member of the Board of Directors  
General Manager



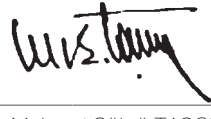
Oğuz KAYHAN  
Member of the Board of Directors  
Member of the Audit Committee



Halil ÇELİK  
Member of the Board of Directors  
Member of the Audit Committee



Bilgehan KURU  
Deputy Assistant General Manager  
Responsible for Financial Reporting



Mehmet Şükrü TAŞCI  
Head of General Accounting  
and Reporting Unit

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

Name/Title : Atakan BEKTAŞ/Financial Statements Unit Manager  
Telephone Number : 0312 584 70 97 - 70 98  
Fax Number : 0312 584 71 61

## Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**CONTENTS****Page No****SECTION ONE****General Information about the Group**

I.	History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status, if any.....	156
II.	Explanation about the Parent Bank's capital structure, shareholders of the Bank who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters (if any) and the group the Bank belongs to.....	156
III.	Information on the Board of Directors, members of the audit committee, Chief Executive Officer and executive vice presidents, changes in these matters (if any) and shares of the parent Bank they possess.....	156
IV.	Information about the persons and institutions that have qualified shares attributable to the Parent Bank.....	157
V.	Summary information on the Parent Bank's activities and services.....	157

**SECTION TWO****Consolidated Financial Statements**

I.	Balance sheet.....	158
II.	Statement of off-balance sheet commitments.....	160
III.	Statement of income.....	162
IV.	Statement of profit and loss items accounted under shareholders' equity.....	163
V.	Statement of changes in shareholders' equity.....	164
VI.	Statement of cash flows.....	166
VII.	Profit appropriation statement.....	167

**SECTION THREE****Explanations on Accounting Policies**

I.	Basis of presentation.....	168
II.	Explanations on strategy of using financial instruments and foreign currency transactions.....	169
III.	Explanations on investments in associates, subsidiaries and joint ventures.....	170
IV.	Explanations on forward transactions, options and derivative instruments.....	172
V.	Explanations on interest income and expense.....	172
VI.	Explanations on fee and commission income and expense.....	172
VII.	Explanations on financial assets.....	173
VIII.	Explanations on impairment of financial assets.....	175
IX.	Explanations on offsetting of financial assets and liabilities.....	175
X.	Explanations on sales and repurchase agreements and securities lending transactions.....	176
XI.	Information on assets held for sale and related to discontinued operations and explanations on liabilities related with these assets.....	176
XII.	Explanations on goodwill and other intangible assets.....	176
XIII.	Explanations on property and equipment.....	176
XIV.	Explanations on leasing transactions.....	177
XV.	Explanations on provisions, contingent asset and liabilities.....	178
XVI.	Explanations on obligations related to employee rights.....	178
XVII.	Explanations on taxation.....	179
XVIII.	Explanations on insurance technical reserves.....	181
XIX.	Explanations on borrowings.....	182
XX.	Explanations on issuance of share certificates.....	182
XXI.	Explanations on avalized drafts and acceptances.....	182
XXII.	Explanations on government grants.....	182
XXIII.	Cash and cash equivalents.....	182
XXIV.	Explanations on segment reporting.....	182
XXV.	Explanations on other matters.....	182

## Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**SECTION FOUR****Explanations Related to the Financial Position of the Bank**

I.	Explanations on the consolidated capital adequacy standard ratio .....	183
II.	Explanations on the credit risk .....	188
III.	Explanations on the market risk.....	192
IV.	Explanations on the operational risk .....	193
V.	Explanations on the currency risk.....	194
VI.	Explanations on the interest rate risk.....	196
VII.	Explanations on the liquidity risk .....	201
VIII.	Explanations on operating segments .....	204
IX.	Explanations on the presentation of financial assets and liabilities at their fair values .....	207
X.	Explanations on the activities carried out on behalf and on account of other parties .....	208

**SECTION FIVE****Explanations and Notes Related to Consolidated Financial Statements**

I.	Explanations and notes related to assets .....	209
II.	Explanations and notes related to liabilities .....	225
III.	Explanations and notes related to the off-balance sheet accounts .....	233
IV.	Explanations and notes related to the income statement.....	237
V.	Explanations and notes related to changes in shareholders' equity .....	241
VI.	Explanations and notes related to statement of cash flows .....	242
VII.	Explanations and notes to the risk group of the Parent Bank.....	243
VIII.	Explanations and notes related to subsequent events .....	244
IX.	Explanations and notes related to the domestic, foreign, off-shore branches or affiliates and foreign representatives of the Bank.....	245

**SECTION SIX****Other Explanations and Notes**

I.	Other explanations on the Group's operations .....	245
----	--	-----

**SECTION SEVEN****Explanations on the Independent Auditor's Report**

I.	Explanations on independent auditor's report.....	245
II.	Explanations and notes prepared by the independent auditors .....	245

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### SECTION ONE

#### GENERAL INFORMATION ABOUT THE GROUP

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

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("Ziraat Bankası" or "the Parent Bank") is based on Government Funds established in 1863. In 1883, Government Funds were replaced with Benefit Funds. The Bank was officially established by the re-organization of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and an intermediary for agricultural operations. The Bank, which was given the authority to perform all the banking activities, has its head office located in Ankara and all shares of the Bank belong to the Undersecretariat of Treasury of the Turkish Republic.

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

The sole shareholder of the Bank is the Undersecretariat of Treasury of the Turkish Republic.

##### III. INFORMATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS

Name	Administrative Function
<b>Members of the Board of Directors</b>	
Muharrem KARSLI	Chairman
Mehmet MUMCUOĞLU	Deputy Chairman
Hüseyin AYDIN	General Manager and Board Member
Burhanettin AKTAŞ <sup>(1)</sup>	Member
Halil ÇELİK	Member
Hikmet Aydın SİMİT	Member
Mustafa ÇETİN	Member
Oğuz KAYHAN	Member
Dr. Ümran DEMİRÖRS	Member
<b>Members of the Audit Committee</b>	
Halil ÇELİK	Member
Oğuz KAYHAN	Member
<b>Assistant General Managers</b>	
Ali TOKER	Human Resources
Alpaslan ÇAKAR	Operational Transactions
Bilgehan KURU	Treasury Management
Bilgehan KURU (Deputy) <sup>(2)</sup>	Financial Management
Cem İNAL	Retail Banking
Mehmet Cengiz GÖĞEBAKAN	Credit Policies
Musa ARDA	Credit Allocation and Management
Numan BEK	International Banking
Ömer Muzaffer BAKTİR	Marketing
<b>Group Head</b>	
Bülent YALIM	Internal Control and Risk Management
<b>Chairman of the Internal Audit</b>	
Ali ARAS	Chairman of the Internal Audit

<sup>(1)</sup> Resigned as of 5 January 2012.

<sup>(2)</sup> As a result of the Board of Directors decision on 15 March 2012, Osman Arslan was appointed as Assistant General Manager in charge of Financial Management.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

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

Name/Trade Name	Amount of Share	Percentage of Share %	Paid-in Shares	Unpaid Shares
Undersecretariat of Treasury	2,500,000	100	2,500,000	-

The sole shareholder of the Bank is the Undersecretariat of Treasury of the Turkish Republic.

### V. SUMMARY INFORMATION ON THE PARENT BANK'S ACTIVITIES AND SERVICES

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

As of 31 December 2011, Bank carries its activities with a grand total of 1,458 branches; 1,434 domestic branches including 1,373 branches, 27 bureaus, 32 private operation centers, 2 mobile branches (2010: 1,379 branches including 1,299 domestic branches, 25 bureaus, 53 private operation centers, 2 mobile branches) and 24 branches abroad including 16 branches and 8 sub branches (New York branch in United States, London branch in England, Tbilisi branch in Georgia, Baghdad and Erbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Filibe/Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Lefkoşa, Girne, Güzelyurt, Gazimağusa and Gönyeli branches with Akdoğan, Near East University, Karaoğlanoğlu, Çatalköy and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran. Besides, preparations for opening a sub branch in Georgia (Batumi) are still continuing.

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

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

The Parent Bank and subsidiaries consolidated with the Parent Bank are together referred as the Group.

As of 31 December 2011, the number of the Group's employees is 25,319 (2010: 23,432).

## SECTION TWO

### THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet
- II. Consolidated Statement of Off-Balance Sheet Commitments
- III. Consolidated Statement of Income
- IV. Consolidated Statement of Profit and Loss Items Accounted Under Shareholders' Equity
- V. Consolidated Statement of Changes in Shareholders Equity
- VI. Consolidated Statement of Cash Flows
- VII. Consolidated Profit Appropriation Statement

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2011 and 2010**

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

I. BALANCE SHEET							
ASSETS	Note (Section Five I)	Current Period (31/12/2011)			Prior Period (31/12/2010)		
		TL	FC	Total	TL	FC	Total
<b>I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	<b>(1)</b>	<b>6,318,376</b>	<b>8,023,447</b>	<b>14,341,823</b>	<b>7,655,101</b>	<b>2,667,484</b>	<b>10,322,585</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	<b>(2)</b>	<b>102,311</b>	<b>40,604</b>	<b>142,915</b>	<b>218,322</b>	<b>28,699</b>	<b>247,021</b>
2.1 Financial Assets Held for Trading		102,311	40,604	142,915	218,322	28,699	247,021
2.1.1 Public Sector Debt Securities		51,574	14,139	65,713	190,632	26,229	216,861
2.1.2 Securities Representing a Share in Capital		34	-	34	2	-	2
2.1.3 Derivative Financial Assets Held for Trading		50,703	26,465	77,168	27,688	2,470	30,158
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
<b>III. BANKS</b>	<b>(3)</b>	<b>566,617</b>	<b>728,025</b>	<b>1,294,642</b>	<b>45,015</b>	<b>4,437,375</b>	<b>4,482,390</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>5,127</b>	<b>7,085</b>	<b>12,212</b>	<b>4,262</b>	<b>18,792</b>	<b>23,054</b>
4.1 Interbank Money Market Placements		4,997	7,085	12,082	-	18,792	18,792
4.2 İstanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables From Reverse Repurchase Agreements		130	-	130	4,262	-	4,262
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>(4)</b>	<b>33,887,985</b>	<b>4,473,922</b>	<b>38,361,907</b>	<b>35,951,236</b>	<b>3,913,703</b>	<b>39,864,939</b>
5.1 Securities Representing a Share in Capital		124,010	93,675	217,685	118,521	46,467	164,988
5.2 Public Sector Debt Securities		33,322,751	4,307,957	37,630,708	35,626,091	3,827,181	39,453,272
5.3 Other Marketable Securities		441,224	72,290	513,514	206,624	40,055	246,679
<b>VI. LOANS AND RECEIVABLES</b>	<b>(5)</b>	<b>64,315,851</b>	<b>8,907,766</b>	<b>73,223,617</b>	<b>51,982,988</b>	<b>6,549,737</b>	<b>58,532,725</b>
6.1 Loans and Receivables		64,059,258	8,897,971	72,957,229	51,700,885	6,545,524	58,246,409
6.1.1 Loans Granted to Risk Group of The Bank		-	18,419	18,419	-	9,275	9,275
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		64,059,258	8,879,552	72,938,810	51,700,885	6,536,249	58,237,134
6.2 Loans under Follow-up		850,293	44,306	894,599	844,746	28,883	873,629
6.3 Specific Provisions (-)		593,700	34,511	628,211	562,643	24,670	587,313
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. INVESTMENTS HELD TO MATURITY (Net)</b>	<b>(6)</b>	<b>27,600,761</b>	<b>5,031,576</b>	<b>32,632,337</b>	<b>32,331,613</b>	<b>4,124,540</b>	<b>36,456,153</b>
8.1 Public Sector Debt Securities		27,592,135	5,006,548	32,598,683	32,325,669	4,103,420	36,429,089
8.2 Other Marketable Securities		8,626	25,028	33,654	5,944	21,120	27,064
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>(7)</b>	<b>60,644</b>	<b>635</b>	<b>61,279</b>	<b>52,252</b>	<b>535</b>	<b>52,787</b>
9.1 Accounted with Equity Method		54,619	-	54,619	47,198	-	47,198
9.2 Unconsolidated Associates		6,025	635	6,660	5,054	535	5,589
9.2.1 Financial Associates		-	635	635	-	535	535
9.2.2 Non-financial Associates		6,025	-	6,025	5,054	-	5,054
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>(8)</b>	<b>6,520</b>	<b>-</b>	<b>6,520</b>	<b>6,520</b>	<b>-</b>	<b>6,520</b>
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		6,520	-	6,520	6,520	-	6,520
<b>XI. ENTITIES UNDER COMMON CONTROL (Net)</b>	<b>(9)</b>	<b>-</b>	<b>39,371</b>	<b>39,371</b>	<b>-</b>	<b>25,999</b>	<b>25,999</b>
11.1 Accounted with Equity Method		-	39,371	39,371	-	25,999	25,999
11.2 Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1 Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2 Non Financial Entities Under Common Control		-	-	-	-	-	-
<b>XII. RECEIVABLES FROM LEASING TRANSACTIONS</b>	<b>(10)</b>	<b>127,924</b>	<b>386,015</b>	<b>513,939</b>	<b>81,221</b>	<b>262,195</b>	<b>343,416</b>
12.1 Finance Lease Receivables		163,798	438,800	602,604	107,113	304,549	411,662
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		35,874	52,791	88,665	25,892	42,354	68,246
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	<b>(14)</b>	<b>923,673</b>	<b>33,684</b>	<b>957,357</b>	<b>822,799</b>	<b>25,439</b>	<b>848,238</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	<b>(15)</b>	<b>54,255</b>	<b>12,850</b>	<b>67,105</b>	<b>34,528</b>	<b>2,797</b>	<b>37,325</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		54,255	12,850	67,105	34,528	2,797	37,325
<b>XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. TAX ASSET</b>		<b>288,166</b>	<b>2,529</b>	<b>290,695</b>	<b>319,061</b>	<b>3,228</b>	<b>322,289</b>
17.1 Current Tax Asset		510	2,529	3,039	1,504	3,228	4,732
17.2 Deferred Tax Asset	(16)	287,656	-	287,656	317,557	-	317,557
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	<b>(13)</b>	<b>51,899</b>	<b>-</b>	<b>51,899</b>	<b>15,183</b>	<b>-</b>	<b>15,183</b>
18.1 Held for Sale		51,899	-	51,899	15,183	-	15,183
18.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>(17)</b>	<b>807,768</b>	<b>66,351</b>	<b>874,119</b>	<b>536,252</b>	<b>64,200</b>	<b>600,452</b>
<b>TOTAL ASSETS</b>		<b>135,117,877</b>	<b>27,753,860</b>	<b>162,871,737</b>	<b>130,056,353</b>	<b>22,124,723</b>	<b>152,181,076</b>

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2011 and 2010**

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

<b>I. BALANCE SHEET</b>								
<b>LIABILITIES AND EQUITY</b>		<b>Note (Section Five II)</b>	<b>Current Period (31/12/2011)</b>			<b>Prior Period (31/12/2010)</b>		
			<b>TL</b>	<b>FC</b>	<b>Total</b>	<b>TL</b>	<b>FC</b>	<b>Total</b>
<b>I.</b>	<b>DEPOSITS</b>	<b>(1)</b>	<b>88,697,824</b>	<b>25,073,972</b>	<b>113,771,796</b>	<b>102,828,014</b>	<b>23,304,815</b>	<b>126,132,829</b>
1.1	Deposits Held By the Risk Group of the Bank		573,757	20,084	593,841	852,400	26,979	879,379
1.2	Other		88,124,067	25,053,888	113,177,955	101,975,614	23,277,836	125,253,450
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(2)</b>	<b>29,897</b>	<b>14,514</b>	<b>44,411</b>	<b>5,514</b>	<b>85</b>	<b>5,599</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>(3)</b>	<b>74,146</b>	<b>606,996</b>	<b>681,142</b>	<b>28,679</b>	<b>133,698</b>	<b>162,377</b>
<b>IV.</b>	<b>MONEY MARKET BALANCES</b>		<b>23,319,266</b>	<b>2,517,720</b>	<b>25,836,986</b>	<b>5,003,477</b>	<b>20,611</b>	<b>5,024,088</b>
4.1	Interbank Money Market Borrowings		-	871,480	871,480	-	-	-
4.2	Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3	Funds Provided under Repurchase Agreements		23,319,266	1,646,240	24,965,506	5,003,477	20,611	5,024,088
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
5.1	Bills		-	-	-	-	-	-
5.2	Asset-backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
<b>VI.</b>	<b>FUNDS</b>		<b>3,871,136</b>	<b>-</b>	<b>3,871,136</b>	<b>3,525,458</b>	<b>-</b>	<b>3,525,458</b>
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		3,871,136	-	3,871,136	3,525,458	-	3,525,458
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>743,233</b>	<b>207,858</b>	<b>951,091</b>	<b>569,257</b>	<b>143,280</b>	<b>712,537</b>
<b>VIII.</b>	<b>OTHER LIABILITIES</b>	<b>(4)</b>	<b>796,728</b>	<b>360,805</b>	<b>1,157,533</b>	<b>627,769</b>	<b>308,832</b>	<b>936,601</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X.</b>	<b>PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
10.1	Finance Lease Payables		-	-	-	-	1	1
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	<b>(7)</b>	<b>2,714,927</b>	<b>25,276</b>	<b>2,740,203</b>	<b>1,655,731</b>	<b>19,531</b>	<b>1,675,262</b>
12.1	General Provisions		982,690	16,641	999,331	258,248	12,314	270,562
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Employee Benefits Provisions		659,293	344	659,637	602,937	479	603,416
12.4	Insurance Technical Reserves (Net)		817,630	-	817,630	425,156	-	425,156
12.5	Other Provisions		255,314	8,291	263,605	369,390	6,738	376,128
<b>XIII.</b>	<b>TAX LIABILITY</b>	<b>(8)</b>	<b>274,644</b>	<b>2,660</b>	<b>277,304</b>	<b>415,843</b>	<b>1,548</b>	<b>417,391</b>
13.1	Current Tax Liability		274,644	2,557	277,201	415,843	1,271	417,114
13.2	Deferred Tax Liability		-	103	103	-	277	277
<b>XIV.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1	Held for Sale		-	-	-	-	-	-
14.2	Held from Discontinued Operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>(9)</b>	<b>13,579,356</b>	<b>(39,221)</b>	<b>13,540,135</b>	<b>13,481,869</b>	<b>107,064</b>	<b>13,588,933</b>
16.1	Paid-in Capital		2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital Reserves		157,049	(39,221)	117,828	1,231,472	107,064	1,338,536
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences		(403,794)	(39,221)	(443,015)	670,695	107,064	777,759
16.2.4	Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6	Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7	Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17,361	-	17,361	17,295	-	17,295
16.2.8	Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9	Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10	Other Capital Reserves		543,482	-	543,482	543,482	-	543,482
16.3	Profit Reserves		8,339,732	-	8,339,732	5,688,477	-	5,688,477
16.3.1	Legal Reserves		2,400,181	-	2,400,181	2,104,475	-	2,104,475
16.3.2	Statutory Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		5,305,510	-	5,305,510	3,000,593	-	3,000,593
16.3.4	Other Profit Reserves		634,041	-	634,041	583,409	-	583,409
16.4	Profit or Loss		2,491,992	-	2,491,992	3,983,615	-	3,983,615
16.4.1	Prior Years Profit/Loss		271,407	-	271,407	232,862	-	232,862
16.4.2	Net Period Profit/Loss		2,220,585	-	2,220,585	3,750,753	-	3,750,753
16.5	Minority Interest		90,583	-	90,583	78,305	-	78,305
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>134,101,157</b>	<b>28,770,580</b>	<b>162,871,737</b>	<b>128,141,611</b>	<b>24,039,465</b>	<b>152,181,076</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2011 and 2010**

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

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Note (Section Five III)	Current Period (31/12/2011)			Prior Period (31/12/2010)		
		TL	FC	Total	TL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>36,277,904</b>	<b>21,501,989</b>	<b>57,779,893</b>	<b>21,918,213</b>	<b>11,481,882</b>	<b>33,400,095</b>
<b>I. GUARANTEES AND WARRANTIES</b>		<b>4,046,227</b>	<b>8,004,544</b>	<b>12,050,771</b>	<b>2,600,548</b>	<b>4,958,421</b>	<b>7,558,969</b>
1.1 Letters of Guarantee	(1),(3)	4,044,193	5,936,196	9,980,389	2,598,316	3,914,899	6,513,215
1.1.1 Guarantees Subject to State Tender Law		391,576	5,600,712	5,992,288	306,182	3,682,170	3,988,352
1.1.2 Guarantees Given for Foreign Trade Operations		2,959,867	-	2,959,867	1,782,538	6,414	1,788,952
1.1.3 Other Letters of Guarantee		692,750	335,484	1,028,234	509,596	226,315	735,911
1.2 Bank Acceptances		2,000	361,764	363,764	2,000	39,260	41,260
1.2.1 Import Letter of Acceptance		-	6,354	6,354	-	8,721	8,721
1.2.2 Other Bank Acceptances		2,000	355,410	357,410	2,000	30,539	32,539
1.3 Letters of Credit		34	1,682,194	1,682,228	232	988,117	988,349
1.3.1 Documentary Letters of Credit		34	1,682,194	1,682,228	232	988,117	988,349
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	24,390	24,390	-	16,145	16,145
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1),(3)	<b>30,968,423</b>	<b>8,435,865</b>	<b>39,404,288</b>	<b>17,265,254</b>	<b>4,304,638</b>	<b>21,569,892</b>
2.1 Irrevocable Commitments		7,778,258	1,103,352	8,881,610	5,684,563	510,874	6,195,437
2.1.1 Asset Purchase and Sale Commitments		268,644	369,181	637,825	93,489	168,920	262,409
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		1,000	-	1,000	2,000	-	2,000
2.1.4 Loan Granting Commitments		143	84,384	84,527	-	10,446	10,446
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		2,461,000	15	2,461,015	2,303,845	25	2,303,870
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Limits		3,822,106	15,925	3,838,031	2,673,734	13,660	2,687,394
2.1.10 Commitments for credit cards and banking services promotions		8,131	-	8,131	10,958	-	10,958
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1,217,234	633,847	1,851,081	600,537	317,823	918,360
2.2 Revocable Commitments		23,190,165	7,332,513	30,522,678	11,580,691	3,793,764	15,374,455
2.2.1 Revocable Loan Granting Commitments		23,189,863	7,332,513	30,522,376	11,580,339	3,793,764	15,374,103
2.2.2 Other Revocable Commitments		302	-	302	352	-	352
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>1,263,254</b>	<b>5,061,580</b>	<b>6,324,834</b>	<b>2,052,411</b>	<b>2,218,823</b>	<b>4,271,234</b>
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2 Trading Transactions		1,263,254	5,061,580	6,324,834	2,052,411	2,218,823	4,271,234
3.2.1 Forward Foreign Currency Buy/Sell Transactions		133,195	134,512	267,707	9,352	10,353	19,705
3.2.1.1 Forward Foreign Currency Transactions-Buy		66,617	67,248	133,865	4,682	5,187	9,869
3.2.1.2 Forward Foreign Currency Transactions-Sell		66,578	67,264	133,842	4,670	5,166	9,836
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		1,130,059	4,927,068	6,057,127	2,043,059	2,208,470	4,251,529
3.2.2.1 Foreign Currency Swap-Buy		-	3,032,196	3,032,196	61,728	2,074,478	2,136,206
3.2.2.2 Foreign Currency Swap-Sell		1,130,059	1,894,872	3,024,931	1,981,331	133,992	2,115,323
3.2.2.3 Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4 Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3 Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1 Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2 Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2011 and 2010**

