

# 2012 Annual Report



**Ziraat Bank moves ahead by offering “more than a bank” to its customers, drawing on its corporate structure that is focused on change and keeps up with the times, coupled with its approach to banking that rises on quality service and values the people.**

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**More than a bank  
as we all join hands  
to build a solid future**

## **Our Vision**

**To be a leading bank that is universal, respected and has high market value; a bank that provides extensive, reliable service everywhere in Turkey and the world at the same quality, and meets the needs of every segment; a bank that sees human resources as its most valuable asset; a bank that continuously makes a difference and creates value in a way that befits its deep-rooted past; a bank that promises more from a bank at every stage and serves as a model for its competitors.**

## **Our Mission**

**To be a bank that understands customer needs and expectations, thereby offering them the best solutions and value proposition from the most appropriate channel; a bank that brings to every segment of society a wide range of products and services in the fastest, most effective way through its extensive network of branches and alternative distribution channels; a bank that operates with profitability and productivity at global standards by recognizing its ethical values and social responsibility; a bank that holds customer satisfaction to be more important than anything else.**

## Corporate Profile

**Having started its banking operations in 1863, Ziraat Bank is Turkey's strongest and most deeply-rooted bank.**

Ever since its inception, Ziraat Bank has always stood by the farmers, as well as merchants, businessmen, entrepreneurs, pensioners and employees, and provided resources, produced value, and has been the driving force of economic development.

Boasting the most extensive banking service network in Turkey, the Bank also manages one of the biggest total assets available to the industry.

In a sector that is dominated by intensive competition, where international capital is also active, Ziraat Bank further leverages its position as the strongest national bank every year. Underpinning the Bank's unique and prestigious standing in the sector is its rich array of products and services, unrivaled market knowledge and experience, synergetic structuring with its subsidiaries, superior human resource, and robust financial structure.

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

- **1,490 points of service nationwide<sup>1</sup>,**
- **4,231 ATMs,**
- **78 Video Teller Machines,**
- **A widely used internet branch,**
- **The Ziraat Mobile Phone branch,**
- **Call center, and**
- **23,153 employees**

Making a difference in the global competitive environment by remaining adhered to the principles of profitability and productivity with its transformation-oriented corporate structure that keeps abreast of the time, its extensive branch network, effective delivery channels and experienced personnel, Ziraat Bank resolutely moves ahead by offering "more than a bank" to its customers.

<sup>1</sup> As at 31 December 2012, Ziraat Bank was offering service at a total of 1,490 points of service across the country, split as 5 corporate branches, 27 commercial branches, 77 entrepreneurial branches, 1,316 branches, 32 bureaus, 31 special transaction centers, and 2 mobile vehicles, and was the sole provider of banking services at 404 locations throughout Turkey.



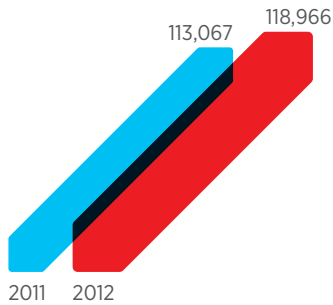
## Financial Indicators

### Ziraat Bank set its financial management strategy as:

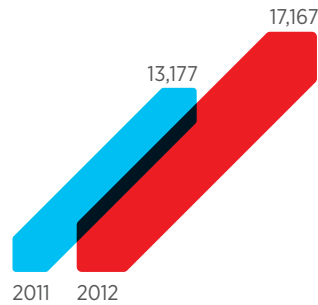
- possessing a shareholders' equity that is aligned with the size of the balance sheet,
- increasing the relative share of loans,
- attaining an effective and diversified funding resource.

(TL Million)	2012	2011	Change (%)
Total Assets	162,868	160,681	1
Liquid Assets and Banks	22,647	15,593	45
Securities Portfolio	65,469	70,766	-7
Loans	71,426	71,430	0
Deposits	118,966	113,067	5
Shareholders' Equity	17,167	13,177	30
Interest Income	14,811	13,706	8
Interest Expense	7,910	8,465	-7
Pretax Profit	3,505	2,780	26
Net Profit/Loss	2,650	2,101	26

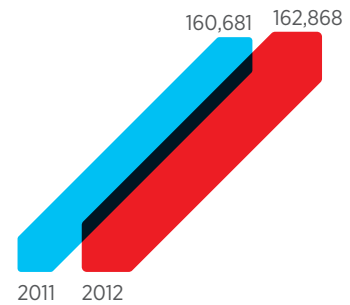
Deposits (TL Million)



Shareholders' Equity (TL Million)



Total Assets (TL Million)





## Ziraat Bank's Market Shares - 31 December 2012

Total Assets (%)



Securities Portfolio (%)



Loans (%)



Deposits (%)



Shareholders' Equity (%)



Net Profit (%)



### Ziraat Bank's Shareholding Structure

The Undersecretariat of Treasury of the Republic of Turkey is the sole owner of Ziraat Bank. The Chairman and Members of the Board of Directors, 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

During 2012 fiscal year, Article 26.1.3.1 of the Bank's articles of incorporation was amended at the Ordinary General Assembly held on 18 April 2012.

### Determining, Allocating and Distributing the Net Profit

#### Former Version:

**Article 26.1.3.1-** Provided that it is agreed by the General Assembly and provided further that its ratio and amount are stated by the General Assembly, up to five per cent (5%) of the net profit may be distributed to the Board of Directors and the Bank personnel, but only to the extent that such payout will not be more than three times of the respective recipient's gross salary.

#### New Version:

**Article 26.1.3.1-** Provided that it is agreed by the General Assembly and provided further that its ratio and amount are stated by the General Assembly, it may be distributed to the Board of Directors and the Bank personnel, but only to the extent that such payout will not be more than three times of the respective recipient's gross salary.





**More than a bank  
as you plan the right  
steps for your business**

**Together, to a Better Future...**

**The efforts carried out under the project of change and transformation that Ziraat Bank launched with the slogan “Together, to a Better Future” in a bid to transport its deep-seated corporate values to the future are drawing near completion.**

Approximately 100 diverse but synchronous projects, which have been formulated upon **six basic principles**, are put into life, utilizing the Bank's own resources.

### **Principle 1: One-to-one Customer Relationship Management**

- Branch and customer segmentation was carried out aiming to hear out and understand the customers' financial needs and to offer them the right value propositions accordingly.
- An agriculture concept integrated with the customer segments was developed.
- Principles of portfolio management were set out and branches began offering services within this framework.
- Significant way has been paved in the shift from a "product customer" approach to "Ziraat customer" approach.

The activities carried out in relation to one-to-one customer relationship management are summarized below:

#### **Shift from a "Product Customer" Approach to "Ziraat Customer" Approach**

Placing the customer in its focal point, the Ziraat Customer approach is aimed at fulfilling all financial needs of customers. Designed accordingly, the "Bank Customer Service Model" was started to be rolled out at branches from April 2012.

With the transition completed at 857 branches until 31 December 2012, the new service model is planned to be disseminated across the entire branch network by April 2013. The ultimate goal of the Bank is to satisfy all financial needs of its customers under the Ziraat Finance Group roof. The first steps towards this

goal have been taken by way of the revisions made to the organizational structures and business models of partnerships and international branches during 2012.

### **Customer Segmentation**

Customers are categorized as follows in accordance with their financial needs:

- Corporate
- Commercial
- Entrepreneurial
- Retail

This lean segmentation allows referring the customers to the branches and employees that are aligned with their needs.

### **Branch Segmentation**

In an effort to realize customized service delivery, the Bank's branches have been diversified as follows in line with the type of customer serviced:

- Corporate Branch
- Commercial Branch
- Entrepreneurial Branch
- Branch

This initiative helped ensure that every customer receives service from the branch that is relevant to his/her need.

During 2012, a total of 109 Corporate/Commercial/Entrepreneurial Branches were opened.

### **Agriculture Concept Integrated with Customer Segments**

Representing Ziraat Bank's key business line, agricultural banking has been integrated into all segments instead of being managed on the basis of a product concept. This approach disseminated the service delivery over a broad range from farmers to agribusiness.

### **Portfolio Management**

Customers to be serviced by each employee in branches have been identified; thanks to this practice, employees closely monitor the financial status and needs of the customers assigned to them, and offer them service at the right time through the right channel.

Formerly a bank with an operational focus, Ziraat Bank reached a "customer relationship" team of 7,880 people at 1,490 points of service on the back of the initiatives finalized during 2012, and was transformed into the most extensive bank with customer-focus in Turkey.

### **Principle 2: Institutionalized Risk Appetite**

Credit risk management at Ziraat Bank is the pivotal building stone with respect to effective transfer of lending policies to the field and establishment of a shared credit culture at all branches.

Within the frame of the efforts to create enterprise risk appetite, the Bank launched major decision support systems including "Retail Loans Assessment Module", "SME Assessment Module" and "Company Assessment Module". This enabled uniform conditions of lending to retail customers or commercial business customers irrespective of the Bank branch they apply.

Along this line, centralized allocation of retail loans began as of May 2012, and vast majority of branches were incorporated under the central allocation structure by the end of 2012. During the reporting period, 84% of retail loan applications have been assessed using this system.

## Together, to a Better Future...

### Principle 3: Efficient Information Technology and Productive Operational Infrastructure

In 2012, Ziraat Bank took important steps towards becoming the leader in the area of technology, as well.

A substantial part of the Information Technology (IT) projects was brought to completion during 2012, which aimed to offer efficient service to customers also through non-branch channels, provide uninterrupted service, and correctly identify customers' needs. On another front, efforts are underway in relation to process management system based on operational productivity, which were initiated in 2012. Steps have been taken to make sure that all actions for the fulfillment of the Bank's technology needs are taken in a way that is centralized, planned, visionary, and integrated with its partnerships.

An Operations Center was set up for the purposes of ensuring productivity in operational transactions, alleviating the operational workload on branches, and thus allowing the branches to allocate more quality time to customers. Operational transactions were started to be moved to this center gradually.

In the last quarter of 2012, the number of transactions handled by the center averaged 41,368 on a daily basis. The centralization ratio of operational transactions rose to 51% by year-end 2012.

### Principle 4: Objective and Transparent Human Resource Management

Pursuant to Ziraat Bank's HR policy that places the human at the core, it is of the utmost importance that employees work at positions that suit their competencies and enjoy job satisfaction. To this end, the Bank moved from the title-based vertical organizational structure

to the job position-based horizontal organizational structure during 2012.

Efforts are in progress, which are intended to support the Bank's employees with any tool that reveals their potentials and to assess their performances objectively. The work in relation to the Individual Performance Appraisal System has been brought to completion as at year-end 2012. Competencies have been identified on the basis of job positions and relevant behavioral patterns have been formulated, while work was initiated for career and talent management systems.

In line with the Bank's transparency principle, employees are informed of any development concerning the human resources.

### Principle 5: Robust Shareholders' Equity

Sustainable profitability and growth make up a key objective of Ziraat Bank's project "Together, to a Better Future". Despite the rising performance of the Bank's assets that have displayed remarkable expansion in the recent years, the ratio of shareholders' equity to the balance sheet diminished. For this reason, the Bank began working to attain a balance sheet structure that is aligned primarily with the shareholders' equity.

Significant distance has been taken in efforts launched at Ziraat Bank for the following purposes:

- Diversification of the Bank's non-deposit resources within the frame of effective balance sheet management,
- Reducing the share of marketable securities within the balance sheet, which is an aspect of the Bank that is differentiated from the overall sector, to the sector's average figures,
- Bringing non-interest income closer to the sector's average figures on the back of enhanced service quality.

### Principle 6: Effective Communication

Within the scope of the "First Step Meetings" that lasted approximately five months, Hüseyin Aydın, Ziraat Bank's General Manager, got together with 22,500 employees in 21 cities and explained the reason why the Bank needs transformation, sharing the details of the project "Together, to a Better Future".

Internal communication channels have been created to communicate the innovations and changes carried out under the project "Together, to a Better Future", and the employees were given access to information on the project through the Together, to a Better Future Sharing Platform and the weekly bulletin.

Together, to a Better Future Sharing Platform is a platform accessible from the portal and serves to internal information sharing. Using this tool, employees take part in questionnaires regarding the project, convey their ideas on innovations and changes, and access important information and instant news about the project. Every Tuesday, the changes and innovations realized during the preceding week are emailed to employees in the form of the Together, to a Better Future Bulletin.

In order to facilitate communication between the Head Office and branches and to convey project requirements to all employees, a team of approximately 300 people was set up under the name Transformation Volunteers, which is participated by employees working in different cities of Turkey. The team is responsible for quick completion of preparations at branches that will shift to the new service model, and for swift resolution of the issues of branches by the right units. Thanks to the team, the project was efficiently finalized.

## Forging ahead with its change and transformation initiatives, Ziraat Bank advances “Together, toward the Target”.

### The common goal of all these initiatives is to be “More than a Bank”.

Ziraat Bank is different from other banks; it is a special bank for Turkey.

Always bearing in mind that it is “more than a bank” for its customers, the Bank aims at becoming

- a morale bank,
- a global bank,
- a leading bank

while remaining strictly adhered to its corporate values that set it apart from its peers.

### Ziraat Bank targets to be a; Morale Bank

A bank that offers banking services to everyone in the future just as it has done in the past, that all segments of the society is pleased to be working with, and that stands by its customers in bad times, as much as in good times,

### Global Bank

As an institution possessing the necessary infrastructure to deliver global service via its domestic and overseas partnerships and branches, capture a uniform service quality and level in all countries where it has a presence and become a competitive bank enjoying high market capitalization and engaged in world-class banking business,

### Leading Bank

Not be content with being Turkey’s biggest and strongest bank, but support its scale with its profitability and promote Ziraat Finance Group to a leading position across the globe.

### In the 150<sup>th</sup> year, “Together, toward the Target”

To achieve these objectives, Ziraat Bank will proceed “Together, toward the Target” in 2013 and carry on with activities geared at change and transformation, and will continue to work at full speed to be “more than a bank” in its 150<sup>th</sup> anniversary.







More than a bank  
as you seek for corporate  
solutions

## Headlines from the History of Ziraat Bank

**Attaining a solid and sustainable performance since its incorporation, Ziraat Bank rapidly progresses towards building the productive and efficient bank of the future on the back of the comprehensive change and transformation project that it has launched.**

**1863**

**Foundations of Ziraat Bank are laid...**

In 1863, Mithat Pasha, governor of Niş, a city in the former Yugoslavia that was Ottoman territory at the time, led the establishment of the “Homeland Coffers” in the town of Pirot by and under the auspices of the state. In 1867, the Homeland Coffers Regulation was enacted and became the legal framework for the first organized credit system in our country.

**1888**

**Ziraat Bank turns into a modern financial institution...**

In 1883, the Homeland Coffers were replaced by Benefit Funds. In 1888, the governing statute of Ziraat Bank went into force on 28 August and the Bank’s head office began operations on 17 September. As Benefit Funds were converted into bank branches, a new era began in our organized agricultural loan history.

**1922**

**Ziraat Bank reunifies...**

In 1919, money was supplied from Ziraat Bank’s funds to cover the expenses of detachments of the Turkish National Army during the War of Independence and used to purchase equipment for soldiers.

Upon the establishment of the Grand National Assembly of Turkey on 23 April 1920, the management of all branches and funds in territories under the Parliament’s control was assigned to the Ankara Branch of the Ziraat Bank. Ankara took control of İzmir operations on 09 September 1922, followed by İstanbul operations, and the Bank reunified on 23 October 1922.

With the establishment of the Turkish Republic in 1923, Ziraat Bank embarked upon a period of rapid growth and extensive service delivery. The Bank began offering service to the entire Turkish society with a particular focus on farmers all over the country. Ziraat Bank’s mission was no longer confined to the agricultural sector. The Bank served as the engine of Turkey’s growth process.

**1980s**

**Ziraat Bank turns into an institution of global scale...**

Ziraat Bank continued with its rapid growth. The Bank’s New York and London representative offices were turned into branches in 1983 and 1987 respectively, while representative offices entered service in Duisburg, Berlin, Munich, Stuttgart, and Rotterdam. Ziraat Bank was ranked 452<sup>nd</sup> in the Euromoney magazine’s 1988 list of the World’s Top 500 Banks by Equity Capital.

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 Banking School.

## 1990s

### Ziraat Bank carries on with its international expansion...

Ziraat Bank Moscow, Kazkommerts Ziraat International Bank (KZI Bank), Turkmen Turkish Commercial Bank (TTC Bank) and Uzbekistan Turkish Bank (UT Bank) began operations in 1993.

In the same year, Ziraat Bank ranked 202<sup>nd</sup> in Euromoney's top 500 banks, 41<sup>st</sup> by net profit, and world first in return on equity.

The number of the Bank's subsidiaries reached 21 in 1999.

## 2000s

### Ziraat Bank embarks upon a crucial era in its history...

The Law 4603 passed in 2000 transformed Ziraat Bank into a joint-stock company. Within the context of the restructuring of public banks, Ziraat Bank underwent extensive changes starting in 2001. 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.

Having successfully completed its mission, the Joint Administration Board of Public Banks was disbanded in 2005.

With an agreement signed by and between Ziraat Bank and Türkiye İş Bankası (İşbank), Ziraat Bank credit cards acquired Maximum card properties in 2007.

Ziraat Bank opened branches in Greece, Iraq and Saudi Arabia to reinforce its presence in the Balkans and the Middle East, and increased the number of countries where it operates to 16 as of year-end 2012.

In the Turkey Customer Satisfaction Index released by the Quality Association of Turkey (KalDer), Ziraat Bank was named the leader among public banks in customer satisfaction in retail banking category from 2007 through 2010.

Ziraat Bank posted the highest profit of all Turkish banks from 2004 through 2010.

In the "Top 1000 World Banks" listing published by The Banker magazine in 2011, Ziraat Bank took the second place in Western Europe and the fifth place in the world in the "Best Profits on Average Capital" category.

As a result of the changes in office in 2011, Hüseyin Aydın was appointed as the Bank's General Manager. In this period, the Bank launched the change and transformation project under the slogan "Together, to a Better Future", which is aligned with the Bank's vision, mission and values and which took into consideration the best practices in the industry.

### Drawing closer to 150<sup>th</sup> year in service- Ziraat Bank moves toward its targets of change and transformation...

Initial steps were taken to recreate Ziraat Bank as a strong, competitive, leading bank that pioneers best banking practices, is engaged in world-class banking and enjoys high market capitalization, and significant way was paved towards the target of being "more than a bank".







More than a bank  
as **your dreams** come true



**Drawing on the confidence derived from its robust financial structure and its customers, our Bank is undergoing both financial and operational innovations and change in line with its targets.**

Muharrem Karsli  
Chairman of the Board of Directors



## Chairman's Message

**During 2012, signs of improvement in global economy increased; the challenges, however, lingered on.**

**Stepping into 2013 that marks its 150<sup>th</sup> year in service, Ziraat Bank is a dynamic, young and innovative bank.**

**Our Bank's target for the year ahead is to crown its role as the driving force of the national economy with sustainable growth and profitability performance. Ziraat Bank possesses all the necessary internal dynamics and energy to attain this target.**

Esteemed shareholders,

During 2012, signs of improvement in global economy increased; the challenges, however, lingered on.

While the recovery process in the aftermath of the global crisis continued, it lost pace. The rates of growth of developed economies were far from the level that would contribute the strength

and dynamism to rectify unemployment and put the economies back on growth track. Growth rates declined also in emerging economies that had displayed solid growth performances in the prior year.

The post-crisis dynamics were responsible for this picture. Fiscal consolidation and the weak banking system restrain growth in developed economies. Although the fiscal consolidation process is on track in many countries, it will take time for its positive effects to reflect on the economy.

The global financial system is still not functioning productively. Many countries suffer from weak banks, as heavy borrowing terms imposed on customers and low growth rates hamper the banks' efforts to improve their positions.

The Eurozone is strongly influenced by the shocks that any member country may go through. On another hand, relatively weaker banks operating in the Eurozone augment the shock waves. If these characteristics are accompanied also by fragilities in public finance, the issue gets even bigger in countries suffering from the shock and plagues other countries. The Eurozone is in need of a new financial architecture that will diminish the impacts of the shocks, and therefore, the magnitude of economic fluctuations.

The weak growth and uncertainty in developed economies affect emerging markets and economies through the trade and finance channels. On another wing, capital flows that vary depending on the risk exposure and quickly respond to policy revisions emerge as another factor that impacts the performances of emerging countries.

## **In 2012, the economic rebalancing process became more evident.**

### **In 2012, the Turkish economy focused on creating the suitable ground for a soft landing with the target of healthy and sustainable growth.**

In 2012, the economic rebalancing process became more evident. Inflation readopted a downward trend, while improvement was observed throughout the year in the current account balance. 8.5% in 2011, growth was 2.6% in the first three quarters of 2012. While the contribution of domestic demand to growth decreased, the contribution of net foreign demand turned to positive. This process resulted in a healthier outlook for the growth composition as compared with 2011.

In conjunction with the continued issues in the Eurozone, the Eurozone's demand for Turkey's export goods decreased, and the share of exports to European countries slimmed down. On the other hand, net exports to African and Middle Eastern countries contributed remarkably to annual growth.

The inflation declined during 2012. Having registered 10.45% in 2011 due to the depreciated Turkish lira, tax adjustments and the rise in food prices, the CPI stood at 6.16% in 2012 owing to the implemented policies, combined with the elimination of the base effect of the prior period.

The measures adopted in 2012 in relation to the current deficit, a chronic issue of the Turkish economy, produced positive outcomes, and the current deficit declined on an annual basis and went down to USD 49 billion. In turn, the ratio of current deficit to the GDP is anticipated to decrease to the order of 6.5% as at year-end.

The actualizations of macroeconomic indicators that turned out to be more positive than forecasts have resulted in the upgrade of Turkey's long-term credit rating to investment grade by Fitch Ratings. The improvement secured in the

credit rating is expected to steer other rating agencies in the same direction in 2013 and thereafter. It is believed that such a development will bear highly positively upon Turkey's investment climate.

2013 is anticipated to be a more favorable year for the Turkish economy with respect to developments in growth, inflation and current deficit. Along this line, it is expected that 2013 will be a year when all economy authorities will be striving to move to a stable and sustainable growth that is backed by the monetary policy, focused on domestic demand provided that it is moderate, and watchful of the inflation trend, as well as of exports.

## Ziraat Bank will keep standing by its customers and growing together with its stakeholders.

**Ziraat Bank, the pioneer of banking in our country, continued with its development, focused on efficient and productive balance sheet management, and put into life its forward-looking preparations in 2012.**

Drawing on the confidence derived from its robust financial structure and its customers, our Bank is undergoing both financial and operational innovations and change in line with its targets. While our primary goal is to ensure stability in our Bank's operations, our efforts are ongoing to develop a structure that will allow us to more strongly back Turkey's macroeconomic targets.

I would like to take this opportunity to share that we have progressed outstandingly in 2012 within the scope of our change management program that we have based on the principle "Together, to a Better Future". Aimed at ensuring that the services required by our customers are fulfilled in the leanest

manner, at the right time and with the right value proposition, the project strengthens the Ziraat Customer concept and enhances customer loyalty.

150 new branches that we plan to open in 2013 when we will be celebrating our 150<sup>th</sup> anniversary will serve as a clear indication of the fact that Ziraat Bank will continue to stand by its customers and to grow together with its stakeholders as a service provider that rises upon deep-rooted and solid foundations, yet that is equally young and dynamic.

The biggest share in Ziraat Bank's success is attributable to our employees. Our human resource is our greatest guarantee in achieving new targets. I am fully confident that we will remain the pioneer of the industry in many more years to come, thanks to the trust of our customers and the contributions of our employees. On behalf of myself and the Board of Directors, I would

like to thank our customers for their trust, our employees for their superior performance, and our correspondents and all our business partners for their invaluable cooperation.

Yours sincerely,



**Muharrem Karsli**  
Chairman of the Board of Directors



**Ziraat Bank has  
focused on solid  
shareholders' equity  
and on sustainable  
profitability and  
productivity.**

Hüseyin Aydın  
Member of the Board of Directors  
and General Manager

## General Manager's Message

**While no expansion was registered in the balance sheet in 2012, improvements were attained in profitability and productivity ratios pursuant to the strategy of maintaining a balance sheet aligned with the equity.**

Esteemed Shareholders,

**2012 has been a year when we have taken significant distance in the project of change and transformation that is in progress at Ziraat Bank that has been pursuing operations for 149 years as a major asset of our country.**

Being a young bank celebrating its 150<sup>th</sup> anniversary, we are targeting to increase our contribution to our country with our identity as a strong and competitive service provider that is leading in its sector and operating on global scale.

The global crisis and volatilities of recent years revealed that the banking industry is a key component of economies, and that banks with robust shareholders' equity help the respective countries gain some level of immunity against the crisis.

Within the frame of the basic assets and liabilities management principle, Ziraat Bank has focused on solid shareholders' equity and on sustainable profitability and productivity. Along this line, while no expansion was registered in the balance sheet in 2012, improvements were attained in profitability and productivity ratios pursuant to the strategy of maintaining a balance sheet aligned with the shareholders' equity.

Our shareholders' equity grew by 30% during 2012, a result driven also by the net profit. Although the share of shareholders' equity within the balance sheet went up from 8% to top 10%, the process of strengthening the shareholders' equity needs to be persisted.

In an effort to diversify the sources of funding and to increase their effectiveness, weight was given to loans

obtained from international institutions and banks, and to bonds and bills issues within the country. While ensuring resource diversification, transactions in short-term money markets were reduced, and focus was concentrated on core deposits, thereby rendering a more effective funding resource.

Our plans for 2013 include arranging the first syndication loan and realizing the first eurobond issue.

In keeping with the target of switching from a structure that finances the public to a "customer-oriented" structure that extends greater support to the real sector, our marketable securities portfolio was narrowed down, and lending followed a flat course. As the share of marketable securities in the balance sheet declined from 44% to 40%, the share of loans remained in the region of 44%.

**In the process of switching to a structure that is market- and customer-oriented, we have finalized customer segmentation for the sake of right value propositions, as well as branch segmentation for the sake of offering more efficient service to customers.**

**We will remain the greatest supporter of the agricultural sector based on the foresight that agriculture will become a business line that is equally important as energy in the future.**

Our project of change and transformation is being carried out on two main axes: the infrastructural transformation has been completed in the structuring of the business model, as well as financial structuring, and the change and transformation projects in corporate and global aspects have been initiated. In the process of switching to a structure that is market- and customer-oriented, we have finalized customer segmentation for the sake of right value propositions, as well as branch segmentation for the sake of offering more efficient service to customers. Thanks to the macro customer segmentation we have undertaken, we will be managing the agricultural sector more effectively.

Our branches, regional directorates and head office units have been reorganized in a dynamic structure within the frame of the separation of powers principle. The projects directed towards improving non-branch channels are carried on within the scope of customer relationship management at Ziraat Bank that possesses a significant customer base.

An operations center was set up within the framework of scale economy for the purpose of alleviating the operational load and increasing productivity at branches so as to enable them to maintain a customer-focus and offer high quality and high level of service. It is targeted to increase the efficiency of centralized operations by way of separating sales and operations. Work is underway to gradually transfer the banking transactions to the center, and the number of transactions handled by the center on a daily basis was nearly 40 thousand in the last quarter of 2012.

The centralization ratio of banking transactions had exceeded 50% by the end of the year.

Centralized allocation and loan evaluation modules were introduced within the scope of institutionalized risk appetite and risk management. We are targeting to outperform the overall sector in credit expansion in 2013 on the back of our efforts to capture a robust balance sheet structure, and upon completion of the infrastructural transformation in lending.

**Ziraat Bank continues to offer service to the entire country at 1,425 domestic branches, and it is the sole provider of banking services at 404 locations.**

Under the change and transformation project, 1,234 branches switched to the "Bank Customer Business Model" with the goal of enabling our branches to offer more efficient and higher quality service; in the first quarter of 2013, the transition of all our branches to the new model

**We are aiming at offering the fastest and the highest quality service to Ziraat Customers at all our domestic and overseas branches and subsidiaries, while increasing our contribution to our country's growth.**

will be completed. In addition, we are planning to open 150 more branches with a particular emphasis on İstanbul and the big cities in Anatolia in 2013 when we will be celebrating our 150<sup>th</sup> anniversary.

As we have taken on restructuring in our overseas banks and branches in addition to our branches in Turkey, we have redesigned our plans to penetrate the Balkans, Far East, Middle East and North Africa.

**“Ziraat Finance Group” will be the ultimate output of our change and transformation project.**

We are striving to realize a large-scale change and transformation project utilizing internal resources with the aim of offering the fastest and the highest quality service to Ziraat Customers at all our domestic and overseas branches and subsidiaries, while increasing our contribution to our country's growth.

I would like to extend my heartfelt thanks to all of our stakeholders for supporting us with our change and transformation project that is designed to make Ziraat a global bank besides Turkey's leading bank, to appeal not only to our customers' minds, but also to their hearts, to be the first name to be recalled, and to be “More than a Bank” for our country, and for contributing to our efforts for building a Ziraat Bank that is taken as reference in the industry with its banking practices.