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

<b>II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS</b>							
	Note (Section Five III)	Current Period (31/12/2011)			Prior Period (31/12/2010)		
		TL	FC	Total	TL	FC	Total
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>	<b>213,013,294</b>	<b>14,787,539</b>	<b>227,800,833</b>	<b>144,406,358</b>	<b>7,756,224</b>	<b>152,162,582</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>21,157,268</b>	<b>1,292,258</b>	<b>22,449,526</b>	<b>12,078,223</b>	<b>645,959</b>	<b>12,724,182</b>
4.1	Customer Fund and Portfolio Balances	-	-	-	-	-	-
4.2	Investment Securities Held in Custody	3,561,620	1,133,079	4,694,699	2,917,066	515,859	3,432,925
4.3	Checks Received for Collection	977,787	14,781	992,568	867,258	15,434	882,692
4.4	Commercial Notes Received for Collection	2,770,680	143,105	2,913,785	2,161,082	75,767	2,236,849
4.5	Other Assets Received for Collection	8,893	-	8,893	8,442	-	8,442
4.6	Assets Received for Public Offering	13,672,892	93	13,672,985	5,920,736	305	5,921,041
4.7	Other Items Under Custody	163,747	1,200	164,947	201,987	38,594	240,581
4.8	Custodians	1,649	-	1,649	1,652	-	1,652
<b>V.</b>	<b>PLEDGES RECEIVED</b>	<b>191,856,026</b>	<b>13,410,956</b>	<b>205,266,982</b>	<b>132,328,135</b>	<b>7,076,522</b>	<b>139,404,657</b>
5.1	Marketable Securities	269,329	38,111	307,440	261,337	13,549	274,886
5.2	Guarantee Notes	24,544,098	4,535,921	29,080,019	15,576,861	2,785,266	18,362,127
5.3	Commodity	1,249,461	14,118	1,263,579	1,227,795	25,555	1,253,350
5.4	Warranty	-	22,168	22,168	-	23,320	23,320
5.5	Immovable	154,552,016	7,077,136	161,629,152	107,218,486	3,277,901	110,496,387
5.6	Other Pledged Items	11,235,913	1,714,834	12,950,747	8,038,447	943,916	8,982,363
5.7	Pledged Items-Depository	5,209	8,668	13,877	5,209	7,015	12,224
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>-</b>	<b>84,325</b>	<b>84,325</b>	<b>-</b>	<b>33,743</b>	<b>33,743</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>249,291,198</b>	<b>36,289,528</b>	<b>285,580,726</b>	<b>166,324,571</b>	<b>19,238,106</b>	<b>185,562,677</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2011 and 2010**

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

<b>III. STATEMENT OF INCOME</b>				
<b>INCOME AND EXPENSE ITEMS</b>		<b>Note (Section Five IV)</b>	<b>Current Period 01/01-31/12/2011</b>	<b>Prior Period 01/01-31/12/2010</b>
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>13,828,840</b>	<b>12,471,110</b>
1.1	Interest Income from Loans		7,454,331	5,816,548
1.2	Interest Income From Reserve Deposits		1,815	1,266
1.3	Interest Income from Banks		42,538	177,731
1.4	Interest Income from Money Market Placements		94	5,615
1.5	Interest Income from Marketable Securities		6,276,401	6,426,913
1.5.1	Financial Assets Held for Trading		10,266	21,173
1.5.2	Financial Assets at Fair Value through Profit and Loss		-	-
1.5.3	Financial Assets Available-for-Sale		3,210,445	2,706,928
1.5.4	Investments Held-to-Maturity		3,055,690	3,698,812
1.6	Finance Lease Income		38,692	28,086
1.7	Other Interest Income		14,969	14,951
<b>II.</b>	<b>INTEREST EXPENSES</b>	<b>(2)</b>	<b>8,434,665</b>	<b>7,025,715</b>
2.1	Interest Expense on Deposits		7,297,676	6,540,267
2.2	Interest on Borrowings		16,583	5,948
2.3	Interest on Money Market Borrowings		1,099,760	456,102
2.4	Interest on Marketable Securities Issued		-	-
2.5	Other Interest Expense		20,646	23,398
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>5,394,175</b>	<b>5,445,395</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>540,424</b>	<b>621,466</b>
4.1	Fees and Commissions Received		801,067	739,769
4.1.1	Non-cash Loans		46,850	28,706
4.1.2	Other		754,217	711,063
4.2	Fees and Commissions Paid		260,643	118,303
4.2.1	Non-cash Loans		167	12
4.2.2	Other		260,476	118,291
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>21,669</b>	<b>25,218</b>
<b>VI.</b>	<b>TRADING PROFIT/LOSS (Net)</b>	<b>(4)</b>	<b>(47,361)</b>	<b>(7,974)</b>
6.1	Profit/Loss from Capital Market Operations		102,543	23,645
6.2	Profit/losses on Derivative Financial Transactions	(5)	287,269	112,223
6.3	Profit/Loss from Foreign Exchanges		(437,173)	(143,842)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(6)</b>	<b>1,526,962</b>	<b>1,555,576</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>7,435,869</b>	<b>7,639,681</b>
<b>IX.</b>	<b>PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	<b>(7)</b>	<b>817,086</b>	<b>196,158</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES(-)</b>	<b>(8)</b>	<b>3,684,448</b>	<b>2,907,954</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-X-X)</b>		<b>2,934,335</b>	<b>4,535,569</b>
<b>XII.</b>	<b>GAINS RECORDED AFTER MERGER</b>		-	-
<b>XIII.</b>	<b>PROFIT/LOSS ON EQUITY METHOD</b>		<b>13,473</b>	<b>6,635</b>
<b>XIV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV.</b>	<b>INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(9)</b>	<b>2,947,808</b>	<b>4,542,204</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(10)</b>	<b>(713,977)</b>	<b>(779,636)</b>
16.1	Current Tax Provision		(353,187)	(831,429)
16.2	Deferred Tax Provision		(360,790)	51,793
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>		<b>2,233,831</b>	<b>3,762,568</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1	Income from Non-current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3	Other Income From Discontinued Operations		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3	Other Expenses From Discontinued Operations		-	-
<b>XX.</b>	<b>PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(12)</b>	<b>2,233,831</b>	<b>3,762,568</b>
23.1	Group's Profit/Loss		2,220,585	3,750,753
23.2	Minority Shares Profit/Loss		13,246	11,815
	Earnings/Loss per Share		0.0009	0.0015

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2011 and 2010**

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Current Period	Prior Period
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		(31/12/2011)	(31/12/2010)
I.	ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	(238,745)	1,187,917
II.	PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(17,038)	1,756
V.	PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(216)	62,223
IX.	DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	85,332	(211,263)
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(170,667)	1,040,633
XI.	CURRENT YEAR PROFIT/LOSS	(1,050,107)	(599,181)
11.1	Net change in fair value of marketable securities (transfer to profit-loss)	(1,055,826)	(576,649)
11.2	Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3	Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4	Other	5,719	(22,532)
XII.	TOTAL PROFIT/LOSS FOR THE CURRENT PERIOD (X±XI)	(1,220,774)	441,452

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Statement of Changes in Shareholders' Equity**

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves
31 December 2010								
I.	<b>Balance at the beginning of the period</b>		2,500,000	543,483	-	-	1,758,096	-
	Changes During the Period							
II.	<b>Increase/Decrease Related to Merger</b>		-	-	-	-	-	-
III.	<b>Marketable Securities Valuation Differences</b>		-	-	-	-	-	-
IV.	<b>Hedging Funds (Active Part)</b>		-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
V.	<b>Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-
VI.	<b>Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-
VII.	<b>Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)</b>		-	-	-	-	-	-
VIII.	<b>Foreign Exchange Differences</b>		-	-	-	-	-	-
IX.	<b>Changes Resulted from Disposal of Assets</b>		-	-	-	-	-	-
X.	<b>Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-	-
XI.	<b>Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity</b>		-	-	-	-	-	-
XII.	<b>Increase in Capital</b>		-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-	-
XIII.	<b>Issuance of Share Certificates</b>		-	-	-	-	-	-
XIV.	<b>Share Cancellation Profits</b>		-	-	-	-	-	-
XV.	<b>Adjustment to Paid-in Capital</b>		-	-	-	-	-	-
XVI.	<b>Other<sup>(1)</sup></b>		-	(1)	-	-	92,177	-
XVII.	<b>Net Profit or Losses</b>		-	-	-	-	-	-
XVIII.	<b>Profit Distribution</b>		-	-	-	-	254,202	-
18.1	Dividend Distributed		-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	254,202	-
18.3	Other		-	-	-	-	-	-
	<b>Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)</b>		2,500,000	543,482	-	-	2,104,475	-

<sup>(1)</sup> "Communiqué Regarding the Change on Preparation of the Consolidated Financial Statements" published in Official Gazette No. 27824, dated 23 January 2011, and paragraphs 5 and 6 of Article 5 of the aforementioned Communiqué were abolished effective from 31 December 2010. Within this scope, the Bank extended its scope of consolidation as of 31 December 2010 and added into scope of consolidation 14 associates, subsidiaries and entities under common control which have not been consolidated to date, detailed in paragraphs 7, 8 and 9 of I. Explanations And Notes Related To Assets in Explanations and Disclosures Related To Consolidated Financial Statements. In addition, the Bank did not reflect this change in the scope of consolidation to its prior period financial statements in accordance with TAS1, "Turkish Accounting Standard on Presentation of Financial Statements" and reflected the change in Bank's shareholders' equity resulting from extension of scope of consolidation in XVI. Other of current year's Changes In Shareholders' Equity table.

V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves
31 December 2011								
I.	<b>Balance at the beginning of the period</b>		2,500,000	543,482	-	-	2,104,475	-
	Changes During the Period							
II.	<b>Increase/Decrease Related to Merger</b>		-	-	-	-	-	-
III.	<b>Marketable Securities Valuation Differences</b>		-	-	-	-	1,071	-
IV.	<b>Hedging Funds (Active Part)</b>		-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
V.	<b>Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-
VI.	<b>Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-
VII.	<b>Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)</b>		-	-	-	-	-	-
VIII.	<b>Foreign Exchange Differences</b>		-	-	-	-	16,177	-
IX.	<b>Changes Resulted from Disposal of Assets</b>		-	-	-	-	-	-
X.	<b>Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-	-
XI.	<b>Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity</b>		-	-	-	-	-	-
XII.	<b>Increase in Capital</b>		-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-	-
XIII.	<b>Issuance of Share Certificates</b>		-	-	-	-	-	-
XIV.	<b>Share Cancellation Profits</b>		-	-	-	-	-	-
XV.	<b>Adjustment to Paid-in Capital</b>		-	-	-	-	-	-
XVI.	<b>Other</b>		-	-	-	-	-	-
XVII.	<b>Net Profit or Losses</b>		-	-	-	-	-	-
XVIII.	<b>Profit Distribution</b>		-	-	-	-	278,458	-
18.1	Dividend Distributed		-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	278,458	-
18.3	Other		-	-	-	-	-	-
	<b>Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)</b>		2,500,000	543,482	-	-	2,400,181	-

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Statement of Cash Flows at 31 December 2011 and 2010**

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

VI. STATEMENT OF CASH FLOWS		Note (Section Five VI)	Current Period (31/12/2011)	Prior Period (31/12/2010)
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		4,975,541	3,352,678
1.1.1	Interest Received		16,254,240	12,096,781
1.1.2	Interest Paid		(8,472,798)	(6,969,088)
1.1.3	Dividend Received		24,962	29,755
1.1.4	Fees and Commissions Received		796,514	734,948
1.1.5	Other Income		1,864,592	643,866
1.1.6	Collections from Previously Written-off Loans and Other Receivables		826,500	649,482
1.1.7	Payments to Personnel and Service Suppliers		(3,428,330)	(2,724,100)
1.1.8	Taxes Paid		(693,046)	(924,257)
1.1.9	Other		(2,197,093)	(184,709)
1.2	Changes in Operating Assets and Liabilities		(10,872,343)	2,469,143
1.2.1	Net (Increase)/Decrease in Trading Securities		145,844	222,712
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Banks		(4,839,565)	(1,630,120)
1.2.4	Net (Increase)/Decrease in Loans		(16,137,357)	(22,342,570)
1.2.5	Net (Increase)/Decrease in Other Assets		(244,336)	1,429,526
1.2.6	Net Increase/(Decrease) in Bank Deposits		21,802,965	(2,365,508)
1.2.7	Net Increase/(Decrease) in Other Deposits		(13,298,545)	25,792,394
1.2.8	Net Increase/(Decrease) in Funds Borrowed		504,344	141,081
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		1,194,307	1,221,628
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>(5,896,802)</b>	<b>5,821,821</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>		<b>1,560,969</b>	<b>(4,695,833)</b>
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(22,196)	-
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3	Fixed Assets Purchases		(204,116)	(182,543)
2.4	Fixed Assets Sales		32,217	76,915
2.5	Cash for Purchase of Financial Assets Available for Sale		(51,482,049)	(25,750,842)
2.6	Cash Obtained from Sale of Financial Assets Available for Sale		50,774,354	13,383,852
2.7	Cash Paid for Purchase of Investment Securities		(4,670,750)	(2,228,405)
2.8	Cash Obtained from sale of Investment Securities		9,241,040	10,005,190
2.9	Other		(2,107,531)	-
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>(1,078,595)</b>	<b>(1,051,175)</b>
3.1	Cash from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Marketable Securities Issued		-	-
3.4	Dividends Paid		(1,078,595)	(1,051,175)
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>613,618</b>	<b>190,559</b>
<b>V.</b>	<b>Net Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(4,800,810)</b>	<b>265,372</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>(1)</b>	<b>13,081,945</b>	<b>12,816,573</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>(1)</b>	<b>8,281,135</b>	<b>13,081,945</b>

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Statement of Profit Appropriation at 31 December 2011 and 2010

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

VII. PROFIT APPROPRIATION STATEMENT <sup>(1)</sup>		Current Period (31/12/2011)	Prior Period <sup>(2)</sup> (31/12/2010)
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	Current Year Income	2,779,504	4,469,360
1.2	Taxes and Duties Payable (-) <sup>(3)</sup>	678,830	807,390
1.2.1	Corporate Tax (Income tax)	(314,816)	(807,390)
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes and Duties	(364,014)	-
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>2,100,674</b>	<b>3,661,970</b>
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	105,034	183,099
1.5	Other Statutory Reserves (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>1,995,640</b>	<b>3,478,871</b>
1.6	First Dividend to Shareholders (-)	-	125,000
1.6.1	To Owners of Ordinary Shares	-	125,000
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.7	Dividends to Personnel (-)	-	111,898
1.8	Dividends to Board of Directors (-)	-	-
1.9	Second Dividend to Shareholders (-)	-	841,697
1.9.1	To Owners of Ordinary Shares	-	841,697
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	95,359
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	2,304,917
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends to Shareholders (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Privileged Shares	-	-
2.3.3	To Owners of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders of Profit and Loss Sharing Certificates	-	-
2.4	Dividends to Personnel (-)	-	-
2.5	Dividends to Board of Directors (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	To Owners of Ordinary Shares	0.000840	0.001485
3.2	To Owners of Ordinary Shares (%)	-	-
3.3	To Owners of Privileged Shares	-	-
3.4	To Owners of Privileged Shares (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	To Owners of Ordinary Shares	-	0.000387
4.2	To Owners of Ordinary Shares (%)	-	-
4.3	To Owners of Privileged Shares	-	-
4.4	To Owners of Privileged Shares (%)	-	-

<sup>(1)</sup> Profit distribution is approved by the Ordinary General Assembly of the Parent Bank over the unconsolidated financial statements of the Parent Bank.<sup>(2)</sup> The profit distribution table belonging to prior period becomes definite with the decision of Ordinary General Assembly after publishing of the audited financial statements as of 31 December 2010, and rearranged accordingly.<sup>(3)</sup> The deferred tax asset of prior period amounting to TL50,632 is not subject to profit distribution.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### SECTION THREE

#### EXPLANATIONS ON ACCOUNTING POLICIES

##### I. BASIS OF PRESENTATION

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

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Keeping Documents" published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA ("Banking Regulation and Supervision Agency") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the Turkish Accounting Standards Board ("TASB") and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 26430 dated 10 February 2007.

The Group prepared the consolidated financial statements as of 31 December 2009 in accordance with paragraphs 5 and 6 of Article 5 of the "Regulation on the Preparation of Consolidated Financial Statements of Banks" published in Official Gazette No. 26340, dated 8 November 2006, and consolidated one of its associates with equity method. In addition to this the "Communiqué Regarding the Change on Preparation of the Consolidated Financial Statements" published in Official Gazette No. 27824, dated 23 January 2011, and paragraphs 5 and 6 of Article 5 of the aforementioned Communiqué were abolished effective from 31 December 2010. Within this scope, the Bank extended its scope of consolidation as of 31 December 2010 and added into scope of consolidation 14 associates, subsidiaries and entities under common control which have not been consolidated to date, detailed in paragraphs 7, 8 and 9 of I. Explanations And Notes Related To Assets in Explanations and Disclosures Related to Consolidated Financial Statements. In addition, the Bank did not reflect this change in the scope of consolidation to its prior period financial statements in accordance with TAS1, "Turkish Accounting Standard on Presentation of Financial Statements" and reflected the change in Bank's shareholders' equity resulting from extension of scope of consolidation in "XVI. Other" of Changes In Shareholders' Equity table for 2010.

The financial statements of subsidiaries operating abroad have been prepared in accordance with the law and regulations of the country they operate. However, in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to these consolidated financial statements.

The consolidated financial statements have been prepared in TL, under the historical cost convention as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets and liabilities carried at fair value.

As of 31 December 2011, financial statements are presented comparatively with independently audited financial statements as of 31 December 2010.

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

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

The accounting policies and valuation principles applied in the preparation of these financial statements are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II. to XXV. below.

##### Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

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

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

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

Since the Bank's total debt to the market is low among its total liabilities, the Bank can borrow easily from short-term markets, such as; Istanbul Stock Exchange ("ISE"), Central Bank of the Republic of Turkey, Money Market or Interbank Money Market in case of need. In case of a liquidity crisis, the deposit base of the Bank is not presumed to be significantly affected from such a case since the Bank is a public bank with an extensive branch network.

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

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

#### a. Consolidation principles applied:

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

#### 1. Consolidation principles for subsidiaries:

Subsidiaries (including special purpose entity) are all entities, in which the Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders' equity in scope of the materiality principle. Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from their acquisition date. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority interest in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary. In the consolidated balance sheet, minority interest has been presented separately from the liabilities and the shares of the Group shareholders. Also, in the income statement, minority interest has been presented separately.

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

Title	Address (City/Country)	Main Activities	2011		2010	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Ziraat Hayat ve Emeklilik A.Ş.	Istanbul/Turkey	Insurance	99.98	99.98	99.98	99.98
Ziraat Sigorta A.Ş.	Istanbul/Turkey	Insurance	99.98	99.98	99.98	99.98
Ziraat Finansal Kiralama A.Ş.	Istanbul/Turkey	Leasing	50.25	50.25	50.01	50.01
Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	Investment Management	63.06	75.00	62.00	74.00
Ziraat Portföy Yönetimi A.Ş.	Istanbul/Turkey	Portfolio Management	65.44	74.90	65.44	74.90
Ziraat Bank International A.G.	Frankfurt/Germany	Banking	100.00	100.00	100.00	100.00
Turkish Ziraat Bank Bosnia dd	Sarajevo/Bosnia Herzegovina	Banking	100.00	100.00	100.00	100.00
Ziraat Bank (Moscow) CJSC	Moscow/Russia	Banking	99.91	99.91	99.91	99.91
Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	Banking	99.36	99.36	97.62	97.62
Ziraat Banka Ad Skopje	Skopje/Macedonia	Banking	100.00	100.00	100.00	100.00

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### 2. Consolidation principles of associates and joint ventures:

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

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

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

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

Title	Address (City/Country)	Main Activities	2011		2010	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Azer Türk Bank ASC	Baku/Azerbaijan	Banking	50.00	50.00	50.00	50.00
Turkmen Turkish Joint Stock Commercial Bank	Ashgabat/Turkmenistan	Banking	50.00	50.00	50.00	50.00
Uzbekistan- Turkish Bank	Tashkent/Uzbekistan	Banking	50.00	50.00	50.00	50.00
Arap Türk Bankası A.Ş.	Istanbul/Turkey	Banking	15.43	15.43	15.43	15.43

3. Principles applied during share transfer, merger and acquisition: None.

### 4. Transactions with minority shareholders:

The Group considers transactions with minority shareholders as transactions within the Group. For acquisitions from minority shareholders, the difference between the acquisition cost and related portion of net assets' booked value is deducted from equity. Profit or loss resulting from sales to minority shareholders are booked under equity.