Yours sincerely,



**Hüseyin Aydın**  
Member of the Board of Directors  
and General Manager



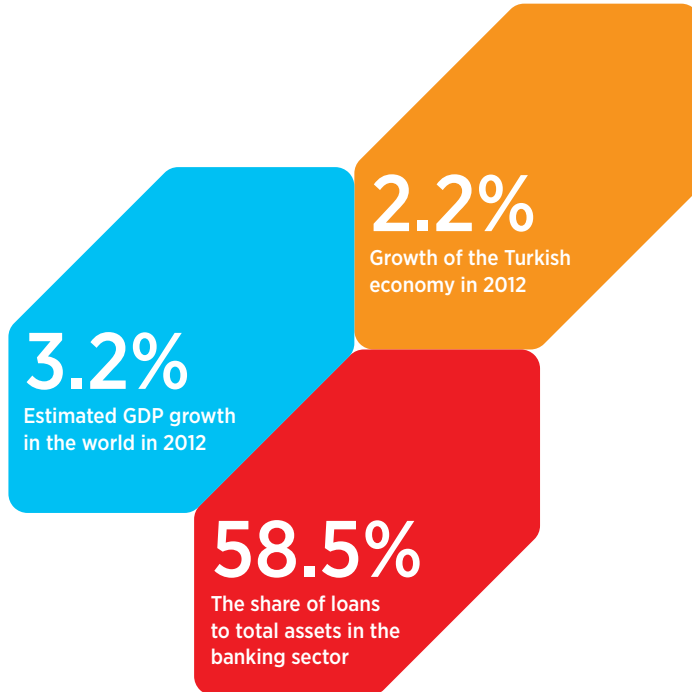




More than a bank  
for our bold entrepreneurs

## Macroeconomic and Sectoral Outlook

**For Turkey, 2012 was a year of preparing the suitable ground for a soft landing process with the target of healthy and sustainable growth.**



**2013 is expected to see some improvement in the economic activities of developed countries and the start of positive progress even if solution of issues will remain elusive.**

## Outlook of the Global Economy

**In 2012, the risks against the global economic recovery gradually lessened, but the issues were yet to achieve a sustainable solution trend.**

While the developments relating to the Eurozone have been telling on the global economy, rates of growth generally declined in developed and emerging countries, and high volatilities were observed in the global risk appetite.

The highlights of 2012 included the unemployment and the fiscal cliff in the USA, the banking sector, growth, employment and trust issues in the Eurozone, the new government that took to the power in Japan which gives the foreground to growth and to monetary expansion in the same direction, and the monetary expansion policies maintained by other developed countries.

Despite the relatively positive growth rates attained in the US economy, the US Fed was forced to launch a third round of quantitative easing in 2012 due to the housing and especially employment markets that failed to capture the desired levels. While the US Fed expressed a deadline for this decision at the start, it pegged the easing policy to unemployment and inflation levels by a subsequent decision. The so-called "fiscal cliff" issue, which stipulates the elimination of tax advantages provided in previous periods and reduction of public spending, caused the risks to come to the forefront in the last quarter of the year on the part of USA, and bore a relatively negative impact upon global markets. With the solution of the fiscal cliff by postponing it at the onset of 2013, the concerns about this issue have been put off at least until mid-2013.

Apparently, central banks of developed countries continued to loosen their monetary policies in 2012 in conjunction with the outlook of global growth. The European Central Bank (ECB) announced a short-term bonds buying program for countries suffering from debt issues, in addition to monetary expansion programs, and strove to prevent the high levels of borrowing interests in Spanish and Italian economies. The ECB's efforts to protect the euro and to keep the banking industry on its feet have been influential in alleviated concerns regarding the region. Hence, in parallel with the concrete steps taken towards resolving the issues in the Eurozone, the concerns hovering over this geography relatively lessened at the end of the year. However, it is still early to suggest that things are moving along a definitive solution path. It is another determination that the debt and growth issues are changing the political visage of Europe.

One of the countries that turned to monetary expansion in the last quarter of 2012, Japan upped its inflation target to 2% and announced that it will purchase certain amounts of assets every month starting from 2014 without quoting a deadline. The loose monetary and exchange rate policy that the new government will pursue led to rearticulation of the currency wars. As such, the Bank of Japan, Japan's central bank, has been the first central bank to target a higher inflation level than the most recent one.

The downward trend in the growth rate of China, the greatest contributor to the growth of emerging economies, persisted throughout 2012. Having completed 2012 with a growth rate of 7.8%, China entered into a recovery trend toward the end of the year, which brings about an anticipated high rate of growth, although below the average trend, in the year ahead. Based on the most recent data,

China seems to have qualified as the world's biggest economy. Characterized as the country whose economic and financial activities are most closely monitored among the BRICS countries and one who significantly affects the global financial architecture, China is named among the most important countries.

While the short-term capital flows to emerging economies gained speed in parallel with the risk appetite that increased in conjunction with the continued global monetary expansion in 2012, it has followed a fluctuating course. Emerging economies were also confronted with declining growth, and risks over inflation and exchange rates gained the foreground.

According to IMF predictions, the GDP growth in the world that was estimated to be 3.2% in 2012 is anticipated to increase moderately to 3.5% in 2013. However, it is believed that the emerging economies will grow faster as they did during the crisis period, attaining 5.5% growth in 2013, and thus steer the worldwide growth.

The IMF forecasts 1.4% GDP growth in developed economies in 2013. This anticipation hints at some improvement in economic activities this year, and the start of positive progress towards solution of issues, even if they will remain to be solved. However, in 2013, all countries will be looking at a year when the issues related to the real economy will continue in many countries, the element of trust in the markets is yet to be rebuilt, and problems in relation to employment and investments will sustain. It is a wish shared by all that the rebalancing, the indications of which were started to be observed in 2012, will continue and further increase during 2013.

**The inflation adopted a downturn, the current account balance showed improvement that went on throughout the year.**

**Outlook for the Turkish Economy**

**For Turkey who exhibited a relatively higher performance amid the global crisis, 2012 was a year of preparing the suitable ground for a soft landing process with the target of healthy and sustainable growth.**

The economic rebalancing process became more pronounced, the inflation adopted a downturn, the current account balance showed improvement that went on throughout the year, and its ratio to GDP declined to nearly 6.5%. The rapid growth momentum of 8.5% captured in 2011 lost pace as a result of the measures adopted and 2.2% growth was attained in 2012. Economic activity continued to decelerate throughout 2012 and while the contribution of the domestic demand to growth diminished, the contribution of net foreign demand turned to positive, and the growth composition acquired a healthier outlook. The foreign demand was restrained by the weak growth in

conjunction with the sustained issues in the Eurozone, and the share of export to European countries decreased. However, African and Middle Eastern countries secured constantly rising shares in Turkey's exports as a result of our increased share in alternative markets in the past period, and exports to these countries performed positively, as a result of which net exports proved to be a major contributor to annual growth.

The loss of pace in the rate of increase in tax revenues in connection with the decelerated economic activity and the accelerated non-interest expenses have led to a relative weakening in the budget performance, and the ratio of budget deficit to the GDP was near 2.3%, which is the Medium Term Program target.

After registering 10.45% in the previous year due to the depreciated Turkish lira, tax adjustments, and the rising food prices, the inflation declined to its lowest year-end value since 2005 at

6.16%, as a result of the positive course of unprocessed food prices, the policies implemented, and the elimination of the base effect of the previous year in 2012.

While there was an increase in the overall risk appetite as a result of the monetary expansion policy implementations by the central banks of developed countries particularly from the third quarter of 2012, the short-term capital flows to emerging countries showed a reviving trend and the risk premiums of emerging economies declined in parallel with the rising global risk appetite. Turkey also got her share of short-term capital flows as a result of the macroeconomic indicators data and particularly current deficit data that turned out to be more positive than what was anticipated and the upgrade of Turkey's long-term credit rating to investment grade by Fitch Ratings in November.

As growing capital flows increased the tendency of emerging countries to turn to alternative measures apart from customary policies, they have reestablished the importance of possessing a loose policy framework. In this frame, the Central Bank of the Republic of Turkey (CBRT) developed additional tools that support financial stability with the policy mix it has been implementing since end-2010. In the timeframe from the last quarter of 2011 until the middle of 2012, monetary tightening was implemented at certain intervals due to the fluctuating risk appetite and the risks over the outlook of inflation. From June 2012, the liquidity supplied to the market was increased to gradually decrease funding costs because of the improved global risk appetite, the strengthened economic rebalancing, and the downward trend of inflation, and a more supportive stance was adopted progressively starting from the middle of 2012. In a period when inflation also took a downturn owing to its multi-purpose and multi-tool policies, the CBRT played an active part in the markets proactively using tools such as the interest rate corridor, required reserves, and reserve option mechanism, while observing the financial stability along with the price stability.

For our country, 2013 is expected to be a more positive year than 2012 with respect to growth, inflation and current deficit trends. In this framework, it is expected that 2013 will be a year when all economy authorities will be striving to move to a stable and sustainable growth that is backed by the monetary policy, focused on domestic demand provided that it is moderate and keeps an eye on the inflation trend, as well as on exports. In the year ahead, global developments, commodity prices and geopolitical risks will continue to affect the macro framework and policies.

Based on the prediction that the overall levels of interest rates will remain low, low-cost financing facilities secured from abroad are expected to continue. Most certainly, the multi-tool and multi-purpose monetary policy that sticks to a cautious stance and the relentless adherence to budget performance will also be persisted. Along these lines, it is wished that 2013 will be a year of continued positive decoupling recently captured among world economies, and of economic transformation where the wins are protected in the medium term and stability is captured.

### Developments in the Banking Sector

**Despite the ongoing uncertainties inflicting the global economy that is in the process of seeking stability, increased regulatory requirements and intensive competitive environment, the Turkish banking sector recorded a stable growth.**

Against the backdrop of a global economy that is undergoing a rough time since 2008 that marked the onset of the global economic crisis, the Turkish banking industry played a key role in the preserved solid structure of the Turkish economy with its robust capital structure, asset quality and profitability. By transferring funds to the economy, the Turkish banking sector was highly influential in the acceleration of economic activities and our country's rapid growth in the aftermath of the global economic crisis.

**2012 has been a year of controlled expansion for the credit volume of the national banking sector in parallel with the overall economy so as to ensure sustainable growth.**

The increased funding costs within the frame of measures adopted to achieve financial stability in the first half of 2012

put the brakes on the growth of the banking industry. From the second half of 2012, however, the growth regained speed owing to the CBRT's approach aimed at increasing the liquidity in the markets and reducing funding costs, in line with the positive developments in the current deficit and economy.

The rising profit of the industry in 2012 was driven by the non-interest income that increased as a result of higher gains on exchange differences, fees, commissions and banking service revenues, and the growing net interest margin. On the other hand, there was some rise in the ratio of non-performing loans to total lending.

The asset structure of the banking sector represents a striking change. According to the data released by the Banking Regulation and Supervision Agency (BRSA), the share of loans to total assets went up from 44.9% in 2006 to 58.5% at the end of 2012.

### In 2013...

In the year ahead, the Turkish banking sector is anticipated to display a growth that is parallel to the economic growth on the back of its robust capital structure and asset quality, whereas banks that also keep an eye on profitability and productivity will increase their focus on non-interest revenue items due to the changing interest margins.

The expansion in lending is expected to continue in a balanced manner during 2013, owing mostly to the effect of the SME and consumer loans. The rate of growth is anticipated to be 14-16% for lending and 12-14% for deposits in the coming year.





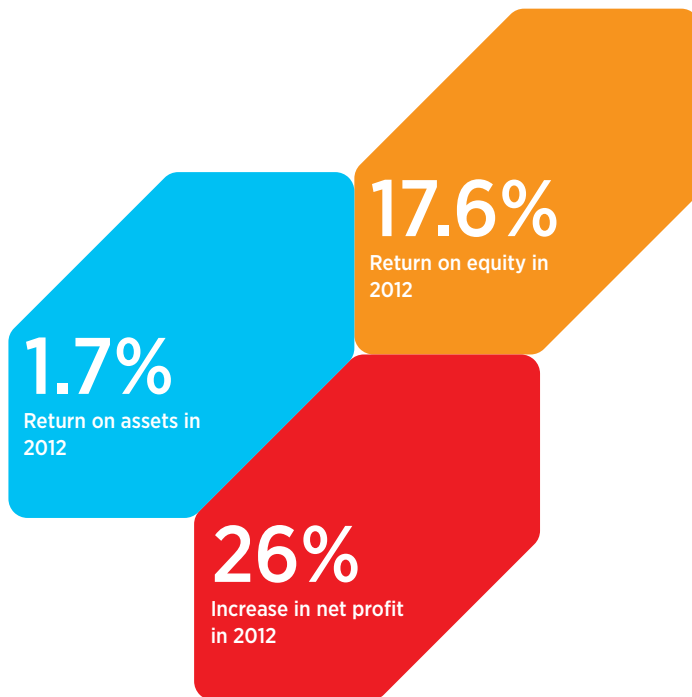




More than a bank  
as you use every means  
available for your business

**An Assessment of 2012:  
Strategies, Developments and Targets for the Future**

**During 2012, Ziraat Bank  
uninterruptedly carried on  
with its efforts towards the  
“Bank and Ziraat Customer”  
structuring.**



**In 2012, Ziraat Bank  
captured marked upward  
trends in profitability and  
productivity ratios.**

During 2012, Ziraat Bank uninterruptedly carried on with its efforts towards the “Bank and Ziraat Customer” structuring formulated with a view to fulfilling the financial needs of its customers through the right channel, at the right time, and with the right value propositions.

Through this change and transformation project, the Bank intends to achieve increased efficiency and productivity in its customer relationships, and lending processes and policies.

Having successfully completed yet another operating period, Ziraat Bank set its financial management strategy as:

- possessing a shareholders’ equity that is aligned with the size of the balance sheet,
- increasing the relative share of loans,
- attaining an effective and diversified funding resource.

#### **Balance sheet size aligned with shareholders’ equity**

Molding its activities so as to attain a well-balanced balance sheet structure, Ziraat Bank’s total assets were worth TL 162,868 million as at year-end 2012. Aiming to render profitability sustainable, which is an important component of shareholders’ equity, the Bank posted year-end net profits in the amount of TL 2,650 million, up 26% year-to-year.

In parallel with the increased profit, the Bank captured marked upward trends in profitability and productivity ratios, which also take place among the Bank’s

important agenda items. 16.1% in 2011, return on equity (RoE) went up to 17.6% in 2012. Similarly, return on assets (RoA) also increased and rose from 1.3% in 2011 to 1.7% in 2012.

Worth TL 71 billion at year-end 2012, Ziraat Bank’s total lending took 44% share of the Bank’s balance sheet.

As at 2012, the Bank’s total deposits amounted to TL 119 billion, and the share of deposits to total liabilities was 73%. Savings deposits made up the greatest portion of deposits with 48%.

#### **Continuously expanding domestic service network**

Turkey’s most extensive bank, Ziraat Bank carried on with its efforts to expand its service network at full speed also in 2012. The total number of the Bank’s domestic branches reached 1,425 including the newly created 5 corporate, 27 commercial and 77 entrepreneurial branches, and continued to serve solo to fulfill the people’s banking needs at 404 locations in Turkey.

As at year-end, Ziraat Bank’s service network consisted of 1,490 domestic points of service made up of;

- 1,425 domestic branches,
- 31 special transaction centers,
- 32 bureaus,
- 2 mobile vehicles.

Within the scope of domestic branch network expansion efforts, Ziraat Bank will keep opening new branches in the future, with a particular focus on İstanbul and districts where no other bank is present, and continue to contribute to the country’s employment.

#### **New business model structuring under the change and transformation project**

Under the change and transformation project in progress, Ziraat Bank is formulating a new business model that will be able to respond more effectively to its customers’ needs. The new business model redefined the Bank’s code of conduct, carried out customer segmentation, redesigned regions and branches in alignment with this segmentation, and created a matrix organizational structure with domestic and overseas subsidiaries.

Within the scope of the Bank’s new organizational structure, the customers were categorized as follows according to their financial needs:

- Corporate
- Commercial
- Entrepreneurial
- Retail

Along this line, branches were diversified as Entrepreneurial Branches, Corporate Branches, Commercial Branches and Branches depending on the type of customers they serviced, so as to ensure customized service delivery.







More than a bank  
as you **materialize** your  
projects

## **More than 40,000 new customers have been acquired for the Bank under the entrepreneurial segment.**

### **Entrepreneurial Banking**

In 2012 during which Ziraat Bank was in the process of change and transformation, the Bank worked heavily to switch to the Bank Customer Service Model, which was molded on the “Customer-Oriented Banking” concept.

In this context, customer and branch segmentation were brought to completion and portfolio management was launched to ensure that the right services are delivered to the customers effectively through the right channels.

Customers are offered service efficiently by 241 Customer Relationship Managers (CRMs) and 212 Customer Relationship Assistants (CRAs) at the 77 Entrepreneurial branches opened during 2012, and by 1,138 CRMs and 800 CRAs at 748 branches operating under the Bank Customer Service Model, for a total of 1,379 Entrepreneurial CRMs and 1,012 Entrepreneurial CRAs.

Below is a summary of the activities carried out within the scope of entrepreneurial banking in 2012, when a switch was made to the Bank Customer Service Model:

- More than 40,000 new customers have been acquired for the Bank under the entrepreneurial segment. In addition, approximately 54,000 inactive customers on the Bank’s portfolio have been rendered active, who are now effectively working in cooperation with the Bank.
- The Bank’s existing portfolio composition was significantly revamped, and weight was given to foreign trade and service sectors with special emphasis on manufacturing, employment, trade and export at micro, small and medium-sized establishments, with the target of replacing quantity with quality.

- The Bank continued to extend loans at advantageous terms to the members of chambers of industry, commerce and tradesmen across Turkey, which have a credit protocol with Ziraat Bank.
- The collaboration that the Bank initiated with development agencies to contribute to regional economic development and social progress continued and further increased.

**Ziraat Bank developed synergetic cooperation with numerous national and international agencies to provide long-term financing to the SMEs that account for a substantial portion of commercial and economic activity in our country, to contribute to their operating capitals, and to support their growth.**

### **World Bank loans for small and medium-sized enterprises**

The World Bank's loans are set apart from the other loans available in the sector in that they provide long-term, low-cost investment and operating finance with grace periods and flexible repayment terms. Ziraat Bank continued to channel the loans secured from the World Bank to the SMEs in 2012, which had been started to be allocated in 2010.

Within the scope of the Access to Finance for SMEs Project, businesses' access to financing were given increased depth and breadth with the modified legislation during 2012, in line with the understanding to offer the funds secured from the World Bank for fulfilling the financing needs of small and medium-sized enterprises with the right value proposition.

The contacts for obtaining medium- and long-term funds from the World Bank continued throughout 2012, and a new collaboration is planned to be put into life within the framework of a new project in 2013.

### **EIB loan for the operating capital needs of SMEs**

In 2012, Ziraat Bank arranged a loan in the amount of EUR 100 million from the European Investment Bank (EIB) for which the guarantor was the Turkish Treasury. The loans extended in this frame are intended to fund the investments the SMEs will make in Turkey and their operating capital needs in an effort to support the growth of SMEs through increasing their production, productivity and employment.

Planning to renew the project in 2013 that achieved a high success level of realization, Ziraat Bank will continue to provide financing support to its SME customers through the additional resource to be obtained.

### **"My First Business, My First Bank" loan collateralized by the European Investment Fund**

A guarantee agreement incorporating collateral for the cash loan volume of TL 300 million has been signed by and between the European Investment Fund (EIF) and the Bank for financing the operations of the SMEs at inexpensive costs without imposing the burden of additional collateral for their access to funds.

Under the agreement, the EIB-Collateralized "My First Business, My First Bank" SME Loan that will be allocated from the Bank's resources is intended to back newly-established SMEs and tradesmen and particularly women entrepreneurs that are in need of collateral and start-up capital. In addition, Ziraat Bank practices positive discrimination for women entrepreneurs by offering them additional interest rate discounts, longer terms, and grace period options.

Within the scope of the collateral support program secured from the EIF by year-end 2011, the Bank started allocating loans in the amount of TL 50,000 in 2012 to small entrepreneurs who will start up a new business or who own businesses younger than 5 years against their personal guarantee. Significantly helping the businesses that recently start operations with their access to external funds, the project is intended to lend support to Turkey's young and dynamic entrepreneur force.

### **Incentive for the development of export companies**

In 2012, Ziraat Bank cooperated also with resident financial institutions to support the SMEs. The representative of the Turkish private sector, Foreign Economic Relations Board (in Turkish: DEİK) launched a project that will

increase the exports of the Turkish machinery industry with the support to sharpen competitiveness and formulate export strategies, which will enable the achievement of the Ministry of Economy's target to reach USD 500 billion in exports by 2023. For the project, the Bank executed a protocol with the DEİK.

Under the protocol, companies applying to the Bank are offered 75% subsidy for utilizing the services of needs analyses, training and consultancy, overseas marketing (joint market research, market visits, trade delegations, visits to overseas trade shows, matching and group introduction activities), purchasing delegations and personal consultancy via the contractor firm.

Acting as the solution partner of export companies through its overseas service network, Ziraat Bank provided an incentive of up to USD 200,000 for the preparation of strategy reports, again in cooperation with the DEİK. These reports will help businesses penetrate international markets and serve to their integration with the global economy.

### **Support to the domestic machinery manufacturing industry**

Ziraat Bank is the greatest supporter of the companies engaged in the manufacturing and exportation of domestic machinery, as well as companies that need financing for the purchase of domestic machinery.

Intended for fulfilling these companies' investment needs for purchasing new domestic machinery from Turkey, their operating capital requirements that result from the investment, and their foreign trade financing needs, preparations for the loan package were completed during 2012 and it will be put in use for entrepreneurial customers during 2013.

## **Within its primary targets, Ziraat Bank attaches top priority to the development and growth of the agricultural sector and its acquiring global competitive strength.**

### **Efficient cooperation with KOSGEB and Türk Eximbank**

Ziraat Bank efficiently cooperates with KOSGEB (Small and Medium Enterprises Development Organization) and Türk Eximbank to allow customers to quickly benefit from non-Bank-funded export loans besides offering attractive Bank-funded FX loan facilities to the exporters.

Offering inexpensive TL/FC operating loans to exporter companies, the Bank also makes available the forwards instrument with special advantages, which protects the businesses against volatilities in exchange rates. An important business partner of Türk Eximbank, the Bank intermediates the allocation of pre-shipment export loans and SME pre-export facilities. The Bank also carries out letter of credit and acceptance/endorsement transactions and prefinancing transactions for import trade financing.

Standing by and supporting the SMEs also through the rough times, Ziraat Bank postponed the debts of SMEs that have sustained losses in the Van Earthquake of 2011. In addition, the Bank joined the KOSGEB's interest support program launched for the SMEs by reason of the earthquake, and thus, continued to extend support to the SMEs.

### **Sector-specific support packages**

The Pharmacist Package was introduced in 2012, which was aimed at satisfying the operating capital, medical equipment financing, and place of business and vehicle purchases of the Bank's customers active in the pharmaceuticals industry.

In addition, the Tourism Support Package was offered for the short-, medium- and long-term operating finance needs of the tourism sector and its interacting sectors, as well as for their borrowing needs that can be considered within the context of "new investment" and "renovation loans". The package incorporates flexible

repayment alternatives that suit the relevant sector, grace period options, and advantageous interest choices.

### **By the side of the customer in agricultural banking**

Within its primary targets, Ziraat Bank attaches top priority to the development and growth of the agricultural sector and its acquiring global competitive strength.

Taking place in every phase of financing the agricultural production, agricultural industry and industrial production on the back of the transformation it launched in 2012, the Bank took into consideration the resulting added value, and set it as its main target to work with all actors along the value chain.

In agricultural industry, Ziraat Bank stands by its customers in all phases of production from the soil to the shelf, from the production of products to their sales and marketing in and out of the country, in brief through all processes of the economy from the first product to its delivery to the end consumer.



### **TL 20.7 billion loan for financing the agricultural sector**

At the end of 2012, Ziraat Bank's lending for financing the agricultural sector amounted to TL 20.7 billion and the number of its credit customers reached 602,167.

Within these loans, the year-end balance of the loans extended from the Bank's resources amounted to TL 17.9 billion, which was extended to 500,789 credit customers, while the balance in loans arranged from funds was worth TL 2.8 billion, which was made available to 101,378 customers.

During 2012, 262,591 real person or legal entity customers were extended loans worth TL 6.7 billion from the Bank's resources, and 32,186 producers received loans worth TL 515.1 million from fund resources.

48% of Ziraat Bank's agricultural loan book is made up of medium-long term investment loans with a balance of TL 8,577 million, and 52% of short-term operating loans worth TL 9,319 million.

### **Interest-free stockbreeding loans**

In August 2010, Ziraat Bank launched the Interest-Free Stockbreeding Loans to meet the modernization and capacity increase needs of existing cattle and small cattle husbandry and breeding enterprises, and to support new stockbreeding enterprises. Under the program, the loans extended to 9,755 producers amounted to TL 455 million in 2012. Interest-Free Stockbreeding Loans yielded a balance of TL 4,341 million and the number of producers stood at 68,193 as at year-end 2012.

### **Ease of financing for 380,000 producers with Başakkart**

380,000 producers using the TL 1.3 billion portion of the agricultural credit line of TL 1.9 billion with Başakkart in 2012 purchased agricultural inputs and services including fuel oil, seeds, fertilizers, pesticides, feeds and veterinary services from 12,428 member merchants with interest-free repayment terms of up to five months, and thus eased the financial burden on their production processes.

### **Fixed-interest tractor loans**

Under the Fixed-Interest Tractor Loan Product, the Bank extended TL 602 million in loans to 18,847 producers in 2012. Within the scope of this implementation conducted since 2004, the loans made available to a total of 108,804 producers amounted to TL 3,241 million.

### **Single-digit interest rate on agricultural loans**

In 2012, Ziraat Bank applied 10% interest rate on operating loans with a term of one year or shorter from within Bank-funded agricultural loans, and 12% on those with a term of longer than one year. Producers had the possibility to obtain agricultural operating and investment loans with annual interest rates varying from 0% to 9% within subsidy ratios set on the basis of production scopes in relevant decrees. Within this frame, the loans extended to 239,345 customers amounted to TL 5.6 billion in 2012; overall, total loans supplied to 4.4 million producers in the past 9 years were worth TL 48.2 billion.

### **Contribution to the integration of agriculture and industry**

In 2012, protocols were signed with 17 companies operating in the seed, sugar beet, trout and poultry industries, and approximately 16,000 contracted producers of these companies were provided the opportunity to get operating and investment loans with suitable conditions and with a total line of TL 158 million.

### **Mediation services**

During 2012, Ziraat Bank mediated in the payment of:

- TL 7,762 million in subsidies to 4,569,417 producers and associations,
- TL 745.3 million product price by the Turkish Grain Board,
- TL 422 million by Türkiye Şeker Fabrikaları (Turkish Sugar Factories) for sugar beet advances/prices, and
- TL 252.5 million for grants-in-aid under the Rural Development Program.

### **Greenhouse cultivation loans**

Under this heading, Ziraat Bank extended TL 219 million in loans to 4,951 producers. The loans supplied to a total of 78,232 producers in the last 9 years for financing greenhouse construction, modernization, cultivation activities and similar needs amounted to TL 1.8 billion.





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as you deliver your  
product to the consumer

**In 2012, corporate and commercial segment cash loans expanded by 36.6%, whereas non-cash loans were up by 33.9%.**

**Corporate and Commercial Banking**

Ziraat Bank targets to make sure that its corporate and commercial banking products and services are competitive in the sector and satisfy the customers' needs, and creates costless resource and cross-sales opportunities with related activities.

**Customer-oriented approach to banking**

The change and transformation activities conducted by Ziraat Bank in 2012, and the relevant training offered to employees were intended to integrate customer-oriented sales, high productivity, healthy growth and sustainable profitability into the Bank's code of conduct, as well as to create a new understanding of working across the Bank.

As part of these efforts, the Bank estimates that the number of its active customers will increase on the back of a productive customer management that will be implemented via 5 Corporate and 27 Commercial Branches that went into service in 2012.

During 2012, the Bank added momentum to customer and branch segmentation within the frame of customer-oriented approach to banking, defined the rules of segmentation, made the necessary revisions to the corporate and commercial lending system infrastructure, and assigned the Bank's customers to relevant segments.

With the portfolio management screens installed, customer view screens made widespread, product infrastructure revised, and the pricing infrastructure indexed to LIBOR/EURIBOR/TRLIBOR, the work on the bank's system infrastructure was brought to completion.

February 2013 will see the introduction of the software for portfolio management, for which the necessary work is ongoing, and for the FTF-based (Fund Transfer Pricing) interest structure and interest commission pricing infrastructure required by the new structuring.

In 2012, corporate and commercial segment cash loans expanded by 36.6% and reached TL 10.7 billion, whereas non-cash loans were up by 33.9% to TL 13.4 billion.

In 2013, Ziraat Bank will continue and further increase its efforts focused on the financing of the real sector and broadening its commercial customer portfolio. The Bank regards the year ahead also as a year of greater emphasis placed on marketing activities addressing commercial companies that remains outside the corporate scale.

Ziraat Bank's priority target and strategy for the coming year include increasing the share of corporate and commercial lending portfolio to the Bank's balance sheet, constantly enhancing the quality of service and ensuring customer loyalty through building long-term, versatile relationships with customers.



### High quality service and modern products in cash management

Ziraat Bank painstakingly fulfills its role in the sector as a market maker with its rational pricing and competition strategy. The Bank espouses a pricing strategy that is not aggressive, places emphasis on broad-based deposits, and develops policies seeking to promote saving tendency and to attract small savings to the Bank.

Carrying on with its customer-oriented, effective and productive cash management practices at full speed during 2012, Ziraat Bank increased the number of institutions/companies under protocol for collection/payment/general banking/direct debit system to 527.

During the reporting period, the collections performed for 71.3 million transactions using the Corporate Collection Systems were worth TL 81.5 billion, from which TL 883 million was derived as average demand deposits. On the other hand, 14 million transactions were referred to non-branch channels, reaching 50% non-teller ratio as a result of the actions taken to alleviate the heavy transaction burden on branches.

Ziraat Bank will keep building on its relationships with its corporate and commercial customers in the coming years by offering high quality service and modern products within the scope of cash management modules.

### Retail Banking

#### Ongoing transformation in Retail Banking

On the back of the change and transformation program initiated in December 2011, Ziraat Bank set it as its main strategy to be an innovative and pioneering bank that better analyzes customers' needs, that stands closer to its customers and that creates more value.

In this framework, in 2012 the Bank reengineered its service model also in retail banking, which is the main building block of change and transformation, on the aspects of customer, product, channel, organization, process and technology, human resources and location.

Structuring efforts have been carried out on many different axes:

- Branches have been redesigned with respect to corporate identity, interior architecture, technology, human resources and behavior codes so as to be aligned with strategic goals;
- A substantial portion of retail banking activities have been centralized in keeping with the targets of alleviating the workload of branches and reducing transaction costs so as to ensure increased productivity;
- Marketing and operations units at branches were separated, thus moving to portfolio structure;
- The concept of customer ownership was created, which represented a major breakthrough in customer relationship management.

One of the crucial steps of the operational transformation in retail banking was the revised credit management and performance management process in 2012.

In this framework, lending processes have been revised and credit and financial analysis systems have been developed that will provide more efficient and more dynamic measurement of the credit risk, including centralized allocation.

On another hand, the performance management system has also been remade on the basis of the "balanced scorecard" approach in unit and individual level to ensure that the strategies defined within the frame of the change and transformation program are successfully implemented. As of year-end 2012, the system's integration has been finalized, and the new performance system was put into practice in all branches that have completed their transformation from the start of 2013.

#### Leadership in the retail segment

Preserving its position as the sector's leader in the number of retail customers, Ziraat Bank offered uninterrupted service all over Turkey to its more than 25 million customers via its 1,425 retail branches and over 23,000 employees during 2012, which also saw intensive competition.

In the retail segment that has 45% share within Ziraat Bank's total loan book, the credits supplied to retail customers amounted to TL 29 billion. Remaining the sector's leader by a large margin with TL 19 billion in consumer loans extended to over 2 million customers during 2012, Ziraat Bank registered 32% growth in "Salary Advance" and "Deposit Advance" products, which are the firsts of their kinds in the sector and which are intended to fulfill the short-term needs of customers.

In another department, the Bank made available TL 3.3 billion in loans to 200,000 customers in as short a period of time as 3 months with the "Four Seasons Loan Package" designed to cater to all of the basic banking needs of retail customers in 2012.





**More than a bank  
for our youngsters**



**Within the scope of bancassurance activities, Ziraat Bank maintained its leadership particularly in the life insurance sector in 2012.**

Commanding 69% share of Ziraat Bank's total deposits, retail banking achieved a magnitude of TL 73 billion during 2012, in line with its strategy of new product development aligned with customer needs and broad-based deposits. Core deposits have approximately 70% share of total savings deposits.

In 2012, Ziraat Bank introduced the "Grateful Account" which encourages customers who entrust their savings to Ziraat Bank for a prolonged period of time and rewards them with higher returns. The implementation was quickly embraced by the customers and reached a high volume.

Ziraat Bank launched "Gold Term Deposit Account" for those customers who tend to save up in gold coins and wish to benefit from the advantages of term deposits along with the value increases in gold for gram equivalent of gold coins of 1000/1000 purity (A02), and gold term deposit accounts accumulate interest with flexible maturity options.

In an effort to rechannel the gold coins traditionally "kept under the pillows" back into the economic cycle, "Gold Time" initiative was introduced in 2012, under which physical gold coins were received by the contracted firm thus allowing them to be deposited in the customers' gold term deposits with the Bank.

Within the scope of bancassurance activities, Ziraat Bank maintained its leadership particularly in the life insurance sector in 2012, and its total premium production topped TL 1 billion including the premium volume in the non-life branches that grows with the special advantages provided to customer groups.

**New methods in lending processes**

In order to offer faster, higher quality and more satisfactory service to its retail loan customers that make up a large portion of its loan book, Ziraat Bank reviewed its lending processes and introduced a number of new methods.

Within the frame of efforts to centrally evaluate retail loan demands by way of scoring method, the Centralized Allocation went live in May 2012 for the following purposes:

- Attain uniformity and standardization in the allocation of retail loans, and create an organized credit extension process,
- Alleviate the operational load of branches, and create branches focused on marketing and sales,
- Contribute to the improvement of asset quality in keeping with the targets of sustainable profitability and productivity,
- Measure the credit risk in a healthier and more efficient manner in line with the enterprise risk appetite,
- Form a healthy database that will enable diversified marketing and analysis projections via the Standard Decision Support Mechanism.

Allocation decisions are started to be made by the Decision Module and the Head Office Allocation Center.

The calculations based on the transaction handling times revealed that centralized transactions provide much higher efficiency as compared to those handled by branches. As of year-end 2012, almost all of the branches switched to the centralized allocation structure. It is planned to incorporate the few number of remaining branches in the system during 2013.

In 2012, Ziraat Bank extended a total of 1,359,852 retail loans, which were worth TL 12.3 billion.

For the purpose of linking the retail loans of customers to a new repayment plan that suits their income and cash flows and/or ensuring smooth recovery through granting an extension of maturity, a total of 782 retail loan products amounting to TL 15.7 million were restructured during 2012, and 685 customers benefited from restructuring.

#### **Efficient electronic service channels**

Ziraat Bank delivers efficient and quality service to its retail customers through electronic service channels, as well as its countrywide branch network.

#### **Debit cards**

- **15% increase in the number of Bankkart**

The sector's leader in debit cards, Ziraat Bank grew the number of its Bankkart (Ziraat debit cards) cards by 15%. The number of Bankkart cards increased by 2,481,494 compared to the end of 2011 and reached 18,994,470, while the number of TSK (Turkish Armed Forces) chip debit cards rose to 612,359. The Bank derived a turnover of TL 69.7 billion on its Bankkart cards, which was up by 34.7% as compared to its year-end 2011 value of TL 51.7 billion.

- **30% expansion in credit card turnover**

While the number of credit cards issued by Ziraat Bank reached 3,423,816 in 2012, its turnover on credit cards was up by 30% and reached TL 10 billion. The ratio of active cards went up from 45% to 48%.

- **Number of POS devices draw near 130 thousand**

In 2012, the number of POS devices provided by Ziraat Bank increased by 13% and reached 126,905. The turnover of member merchants, on the other hand, grew by 27% to reach TL 7.6 billion.

During 2012, the Bank collected TL 535.7 million in social insurance (SGK) premium payments on behalf of the Institution, which can be collected by the Bank's virtual POS from any credit card.

- **Card-based solutions in public transport**

Under the transportation projects co-conducted by Ziraat Bank and the Interbank Card Center (in Turkish: BKM), the infrastructure work has been completed for the use of the Bank's banking cards in public transport vehicles operated by Konya Metropolitan Municipality and Tarsus Municipality.

- **Cooperation with TURSAB**

The Bank supplied the POS devices for the museum kiosk implementation realized in cooperation with the Ministry of Culture and the Association of Turkish Travel Agencies (in Turkish: TURSAB), and devices were installed at the Topkapı Palace and Ephesus ruins in İzmir. The work is underway for installing the devices at the Sultanahmet Square, Hagia Sophia, Archaeological Museum (İstanbul), and Tourism Information (İstanbul).

Development work has been finalized that will enable transacting in foreign currency (EUR and USD) with foreign credit cards on the Bank's POS devices, which have been successfully spread across all branches in 2012. In order to increase the productivity and profitability of the project, the GBP, JPY and RUB currencies will also be integrated into the system during 2013.

#### **Alternative delivery channels**

##### **The number of Internet banking customers reached 1.8 million.**

The number of Ziraat Bank's registered internet banking customers grew a remarkable 61% and went up to 1.8 million by the end of the year. In parallel, financial transactions performed on the internet branch was up by 54% from 20 million at year-end 2011 to 30.9 million at the end of 2012, while the volume of financial transactions which was worth TL 60 billion boosted by an amazing 361% to reach TL 277.7 billion.

The Bank's corporate internet site was revamped in design and technology, and constructed in a manner that allows active marketing of all products, campaigns and novelties, making life easier for customers, and working compatibly with smart devices (phones and tablets).

The key new features of the website included the tool that enables non-internet banking customers to make online application for the internet branch, easy access with the option to set PIN on the website for those who cannot recall their internet banking entrance PIN, and loan/deposit/investment/ card calculation and application modules.

## **At the end of 2012, the number of the Bank's active ATMs rose by 11% year-on-year to 4,231.**

### **11% increase in the number of ATMs**

At the end of 2012, the number of the Bank's active ATMs rose by 11% year-on-year to 4,231, while the number of its ATMs offering the cash deposit feature reached 1,425. With their installation started in June 2012, 95% of 1,500 new generation ATMs was completed by the end of the year. Furthermore, 1,000 ATMs with cash deposit feature were purchased and plans were prepared for their locations.

ATMs with cash deposit feature also enable making the payments for the Ministry of National Education exams, Measurement Selection and Placement Center (ÖSYM) exam fees, Motor Vehicle Tax payments (from the account), centralized payment with palm, EFT, bill payment with credit card, SGK payment, dormitory rent payments, Loans and Dormitories Administration (KYK) fee payments, title deed charge payments, and cardless Motor Vehicle Tax payments. Also, ATM menu developments were finalized.

The ratio of ADC use rose from 60.1% in 2011 to 94% at the end of 2012 for

bill collections, and from 6.5% to 31.8% for non-bill collections during the same period of time.

### **Treasury and Strategy Management**

In essence, the Treasury and Strategy Management Group manages the risks carried on the balance sheet; determines interest rate, exchange rate and liquidity scenarios; implements the policies determined; revises the policies in line with the changing internal and external conditions, and offers centralized pricing service for treasury and investment instruments to all branches.

The objectives of the Treasury and Strategy Management are spelled out as follows:

- Define the financial risk exposure of the Bank's balance sheet,
- Ensure the measurement of risks, monitor them, and develop risk management strategies in the format and content determined in cooperation with the risk management unit,
- Establish efficient communication with marketing and risk management units, in particular,

- Ensure that the quality of the Bank's profit is enhanced and rendered sustainable,
- Follow-up the domestic and international financial markets and the policies of decision-makers,
- Analyze the prospective markets where the Bank may work and their macro and microeconomic conditions.

In addition, the objectives of the Treasury and Strategy Management Group have been expanded to include the creation, development and management of the central treasury function of the overseas branches, banks and domestic subsidiaries, within the frame of the Ziraat Finance Group that is in the process of development.

Besides liquidity management and investments in borrowing instruments similar to eurobonds/bonds in view of the risk/return balance of the Bank's balance sheet, the Bank took place among the active players in the money, foreign currency and capital markets for fulfilling the customers' needs in contact with the marketing and sales groups within the frame of customer-oriented approach to banking in 2012.

In the reporting period, efforts continued to more effectively manage the Bank's assets/liabilities and the financial risks involved in the balance sheet. The Bank's customers were offered alternative banking products, and investment and funding facilities were diversified within the frame of the asset/liability management strategies that are being pursued.

As one of the market maker banks in the Turkish bonds and bills market as determined by the Undersecretariat of the Treasury of the Republic of Turkey, Ziraat Bank successfully maintained its market maker position in 2012. As one of the active participants in the primary and secondary bonds and bills markets, the Bank's profit generated on capital market transactions shows a rising trend.

#### **Increased diversity in treasury products**

The creation of the centralized treasury function contributed to increasing the product diversity through new treasury products within the scope of the development of the "Ziraat Customer" and ultimately "Ziraat Finance Group Customer" concepts in the Ziraat Bank's ongoing change and transformation process. Along this line, customer transaction volumes in treasury products were increased through competitive pricing and effective customer relationship management, by making use of the extensive branch network and the constantly improved alternative delivery channels.

In order to effectively meet the needs of customers with different risk/return profiles, the Bank issued two Type B 100% Capital Guaranteed Sub-Funds under the Capital Guarantee Umbrella Fund during 2012. Having defined its mutual funds management strategy as issuing thematic and capital guaranteed funds for the most part, Ziraat Bank will continue with fund issues in 2013.

To increase the diversity of funding and enhance its quality, and to support the extension of average funding term, bank bonds/bills in Turkish lira issues started in February 2012, and five issues amounted to TL 4 billion in public offerings.

As at December 2012, the BRSA's permission has been received for a total issue of TL 7 billion. Within this scope, the Bank will continue with issues of different maturities in 2013.

Using structured financial products, not only the risks in the Bank's balance sheet were managed, but also alternative investment and funding resources were developed. The Bank will continue to diversify the funding structure with non-deposit financing resources such as eurobond issues and syndication loans in 2013 and thereafter.

#### **Swift and high quality foreign trade transactions**

Enjoying the capability to reach any point in the world from any point in Turkey thanks to its extensive domestic branch network and the overseas service network made up of branches, subsidiaries and correspondent banks, Ziraat Bank conducts international banking transactions swiftly and at a high quality both domestically and globally.

Foreign trade transactions at Ziraat Bank are started to be carried out from 5 Corporate Branches and 27 Commercial Branches across the country, in addition to the units located in Istanbul and Ankara so as to provide faster and more effective solutions to the customers' needs. Financing needs of foreign trade customers are responded to in a fast and effective manner at appropriate terms and prices, in conjunction with the financial institutions abroad.

The Bank's foreign trade transactions are carried out by competent personnel who hold Certified Documentary

Credit Specialist (CDCS) Certification (26 certificates) and Certificate in International Trade and Finance (CITF) (8 certificates).

At Ziraat Bank, foreign transactions are conducted via 50 nostro accounts with the Bank's overseas correspondent banks and 79 vostro accounts at the Bank of other domestic/overseas banks and overseas branches and subsidiaries.

The foreign currency transfers by and between the seven resident banks that belong to the DTR (FX Transfer) system, which was designed by Ziraat Bank for use in the domestic FX transfers, are carried out quickly and at low costs, without requiring the mediation of overseas banks and directly from such banks' accounts opened with Ziraat Bank.

Transfers up to a certain limit made to overseas branches and subsidiaries that have vostro accounts with the Bank and to domestic banks included in the DTR system are directly carried out by the branches without any further interference, and thereby assure low-cost and maximum speed in transactions.

The Bank's customers can withdraw money from their accounts in domestic branches or the branches in the TRNC online via Ziraat Bank branches abroad or subsidiary banks. It is planned to soon complete the work, which will enable them to deposit money into their accounts in Turkey using the same channel.

#### **Solid and deep-rooted international relations**

The solid and extensive international service network built on solid foundations all over the world makes up an important part of the concept "Ziraat Finance Group" developed by Ziraat Bank within the scope of its change and transformation strategy.





More than a bank  
at 75 locations across  
the world



**With branches, representative office and subsidiary banks at 75 locations in 16 countries, Ziraat Bank maintains its position as the bank with the largest international service network of any Turkish bank.**

The Bank pursues its activities with the goal of maintaining its efficient and respected position enjoyed in the international banking arena, and offering banking products and services that will win value for its customers, with a particular emphasis on financing the foreign trade between Turkey and the geographies where it operates via its overseas branches and subsidiaries.

At the end of 2012, Ziraat Bank maintained its strong and deep-rooted correspondence relations with approximately 1,300 banks in 119 countries. The Bank's broad correspondent network is continuously improved and updated in parallel with customer needs, as well as the conjuncture and trends in the world economy.

The Bank works in close cooperation with export insurance agencies and country Eximbanks throughout the world. The Bank signs framework agreements with various correspondent banks in order

to mediate the loans to be provided by these agencies to its customers.

Having mediated in successful transactions aimed at diversifying funding resources and providing longer-term and low-cost financing to its customers in 2012, the Bank keeps working towards the target of sharpening its competitive edge.

**Global service network**

With branches, representative office and subsidiary banks at 75 locations in 16 countries, Ziraat Bank maintains and further strengthens its position as the bank with the largest international service network of any Turkish bank. The Bank's global points of service continue to work actively with the mission of delivering higher quality service by way of launching new products and projects in the countries where they are present. Their locations are presented below:

- New York Branch in USA,
- London Branch in the UK,
- Tbilisi Branch in Georgia,

- Sofia Branch, and Plovdiv, Kardzhali and Varna sub-branches in Bulgaria,
- Athens, Komotini, Xanthi and Rhodes branches in Greece,
- Baghdad and Erbil branches in Iraq,
- Jeddah Branch in Saudi Arabia,
- 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),
- Tehran Representative Office in Iran, and
- Seven foreign banking subsidiaries, which have a total of 50 branches.

**Efficiency and expansion projects**

Ziraat Bank continues with its operations with the target of becoming Turkey's and the region's strongest and most efficient bank in the period ahead, by capitalizing on potential opportunities at every location where it has a presence based on the analysis of developments in global markets. To this end, the Bank constantly makes examinations and assessments in

line with its target of offering service and expanding its activities at every location that offers development potential and opportunities with respect to business volume and commercial relationships with a special focus on the near geography based on forward-looking projections.

In **Bulgaria**, Ziraat Bank serves its customers through 4 branches: a central branch in Sofia, and sub-branches in Plovdiv, Kardzhali and Varna. The initiatives in branchless banking are ongoing; it is planned to further expand the scope of operations by soon introducing credit cards, telephone banking and POS products in addition to the debit cards, ATMs and internet banking that have already been launched.

In **Greece**, Ziraat Bank serves its customers 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 in the Near East University, Gönyeli, Çatalköy, Karaoğlanoğlu and İskele in the last two years. In parallel with its steady expansion trend in recent years, the Bank worked intensively to expand its product portfolio and improve service quality.

Started to be extended during 2011, agricultural loans were received with great interest and reached a volume of TL 40 million by the end of 2012. Total lending, on the other hand, amounted to TL 311 million. Offering all of the banking services available in mainland Turkey, the Bank's branches in TRNC takes place in

the top ranks among all banks operating in the TRNC in terms of size and profitability, and contribute significantly to the national TRNC economy.

Pursuing operations in **Georgia** since 2001, evaluations are in progress to organize the Tbilisi Branch as a foreign banking subsidiary and to open a sub-branch in Batumi. The Batumi branch is targeted to become operational in the first quarter of 2013.

With the ATM and debit card services launched in Tbilisi, the internet banking service is also planned to be introduced during 2013.

In **Saudi Arabia**, the Jeddah Branch began activities on 14 March 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. At the end of the year, the non-cash lending volume of the branch reached USD 97 million.

Having started service delivery under extraordinary circumstances in Baghdad in **Iraq** in 2008, Ziraat Bank has become the first Turkish bank to open a branch in Erbil on 14 February 2011. Having continued to mediate in the letters of guarantee requested by Turkish contracting companies operating in the region and in the money transfers of Turkish firms and workers at an increasing rate in 2012, the Erbil Branch attained a non-cash loan volume of USD 114 million at the end of the year.

## Human Resources and Training

**The elite team possessing superior competencies that have been supporting Ziraat Bank ever since its inception also represents the foundation of customer satisfaction, which is given utmost importance.**

### Contemporary human resource management system

Having formulated a contemporary human resource management system based on the principles of transparency, participation, efficiency and compliance with banking ethics, Ziraat Bank continually invests in its employees who are the architects of its corporate success.

Recognizing that sustainable success and continual customer satisfaction compel high-performing employees, Ziraat Bank aims to maximize the motivation, knowledge and skill levels of its employees. To this end, all employees are offered systematic training opportunities focused on career and development.

Personal and professional development training programs have been conducted for the entire Bank personnel throughout the year in order to ensure that the Bank Customer Service Model is espoused by the personnel, to standardize the service quality at all points of service, and to build on the employees' customer relationship competencies.

During 2012, the bank continued to provide the compulsory training programs, which are required to be given within the scope of licensing and laws, as well as the training sessions for personnel that will be newly recruited, and training programs were differentiated according to target groups.





More than a bank  
for the true professionals

## Social Responsibility Activities

**Ziraat Bank targets to further leverage the mission it has taken on within the frame of social responsibility every year.**



**Ziraat Bank uninterruptedly carries on with its efforts in various fields with a special focus on education, sport, culture and the arts.**

### **Ziraat Bank's social contribution activities continue at full speed.**

Targeting to further leverage the mission it has taken on within the frame of social responsibility every year and to ensure sustainability in this arena, Ziraat Bank uninterruptedly carries on with its efforts in various fields with a special focus on education, sport, culture and the arts.

In 2012, Ziraat Bank extended support to projects that will contribute to the cultural accumulation of the society and will help advance the individuals and the society.

### **Ziraat Bank extends increasing support to sport.**

As it has done for the past three football seasons, Ziraat Bank sponsored the royalty of the Turkish Football Cup for the fourth time in the 2012-2013 season. The organization was renamed as the "Ziraat Turkish Cup".

During the 2012/2013 season, Ziraat Bank's sponsorship of the sport club that successfully represents the Bank in the Aroma Men's Premiere Volleyball League since the 2007/2008 season continued.

### **Support to the arts is an essential tradition for Ziraat Bank.**

Ziraat Bank has attached utmost importance to the arts and artists ever since its incorporation, which is underlined by the slogan "In Art For Art". The Bank added new links to the chain of support given to the arts since the 1990s, and opened the Mithatpaşa, Kuğulu, Tünel and Kızıltan Ulukavak art galleries and the Ömer Nafi Güvenli Exhibition Hall for art-lovers.

Ziraat Bank continued to support activities in various artistic disciplines in 2012 as it has been doing every year, and sponsored 50 exhibitions that were mounted on Ankara Kuğulu and Mithatpaşa Art Galleries in Ankara and Tünel Art Gallery in İstanbul in the 2011/2012 season. The exhibitions were visited by more than 40,000 art enthusiasts.

### **Ziraat Bank is the founder of Turkey's first Banking Museum.**

The Ziraat Bank Museum, housed in the Ceremonial Hall of the Bank's Original Head Office building in Ankara's Ulus district was opened on 20 November 1981. The museum puts on display the 149-year long deep-rooted history of the Bank that has borne witness to almost every phase of the Republic era, and is the first museum devoted to banking in Turkey.

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 numerous antique objects that reflect these characteristics.

### **Advertising and publicity activities**

During 2012, three films were aired on the visual media that were sequels to the one preceding each, which were made for advertising and publicity purposes.

### **Other activities**

Having sponsored many trade shows held in and out of Turkey during 2012, Ziraat Bank's support contributed to the launch of projects that are important for our country.





## Ziraat Bank's Subsidiaries in 2012

**Ziraat Bank aims at offering the means whereby Ziraat Customers can fulfill any financial need effortlessly via domestic and overseas subsidiaries.**

Ziraat Bank's policy for subsidiaries is to deliver contemporary and modern financial services to its customers in and out of Turkey in the best and most profitable manner, to derive cost advantages and to secure competitive superiority by attaining product diversification.

While formulating its subsidiary policy, Ziraat Bank set its main objectives as follows:

- to establish new subsidiaries that will provide synergy with the Bank,
- to enter partnerships with existing companies,
- to ensure that the current subsidiaries provide an effective service,
- to render the Ziraat Customer concept applicable also for the Ziraat Finance Group umbrella, and thus to offer the means whereby Ziraat Customers can fulfill any financial need effortlessly via domestic and overseas subsidiaries,

- to promote domestic subsidiaries that are parent companies, in which the Bank has control, to a leading position in their relevant sectors.

The primary developments in the Bank's subsidiary organization in 2012 are summarized below:

- The shares held by Ziraat Bankası Personel Vakfı (Ziraat Bank Personnel Fund) in Ziraat Finansal Kiralama A.Ş. (Ziraat Leasing) were purchased, which increased the Bank's share in that company to 90.00%.
- The shares held by T. Halk Bankası A.Ş. (Halkbank) in Fintek - Finansal Teknoloji Hizmetleri A.Ş. (Fintek Financial Technology Services) were acquired, thereby raising the Bank's share in that company to 76.00%.
- The shares held in Ziraat Banka AD Skopje, the Bank's wholly-owned subsidiary in Macedonia, were transferred in their entirety to Halk Banka AD Skopje.

- The Bank's share in Kazakhstan Ziraat International Bank was raised to 99.58% through cash capital transfer.
- As at 31 December 2012, the Bank's investments on domestic subsidiaries amounted to TL 388.3 million, and on international subsidiaries to TL 771.2 million, for a total of TL 1,159.5 million.
- The Bank generated a total of TL 98,067,620.93 in dividend income from domestic subsidiaries (TL 90,188,749.90) and foreign subsidiaries (TL 7,878,871.03).
- In order to raise the profitability and transaction volume of the subsidiaries, the Bank realized a capital increase of TL 74,983,350.76 in its domestic subsidiaries and a capital increase of USD 34,860,685.43 and EUR 402,044.49 in foreign subsidiaries.

## Foreign Subsidiaries

### ZIRAAT BANK INTERNATIONAL A.G.

**Ziraat Bank International AG is one of the largest banks backed by Turkish capital operating in the European Union.** Ziraat Bank's largest international subsidiary, the bank is active in corporate, commercial, and retail banking.

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

In addition to corporate, commercial and retail banking services, Ziraat Bank International AG has been mediating the money transfers of Turkish citizens living in Germany to Turkey for 49 years with a modern and rapid technical infrastructure.

Continually improving its retail banking activities, Ziraat Bank International AG's "Ingenious Account", one of the Bank's retail banking products, has been rated "Constantly Good" five times consecutively by "Stiftung Warentest/Finanztest", the most respectable independent consumer foundation in Germany.

Making use of the internet as an effective delivery channel, Ziraat Bank International AG offers its customers comprehensive internet banking services. During 2012, the bank included EBICS (Electronic Banking Internet Communication Standard) protocol in its internet banking service, which gave commercial and corporate customers access to faster, more secure and more professional internet banking service.

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) and of the Association of Foreign Banks in Germany (Verband der Auslandsbanken in Deutschland).

Ziraat Bank International AG services a broad base of customers via its ten branches operating in Frankfurt, Hamburg, Cologne, Hannover, Berlin, Duisburg, Stuttgart, Munich, Nurnberg and Essen.

As of 31 December 2012, Ziraat Bank International AG's paid-in capital was worth EUR 108 million, shareholders' equity EUR 158 million, total assets EUR 972 million, loans EUR 635 million and its deposits amounted to EUR 804 million.

Having registered 7% expansion in its total assets, the bank employs a total of 140 people.

### TURKISH ZIRAAT BANK BOSNIA d.d.

**Having started operations in 1997, Turkish Ziraat Bank Bosnia d.d. is the first bank backed fully by foreign capital in Bosnia & Herzegovina.**

The bank provides an entire suite of banking products and services to its corporate, commercial, and retail banking customers through 23 service units, 32 ATMs, 21,000 credit cards, 12,000 debit cards, and 745 POS devices across the Federation. The bank had 171 employees as at year-end 2012.

Turkish Ziraat Bank Bosnia d.d. succeeded in maintaining its profitability consistently in this country that has been severely hit by the global crisis. As of

31 December 2012, Turkish Ziraat Bank Bosnia d.d.'s total assets amounted to USD 155.2 million, with loans of USD 98.3 million, deposits of USD 78 million and shareholders' equity of USD 48 million.

### ZIRAAT BANK (MOSCOW) CJSC

**Ziraat Bank (Moscow) CJSC started operations in Moscow in 1993.**

Aiming to satisfy all of the banking needs of its Turkish and Russian customers, the bank adopts a customer-focused approach to service in the conduct of its activities.

Ziraat Bank (Moscow) CJSC offers rapid, high quality and modern 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 2012, the bank's total assets amounted to USD 73.6 million, with loans of USD 50.6 million and shareholders' equity of USD 32.2 million. Its total assets and lending expanded by 37.8% and 19.7% year-on-year, respectively.

### KAZAKHSTAN ZIRAAT 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 continues to offer services through three branches located in Almaty, Astana and Shymkent.

As of 31 December 2012, the bank's total assets amounted to USS 148.7 million, with shareholders' equity of USD 111.6 million and a profit of USD 3.4 million for the period.

## Ziraat Bank's Subsidiaries in 2012

The bank's loan book was worth USD 64 million in 2012, representing a year-on surge by 131%, and the bank's paid-in capital was raised by 48%. The bank launched a new banking software and internet banking application in July 2012.

### AZER-TÜRK BANK ASC

**Incorporated in 1995, Azer-Türk Bank ASC is a joint venture of Ziraat Bank and Agrarkredit QSC (Republic of Azerbaijan).**

The Bank 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 31 December 2012, Azer-Türk Bank's total assets amounted to USD 108.6 million, with shareholders' equity of USD 17.1 million and a net profit for the year of USD 1.5 million.

Owing to its various qualities including a service concept with a focus on customer satisfaction and transparency of its activities, the bank maintains its position as a trustworthy and prestigious enterprise within the Azeri banking system. The bank will further cement its position in the sector with the raise to be realized in shareholders' equity in line with the requirement of the Central Bank of the Republic of Azerbaijan.