### b. Presentation of unconsolidated subsidiaries and associates in consolidated financial statements:

Turkish lira denominated unconsolidated associates and subsidiaries are booked at cost value, less any impairment if any, in accordance with "Turkish Accounting Standards for Consolidated and Separate Financial Statements" ("TAS 27") are recognised in the consolidated financial statements.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

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

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

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

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

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

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

### V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 "Financial Instruments: Recognition and Measurement". In accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions" came into force after being published in the Official Gazette numbered 26333 dated 1 November 2006, no interest accrual is calculated for non-performing loans. Realized interest accruals calculated for non-performing loans and recognized as income although not collected are reversed and interest income related to these loans is recognized as interest income only when they are collected.

### VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

Commission income from banking, agency, intermediary services and commissions from consumer loan that are not in the form of interest is recognized as income on the date they are collected. Whereas, commission income from trade and agricultural cash loans and from individual loans in which the commission is in the form of interest, (depending on the amount of commission that the interest rate is changed), are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. As of December 2011, commissions obtained from consumer loans that are not in the form of interest, are booked into the related profit/loss accounts in accordance with the matching principle on an accrual basis using the effective interest rate. Other fees and commission expenses are recorded as expense on the date they are paid.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

Held to maturity assets are initially recognized at cost. The cost of the securities is regarded as fair value.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### c. Loans and receivables:

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

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

The Parent Bank sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions". Furthermore, while allocating specific provision, minimum rates defined in the related regulation and prudence principle are taken into account without considering collaterals. Allocated provisions are deducted from the income for the period. If the receivables for which provisions were set in the previous years are collected, provision for allowances are released and recognized as income under "Other Operating Income" account. Releases of current period provisions are made by the reversal of the amount from the "Provision for Impairment of Loans and Other Receivables" account.

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

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

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

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

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

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

If financial assets available for sale are subject to permanent impairment, the amount is charged to "Impairment Expense for Marketable Securities" account in accordance with the related TAS.

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

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

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

Apart from special provisions, as per the relevant regulations, Banks set aside general loan provisions for its loan and other receivables. The practice in which the general provision rate was considered as 0% for newly extended cash loans excluding credit card receivables, and which was implemented starting from 6 March 2010 according to Communiqué related to provisions was terminated by the Bank as of 1 January 2011. However, in line with Note (a) of the first paragraph of Article 7 of the Communiqué related to provisions, the general provision is set aside at 1% for standard cash loans effective from 1 January 2011. In accordance with the decision taken at the Assets and Liabilities Committee ("ALCO") meeting on 21 December 2010, the practice of applying a general and free provision rate at 3% to total loans, excluding interest loans, was terminated as of 1 January 2011. Accordingly, the existing free provision held for loans were transferred to general provision accounts. Moreover, the additional general provision resulting from the amendments to the "Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions" on 28 May 2011 and 18 June 2011 were reflected to the related accounts.

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

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

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

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

As of the balance sheet date, there are securities lending transactions.

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

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

A discontinued operation is a part of the Parent Bank's business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Parent Bank has no discontinued operations.

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

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

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

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

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

### XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

Estimated depreciation rates of tangible fixed assets are as follows;

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

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

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

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

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

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

### XIV. EXPLANATIONS ON LEASING TRANSACTIONS

The Group performs financial operations as "Lessor" and "Lessee".

#### a. Accounting of leasing transactions for the lessee:

##### Financial Lease

The Group, as the lessee, recognizes its leasing operations in accordance with the requirements of TAS 17 "Leases". Fixed assets that are acquired under financial leasing are amortized with respect to the rates used for directly acquired assets that have similar nature. Assets held under financial leases are recognized under the tangible fixed assets account and are depreciated on annual and monthly basis with respect to their useful lives. Principal and installment paid for tangible fixed assets that are acquired under financial leasing are charged to liability account "Finance Lease Payable", whereas interests are recognized in "Deferred Financial Leasing Expenses" account. At installment payments, principal and interest amount of installment amount are debited to "Financial Lease Payable" account, whereas interest is credited in "Deferred Financial Leasing Expenses" account and recorded to the other interest expenses.

The Parent Bank does not perform financial operations as "Lessor".

##### Operational Lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operating lease. Payments that are made as operating leases are accounted in income statements with linear method during the lease period.

#### b. Accounting of leasing transactions for lessor:

Subject to financial leasing in the consolidated balance sheet of the entity is shown as a receivable equal to net leasing. The interest income is determined so as to form a fixed revenue return ratio using net investment method related to leased asset of the lessor, and the portion of interest income which does not take part in the related term is followed under the unearned interest income account.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

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

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

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

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

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

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

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

#### a. Employment Termination and Vacation Benefits

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

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

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

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

#### b. Pension Rights

Some of the Parent Bank's personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees Pension Fund ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2011 the number of personnel who benefit from the Fund, excluding dependents, is 14,325 (2010: 11,625). 10,925 of these members are active while 3,400 are passive members. (2010: 8,339 active members, 3,286 passive members).

In accordance with 23rd provisional clause of the Banking Act numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Act numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Act numbered 5411 allowing pension funds to be transferred to Social Security Institution ("SSI") is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

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

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

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

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

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

The technical balance sheet report as of 31 December 2011 which is prepared in accordance with the new law and the rate determined as 9.80%, concluded no technical deficit arises in the above mentioned fund. Since the Parent Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

### XVII. EXPLANATIONS ON TAXATION

#### a. Current Tax

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

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

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

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

Tax rates used in tax calculation considering the related countries' tax legislation as of 31 December 2011 are presented below:

Russia	20.00%
Kazakhstan	20.00%
Germany	15.00%
Bosnia Herzegovina	10.00%
Macedonia	10.00%

### b. Deferred tax

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

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

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### XVIII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES

#### Technical Reserves

Reserve for unearned insurance premiums, provisions for outstanding claims and reinsurer shares of these provisions which take place in the technical insurance accounts of financial statements are recorded in accordance with the below mentioned principles under Insurance Law No. 5684 effective as of 14 June 2007 and the provisions of the "Communiqué Regarding the Technical Reserves of Insurance and Reinsurance Companies and the Assets that these Reserves Recorded" published in Official Gazette No. 27655 dated 28 July 2010.

#### Reserve for unearned premiums:

Reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the balance sheet date, without deductions of commission or any other expense.

#### Unexpired risk provision:

In accordance with the "Communiqué Regarding the Technical Reserves of Insurance and Reinsurance Companies and the Assets that these Reserves Recorded", against the probability of compensations that may arise due to the in force insurance contracts being greater than reserve for premium deficiency, it is stated that the companies are obliged to perform adequacy test for a 12 month periods.

#### Reserve for outstanding claims:

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

#### Offset provision:

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

#### Mathematical provisions:

Mathematical provision is provided at sufficient level in accordance with actuarial principles in order to recompense the liabilities to policyholders of long-term life, health and individual accident insurance contracts and to the beneficiaries. In addition to the long-term life insurance contracts, on the condition that assurance given to individual accident, health, disability due to illness and serious illnesses, the mathematical provision for the amount of life insurance is made including the amount calculated in accordance with actuarial principles related to additional assurances.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### XIX. EXPLANATIONS ON BORROWINGS

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

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

### XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

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

### XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

Commitments regarding bill guarantees and acceptances of the Group are presented in the "Off-Balance Sheet" commitments.

### XXII. EXPLANATIONS ON GOVERNMENT GRANTS

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

### XXIII. CASH AND CASH EQUIVALENTS

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

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

### XXIV. EXPLANATIONS ON SEGMENT REPORTING

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

### XXV. EXPLANATIONS ON OTHER MATTERS

The General Assembly for the year 2010 was carried out on 1 March 2011. In accordance with the decision taken, of the profit for the year 2010 amounting to TL3,712,602, TL278,458 is transferred to legal reserves, TL111,898 of TL116,000 is distributed as dividend to employees provided that dividend amount does not exceed two month gross wage for each employee and TL818,205 is distributed to the Undersecretariat of Treasury after deducting withholding tax of 15% (TL144,390) in cash on 30 March 2011. Besides, TL2,304,917 of the profit has been preserved and deferred tax income amounting to TL50,632 is not distributed. The remaining part of dividend reserved to be distributed to personnel (TL4,102) is transferred to the account of the Undersecretariat of Treasury as net TL3,487, after deducting withholding tax of 15% (TL615).



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### SECTION FOUR

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

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

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

The Group's consolidated capital adequacy ratio calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 15.72% (2010: 19.24%).

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

Consolidated Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published in the Official Gazette, dated 1 November 2006 and numbered 26333.

In the computation of consolidated capital adequacy standard ratio, information prepared in accordance with the statutory accounting requirements is used. Additionally, the market risk, the credit risk and the operational risk amounts are calculated in accordance with the Communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" and is taken into consideration in the consolidated 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 value loss among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciation and value loss.

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 (1) 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 amounts subject to credit 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

**Information related to capital adequacy ratio:**

Current Period	Risk Weights						
	The Parent Bank						
	0%	10%	20%	50%	100%	150%	200%
<b>Credit Risk Base Amount</b>							
<b>Balance Sheet Items (Net)</b>	<b>52,351,581</b>	-	<b>1,775,476</b>	<b>16,339,203</b>	<b>45,821,684</b>	<b>1,198,149</b>	<b>4,847,168</b>
Cash	1,331,212	-	66	-	-	-	-
Matured Marketable Securities	3	-	-	-	-	-	-
Central Bank of the Republic of Turkey	5,192,098	-	-	-	-	-	-
Domestic, Foreign Banks, Head Offices and Branches Abroad	-	-	1,137,520	-	180,126	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Receivables from Reverse Repo Transactions	-	-	-	-	-	-	-
Required Reserve Deposits	7,748,998	-	-	-	-	-	-
Loans <sup>(1)</sup>	5,246,346	-	396,074	16,100,257	42,047,967	1,198,149	4,847,168
Loans Under Follow-up (Net) <sup>(1)</sup>	-	-	-	-	102,417	-	-
Financial Lease Receivables	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-	-	-	-
Investments Held to Maturity	31,823,531	-	-	-	8,884	-	-
Receivables from Forward Sale of Assets	-	-	-	-	3,231	-	-
Miscellaneous Receivables	7,571	-	73,378	-	156,844	-	-
Interest and Income Accruals	687,571	-	18,340	238,946	1,201,890	-	-
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures) (Net)	-	-	-	-	810,114	-	-
Fixed Assets	-	-	-	-	982,341	-	-
Other Assets	314,251	-	150,098	-	327,870	-	-
<b>Off-Balance Sheet Items</b>	<b>299,575</b>	-	<b>373,286</b>	-	<b>7,770,437</b>	-	-
Non-cash Loans and Commitments	299,575	-	287,758	-	7,769,680	-	-
Derivative Financial Instruments	-	-	85,528	-	757	-	-
Non-Risk Weighted Accounts	-	-	-	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>52,651,156</b>	-	<b>2,148,762</b>	<b>16,339,203</b>	<b>53,592,121</b>	<b>1,198,149</b>	<b>4,847,168</b>

<sup>(1)</sup> The balance of loans originated from funds whose risk does not belong to the Parent Bank which is presented in Loans Under Follow-up (Net) balance in the financial statements; is shown in the 0% risk weight column in the table above.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

Current Period	Risk Weights Consolidated						
	0%	10%	20%	50%	100%	150%	200%
<b>Credit Risk Base Amount</b>							
<b>Balance Sheet Items (Net)</b>	<b>53,181,048</b>	-	<b>2,424,933</b>	<b>16,356,080</b>	<b>46,197,555</b>	<b>1,198,149</b>	<b>4,847,168</b>
Cash	1,371,467	-	66	-	-	-	-
Matured Marketable Securities	3	-	-	-	-	-	-
Central Bank of the Republic of Turkey	5,192,098	-	-	-	-	-	-
Domestic, Foreign Banks, Head Offices and Branches Abroad	-	-	1,080,383	-	211,446	-	-
Interbank Money Market Placements	12,082	-	-	-	-	-	-
Receivables from Reverse Repo Transactions	130	-	-	-	-	-	-
Required Reserve Deposits	7,748,998	-	-	-	-	-	-
Loans	6,007,734	-	1,026,243	16,117,134	42,445,139	1,198,149	4,847,168
Loans Under Follow-up (Net) <sup>(1)</sup>	-	-	-	-	112,090	-	-
Financial Lease Receivables	-	-	-	-	513,939	-	-
Financial Assets Available-for-Sale	-	-	-	-	-	-	-
Investments Held to Maturity	31,830,361	-	24,507	-	105,688	-	-
Receivables from Forward Sale of Assets	-	-	-	-	3,231	-	-
Miscellaneous Receivables	7,571	-	125,296	-	191,419	-	-
Interest and Income Accruals	687,571	-	18,340	238,946	1,201,890	-	-
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures) (Net)	-	-	-	-	13,180	-	-
Fixed Assets	-	-	-	-	1,009,217	-	-
Other Assets	323,033	-	150,098	-	390,316	-	-
<b>Off-Balance Sheet Items</b>	<b>299,575</b>	-	<b>374,495</b>	-	<b>7,856,722</b>	-	-
Non-cash Loans and Commitments	299,575	-	287,758	-	7,855,965	-	-
Derivative Financial Instruments	-	-	86,737	-	757	-	-
Non-Risk Weighted Accounts	-	-	-	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>53,480,624</b>	-	<b>2,799,428</b>	<b>16,356,080</b>	<b>54,054,277</b>	<b>1,198,149</b>	<b>4,847,168</b>

<sup>(1)</sup> The balance of loans originated from funds whose risk does not belong to the Parent Bank which is presented in Loans Under Follow-up (Net) balance in the financial statements; is shown in the 0% risk weight column in the table above.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	Consolidated		The Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
Credit Risk Base Amount (CRBA)	74,283,762	54,488,897	73,683,034	53,999,274
Market Risk Base Amount (MRBA)	6,658,413	5,677,713	6,431,913	5,526,838
Operational Risk Base Amount (ORBA)	11,391,588	10,001,389	10,895,348	10,009,066
Shareholders' Equity	14,517,728	13,498,028	14,208,686	13,350,237
<b>Shareholders' Equity/(CRBA+MRBA+ORBA) * 100</b>	<b>15.72</b>	<b>19.24</b>	<b>15.61</b>	<b>19.20</b>

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

	Current Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	2,500,000	2,500,000
Nominal Capital	2,500,000	2,500,000
Capital Commitments (-)	-	-
Inflation Adjustment for Paid-in Capital	543,482	543,482
Share Premium	-	-
Share Cancellation Profits	-	-
Legal Reserves	2,400,181	2,104,475
1st Degree Legal Reserves (TCC 466/1)	1,127,448	927,100
2nd Degree Legal Reserves (TCC 466/2)	1,272,733	1,177,375
Legal Reserves per Special Legislations	-	-
Statutory Reserves	-	-
Extraordinary Reserves	5,939,551	3,584,002
Reserves Allocated per General Assembly Minutes	5,305,510	3,000,593
Retained Earnings	634,041	583,409
Accumulated Loss	-	-
Foreign Currency Share Capital Exchange Difference	-	-
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-
Profit	2,491,992	3,983,615
Net Profit for the Period	2,220,585	3,750,753
Retained Earnings	271,407	232,862
Portion of Free Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	140,248	275,125
Subsidiary and Associate Shares and Gains on Sale of Real Estate to be Added to Capital	-	-
Primary Subordinated Loans (up to 15% of the Core Capital) <sup>(1)</sup>	-	-
Minority Shares	90,583	78,305
Loss(-) Portion of Losses that Cannot be Covered by Reserves	-	-
Net Loss of the Period	-	-
Accumulated Loss	-	-
Leasehold Improvements (-) <sup>(2)</sup>	34,382	16,666
Prepaid Expenses (-) <sup>(3)</sup>	-	98,113
Intangible Assets (-)	32,723	20,659
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-
Excess Amount defined in 3 <sup>rd</sup> Clause 56 <sup>th</sup> Article of the Banking Act (-)	-	-
<b>Total Core Capital</b>	<b>14,038,932</b>	<b>12,933,566</b>

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

<sup>(2)</sup> In accordance with the regulation mentioned above, the name of "Leasehold Improvements" is changed as "Costs for Operational Leasing Development".

<sup>(3)</sup> In accordance with the regulation mentioned above, the practice of making "Prepaid Expenses" a discount item from the Core Capital has been cancelled.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

	Current Period	Prior Period
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	999,331	270,562
45% of Movable Assets Revaluation Fund	-	-
45% of Immovable Assets Revaluation Fund	-	-
Bonus Shares of Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	17,361	17,295
Primary Subordinated Loans Excluding the Portion included in the Core Capital	-	-
Secondary Subordinated Loan	-	-
45% of Marketable Securities Revaluation Fund	(443,015)	349,992
From Subsidiaries and Associates	81,478	(647)
From Financial Assets Available for Sale	(524,493)	350,639
Inflation Adjustments for Capital Reserves, Profit Reserves and Retained Earnings/Accumulated Losses (Except Inflation Adjustments for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
<b>Total Supplementary Capital</b>	<b>573,677</b>	<b>637,849</b>
<b>TIER-III CAPITAL</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>14,612,608</b>	<b>13,571,415</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>94,880</b>	<b>73,387</b>
Shares in Unconsolidated Banks and Financial Institutions	-	-
Loans to banks, Financial Institutions (Domestic/Foreign), Holders of Qualified Shares in the form of Secondary Subordinated Loan and Loan Instruments Purchased from those Parties Qualified as Primary or Secondary Subordinated Loan	-	-
Shares of banks and financial institutions for which equity pick-up method was applied but whose assets and liabilities are not consolidated	93,990	73,197
Equity Shares in Banks and Financial Institutions (Domestic and Foreign), 10% or More of whose Capital is Owned by the Bank and which are Excluded from the Consolidation	-	-
Total Equity Shares in Banks and Financial Institutions (Domestic and Foreign), less than 10% of whose Capital is Owned by the Bank and that Exceeds 10% of the Total Core Capital and Supplementary Capital	-	-
Loans Granted that are 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 that have not been disposed for the last 5 years since the beginning of the acquisition date	39	190
Other	851	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>14,517,728</b>	<b>13,498,028</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### II. EXPLANATIONS ON CREDIT RISK

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

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

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

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

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

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

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

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

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

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

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

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

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

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

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

The percentage of top 100 cash loans in the total cash loan portfolio is 11% (2010: 15%).

The percentage of top 100 non-cash loans in the total non-cash loan portfolio is 71% (2010: 75%).

The percentage of top 100 cash and non-cash loans in the total cash and non-cash loan portfolio is 17% (2010: 17%).

General provision made by the Bank for the credit risk is TL999,331 (2010: TL270,562).

### Credit risk by types of borrowers and geographical concentration:

	Individual and Corporate Loans		Loans to Banks and Other Financial Institutions		Marketable Securities <sup>(1)</sup>		Other Loans <sup>(2)</sup>	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Sectoral Distribution</b>	<b>72,069,298</b>	<b>56,631,955</b>	<b>1,401,870</b>	<b>1,957,870</b>	<b>71,059,991</b>	<b>76,568,113</b>	<b>2,316,981</b>	<b>5,654,200</b>
Private Sector	20,760,089	17,213,184	708,993	937,568	25,314	39,243	14,368	133,060
Public Sector	1,350,610	670,038	7,229	528,455	70,527,105	76,313,185	207,003	32,731
Banks	-	-	685,648	491,847	289,853	50,697	2,092,378	5,468,617
Individual Customers	49,958,599	38,748,733	-	-	-	-	3,232	2,932
Equity Instruments	-	-	-	-	217,719	164,988	-	16,860
<b>Geographical Distribution</b>	<b>72,069,298</b>	<b>56,631,955</b>	<b>1,401,870</b>	<b>1,957,870</b>	<b>71,059,991</b>	<b>76,568,113</b>	<b>2,316,981</b>	<b>5,654,200</b>
Domestic	70,265,266	55,450,917	1,353,922	1,891,029	70,353,595	76,041,839	1,357,978	4,430,641
European Union Countries	664,337	538,443	33,341	40,368	282,695	223,886	381,506	217,355
OECD Countries <sup>(3)</sup>	-	-	-	8,253	-	8,391	82	57,384
Off-shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	464,365	255,046	13,553	18,026	172,110	111,177	393,109	874,378
Other Countries	675,330	387,549	1,054	194	251,591	182,820	184,306	74,442

<sup>(1)</sup> Includes Marketable Securities Designated at Fair Value through Profit or Loss, Available for Sale and Held to Maturity.

<sup>(2)</sup> Includes the transactions that are not presented in the first 3 columns but defined as loans and receivables in the 48th article of Banking Act numbered 5411. The unallocated other loans and receivables are presented under "individual customers" line.

<sup>(3)</sup> OECD countries other than EU countries, USA and Canada.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

**Information according to geographical concentration:**

	Assets	Liabilities	Non-Cash Loans	Capital Expenditures	Net Income
<b>Current Period</b>					
Domestic	159,070,727	145,043,686	11,494,295	-	2,220,724
European Union Countries	1,454,480	2,356,147	51,654	-	112
OECD Countries <sup>(1)</sup>	7,444	898	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	1,043,519	1,027,517	349,738	-	3,447
Other Countries	1,188,397	903,354	155,084	-	9,548
Subsidiaries, Investments and Joint Ventures	-	-	-	107,170	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-
<b>Total</b>	<b>162,764,567</b>	<b>149,331,602</b>	<b>12,050,771</b>	<b>107,170</b>	<b>2,233,831</b>
<b>Prior Period</b>					
Domestic	148,731,334	134,782,608	7,172,528	-	3,747,224
European Union Countries	1,099,715	1,721,763	45,346	-	(300)
OECD Countries <sup>(1)</sup>	11,350	1,146	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	1,261,053	1,256,878	314,521	-	(786)
Other Countries	992,318	831,457	26,574	-	16,430
Subsidiaries, Investments and Joint Ventures	-	-	-	85,306	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-
<b>Total</b>	<b>152,095,770</b>	<b>138,593,852</b>	<b>7,558,969</b>	<b>85,306</b>	<b>3,762,568</b>

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.<sup>(2)</sup> Assets and liabilities that could not be distributed on a consistent basis.**Sectoral concentrations for cash loans:**

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	22,950,572	35.83	332,387	3.74	16,768,330	32.43	201,399	3.08
Farming and Raising Livestock	22,603,867	35.29	330,439	3.71	16,520,797	31.95	197,808	3.02
Forestry	-	-	-	-	-	-	-	-
Fishing	346,705	0.54	1,948	0.02	247,533	0.48	3,591	0.05
Manufacturing	2,181,803	3.41	2,851,763	32.05	3,598,316	6.96	2,124,240	32.45
Mining	74,693	0.12	218,959	2.46	416,967	0.81	121,208	1.85
Production	2,088,730	3.26	2,334,513	26.24	3,137,641	6.07	1,836,977	28.06
Electric, Gas and Water	18,380	0.03	298,291	3.35	43,708	0.08	166,055	2.54
Construction	1,059,939	1.65	246,378	2.77	669,062	1.29	207,551	3.17
Services	5,816,829	9.08	3,566,287	40.08	6,095,327	11.79	1,987,082	30.36
Wholesale and Retail Trade	2,205,077	3.44	366,725	4.12	1,971,802	3.81	237,473	3.63
Hotel Food and Beverage Services	369,671	0.58	270,380	3.04	311,606	0.60	215,407	3.29
Transportation and Telecommunication	846,469	1.32	176,413	1.98	889,433	1.72	113,919	1.74
Financial Institutions	134,304	0.21	1,361,414	15.30	1,237,690	2.39	720,180	11.00
Real Estate and Leasing Services	31,766	0.05	783,079	8.80	20,803	0.04	17,707	0.27
Self Employment Services	22,770	0.04	58	0.00	19,198	0.04	44	-
Education Services	82,528	0.13	4,485	0.05	64,166	0.12	2,781	0.04
Health and Social Services	2,124,244	3.32	603,733	6.79	1,580,629	3.06	679,571	10.38
Other <sup>(1)</sup>	32,050,115	50.03	1,901,156	21.37	24,569,850	47.52	2,025,252	30.94
<b>Total</b>	<b>64,059,258</b>	<b>100.00</b>	<b>8,897,971</b>	<b>100.00</b>	<b>51,700,885</b>	<b>100.00</b>	<b>6,545,524</b>	<b>100.00</b>

<sup>(1)</sup> Consumer loans are presented in other line.



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	142,915	247,021
Banks	1,294,642	4,482,390
Interbank Money Market Placements	12,212	23,054
Available-for-Sale Financial Assets	38,361,907	39,864,939
Held-to-Maturity Investments	32,632,337	36,456,153
Loans	73,223,617	58,876,141
Other Assets	693,336	502,339
<b>Total credit risk exposure of balance sheet items</b>	<b>146,360,966</b>	<b>140,452,037</b>
Financial Guarantees	12,050,771	7,558,969
Commitments	39,404,288	21,569,892
<b>Total credit risk exposure of off-balance sheet items</b>	<b>51,455,059</b>	<b>29,128,861</b>
<b>Total credit risk exposure</b>	<b>197,816,025</b>	<b>169,580,898</b>

**Credit quality per class of financial assets is as follows:**

Financial Assets	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
Banks	1,294,642	-	1,294,642	4,482,390	-	4,482,390
Financial Assets at Fair Value Through Profit or Loss	142,915	-	142,915	247,021	-	247,021
Loans	69,241,119	3,716,110	72,957,229	54,514,409	3,732,000	58,246,409
Commercial Loans	17,666,517	729,498	18,396,015	16,367,560	532,079	16,899,639
Retail Loans	29,658,241	2,402,036	32,060,277	22,767,869	2,258,563	25,026,432
Specialized Loans	21,916,361	584,576	22,500,937	15,378,980	941,358	16,320,338
Available-for-Sale Financial Assets	38,361,907	-	38,361,907	39,864,939	-	39,864,939
Held-to-Maturity Investments	32,632,337	-	32,632,337	36,456,153	-	36,456,153

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

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans	579,478	929,958
Commercial Loans	113,076	556,985
Retail Loans	29,452	34,638
Specialized Loans	436,950	338,335
Other	-	-
Available-for-Sale Financial Assets	-	-
Held-to-Maturity Investments	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### III. EXPLANATIONS ON THE MARKET RISK

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

The Parent Bank has established market risk management operations and taken the necessary measures in order to hedge market risk within its financial risk management purposes, in accordance with "Measurement and Assessment of the Capital Adequacy of Banks" issued in the Official Gazette numbered 26333 and dated 1 November 2006.

Market risk management strategy policy and implementation procedures of the Parent Bank are determined within the context of "Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management".

Parent Bank pays attention not to change the position materially in the view of foreign exchange position management and maximum position amount is limited. Also, there is position limit application for limiting interest rate risk stated within the context of market risk of Bank.

Parent Bank calculates the amount subject to the total market risk by using Standard Method as per monthly periods within the context of legal reporting. This amount is included in the calculation of Parent Bank's Standard Capital Adequacy Ratio.

Daily Value at Risk ("VAR") forecasts is made based on financial instruments with different risk factors and portfolios in the Parent Bank and is reported to the related units. Also, backward testing is performed so as to measure performance of used model. Parent Bank limits market risk exposure by VAR based limit within the context of "Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management".

Also, Parent Bank performs monthly market risk stress tests so as to observe the effect of excessive market fluctuations that are not covered by models over the Parent Bank's financial position.

#### Information Related to Market Risk:

	Current Period	Prior Period
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	399,475	379,793
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	21,946	16,326
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	111,252	57,020
(IV) Capital Requirement to be Employed for Commodity Risk - Standard Method	-	1,078
(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)	532,673	454,217
<b>(IX) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x VII)</b>	<b>6,658,413</b>	<b>5,677,713</b>

#### b) Average market risk table calculated at the end of each month during the period: (Values belong to the Parent Bank)

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	397,381	405,682	394,521	252,905	367,395	193,508
Equity Share Risk	31,698	33,348	30,188	20,668	26,352	3,846
Currency Risk	92,292	103,546	79,213	31,007	47,322	19,553
Commodity Risk	1,156	1,954	1,565	890	1,078	759
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
<b>Amount Subject to Total Risk</b>	<b>6,531,588</b>	<b>6,806,625</b>	<b>6,318,588</b>	<b>3,818,375</b>	<b>5,526,838</b>	<b>2,720,825</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### IV. EXPLANATIONS ON OPERATIONAL RISK

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

Operational risk is defined as the probability of loss or damage due to the overlooked errors and irregularities arising from failures of the internal controls of the Parent Bank, and not responding timely by the Parent Bank's management and the personnel, errors and irregularities of the information systems, and due to the disasters earthquake, flood or fire.

Parent Bank is calculating Operational Risk Base Amount based on consolidated financial statements on yearly basis using "Basic Indicator Method". In this method, the parameter which determines the operational risk is the gross income. Gross income is composed of the total of net interest income and net non interest income in general whereas profit and loss from sale of available for sale securities and held to maturity securities and extraordinary income is excluded from calculation. Calculation of Operational Risk Base Amount is done by multiplying the averages of the three years gross income by 12.5.

The Parent Bank's operation risk managerial policy and application procedures are determined within the context of "Operational Risk Management Regulation".

Operational Risk Management actions are conducted by Internal Control and Risk Management Department. In this context generally;

- Realized operational risks are followed in the "Operational Risk Lost Database". At this database, under the context of the identification of operational risk, the lost operational risk information occurred at the Bank are collected appropriate to the standards anticipated at the Basel II.
- The calculation of economic capital with the Advanced Measurement Techniques that are projected to be performed by the banks rendering service on a global scale as envisaged within the framework of Basel II Accord is applied by the Bank and operations regarding the improvement of the techniques are continuing.
- "Operational Risk Map" studies have been conducted, to be used in the internal control audit program by the help of operational risk indicators, operational risk database and unit/volume information for transactions identified in order to determine the risk levels of branches.
- "Self Evaluation Studies" are undertaken in the format of working groups that are formed with the personnel selected from branches and regional heads with the aim of carrying out on-site determination of risks with referrals as the opinions of personnel.
- Within the scope of Information Securities and Risk Management Operations, and in coordination with the related departments of the Parent Bank, study on the Parent Bank Business Sustainability Plan has been carried out. The current Emergency State Plan has been revised and the "T.C. Ziraat Bankası A.Ş. Business Continuity and Emergency State Plan" has been prepared by combining two plans. Within this scope, training has been arranged for Parent Bank personnel in order to inform them about their responsibilities and make the Plan a part of institutional culture.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### V. EXPLANATIONS ON THE CURRENCY RISK

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

The Parent Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR is calculated for daily foreign exchange position and reported to the related departments.

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

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

None.

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

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
23.12.2011	1.8840	2.4544	1.9168	0.33142	0.27440	2.0161	1.8549	0.31629	2.9604	0.48865	2.4152
26.12.2011	1.8811	2.4544	1.9094	0.33057	0.27345	2.0118	1.8430	0.31589	2.9408	0.48621	2.4096
27.12.2011	1.8903	2.4645	1.9165	0.33210	0.27501	2.0223	1.8526	0.31642	2.9611	0.48840	2.4223
28.12.2011	1.9012	2.4629	1.9252	0.33178	0.27560	2.0250	1.8651	0.31620	2.9500	0.49237	2.4421
29.12.2011	1.9074	2.4575	1.9249	0.33113	0.27563	2.0238	1.8652	0.31665	2.9416	0.49264	2.4478
30.12.2011	1.8816	2.4390	1.9199	0.32834	0.27406	2.0076	1.8461	0.31466	2.9205	0.48661	2.4343

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
1.8609	2.4438	1.8844	0.32928	0.27179	1.9967	1.8188	0.31583	2.9047	0.48127	2.3880

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	EUR	USD	Yen	Other FC <sup>(1)</sup>	Total
<b>Current Period</b>					
<b>Assets</b>					
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	4,709,957	2,312,105	450	1,000,935	8,023,447
Banks	207,758	355,214	525	164,528	728,025
Financial Assets at Fair Value Through Profit and Loss	9,663	4,476	-	-	14,139
Money Market Placements	-	5,504	-	1,581	7,085
Financial Assets Available-for-Sale	2,889,153	1,533,108	-	51,661	4,473,922
Loans <sup>(2)</sup>	4,073,960	4,595,452	-	239,918	8,909,330
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	9,423	2,818	-	27,765	40,006
Investments Held-to-Maturity	1,898,119	3,036,318	-	97,139	5,031,576
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Fixed Assets	7,653	1,960	-	24,071	33,684
Intangible Assets	1,304	3,205	-	8,341	12,850
Other Assets	352,436	82,852	-	15,797	451,085
<b>Total Assets</b>	<b>14,159,426</b>	<b>11,933,012</b>	<b>975</b>	<b>1,631,736</b>	<b>27,725,149</b>
<b>Liabilities</b>					
Interbank Deposits	92,982	507,752	-	17,689	618,423
Foreign Currency Deposits	14,478,772	9,248,235	364	728,178	24,455,549
Money Market Borrowings	280,489	2,237,231	-	-	2,517,720
Funds Provided from Other Financial Institutions	123,149	483,847	-	-	606,996
Issued Marketable Securities	-	-	-	-	-
Sundry Creditors	178,612	27,850	-	1,396	207,858
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities	203,019	151,138	-	34,584	388,741
<b>Total Liabilities</b>	<b>15,357,023</b>	<b>12,656,053</b>	<b>364</b>	<b>781,847</b>	<b>28,795,287</b>
<b>Net Balance Sheet Position</b>	<b>(1,197,597)</b>	<b>(723,041)</b>	<b>611</b>	<b>849,889</b>	<b>(1,070,138)</b>
<b>Net Off-Balance Sheet Position<sup>(3)</sup></b>	<b>981,926</b>	<b>551,405</b>	<b>-</b>	<b>(396,023)</b>	<b>1,137,308</b>
Financial Derivative Assets	1,011,239	1,567,061	-	521,144	3,099,444
Financial Derivative Liabilities	29,313	1,015,656	-	917,167	1,962,136
<b>Non-cash Loans</b>	<b>2,263,083</b>	<b>5,456,942</b>	<b>-</b>	<b>284,519</b>	<b>8,004,544</b>
<b>Prior Period</b>					
Total Assets	12,160,209	9,123,548	689	836,544	22,120,990
Total Liabilities	12,786,714	10,507,943	1,320	623,132	23,919,110
<b>Net Balance Sheet Position</b>	<b>(626,505)</b>	<b>(1,384,395)</b>	<b>(631)</b>	<b>213,412</b>	<b>(1,798,120)</b>
<b>Net Off-Balance Sheet Position<sup>(3)</sup></b>	<b>614,981</b>	<b>1,287,224</b>	<b>-</b>	<b>38,302</b>	<b>1,940,507</b>
Financial Derivative Assets	644,690	1,396,673	-	38,302	2,079,665
Financial Derivative Liabilities	29,709	109,449	-	-	139,158
<b>Non-cash Loans</b>	<b>1,422,690</b>	<b>3,445,529</b>	<b>1,357</b>	<b>88,845</b>	<b>4,958,421</b>

<sup>(1)</sup> Of the foreign currencies presented in the other FC column of assets 56.78% is Gold, 3.24% is GBP, 7.70% is MKD, and the remaining 32.28% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 36.66% is GBP, 27.95% is CHF, 8.40% is DKK and the remaining 26.99% is other foreign currencies.

<sup>(2)</sup> TL1,388 equivalent of USD and TL176 equivalent of EUR loans are originated as foreign currency indexed loans (2010: TL2,745 equivalent of USD and TL2,376 equivalent of EUR).

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

The Group's sensitivity to foreign currency rates has been analyzed and 10% increase/decrease is anticipated in the US Dollar and EURO other foreign currency units. 10% is the rate used in the Parent Bank's internal reporting. The following table shows the result of analysis.

	Change in exchange rate in %	Effect on Profit/Loss <sup>(1)(2)</sup>	
		Current Period	Prior Period
USD	10% increase	(16,742)	(1,331)
	10% decrease	16,742	1,331
EUR	10% increase	(9,684)	(8,518)
	10% decrease	9,684	8,518
Other	10% increase	46,466	28,602
	10% decrease	(46,466)	(28,602)

<sup>(1)</sup> The effects on profit or loss and shareholders' equity are presented before tax, in the above table.

<sup>(2)</sup> Investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. Since TL amount of their fair values are fixed as of the valuation date, they do not create currency risk and is not considered in the analysis above.

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

The Parent Bank's structural interest rate management policy and methods of applications are set under the scope of "Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management".

The structural interest rate risk analysis is made based on the income and economic value approaches. Under economic value approach, the Parent Bank is applying the Banking Accounts Interest Shock Value Loss analysis, whereas under income approach the Bank is applying Net Interest Margin/Income analysis. The Banking Accounts Interest Shock Value Loss Analysis is applied over interest rate sensitive balance sheet items excluding the positions subject to the market risk and the results are compared with discounted total assets. At the Net Interest Margin/Income analysis the change in the interest income of the Parent Bank resulting from changes in interest rates is analyzed. About the structural interest rate risk; the macaulay duration, convexity and repricing gap analysis are applied at the Parent Bank. The Parent Bank limits the interest rate exposure. Moreover, an early warning system regarding the structural interest rate risk has also been established by the Parent Bank.

Using possible changes in the interest rate, the changes in the assets and the liabilities of the Group have been analyzed. With this respect;

In order to analyze the effect of the increases and decreases in the interest rate on the interest income/expense of the Group, interest rate sensitive instruments in balance sheet have been grouped on the basis of repricing periods. As a result of the funding/placing of these assets and liabilities with the changing interest rates, the net interest income of the Parent Bank has been analyzed. In this analysis, TL and foreign currency interest rates are increased/decreased by the ratios seen at the tables below and the amounts of the repriced assets and liabilities are assumed to be constant during the balance sheet period. The below mentioned analysis is presenting the net interest income of the Group generated within the balance sheet period.

Change in Interest Rate		Net Interest Income Effect <sup>(1)(2)</sup>	
TL	FC	Current Period	Prior Period
3 points increase	1 point increase	(659,966)	(485,267)
2 points increase	0.66 point increase	(439,649)	(323,208)
1 point increase	0.33 point increase	(219,824)	(161,604)

<sup>(1)</sup> Demand deposits are excluded.

<sup>(2)</sup> Net interest income effect presented above reflects amounts before tax.

Change in Interest Rate		Net Interest Income Effect <sup>(1)(2)</sup>	
TL	FC	Current Period	Prior Period
3 points decrease	1 point decrease	659,966	485,267
2 points decrease	0.66 point decrease	439,649	323,208
1 point decrease	0.33 point decrease	219,824	161,604

<sup>(1)</sup> Demand deposits are excluded.

<sup>(2)</sup> Net interest income effect presented above reflects amounts before tax.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

On the other hand, the analysis of the interest sensitivity of the financial assets of the Parent Bank which are monitored within the positions exposed to market risk only (Fair Value through Profit or Loss and Securities Available for Sale) is presented below. The interest rate sensitivity analysis expressed the effect of 1 basis point increases in TL, 0.33 basis point increase in FC and 3 basis point increases in TL and 1 basis point increase in FC over accounting records. The financial assets recorded under so-called accounts are repriced as a result of the foregoing interest rate increases and the effect of the change in prices aroused on the equity and profit/loss accounts is stated. The effect of the changes in prices calculated for the positions exposed to market risk is resulting from the financial assets available for sale.

Change in Interest Rate <sup>(1)</sup>		Effect on Profit and Loss	Effect on Shareholders' Equity	Effect on Profit and Loss	Effect on Shareholders' Equity
TL	FC	Current Period	Current Period	Prior Period	Prior Period
3 points increase	1 point increase	(1,486)	(776,360)	(1,939)	(809,272)
1 point increase	0.33 point increase	(459)	(266,062)	(664)	(277,327)

<sup>(1)</sup> The effects on profit and loss and shareholders' equity in the table above present the amounts before tax.

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

Interest rate sensitivity of assets and liabilities is followed 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 eliminate the negative effects of interest rate fluctuations in the market on the balance sheet of the Parent Bank, Assets-Liabilities 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 limits for the maximum interest rates considering the interest rate risk. In order to limit the effects of change in interest rates on the Bank's financial structure; risk limit, which is approved by the Board of Directors, is periodically monitored.

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

In the current period, in order to decrease the interest rate risk level, as much as market conditions allow, the Bank used long-term derivative financial instruments and completed preparations for issuing bonds.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	31,397	2,864	-	-	-	14,307,562	14,341,823
Banks	265,994	477,337	27,142	-	-	524,169	1,294,642
Financial Assets at Fair Value Through Profit and Loss	4,048	3,635	41,209	6,786	10,033	77,204	142,915
Money Market Placements	8,445	-	-	3,767	-	-	12,212
Financial Assets Available-for-Sale	10,396,345	4,552,253	7,970,371	10,174,213	4,650,606	618,119	38,361,907
Loans Given	19,690,452	5,892,076	19,216,992	24,885,855	3,215,367	322,875	73,223,617
Investments Held-to-Maturity	7,748,070	15,992,006	3,529,773	2,539,078	2,823,410	-	32,632,337
Other Assets	25,307	10,358	40,448	361,965	106,176	2,318,030	2,862,284
<b>Total Assets</b>	<b>38,170,058</b>	<b>26,930,529</b>	<b>30,825,935</b>	<b>37,971,664</b>	<b>10,805,592</b>	<b>18,167,959</b>	<b>162,871,737</b>
<b>Liabilities</b>							
Interbank Deposits	3,245,493	-	2,000	-	-	93,409	3,340,902
Other Deposits	69,985,081	12,465,935	7,408,313	282,620	69	20,288,876	110,430,894
Money Market Borrowings	25,363,314	-	471,812	1,860	-	-	25,836,986
Sundry Creditors	3,285	4,934	3,589	-	-	939,283	951,091
Issued Marketable Securities	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	171,164	33,159	447,316	29,479	24	-	681,142
Other Liabilities	45,537	49,736	116,549	4,430,822	46,824	16,941,254	21,630,722
<b>Total Liabilities</b>	<b>98,813,874</b>	<b>12,553,764</b>	<b>8,449,579</b>	<b>4,744,781</b>	<b>46,917</b>	<b>38,262,822</b>	<b>162,871,737</b>
<b>Balance Sheet Long Position</b>	-	<b>14,376,765</b>	<b>22,376,356</b>	<b>33,226,883</b>	<b>10,758,675</b>	-	<b>80,738,679</b>
<b>Balance Sheet Short Position</b>	<b>(60,643,816)</b>	-	-	-	-	<b>(20,094,863)</b>	<b>(80,738,679)</b>
Off-Balance Sheet Long Position	15,878	527,502	-	-	-	-	543,380
Off-Balance Sheet Short Position	-	-	(3,290)	(532,800)	-	-	536,090
<b>Total Position</b>	<b>(60,627,938)</b>	<b>14,904,267</b>	<b>22,373,066</b>	<b>32,694,083</b>	<b>10,758,675</b>	<b>(20,094,863)</b>	<b>7,290</b>

<sup>(1)</sup> Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.<sup>(2)</sup> TL3,860,700 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the "1-5 Years" column. TL10,436 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.<sup>(3)</sup> Deferred tax asset is shown under the "Non-Interest Bearing" column.<sup>(4)</sup> Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.<sup>(5)</sup> Total shareholders' equity is shown under the "Non-Interest Bearing" column.