### TURKMEN TURKISH JSC BANK

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

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

With its 5 exchange offices, the bank is the country's most active bank in terms of foreign currency transactions. In addition, five Western Union points operated by the bank handle a large volume of WU transactions.

At the end of 2012, the bank's total assets amounted to USD 69.5 million, with shareholders' equity of USD 13.4 million and a net profit of USD 5.4 million.

### 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.**

Serving its customers in all business lines of banking, UTBANK's total assets were worth USD 64.8 million at the end of 2012. The bank's deposits amounted to USD 22.7 million, its shareholders' equity to USD 23 million and its net profit to USD 1.9 million.

The bank endorsed its institutional strength with "A" credit rating assigned by the national credit rating agency in June 2012; the outlook of the rating was "positive".

### Domestic Subsidiaries

#### ZİRAAT SİGORTA A.Ş.

Founded on 11 May 2009, and having started its insurance operations in 2010, Ziraat Sigorta achieved all of its targets in 2012. The premiums that amounted to TL 378,763,559 at the end of the year represent a year-on rise by 19%, which outdid the average premium rise of 17% attained by the overall non-life insurance industry in the same period. The company had 2.33% market share in 2012. Ziraat Sigorta remained the company with the highest RoE percentage in the sector in 2012, when it also increased its production. Succeeding in attaining sustainable growth and profitability

since the first year it was founded, Ziraat Sigorta has become an exemplary company in the sector.

Agriculture insurance made up the key production branch for Ziraat Sigorta in 2012, in which the company sustained its leadership in premium production in the sector. Commanding 50% share in the company's portfolio for the past two years, this branch is anticipated to maintain the same weight in the years coming. Thanks to the alternative sales channels that are planned to be introduced in 2013, a remarkable growth is expected in personal accident and unemployment insurance products, as well as in the sales of Compulsory Earthquake Insurance (in Turkish: DASK) policies that represent a significant production item.

Ever since its inception, Ziraat Sigorta has analyzed the data demand structure in the insurance market and has been active in profit-yielding branches rather than in those that produce losses. The composition of the company's customer portfolio and its geographic distribution are of a nature that allows sustainable profitability and growth. Ever since its incorporation, the company has been developing innovative products so as to increase penetration in this area where it already possesses superiority, and has been striving to create additional capacities and to enlarge the existing pie. In addition, Ziraat Sigorta targets at a portfolio composition with a focus on profitability, and creates underwriting and pricing policies that are aligned with the insurance technique.

Having become a role model that is closely watched in the sector owing to its successful bancassurance activities, Ziraat Sigorta remained the highest premium generator in this field in 2012. It is aimed to carry the company up the rankings on the back of incentive implementations that will be launched so as to gain greater access to the Bank's insurance

potential and increased contribution of other distribution channels to premium production.

### ZİRAAT HAYAT VE EMEKLİLİK A.Ş.

Ziraat Hayat ve Emeklilik A.Ş. received permission for incorporation on 11 May 2009 and entered operation in the life insurance and personal accident insurance branches at the beginning of 2010. Involved in the Private Pension System since July 2011, the company continued with its rapid ascent during 2012.

Based on the year-end premium production data published by the Association of the Insurance and Reinsurance Companies of Turkey (TSRŞB), the company was the sector's leader in the life branch with premium production of TL 806 million, corresponding to a market share of 30% in 2011. The company maintained its leading position throughout 2012.

In view of the end-December 2012 data released by the Insurance Association of Turkey, Ziraat Hayat ve Emeklilik attained a premium production of TL 590.3 million in life and personal accident branches that corresponded to a market share of 20.72%, and closed 2012 as the sector's leader, as it did in the previous years. The company paid approximately TL 403 million in compensation to its insured customers for 46,824 claims in 2012.

The total assets of Ziraat Hayat ve Emeklilik A.Ş., including pension mutual funds, rose from TL 900 million (TL 848 million excluding pension mutual funds) at the end of 2011 to TL 1,131 million including pension mutual funds (TL 962 million excluding pension mutual funds) by the end of 2012, corresponding to a year-on increase of approximately 26%. In addition, the company's average RoE was 56% at end-December 2012.

Ziraat Hayat ve Emeklilik began its operations in the Private Pension System in July 2011, which has been developing rapidly in the recent years both in terms of legislation and social awareness. The company's pension mutual funds in the system rose from TL 51.7 million to TL 169.7 million in the twelve months to end-2012.

Besides the amendments made to the law and regulations that regulate the Private Pension System, a new regulation was published and went into force on 01 January 2013, which introduced the "State Subsidy" concept. The expected growth that resulted in the private pension sector owing to these new requirements was considered also by the company, which forecasts that the amount of pension mutual funds will top TL 400 million by the end of 2013.

The company spent various efforts in an effort to vest its sales organization in a dynamic structure in parallel with the developments in the sector during 2012. Training programs were organized for preparing the Bank employees for the licensing exams given by the Pension Monitoring Center, so as to enable them to serve as Private Pension Intermediaries. Achieving a success rate of 95% at the exam, 129 employees earned the title Private Pension Intermediary.

As a result, the performance to be displayed by the Bank's employees along with the company's existing sales force under the "Ziraat Finance Group" roof will form the basis of the high amounts of pension mutual funds the company aspires to achieve.

Ziraat Hayat ve Emeklilik offers service to its customers through private pension plans and life insurance products.

Addressing a broad customer segment, the company's primary private pension plans include, among others, "Güldüren Yarınlar Planı" (planning for a future that will make you smile) "Bereket Planı" (Plan for Plenty) designed for interest-rate sensitive customers, "Şemsiye Planı" (Umbrella Plan) that provides special advantages to newcomers who enter the System with their savings, and other plans that offer special advantages for various professions and that are utilized during campaign periods.

In addition to Group Life and Group Personal Accident Insurance products designed for groups, Ziraat Hayat ve Emeklilik offers corporate solutions through Personal Private Pension Linked to Group or Employer Group Pension plans that are also targeted towards groups.

On the life insurance front, major products include "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 one of the 12 dangerous illnesses that include cancer, stroke, heart disease, etc., and "Hayat Arkadaşım Yıllık Hayat Sigortası" (Annual Life Insurance for my Spouse) which offers various optional assurances in addition to death coverage.

In an effort to provide assurance for diverse risks against which its customers need protection, Ziraat Hayat ve Emeklilik continues to work on new and customized products such as education insurance, long-term life insurance, credit card protection, income protection and pension income plan. These products are planned to be introduced in the second half of 2013, depending also on the system infrastructure.

## Ziraat Bank's Subsidiaries in 2012

### ZİRAAT FİNANSAL KİRALAMA A.Ş.

Founded in 1991, Ziraat Leasing has positioned 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 since its inception, the company continued with its consistent growth in 2012.

In 2012, Ziraat Leasing increased its turnover by 15% year-on-year to TL 330 million.

Ever since its incorporation, Ziraat Leasing's primary target has been providing financing to a wide array of sectors, including construction, healthcare, textiles, food, iron & steel, metal processing, printing and manufacturing industry, and supporting technological advancement in mechanization. Having played a pioneering role in promoting the use of financial leasing for agricultural machinery, Ziraat Leasing maintained its position as the leader in its sector in 2012 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" and its vision is spelled out as "being the first choice of leasing company for investors and employees". With Ziraat Bank's support and experienced staff, the company moves forward to be one of the pioneering and leading companies in the sector.

### ZİRAAT YATIRIM MENKUL DEĞERLER A.Ş.

An active participant in the capital markets with its professional team of 103 staff and its mission of providing an efficient service to its customers, Ziraat Yatırım Menkul Değerler started operations in 1997.

The company holds 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 is also engaged in the İstanbul Stock Exchange (ISE) Emerging Companies Market (ECM) as a market consultant. Providing services through 4 branches, 16 investment centers and 1 liaison office, Ziraat Yatırım Menkul Değerler makes use of all domestic branches of Ziraat Bank across the country as its agencies.

Ziraat Yatırım Menkul Değerler makes active use of alternative delivery channels. The company's comprehensive delivery channels include the Company's internet branch (e-Ziraat) at [www.ziraatyatirim.com.tr](http://www.ziraatyatirim.com.tr); "Ziraat Trader", which allows orders to be placed via mobile phones, tablet PCs and data screens; and the Customer Care Center on 44 44 979.

Ziraat Yatırım Menkul Değerler's trade volume in the ISE equity market was worth TL 13.3 billion by the end of 2012. During the same period, the company recorded a total of TL 51 billion in repo-reverse repo transaction volume in and outside Borsa İstanbul (formerly called ISE), while its outright purchase and sale transaction volume in the bonds and bills market stood at TL 5.9 billion. As a leading participant of the derivatives market, Ziraat Yatırım's total transaction volume on TurkDEX (Turkish Derivatives Exchange) was worth TL 9.1 billion in 2012.

### ZİRAAT PORTFÖY YÖNETİMİ A.Ş.

Ziraat Portföy Yönetimi began operations in 2002. The company manages its clients' investment portfolios of capital market instruments in the capacity of a commissioner.

Ziraat Portföy Yönetimi manages nine mutual funds owned by Ziraat Bank, four mutual funds owned by Ziraat Yatırım and six private pension funds owned by Ziraat Hayat ve Emeklilik.

With TL 1.5 million of capital, total volume of assets managed by the company reached TL 1.528 billion as of year-end 2012. The company booked a net profit of TL 644 thousand and ranked 7<sup>th</sup> among the 35 asset management companies active in the sector with a market share of 3.1%.

### FİNTEK FİNANSAL TEKNOLOJİ HİZMETLERİ A.Ş.

Founded in 2001, Fintek has been providing IT services to Ziraat Bank and its foreign branches and 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" conducted by Interpromedya.

With its competent and dynamic staff of 590 people, 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 2012 with its innovative and up-to-date technological investments and products that comply with the TSE EN ISO 9001: 2000 criteria.

During the reporting period, the infrastructure was revised as necessitated by the new service model under Ziraat Bank's "Together, to a Better Future" project.

The following were launched based on the need to be able to more efficiently manage customer communication:

- "Customer Outlook" that displays the past and current status of customers,
- "Guidance Screens" that cover information that gives an idea about the future situation and expectations,
- "Portfolio Management System" for conducting one-on-one marketing activities and determining customer ownership,
- "Notification Management System" for effective follow-up of customer complaints and requests via a singular platform.

During the same period, necessary work was carried out to set up the "Target and Performance Management System" aimed at measuring the productivity and efficiency of processes and employees.

In addition, work was taken on to harmonize the current technologies that support the Operations Center model to the Operations Center, which was set up in 2012 in keeping with the centralization concept that makes up a key element of industrialized banking.

In addition, in an effort to combine databank and credit culture for effective management of the credit risk, credit decision and decision support models were devised, "Company Evaluation System" was installed, and centralized allocation was introduced for retail loans.

Furthermore, efforts were concentrated on business intelligence solutions to ensure fast and efficient decision-making, which will help optimize the business performance by making the needed data available, and which will enable access to complete and accurate information on all of the Bank's lines of business so as to allow quantification of the outcomes of decisions.

Weight was given to infrastructure work on alternative delivery channels to launch efficient and user-friendly applications, besides the Bankkart (Ziraat debit card) Product Voyage Project seeking to ensure innovative product and service delivery.

International Branches/Subsidiaries Basic Banking Software Implementation Projects were developed in order to provide better service to international branches and subsidiaries, as well as to Ziraat Bank. In this context, necessary work was initiated in the Bank's subsidiaries in Kazakhstan and Turkmenistan, and in the Tbilisi branch in Georgia on the east. On the western front, necessary purchasing was realized for the Western Geography Basic Banking software, which covers the subsidiaries in Germany and Bosnia and the branches in London and New York. In addition, the Infrastructure Standardization Project is underway, which covers all international branches and subsidiaries.

The new GTP (Tradesoft) application implementation was brought to completion, which involves integration with the Bank (Finart) for Ziraat Yatırım Menkul Değerler. Accordingly, work was begun to relocate the servers that house all applications and peripheral systems of Ziraat Leasing and Ziraat Yatırım Menkul Değerler to the Fintek location, and maintenance service was launched so as to cover all related infrastructural components.

Fintek will continue to provide Ziraat Bank with a fast and superior technological infrastructure and hardware support in 2013 by increasing operational efficiency at the Bank and its subsidiaries while strictly maintaining quality, 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 alternative delivery channel and payment system services to Ziraat Bank.

Servicing one of Turkey's largest ATM networks, Bileşim A.Ş. ranked first in the category of "Income from Outsourced Services", which is its primary field of activity, in the "Top 500 IT Companies - Turkey 2011" listing.

With its robust financial and technological infrastructure, personnel who are highly specialized in their fields, and its dynamism that allows the company to rapidly adapt to innovations, Bileşim A.Ş. maintained its leading position in the sector in 2012.







More than a bank  
as **your production** grows

## The Report on Compliance of Annual Report

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 2012 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 2012  
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

İstanbul, 8 March 2013

# Management and Corporate Governance Practices



## Ziraat Bank Board of Directors



**FEYZİ ÇUTUR**  
Member of the Board  
Audit Committee Member

**SALİM ALKAN**  
Member of the Board

**YUSUF DAĞCAN**  
Deputy Chairman

**MUHARREM KARSLI**  
Chairman and Member  
of the Audit Committee



**HÜSEYİN AYDIN**  
General Manager and  
Member of the Board

**METİN ÖZDEMİR**  
Member of the Board

**MUSTAFA ÇETİN**  
Member of the Board

**ERDAL ERDEM**  
Member of the Board

**GÖKHAN KARASU**  
Audit Board Member



## Ziraat Bank Board of Directors

### MUHARREM KARSLI

Chairman and Member of the Audit Committee

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 03 November 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.

### YUSUF DAĞCAN

Deputy Chairman

Yusuf Dağcan graduated from Eskişehir Academy of Economic and Commercial Sciences. He worked as an assistant inspector, inspector and branch manager at Vakıfbank from 1977 through 2001. He held a seat on the Board of Directors of TAIB Yatırım Bank A.Ş. from 05 September 2007 until 30 June 2008. After assuming responsibility as a member of the Audit Committee at Halkbank from 27 March 2003 until 18 April 2012, Mr. Dağcan was also the chairman of the Board of Directors of Halk Leasing, a Board member of Halk Banka A.D., Skopje operating in Macedonia, and Deputy Chairman of the Arab Turkish Bank. Serving as a member on our Bank's Board of Directors since 18 April 2012, Mr. Dağcan is also a member of the Bank's Credit Committee.

### 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 27 March 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 31 May 2005 and 14 July 2011. Having joined Ziraat Bank as the General Manager on 15 July 2011, Mr. Aydın also serves as the Chairman of the Banks Association of Turkey.

### SALİM ALKAN

Member of the Board

Salim Alkan graduated from Ankara University (Faculty of Political Sciences, Department of Business Administration). He worked as an inspector, branch and department manager and assistant general manager at various banks from 1971. After functioning as Vice President of the Savings Deposit Insurance Fund (SDIF), Advisor to the Chairman of the SDIF, and general manager, board member and chairman of various banks taken over by the SDIF from 2005 to 2010, he held a seat on the Board of Directors of Halkbank from 24 May 2010 until 18 April 2012, as well as on the boards of Halk Real Estate Investment Trust, and Halk Yatırım Menkul Değerler A.Ş. Serving as a member of the Bank's Board of Directors since 18 April 2012, Mr. Alkan is also a member of the Bank's Credit Committee.

**FEYZİ ÇUTUR**

Member of the Board  
Audit Committee Member

Feyzi Çutur graduated from Gazi University (Faculty of Economics and Administrative Sciences, Department of Banking) in 1983. After working as accounting and finance manager at various private sector companies from 1977 until 1990, he functioned as General Accounting Manager at Bayındır Menkul Değerler A.Ş. (1990-1998), as Finance and Operations Directors, Assistant General Manager, Acting General Manager and General Manager at Eti Yatırım A.Ş. (1998-2010). He served as the Fund Board member and Fund Board Chairman at Eti Yatırım and various Mutual Funds owned by Etibank, and held a seat on the Board of Directors of İktisat Yatırım A.Ş. in 2006. From July 2011 until March 2012, he was a Board member representing the Savings Deposit Insurance Fund (SDIF) at Arab Turkish Bank and its subsidiary A&T Leasing. Elected to a seat on the Bank's Board of Directors in the Ordinary General Assembly held on 18 April 2012, Mr. Çutur is a member of the Bank's Audit Committee and Remuneration Committee, and an alternate member of the Credit Committee.

**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.

**METİN ÖZDEMİR**

Member of the Board

Metin Özdemir graduated from İstanbul University (Faculty of Business Administration) in 1990. He is currently pursuing his graduate studies in the Department of Economics at Marmara University, Institute of Middle East Studies. He started his career at Kuveyt-Türk Finans Kurumu A.Ş. in 1992 and worked at the İstanbul Metropolitan Municipality in 1994-1995. From 1996, he carried on with his business life as an executive in the retail sector. Mr. Özdemir still functions as a member of İstanbul Metropolitan Municipal Council, a position he has been holding since 2004. Elected as a Board member of our Bank in the Ordinary General Assembly held on 18 April 2012, Mr. Özdemir is also a member of the Bank's Remuneration Committee and an alternate member of the Credit Committee.

**ERDAL ERDEM**

Member of the Board

Erdal Erdem graduated from Afyon Kocatepe University (Faculty of Economics and Administrative Sciences, Department of Public Finance) in 1993. He started his professional life in 1995 at Türkiye Finans Kurumu A.Ş. and then joined Asya Katılım Bankası A.Ş., where he worked, in chronological order, as an assistant specialist, specialist, II. Manager, assistant manager and manager from October 1996 until March 2010. From March 2010 until January 2012, he served as Assistant General Manager responsible for Loans Tracking, Financial Analysis and Credit Information, Non-performing Loans, Construction-Real Estate and Legal Consultancy at the same bank. Serving as a member on the Bank's Board of Directors since 18 April 2012, Mr. Erdem is also a member of the Bank's Credit Committee.

**GÖKHAN KARASU**

Audit Board Member

Gökhan Karasu graduated from İstanbul University (Faculty of Law). Currently functioning as a division head in the Directorate General of Insurance at the Turkish Treasury, Mr. Karasu has been serving as a member of the Bank's Audit Board since September 2012.

## Ziraat Bank Senior Management



**1**  
**ÖMER M. BAKTİR**  
Assistant General Manager  
for Marketing



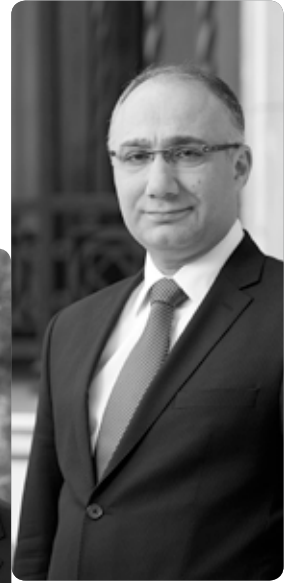
**2**  
**MUSA ARDA**  
Assistant General Manager  
for Credit Allocation and  
Management



**3**  
**M. CENGİZ GÖĞEBAKAN**  
Assistant General Manager  
for Credit Policies



**4**  
**BİLGEHAN KURU**  
Assistant General Manager  
for Treasury and Strategy  
Management



**5**  
**OSMAN ARSLAN**  
Assistant General Manager  
for International Banking  
and Joint Ventures



**6**  
**CEM İNAL**  
Assistant General Manager  
for Financial Coordination



**7**  
**ALİ TOKER**  
Assistant General Manager  
for Human Resources



**8**  
**YUNUS UYGUR KOCAOĞLU**  
Assistant General Manager  
for Information Technology  
Management



**9**  
**ALPASLAN ÇAKAR**  
Assistant General  
Manager for Operational  
Transactions



**10**  
**ALİ ARAS**  
Head of the Board of  
Inspectors



**11**  
**BÜLENT YALIM**  
Head of the Internal Control  
and Risk Management  
Group

## Ziraat Bank Senior Management

### 1- ÖMER M. BAKTIR

Assistant General Manager for Marketing

Ömer Muzaffer Baktır graduated from İstanbul 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 14 June 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 Assistant General Manager for Marketing since November 2011.

### 2- 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 İstanbul 2<sup>nd</sup> Region. He has been serving at Ziraat Bank as Assistant General Manager for Credit Allocation and Management since November 2011.

### 3- M. 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 17 November 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 9 June 2005. He served as an assistant general manager for credit policies from 2007 to 2010 at the same bank. 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 Assistant General Manager for Credit Policies since November 2011.

### 4- BİLGEHAN KURU

Assistant General Manager for Treasury and Strategy 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 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. Having held the position of Assistant General Manager for Retail Banking at Halkbank from June 2007 until July 2011, Mr. Kuru has been serving as Assistant General Manager for Treasury and Strategy Management at our Bank since July 2011.

### 5- OSMAN ARSLAN

Assistant General Manager for International Banking and Joint Ventures

Osman Arslan graduated from the Middle East Technical University (Faculty of Arts and Sciences, Department of Statistics) in 1995. He completed his MBA degree in the Faculty of Economic and Administrative Sciences at the same university from 2006 to 2008. Having worked at the Bank's Banking School in 1995 and 1996, he functioned as a specialist at our Bank (1996-1998), as an assistant inspector at Sümerbank (1998-2000), as an inspector and assistant manager at Asya Katılım Bankası A.Ş. (2000-2004), as section head, division head and assistant general manager at Halkbank and as General Manager at Arab Turkish Bank (2004-2012). Currently holding the responsibility of the Chairman of the Board at A&T Bank, Mr. Arslan has begun to work for our Bank in March 2012 as Assistant General Manager for Financial Management. He has been serving as Assistant General Manager for International Banking and Joint Ventures since January 2013.

**6- CEM İNAL**

Assistant General Manager for Financial Coordination

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. Appointed as Assistant General Manager for Retail Banking in November 2011, Mr. İnal has been serving as Assistant General Manager for Financial Coordination since January 2013.

**7- ALİ TOKER**

Assistant General Manager for Human Resources

Ali Toker 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. Toker has been serving as Assistant General Manager for Human Resources since November 2011.

**8- YUNUS UYGUR KOC AOĞLU**

Assistant General Manager for Information Technology Management

Yunus Uygur Kocaoğlu graduated from Boğaziçi University (Department of Computer Engineering). Also holding an MBA degree, he started his career in 1997. After working as a software engineer in various private companies, he joined Fintek Finansal Teknoloji Hizmetleri A.Ş. in 2003. Having held the positions of department manager, assistant general manager and general manager, Mr. Kocaoğlu has been serving as Assistant General Manager for Information Technology Management at Ziraat Bank since January 2013.

**9- ALPASLAN ÇAKAR**

Assistant General Manager for Operational Transactions

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. Promoted to the position of department manager in August 2007, Mr. Çakar has been appointed as the Assistant General Manager for Retail Banking in July 2010. He has been serving as Assistant General Manager for Operational Transactions since November 2011.

**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 Yalım 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. Yalım has been serving as the Head of Internal Control and Risk Management Group since November 2011.



## Summary of the Board of Directors Report

### Ziraat Bank in 2012

2012 has been a period of intensive activity for Ziraat Bank and the change and transformation initiatives launched in December 2011 continued at a fast pace during the reporting period. Within the scope of the efforts seeking to more effectively respond to customers needs, the Bank conducted nearly 100 projects and realized major changes that strengthened the Bank's infrastructure. Carried out using exclusively the Bank's own resources, these 100 projects are nearing completion almost one year ahead of the targeted deadline.

Under the change and transformation project conducted, the "Bank Customer Service Model", which places the customer in its focal point and is intended to fulfill all financial needs of customers, was started to be rolled out at branches from April 2012. Transition to the business model was completed at 857 branches by 31 December 2012. The target is to have all branches offer service to the customers on the basis of the new service model by April 2013. Within the scope of customer relationship management, branch and customer segmentation was carried out aiming to hear out and understand the customers' financial needs and to offer them the right value propositions accordingly; an agriculture concept integrated with the customer segments was developed; principles of portfolio management were set out and branches began offering services within this framework, and significant way has been paved in the shift from a "product customer" approach to "Ziraat customer" approach.

Within the frame of the efforts to increase effectiveness of risk policies and processes, and to create enterprise risk appetite, the Bank launched major decision support systems including "Retail Loans Assessment Module", "SME Assessment Module" and "Company Assessment Module". Upon introduction of Retail Loans Centralized Allocation, retail loan applications made to branches started to be evaluated by the Head Office. An Operations Center was set up and operational transactions were started to be moved to this center gradually for the purposes of ensuring productivity in operational transactions, and alleviating the operational workload on branches. Significant progress has been achieved also in efficient information technology and productive operational infrastructure, objective and transparent human resources management and effective communication, which take place among the principles of our new business model.

While the Bank changed its business model, initiatives were carried out for transforming and strengthening the financial structure, as well. Ziraat Bank defined its primary financial management strategy as possessing a shareholders' equity that corresponds to the balance sheet size, increasing the relative share of loans, and attaining an efficient and diversified funding structure. As a result of retention of prior year profit, the percentage of shareholders' equity to total liabilities went up from 8.2% at year-end 2011 to 10.5% at year-end 2012.

The Bank's total assets were worth TL 163 billion as at year-end 2012. Aiming to render profitability, which is an important component of shareholders' equity, sustainable, the Bank posted year-end net profits in the amount of TL 2,650 million, which showed a 26% rise year-to-year. In parallel with the increased profit, the Bank captured marked upward trends in profitability and productivity ratios, which take place among the Bank's important agenda items. 16.1% at the end of 2011, return on equity (RoE) went up to 17.6% at the end of 2012. Similarly, return on assets (RoA) also went up and rose from 1.3% to 1.7% in the twelve months to end-2012.

In line with the Bank's target of growing through lending to the real sector, it is aimed to reduce the share of marketable securities within the balance sheet to the sector's norms, and to create an assets structure, in which marketable securities will be converted into loans. Hence, at the end of 2012, the Bank's lending was worth TL 71.4 billion, and loans had 44% share of total assets, whereas the share of marketable securities portfolio declined from 44% in 2011 to 40% in 2012.

In line with the objective of attaining an effective and diversified funding resource, and ensuring broad-based and low-cost funds, total deposits were worth TL 119 billion. Share of deposits to liabilities was 73%, whereas the share of non-deposit resources including funds was 12.6%. In an effort to increase the diversity and quality of resources and to extend average maturity on funding, TL-denominated Bank bonds/bills issues started in February 2012, and the public offering on the back of five issues amounted to TL 4 billion during the reporting period. In December 2012, permission has been obtained from the BRSA for a total issue of TL 7 billion. In 2013 and thereafter, funding structure will be diversified through non-deposit financing resources such as eurobond issues and syndication loans.

The primary goal of the Bank is to be a leading bank that carries out banking for everyone that all segments of the society are happy to be working with, that stands by its customers not only in good times, but also in bad times and offers world-class banking services. Stepping into its 150<sup>th</sup> year in service, Ziraat Bank will uninterruptedly work towards achieving its targets, carry the values and principles it has always espoused into the future within a sustainable structure, and continue to be more than a bank for its customers.

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



Hüseyin AYDIN  
General Manager



Muharrem KARSLI  
Chairman of the Board of Directors

## Human Resources Practices

### Activities in 2012

Within the frame of operating principles built on sustainable profitability, productivity and customer-focus, our Bank recognizes that the human resource is the key element that makes a difference in competition, and continued to implement and further build on the modern human resources management system it has adopted in line with the principles of transparency and compliance with banking ethics.

Aiming to fulfill the requirements of banking and international competition and to provide modern and reliable banking service, Ziraat Bank had 23,153 employees on its payroll at the end of 2012. 82% of the employee body holds undergraduate and graduate degrees; average age of employees is 38 and average tenure is 14 years.

Offering young people the chance to advance in their banking careers through its transparent approach to career management, our Bank continued to open its doors to numerous new graduates in 2012 following suit of previous years. A test was given for employing 3,265 people in different positions. The recruitment test and announcements asked the candidates to specify their preferred city for working in, in line with the principle of hiring locally.

Our Bank espoused a clearly defined career management concept. Within the scope of this concept, our Bank aims to fill managerial positions through promotion from within and gives the young people the chance to advance in their banking careers.

Under the promotions made in 2012, 1,860 employees successfully passed the promotion tests, whereas 412 employees succeeded in the qualification/interview system and were entitled to advance to the higher position.

Major innovations were made also in the human resources practices within the scope of the Bank Customer Service Model concept formulated upon the principles of customer-focus, rapid service delivery, and efficient communication.

In line with the customer segmentation the Bank carried out, "job position" implementation was introduced in career management. In addition to the title designation that indicates the professional level of employees, a "job position" is determined for each employee in accordance with the job performed, the customer segment addressed, and the distinction between marketing versus operations functions.

As at year-end 2012, 857 branches switched to the new business model and 16,976 employees have been appointed to their new job positions.

For branch employees who switched/will switch to their new job positions, certification training programs were organized covering all the skills and knowledge required by the relevant position of each employee, in addition to the Bank Customer Service Model training sessions.

During 2012, a total of 1,926 programs were given to 17,229 employees and average training time per person was 23 hours. In addition, 27 e-learning programs were made available to Bank employees within the frame of distant learning, from which 16,025 employees benefited.

In the reporting period, the Bank provided internship to 1,022 vocational high school students and 2,060 university students, thereby contributing to vocational training and also enhancing brand awareness as an "employer".