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	EUR	USD	Yen	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	5.00
Banks	2.38	2.18	-	-
Financial Assets at Fair Value Through Profit and Loss	3.36	5.57	-	7.80
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.65	6.14	-	8.43
Loans Given <sup>(2)</sup>	5.01	4.22	-	17.04
Investments Held-to-Maturity	6.23	7.00	-	9.51
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	2.94	2.90	-	11.13
Other Deposits <sup>(4)</sup>	2.07	2.73	-	6.87
Money Market Borrowings	3.30	2.77	-	10.81
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	-	-	-
Funds Provided from Other Financial Institutions	3.17	1.55	-	7.46

<sup>(1)</sup> The ratio in TL column shows interest rate applied to reserve requirement for Central Bank of Northern Cyprus.<sup>(2)</sup> Credit card loans are not included.<sup>(3)</sup> Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.<sup>(4)</sup> Related ratios include demand deposits.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	35,991	2,232	-	-	-	10,284,362	10,322,585
Banks	3,351,914	9,453	181,595	-	272	939,156	4,482,390
Financial Assets at Fair Value Through Profit and Loss	183,398	4,592	24,351	23,735	10,945	-	247,021
Money Market Placements	23,054	-	-	-	-	-	23,054
Financial Assets Available-for-Sale	10,862,955	6,026,177	9,714,304	10,138,196	2,757,369	365,938	39,864,939
Loans Given	17,565,009	3,988,212	14,121,019	20,017,543	2,517,668	323,274	58,532,725
Investments Held-to-Maturity	12,597,522	16,390,142	2,344,460	2,051,560	3,072,469	-	36,456,153
Other Assets	382	9	68	9	-	2,251,741	2,252,209
<b>Total Assets</b>	<b>44,620,225</b>	<b>26,420,817</b>	<b>26,385,797</b>	<b>32,231,043</b>	<b>8,358,723</b>	<b>14,164,471</b>	<b>152,181,076</b>
<b>Liabilities</b>							
Interbank Deposits	2,349,981	13,367	-	-	-	57,224	2,420,572
Other Deposits	81,728,633	16,179,636	6,309,738	169,989	783	19,323,478	123,712,257
Money Market Borrowings	5,024,088	-	-	-	-	-	5,024,088
Sundry Creditors	67	-	-	-	-	712,470	712,537
Issued Marketable Securities	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	2,027	10,268	71,415	79,902	105	-	163,717
Other Liabilities	5,609	311	2,601	3,182,120	-	16,957,264	20,147,905
<b>Total Liabilities</b>	<b>89,110,405</b>	<b>16,203,582</b>	<b>6,383,754</b>	<b>3,432,011</b>	<b>888</b>	<b>37,050,436</b>	<b>152,181,076</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>10,217,235</b>	<b>20,002,043</b>	<b>28,799,032</b>	<b>8,357,835</b>	<b>-</b>	<b>67,376,145</b>
<b>Balance Sheet Short Position</b>	<b>(44,490,180)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(22,885,965)</b>	<b>(67,376,145)</b>
Off Balance Sheet Long Position	20,606	108	202	-	-	-	20,916
Off Balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>(44,469,574)</b>	<b>10,217,343</b>	<b>20,002,245</b>	<b>28,799,032</b>	<b>8,357,835</b>	<b>(22,885,965)</b>	<b>20,916</b>

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

(2) TL3,180,350 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the "1-5 Years" column. TL345,108 of fund balance is not granted as loan and is shown in the "Non-Interest Bearing" column.

(3) Deferred tax asset is shown in the "Non-Interest Bearing" column.

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

(5) Total shareholders' equity is shown in the "Non-Interest Bearing" column.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	EUR	USD	Yen	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	5.00
Banks	0.84	1.05	-	-
Financial Assets at Fair Value Through Profit and Loss	3.56	5.58	-	8.78
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.68	6.04	-	8.22
Loans Given <sup>(2)</sup>	4.06	3.74	-	14.90
Investments Held-to-Maturity	6.23	7.00	-	8.79
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0.88	0.21	-	6.93
Other Deposits	1.65	2.23	-	6.95
Money Market Borrowings	-	-	-	6.66
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	-	-	-
Funds Provided from Other Financial Institutions	3.04	0.93	-	7.13

<sup>(1)</sup> The ratio in TL column shows interest rate applied to reserve requirement for Central Bank of Northern Cyprus.<sup>(2)</sup> Credit card loans are not included.<sup>(3)</sup> Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.**VII. EXPLANATIONS ON THE LIQUIDITY RISK**

General principles of liquidity and financial emergency state management and the related application procedures are considered in the scope of "Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management".

Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management consist of subjects about early warning system and process of transition to liquidity and financial emergency state management.

The Bank calculates liquidity adequacy ratio and reports to BRSA on a weekly basis in accordance with the "Measurement and Assessment of Liquidity Adequacy of Banks" issued in the Official Gazette numbered 26333 and dated 1 November 2006. The liquidity adequacy of the Bank is over the limit values specified in the mentioned regulation.

The Bank performs "Remaining Maturity Analysis" for the observation of the maturity structure of the balance sheet, "Liquidity Gap" and "Structural Liquidity Gap Analysis" for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank's liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the Bank's most crucial funding resource is monitored on a daily basis. Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

According to the "Measurement and Assessment of Liquidity Adequacy of Banks" issued in the Official Gazette numbered 26333 dated 1 November 2006, from 1 June 2007, at the weekly and monthly calculations of the banks, the liquidity ratio requirement is 80% for the foreign currency assets/liabilities and 100% for the total assets/liabilities at minimum. The liquidity ratios for 2011 and 2010 are as follows:

Current Period	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	446.14	293.62	227.38	157.38
Maximum (%)	558.04	436.26	277.85	196.57
Minimum (%)	320.63	172.03	170.36	119.83

Prior Period	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	590.41	458.90	285.73	204.77
Maximum (%)	718.37	573.02	362.97	228.54
Minimum (%)	446.74	381.04	259.59	182.13

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

The Parent Bank's source of funds is mainly formed of deposits. The Parent Bank's deposits do not fluctuate considerably in line with the broadly dispersed customer network. Besides, internal and external sources that can be used to meet the immediate liquidity need are monitored periodically. Borrowing limits of the Parent Bank from organized markets and other financial institutions can cover the corresponding liquidity gaps with different periods. The Parent Bank limits its liquidity risk exposure by the approval of Board of Directors in context with "Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management".

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

The consistency of payments with the assets and liabilities and the interest rates is followed regularly by the management and no structural inconsistency that effects the Parent Bank's financial structure exists.

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(1)(2)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	14,338,959		2,864	-	-	-	-	14,341,823
Banks	524,169	265,994	477,337	27,142	-	-	-	1,294,642
Financial Assets at Fair Value Through Profit and Loss	34	30,480	3,535	41,587	57,171	10,105	3	142,915
Money Market Placements	-	8,445	-	-	3,767	-	-	12,212
Financial Assets Available-for-Sale	980	383,083	437,511	1,466,648	22,980,649	12,875,594	217,442	38,361,907
Loans Given	56,487	2,175,318	4,551,027	25,020,124	35,394,011	5,760,262	266,388	73,223,617
Investments Held-to-Maturity	-	209,154	1,965,451	1,203,968	23,569,028	5,684,736	-	32,632,337
Other Assets	596,883	25,307	10,358	40,659	365,197	106,176	1,717,704	2,862,284
<b>Total Assets</b>	<b>15,517,512</b>	<b>3,097,781</b>	<b>7,448,083</b>	<b>27,800,128</b>	<b>82,369,823</b>	<b>24,436,873</b>	<b>2,201,537</b>	<b>162,871,737</b>
<b>Liabilities</b>								
Interbank Deposits	93,409	3,245,493	-	2,000	-	-	-	3,340,902
Other Deposits	20,288,876	69,985,081	12,465,935	7,408,313	282,620	69	-	110,430,894
Funds Provided from Other Financial Instruments	-	3,373	26,622	208,623	180,007	262,517	-	681,142
Money Market Borrowings	-	25,363,314	-	471,812	1,860	-	-	25,836,986
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	522,334	355,234	4,934	3,589	-	-	65,000	951,091
Other Liabilities <sup>(3)</sup>	1,208,429	237,348	138,836	116,560	4,409,784	703,424	14,816,341	21,630,722
<b>Total Liabilities</b>	<b>22,113,048</b>	<b>99,189,843</b>	<b>12,636,327</b>	<b>8,210,897</b>	<b>4,874,271</b>	<b>966,010</b>	<b>14,881,341</b>	<b>162,871,737</b>
<b>Liquidity Gap</b>	<b>(6,595,536)</b>	<b>(96,092,062)</b>	<b>(5,188,244)</b>	<b>19,589,231</b>	<b>77,495,552</b>	<b>23,470,863</b>	<b>(12,679,804)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	11,749,553	12,775,180	6,041,507	31,546,612	68,569,382	19,612,541	1,886,301	152,181,076
Total Liabilities	20,815,047	89,838,701	16,466,053	6,445,333	3,360,284	664,179	14,591,479	152,181,076
<b>Liquidity Gap</b>	<b>(9,065,494)</b>	<b>(77,063,521)</b>	<b>(10,424,546)</b>	<b>25,101,279</b>	<b>65,209,098</b>	<b>18,948,362</b>	<b>(12,705,178)</b>	<b>-</b>

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

<sup>(2)</sup> Deferred tax asset is included under the "Undistributed" column.

<sup>(3)</sup> TL3,860,700 of the funds balance, whose risk is not born by the Parent Bank, is included in other liabilities and shown under the "1-5 Year" column, fund balance amounted to TL10,436 is not granted as loan and is included under "Up to One Month" column.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

<b>Current Period<sup>(1)</sup></b>	<b>Demand and up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Bank Deposits	3,356,298	920	8,404	-	-	3,365,622
Other Deposits	90,511,211	12,595,471	7,569,455	294,925	431	110,971,493
Funds Borrowed from Other Financial Institutions	3,237	26,896	210,219	186,580	315,531	742,463
Funds Borrowed from Interbank Money Market	25,383,876	-	474,656	1,860	-	25,860,392
<b>Total</b>	<b>119,254,622</b>	<b>12,623,287</b>	<b>8,262,734</b>	<b>483,365</b>	<b>315,962</b>	<b>140,939,970</b>
<b>Prior Period<sup>(1)</sup></b>						
Bank Deposits	2,408,588	13,462	-	-	34,955	2,457,005
Other Deposits	101,269,809	16,373,349	6,430,988	179,491	783	124,254,420
Funds Borrowed from Other Financial Institutions	2,013	-	102,506	7,913	61,588	174,020
Funds Borrowed from Interbank Money Market	5,026,573	-	-	-	-	5,026,573
<b>Total</b>	<b>108,706,983</b>	<b>16,386,811</b>	<b>6,533,494</b>	<b>187,404</b>	<b>97,326</b>	<b>131,912,018</b>

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

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

The Group has operations in retail banking, corporate and commercial banking, agricultural banking, investment banking and international banking areas.

Known as having the most extensive branch network in retail (consumer) banking sector, the Bank renders services, such as; deposits, consumer loans, loans originated from funds whose risk does not belong to the Bank, credit cards, automatic payment, cheques and notes, money transfer order, foreign exchange transactions, internet banking, mobile banking, safe-deposit box, retirement plan and insurance brokerage services. Moreover, existing instruments are improved and new banking instruments are created in order to benefit from services undertaken as being a state bank in increasing the profitability of the Parent Bank. By Finart system, which is working in a centralized manner, the Parent Bank has the technical infrastructure required by modern banking sector to meet its clients' needs.

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

As the Parent Bank is the main financial institution that meets the financing needs of agricultural sector, it extends agricultural operations and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and agricultural credit corporations. Besides, it gives support to entities and enterprises having operations in agricultural sector by acting as an intermediary for loans originated from funds.

Treasury operations are conducted by the Fund Management and Fund Management Middle Office Departments. By foregoing departments, the Parent Bank's liquidity is used for Turkish Lira, foreign exchange and securities transactions in local and international organized and over-the-counter markets, and enables sources of funds in Turkish Lira and foreign currencies according to the needs of the Parent Bank. The Parent Bank acts as an intermediary for transaction of securities and Eurobonds by the related departments, for transaction of shares and public offerings as an agency of Ziraat Yatırım Menkul Değerler A.Ş. and for transaction of investment funds founded by the Parent Bank and Ziraat Yatırım Menkul Değerler A.Ş. and keeps records of these financial instruments and the Parent Bank performs repo/reverse repo transactions. Besides the Parent Bank performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Parent Bank performs foreign currency forward agreements and currency swap transactions. Investment banking transactions have been further developed with the portfolio management services supplied by the investment consultants and group portfolio management and brokers.

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

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

Operations abroad include the banking operations of the Group in Germany, Bosnia, Kazakhstan, Macedonia and Russia.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

As of 31 December 2011, explanations on segment reporting as shown below are in line with Communiqué on "Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures".

**Table for Segment Reporting:**

	<b>Retail Banking</b>	<b>Commercial and SME Banking<sup>(1)</sup></b>	<b>Specialized Banking<sup>(2)</sup></b>	<b>Investment Banking</b>	<b>International Banking</b>	<b>Foreign Operations</b>	<b>Consolidation Adjustments</b>	<b>Total Operations of the Group</b>
<b>Current Period</b>								
Total Operating Income/Expense <sup>(3)</sup>	2,924,558	695,700	761,156	2,956,039	40,293	82,775	(24,652)	7,435,869
Net Operating Profit	925,297	315,170	336,789	1,307,600	17,829	18,190	(8,209)	2,912,666
Income from Subsidiaries <sup>(4)</sup>	-	-	-	-	-	-	-	21,669
Income Before Taxes	-	-	-	-	-	-	-	2,947,808
Tax Provision	-	-	-	-	-	-	-	(713,977)
<b>Net Profit for the Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,233,831</b>
Segment Assets-net <sup>(5)</sup>	33,116,319	15,551,130	22,857,553	84,386,509	2,952,747	2,752,254	(1,610,825)	160,005,687
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	-	-	107,170
Undistributed Assets <sup>(5)</sup>	-	-	-	-	-	-	-	2,758,880
<b>Total Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162,871,737</b>
Segment Liabilities - net <sup>(5)</sup>	23,141,676	11,183,884	20,331,651	85,161,273	2,947,325	2,063,501	(1,305,025)	143,524,285
Undistributed Liabilities <sup>(5)</sup>	-	-	-	-	-	-	-	5,807,317
Shareholders' Equity	-	-	-	-	-	-	-	13,540,135
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162,871,737</b>
Other Segment Items								
Capital Investment	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	75,817
Restructuring Costs	-	-	-	-	-	-	-	-

<sup>(1)</sup> Shows the Group's commercial and SME loans with interest and commission income related to these loans.

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

	Retail Banking	Commercial and SME Banking <sup>(1)</sup>	Specialized Banking <sup>(2)</sup>	Investment Banking	International Banking	Foreign Operations	Consolidation Adjustments	Total Operations of the Group
<b>Current Period</b>								
Total Operating Income/Expense <sup>(3)</sup>	2,540,491	552,816	811,026	3,683,389	31,525	65,171	(44,737)	7,639,681
Net Operating Profit	1,270,227	358,416	524,149	2,373,259	20,369	6,441	(17,292)	4,535,569
Income from Subsidiaries <sup>(4)</sup>	-	-	-	-	-	-	-	25,218
Income Before Taxes	-	-	-	-	-	-	-	4,542,204
Tax Provision	-	-	-	-	-	-	-	(779,636)
<b>Net Profit for the Period</b>	-	-	-	-	-	-	-	<b>3,762,568</b>
Segment Assets-net <sup>(3)</sup>	25,427,301	15,674,203	16,685,924	89,202,577	2,634,472	1,824,303	(1,176,497)	150,272,283
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	-	-	85,306
Undistributed Assets <sup>(5)</sup>	-	-	-	-	-	-	-	1,823,487
<b>Total Assets</b>	-	-	-	-	-	-	-	<b>152,181,076</b>
Segment Liabilities - net <sup>(3)</sup>	21,283,067	13,067,593	17,770,987	79,567,149	2,642,211	1,307,963	(950,995)	134,687,975
Undistributed Liabilities <sup>(5)</sup>	-	-	-	-	-	-	-	3,904,168
Shareholders' Equity	-	-	-	-	-	-	-	13,588,933
<b>Total Liabilities</b>	-	-	-	-	-	-	-	<b>152,181,076</b>
Other Segment Items								
Capital Investment	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	56,571
Restructuring Costs	-	-	-	-	-	-	-	-

<sup>(1)</sup> Commercial and corporate banking column includes results of operations and total assets and liabilities of 4 corporate and 28 commercial branches of the Parent Bank. Since any commercial and corporate banking operations in other branches could not be distributed; they are not included in this column.

<sup>(2)</sup> Real estate loans transferred from Emlak Bank and agricultural loans, liabilities regarding these loans and operating income related with them are included in "Specialized Banking" column. Besides, income from specialized banking operations are presented at "Specialized Banking" column and since the Parent Bank's deposit interest expense from related operations cannot be decomposed; these amounts are presented in operating profit row within "Retail Banking" column. Furthermore, since the operating expense related with "Specialized Banking" cannot be separated, it is presented in "Retail Banking" column.

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

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

<sup>(5)</sup> The total of tangible and intangible assets, tax asset and tangible fixed assets held for sale is shown in "Undistributed Assets" row, whereas the total of provisions and tax liability is shown in "Undistributed Liabilities" row.



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

**IX. EXPLANATIONS ON THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES****a) Information regarding the fair value of financial assets and liabilities:**

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>145,524,715</b>	<b>139,359,261</b>	<b>146,034,486</b>	<b>140,101,946</b>
Due From Interbank Money Market	12,212	23,054	12,212	23,054
Banks	1,294,642	4,482,390	1,294,642	4,482,390
Available-for-sale Financial Assets	38,361,907	39,864,939	38,361,907	39,864,939
Held-to-maturity Investments	32,632,337	36,456,153	33,142,108	37,198,630
Loans	73,223,617	58,532,725	73,223,617	58,532,933
<b>Financial Liabilities</b>	<b>115,404,029</b>	<b>127,007,742</b>	<b>115,404,029</b>	<b>127,007,742</b>
Bank Deposits	3,340,902	2,420,572	3,340,902	2,420,572
Other Deposits	110,430,894	123,712,257	110,430,894	123,712,257
Funds Borrowed From Other Financial Institutions	681,142	162,377	681,142	162,377
Issued Marketable Securities	-	-	-	-
Miscellaneous Payables	951,091	712,537	951,091	712,537

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

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

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>65,713</b>	<b>77,168</b>	<b>34</b>	<b>142,915</b>
Government Debt Securities	65,713	-	-	65,713
Share Certificates	-	-	34	34
Trading Derivative Financial Assets	-	77,168	-	77,168
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	<b>37,781,580</b>	<b>511,281</b>	<b>51,661</b>	<b>38,344,522</b>
Equity Securities <sup>(1)</sup>	94,419	105,792	89	200,300
Government Debt Securities	37,579,136	-	51,572	37,630,708
Other Marketable Securities	108,025	405,489	-	513,514
<b>Total Assets</b>	<b>37,847,293</b>	<b>588,449</b>	<b>51,695</b>	<b>38,487,437</b>
Trading Derivative Financial Liabilities	-	44,369	-	44,369
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>44,369</b>	<b>-</b>	<b>44,369</b>

<sup>(1)</sup> Since equity securities under the heading Level 3 of financial assets available for sale amounting to TL17,385 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>216,861</b>	<b>30,158</b>	<b>2</b>	<b>247,021</b>
Government Debt Securities	216,861	-	-	216,861
Share Certificates	-	-	2	2
Trading Derivative Financial Assets	-	30,158	-	30,158
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	<b>39,711,231</b>	<b>101,415</b>	<b>35,205</b>	<b>39,847,850</b>
Equity Securities <sup>(2)</sup>	47,415	100,411	73	147,899
Government Debt Securities	39,418,140	-	35,132	39,453,272
Other Marketable Securities <sup>(1)</sup>	245,676	1,004	-	246,679
<b>Total Assets</b>	<b>39,928,093</b>	<b>131,573</b>	<b>35,207</b>	<b>40,094,872</b>
Trading Derivative Financial Liabilities	-	5,599	-	5,599
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>5,599</b>	<b>-</b>	<b>5,599</b>

<sup>(1)</sup> The fair values of debt securities classified under Level 3 are determined with the internal rate of return method.

<sup>(2)</sup> Since equity securities under the heading of financial assets available for sale TL17,089 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

**X. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF OTHER PARTIES****1. Transaction, Custody, Management and Consultancy Services of the Parent Bank on behalf of Third Parties:**

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

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

The Parent Bank has no fiduciary transactions.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

**SECTION FIVE****EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS****I. EXPLANATIONS AND NOTES RELATED TO ASSETS****1. a) Information on Cash and Balances with Central Bank of the Republic of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,094,881	260,320	1,081,166	234,490
Central Bank of the Republic of Turkey	5,223,495	7,717,601	6,573,935	2,399,955
Other	-	45,526	-	33,039
<b>Total</b>	<b>6,318,376</b>	<b>8,023,447</b>	<b>7,655,101</b>	<b>2,667,484</b>

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

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

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

No interest is charged by CBRT for Turkish Lira and Foreign Currency denominated reserve requirements.

As of 31 December 2011, total reserve requirement of the Group is TL12,977,192 including Central Banks abroad. (2010: TL9,006,929)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	5,192,098	-	6,549,245	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1)(2)</sup>	31,397	7,717,601	24,690	2,399,955
<b>Total</b>	<b>5,223,495</b>	<b>7,717,601</b>	<b>6,573,935</b>	<b>2,399,955</b>

<sup>(1)</sup> Required reserve of branches abroad amounting to TL40,505 is presented in this line (2010: TL30,582).

<sup>(2)</sup> TL4,917,924 of the current period's foreign currency required reserve is part of the TL required reserve that is held in foreign currency.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar Securities	4,711	-	3,067	-
Other	-	-	-	-
<b>Total</b>	<b>4,711</b>	<b>-</b>	<b>3,067</b>	<b>-</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets Held-for-Trading				
Forward Transactions	982	6	253	21
Swap Transactions	49,721	26,459	27,435	2,449
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>50,703</b>	<b>26,465</b>	<b>27,688</b>	<b>2,470</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	505,577	52,759	501	1,218,748
Foreign Banks	61,040	675,266	44,514	3,218,627
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>566,617</b>	<b>728,025</b>	<b>45,015</b>	<b>4,437,375</b>

**b) Information on foreign banks accounts:**

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	165,039	2,211,751	-	-
USA, Canada	343,019	826,223	-	-
OECD Countries <sup>(1)</sup>	23,108	89,217	-	-
Off-shore Banking Regions	-	-	-	-
Other	159,156	107,589	45,984	28,362
<b>Total</b>	<b>690,322</b>	<b>3,234,780</b>	<b>45,984</b>	<b>28,362</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	17,061	-
Assets Blocked/Given as Collateral	65,066	31,227
<b>Total</b>	<b>82,127</b>	<b>31,227</b>

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

	Current Period	Prior Period
Debt Securities	38,588,871	39,710,655
Quoted in Stock Exchange	38,125,304	39,674,520
Not Quoted in Stock Exchange	463,567	36,135
Share Certificates	219,917	165,581
Quoted in Stock Exchange	94,717	47,519
Not Quoted	125,200	118,062
Provision for Impairment (-)	446,881	11,297
<b>Total</b>	<b>38,361,907</b>	<b>39,864,939</b>

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	-	-	<b>2,165</b>
Legal Entities	-	-	-	2,165
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	<b>9,216</b>	-	<b>3,360</b>
<b>Loans Granted to Employees</b>	<b>249,450</b>	<b>85</b>	<b>212,820</b>	<b>2</b>
<b>Total</b>	<b>249,450</b>	<b>9,301</b>	<b>212,820</b>	<b>5,527</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Cash Loans</b>				
<b>Non-Specialized Loans</b>	<b>47,132,953</b>	<b>42,915</b>	<b>3,031,922</b>	<b>99,612</b>
Discount Notes	67,896	-	114	-
Export Loans	1,273,996	-	1,360	324
Import Loans	-	-	-	-
Loans Given to Financial Sector	1,373,473	-	-	-
International Loans	1,310,348	471	929	-
Consumer Loans	26,436,162	10,658	2,314,212	18,238
Credit Cards	1,597,623	497	68,695	-
Precious Metals Loans	-	-	-	-
Other <sup>(1)</sup>	15,073,455	31,289	646,612	81,050
Specialized Lending <sup>(2)</sup>	20,286,015	310,126	547,488	37,088
Other Receivables	-	-	-	-
Interest Income Accruals	1,469,110	-	-	-
<b>Total</b>	<b>68,888,078</b>	<b>353,041</b>	<b>3,579,410</b>	<b>136,700</b>

<sup>(1)</sup> Decomposition of rediscount of restructured or rescheduled loans and loans and other receivables under close monitoring could not be obtained from existing data processing system.<sup>(2)</sup> Agricultural loans originated from funds are shown in specialized lending.**c) Loans according to maturity structure:**

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled <sup>(1)</sup>	Loans and Other Receivables <sup>(1)</sup>	Restructured or Rescheduled <sup>(1)</sup>
<b>Short-term Loans</b>				
Non-specialized Loans	19,536,660	27,419	502,308	12,699
Specialized Loans	7,804,341	2,724	251,730	4,670
Other Receivables	11,732,319	24,695	250,578	8,029
Other Receivables	-	-	-	-
<b>Medium and Long-term Loans and Other Receivables</b>				
Non-specialized Loans <sup>(2)</sup>	49,351,418	325,622	3,077,102	124,001
Specialized Loans	39,734,869	40,191	2,780,192	94,942
Other Receivables	9,616,549	285,431	296,910	29,059
Other Receivables	-	-	-	-

<sup>(1)</sup> Decomposition of rediscount of restructured or rescheduled loans and loans and other receivables under close monitoring could not be obtained from existing data processing system.<sup>(2)</sup> Agricultural loans originated from funds are shown in specialized lending.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	423,967	28,030,751	28,454,718
Real Estate Loans	2,597	7,928,815	7,931,412
Vehicle Loans	1,978	319,839	321,817
Consumer Loans	416,893	19,616,400	20,033,293
Abroad <sup>(2)</sup>	2,499	165,697	168,196
Other	-	-	-
Consumer Loans- Indexed to FC	-	17	17
Real Estate Loans	-	17	17
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	14,085	88,615	102,700
Real Estate Loans	-	8,129	8,129
Vehicle Loans	-	-	-
Consumer Loans	13,813	44,908	58,721
Other	272	35,578	35,850
Individual Credit Cards-TL	1,509,037	888	1,509,925
With Installment	511,765	807	512,572
Without Installment	997,272	81	997,353
Individual Credit Cards-FC	2,205	-	2,205
With Installment	-	-	-
Without Installment	2,205	-	2,205
Personnel Loans-TL	19,225	154,405	173,630
Real Estate Loans	-	980	980
Vehicle Loans	-	-	-
Consumer Loans	6,001	152,615	158,616
Abroad <sup>(2)</sup>	22	810	832
Other	13,202	-	13,202
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	629	3,734	4,363
Real Estate Loans	-	1,143	1,143
Vehicle Loans	-	-	-
Consumer Loans	503	1,020	1,523
Other	126	1,571	1,697
Personnel Credit Cards-TL	68,198	24	68,222
With Installment	26,577	20	26,597
Without Installment	41,621	4	41,625
Personnel Credit Cards-FC	113	-	113
With Installment	-	-	-
Without Installment	113	-	113
Overdraft Accounts-TL (Real Person)	316,458	-	316,458
Overdraft Accounts-FC (Real Person)	482	-	482
<b>Total<sup>(1)</sup></b>	<b>2,354,399</b>	<b>28,278,434</b>	<b>30,632,833</b>

<sup>(1)</sup> TL239,521 of interest income accrual could not be decomposed therefore accruals are not included in the table above.<sup>(2)</sup> TL832 of consumer loans used by the personnel abroad and TL272,266 of consumer loans have been shown under "International Loans" of 5-b Table.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	259,925	4,455,794	4,715,719
Business Loans	108	130,763	130,871
Vehicle Loans	2,908	385,134	388,042
Consumer Loans	235,339	3,576,483	3,811,822
Other	21,570	363,414	384,984
Commercial Installment Loans-Indexed to FC	1,046	30,250	31,296
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	704	9,165	9,869
Other	342	21,085	21,427
Commercial Installment Loans-FC	25,704	72,212	97,916
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	10,778	57,642	68,420
Other	14,926	14,570	29,496
Corporate Credit Cards-TL	85,848	214	86,062
With Installment	142	200	342
Without Installment	85,706	14	85,720
Corporate Credit Cards-FC	288	-	288
With Installment	-	-	-
Without Installment	288	-	288
Overdraft Account-TL (Legal Entity)	15,165	-	15,165
Overdraft Account-FC (Legal Entity)	-	-	-
<b>Total<sup>(1)</sup></b>	<b>387,976</b>	<b>4,558,470</b>	<b>4,946,446</b>

<sup>(1)</sup> Since interest income accruals could not be decomposed by type, accruals are not included in the table above.**f) Loans according to types of borrowers:**

	Current Period	Prior Period
Public	1,472,561	1,336,305
Private	70,015,558	55,986,538
Interest Income Accruals of Loans	1,469,110	923,566
<b>Total</b>	<b>72,957,229</b>	<b>58,246,409</b>

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

	Current Period	Prior Period
Domestic Loans	70,176,371	56,528,619
Foreign Loans	1,311,748	794,224
Interest Income Accruals of Loans	1,469,110	923,566
<b>Total</b>	<b>72,957,229</b>	<b>58,246,409</b>

**h) Loans granted to subsidiaries and investments:**

None (31 December 2010: None).



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	Current Period	Prior Period
Loans and other receivables with limited collectability	17,444	16,529
Loans and other receivables with doubtful collectability	106,956	107,410
Uncollectible loans and other receivables	503,811	463,374
<b>Total</b>	<b>628,211</b>	<b>587,313</b>

**j) Information on non-performing receivables (net):****1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled by the Group:**

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Current period</b>			
<b>(Gross amounts before the specific provisions)</b>	<b>2,981</b>	<b>23,208</b>	<b>63,547</b>
Loans and other receivables which are restructured	2,981	23,208	63,547
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>			
<b>(Gross amounts before the specific provisions)</b>	<b>7,855</b>	<b>11,087</b>	<b>38,965</b>
Loans and other receivables which are restructured	7,855	11,087	38,965
Rescheduled loans and other receivables	-	-	-

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Prior Period Ending Balance</b>	<b>83,627</b>	<b>171,061</b>	<b>618,941</b>
Additions (+)	547,779	86,646	215,435
Transfers from other Categories of Loans under Follow-Up (+)	-	397,262	382,874
Transfers to other categories of Loans under Follow-Up (-)	397,262	382,874	-
Collections (-) <sup>(1)</sup>	156,156	103,297	567,047
Write-offs (-)	24	15	2,351
Corporate and Commercial Loans	14	-	1,387
Consumer Loans	10	15	964
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance<sup>(2)</sup></b>	<b>77,964</b>	<b>168,783</b>	<b>647,852</b>
Specific Provision (-)	17,444	106,956	503,811
<b>Net Balance on Balance Sheet<sup>(2)</sup></b>	<b>60,520</b>	<b>61,827</b>	<b>144,041</b>

<sup>(1)</sup> The restructured and rescheduled loans are included on the stated sum.<sup>(2)</sup> Includes the loans originated from funds amounting to TL154,205 whose risk does not belong to the Parent Bank and therefore no provision is provided.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	<b>Group III: Loans and other receivables with limited collectability</b>	<b>Group IV: Loans and other receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and other receivables</b>
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>13,066</b>	<b>10,257</b>	<b>20,983</b>
Specific Provision (-)	3,655	9,909	20,947
<b>Net Balance on Balance Sheet</b>	<b>9,411</b>	<b>348</b>	<b>36</b>
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>6,855</b>	<b>9,483</b>	<b>12,545</b>
Specific Provision (-)	1,799	10,360	12,511
<b>Net Balance on Balance Sheet</b>	<b>5,056</b>	<b>(877)</b>	<b>34</b>

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

	<b>Group III: Loans and other receivables with limited collectability</b>	<b>Group IV: Loans and other receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and other receivables</b>
<b>Current Period (Net)</b>	<b>60,520</b>	<b>61,827</b>	<b>144,041</b>
Loans to Real Persons and Legal Entities (Gross)	77,964	117,726	647,852
Specific Provisions (-)	17,444	55,899	503,811
Loans to Real Persons and Legal Entities (Net)	60,520	61,827	144,041
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	51,057	-
Specific Provisions (-)	-	51,057	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>67,098</b>	<b>63,651</b>	<b>155,567</b>
Loans to Real Persons and Legal Entities (Gross)	83,627	123,507	618,941
Specific Provisions (-)	16,529	59,856	463,374
Loans to Real Persons and Legal Entities (Net)	67,098	63,651	155,567
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	47,554	-
Specific Provisions (-)	-	47,554	-
Other Loans and Receivables (Net)	-	-	-

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

Execution proceedings are carried out for the collection of receivables from loan services of the Parent Bank's. During this process, tangible guarantees constituting guarantees of receivables of the Parent Bank and assets of the debtor(s) are realized while receivables of the Parent Bank'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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

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

**m) Other explanations and disclosures:**

Current Period	Commercial <sup>(2)</sup>	SME	Retail <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired Loans	10,720,509	6,946,008	29,658,241	21,916,361	69,241,119
Past Due but not Impaired Loans	729,498	-	2,402,036	584,576	3,716,110
Impaired Loans	120,743	156,204	262,073	355,579	894,599
<b>Total</b>	<b>11,570,750</b>	<b>7,102,212</b>	<b>32,322,350</b>	<b>22,856,516</b>	<b>73,851,828</b>
Specific Provisions of Impaired Loans(-)	109,324	130,272	210,217	178,398	628,211
<b>Net Loan Amount</b>	<b>11,461,426</b>	<b>6,971,940</b>	<b>32,112,133</b>	<b>22,678,118</b>	<b>73,223,617</b>

<sup>(1)</sup> TL1,198,462 retail, TL2,507,770 agricultural, and TL168 commercial loans originated from fund whose risk does not belong to the Parent Bank, are shown in Neither Past Due nor Impaired Loans.

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

Prior Period	Commercial <sup>(2)</sup>	SME	Retail <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired	11,089,773	5,385,264	22,660,393	15,378,980	54,514,410
Past Due but not Impaired Loans	532,971	-	2,257,671	941,358	3,732,000
Impaired Loans	105,186	151,382	237,423	379,637	873,628
<b>Total</b>	<b>11,727,930</b>	<b>5,536,646</b>	<b>25,155,487</b>	<b>16,699,975</b>	<b>59,120,038</b>
Specific Provisions of Impaired Loans(-)	103,265	128,096	192,957	162,995	587,313
<b>Net Loan Amount</b>	<b>11,624,664</b>	<b>5,408,550</b>	<b>24,962,530</b>	<b>16,536,981</b>	<b>58,532,725</b>

<sup>(1)</sup> TL1,153,742 retail, TL2,093,805 agricultural, and TL168 commercial fund sourced loans whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

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

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

Current Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	119,506	25,159	10,116	-	154,781
Retail Loans	42,720	16,008	5,284	-	64,012
Agricultural Loans	112,600	28,416	8,624	-	149,640
<b>Total</b>	<b>274,826</b>	<b>69,583</b>	<b>24,024</b>	<b>-</b>	<b>368,433</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments, overdue principals for other loans and the remaining principal amounts of those loans which are equal to TL3,347,677.

Prior Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	66,055	17,093	8,160	-	91,308
Retail Loans	79,316	16,506	5,688	-	101,510
Agricultural Loans	92,361	49,564	4,442	-	146,367
<b>Total</b>	<b>237,732</b>	<b>83,163</b>	<b>18,290</b>	<b>-</b>	<b>339,185</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments, overdue principals for other loans and the remaining principal amounts of those loans which are equal to TL3,392,815.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	6,920,200	1,638,210	4,960,309	-
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>6,920,200</b>	<b>1,638,210</b>	<b>4,960,309</b>	<b>-</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	9,241,832	1,023,067	5,301,398	-
Other	-	-	-	-
<b>Total</b>	<b>9,241,832</b>	<b>1,023,067</b>	<b>5,301,398</b>	<b>-</b>

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

	Current Period	Prior Period
Government Bonds	32,501,880	36,388,471
Treasury Bills	96,803	40,618
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>32,598,683</b>	<b>36,429,089</b>

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

	Current Period	Prior Period
Debt securities	32,632,337	36,456,153
Quoted in a Stock Exchange	30,199,138	34,125,948
Not Quoted in a Stock Exchange	2,433,199	2,330,205
Provision for Impairment (-)	-	-
<b>Total</b>	<b>32,632,337</b>	<b>36,456,153</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>36,456,153</b>	<b>44,843,796</b>
Addition to Scope of Consolidation	-	75,656
Foreign Currency Differences on Monetary Assets	817,892	(17,236)
Purchases During the Year	4,599,332	1,559,127
Disposals through Sales and Redemptions	(9,241,040)	(10,005,190)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>32,632,337</b>	<b>36,456,153</b>

Within the year 2008, the Parent Bank has reclassified securities previously classified in available for sale portfolio with nominal values of TL23,630,115, EUR717,616 thousand and USD1,483,317 thousand to held-to-maturity portfolio with fair values of TL22,971,669, EUR702,950 thousand and USD1,562,742 thousand respectively which have been taken into consideration as book values after reclassification. The Bank has also reclassified securities previously classified in financial assets at fair value through profit and loss portfolio with nominal values of EUR37,951 thousand and USD45,501 thousand to held-to-maturity portfolio with fair values of EUR37,178 thousand and USD62,311 thousand respectively which have been taken into consideration as book values after reclassification in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" published in the Official Gazette No. 27040 dated 31 October 2008 by TASB.

Revaluation differences of reclassified available for sale securities before deferred tax are TL68,984, EURO(23,067) thousand and USD(15,207) thousand respectively and are recorded under shareholders' equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. As of balance sheet date, positive revaluation difference, which is accounted under shareholders' equity, is TL4,225, negative revaluation differences which are accounted under shareholders' equity are USD14,017 thousand and EUR11,511 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR39,287 thousand and USD69,560 thousand respectively.

If reclassified held for trading securities had not been reclassified, income accrual equal to TL17,682 would have been recorded. As of 31 December 2011, the reclassification from held for trading securities to held-to-maturity investments has an income impact equal to TL(9,892).

**7. Information about associates (net):****a) 1) Information about unconsolidated associates:**

	Description	Address (City/Country)	The Parent Bank's Share Percentage, if Different, Voting Percentage (%)	The Parent Bank's Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	İstanbul/Turkey	12.50	17.98
2	Kredi Kayıt Bürosu A.Ş.	İstanbul/Turkey	11.11	9.09

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	24,961	18,559	10,345	967	-	2,694	1,465	-
2	44,844	33,989	2,465	2,634	4	18,340	14,132	-

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

<sup>(2)</sup> Current period information of associates has been provided from unaudited financial statements as of 31 December 2011. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2010.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	Description	Address (City/Country)	The Parent Bank's Share Percentage, if Different, Voting Percentage (%)	The Parent Bank's Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	Istanbul/Turkey	20.00	15.43

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	3,012,586	353,977	25,087	56,317	27,770	48,095	23,669	-

<sup>(1)</sup> Since shares of Arap Türk Bankası A.Ş. are not traded in the stock market, fair values cannot be identified.<sup>(2)</sup> Current period information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2011. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2010.<sup>(3)</sup> The shareholding right of the Arap Türk Bankası A.Ş. which is 62.37%, excluding dividends, was transferred to the Savings Deposit Insurance Fund ("SDIF") with Council of Ministers Decree No. 2011/2001, was promulgated in Official Gazette No. 27982, dated 2 July 2011. Hikmet Aydın Simit and Oğuz Kayhan, who were members of the Executive Board of the Bank, have been appointed as the executive board members of Arap Türk Bankası A.Ş. by the SDIF. As per Decision No. 77 of the SDIF Board on 1 March 2012, the aforementioned shareholding rights were transferred back to the Libyan Foreign Bank. As a result of the General Assembly decision of Arap Türk Bankası A.Ş. on 15 March 2012, Hikmet Aydın Simit and Oğuz Kayhan resigned from their roles at Arap Türk Bankası.**2) Information about consolidated associates:**

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>47,198</b>	<b>106,428</b>
<b>Movement During the Period</b>	<b>7,421</b>	<b>(59,230)</b>
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation <sup>(1)</sup>	-	47,198
Transfer <sup>(1)</sup>	-	(106,428)
Sales	-	-
Revaluation	7,421	-
Impairment Provision	-	-
<b>Ending Balance</b>	<b>54,619</b>	<b>47,198</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation	-	-

<sup>(1)</sup> Axa Sigorta A.Ş. is classified under "Associates" in the prior period while it is classified under "Available for Sale Securities" in the current period; in addition Arap Türk Bankası A.Ş. has been added to the consolidation scope.**3) Sector information about consolidated associates:**

	Current Period	Prior Period
Banks	54,619	47,198
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

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

None (2010: None).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

**8. Information on subsidiaries (net):****a) Information about unconsolidated subsidiaries:**

	Description	Address (City/Country)	The Parent Bank's Share Percentage-if different Voting Percentage (%)	The Parent Bank's Risk Group Share Percentage (%)
1	Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.	İstanbul/Turkey	62.50	52.54
2	Fintek Finansal Teknoloji Hizmetleri A.Ş.	Ankara/Turkey	62.50	64.61

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	23,203	12,659	3,955	909	-	2,474	4,571	-
2	10,672	4,795	74	243	118	569	345	-

<sup>(1)</sup> Since shares of subsidiaries are not traded in the stock market, fair values cannot be identified.<sup>(2)</sup> Current period information of subsidiaries has been provided from audited financial statements as of 31 December 2011. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2010.**b) Information about consolidated subsidiaries:**

Investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. For these subsidiaries, fair value is determined by valuation reports, TL equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries' values are recognized in "Marketable Securities Value Increase Fund" under shareholder's equity.