As of year-end, the Bank moved to the new remuneration system based on the titles and job positions of employees.

Our 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 in February, May, August and November.

Performance Bonuses are distributed to employees under the name “General Performance Bonus” and do not exceed 7% of an employee’s total monthly salary. “General Performance Bonus” payments are determined according to branch rankings based on scales announced quarterly. 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 6<sup>th</sup> group do not qualify for the General Performance Bonus payment.

On the other hand, employees of regional offices receive performance bonus payments based on the average General Performance Bonus coefficients of affiliated branches, whereas head office employees are paid performance bonuses on the basis of the average General Performance Bonus coefficients of regional offices. Employees who have left the Bank or are on unpaid leave receive the performance bonus amount that they have become entitled to for the period of time 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 determined depending on the punishment given.

In 2013, Individual Performance System will be introduced at our Bank.

### 2013 Projections

In 2013, our Bank will continue to provide its employees with constant training, career opportunities aligned with their respective job positions, and modern working conditions.

Within the frame of the efforts to switch to the Bank Customer Service Model, the transition of all employees to new job positions will be completed.

Certification training will continue for employees who have already switched to their job positions, and orientation training will be organized for a total of 3,265 newcomers to the Bank.

Having become a trademark in the banking industry since its inception in 1989, the “School of Banking”, which educates qualified staff for the entire banking and financial services sector, and represents a first in Turkey as a comprehensive training program that offers various information in a single package needed by banking professionals, will be vested in even higher quality in 2013 thanks to the collaboration with a university. In the year ahead, the program will keep training and cultivating the prospective managers who will drive our Bank to its goals in line with its vision and strategies.

The Bank will make continued use of advancing technology in all of its human resources practices and training systems, and new systems will be introduced in training management and e-learning programs.

## Information on the Activities of Committees

### Information on the Activities of the Credit Committee

The activities of the Credit Committee include fulfillment of the duties and powers specified in the Banking Law, the Bank's articles of association, and other legislation issued by the BRSA; extending loans and passing decisions within the frame of authorities delegated to it by the Board of Directors, and performing other duties related to lending assigned to it by the Board of Directors.

The Credit Committee met 25 times during 2012 and passed 366 decisions.

#### Chairman

Hüseyin AYDIN, General Manager and Member of the Board

#### Members

Yusuf DAĞCAN, Deputy Chairman of the Board

Erdal ERDEM, Member of the Board

Salim ALKAN, 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

Muharrem KARSLI, Chairman of the Board

Feyzi ÇUTUR, Member of the Board

### Information on the Activities of the Corporate Governance Committee

The Corporate Governance Committee monitors the Bank's compliance with corporate governance principles and works to ensure improvements in these aspects. The Committee reports its activities in writing to the Board of Directors.

#### Members

Muharrem KARSLI, Chairman of the Board

Mustafa ÇETİN, Member of the Board

### Information on the Activities of the Remuneration Committee

The Remuneration Committee is responsible for overseeing and supervising the remuneration practices on behalf of the Board of Directors. The Committee assesses the remuneration policy and practices within the frame of risk management to ensure that remuneration policies are aligned with the Bank's ethical values and strategic goals, and submits its recommendations to the Board of Directors.

#### Members

Feyzi ÇUTUR, Member of the Board

Metin ÖZDEMİR, 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 34 times during 2012 and passed 464 resolutions.

### Audit Committee

The Audit Committee meets regularly at least once a month with the attendance of all members. The committee met 38 times during 2012 and passed 106 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 2012 are presented in footnote VII of section five of the year-end financial report that is included in this annual report.

## Companies from Which Support Services are Obtained

The services obtained by our Bank within the scope of the “Regulation Concerning the Outsourcing of Support Services by Banks and the Authorization of Organizations Providing Such Services”, and the companies providing these services are presented below.

1. From Fintek A.Ş. – information technology infrastructure and integration, system management, support/operation, application development and technical consultancy,
2. From Bileşim A.Ş. - alternative delivery channels and payment systems,
3. From Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti. – software, applications and development for card-based payment systems,
4. From Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Tic. A.Ş. - internet banking software and applications development,
5. From SmartSoft Kartek Kart ve Bilişim Teknolojileri Tic. Ltd. Şti. - TSK (Turkish Armed Forces) smart card software, application development,
6. From Güzel Sanatlar Çek Basım Ltd. Şti. – cheque printing,
7. From Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş. – security service,
8. From AVİ Gayrimenkul Yatırım Değerleme ve Danışmanlık A.Ş. and TURYAP Tapu Hizmetleri A.Ş. – support service for creation and registration of mortgage in favor of our Bank on real properties put up as collateral for the loans extended.

# 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 2012 to 31 December 2012 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 2012 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.

I have reached the opinion that the independently audited balance sheet and income statement for the period 1 January 2012 and 31 December 2012 attached accurately reflect the true financial standing of the Bank and the true results of its activities for that year, and I hereby submit it for the approval of the General Assembly that the Bank's balance sheet and income statement be ratified and the Board of Directors be released.

Ankara, 25.02.2013



Gökhan KARASU  
Statutory Auditor

## 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 174 members and working in line with the international internal audit standards, the Board of Auditors, during 2012, 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 that are conducted using the reporting structure integrated into the Bank's system, 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.

During the audits carried out, inspectors continued to make determinations and give recommendations, which are designed to give an introduction to regionally important sectors, and to ensure rapid decision-making regarding existing and/or potential risks and opportunities involving the loan book, in particular.

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 in 2012. 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 2012 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.

Having made it a principle and a goal to make significant contributions to the Bank's qualified and high-quality human resource, the Board of Auditors provided an intensive transition of its members to administrative duties during 2012; hence, the Bank's experienced members who have been involved in the examination and inspection of the Bank's various domestic and international branches, regional offices and Head Office units continued to offer administrative service to our Bank's different units in various geographies. On the other hand, the recruitment process has been completed for assistant inspectors, who will begin working by early 2013 according to the plans.

The Board of Inspectors continues to evaluate the organizational changes at the Bank, the modules introduced in lending decisions and the systematic differences arising from the launch of centralized allocation structures, and Operations Center, and keeps working on the planned changes regarding the audit system.

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.

## INTERNAL CONTROL AND RISK MANAGEMENT GROUP

### OPERATION OF THE INTERNAL CONTROL SYSTEM

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

Control programs for branches are devised quarterly within the frame of the branches' risk map prepared by the risk management department. They take into consideration 135 different criteria including, among others, branch scales, transaction volumes, changes in the amount of lending and results of the previous control period, as well as the control schedule of the Board of Inspectors. These programs are enforced upon approval of our Committee. Controls are carried out on an average of 950 branches in every quarter within the scope of the program.

The control intervals of head office units are determined in view of the units' functions and risk exposure, their job descriptions and impact on the Bank's balance sheet, and are revised in line with the needs.

Pursuant to the provision under Article 9/3 of the Regulation on the Bank's Internal Systems that reads "Internal control system is organized to cover the bank's domestic and international branches, head office units, consolidated partnerships and all of its activities", internal control activity at all of our branches abroad are conducted in accordance with the annual control plans that are approved by our Committee.

Findings contained in the reports resulting from the control activities conducted are categorized under certain headings, and are shared with relevant units and the Senior Management.

As a result of the switch to the new service model at the Bank, introduction of centralized allocation structure in retail loans and of new modules in other types of loans, and centralization of operations, manual transactions have been substantially migrated to the system, and work is ongoing for integrating the transactions that are still performed manually to the system. Given that centralized controls will increase along with the systematic controls introduced under these implementations, the operational workloads of Internal Controllers assigned to the field are expected to be alleviated.

On-site Internal Controllers continued in 2012 to conduct examinations 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 the internal control function 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.



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

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 2012, thus continuing to supply qualified human resource to the Bank's administrative personnel. In addition, it was decided to hire 36 assistant internal controllers from outside the Bank to be trained to replace the internal controllers who have been transferred to administrative duties, and to sustain the dynamic nature of the internal controller staff.

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 strategy and conditions upon the altered risk perception and transition to the new service model. 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 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 (interest rate risk arising from banking accounts and liquidity risk), and have the ultimate objective of achieving compliance with international best practices.

Under credit risk management activities, work is undertaken for defining, measuring, monitoring and reporting credit risk, employing methods that are in alignment with Basel II. In this context, legal reporting process started using the Basel II Standardized Method as of 01 July 2012. The amount at credit risk is reported to the BRSA monthly on a solo basis, and quarterly on a consolidated basis. 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. Validation is carried out using statistical methods to measure the accuracy and performance of these scoring models. Furthermore, credit risk limits that are approved by the Board of Directors are monitored, and work is in progress to conduct scenario analyses and stress testing for the non-performing loans ratio.

Under the operational risk management activities, operational risks are defined, classified, measured and analyzed. Operational risk loss database in Finart environment allows tracking incidents of operational risk. Risks arising from information technology and actions taken are followed up. An Operational Risk Map is being 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 risk, liquidity risk, and interest rate risk arising from banking accounts are measured, analyzed, limited, reported and monitored, and the analyses made are supported with stress tests.

For determining the shareholders' equity amount that is aligned with the loss our Bank might sustain due to its risk exposure, capital adequacy assessment is made using the economic capital approach and the results are reported to the senior management.

Results of the analyses made under risk management activities and risk indicators are reported to the Board of Directors and our 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.



Feyzi ÇUTUR  
Member of the Audit Committee



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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Publicly Announced Unconsolidated Financial Statements

### together with Independent Auditor's Report at 31 December 2012

Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three

#### INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

#### *Basis for the qualified opinion:*

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

#### *Independent Auditor's Opinion:*

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

#### *Additional Paragraph for Convenience Translation:*

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

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



Haluk Yalçın, SMMM

Partner

İstanbul, 14 February 2013

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**The Unconsolidated Financial Report of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
as of 31 December 2012**

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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.



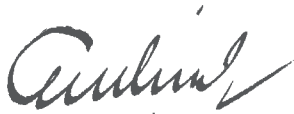
Muharrem KARSLI  
Chairman of the Board of Directors  
Member of the Audit Committee



Hüseyin AYDIN  
Member of the Board of Directors  
General Manager



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



Cem İNAL  
Financial Coordination  
Assistant General Manager



Atakan BEKTAŞ  
Deputy Head of  
Reporting Management

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

Name/Title: Tuncay KAMIŞ/External Reporting Officer

Telephone Number: 0312 584 47 59

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

(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 Treasury.

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

The sole shareholder of the Bank is the Treasury.

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

Name	Administrative Function
<b>Members of the Board of Directors</b>	
Muharrem KARSLI	Chairman
Hüseyin AYDIN	General Manager and Member
Yusuf DAĞCAN	Deputy Chairman and Member
Erdal ERDEM	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
<b>Audit Committee Members</b>	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
<b>Assistant General Managers</b>	
Ali TOKER	Human Resources
Alpaslan ÇAKAR	Operational Transactions
Bilgehan KURU	Treasury and Strategy Management
Cem İNAL	Financial Coordination
Mehmet Cengiz GÖĞEBAKAN	Credit Policies
Musa ARDA	Credit Allocation and Management
Osman ARSLAN	International Banking and Joint Ventures
Ömer Muzaffer BAKTİR	Marketing
Yunus Uygur KOCAOĞLU *	Information Technologies Management
<b>Head of Group</b>	
Bülent YALIM	Internal Control and Risk Management

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

(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
Treasury	2,500,000	100	2,500,000	-

The sole shareholder of the Bank is the Treasury.

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

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

As of 31 December 2012, Bank carries its activities with a grand total of 1,514 branches; 1,490 domestic branches including 1,316 branches, 5 corporate branches, 27 commercial branches, 77 entrepreneurial branches, 32 bureaus, 31 private operation centers, 2 mobile branches (31 December 2011: 1,434 branches including 1,373 domestic branches, 27 bureaus, 32 private operation centers, 2 mobile branches) and 24 branches abroad including 16 branches and 8 sub branches (New York branch in United States, London branch in England, Tbilisi branch in Georgia, Baghdad and 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 Iskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran.

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

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

### SECTION TWO

#### THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

- I. BALANCE SHEET
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- III. STATEMENT OF INCOME
- IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY
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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Unconsolidated Financial Statements at 31 December 2012 and 2011**

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

I. BALANCE SHEET	ASSETS	Note (Section Five I)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
			TL	FC	Total	TL	FC	Total
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	5,908,268	14,805,063	20,713,331	6,318,336	7,954,038	14,272,374
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	16,956	129,261	146,217	92,992	40,604	133,596
2.1	Financial Assets Held for Trading		16,956	129,261	146,217	92,992	40,604	133,596
2.1.1	Public Sector Debt Securities		9,068	4,582	13,650	42,289	14,139	56,428
2.1.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		7,888	124,679	132,567	50,703	26,465	77,168
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(3)	45,116	1,888,355	1,933,471	61,040	1,259,419	1,320,459
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	33,500,459	4,567,558	38,068,017	33,842,067	4,285,716	38,127,783
5.1	Securities Representing a Share in Capital		141,489	118,064	259,553	123,809	93,586	217,395
5.2	Public Sector Debt Securities		33,357,334	4,337,465	37,694,799	33,718,258	4,020,659	37,738,917
5.3	Other Marketable Securities		1,636	112,029	113,665	-	171,471	171,471
VI.	LOANS AND RECEIVABLES	(5)	63,983,499	7,442,980	71,426,479	64,330,044	7,099,931	71,429,975
6.1	Loans and Receivables		63,188,677	7,441,617	70,630,294	64,073,451	7,099,809	71,173,260
6.1.1	Loans Granted to Risk Group of The Bank		4,994	207,713	212,707	14,193	264,996	279,189
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		63,183,683	7,233,904	70,417,587	64,059,258	6,834,813	70,894,071
6.2	Loans under Follow-up		2,040,802	16,751	2,057,553	850,293	12,748	863,041
6.3	Specific Provisions (-)		1,245,980	15,388	1,261,368	593,700	12,626	606,326
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	23,030,009	4,224,816	27,254,825	27,600,761	4,903,436	32,504,197
8.1	Public Sector Debt Securities		23,020,788	4,224,308	27,245,096	27,592,135	4,902,915	32,495,050
8.2	Other Marketable Securities		9,221	508	9,729	8,626	521	9,147
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	65,452	-	65,452	59,806	-	59,806
9.1	Accounted with Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		65,452	-	65,452	59,806	-	59,806
9.2.1	Financial Associates		59,386	-	59,386	53,781	-	53,781
9.2.2	Non-financial Associates		6,066	-	6,066	6,025	-	6,025
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	183,360	710,374	893,734	123,000	576,949	699,949
10.1	Unconsolidated Financial Subsidiaries		176,127	710,374	886,501	117,279	576,949	694,228
10.2	Unconsolidated Non-Financial Subsidiaries		7,233	-	7,233	5,721	-	5,721
XI.	ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	74,926	74,926	-	50,359	50,359
11.1	Accounted with Equity Method		-	-	-	-	-	-
11.2	Unconsolidated Entities Under Common Control		-	74,926	74,926	-	50,359	50,359
11.2.1	Financial Entities Under Common Control		-	74,926	74,926	-	50,359	50,359
11.2.2	Non Financial Entities Under Common Control		-	-	-	-	-	-
XII.	RECEIVABLES FROM LEASING TRANSACTIONS	(10)	-	-	-	-	-	-
12.1	Finance Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(14)	924,132	7,224	931,356	921,322	9,176	930,498
XV.	INTANGIBLE ASSETS (Net)	(15)	54,780	6,636	61,416	52,614	11,363	63,977
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		54,780	6,636	61,416	52,614	11,363	63,977
XVI.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVII.	TAX ASSET		224,079	-	224,079	281,913	-	281,913
17.1	Current Tax Asset		321	-	321	211	-	211
17.2	Deferred Tax Asset	(16)	223,758	-	223,758	281,702	-	281,702
XVIII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	66,049	-	66,049	51,882	-	51,882
18.1	Held for Sale		66,049	-	66,049	51,882	-	51,882
18.2	Held from Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(17)	972,816	35,589	1,008,405	703,217	51,157	754,374
	<b>TOTAL ASSETS</b>		<b>128,974,975</b>	<b>33,892,782</b>	<b>162,867,757</b>	<b>134,438,994</b>	<b>26,242,148</b>	<b>160,681,142</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Unconsolidated Financial Statements at 31 December 2012 and 2011**

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

I. BALANCE SHEET	Note (Section Five II)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
		TL	FC	Total	TL	FC	Total
<b>LIABILITIES AND EQUITY</b>							
<b>I. DEPOSITS</b>	(1)	92,330,087	26,636,217	118,966,304	89,189,709	23,876,973	113,066,682
1.1 Deposits Held By the Risk Group of the Bank		794,137	138,305	932,442	1,066,830	108,861	1,175,691
1.2 Other		91,535,950	26,497,912	118,033,862	88,122,879	23,768,112	111,890,991
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	38,987	16,561	55,548	29,853	9,968	39,821
<b>III. FUNDS BORROWED</b>	(3)	864,946	2,207,493	3,072,439	65,526	487,956	553,482
<b>IV. MONEY MARKET BALANCES</b>		5,577,693	5,584,781	11,162,474	23,319,266	2,468,904	25,788,170
4.1 Interbank Money Market Borrowings		-	-	-	-	871,449	871,449
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3 Funds Provided under Repurchase Agreements		5,577,693	5,584,781	11,162,474	23,319,266	1,597,455	24,916,721
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		1,943,988	-	1,943,988	-	-	-
5.1 Bills		1,764,858	-	1,764,858	-	-	-
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		179,130	-	179,130	-	-	-
<b>VI. FUNDS</b>		4,292,229	-	4,292,229	3,871,136	-	3,871,136
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		4,292,229	-	4,292,229	3,871,136	-	3,871,136
<b>VII. MISCELLANEOUS PAYABLES</b>		849,575	307,908	1,157,483	688,700	199,156	887,856
<b>VIII. OTHER LIABILITIES</b>	(4)	1,180,753	352,446	1,533,199	794,385	340,473	1,134,858
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(5)	-	287	287	-	-	-
10.1 Finance Lease Payables		-	297	297	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	10	10	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	2,996,158	5,881	3,002,039	1,886,463	5,973	1,892,436
12.1 General Provisions		1,204,127	612	1,204,739	977,551	139	977,690
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		774,200	-	774,200	656,600	-	656,600
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		1,017,831	5,269	1,023,100	252,312	5,834	258,146
<b>XIII. TAX LIABILITY</b>	(8)	513,973	304	514,277	269,111	337	269,448
13.1 Current Tax Liability		513,973	304	514,277	269,111	337	269,448
13.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>		-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	(9)	16,466,387	701,103	17,167,490	13,140,811	36,442	13,177,253
16.1 Paid-in Capital		2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2 Capital Reserves		1,072,419	701,103	1,773,522	150,032	36,442	186,474
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		477,484	701,103	1,178,587	(410,811)	36,442	(374,369)
16.2.4 Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7 Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17,369	-	17,369	17,361	-	17,361
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		577,566	-	577,566	543,482	-	543,482
16.3 Profit Reserves		10,083,742	-	10,083,742	8,230,307	-	8,230,307
16.3.1 Legal Reserves		2,408,490	-	2,408,490	2,290,756	-	2,290,756
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		7,041,211	-	7,041,211	5,305,510	-	5,305,510
16.3.4 Other Profit Reserves		634,041	-	634,041	634,041	-	634,041
16.4 Profit or Loss		2,810,226	-	2,810,226	2,260,472	-	2,260,472
16.4.1 Prior Years Profit/Loss		159,798	-	159,798	159,798	-	159,798
16.4.2 Net Period Profit/Loss		2,650,428	-	2,650,428	2,100,674	-	2,100,674
<b>TOTAL LIABILITIES AND EQUITY</b>		127,054,776	35,812,981	162,867,757	133,254,960	27,426,182	160,681,142

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 2012 and 2011**

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

		Note (Section Five III)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS			TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>54,150,267</b>	<b>40,389,162</b>	<b>94,539,429</b>	<b>36,255,578</b>	<b>21,183,840</b>	<b>57,439,418</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>(1),(3)</b>	<b>5,529,664</b>	<b>9,863,890</b>	<b>15,393,554</b>	<b>4,046,543</b>	<b>7,932,118</b>	<b>11,978,661</b>
1.1	Letters of Guarantee		5,464,619	6,623,113	12,087,732	4,044,509	5,922,741	9,967,250
1.1.1	Guarantees Subject to State Tender Law		379,750	6,132,611	6,512,361	392,196	5,600,700	5,992,896
1.1.2	Guarantees Given for Foreign Trade Operations		4,281,844	-	4,281,844	2,959,563	-	2,959,563
1.1.3	Other Letters of Guarantee		803,025	490,502	1,293,527	692,750	322,041	1,014,791
1.2	Bank Acceptances		5,363	953,966	959,329	2,000	371,588	373,588
1.2.1	Import Letter of Acceptance		5,363	941,199	946,562	-	6,354	6,354
1.2.2	Other Bank Acceptances		-	12,767	12,767	2,000	365,234	367,234
1.3	Letters of Credit		59,682	2,286,811	2,346,493	34	1,637,789	1,637,823
1.3.1	Documentary Letters of Credit		59,682	2,225,671	2,285,353	34	1,637,789	1,637,823
1.3.2	Other Letters of Credit		-	61,140	61,140	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	-	-	-	-	-
1.9	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>(1),(3)</b>	<b>47,181,489</b>	<b>20,634,722</b>	<b>67,816,211</b>	<b>30,945,781</b>	<b>8,304,720</b>	<b>39,250,501</b>
2.1	Irrevocable Commitments		8,097,722	828,020	8,925,742	7,755,616	974,747	8,730,363
2.1.1	Asset Purchase and Sale Commitments		115,642	328,248	443,890	268,644	367,070	635,714
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	1,000	-	1,000
2.1.4	Loan Granting Commitments		11	141,006	141,017	143	-	143
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		2,410,263	-	2,410,263	2,461,000	-	2,461,000
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		3,813,950	-	3,813,950	3,822,106	-	3,822,106
2.1.10	Commitments for Credit Cards and Banking Services Promotions		10,985	-	10,985	8,131	-	8,131
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		1,746,871	358,766	2,105,637	1,194,592	607,677	1,802,269
2.2	Revocable Commitments		39,083,767	19,806,702	58,890,469	23,190,165	7,329,973	30,520,138
2.2.1	Revocable Loan Granting Commitments		39,083,755	19,806,702	58,890,457	23,189,863	7,329,973	30,519,836
2.2.2	Other Revocable Commitments		12	-	12	302	-	302
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>1,439,114</b>	<b>9,890,550</b>	<b>11,329,664</b>	<b>1,263,254</b>	<b>4,947,002</b>	<b>6,210,256</b>
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		1,439,114	9,890,550	11,329,664	1,263,254	4,947,002	6,210,256
3.2.1	Forward Foreign Currency Buy/Sell Transactions		7,225	105,117	112,342	133,195	134,512	267,707
3.2.1.1	Forward Foreign Currency Transactions-Buy		3,611	52,564	56,175	66,617	67,248	133,865
3.2.1.2	Forward Foreign Currency Transactions-Sell		3,614	52,553	56,167	66,578	67,264	133,842
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1,431,889	9,785,433	11,217,322	1,130,059	4,812,490	5,942,549

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 2012 and 2011**

(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 (31/12/2012)			Prior Period (31/12/2011)		
			TL	FC	Total	TL	FC	Total
3.2.2.1	Foreign Currency Swap-Buy		664	5,666,087	5,666,751	-	2,977,218	2,977,218
3.2.2.2	Foreign Currency Swap-Sell		1,431,225	4,119,346	5,550,571	1,130,059	1,835,272	2,965,331
3.2.2.3	Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4	Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3	Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1	Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2	Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>230,375,194</b>	<b>15,136,640</b>	<b>245,511,834</b>	<b>212,862,987</b>	<b>14,045,181</b>	<b>226,908,168</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>30,302,721</b>	<b>2,549,943</b>	<b>32,852,664</b>	<b>21,201,775</b>	<b>1,362,383</b>	<b>22,564,158</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		10,785,482	1,298,862	12,084,344	3,561,620	1,133,079	4,694,699
4.3	Checks Received for Collection		942,646	22,480	965,126	977,787	14,781	992,568
4.4	Commercial Notes Received for Collection		2,627,395	132,381	2,759,776	2,770,680	143,105	2,913,785
4.5	Other Assets Received for Collection		8,879	-	8,879	8,893	-	8,893
4.6	Assets Received for Public Offering		15,722,252	90	15,722,342	13,672,892	93	13,672,985
4.7	Other Items Under Custody		214,418	1,096,130	1,310,548	208,254	71,325	279,579
4.8	Custodians		1,649	-	1,649	1,649	-	1,649
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>200,065,042</b>	<b>12,000,385</b>	<b>212,065,427</b>	<b>191,661,212</b>	<b>12,598,473</b>	<b>204,259,685</b>
5.1	Marketable Securities		513,623	37,418	551,041	264,618	38,111	302,729
5.2	Guarantee Notes		8,060,791	291,639	8,352,430	24,543,558	4,242,379	28,785,937
5.3	Commodity		1,249,249	13,603	1,262,852	1,249,461	14,118	1,263,579
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		177,629,793	9,318,980	186,948,773	154,386,204	6,685,510	161,071,714
5.6	Other Pledged Items		12,606,377	2,331,916	14,938,293	11,212,162	1,611,171	12,823,333
5.7	Pledged Items-Depository		5,209	6,829	12,038	5,209	7,184	12,393
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>7,431</b>	<b>586,312</b>	<b>593,743</b>	<b>-</b>	<b>84,325</b>	<b>84,325</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>284,525,461</b>	<b>55,525,802</b>	<b>340,051,263</b>	<b>249,118,565</b>	<b>35,229,021</b>	<b>284,347,586</b>

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 2012 and 2011**

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

III. STATEMENT OF INCOME				
INCOME AND EXPENSE ITEMS		Note (Section Five IV)	Current Period 01/01-31/12/2012	Prior Period 01/01-31/12/2011
I.	INTEREST INCOME	(1)	14,810,669	13,706,442
1.1	Interest Income from Loans		8,665,298	7,392,119
1.2	Interest Income From Reserve Deposits		1,635	1,650
1.3	Interest Income from Banks		23,933	34,657
1.4	Interest Income from Money Market Placements		5	38
1.5	Interest Income from Marketable Securities		6,110,808	6,265,869
1.5.1	Financial Assets Held for Trading		2,887	9,571
1.5.2	Financial Assets at Fair Value through Profit and Loss		-	-
1.5.3	Financial Assets Available-for-Sale		3,182,466	3,202,880
1.5.4	Investments Held-to-Maturity		2,925,455	3,053,418
1.6	Finance Lease Income		-	-
1.7	Other Interest Income		8,990	12,109
II.	INTEREST EXPENSES	(2)	7,909,759	8,464,864
2.1	Interest Expense on Deposits		6,299,506	7,348,651
2.2	Interest on Borrowings		74,691	6,583
2.3	Interest on Money Market Borrowings		1,381,016	1,088,513
2.4	Interest on Marketable Securities Issued		135,102	-
2.5	Other Interest Expense		19,444	21,117
III.	NET INTEREST INCOME/EXPENSES (I - II)		6,900,910	5,241,578
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		752,112	625,613
4.1	Fees and Commissions Received		932,416	773,958
4.1.1	Non-cash Loans		62,102	45,158
4.1.2	Other		870,314	728,800
4.2	Fees and Commissions Paid		180,304	148,345
4.2.1	Non-cash Loans		26	12
4.2.2	Other		180,278	148,333
V.	DIVIDEND INCOME	(3)	98,068	31,788
VI.	TRADING PROFIT/LOSS (Net)	(4)	(51,613)	(61,453)
6.1	Profit/Loss from Capital Market Operations		64,555	93,140
6.2	Profit/losses on Derivative Financial Transactions	(5)	(46,158)	291,574
6.3	Profit/Loss from Foreign Exchanges		(70,010)	(446,167)
VII.	OTHER OPERATING INCOME	(6)	428,801	372,414
VIII.	TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)		8,128,278	6,209,940
IX.	PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)	(7)	1,795,213	807,997
X.	OTHER OPERATING EXPENSES(-)	(8)	2,828,340	2,622,439
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		3,504,725	2,779,504
XII.	GAINS RECORDED AFTER MERGER		-	-
XIII.	PROFIT/LOSS ON EQUITY METHOD		-	-
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XV.	INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(9)	3,504,725	2,779,504
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(10)	(854,297)	(678,830)
16.1	Current Tax Provision		(1,142,233)	(314,816)
16.2	Deferred Tax Provision		287,936	(364,014)
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(11)	2,650,428	2,100,674
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
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		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
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		-	-
XX.	PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSSES (XVII+XXII)	(12)	2,650,428	2,100,674
	Earnings/Loss per Share		1,060	0,840

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 2012 and 2011

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (31/12/2012)	Prior Period (31/12/2011)
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	2,476,170	(320,948)
II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(15,634)	(17,038)
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	93,907	(216)
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(345,882)	85,332
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	2,208,561	(252,870)
XI. CURRENT YEAR PROFIT/LOSS	(655,605)	(1,050,107)
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	(667,102)	(1,055,826)
11.2 Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4 Other	11,497	5,719
XII. TOTAL PROFIT/LOSS FOR THE PERIOD (X±XI)	1,552,956	(1,302,977)

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 at 31 December 2011

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

### V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

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

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

[illegible]

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Unconsolidated Statement of Changes In Shareholders' Equity at 31 December 2012