	Description	Address (City/Country)	The Bank's Share Percentage-if different Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	İstanbul/Turkey	100.00	99.98
2	Ziraat Sigorta A.Ş.	İstanbul/Turkey	100.00	99.98
3	Ziraat Finansal Kiralama A.Ş.	İstanbul/Turkey	100.00	50.25
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	100.00	63.06
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul/Turkey	60.00	65.70
6	Ziraat Bank International A.G.	Frankfurt/Germany	100.00	100.00
7	Turkish Ziraat Bank Bosnia dd	Sarajevo/Bosnia Herzegovina	100.00	100.00
8	Ziraat Bank (Moscow) CJSC	Moscow/Russia	100.00	99.91
9	Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	100.00	99.36
10	Ziraat Banka Ad Skopje	Skopje/Macedonia	100.00	100.00

	Total Assets <sup>(3)</sup>	Shareholders' Equity <sup>(3)</sup>	Total Non-Current Assets <sup>(3)</sup>	Interest Income <sup>(3)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(3)</sup>	Prior Period Profit/Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>
1	900,164	120,234	1,258	60,295	466	51,829	48,521	-
2	196,835	75,205	840	10,167	-	42,170	13,738	-
3	559,230	126,953	779	38,972	-	16,904	15,408	-
4	83,922	72,231	1,082	20,381	695	11,429	8,989	-
5	10,133	9,587	32	527	527	1,253	1,909	-
6	2,212,864	378,572	3,285	51,211	5,428	8,585	1,696	323,328
7	202,734	86,869	9,055	9,720	469	965	97	48,632
8	97,228	50,545	3,444	6,007	112	2,234	1,105	43,477
9	210,333	142,075	9,537	6,493	960	3,909	1,003	124,043
10	101,141	44,642	3,528	5,266	1,875	(142)	1,865	37,469

<sup>(1)</sup> The subsidiaries that are not presented with fair value are carried at cost less impairment, since they are not traded in stock exchange and accordingly, fair value cannot be determined and they are carried at cost less impairment if any. For the subsidiaries having fair value, fair value represents Ziraat Bank's portion.<sup>(2)</sup> The income from marketable securities portfolio of Ziraat Yatırım Menkul Değerler A.Ş. and Ziraat Portföy Yönetimi A.Ş. represents net sales.<sup>(3)</sup> Information on subsidiaries shown in the above table has been provided from audited financial statements as of 31 December 2011, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2010.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

**2) Information about consolidated subsidiaries:**

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>629,955</b>	-
<b>Movements During the Period</b>	-	<b>629,955</b>
Additions to Scope of Consolidation <sup>(1)</sup>	-	629,955
Purchases	56,930	-
Bonus Shares Obtained	7,343	-
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	-	-
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>694,228</b>	<b>629,955</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

<sup>(1)</sup>According to the Communiqué Related to Making Amendments to Communiqué about Publicly Announced Financial Statements of Banks and Related Disclosures issued in the Official Gazette numbered 27824 dated 23 January 2011, the Parent Bank consolidates all of its financial subsidiaries as of 31 December 2010.

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

	Current Period	Prior Period
Banks	576,949	520,975
Insurance Companies	39,984	39,984
Factoring Companies	-	-
Leasing Companies	57,443	49,860
Financing Companies	-	-
Other Financial Subsidiaries	19,852	19,136

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

None (2010: None).

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

Entities under Common Control (Joint Ventures) <sup>(1)</sup>	The Parent Bank's Share <sup>(2)</sup>	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	8,075	8,075	91,275	17,167	6,788	10,393	5,559
Uzbekistan- Turkish Bank	20,173	20,181	210,924	2,929	3,203	7,175	5,159
Azer Türk Bank ASC	13,840	15,044	78,471	76,865	568	35,039	32,761
<b>Total</b>	<b>42,088</b>	<b>43,300</b>	<b>380,670</b>	<b>96,961</b>	<b>10,559</b>	<b>52,607</b>	<b>43,479</b>

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

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

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	48,198	45,830	39,921	33,303
1-5 Years	420,762	361,944	280,383	233,901
More than 5 Years	133,644	106,165	91,358	76,212
<b>Total</b>	<b>602,604</b>	<b>513,939</b>	<b>411,662</b>	<b>343,416</b>

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

The Bank has no derivative financial assets for hedging purposes.

**12. Information on investment property:**

None (2010: None).

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

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

The Group's total immovables acquired amount to TL52,321 consisting of TL656 due to consumer loans, TL50,576 due to commercial loans and TL1,089 due to agricultural loans. Total depreciation expense is TL422 for these held for sale assets.

**14. Explanations on property and equipment:**

	Immovables	Tangibles- Financial Leasing	Vehicles	Other Tangibles	Total
<b>Prior Period End:</b>					
Cost	1,370,685	52,906	26,155	225,088	1,674,834
Accumulated Depreciation (-)	608,004	46,895	11,192	160,505	826,596
<b>Net Book Value</b>	<b>762,681</b>	<b>6,011</b>	<b>14,963</b>	<b>64,583</b>	<b>848,238</b>
<b>Current Period End:</b>					
Net Book Value at the Beginning of the Period	762,681	6,011	14,963	64,583	848,238
Change During the Period (Net)	38,104	30	722	112,526	151,382
Depreciation net (-)	14,605	2,054	3,474	18,224	38,357
Impairment (-)	3,906	-	-	-	3,906
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-
Cost at Period End	1,405,218	52,947	26,544	336,975	1,821,684
Accumulated Depreciation at Period End (-)	622,944	48,960	14,333	178,090	864,327
<b>Closing Net Book Value</b>	<b>782,274</b>	<b>3,987</b>	<b>12,211</b>	<b>158,885</b>	<b>957,357</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

**15. Explanations on intangible assets:**

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	50,072	15,166	34,906	21,066	4,402	16,664
Establishment Costs	6,000	3,267	2,733	4,831	2,880	1,951
Goodwill	-	-	-	-	-	-
Intangible Rights	46,527	17,061	29,466	33,222	14,512	18,710
<b>Total</b>	<b>102,599</b>	<b>35,494</b>	<b>67,105</b>	<b>59,119</b>	<b>21,794</b>	<b>37,325</b>

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

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

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

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

	Current Period	Prior Period
Deferred Tax Assets	287,656	317,557
Deferred Tax Liabilities	103	277
Net Deferred Tax Assets	287,553	317,280
Net Deferred Tax Income/Expense	(360,790)	51,793

	Current Period	Prior Period
Reserve for Employment Termination Benefits	106,644	97,940
Short Term Employee Benefits	25,283	22,649
Other Provisions	18,840	17,443
Valuation of Financial Assets	131,294	178,552
Other	5,492	696
<b>Net Deferred Tax Assets</b>	<b>287,553</b>	<b>317,280</b>

	Current Period	Prior Period
<b>As of 1 January</b>	<b>317,280</b>	<b>344,819</b>
Addition to Scope of Consolidation	-	1,283
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax Income	(360,790)	51,793
<b>Deferred Tax Expenses (Net)</b>	<b>(360,790)</b>	<b>51,793</b>
Deferred Tax Recognized Under Shareholders' Equity	331,063	(80,615)
<b>Deferred Tax Assets</b>	<b>287,553</b>	<b>317,280</b>

**17. Information on other assets:**

As of 31 December 2011 and 2010, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES****1. a) Information on maturity structure of deposits collected:****1) For deposit banks:**

Current Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	6,304,736	-	3,428,901	39,652,721	4,902,631	567,637	917,720	-	55,774,346
Foreign Currency Deposits	4,140,131	-	3,754,863	8,434,294	2,093,157	670,848	4,792,693	-	23,885,986
Residents in Turkey	3,455,580	-	3,473,756	7,619,667	1,888,860	493,388	4,127,028	-	21,058,279
Residents Abroad	684,551	-	281,107	814,627	204,297	177,460	665,665	-	2,827,707
Public Sector Deposits	5,710,531	-	2,131,409	4,867,465	242,075	301,806	57,185	-	13,310,471
Commercial Inst. Deposits	2,319,645	-	2,655,822	2,963,686	714,921	1,070,363	60,559	-	9,784,997
Other Inst. Deposits	1,813,833	-	644,007	2,861,162	2,164,509	116,823	74,761	-	7,675,094
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank Deposits	93,409	-	3,196,706	48,787	-	-	2,000	-	3,340,902
CBRT	3,780	-	376	-	-	-	-	-	4,151
Domestic Banks	30,444	-	3,044,061	-	-	-	2,000	-	3,076,507
Foreign Banks	37,746	-	152,269	48,787	-	-	-	-	238,805
Participation Banks	21,439	-	-	-	-	-	-	-	21,439
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>20,382,285</b>	<b>-</b>	<b>15,811,706</b>	<b>58,828,115</b>	<b>10,117,293</b>	<b>2,727,477</b>	<b>5,904,920</b>	<b>-</b>	<b>113,771,796</b>

Prior Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	6,140,203	-	10,634,241	38,091,351	2,802,331	396,027	550,097	-	58,614,250
Foreign Currency Deposits	3,739,464	-	5,126,887	7,205,763	2,182,635	759,053	4,002,588	-	23,016,390
Residents in Turkey	3,222,839	-	4,924,481	6,709,710	1,664,318	464,778	3,647,069	-	20,633,195
Residents Abroad	516,625	-	202,406	496,053	518,317	294,275	355,519	-	2,383,195
Public Sector Deposits	5,873,427	-	1,631,287	4,803,742	678,124	2,410	13,871	-	13,002,861
Commercial Inst. Deposits	2,492,029	-	3,990,121	10,889,272	882,668	241,408	37,746	-	18,533,244
Other Inst. Deposits	1,078,355	-	1,178,823	7,111,987	1,119,916	50,230	6,201	-	10,545,512
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank Deposits	57,224	-	2,310,761	36,307	12,417	-	3,863	-	2,420,572
CBRT	3,531	-	1,539	-	-	-	-	-	5,070
Domestic Banks	11,899	-	2,278,123	23,920	10,356	-	3,863	-	2,328,161
Foreign Banks	32,424	-	31,099	12,387	2,061	-	-	-	77,971
Participation Banks	9,370	-	-	-	-	-	-	-	9,370
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19,380,702</b>	<b>-</b>	<b>24,872,120</b>	<b>68,138,422</b>	<b>7,678,091</b>	<b>1,449,128</b>	<b>4,614,366</b>	<b>-</b>	<b>126,132,829</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

**b) Information on saving deposits:****1) Amounts exceeding the deposit insurance limit:****a) Saving deposits under the guarantee of deposit insurance and exceeding the deposit insurance limit (Values belong to the Parent Bank):**

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits <sup>(2)</sup>	30,206,627	30,298,251	25,297,249	28,090,165
Foreign Currency Saving Deposits <sup>(2)</sup>	7,404,412	6,883,869	9,275,852	7,051,300
Other Deposits in the Form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	412,909	287,445	42,243	22,157
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-	-	-

<sup>(1)</sup> In Bulgaria and Greece, since both real person and legal entity's saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL17,026 and TL5,792 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2010: Bulgaria and Greece, TL6,730, TL4,802, respectively).

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

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL3,253 of demand deposits is not included in the above calculation, since the Parent Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of the Banks. As total of capital amount and interest expense accruals of saving deposits up to TL50 attributable to a real person is covered by the insurance, TL377,859 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 7 November 2006 and numbered 26339.

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

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

**3) Amounts which are not covered by deposit insurance:****a) Saving deposits not covered by the deposit insurance fund: (Values belong to the Parent Bank)**

	Current Period	Prior Period
Deposits and Other Accounts in Branches Abroad	4,436	33,935
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors and Their Close Families	1,199	2,038
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

**2. Information on derivative financial liabilities held for trading:****a) Negative differences related to the derivative financial liabilities held for trading:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	943	28	241	-
Swap Transactions	28,910	14,486	5,273	85
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	44	-	-	-
<b>Total</b>	<b>29,897</b>	<b>14,514</b>	<b>5,514</b>	<b>85</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	74,146	71,330	28,679	14,941
Foreign Banks, Institutions and Funds	-	535,666	-	118,757
<b>Total</b>	<b>74,146</b>	<b>606,996</b>	<b>28,679</b>	<b>133,698</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	63,631	157,307	27,090	22,055
Medium and Long-Term	10,515	449,689	1,589	111,643
<b>Total</b>	<b>74,146</b>	<b>606,996</b>	<b>28,679</b>	<b>133,698</b>

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

69.85% of the Group's liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Group's liabilities are not subject to a significant concentration risk.

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

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

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

Information on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	-	-	1	1
Between 1-5 Years	-	-	-	-
More than 5 Years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>

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

There are no derivative financial liabilities for hedging purposes.

**7. Explanations on provisions:****a) Information on general provisions:**

	Current Period	Prior Period
<b>General Provisions</b>	<b>999,331</b>	<b>270,562</b>
Allocated for Group-I Loans and Receivables	840,216	129,527
Allocated for Group-II Loans and Receivables	93,884	74,796
Allocated for Non-Cash Loans	40,199	24,963
Other	25,032	41,276

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

i) Rescheduled loans and other receivables that are standard:

31 December 2011	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Number of Rescheduled Loan Agreements	326	612	6,831	5,322	-	13,091
Risk Amount	3,825	14,275	222,762	252,905	-	493,767

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

31 December 2011	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Number of Rescheduled Loan Agreements	207	56	319	692	-	1,274
Risk Amount	4,564	3,394	15,990	37,579	-	61,527

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

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

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

Specific provisions for unindemnified non-cash loans amount to TL2,747.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### d) Information on other provisions:

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

Apart from special provisions, as per the relevant regulations, Banks set aside general loan provisions for its loan and other receivables. The practice in which the general provision rate was considered as 0% for newly extended cash loans excluding credit card receivables, and which was implemented starting from 6 March 2010 according to Temporary Article 4 of the Regulation on Provisions, was terminated by the Bank as of 1 January 2011. However, in line with Note (a) of the first paragraph of Article 7 of the Communiqué related to provisions, the general provision is set aside at 1% for standard cash loans effective from 1 January 2011. In accordance with the decision taken at the Assets and Liabilities Committee ("ALCO") meeting on 21 December 2010, the practice of applying a general and free provision rate at 3% to total loans, excluding interest loans, was terminated as of 1 January 2011. Accordingly, the existing free provisions of TL266,330 held for loans were transferred to general provision accounts. Based on the decision of the Bank management on December 2011, TL130,000 was provided as free provisions as a precaution taking into account possible developments in the economy and markets. Moreover, the provision of TL10,000 is due to the cash transfers made by Bank officials and there exists other provision amounting to TL248.

	Current Period	Prior Period
General provisions for possible risks	140,248	275,125

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

Since the Parent Bank has no centralized database for the outstanding lawsuits, summary of the number and amount of those lawsuits cannot be obtained from the data processing system. However, based on the information provided by the legal department, lawsuits against the Parent Bank over TL100 amounts to TL59,817. Full provision has been provided in the accompanying financial statements for law suits ended against the Parent Bank but not finalized yet, amounting to TL9,059. In addition to these, for the interest expenses calculated for the lawsuits against the Parent Bank concerning the remuneration liabilities related to KOSGEB and National Productivity Center, general provision equal to TL62,932 has been provided.

Furthermore, based on the decision of the Bank management, provision amounting to TL20,000, included in the current year, without taking into consideration the guarantees of the loans and in line with the conservatism principle, is provided for the consumer loans followed under standard loan portfolio due to, and that also have amounts in the non performing loan portfolio in the Act on Preservation of Consumers numbered 4077 and accordance with the "Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions", published in Official Gazette numbered 26333, dated 1 November 2006.

The Bank also provided provisions amounting to TL2,747 for unindemnified non-cash loans, TL15,424 for previously unconfirmed current account recordings and TL13,316 for other provisions. As a result, in addition to the provisions mentioned above, the other provision balance on the Bank's balance sheet amounts to TL263,605 (2010: TL376,128).

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

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

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

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
As of 1 January	491,494	429,000
Addition to Scope of Consolidation		1,638
Payments in the period	(47,577)	(43,453)
Charge for the period	89,305	104,309
<b>Total</b>	<b>533,222</b>	<b>491,494</b>

As of 31 December 2011, unpaid vacation liability amounted to TL126,415 (2010: TL111,922) is presented under the "Employee Benefits Provision" in the financial statements.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### 2) Pension Rights related to the Parent Bank

The technical balance sheet report as of 31 December 2011 which is prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9.80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2011 and 2010.

The liability related to the Parent Bank's benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act's, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9.80% real discount rate, etc.).

According to related Actuary Report, the Fund's surplus is TL810,181 (2010: TL633,381) as of 31 December 2011.

	Current Period	Prior Period
Present value of funded obligations	181	(121,619)
- Pension benefits transferable to SSI	(266,234)	(316,767)
- Post employment medical benefits transferable to SSI	266,415	195,148
Fair value of plan assets	810,000	755,000
<b>Actuarial Surplus</b>	<b>810,181</b>	<b>633,381</b>

The principal actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9.80%	9.80%
- Post employment medical benefits transferable to SSI	9.80%	9.80%

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

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank Placements	612,231	76	583,664	77
Property and Equipment	160,771	20	160,323	21
Marketable Securities	26,498	3	5,972	1
Other	10,500	1	5,041	1
<b>Total</b>	<b>810,000</b>	<b>100</b>	<b>755,000</b>	<b>100</b>



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### 8. Information on tax liability:

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

##### 1) Information on tax provisions:

As of 31 December 2011, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL92,957 (2010: TL263,512).

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

	Current Period	Prior Period
Corporate Tax Payable	92,957	263,512
Taxation on Income From Securities	108,177	90,373
Property Tax	840	747
Banking Insurance Transactions Tax (BITT)	41,494	31,125
Foreign Exchange Transactions Tax	4	4
Value Added Tax Payable	1,363	1,713
Other	22,489	28,658
<b>Total</b>	<b>267,324</b>	<b>416,132</b>

##### 3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	219	92
Social Security Premiums - Employer	279	26
Parent Bank Social Aid Pension Fund Premium - Employee	3,263	110
Parent Bank Social Aid Pension Fund Premium - Employer	4,598	192
Pension Fund Membership Fees and Provisions - Employee	7	6
Pension Fund Membership Fees and Provisions - Employer	17	16
Unemployment Insurance - Employee	493	164
Unemployment Insurance - Employer	989	364
Other	12	12
<b>Total</b>	<b>9,877</b>	<b>982</b>

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

The Group's deferred tax liability amounts to TL103 (2010: TL277). The net deferred tax asset is TL287,553 (2010: TL317,280) in the accompanying financial statements.

### 9. Information on subordinated loans:

There is no subordinated loan.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

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

### 10. Information on shareholders' equity:

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

	Current Period	Prior Period
Common stock	2,500,000	2,500,000
Preferred stock	-	-

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

The Parent Bank does not have a registered capital system.

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

There is no share capital increase and increased capital shares.

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

There is no increase from capital reserves.

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

The Parent Bank has no capital commitments.

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

In the current period, the Parent Bank follows its operations in line with the previous periods. The Parent Bank's balance sheet has been managed with precaution by being affected by the interest, rate of exchange and credit risks at the minimum level. This helps to reduce the effects of fluctuations in the market to the Parent Bank's performance and contributes to the profitability structure to be sustainable.

#### g) Information on preferred shares:

The Bank has no preferred shares.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities Under Common Control	-	-	-	(647)
Revaluation Difference	-	-	-	(647)
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	(403,794)	(39,221)	670,695	107,711
Revaluation Difference	(549,986)	(39,221)	937,985	107,711
Deferred Tax Effect	134,345	-	(196,156)	-
Foreign Exchange Differences	11,847	-	(71,134)	-
<b>Total</b>	<b>(403,794)</b>	<b>(39,221)</b>	<b>670,695</b>	<b>107,064</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

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

**III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS****1. Information on off-balance sheet liabilities:****a) Nature and amount of irrevocable loan commitments:**

	Current Period	Prior Period
Payment Commitments for Cheques	2,461,015	2,303,870
Asset Purchase Commitments	637,825	262,409
Commitments for Credit Card Expenditure Limits	3,838,031	2,687,394
Loan Granting Commitments	84,527	10,446
Other Irrevocable Commitments	1,851,081	918,360
Subsidiaries and Associates Capital Contribution Commitments	1,000	2,000
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	8,131	10,958
<b>Total</b>	<b>8,881,610</b>	<b>6,195,437</b>

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

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

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

	Current Period	Prior Period
Guarantee Letters	9,980,389	6,525,045
Bank Acceptances	374,545	42,433
Letter of Credits	1,695,837	991,491
<b>Total</b>	<b>12,050,771</b>	<b>7,558,969</b>

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

	Current Period	Prior Period
Letter of Temporary Guarantees	421,609	203,060
Letter of Certain Guarantees	5,398,981	3,376,221
Letters of Advance Guarantees	3,130,140	2,187,538
Letters of Guarantees given to Customs Offices	100,452	113,749
Other Letters of Guarantees	929,207	632,647
<b>Total</b>	<b>9,980,389</b>	<b>6,513,215</b>

**c) 1) Total non-cash loans:**

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>301,982</b>	<b>587,103</b>
With Original Maturity of One Year or Less	123,676	32,410
With Original Maturity of More than One Year	178,306	554,693
<b>Other Non-Cash Loans</b>	<b>11,748,789</b>	<b>6,971,865</b>
<b>Total</b>	<b>12,050,771</b>	<b>7,558,970</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**c) 2) Information on sectoral risk concentrations of non-cash loans:**

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	71,486	1.77	51,571	0.64	53,810	2.07	63,253	1.28
Farming and Raising Livestock	70,540	1.74	50,682	0.63	52,446	2.02	62,556	1.26
Forestry	-	-	-	-	-	-	-	-
Fishing	946	0.02	889	0.01	1,364	0.05	697	0.01
Manufacturing	1,056,482	26.11	4,954,522	61.90	684,400	26.32	3,224,012	65.02
Mining	259,156	6.40	488,577	6.10	151,356	5.82	310,049	6.25
Production	638,665	15.78	4,344,009	54.27	431,248	16.58	2,852,062	57.52
Electric, Gas and Water	158,661	3.92	121,936	1.52	101,796	3.91	61,901	1.25
Construction	649,232	16.05	669,249	8.36	305,715	11.76	195,078	3.93
Services	2,145,837	53.03	1,201,679	15.01	1,453,625	55.90	764,862	15.43
Wholesale and Retail Trade	452,946	11.19	229,216	2.86	255,478	9.82	73,751	1.49
Hotel, Food and Beverage Services	15,650	0.39	26,646	0.33	8,996	0.35	2,193	0.04
Transportation and Telecommunication	387,899	9.59	128,204	1.60	338,884	13.03	83,423	1.68
Financial Institutions	817,996	20.22	187,458	2.34	524,792	20.18	201,229	4.06
Real Estate	4,725	0.12	10,679	0.13	1,105	0.04	4	0.00
Self-employment Services	5,533	0.14	67	0.00	5,038	0.19	103	0.00
Education Services	10,592	0.26	6,184	0.08	5,636	0.22	13,698	0.28
Health and Social Services	450,496	11.13	613,225	7.66	313,696	12.06	390,461	7.87
Other	123,190	3.04	1,127,523	14.09	102,998	3.96	711,216	14.34
<b>Total</b>	<b>4,046,227</b>	<b>100.00</b>	<b>8,004,544</b>	<b>100.00</b>	<b>2,600,548</b>	<b>100.00</b>	<b>4,958,421</b>	<b>100.00</b>

**c) 3) Information on the non-cash loans classified under Group I and Group II:**

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash loans</b>	<b>3,999,646</b>	<b>7,990,685</b>	<b>46,581</b>	<b>13,859</b>
Letters of Guarantee	3,997,612	5,922,337	46,581	13,859
Bank Acceptances	2,000	361,764	-	-
Letters of Credit	34	1,682,194	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	24,390	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**2. Explanations on derivative transactions:**

	Current Period	Prior Period
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions (I)	6,324,834	4,271,234
Forward Transactions	267,707	19,705
Swap Transactions	6,057,127	4,251,529
Futures Transactions	-	-
Option Transactions	-	-
Interest Related Derivative Transactions (II)	-	-
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	-	-
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	-	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>6,324,834</b>	<b>4,271,234</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>6,324,834</b>	<b>4,271,234</b>

The Parent Bank has no derivative instruments for hedging purposes. There are no unrealized transactions (those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized) or expense and income from agreements in the income statement in the current period.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	15,965	(37,067)	(3,290)	31,680	-	7,288
- Inflow	(1,920,418)	(640,035)	(65,520)	(532,800)	-	(3,158,773)
- Outflow	1,936,383	602,968	62,230	564,480	-	3,166,061
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total inflow</b>	<b>(1,920,418)</b>	<b>(640,035)</b>	<b>(65,520)</b>	<b>(532,800)</b>	<b>-</b>	<b>(3,158,773)</b>
<b>Total outflow</b>	<b>1,936,383</b>	<b>602,968</b>	<b>62,230</b>	<b>564,480</b>	<b>-</b>	<b>3,166,061</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	20,606	108	202	-	-	20,916
- Inflow	2,081,265	30,493	34,317	-	-	2,146,075
- Outflow	(2,060,659)	(30,385)	(34,115)	-	-	(2,125,159)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total inflow</b>	<b>2,081,265</b>	<b>30,493</b>	<b>34,317</b>	<b>-</b>	<b>-</b>	<b>2,146,075</b>
<b>Total outflow</b>	<b>(2,060,659)</b>	<b>(30,385)</b>	<b>(34,115)</b>	<b>-</b>	<b>-</b>	<b>(2,125,159)</b>

**3. Explanations on contingent assets and liabilities:**

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

The Group's liability resulting from the cheques given to its customers amounts to TL2,461,015 (2010: TL2,303,870)

The Competition Board started an investigation into some banks and financial institutions, including T.C. Ziraat Bankası A.Ş., with a decision dated 2 November 2011, No. 11-55/1438 – M. The investigation, which is still ongoing and is not expected to have an effect on the financial statements, is to determine if these institutions have carried out any of the actions stated in the 4th decree of the Preservation of Competition Law (Law No. 4054), in relation with the restrictive trade agreements, concerted practices and accord of attempt.

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

**4. Explanations on services in the name of others:**

The Parent Bank acts as an intermediary for purchases and sales of government securities on behalf of individuals and entities, conducts repo transactions, and provides custody services. The Parent Bank does not provide consultancy and management services.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT****1. a) Information on interest income from loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans <sup>(1)</sup>	7,100,410	353,921	5,648,961	167,587
Short Term Loans	1,921,473	76,898	1,775,750	51,793
Medium and Long Term Loans	5,075,741	276,666	3,766,364	115,569
Interest on Non-Performing Loans	103,196	357	106,847	225
Premiums from Resource Utilization Support Fund	-	-	-	-

<sup>(1)</sup> Includes fees and commissions income on cash loans.**b) Information on interest received from the banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	8,604	-	153,347	-
Domestic Banks	17,241	577	3,189	677
Foreign Banks	2,419	13,697	704	19,814
Head Office and Branches	-	-	-	-
<b>Total</b>	<b>28,264</b>	<b>14,274</b>	<b>157,240</b>	<b>20,491</b>

**c) Information on interest income on marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Trading Financial Assets	6,992	3,274	19,754	1,419
From Financial Assets at Fair Value through Profit or Loss	-	-	-	-
From Available-for-sale Financial Assets	3,000,539	209,906	2,524,817	182,111
From Held-to-maturity Investments	2,757,847	297,843	3,440,266	258,546
<b>Total</b>	<b>5,765,378</b>	<b>511,023</b>	<b>5,984,837</b>	<b>442,076</b>

**d) Information on interest income from subsidiaries and associates:**

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	3,820	9,976

**2. a) Information on interest expense on borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks <sup>(1)</sup>	14,716	1,867	1,609	4,339
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	14,698	704	1,599	4,218
Foreign Banks	18	1,163	10	121
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>14,716</b>	<b>1,867</b>	<b>1,609</b>	<b>4,339</b>

<sup>(1)</sup> Includes fees and commissions expenses on cash loans.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**b) Information on interest expenses given to subsidiaries and associates:**

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	27,535	-

**c) Information on interest given on securities issued:**

The Parent bank has no securities issued.

**d) Maturity structure of the interest expense on deposits:**

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 Year		
<b>TL</b>								
Bank Deposit	-	138,041	-	-	-	-	-	138,041
Saving Deposit	25	345,359	3,370,690	435,039	47,035	63,035	-	4,261,183
Public Sector Deposit	351	76,000	378,778	45,916	3,945	1,137	-	506,127
Commercial Deposit	154	118,959	667,580	185,014	63,795	3,784	-	1,039,286
Other Deposit	69	36,060	509,333	319,179	11,278	4,089	-	880,008
Deposit With 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>599</b>	<b>714,419</b>	<b>4,926,381</b>	<b>985,148</b>	<b>126,053</b>	<b>72,045</b>	<b>-</b>	<b>6,824,645</b>
<b>FC</b>								
Foreign Currency Deposit	8,405	79,454	192,909	66,048	14,248	107,869	-	468,933
Bank Deposit	3,712	300	81	-	-	5	-	4,098
Deposit With 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	-	-	-	-	-	-	-
<b>Total</b>	<b>12,117</b>	<b>79,754</b>	<b>192,990</b>	<b>66,048</b>	<b>14,248</b>	<b>107,874</b>	<b>-</b>	<b>473,031</b>
<b>Grand Total</b>	<b>12,716</b>	<b>794,173</b>	<b>5,119,371</b>	<b>1,051,196</b>	<b>140,301</b>	<b>179,919</b>	<b>-</b>	<b>7,297,676</b>

**3. Explanations on dividend income:**

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	18,658	16,487
Other <sup>(1)</sup>	3,011	8,731
<b>Total</b>	<b>21,669</b>	<b>25,218</b>

(1) Shows the Group's dividend income from equity investments, subsidiaries, associates and entities under common control.



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**4. Information on trading profit/loss (net):**

	Current Period	Prior Period
<b>Profit</b>	<b>3,599,867</b>	<b>1,519,177</b>
Profit from the Capital Market Transactions	103,883	24,725
Profit on Derivative Financial Instruments	1,533,269	493,611
Foreign Exchange Gains	1,962,715	1,000,841
<b>Loss (-)</b>	<b>3,647,228</b>	<b>1,527,151</b>
Loss from the Capital Market Transactions	1,340	1,080
Loss on Derivative Financial Instruments	1,246,000	381,388
Foreign Exchange Loss	2,399,888	1,144,683

**5. Information on profit/loss on derivative financial operations:**

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(982,513)	72,619
Effect of the change in interest rates on profit/loss	1,269,782	39,604
<b>Total</b>	<b>287,269</b>	<b>112,223</b>

**6. Information on other operating income:****Information on factors covering the recent developments which has significant effect on the Parent Bank's income and the extent of effect on income:**

There are no significant matters covering the recent developments which have significant effect on the Parent Bank's income. Main component of the Parent Bank's other operating income consists of reversals from prior period provisions amounting to TL244,869 and insurance and pension premiums amounting to TL1,125,504.

**7. Provision expenses for impairment on loans and other receivables:**

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	194,816	145,323
Group III Loans and Receivables	16,375	18,362
Group IV Loans and Receivables	57,034	56,623
Group V Loans and Receivables	121,407	70,338
General Provision Expenses <sup>(2)</sup>	467,350	9,110
Provision Expenses for the Possible Losses <sup>(2)</sup>	131,535	1,748
Marketable Securities Impairment Expense	2,916	218
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	2,916	218
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	41	39,196
Associates	41	39,196
Subsidiaries	-	-
Entities under Common Control	-	-
Investment Securities Held to Maturity	-	-
Other <sup>(3)</sup>	20,428	563
<b>Total</b>	<b>817,086</b>	<b>196,158</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL155,015 are presented in other operating income (2010: TL249,590).

<sup>(2)</sup> The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL8,189 are presented in other operating income (2010: TL512,797).

<sup>(3)</sup> Based on the decision of the Bank management, provision amounting to TL20,000, included in the current year and without taking into consideration the guarantees of the loans, is provided for the retail loans followed under standard loan portfolio that also have amounts in the non performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the "Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions", published in Official Gazette numbered 26333, dated 1 November 2006 and considering the conservation principle without taking into consideration the collateral of these loans.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

### 8. Information on other operating expenses:

	Current Period	Prior Period
Personnel Expenses	1,375,305	1,286,290
Reserve for Employee Termination Benefits	89,187	104,357
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	61,194	48,546
Intangible Assets Impairment Expense	-	781
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	14,623	8,025
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	285	182
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	797,580	1,008,566
Operational Leasing Expenses	76,365	52,071
Maintenance Expenses	41,925	32,786
Advertisement Expenses	37,272	21,253
Other Expenses	642,018	902,456
Loss on Sales of Assets	1,630	405
Other <sup>(1)</sup>	1,344,644	450,802
<b>Total</b>	<b>3,684,448</b>	<b>2,907,954</b>

<sup>(1)</sup> TL209,381 (2010: TL159,153) of other item consists of Saving Deposit Insurance Fund accrual expense while TL199,880 (2010: TL176,299) consists of taxes, duties and charges expense. Furthermore, as of 31 December 2011, the other balance includes insurance provision expenses amounting to TL322,848, compensation expenses paid amounting to TL311,795 and premium expenses amounting to TL281,495.

### 9. Information on tax provision for continuing and discontinued operations:

The Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period	Prior Period
Net Interest Income	5,394,175	5,445,395
Net Fees and Commissions Income	540,424	621,466
Dividend Income	21,669	25,218
Trading Income/Expense (Net)	(47,361)	(7,974)
Other Operating Income	1,526,962	1,555,576
Provision for Loan or Other Receivables Losses (-)	817,086	196,158
Other Operating Expenses (-)	3,684,448	2,907,954
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	13,473	6,635
<b>Income/(Loss) From Continuing Operations</b>	<b>2,947,808</b>	<b>4,542,204</b>

### 10. Information on tax provision for continued and discontinued operations

As of 31 December 2011, TL(713,977) (2010: TL(779,636)) of the Group's total tax provision expense which amounts to TL(353,187) (2010: TL(831,429)) consists of current tax expense while TL360,790 (2010: TL51,793) consists of deferred tax income.

### 11. Explanation on net income/loss for the period for continued and discontinued operations:

The Group's net operating income after tax amounts to TL2,220,585 (2010: TL3,750,753).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

### 12. Information on net profit/loss:

#### a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Parent Bank in the current period:

The Parent Bank, mainly utilizes its resources from domestic deposits on loans, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations and insurance agencies.

#### b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (2010: None).

### 13. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below:

As of 31 December 2011, the Group's other fee and commission income amounting to TL754,217 (2010: TL711,063) consists of TL193,991 (2010: TL143,277) credit card fees and commission income, TL169,191 (2010: TL114,945) insurance commission and the remaining TL391,035 (2010: TL374,327) money order, account management fee and other commission income.

## V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY

### 1. In accordance with the Turkish Accounting Standards, the disclosures on shareholders' equity are made accordingly in the order of financial statement items in this section:

#### a) Explanations on inflation adjustment differences for equity items:

As per the BRSA's Circular numbered 5 announced on 28 April 2005 it is stated that the indicators of hyperinflationary period are eliminated to a large extent, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA' decree numbered 1623 on 21 April 2005.

#### b) Explanations on profit distribution:

The General Assembly for the year 2010 was carried out on 1 March 2011. In accordance with the decision taken, of the profit for the year 2010 amounting to TL3,712,602, TL278.458 is transferred to legal reserves, TL111,898 of TL116,000 is distributed as dividend to employees provided that dividend amount does not exceed two month gross wage for each employee and TL818,205 is distributed to the Undersecretariat of Treasury after deducting withholding tax of 15% (TL144,390) in cash on 30 March 2011. Besides, TL2,304,917 of the profit has been preserved and deferred tax income amounting to TL50,632 is not distributed. The remaining part of dividend reserved to be distributed to personnel (TL4,102) is transferred to the account of the Undersecretariat of Treasury as net TL3,487, after deducting withholding tax of 15% (TL615).

Bank is planning to distribute its 2011 profit in accordance with its articles of association. However, as of the report date, there is no decision taken regarding the profit distribution.

#### c) Explanations on Available For Sale Financial Assets:

Available for sale financial assets are not included in the current income statement, until their collections, disposals, sales or losses are realized and those assets are recognized under the "Marketable Securities Revaluation Fund" under equity. In accordance with TAS 39 and due to the change in the Parent Bank's intention to hold the previously classified as available for sale securities to maturity the Bank has reclassified the securities under available for sale portfolio to held to maturity portfolio. The valuation differences of these securities is presented under shareholders' equity as a "Marketable Securities Valuation Differences" and transferred to profit/loss with subject to redemption with proportional to the maturity of security.

#### d) Profit Reserves:

As of the balance sheet date, legal reserves amount to TL2,400,181, extraordinary reserves amount to TL5,305,510 and other profit reserves amount to TL634,041.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

### VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

#### 1. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

"Operating Profit before Changes in Operating Assets and Liabilities" amounting to TL4,975,541 is composed mainly from interest received from loans and securities amounting to TL16,254,240 and interest paid to deposit and money market operations which is amounting to TL8,472,798. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of the change in the foreign exchange rate on the cash and cash equivalents is stated, approximately, TL613,618 as of 31 December 2011 (2010: TL190,559).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as "cash"; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as "cash equivalents".

#### Period opening and end cash and cash equivalents balance:

Period Opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	1,315,656	1,029,744
Central Bank of the Republic of Turkey and Other Banks	11,743,235	11,786,829
Money Market Operations	23,054	-
<b>Total Cash and Cash Equivalents</b>	<b>13,081,945</b>	<b>12,816,573</b>

Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	1,355,201	1,315,656
Central Bank of the Republic of Turkey and Other Banks	6,913,722	11,743,235
Money Market Operations	12,212	23,054
<b>Total Cash and Cash Equivalents</b>	<b>8,281,135</b>	<b>13,081,945</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**VII. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE PARENT BANK****1) Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:****a) Current Period:**

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	9,275	-	-	-	-	-
Closing Balance	18,419	-	-	-	-	-
<b>Interest and Commissions Income</b>	<b>3,820</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**b) Prior Period:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	-	-	-	-
Closing Balance	9,275	-	-	-	-	-
<b>Interest and Commissions Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**c) 1) Deposits held by the Parent Bank's risk group:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	879,379	100,952	-	-	-	-
Closing Balance	580,370	879,379	-	-	-	-
<b>Interest Expense on Deposits</b>	<b>27,535</b>	<b>56,547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2011**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**2) Information on forward transactions, option agreements and similar transactions between the Parent Bank's risk group:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	12,768	-	-	-	-
Closing Balance	7,402	-	-	-	-	-
<b>Total Profit/Loss</b>	<b>(359)</b>	<b>(228)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**3) Information about fees paid to the Group's top executives:**

Fees paid to the Group's key management amount to TL16,445 (2010: TL16,569).

**VIII. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

1. With the Bank's Board of Directors' Decision No. 4, dated 11 January 2012, the whole equity share of the Bank in Ziraat Bank AD Skopje will be transferred to Halk Bank A.D. Skopje, Joint Venture of T. Halk Bankası A.Ş., considering the legislation of Turkey and Macedonia within the scope of Decision No. 2002/3555 by the Council of Ministers. The transfer process is expected to be completed by October 2012.

2. The Board of Directors decided to issue domestic bank bills and/or bonds in different types and maturities up to TL4 billion with the decision dated 15 June 2011 and numbered 12/163. The Bank applied to ISE on 29 September 2011 to trade bills and bonds on the market, after CMB and BRSA has given the necessary approvals, with the end of book-building process dated 13-14-15 February 2012. The demand exceeded the issued amount of TL750,000,000 and the nominal valued bank bills equal to TL250,000,000 subject to additional sale were also offered for sale; finally, bills amounting TL1 billion has been issued.

3. Shareholding rights, excluding dividend, for 62.37% of shares in Arap Türk Bankası A.Ş., which were transferred to the SDIF as a result of Decision No. 2011/2001 of the Council of Ministers after the decision's publication in Official Gazette No. 27982, dated 2 July 2011, were transferred back to the Libyan Foreign Bank following the General Assembly meeting on 15 March 2012 in accordance with Decision No. 77 on 1 March 2012 taken by the SDIF Board. As a result of the General Assembly decision of Arap Türk Bankası A.Ş. on 15 March 2012, Hikmet Aydın Simit and Oğuz Kayhan resigned from their roles at Arap Türk Bankası A.Ş. and Osman Arslan and Ömer Muzaffer Baktır were appointed to the Board of Directors as chairman and board member, respectively.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2011

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

### IX. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE BANK

Information on the Parent Bank's domestic and foreign branches and foreign representatives of the Bank:

	Number	Number of Employees		Total Assets	Statutory Share Capital
Domestic Branch <sup>(1)</sup>	1,434	20,181			
			<b>Country of Incorporation</b>		
Foreign Representative Office	1	1	1- Iran		
Foreign Branch <sup>(2)</sup>	1	3	1- USA	1,031,327	221,022
	1	3	2- England	801,445	99,913
	4	4	3- Bulgaria	66,902	34,562
	1	4	4- Georgia	27,051	17,128
	2	6	5- Iraq	58,147	26,342
	4	5	6- Greece	296,446	43,902
	1	3	7- Saudi Arabia	38,328	28,224
	10	29	8-T.R. of Northern Cyprus	691,466	38,422
Off-shore Banking Region Branches	-	-			

<sup>(1)</sup> Includes the employees of the domestic branches, excluding the employees of Head Office and Districts' Head Offices.

<sup>(2)</sup> Excluding the local employees of the foreign branches.

### SECTION SIX

#### OTHER EXPLANATIONS AND NOTES

##### I. OTHER EXPLANATIONS ON THE GROUP'S OPERATIONS

None.

### SECTION SEVEN

#### EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

##### I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

As of 31 December 2011, consolidated financial statements and explanatory notes disclosed herein were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Independent Auditor's Report dated 21 March 2012 is presented preceding the financial statements.

##### II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

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### Lefkoşa Main Branch

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### Gönyeli Branch

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# Directory

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E-mail: girne@ziraatbank.com.tr

## Gazimağusa Branch

Karakol Mahallesi Salamis Yolu Üzeri İsmet İnönü Bulvarı  
No: 118 Gazimağusa TRNC  
Tel: (90 392) 365 56 91-92 - 365 56 95  
Fax: (90 392) 365 56 99  
E-mail: gazimagsusa@ziraatbank.com.tr

## Güzelyurt Branch

Ecevit Cad. No: 231 Güzelyurt TRNC  
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Fax: (90 392) 714 27 63  
E-mail: guzelyurt@ziraatbank.com.tr

## Near East University Sub-Branch

Yakın Doğu Üniversitesi Kampüsü  
İç Mimarlık Fakültesi Altı Lefkoşa TRNC  
Tel: (90 392) 224 13 15 – 16  
Fax: (90 392) 224 13 17

## Çatalköy Sub-Branch

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Girne TRNC  
Tel: (90 392) 815 63 49 – 815 63 82-83  
(90 392) 815 63 95 – 815 63 99  
Fax: (90 392) 815 63 35

## Karaoğlanoğlu Sub-Branch

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Karaoğlanoğlu Girne TRNC  
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## REPRESENTATIVE OFFICE

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