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

### V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

31 December 2012	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Canc. Profits	Legal Reserves
I. Balance at the Beginning of the Period		2,500,000	543,482	-	-	2,290,756
Changes During the Period						
II. Increase/Decrease Related to Merger		-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-
IV. Hedging Funds (Active Part)		-	-	-	-	-
4.1 Cash-Flow Hedge		-	-	-	-	-
4.2 Hedges for Investments Made in Foreign Countries		-	-	-	-	-
V. Revaluation Differences of Tangible Assets		-	-	-	-	-
VI. Revaluation Differences of Intangible Assets		-	-	-	-	-
VII. Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII. Foreign Exchange Differences		-	34,084	-	-	-
IX. Changes Resulted from Disposal of Assets		-	-	-	-	-
X. Changes Resulted from Reclassification of Assets		-	-	-	-	-
XI. Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity		-	-	-	-	-
XII. Increase in Capital		-	-	-	-	-
12.1 Cash		-	-	-	-	-
12.2 From Internal Resources		-	-	-	-	-
XIII. Issuance of Share Certificates		-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-
XV. Adjustment to Paid-in Capital		-	-	-	-	-
XVI. Other		-	-	-	-	-
XVII. Net Profit or Losses		-	-	-	-	-
XVIII. Profit Distribution		-	-	-	-	117,734
18.1 Dividend Distributed		-	-	-	-	-
18.2 Transfers to Legal Reserves		-	-	-	-	117,734
18.3 Other		-	-	-	-	-
Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)		2,500,000	577,566	-	-	2,408,490

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

[illegible]



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Unconsolidated Statement of Cash Flows at 31 December 2012 and 2011**

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

VI. STATEMENT OF CASH FLOWS		Note (Section Five VI)	Current Period (31/12/2012)	Prior Period (31/12/2011)
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		3,652,117	2,826,818
1.1.1	Interest Received		13,544,903	14,662,653
1.1.2	Interest Paid		(7,950,104)	(8,515,062)
1.1.3	Dividend Received		98,068	31,788
1.1.4	Fees and Commissions Received		932,492	772,430
1.1.5	Other Income		675,334	692,076
1.1.6	Collections from Previously Written-off Loans and Other Receivables		749,391	823,027
1.1.7	Payments to Personnel and Service Suppliers		(1,361,181)	(2,366,768)
1.1.8	Taxes Paid		(1,121,543)	(651,052)
1.1.9	Other		(1,915,243)	(2,622,274)
1.2	Changes in Operating Assets and Liabilities		(13,018,769)	(9,835,062)
1.2.1	Net (Increase)/Decrease in Trading Securities		41,742	148,418
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Banks		(6,978,913)	(5,297,641)
1.2.4	Net (Increase)/Decrease in Loans		(717,893)	(13,786,911)
1.2.5	Net (Increase)/Decrease in Other Assets		(346,281)	(189,121)
1.2.6	Net Increase/(Decrease) in Bank Deposits		(10,774,655)	21,717,650
1.2.7	Net Increase/(Decrease) in Other Deposits		2,112,603	(13,610,193)
1.2.8	Net Increase/(Decrease) in Funds Borrowed		2,495,280	452,364
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		1,149,348	730,372
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>(9,366,652)</b>	<b>(7,008,244)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>		<b>7,964,569</b>	<b>2,866,552</b>
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(30,213)	(78,697)
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3	Fixed Assets Purchases		(59,728)	(181,265)
2.4	Fixed Assets Sales		68,672	32,217
2.5	Cash for Purchase of Financial Assets Available for Sale		(10,939,205)	(51,478,756)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		13,048,221	50,861,760
2.7	Cash Paid for Purchase of Investment Securities		(178,529)	(4,373,548)
2.8	Cash Obtained from Sale of Investment Securities		5,222,077	9,003,719
2.9	Other		833,274	(918,878)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>1,656,341</b>	<b>(1,078,596)</b>
3.1	Cash from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Marketable Securities Issued		1,903,580	-
3.4	Dividends Paid		(247,239)	(1,078,595)
3.5	Payments for Finance Leases		-	(1)
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>(182,399)</b>	<b>606,441</b>
<b>V.</b>	<b>Net Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>71,859</b>	<b>(4,613,847)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>(1)</b>	<b>7,687,992</b>	<b>12,301,839</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>(1)</b>	<b>7,759,851</b>	<b>7,687,992</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 2012 and 2011**

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

VII. PROFIT APPROPRIATION STATEMENT <sup>(1)</sup>		Current Period (31/12/2012)	Prior Period <sup>(2)</sup> (31/12/2011)
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	Current Year Income	3,504,725	2,779,504
1.2	Taxes and Duties Payable (-) <sup>(3)</sup>	1,142,233	678,830
1.2.1	Corporate Tax (Income tax)	1,142,233	314,816
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes and Duties	-	364,014
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>2,362,492</b>	<b>2,100,674</b>
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	118,125	105,034
1.5	Other Statutory Reserves (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>2,244,367</b>	<b>1,995,640</b>
1.6	First Dividend to Shareholders (-)	-	125,000
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.7	Dividends to Personnel (-)	-	122,239
1.8	Dividends to Board of Directors (-)	-	-
1.9	Second Dividend to Shareholders (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	12,700
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	1,735,701
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends to Shareholders (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Privileged Shares	-	-
2.3.3	To Owners of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders of Profit and Loss Sharing Certificates	-	-
2.4	Dividends to Personnel (-)	-	-
2.5	Dividends to Board Of Directors (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	To Owners of Ordinary Shares	1.0601	0.8403
3.2	To Owners of Ordinary Shares (%)	-	84.03
3.3	To Owners of Privileged Shares	-	-
3.4	To Owners of Privileged Shares (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	To Owners of Ordinary Shares	-	0.05
4.2	To Owners of Ordinary Shares (%)	-	5.00
4.3	To Owners of Privileged Shares	-	-
4.4	To Owners of Privileged Shares (%)	-	-

<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 2011 financial statement. It is rearranged in this direction.<sup>(3)</sup> The deferred tax asset of current period amounting to TL287,936 is not subject to profit distribution.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

(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. 28337 dated 28 June 2012.

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

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

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

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

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

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

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.

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

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

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

### V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

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

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

Commission income from banking, agency, intermediary services is recognized as income on the date they are collected. Whereas, commission income from individual, commercial and agricultural cash loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. Other fees and commission expenses are recorded as expense on the date they are paid.

### VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

#### 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.

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

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

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

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

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

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.

### 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.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

### 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.

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.

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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.

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

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

**a. Employment Termination and Vacation Benefits**

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

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

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

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

**b. Pension Rights**

Some of the Bank's personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees Pension Fund ("Fund") which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. As of 31 December 2012 the number of personnel who benefit from the Fund, excluding dependents, is 14,060 (2011: 14,325). 10,537 of these members are active while 3,523 are passive members. (2011: 10,925 active members, 3,400 passive members).

In accordance with 23<sup>rd</sup> 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 1<sup>st</sup> paragraph of the 1<sup>st</sup> article of the 23<sup>rd</sup> 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.

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

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

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

The technical balance sheet report as of 31 December 2012 which is prepared in accordance with the new law and the rate determined as 9.80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

### XVII. EXPLANATIONS ON TAXATION

#### a. Current Tax

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

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 14<sup>th</sup> and paid by the 17<sup>th</sup> 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 25<sup>th</sup> 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.

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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.

### XVIII. EXPLANATIONS ON BORROWINGS

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

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

The Bank has issued no convertible bonds.

### XIX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

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

### XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

### XXI. EXPLANATIONS ON GOVERNMENT GRANTS

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

### XXII. CASH AND CASH EQUIVALENTS

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

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

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### 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

a) The General Assembly for the year 2011 was carried out on 18 April 2012. In accordance with the decision taken, of the profit for the year 2011 amounting to TL2,100,674, TL105,034 is transferred to legal reserves and TL12,700 is transferred to second legal reserve, TL127,000 is distributed as dividend to employees provided that dividend amount does not exceed two month gross wage for each employee and TL106,250 is distributed to Treasury after deducting withholding tax of 15% (TL18,750) in cash. In this context, TL1,730,940 of the profit is preserved and of the dividend decided to be paid to personnel, TL122,239 dividend is paid. In accordance with the decision taken in General Assembly Meeting, the remaining of dividend paid to employees, TL4,761 was transferred to "profit reserves" account.

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

In the previous periods, the bank allocated special provisions considering the minimum rates and prudence principle stated in "Regulation on the Procedures and Principles on Determining the Characteristics of the Loans and other Receivables by the Banks and the provisions that would be Set Aside for them" regardless of such loan collaterals; however, in line with the provision of the General Directorate Authority Approval dated 29 June 2012 and of the clause (8) of Article 10 of the regulation stating that "based on the reliability and prudence assumptions defined in the Communiqué on Conceptual Framework regarding Preparation and Presentation of Financial Statements promulgated in the Official Gazette No. 25702 dated 16 January 2005, special provision may be allocated to the extent of the amount of the said non-performing receivable on condition not to be less than the special provision amounts applicable for the group in which the non-performing receivable is included regardless of the amount of collateral", the bank started to set aside special provisions corresponding to 50% of the non-performing receivable amount as of the date of including the non-performing receivables in the Third Group and special provisions corresponding to 100% of the non-performing receivable amount as of the date of including the non-performing receivables in the Fourth and Fifth Group. As a result of increasing the said special provision rates, an additional special provision corresponding to TL112,989 was allocated as of 30 June 2012.

## SECTION FOUR

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

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

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

The Bank's unconsolidated capital adequacy ratio calculated in accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" is 19.01%.

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

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

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



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

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

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

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

**Information related to capital adequacy ratio:**

Value at Credit Risk Exposure Categories	Risk Weights									
	Bank Only									
	0%	10%	20%	50% Real Est. Mort. Coll.	50%	75%	100%	150%	200%	1250%
Risk Classes	80,773,000	-	2,954,823	-	15,770,532	42,769,173	23,613,710	2,709,624	8,947,550	-
Conditional and unconditional receivables from central governments or central banks	75,058,356	-	-	-	7,189,829	-	201,384	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	99,250	-	22	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	332,421	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	2,855,506	-	8,580,681	-	425,570	-	-	-
Conditional and unconditional corporate receivables	-	-	-	-	-	-	19,517,032	-	-	-
Conditional and unconditional retail receivables	-	-	-	-	-	35,074,899	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	7,694,274	179,500	-	-	-
Past due receivables	-	-	-	-	-	-	588,005	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	2,709,624	8,947,550	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	5,714,644	-	67	-	-	-	2,369,798	-	-	-

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

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

	Current Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	6,450,484
Capital Requirement for Market Risk (CRMR)	379,023
Capital Requirement for Operational Risk (CROR)	910,851
Shareholders' Equity	18,390,975
Shareholders' Equity/((CRCR+CRMR+CROR)*12.5*100)	19.01

### Information Related to the 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	-	-
Reserves	10,083,742	8,230,307
Inflation Adjustments to Reserves	-	-
Profit	2,810,226	2,260,472
Current Period's Profit	2,650,428	2,100,674
Prior Period's Profit	159,798	159,798
Provision for Possible Losses (up to 25% of Core Capital)	765,976	140,248
Income on Sale of Equity Shares and Real Estates	-	-
Primary Subordinated Debts (up to 15% of Core Capital) <sup>(1)</sup>	-	-
Loss (in excess of Reserves) (-)	-	-
Current Period's Losses	-	-
Prior Period's Losses	-	-
Leasehold Improvements on Operational Leases (-)	32,458	34,382
Intangible Assets (-)	28,959	29,595
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-
Excess Amount defined in 3 <sup>rd</sup> Clause 56 <sup>th</sup> Article of the Banking Act (-)	-	-
<b>Total Core Capital</b>	<b>16,642,009</b>	<b>13,610,532</b>

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

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	Current Period	Prior Period
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	1,204,739	977,690
45% of Movable Assets Revaluation Fund	-	-
45% of Immovables Revaluation Fund	-	-
Bonus Shares of Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	17,369	17,361
Primary Subordinated Loans Excluding the Portion included in the Core Capital	-	-
Secondary Subordinated Loan	-	-
45% of Value Increase Amount of Available for Sale Securities and Subsidiaries and Associates	545,702	(374,369)
Inflation Adjustments for Capital Reserves, Profit Reserves and Retained Earnings/Accumulated Losses (Except Inflation Adjustments for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
<b>Total Supplementary Capital</b>	<b>1,767,810</b>	<b>620,682</b>
<b>CAPITAL</b>	<b>18,409,819</b>	<b>14,231,214</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>18,844</b>	<b>22,528</b>
Equity Shares in Banks and Financial Institutions (Domestic and Foreign), 10% or More of whose Capital is Owned by the Bank and which are Excluded from the Consolidation	-	-
Total Equity Shares in Banks and Financial Institutions (Domestic and Foreign), less than 10% of whose Capital is Owned by the Bank and that Exceeds 10% of the Total Core Capital and Supplementary Capital	-	-
Loans to Banks, Financial Institutions (Domestic/Foreign), Holders of Qualified Shares in the form of Secondary Subordinated Loan and Loan Instruments Purchased from those Parties Qualified as Primary or Secondary Subordinated Loan	17,793	21,638
Loans Granted not in Compliance with the Provisions Stated in Articles 50 and 51 of the Act	-	-
Total Net Book Value of the Bank's Real Estates in excess of 50% of the Equity and in accordance with Article 57 of the Act, Net Book Value of Real Estates and Commodities Acquired in Exchange of Loans and Receivables that should be Disposed of however; have not been Disposed for the Last 5 Years Since the Beginning of the Acquisition Date	386	39
Other	665	851
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>18,390,975</b>	<b>14,208,686</b>

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### 3. Applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:

Bank determined the capital adequacy policy within the scope of internal capital adequacy evaluation process, fixed the minimum factors to be considered in the capital adequacy determination.

Therefore, in the Bank,

- Being evaluated within the scope of capital adequacy of financial situation of the Bank in prior period, legal ratios and economic capital analysis.
- Being analysed within the scope of the accord to legal ratios and legal capital adequacy of budget considering imposed risks.
- Analyzing operations with stress tests are carried out the preservation potential against financial fluctuations of budget and convenience to capital adequacy policy in the process of these fluctuations.

## II. EXPLANATIONS ON THE 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, group 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

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 transactions 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.

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

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

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

General provision made by the Bank for the credit risk is TL1,204,739 (2011: TL977,690).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2012**

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

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Current Period</b>							
Domestic	82,039,611	99,272	332,418	-	-	2,350,439	19,239,193
European Union Countries	4,807	-	-	-	-	7,931,430	8,092
OECD Countries <sup>(1)</sup>	-	-	-	-	-	81,116	-
Off-shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	175,065	-	-	-	-	37,737	150,494
Other Countries	230,087	-	-	-	-	324,075	65,970
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	1,136,961	53,283
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>82,449,570</b>	<b>99,272</b>	<b>332,418</b>	<b>-</b>	<b>-</b>	<b>11,861,758</b>	<b>19,517,032</b>

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
34,978,986	7,867,954	586,020	11,645,478	-	-	-	-	8,084,506	167,223,877
28,441	-	1,363	11,682	-	-	-	-	3	7,985,818
-	-	-	-	-	-	-	-	-	81,116
-	-	-	-	-	-	-	-	-	-
1,903	-	-	-	-	-	-	-	-	365,199
65,569	5,820	622	14	-	-	-	-	-	692,157
-	-	-	-	-	-	-	-	-	1,190,244
-	-	-	-	-	-	-	-	-	-
35,074,899	7,873,774	588,005	11,657,174	-	-	-	-	8,084,509	177,538,411



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

Risk Classes								
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	
<b>Sectors/Counter Parties</b>								
Agriculture	398	1,411	27,744	-	-	4	2,339,649	
Farming and Stockbreeding	80	506	14,001	-	-	-	2,182,256	
Forestry	4	10	495	-	-	-	104,486	
Fishing	314	895	13,248	-	-	4	52,907	
Manufacturing	44,067	1,727	11,351	-	-	-	10,063,049	
Mining and Quarrying	4	139	14	-	-	-	219,899	
Production	44,063	869	11,331	-	-	-	8,506,551	
Electric, Gas and Water	-	719	6	-	-	-	1,336,599	
Construction	-	69	11,957	-	-	9,168	1,823,214	
Services	24,112,398	5,477	228,285	-	-	8,859,204	4,262,261	
Wholesale and Retail Trade	22	171	742	-	-	-	2,165,033	
Hotel Food and Beverage Services	56	193	38	-	-	-	354,134	
Transportation and Telecommunication	8	324	89,507	-	-	-	183,104	
Financial Institutions	24,108,610	1,304	502	-	-	8,323,280	150,721	
Real Estate and Leasing Services	130	741	101,938	-	-	535,924	1,278,777	
Self-Employment Services	-	-	-	-	-	-	-	
Education Services	1,277	27	30,103	-	-	-	39,277	
Health and Social Services	2,295	2,717	5,455	-	-	-	91,215	
Other	58,292,708	90,588	53,084	-	-	2,993,380	1,028,859	
<b>Total</b>	<b>82,449,571</b>	<b>99,272</b>	<b>332,421</b>	<b>-</b>	<b>-</b>	<b>11,861,756</b>	<b>19,517,032</b>	

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2012**

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

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	13,412,629	293,313	8,475	9,884	-	-	-	-	3,005,128	18,861,556	237,079	19,098,635
	9,746,139	270,771	8,028	4,810	-	-	-	-	3,005,128	15,108,743	122,976	15,231,719
	85,594	2,884	192	2,172	-	-	-	-	-	96,836	99,001	195,837
	3,580,896	19,658	255	2,902	-	-	-	-	-	3,655,977	15,102	3,671,079
	1,579,958	90,622	18,484	18,766	-	-	-	-	-	5,027,601	6,800,423	11,828,024
	51,089	1,555	1,479	1,093	-	-	-	-	-	103,106	172,166	275,272
	1,503,084	86,915	15,514	15,155	-	-	-	-	-	4,617,512	5,565,970	10,183,482
	25,785	2,152	1,491	2,518	-	-	-	-	-	306,983	1,062,287	1,369,270
	751,825	46,427	12,660	8,542	-	-	-	-	-	1,769,318	894,544	2,663,862
	4,480,741	305,287	494,410	97,539	-	-	-	-	-	18,281,881	24,563,721	42,845,602
	2,906,218	174,387	22,318	49,256	-	-	-	-	-	4,506,636	811,511	5,318,147
	321,131	35,149	1,870	10,921	-	-	-	-	-	420,727	302,765	723,492
	663,993	36,556	2,948	16,997	-	-	-	-	-	903,572	89,866	993,438
	21,456	3,241	64	824	-	-	-	-	-	10,568,486	22,041,516	32,610,002
	245,176	22,794	465,559	9,090	-	-	-	-	-	1,361,789	1,298,340	2,660,129
	-	-	-	-	-	-	-	-	-	-	-	-
	56,595	4,074	383	2,043	-	-	-	-	-	117,980	15,798	133,778
	266,172	29,086	1,268	8,408	-	-	-	-	-	402,691	3,925	406,616
	14,849,743	7,138,123	53,976	11,522,443	-	-	-	-	5,079,381	90,006,566	11,095,719	101,102,285
	<b>35,074,896</b>	<b>7,873,772</b>	<b>588,005</b>	<b>11,657,174</b>	-	-	-	-	<b>8,084,509</b>	<b>133,946,922</b>	<b>43,591,486</b>	<b>177,538,408</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

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

	Term to Maturity				
	1 Month	1-3 Month	3-6 Month	6-12 Month	Over 1 Year
Exposure Classifications					
Conditional and unconditional exposures to central governments or central banks	15,590,185	3,364,699	7,664,825	15,135,704	40,694,156
Conditional and unconditional exposures to regional governments or local authorities	66	256	181	258	98,511
Conditional and unconditional receivables from administrative units and non-commercial enterprises	53,649	4,574	6,033	18,782	249,384
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	4,486,248	2,470,116	370,898	1,615,500	2,918,994
Conditional and unconditional exposures to corporates	1,177,522	265,862	829,116	4,965,564	12,278,968
Conditional and unconditional retail exposures	1,431,188	1,857,264	3,139,657	9,512,904	19,133,886
Conditional and unconditional exposures secured by real estate property	75,750	87,400	258,467	991,103	6,461,054
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	86,034	2,419	795,600	222,221	10,540,688
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
<b>Grand Total</b>	<b>22,900,642</b>	<b>8,052,590</b>	<b>13,064,777</b>	<b>32,462,036</b>	<b>92,375,641</b>

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

Rating Scores are used in following risk classes:

1. Receivables from Central Governments or Central Banks
2. Receivables from Regional Governments or Local Authorities
3. Receivables from Administrative Units and Non-commercial Enterprises
4. Receivables from Banks and Brokerage Houses

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

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

### Exposures by risk weights:

	Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	80,773,000	-	2,954,823	15,770,532	42,769,173	23,613,710	2,709,624	8,947,550	-	80,261
2	Exposures after Credit Risk Mitigation	85,157,618	-	4,152,342	20,118,042	34,684,844	21,768,392	2,709,624	8,947,550	-	80,261

Prepared with the numbers after conversion rate to credit.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

### Information in terms of major sectors and type of counterparties:

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

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

	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	514,390	819,095	17,863	278,152
Farming and Stockbreeding	502,098	800,665	17,461	267,699
Forestry	2,799	3,429	75	2,759
Fishery	9,493	15,001	327	7,694
Manufacturing	158,828	123,753	2,699	143,430
Mining and Quarrying	3,503	7,751	169	2,072
Production	152,084	115,284	2,514	139,564
Electricity, Gas and Water	3,241	718	16	1,794
Services	855,027	532,126	11,606	359,988
Wholesale and Retail Trade	112,504	257,333	5,612	93,447
Accommodation and Dining	9,671	44,016	960	8,313
Transportation and Telecom.	25,126	102,610	2,238	22,550
Financial Institutions	2,373	6,147	134	2,253
Real Estate and Rental Services	693,443	73,212	1,597	223,027
Professional Services	97	896	20	96
Educational Services	2,128	15,897	347	1,854
Health and Social Services	9,685	32,015	698	8,448
Other	529,308	3,026,439	66,109	479,798
<b>Total</b>	<b>2,057,553</b>	<b>4,501,413</b>	<b>98,277</b>	<b>1,261,368</b>

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

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	606,326	809,453	154,411	-	1,261,368
2	General Provisions	977,690	227,049	-	-	1,204,739

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

(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	146,217	133,596
Banks	1,933,471	1,320,459
Interbank Money Market Placements	-	-
Available-for-sale Financial Assets	38,068,017	38,127,783
Held-to-maturity Investments	27,254,825	32,504,197
Loans	71,426,479	71,429,975
Other Assets	852,682	597,043
<b>Total credit risk exposure of balance sheet items</b>	<b>139,681,691</b>	<b>144,113,053</b>
Financial Guarantees	15,393,554	11,978,661
Commitments	67,816,211	39,250,501
<b>Total credit risk exposure of off-balance sheet items</b>	<b>83,209,765</b>	<b>51,229,162</b>
<b>Total credit risk exposure</b>	<b>222,891,456</b>	<b>195,342,215</b>

### Information about credit quality per class of financial assets

	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
<b>Financial Assets</b>						
Banks	1,933,471	-	1,933,471	1,320,459	-	1,320,459
Financial Assets at Fair Value Through Profit or Loss	146,217	-	146,217	133,596	-	133,596
Loans	66,128,881	4,501,413	70,630,294	67,458,041	3,715,219	71,173,260
Corporate Loans	17,215,473	1,008,778	18,224,251	15,979,007	729,498	16,708,505
Consumer Loans	27,823,178	2,678,930	30,502,108	29,562,673	2,401,145	31,963,818
Specialized Loans	21,090,230	813,705	21,903,935	21,916,361	584,576	22,500,937
Available-for-sale Financial Assets	38,068,017	-	38,068,017	38,127,783	-	38,127,783
Held-to-maturity Investments	27,254,825	-	27,254,825	32,504,197	-	32,504,197

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

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	662,092	579,101
Corporate Loans	285,088	125,242
Consumer Loans	31,219	48,513
Specialized Loans	345,785	405,346
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

### III. EXPLANATIONS ON THE MARKET RISK

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

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

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

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

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

Excluding Standard Method, Daily Value at Risk ("VAR") forecasts are made as per daily period for Held-for-Trading accounts and are reported to the related units. Historical Simulation Method is used in daily reportings and limit allocation. VAR results, calculated with Parametric and Monte Carlo Methods, are used for monitoring. Backward testing is performed so as to measure performance of used model. Also, Bank performs as per daily and monthly periods stress tests and scenario analysis so as to observe the effect of excessive market fluctuations that are not covered by models over the Bank's financial position.

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



**Notes to the Unconsolidated Financial Statements at 31 December 2012**

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

**Information Related to Market Risk:**

	Current Period
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	208,238
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	44,127
Capital Requirement for Specific Risk of Securitisation Positions	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	104,949
(IV) Capital Requirement to be Employed for Commodity Risk - Standard Method	-
(V) Capital Requirement to be Employed for Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed for Market Risk Resulting From Options - Standard Method	-
(VII) Capital Requirement to be Employed for Counter Party Credit Risk - Standard Method	21,709
(VIII) Total Capital Requirement to be Employed for Market Risk in Banks Using Risk Measurement Model	-
(IX) Total Capital Requirement to be Employed for Market Risk (I+II+III+IV+V+VI+VII)	379,023
<b>(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)</b>	<b>4,737,788</b>

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	337,498	344,600	233,283	400,308	406,666	396,140
Equity Share Risk	26,685	17,584	19,082	30,315	33,044	31,048
Currency Risk	82,071	110,504	104,949	73,177	94,274	49,896
Commodity Risk	-	-	-	1,373	2,185	1,825
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counter Party Credit Risk	16,478	21,012	21,709	-	-	-
<b>Amount Subject to Total Risk</b>	<b>5,681,158</b>	<b>6,171,250</b>	<b>4,737,788</b>	<b>6,314,663</b>	<b>6,702,113</b>	<b>5,986,363</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

### Quantitative Information on Counterparty Risk:

	Amount
Agreements Based on Interest Rate	-
Agreements Based on Foreign Exchange Currency	169,758
Agreements Based on Commodity	-
Agreements Based on Shares	-
Other	-
Gross Positive Fair Values	124,101
Benefits of Netting	-
Current Net Risk Amount	-
Reserved Guarantee	69,269
Net Position of Derivatives	236,206

### IV. EXPLANATIONS ON THE OPERATIONAL RISK

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

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

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

	31.12.2009	31.12.2010	31.12.2011	Total/ Positive Year	Rate (%)	Total
Gross Income	6,586,099	5,891,306	5,739,624	6,072,343	% 15	910,851
Amount Subject to Operational Risk						11,385,643

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

**Notes to the Unconsolidated Financial Statements at 31 December 2012**

(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. VaR based currency risk limit is also daily followed which was approved by Board of Directors.

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

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

None.

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

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
24.12.2012	1.7875	2.3548	1.8544	0.31632	0.27310	1.9549	1.8025	0.31938	2.8829	0.47666	2.1089
25.12.2012	1.7850	2.3493	1.8604	0.31558	0.27270	1.9526	1.8018	0.31870	2.8432	0.47600	2.1052
26.12.2012	1.7835	2.3557	1.8492	0.31674	0.27406	1.9567	1.7957	0.31958	2.8808	0.47556	2.0902
27.12.2012	1.7823	2.3530	1.8466	0.31628	0.27386	1.9530	1.7931	0.31979	2.8777	0.47528	2.0785
28.12.2012	1.7783	2.3449	1.8448	0.31509	0.27337	1.9465	1.7855	0.31861	2.8704	0.47420	2.0664
31.12.2012	1.7793	2.3501	1.8478	0.31513	0.27340	1.9467	1.7890	0.31973	2.8903	0.47446	2.0608

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
1.7785	2.3273	1.8601	0.31276	0.26980	1.9312	1.7962	0.31707	2.8687	0.47430	2.1233

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated Financial Statements at 31 December 2012**

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

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

Current Period	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	5,492,728	5,208,076	4,104,259	14,805,063
Banks	712,820	815,564	359,971	1,888,355
Financial Assets at Fair Value Through Profit and Loss	-	4,582	-	4,582
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	2,908,067	1,659,491	-	4,567,558
Loans <sup>(2)</sup>	2,178,448	5,242,927	21,882	7,443,257
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	467,911	317,389	-	785,300
Investments Held-to-Maturity	1,361,746	2,862,738	331	4,224,816
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	3,873	1,738	1,613	7,224
Intangible Assets	929	2,292	3,414	6,636
Other Assets	18,631	14,437	566	33,634
<b>Total Assets</b>	<b>13,145,153</b>	<b>16,129,234</b>	<b>4,492,036</b>	<b>33,766,423</b>
<b>Liabilities</b>				
Interbank Deposits	920,370	2,367,586	32,961	3,320,917
Foreign Currency Deposits	14,681,894	7,073,767	1,559,640	23,315,301
Money Market Borrowings	657,810	4,926,971	-	5,584,781
Funds Provided from Other Financial Institutions	135,814	2,070,953	726	2,207,493
Issued Marketable Securities	-	-	-	-
Sundry Creditors	200,747	106,649	512	307,908
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	201,070	127,832	30,015	358,917
<b>Total Liabilities</b>	<b>16,797,705</b>	<b>16,673,758</b>	<b>1,623,852</b>	<b>35,095,317</b>
<b>Net Balance Sheet Position</b>	<b>(3,652,552)</b>	<b>(544,524)</b>	<b>2,868,183</b>	<b>(1,328,894)</b>
<b>Net Off-Balance Sheet Position <sup>(3)</sup></b>	<b>3,604,610</b>	<b>762,721</b>	<b>(2,820,579)</b>	<b>1,546,752</b>
Financial Derivative Assets	3,644,218	1,530,053	544,380	5,718,651
Financial Derivative Liabilities	39,608	767,332	3,364,959	4,171,899
<b>Non-cash Loans</b>	<b>2,564,610</b>	<b>6,899,541</b>	<b>399,739</b>	<b>9,863,890</b>
<b>Prior Period</b>				
Total Assets	13,026,883	12,037,427	1,150,623	26,214,933
Total Liabilities	14,121,443	12,614,234	644,095	27,379,772
<b>Net Balance Sheet Position</b>	<b>(1,094,560)</b>	<b>(576,807)</b>	<b>506,528</b>	<b>(1,164,839)</b>
<b>Net Off-Balance Sheet Position <sup>(3)</sup></b>	<b>926,948</b>	<b>611,005</b>	<b>(396,023)</b>	<b>1,141,930</b>
Financial Derivative Assets	956,261	1,567,061	521,144	3,044,466
Financial Derivative Liabilities	29,313	956,056	917,167	1,902,536
<b>Non-cash Loans</b>	<b>2,183,920</b>	<b>5,457,371</b>	<b>290,827</b>	<b>7,932,118</b>

<sup>(1)</sup> Of the foreign currencies presented in the other FC column of assets 93.58% is Gold, 2.50% is GEL, 1.42% is IQD, and the remaining 2.50% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 57.24% is Gold, 19.49% is GBP, 10.73% is CHF, 2.87% is IQD and the remaining 9.67% is other foreign currencies.

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

<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.

**Notes to the Unconsolidated Financial Statements at 31 December 2012**

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

**VI. EXPLANATIONS ON THE INTEREST RATE RISK****Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on days to repricing dates):**

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 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	27,731	-	-	-	-	20,685,600	20,713,331
Banks	685,342	134,417	337,593	9,470	-	766,649	1,933,471
Financial Assets at Fair Value Through Profit and Loss	1,907	349	67	1,942	9,385	132,567	146,217
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	11,724,195	4,807,207	10,471,816	5,587,455	5,026,708	450,636	38,068,017
Loans Given	19,176,159	6,816,372	17,943,643	24,122,057	2,572,063	796,185	71,426,479
Investments Held-to-Maturity	8,709,100	10,951,851	3,494,284	1,877,258	2,222,332	-	27,254,825
Other Assets	-	-	-	-	-	3,325,417	3,325,417
<b>Total Assets</b>	<b>40,324,434</b>	<b>22,710,196</b>	<b>32,247,403</b>	<b>31,598,182</b>	<b>9,830,488</b>	<b>26,157,054</b>	<b>162,867,757</b>
<b>Liabilities</b>							
Interbank Deposits	5,230,612	1,219,405	724,837	-	-	81,660	7,256,514
Other Deposits	67,999,991	14,013,393	7,737,700	265,701	-	21,693,005	111,709,790
Money Market Borrowings	8,334,493	2,023,843	804,138	-	-	-	11,162,474
Sundry Creditors	-	-	-	-	-	1,157,483	1,157,483
Issued Marketable Securities	179,130	1,035,674	729,184	-	-	-	1,943,988
Funds Provided from Other Financial Institutions	672,780	696,090	1,187,908	7,390	508,271	-	3,072,439
Other Liabilities	1,506	2,974	224	4,328,518	-	22,231,847	26,565,069
<b>Total Liabilities</b>	<b>82,418,512</b>	<b>18,991,379</b>	<b>11,183,991</b>	<b>4,601,609</b>	<b>508,271</b>	<b>45,163,995</b>	<b>162,867,757</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>3,718,817</b>	<b>21,063,412</b>	<b>26,996,573</b>	<b>9,322,217</b>	<b>-</b>	<b>61,101,019</b>
<b>Balance Sheet Short Position</b>	<b>(42,094,078)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,006,941)</b>	<b>(61,101,019)</b>
Off-Balance Sheet Long Position	300,385	978,608	-	-	-	-	1,278,993
Off-Balance Sheet Short Position	-	-	(6)	(1,162,801)	-	-	(1,162,807)
<b>Total Position</b>	<b>(41,793,693)</b>	<b>4,697,425</b>	<b>21,063,406</b>	<b>25,833,772</b>	<b>9,322,217</b>	<b>(19,006,941)</b>	<b>116,186</b>

<sup>(1)</sup> Non maturity balances are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.<sup>(2)</sup> TL4,277,386 of fund balance, whose risk does not belong to the Bank, is included in other liabilities and shown under the "1-5 Years" column. TL14,843 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.<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.

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(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	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> Non maturity balances 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, is included in other liabilities and 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 other assets.

<sup>(5)</sup> Total shareholders' equity is shown under the non-interest bearing column.

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

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

Current Period	EUR	USD	Yen	TL
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	5.00
Banks	1.44	2.09	-	6.69
Financial Assets at Fair Value Through Profit and Loss	-	5.58	-	9.06
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.67	6.03	-	8.37
Loans Given <sup>(2)</sup>	4.73	5.06	-	14.77
Investments Held-to-Maturity	6.36	7.00	-	8.37
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	1.08	1.47	-	6.02
Other Deposits <sup>(4)</sup>	2.09	1.68	-	6.04
Money Market Borrowings	0.63	1.11	-	5.67
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	-	-	7.48
Funds Provided from Other Financial Institutions	1.81	2.16	-	6.37

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

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

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

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



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

Prior Period	EUR	USD	Yen	TL
<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 Turkish Republic of Northern Cyprus.

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

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

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

**Interest rate risk on banking accounts:**

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

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

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

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### Interest rate risk on banking accounts

Type of Currency	Shock Applied (+/- x basis point)	Gains/(Losses)	Gains/Equity- (Losses)/Equity
1. TRY	(+) 300bp	(1,294,992)	(7.04)%
2. TRY	(-) 300bp	1,456,026	7.92%
3. EUR	(+) 100bp	(26,881)	(0.15)%
4. EUR	(-) 100bp	32,057	0.17%
5. USD	(+) 100bp	(221,148)	(1.20)%
6. USD	(-) 100bp	248,818	1.35%
<b>Total (of negative shocks)</b>		<b>1,736,901</b>	<b>9.44%</b>
<b>Total (of positive shocks)</b>		<b>(1,543,021)</b>	<b>(8.39)%</b>

	Comparison		
	Balance Sheet Value	Fair Value	Market Value
<b>Equity Share Investments</b>			
1. Stock Investment Group A	-	-	-
Stock Exchange Securities	-	-	-
2. Stock Investment Group B	-	-	-
Stock Exchange Securities	-	-	-
3. Stock Investment Group C	-	-	-
Stock Exchange Securities	-	-	-
4. Stock Investment Other Group	-	-	-
Other	<b>138,277</b>	<b>138,277</b>	-

### VII. EXPLANATIONS ON THE LIQUIDITY RISK

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

The Bank performs "Remaining Maturity Analysis" for the observation of the maturity structure of the balance sheet, "Liquidity Gap" and "Structural Liquidity Gap Analysis" for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank's liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the Bank's most crucial funding resource is monitored on a daily basis. Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

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The Bank calculates liquidity adequacy ratio and reports to BRSA on a weekly basis in accordance with the "Measurement and Assessment of Liquidity Adequacy of Banks" issued in the Official Gazette numbered 26333 and dated 1 November 2006. The liquidity adequacy of the Bank is over the limit values specified in the mentioned regulation. Liquidity ratios in 2012 and 2011 are as follows:

<i>Current Period</i>	<b>First Maturity Segment (Weekly)</b>		<b>Second Maturity Segment (Monthly)</b>	
	<b>FC</b>	<b>FC + TL</b>	<b>FC</b>	<b>FC + TL</b>
<b>Average (%)</b>	318.14	218.56	170.13	133.86
<b>Maximum (%)</b>	405.61	346.97	183.5	159.56
<b>Minimum (%)</b>	250.5	169.37	155.17	114.29

<i>Prior Period</i>	<b>First Maturity Segment (Weekly)</b>		<b>Second Maturity Segment (Monthly)</b>	
	<b>FC</b>	<b>FC + TL</b>	<b>FC</b>	<b>FC + TL</b>
<b>Average (%)</b>	446.14	293.62	227.38	157.38
<b>Maximum (%)</b>	558.04	436.26	277.85	196.57
<b>Minimum (%)</b>	320.63	172.03	170.36	119.83

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

The Bank's source of funds is mainly formed of deposits. The Bank's deposits do not fluctuate considerably in line with the broadly dispersed customer network. Besides, internal and external sources that can be used to meet the immediate liquidity need are monitored periodically. Borrowing limits of the Bank from organized markets and other financial institutions can cover the corresponding liquidity gaps with different periods. Bank limits its liquidity risk exposure by the approval of Board of Directors in context with "Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management".

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

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

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

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

**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.

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(1) (2)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	20,713,331	-	-	-	-	-	-	20,713,331
Banks	766,649	685,342	134,417	337,593	9,470	-	-	1,933,471
Financial Assets at Fair Value Through Profit and Loss	-	128,853	34	388	7,557	9,385	-	146,217
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	1,736,316	769,153	6,921,136	22,714,893	5,666,966	259,553	38,068,017
Loans Given	-	2,618,333	5,815,373	26,187,072	32,313,687	3,695,829	796,185	71,426,479
Investments Held-to-Maturity	-	222,028	163,175	12,648,858	9,957,896	4,262,868	-	27,254,825
Other Assets	848,724	-	-	321	2,144	-	2,474,228	3,325,417
<b>Total Assets</b>	<b>22,328,704</b>	<b>5,390,872</b>	<b>6,882,152</b>	<b>46,095,368</b>	<b>65,005,647</b>	<b>13,635,048</b>	<b>3,529,966</b>	<b>162,867,757</b>
<b>Liabilities</b>								
Interbank Deposits	81,659	5,230,613	1,219,405	724,837	-	-	-	7,256,514
Other Deposits	21,693,006	67,999,971	14,012,130	7,733,709	270,857	117	-	111,709,790
Funds Provided from Other Financial Instruments	-	487,124	212,514	1,138,940	22,203	1,211,658	-	3,072,439
Money Market Borrowings	-	8,334,493	2,023,843	804,138	-	-	-	11,162,474
Issued Marketable Securities	-	2,409	1,035,674	729,184	176,721	-	-	1,943,988
Sundry Creditors	679,871	477,612	-	-	-	-	-	1,157,483
Other Liabilities <sup>(3)</sup>	1,541,700	182,413	351,186	224	4,328,518	774,200	19,386,828	26,565,069
<b>Total Liabilities</b>	<b>23,996,236</b>	<b>82,714,635</b>	<b>18,854,752</b>	<b>11,131,032</b>	<b>4,798,299</b>	<b>1,985,975</b>	<b>19,386,828</b>	<b>162,867,757</b>
<b>Liquidity Gap</b>	<b>(1,667,532)</b>	<b>(77,323,763)</b>	<b>(11,972,600)</b>	<b>34,964,336</b>	<b>60,207,348</b>	<b>11,649,073</b>	<b>(15,856,862)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	15,317,288	3,117,435	7,003,766	27,460,677	81,418,073	23,591,259	2,772,644	160,681,142
Total Liabilities	21,574,790	99,185,275	12,731,816	7,577,221	4,286,553	919,118	14,406,369	160,681,142
<b>Liquidity Gap</b>	<b>(6,257,502)</b>	<b>(96,067,840)</b>	<b>(5,728,050)</b>	<b>19,883,456</b>	<b>77,131,520</b>	<b>22,672,141</b>	<b>(11,633,725)</b>	<b>-</b>

<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> TL4,277,386 of the funds balance, whose risk is not born by the Bank, is included in other liabilities and shown under the "1-5 year" column, fund balance amounted to TL14,843 is not granted as loan and is included under "Up to One Month" column.

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

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

Current Period <sup>(1)</sup>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Bank deposits	5,318,865	1,224,353	730,236	-	-	7,273,454
Other deposits	89,880,934	14,118,167	7,898,645	288,416	210	112,186,372
Funds borrowed from other financial institutions	488,616	216,832	1,180,495	162,326	1,408,756	3,457,025
Funds borrowed from Interbank money market	8,345,215	2,026,567	809,913	-	-	11,181,695
<b>Total</b>	<b>104,033,630</b>	<b>17,585,919</b>	<b>10,619,289</b>	<b>450,742</b>	<b>1,408,966</b>	<b>134,098,546</b>
<b>Prior Period <sup>(1)</sup></b>						
Bank deposits	3,408,222	-	2,184	-	-	3,410,406
Other deposits	90,031,718	12,725,613	7,157,453	268,281	-	110,183,065
Funds borrowed from other financial institutions	2,657	16,649	102,422	177,550	315,531	614,809
Funds borrowed from Interbank money market	25,335,087	-	476,485	-	-	25,811,572
<b>Total</b>	<b>118,777,684</b>	<b>12,742,262</b>	<b>7,738,544</b>	<b>445,831</b>	<b>315,531</b>	<b>140,019,852</b>

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

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

There is no securitisation of non-performing loans.

#### e) Credit Risk Mitigation Techniques:

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

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

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

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

Bank has no position about credit derivatives.

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

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	82,449,569	4,559,858	-	-
Conditional and unconditional receivables from regional or local governments	99,272	44,941	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	332,420	138,426	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	11,861,758	4,841,047	-	-
Conditional and unconditional corporate receivables	19,517,031	1,106,623	-	451,684
Conditional and unconditional retail receivables	35,074,900	327,225	-	62,831
Conditional and unconditional secured mortgage receivables	7,873,774	4,959	-	657
Past due receivables	588,005	-	-	-
Receivables in high risk category defined by BRSA	11,657,174	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	8,084,509	-	-	-
<b>Total</b>	<b>177,538,412</b>	<b>11,023,079</b>	<b>-</b>	<b>515,172</b>

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

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## Notes to the Unconsolidated Financial Statements at 31 December 2012

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### VIII. RISK MANAGEMENT OBJECTIVES AND POLICIES

#### a) Strategies and Practices on Risk Management

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

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

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

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

#### c) Risk Reporting and Measurement Systems' Scope and Qualification

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

##### Liquidity Risk

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

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

##### Interest Rate Risk on Banking Accounts

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

It is made periodically Repricing Gap Analysis, Net Interest Margin/Revenue Analysis and Duration Analysis based on whole balance sheet intended for measurement and monitoring operations of interest rate on banking accounts and Bank's economic capital adequacy is observed. Repricing Gap Analysis is applied based on assets and liabilities' time to repricing and Net Interest Margin/Revenue Analysis is applied based on balance sheet items' time to repricing. Duration Analysis is made through being weighted with quantities of periods that are calculated with effective duration method of assets and liabilities. It is revealed effect of important fluctuations, exchange rates, prices and interest rates in stress tests for interest rate on banking accounts. Also, it is made monthly legal reportings intended for interest rate on banking accounts.



### Market Risk

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

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

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

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

### Operational Risks

Operational risk represents the possibility of damage from inadequate or failed internal processes, people and systems or from external events and including legal risks. The Operational Risk Management Services in the Bank in order to ensure compliance with Basel II, are carried out with the regulations issued on 28.06.2012 by the BRSA, revised in accordance with the Bank's "Operational, Reputational and Strategic Risk Management Regulations".

- The amount subject to operational risk is calculated by Basic Indicator Approach within the scope of "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" in order for keeping adequate shareholder's equity against losses that could arise due to operational risks in the Bank, and is reported to BRSA based on yearly.
- Operational risk profile in the bank is monitored with several effective methods. Actualized operational risks are followed by "Operational Risk Loss Database" which is compatible with accounting system. Advanced Measurement Approach is performed in scope of calculation of economic capital and development of approach is performed.
- So as to be determined the operational risk levels of branches, studyings of "Operational Risk Map" are carried out for use in Internal Control Audit Program.
- An integrated risk mainframe is instituted within the scope of risks management arising from information technologies. In this context, a database regarding Information Technologies risks is constituted and actualised risks and actions taken are monitored via the database.
- By being revised of Bank Business Continuity Plan, that possible risks that may occur in activities due to corruption and its potential effects evaluated are documented as "Business Impact Analysis".
- Risk arising from purchase of services provided from support service organizations in order for continuity has been evaluated with the "Regulation on Procurement of Support Services of Banks" published by the BRSA. In this context, Risk Management Program was established and Risk Analysis Reports regarding support services taken by the Bank are prepared.

### Credit Risk

As of 1 July 2012, BASEL II legal reporting process based on Standard Method is started in calculation of Credit Risk legal capital need.

It was constituted scoring models for individual customers, rating for Corporate, Commercial and Entrepreneurial customers with the object of customer evaluation within the scope of centralization of credit risk. the studies regarding these models' validation are conducted by Internal Control and Risk Management Group Presidency as independently from Units that have executive actions. It is also made analysis for performance measurement and accuracy with statistical methods.

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

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

### d) Procedures on Risk Management and Risk Mitigation Policies with Regular Control of Their Effectiveness

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

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

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

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

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

## IX. EXPLANATIONS ON OPERATING SEGMENTS

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

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

Known as having the most extensive branch network in retail (consumer) banking sector, the Bank renders services, such as; deposits, consumer loans, loans originated from funds whose risk does not belong to the Bank, credit cards, automatic payment, cheques and notes, money transfer order, foreign exchange transactions, internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing instruments are improved and new banking instruments are created in order to benefit from services undertaken as being a state bank in increasing the profitability of the Bank. By "Finart" system, which is working in a centralized manner, the Bank has the technical infrastructure required by modern banking sector to meet its clients' needs.

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

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

Investment banking operations are conducted by the Financial Markets and Assets-Liabilities Management and Economic Research 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

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and the Bank performs repo/reverse repo transactions. Besides the Bank performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Bank performs foreign currency forward agreements and currency swap transactions.

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

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

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

**Table for Segment Reporting:**

	Consumer Banking	Commercial and SME Banking <sup>(1)</sup>	Specialized Banking <sup>(2)</sup>	Investment Banking	International Banking	Total Operations of the Bank
<b>Current Period</b>						
Total Operating Income/Expense <sup>(3)</sup>	2,594,102	918,930	1,008,284	3,550,917	56,045	8,128,278
Net Operating Profit	1,087,218	385,134	422,584	1,488,231	23,489	3,406,656
Income from Subsidiaries <sup>(4)</sup>	-	-	-	-	-	98,068
Income Before Taxes	-	-	-	-	-	3,504,724
Tax Provision	-	-	-	-	-	(854,297)
<b>Net Profit for the Period</b>	-	-	-	-	-	<b>2,650,428</b>
Segment Assets-net <sup>(3)</sup>	30,683,013	17,785,243	22,315,990	85,994,742	2,763,352	159,542,340
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	1,034,112
Undistributed Assets <sup>(5)</sup>	-	-	-	-	-	2,291,305
<b>Total Assets</b>	-	-	-	-	-	<b>162,867,757</b>
Segment Liabilities – net <sup>(3)</sup>	23,110,631	13,395,952	21,097,674	76,098,984	2,717,302	136,420,543
Undistributed Liabilities <sup>(5)</sup>	-	-	-	-	-	9,279,724
Shareholders' Equity	-	-	-	-	-	17,167,490
<b>Total Liabilities</b>	-	-	-	-	-	<b>162,867,757</b>
Other Segment Items						
Capital Investment	-	-	-	-	-	-
Depreciation	-	-	-	-	-	54,191
Restructuring Costs	-	-	-	-	-	-

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

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

<sup>(3)</sup> For the presentation of operating income, intradepartmental interest charged between branches and Treasury 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, other assets and assets held for sale is shown in "Undistributed Assets" row, whereas the total of borrowings, miscellaneous payables, other liabilities, finance lease payables, provisions and tax liability is shown in "Undistributed Liabilities" row.

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	Consumer 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>	1,825,562	663,779	761,156	2,919,150	40,293	6,209,940
Net Operating Profit	807,757	293,703	336,789	1,291,638	17,829	2,747,716
Income from Subsidiaries <sup>(4)</sup>	-	-	-	-	-	31,788
Income Before Taxes	-	-	-	-	-	2,779,504
Tax Provision	-	-	-	-	-	(678,830)
<b>Net Profit for the Period</b>	-	-	-	-	-	<b>2,100,674</b>
Segment Assets-net <sup>(3)</sup>	32,135,208	15,530,268	22,857,553	84,312,608	2,952,747	157,788,384
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	810,114
Undistributed Assets <sup>(5)</sup>	-	-	-	-	-	2,082,644
<b>Total Assets</b>	-	-	-	-	-	<b>160,681,142</b>
Segment Liabilities - net <sup>(3)</sup>	23,141,676	11,183,884	20,331,651	85,161,273	2,947,325	142,765,809
Undistributed Liabilities <sup>(5)</sup>	-	-	-	-	-	4,738,080
Shareholders' Equity	-	-	-	-	-	13,177,253
<b>Total Liabilities</b>	-	-	-	-	-	<b>160,681,142</b>
Other Segment Items						
Capital Investment	-	-	-	-	-	-
Depreciation	-	-	-	-	-	72,111
Restructuring Costs	-	-	-	-	-	-

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

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

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

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

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

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**X. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE****a) Information regarding the fair value of financial assets and liabilities:**

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>138,682,792</b>	<b>143,382,414</b>	<b>140,020,720</b>	<b>143,892,376</b>
Due from Interbank Money Market	-	-	-	-
Banks	1,933,471	1,320,459	1,933,471	1,320,459
Available-for-sale Financial Assets	38,068,017	38,127,783	38,068,017	38,127,783
Held-to-maturity Investments	27,254,825	32,504,197	28,592,753	33,014,159
Loans	71,426,479	71,429,975	71,426,479	71,429,975
<b>Financial Liabilities</b>	<b>125,140,214</b>	<b>114,508,020</b>	<b>125,140,214</b>	<b>114,508,020</b>
Bank Deposits	7,256,395	3,405,473	7,256,395	3,405,473
Other Deposits	111,709,909	109,661,209	111,709,909	109,661,209
Funds Borrowed from Other Financial Institutions	3,072,439	553,482	3,072,439	553,482
Issued Marketable Securities	1,943,988	-	1,943,988	-
Miscellaneous Payables	1,157,483	887,856	1,157,483	887,856

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

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

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

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

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

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

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Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>13,650</b>	<b>132,567</b>	-	<b>146,217</b>
Government Debt Securities	13,650	-	-	13,650
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	132,567	-	132,567
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets (Net)</b>	<b>37,814,496</b>	<b>234,927</b>	-	<b>38,049,423</b>
Equity Securities <sup>(1)</sup>	118,061	122,898	-	240,959
Government Debt Securities	37,694,799	-	-	37,694,799
Other Marketable Securities	1,636	112,029	-	113,665
<b>Total Assets</b>	<b>37,828,146</b>	<b>367,494</b>	-	<b>38,195,640</b>
Trading Derivative Financial Liabilities	-	55,548	-	55,548
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	<b>55,548</b>	-	<b>55,548</b>

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

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>56,428</b>	<b>77,168</b>	-	<b>133,596</b>
Government Debt Securities	56,428	-	-	56,428
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	77,168	-	77,168
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets (Net)</b>	<b>37,599,117</b>	<b>51,281</b>	-	<b>38,110,398</b>
Equity Securities <sup>(1)</sup>	94,218	105,792	-	200,010
Government Debt Securities	37,459,101	-	-	37,459,101
Other Marketable Securities	45,798	405,489	-	451,287
<b>Total Assets</b>	<b>37,655,545</b>	<b>588,449</b>	-	<b>38,243,994</b>
Trading Derivative Financial Liabilities	-	39,821	-	39,821
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	<b>39,821</b>	-	<b>39,821</b>

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

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

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

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

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

The Bank has no fiduciary transactions.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,105,697	318,761	1,094,841	225,692
Central Bank of the Republic of Turkey	4,802,571	14,473,438	5,223,495	7,717,601
Other	-	12,864	-	10,745
<b>Total</b>	<b>5,908,268</b>	<b>14,805,063</b>	<b>6,318,336</b>	<b>7,954,038</b>

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

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

As of the balance sheet date, according to CBRT's Communiqué about Required Reserves No. 2005/1, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity 11%; for deposits up to 3-months maturity 11%; for deposits up to 6-months maturity 8%; for deposits up to 1-year maturity 6%; for deposits 1-year and longer maturity 5%; for TL liabilities other than deposits up to 1-year maturity 11%; for TL liabilities other than deposits between 1- and 3-years maturity 8%; for TL liabilities other than deposits more than 3-years maturity 5%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 11%; for FC deposits 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	4,773,232	-	5,192,098	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1) (2)</sup>	29,339	14,473,438	31,397	7,717,601
<b>Total</b>	<b>4,802,571</b>	<b>14,473,438</b>	<b>5,223,495</b>	<b>7,717,601</b>

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

<sup>(2)</sup> TL11,100,608 of the current period's FC required reserve is the part of the TL required reserves that is held in FC.



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## Notes to the Unconsolidated Financial Statements at 31 December 2012

(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	-	-	-	-
Other	-	-	-	-
<b>Total</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	27	324	982	6
Swap Transactions	7,861	124,355	49,721	26,459
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>7,888</b>	<b>124,679</b>	<b>50,703</b>	<b>26,465</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	32,447	211,697	-	49,179
Foreign Banks	12,669	1,676,658	61,040	1,210,240
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>45,116</b>	<b>1,888,355</b>	<b>61,040</b>	<b>1,259,419</b>

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

### b) Information on foreign banks accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	1,247,032	761,463	-	-
USA, Canada	226,319	330,826	-	-
OECD Countries <sup>(1)</sup>	2,893	22,491	-	-
Off-shore Banking Regions	-	-	-	-
Other	213,083	156,500	-	-
<b>Total</b>	<b>1,689,327</b>	<b>1,271,280</b>	<b>-</b>	<b>-</b>

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

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	4,303,003	17,061,477
Assets Blocked/Given as Collateral	289,203	2,601,686
<b>Total</b>	<b>4,592,206</b>	<b>19,663,163</b>

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

	Current Period	Prior Period
Debt Securities	37,861,017	38,354,836
Quoted in Stock Exchange	37,861,017	38,354,836
Not Quoted in Stock Exchange	-	-
Share Certificates	261,545	219,828
Quoted in Stock Exchange	119,261	94,717
Not Quoted in Stock Exchange	142,284	125,111
Provision for Impairment (-)	54,545	446,881
<b>Total</b>	<b>38,068,017</b>	<b>38,127,783</b>

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## Notes to the Unconsolidated Financial Statements at 31 December 2012

(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>	234,561	-	244,850	-
<b>Total</b>	234,561	-	244,850	-

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms	Other
<b>Non-Specialized Loans</b>	44,499,205	77,026	-	3,448,427	239,281	-
Commercial loans	9,816,018	29,787	-	644,494	118,289	-
Export Loans	1,119,535	-	-	3,392	476	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	352,231	-	-	-	-	-
Consumer loans <sup>(4)</sup>	24,320,992	16,359	-	2,613,590	14,289	-
Credit Cards	1,922,439	24	-	50,503	547	-
Other <sup>(2)</sup>	6,967,990	30,856	-	136,448	105,680	-
<b>Specialized Lending <sup>(3)</sup></b>	19,588,614	299,476	-	767,396	46,309	-
Other Receivables	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Accruals	1,664,560	-	-	-	-	-
<b>Total</b>	<b>65,752,379</b>	<b>376,502</b>	<b>-</b>	<b>4,215,823</b>	<b>285,590</b>	<b>-</b>

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

<sup>(2)</sup> The distinction of accrual amounts of restructured and rescheduled loans, loans under close monitoring, and other receivables can not be obtained via current data processing system.

<sup>(3)</sup> Fund Sourced Agricultural Loans are shown under Specialized Lending.

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

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No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended <sup>(1)</sup>	376,502	285,590
3, 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-

<sup>(1)</sup> Number of modification made according to extent of payment plan can not be decomposed systematically therefore it is shown in this line.

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	97,311	29,654
6 Months - 12 Months	128,096	55,945
1 - 2 Years	57,516	59,865
2 - 5 Years	93,579	140,126
5 Years and Over	-	-

### 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	Restructured or Rescheduled <sup>(1)</sup>
Short-term Loans and Other Receivables	19,332,620	101,232	661,861	58,333
Non-specialized Loans	9,461,293	6,487	237,915	30,231
Specialized Loans	9,871,327	94,745	423,946	28,102
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	44,755,199	275,270	3,553,962	227,257
Non-specialized Loans <sup>(2)</sup>	35,037,912	70,539	3,210,512	209,050
Specialized Loans	9,717,287	204,731	343,450	18,207
Other Receivables	-	-	-	-

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

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

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	336,032	26,169,234	26,505,266
Real Estate Loans	797	6,907,115	6,907,912
Vehicle Loans	672	217,335	218,007
Consumer Loans	331,729	18,897,378	19,229,107
Abroad <sup>(2)</sup>	2,834	147,406	150,240
Other	-	-	-
Consumer Loans- Indexed to FC	-	12	12
Real Estate Loans	-	12	12
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	9	852	861
Real Estate Loans	-	24	24
Vehicle Loans	-	-	-
Consumer Loans	9	828	837
Other	-	-	-
Individual Credit Cards-TL	1,783,368	6,745	1,790,113
With Installment	647,977	6,411	654,388
Without Installment	1,135,391	334	1,135,725
Individual Credit Cards-FC	3,026	-	3,026
With Installment	-	-	-
Without Installment	3,026	-	3,026
Personnel Loans-TL	17,109	145,546	162,655
Real Estate Loans	-	621	621
Vehicle Loans	-	-	-
Consumer Loans	4,965	144,115	149,080
Abroad <sup>(2)</sup>	63	810	873
Other	12,081	-	12,081
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	68,593	223	68,816
With Installment	28,959	211	29,170
Without Installment	39,634	12	39,646
Personnel Credit Cards-FC	109	-	109
With Installment	-	-	-
Without Installment	109	-	109
Overdraft Accounts-TL (Real Person)	447,549	-	447,549
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>2,655,795</b>	<b>26,322,612</b>	<b>28,978,407</b>

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

<sup>(2)</sup> TL873 of consumer loans used by the personnel abroad and TL150,240 of consumer loans have been shown under "International Loans" of 5-b Table.

**Notes to the Unconsolidated Financial Statements at 31 December 2012**

(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	320,230	4,010,033	4,330,263
Business Loans	81	86,690	86,771
Vehicle Loans	2,268	216,824	219,092
Consumer Loans	308,241	2,418,410	2,726,651
Other	9,640	1,288,109	1,297,749
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	3,168	920,773	923,941
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	3,168	920,773	923,941
Other	-	-	-
Corporate Credit Cards-TL	110,923	174	111,097
With Installment	5,682	159	5,841
Without Installment	105,241	15	105,256
Corporate Credit Cards-FC	350	-	350
With Installment	-	-	-
Without Installment	350	-	350
Overdraft Account-TL (Legal Entity)	20,696	-	20,696
Overdraft Account-FC (Legal Entity)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>455,367</b>	<b>4,930,980</b>	<b>5,386,347</b>

<sup>(1)</sup> Since interest income accruals could not be decomposed by type, accruals are not included in the table above.**f) Loans according to types of borrowers:**

	Current Period	Prior Period
Public	824,207	835,725
Private	68,141,528	68,868,425
Interest Income Accruals of Loans	1,664,559	1,469,110
<b>Total</b>	<b>70,630,294</b>	<b>71,173,260</b>

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

	Current Period	Prior Period
Domestic Loans	68,158,284	68,700,460
Foreign Loans	807,451	1,003,690
Interest Income Accruals of Loans	1,664,559	1,469,110
<b>Total</b>	<b>70,630,294</b>	<b>71,173,260</b>

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## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

### h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	212,707	279,189
Indirect loans granted to subsidiaries and associates	-	-
<b>Total <sup>(1)</sup></b>	<b>212,707</b>	<b>279,189</b>

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

### i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	125,115	12,202
Loans and other receivables with doubtful collectability	557,661	104,637
Uncollectible loans and other receivables	578,592	489,487
<b>Total</b>	<b>1,261,368</b>	<b>606,326</b>

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

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Current period</b>	<b>13,471</b>	<b>47,107</b>	<b>66,765</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	13,471	47,107	66,765
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>	<b>2,981</b>	<b>23,208</b>	<b>63,547</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	2,981	23,208	63,547
Rescheduled loans and other receivables	-	-	-



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

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

	Group III:	Group IV:	Group V:
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Prior Period Ending Balance</b>	<b>63,697</b>	<b>166,178</b>	<b>633,166</b>
Additions (+)	1,730,545	108,429	104,929
Transfers from Other Categories of Loans under Follow-Up (+)	-	1,352,369	475,996
Transfers to Other Categories of Loans under Follow-Up (-)	1,352,369	475,996	-
Collections (-) <sup>(1)</sup>	185,600	107,351	456,440
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance <sup>(2)</sup></b>	<b>256,273</b>	<b>1,043,629</b>	<b>757,651</b>
Specific Provision (-) <sup>(3)</sup>	125,115	557,661	578,592
<b>Net Balance on Balance Sheet</b>	<b>131,158</b>	<b>485,968</b>	<b>179,059</b>

<sup>(1)</sup> The restructured and rescheduled loans are included on the stated sum.<sup>(2)</sup> Includes the loans originated from funds amounting to TL206,962 whose risk does not belong to the Bank.<sup>(3)</sup> As of 31 December 2012, Bank made 100% provision for the portion of TL155 million of the loans under follow-up which is TL619 million after taking guarantees into consideration.**3) Information on foreign currency non-performing loans:**

	Group III:	Group IV:	Group V:
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>2,726</b>	<b>5,727</b>	<b>8,298</b>
Specific Provision (-)	1,363	5,727	8,298
<b>Net Balance on Balance Sheet</b>	<b>1,363</b>	<b>-</b>	<b>-</b>
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>-</b>	<b>6,126</b>	<b>6,622</b>
Specific Provision (-)	-	6,004	6,622
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>122</b>	<b>-</b>

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

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

	Group III:	Group IV:	Group V:
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Current Period (Net)</b>	<b>131,158</b>	<b>485,968</b>	<b>179,059</b>
Loans to Real Persons and Legal Entities (Gross)	256,273	990,770	757,651
Specific Provisions (-)	125,115	504,802	578,592
Loans to Real Persons and Legal Entities (Net)	131,158	485,968	179,059
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	52,859	-
Specific Provisions (-)	-	52,859	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>51,495</b>	<b>61,541</b>	<b>143,679</b>
Loans to Real Persons and Legal Entities (Gross)	63,697	115,121	633,166
Specific Provisions (-)	12,202	53,580	489,487
Loans to Real Persons and Legal Entities (Net)	51,495	61,541	143,679
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	51,057	-
Specific Provisions (-)	-	51,057	-
Other Loans and Receivables (Net)	-	-	-

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

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

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

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

**Notes to the Unconsolidated Financial Statements at 31 December 2012**

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

**m) Other explanations and disclosures:**

Current Period	Commercial <sup>(2)</sup>	Consumer <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired Loans	17,215,473	27,823,177	21,090,230	66,128,880
Past Due but not Impaired Loans	1,008,778	2,678,930	813,705	4,501,413
Impaired Loans	1,148,530	397,149	511,874	2,057,553
<b>Total</b>	<b>19,372,781</b>	<b>30,899,256</b>	<b>22,415,809</b>	<b>72,687,846</b>
Specific Provisions of Impaired Loans(-)	620,231	365,405	275,732	1,261,368
<b>Net Loan Amount</b>	<b>18,752,550</b>	<b>30,533,851</b>	<b>22,140,077</b>	<b>71,426,479</b>

<sup>(1)</sup> TL1,265,064 consumer, TL2,805,292 agricultural, and TL48 commercial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.<sup>(2)</sup> Because the overdue but not-impaired commercial and SME loans could not be decomposed, the whole amount has been shown under the Commercial column.

Prior Period	Commercial <sup>(2)</sup>	Consumer <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired Loans	15,979,007	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	260,411	247,051	355,579	863,041
<b>Total</b>	<b>16,968,916</b>	<b>32,210,869</b>	<b>22,856,516</b>	<b>72,036,301</b>
Specific Provisions of Impaired Loans(-)	227,717	200,211	178,398	606,326
<b>Net Loan Amount</b>	<b>16,741,199</b>	<b>32,010,658</b>	<b>22,678,118</b>	<b>71,429,975</b>

<sup>(1)</sup> TL1,198,462 consumer, TL2,507,770 agricultural, and TL168 commercial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.<sup>(2)</sup> Because the overdue but not-impaired commercial and SME loans could not be decomposed, the whole amount has been shown under the Commercial column.

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

Current Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	152,817	49,079	25,439	-	227,335
Consumer Loans	49,834	20,941	8,735	-	79,510
Agricultural Loans	320,853	103,323	12,579	-	436,755
<b>Total</b>	<b>523,504</b>	<b>173,343</b>	<b>46,753</b>	<b>-</b>	<b>743,600</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installments equals to TL3,072,006.

Prior 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
Consumer Loans	42,638	15,672	5,264	-	63,574
Agricultural Loans	112,600	28,416	8,624	-	149,640
<b>Total</b>	<b>272,751</b>	<b>69,225</b>	<b>23,975</b>	<b>-</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.

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## Notes to the Unconsolidated Financial Statements at 31 December 2012

(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	4,617,294	3,182,681	6,920,200	1,638,210
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>4,617,294</b>	<b>3,182,681</b>	<b>6,920,200</b>	<b>1,638,210</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	6,456,814	594,419	9,241,832	1,023,067
Other	-	-	-	-
<b>Total</b>	<b>6,456,814</b>	<b>594,419</b>	<b>9,241,832</b>	<b>1,023,067</b>

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

	Current Period	Prior Period
Government Bonds	27,245,096	32,495,050
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>27,245,096</b>	<b>32,495,050</b>

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

	Current Period	Prior Period
Debt securities	27,254,825	32,504,197
Quoted in a Stock Exchange	27,245,096	30,174,631
Not Quoted in a Stock Exchange	9,729	2,329,566
Provision for Impairment (-)	-	-
<b>Total</b>	<b>27,254,825</b>	<b>32,504,197</b>

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(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>32,504,197</b>	<b>36,388,051</b>
Foreign Currency Differences on Monetary Assets	(247,868)	817,735
Purchases During the Year	220,573	4,302,130
Disposals through Sales and Redemptions	(5,222,077)	(9,003,719)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>27,254,825</b>	<b>32,504,197</b>

Within the year 2008, the Bank has reclassified securities previously classified in available for sale portfolio with nominal values of TL23,630,115, EUR717,616 thousand and USD1,483,317 thousand to held-to-maturity portfolio with fair values of TL22,971,669, EUR702,950 thousand and USD1,562,742 thousand respectively which have been taken into consideration as book values after reclassification. The Bank has also reclassified securities previously classified in financial assets at fair value through profit and loss portfolio with nominal values of EUR37,951 thousand and USD45,501 thousand to held-to-maturity portfolio with fair values of EUR37,178 thousand and USD62,311 thousand respectively which have been taken into consideration as book values after reclassification in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" published in the Official Gazette No. 27040 dated 31 October 2008 by TASB.

Revaluation differences of reclassified available for sale securities before deferred tax are TL68,984, 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. At the end of balance sheet date, negative revaluation differences under shareholders' equity are amounted as TL12, USD13,747 thousand and EUR9,214 thousand respectively.

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

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL43,660 would have been recorded. As of 31 December 2012, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL(39,784).

**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 (2)	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	32,333	19,628	15,161	1,010	-	1,144	2,619	-
2	89,156	63,636	41,057	2,036	-	29,648	18,340	-

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

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

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

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### b) 1) Explanation regarding consolidated associates:

	Description	Address (City/Country)	The Bank's Share Percentage, if Different, Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	22.22	15.43

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	2,748,287	412,677	25,036	92,508	26,417	58,700	48,095	-

<sup>(1)</sup> Since shares of 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 2012. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2011.

### 2) Information about consolidated associates:

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>53,781</b>	<b>47,123</b>
<b>Movement During the Period</b>	<b>5,605</b>	<b>6,658</b>
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer	-	-
Sales	-	-
Revaluation	5,605	6,658
Impairment Provision	-	-
<b>Ending Balance</b>	<b>59,386</b>	<b>53,781</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation	15.43	15.43

### 3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	59,386	53,781
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

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

None (2011: None).

**8. Information on subsidiaries (net):****a) 1) Information about unconsolidated subsidiaries:**

	Description	Address (City/Country)	The Bank's Share Percentage-if different Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.	İstanbul/TURKEY	71.43	58.50
2	Fintek Finansal Teknoloji Hizmetleri A.Ş.	Ankara/TURKEY	75.00	90.04

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	29,108	13,243	4,492	510	199	1,511	2,474	-
2	24,593	5,479	100	453	78	698	569	-

<sup>(1)</sup> Since shares of subsidiaries are not traded in the stock market, fair values cannot be identified.<sup>(2)</sup> Current period information of subsidiaries has been provided from unaudited financial statements as of 31 December 2012. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2011.**b) 1) Information about consolidated subsidiaries:**

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

	Description	Address (City/Country)	The Bank's Share Percentage-if different Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	İstanbul/TURKEY	100.00	99.99
2	Ziraat Sigorta A.Ş.	İstanbul/TURKEY	100.00	99.99
3	Ziraat Finansal Kiralama A.Ş.	İstanbul/TURKEY	100.00	90.00
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	100.00	72.60
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul/TURKEY	60.00	68.08
6	Ziraat Bank International A.G.	Frankfurt/GERMANY	100.00	100.00
7	Turkish Ziraat Bank Bosnia dd	Sarajevo/BOSNIA HERZEGOVINA	100.00	100.00
8	Ziraat Bank (Moscow) CJSC	Moscow/RUSSIA	100.00	99.91
9	Kazakhstan Ziraat Int. Bank	Almaty/KAZAKHSTAN	100.00	99.58



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	Total Assets <sup>(3)</sup>	Shareholders' Equity <sup>(3)</sup>	Total Non-Current Assets <sup>(3)</sup>	Interest Income <sup>(3)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(3)</sup>	Prior Period Profit/Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>
1	1,131,392	151,272	1,344	-	99,093	70,081	51,829	-
2	236,279	94,791	903	-	17,252	45,352	42,170	-
3	662,652	155,379	1,046	556	-	19,304	19,693	-
4	94,823	70,839	1,356	7,607	1,107,214	8,952	11,726	-
5	9,545	9,087	98	1,029	2,255	644	1,253	-
6	2,283,032	370,681	2,931	47,931	5,331	5,239	7,461	397,352
7	276,184	85,364	8,479	10,779	488	1,303	965	58,047
8	130,946	57,406	4,161	8,742	125	4,156	2,234	57,240
9	264,637	198,624	8,646	9,428	1,504	6,061	3,909	197,733

<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 2012, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2011.

**2) Information about consolidated subsidiaries:**

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>694,228</b>	<b>629,955</b>
<b>Movements During the Period</b>	<b>192,273</b>	<b>64,273</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	58,848	56,690
Bonus Shares Obtained	59,676	7,583
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales <sup>(2)</sup>	37,469	-
Revaluation Increase	111,218	-
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>886,501</b>	<b>694,228</b>
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> Paid Capital Increases made during the period are classified under "Purchases" account.

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

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

	Current Period	Prior Period
Banks	710,374	576,949
Insurance Companies	39,984	39,984
Factoring Companies	-	-
Leasing Companies	116,291	57,443
Financing Companies	-	-
Other Financial Subsidiaries	19,852	19,852

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

None (2011: None)

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

Entities under Common Control (Joint Ventures) <sup>(1)</sup>	Parent Bank's Share <sup>(2)</sup>	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	11,972	11,972	117,262	6,387	25,606	18,351	8,756
Uzbekistan- Turkish Bank	20,446	20,454	114,061	1,306	2,947	9,451	6,052
Azer Türk Bank ASC	14,026	15,246	191,493	1,766	547	34,761	32,019
<b>Total</b>	<b>46,444</b>	<b>47,672</b>	<b>422,816</b>	<b>9,459</b>	<b>29,100</b>	<b>62,563</b>	<b>46,827</b>

<sup>(1)</sup> Information on entities under joint control is provided from the unaudited financial statements as of 31 December 2012.

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

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

The Bank has no finance lease receivables.

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

The Bank has no derivative financial assets for hedging purposes.

### 12. Information on investment property:

None (2011: None).

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

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

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

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**14. Explanations on property and equipment:**

	Immovables	Tangibles- Financial Leasing	Vehicles	Other Tangibles	Total
<b>Prior Period End:</b>					
Cost	1,385,136	52,819	25,055	308,338	1,771,348
Accumulated Depreciation (-)	620,503	48,939	13,587	157,821	840,850
<b>Net Book Value</b>	<b>764,633</b>	<b>3,880</b>	<b>11,468</b>	<b>150,517</b>	<b>930,498</b>
<b>Current Period End:</b>					
Net Book Value at the Beginning of the Period	764,633	3,880	11,468	150,517	930,498
Change During the Period (Net)	30,688	(52,342)	15,196	60,899	54,441
Depreciation – net (-)	17,569	(48,891)	11,930	69,069	49,677
Impairment	-	-	-	3,907	3,907
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-
Cost at Period End	1,415,825	477	40,251	365,330	1,821,883
Accumulated Depreciation at Period End (-)	638,073	48	25,517	226,890	890,528
<b>Closing Net Book Value</b>	<b>777,752</b>	<b>429</b>	<b>14,734</b>	<b>138,440</b>	<b>931,356</b>

**15. Explanations on intangible assets:**

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	58,585	26,127	32,458	48,758	14,376	34,382
Establishment Costs	4,505	2,767	1,738	4,631	2,267	2,364
Goodwill	-	-	-	-	-	-
Intangible Rights	40,963	13,743	27,220	37,564	10,333	27,231
<b>Total</b>	<b>104,053</b>	<b>42,637</b>	<b>61,416</b>	<b>90,953</b>	<b>26,976</b>	<b>63,977</b>

**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.

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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	468,823	290,053
Deferred Tax Liabilities	245,065	8,351
Net Deferred Tax Assets	223,758	281,702
Net Deferred Tax Income/(Expense)	<b>287,936</b>	<b>(364,014)</b>
	Current Period	Prior Period
Reserve for Employment Termination Benefits	127,960	106,220
Short Term Employee Benefits	26,880	25,100
Other Provisions	44,845	16,646
Valuation of Financial Assets	14,793	131,731
Other	9,280	2,005
<b>Net Deferred Tax Assets</b>	<b>223,758</b>	<b>281,702</b>
	Current Period	Prior Period
<b>As of 1 January</b>	<b>281,702</b>	<b>314,836</b>
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax (Expense)/Income	287,936	(364,014)
<b>Deferred Tax Expenses (Net)</b>	<b>287,936</b>	<b>(364,014)</b>
Deferred Tax Recognized Under Shareholders' Equity	(345,880)	330,880
<b>Deferred Tax Assets</b>	<b>223,758</b>	<b>281,702</b>

### 17. Information on other assets:

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

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(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 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	6,841,609	-	2,177,611	43,625,246	3,366,354	481,282	838,565	5,010	57,335,677
Foreign Currency Deposits	3,958,526	-	3,333,810	6,203,551	2,588,811	874,081	5,425,944	272	22,384,995
Residents in Turkey	3,580,586	-	3,237,227	5,837,263	2,398,163	742,057	4,776,105	270	20,571,671
Residents Abroad	377,940	-	96,583	366,288	190,648	132,024	649,839	2	1,813,324
Public Sector Deposits	6,403,670	-	1,572,256	5,756,571	336,474	366,977	3,577	-	14,439,525
Commercial Inst. Deposits	2,176,608	-	2,486,280	4,779,989	879,998	4,076	18,851	-	10,345,802
Other Inst. Deposits	1,463,788	-	562,695	3,720,185	171,128	348,875	6,788	-	6,273,459
Precious Metals	848,805	-	-	81,527	-	-	-	-	930,332
Interbank Deposits	81,660	-	4,248,751	923,044	1,995,059	2,000	6,000	-	7,256,514
CBRT	2,214	-	1,779	-	-	-	-	-	3,993
Domestic Banks	35,552	-	4,078,998	211,324	279,529	2,000	6,000	-	4,613,403
Foreign Banks	33,863	-	167,974	711,720	1,715,530	-	-	-	2,629,087
Participation Banks	10,031	-	-	-	-	-	-	-	10,031
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>21,774,666</b>	<b>-</b>	<b>14,381,403</b>	<b>65,090,113</b>	<b>9,337,824</b>	<b>2,077,291</b>	<b>6,299,725</b>	<b>5,282</b>	<b>118,966,304</b>

Prior Period	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	6,303,548	-	3,428,901	39,648,178	4,902,631	567,637	917,048	-	55,767,943
Foreign Currency Deposits	3,783,284	-	3,713,836	8,421,222	2,058,980	604,386	4,618,697	-	23,200,405
Residents in Turkey	3,443,111	-	3,473,509	7,619,551	1,888,306	493,256	4,126,789	-	21,044,522
Residents Abroad	340,173	-	240,327	801,671	170,674	111,130	491,908	-	2,155,883
Public Sector Deposits	5,681,968	-	2,131,409	4,862,490	217,595	78,515	14,151	-	12,986,128
Commercial Inst. Deposits	2,231,012	-	2,855,185	3,260,719	713,601	944,841	26,536	-	10,031,894
Other Inst. Deposits	1,813,577	-	644,007	2,861,162	2,164,509	116,823	74,761	-	7,674,839
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank Deposits	84,706	-	3,245,496	73,271	-	-	2,000	-	3,405,473
CBRT	1,936	-	376	-	-	-	-	-	2,312
Domestic Banks	28,456	-	3,044,061	-	-	-	2,000	-	3,074,517
Foreign Banks	32,962	-	201,059	73,271	-	-	-	-	307,292
Participation Banks	21,352	-	-	-	-	-	-	-	21,352
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19,898,095</b>	<b>-</b>	<b>16,018,834</b>	<b>59,127,042</b>	<b>10,057,316</b>	<b>2,312,202</b>	<b>5,653,193</b>	<b>-</b>	<b>113,066,682</b>

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(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>	30,505,073	30,206,627	26,579,587	25,297,249
Foreign Currency Saving Deposits <sup>(2)</sup>	8,336,033	7,404,412	10,600,342	9,275,852
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	423,579	412,909	28,553	42,243
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-	-	-

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

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

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

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

#### 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 of real persons not covered by the deposit insurance fund:

	Current Period	Prior Period
Deposits and other Accounts in Branches Abroad	64,624	4,436
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors, General Manager and his Assistants and Their Close Families	1,691	1,199
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

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## Notes to the Unconsolidated Financial Statements at 31 December 2012

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### 2. Information on derivative financial liabilities held for trading:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	25	319	943	28
Swap Transactions	38,962	16,242	28,910	9,940
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>38,987</b>	<b>16,561</b>	<b>29,853</b>	<b>9,968</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	67,462	86,120	65,526	43,778
Foreign Banks, Institutions and Funds	797,484	2,121,373	-	444,178
<b>Total</b>	<b>864,946</b>	<b>2,207,493</b>	<b>65,526</b>	<b>487,956</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	56,879	1,453,890	63,631	63,384
Medium and Long-Term	808,067	753,603	1,895	424,572
<b>Total</b>	<b>864,946</b>	<b>2,207,493</b>	<b>65,526</b>	<b>487,956</b>

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

73.05% of the Bank's liabilities consist of deposits. Deposits 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.



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

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

Information on finance lease payables:

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

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

There are no derivative financial liabilities for hedging purposes.

**7. Explanations on provisions:****a) Information on general provisions:**

	Current Period	Prior Period
<b>General Provisions</b>	<b>1,204,739</b>	<b>977,690</b>
Allocated for Group-I Loans and Receivables	974,713	820,567
Additional Provision for Loans and Receivables with Extended Maturities	20,214	24,694
Allocated for Group-II Loans and Receivables	150,130	93,766
Additional Provision for Loans and Receivables with Extended Maturities	13,702	3,093
Allocated for Non-cash Loans	47,201	38,354
Other	32,695	25,003

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

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>31 December 2012</b>						
Number of Rescheduled Loan Agreements	525	368	4,112	5,480	-	10,485
Risk Amount	37,264	33,684	176,173	151,095	-	398,216

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>31 December 2012</b>						
Number of Rescheduled Loan Agreements	417	206	1,098	3,197	-	4,918
Risk Amount	9,280	12,269	49,721	199,991	-	271,261

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

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

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

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

### d) Information on other provisions:

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

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

	Current Period	Prior Period
General provisions for possible risks	765,976	140,248

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

Since the Bank has no centralized database for the outstanding lawsuits, summary of the number and amount of those lawsuits cannot be obtained from the data processing system. However, based on the information provided by the legal department, lawsuits against the Bank over TL100 amount to TL73,526. Full provision has been provided in the accompanying financial statements for law suits ended against the Bank but not finalized yet, amounting to TL32,809. In addition to these, for the interest expenses calculated for the lawsuits against the Bank concerning the remuneration liabilities related to KOSGEB and National Productivity Center, general provision equal to TL62,932 has been provided.

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

The Bank also provided provisions amounting to TL24,191 for unindemnified non-cash loans, and TL8,542 for other provisions. As a result, in addition to the provisions mentioned above, the other provision balance on the Bank's balance sheet amounts to TL1,023,100 (2011: TL258,146).

**Notes to the Unconsolidated Financial Statements at 31 December 2012**

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**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	531,100	489,700
Payments in the period	(49,367)	(47,300)
Charge for the period	158,067	88,700
<b>Total</b>	<b>639,800</b>	<b>531,100</b>

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

**2) Pension Rights**

The technical balance sheet report which is prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9.80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2012 and 2011.

The liability related to Bank's benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act's, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9.80% real discount rate, etc.).

According to related Actuary Report, the Fund's surplus is TL813,030 (2011: TL810,181) as of 31 December 2012.

	Current Period	Prior Period
Present value of funded obligations	(64,970)	181
-Pension benefits transferable to SSI	(330,877)	(266,243)
-Post employment medical benefits transferable to SSI	265,907	266,415
Fair value of plan assets	878,000	810,000
<b>Actuarial Surplus</b>	<b>813,030</b>	<b>810,181</b>

The principal actuarial assumptions used are as follows:

	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.

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Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank Placements	694,729	79%	612,231	76%
Property and Equipment	160,982	18%	160,771	20%
Marketable Securities	13,889	2%	26,498	3%
Other	8,400	1%	10,500	1%
<b>Total</b>	<b>878,000</b>	<b>100%</b>	<b>810,000</b>	<b>100%</b>

### 8. Information on tax liability:

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

##### 1) Information on tax provisions:

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

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

	Current Period	Prior Period
Corporate Tax Payable	343,727	85,187
Taxation on Income From Securities	86,192	108,145
Property Tax	1,000	840
Banking Insurance Transactions Tax (BITT)	51,049	40,014
Foreign Exchange Transactions Tax	5	4
Value Added Tax Payable	1,253	1,266
Other	29,964	24,590
<b>Total</b>	<b>513,190</b>	<b>260,046</b>

##### 3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	20	22
Social Security Premiums - Employer	25	31
Bank Social Aid Pension Fund Premium - Employee	101	3,263
Bank Social Aid Pension Fund Premium - Employer	187	4,598
Pension Fund Membership Fees and Provisions - Employee	5	7
Pension Fund Membership Fees and Provisions - Employer	14	17
Unemployment Insurance - Employee	241	485
Unemployment Insurance - Employer	485	973
Other	9	6
<b>Total</b>	<b>1,087</b>	<b>9,402</b>

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## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

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

### 9. Information on shareholders' equity:

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

	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.

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## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	175,386	-	81,479
Revaluation Difference	-	175,386	-	81,479
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	477,484	525,717	(410,811)	(45,037)
Revaluation Difference	689,021	525,717	(545,156)	(45,037)
Deferred Tax Effect	(211,537)	-	134,345	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>477,484</b>	<b>701,103</b>	<b>(410,811)</b>	<b>36,442</b>

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

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

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

	Current Period	Prior Period
Payment Commitments for Cheques	2,410,263	2,461,000
Asset Purchase Commitments	443,890	635,714
Commitments for Credit Card Expenditure Limits	3,813,950	3,822,106
Loan Granting Commitments	141,017	143
Other Irrevocable Commitments	2,105,637	1,802,269
Subsidiaries and Associates Capital Contribution Commitments	-	1,000
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	10,985	8,131
<b>Total</b>	<b>8,925,742</b>	<b>8,730,363</b>

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

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

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

	Current Period	Prior Period
Guarantee Letters	12,087,732	9,967,250
Bank Acceptances	959,329	373,588
Letter of Credits	2,346,493	1,637,823
<b>Total</b>	<b>15,393,554</b>	<b>11,978,661</b>

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**2) Certain guarantees, temporary guarantees, suretyships and similar transactions:**

	Current Period	Prior Period
Letter of Temporary Guarantees	464,147	416,997
Letter of Certain Guarantees	6,838,988	5,421,564
Letters of Advance Guarantees	3,488,401	3,113,897
Letters of Guarantees given to Customs Offices	122,079	100,080
Other Letters of Guarantees	1,174,117	914,712
<b>Total</b>	<b>12,087,732</b>	<b>9,967,250</b>

**c) 1) Total non-cash loans:**

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1,042,263</b>	<b>851,281</b>
With Original Maturity of One Year or Less	119,644	96,554
With Original Maturity of More than One Year	922,619	754,727
<b>Other Non-Cash Loans</b>	<b>14,351,291</b>	<b>11,127,380</b>
<b>Total</b>	<b>15,393,554</b>	<b>11,978,661</b>

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	10,429	0.19	1,507	0.02	71,486	1.77	51,560	0.65
Farming and Raising Livestock	352	0.01	-	-	70,540	1.74	50,671	0.64
Forestry	10,077	0.18	1,507	0.02	-	-	-	-
Fishing	-	-	-	-	946	0.02	889	0.01
Manufacturing	1,334,176	24.13	5,903,762	59.85	1,056,482	26.11	4,948,404	62.38
Mining and Quarrying	34,068	0.62	154,802	1.57	259,156	6.40	488,577	6.16
Production	960,724	17.37	5,082,599	51.53	638,665	15.78	4,337,959	54.69
Electric, Gas and Water	339,384	6.14	666,361	6.76	158,661	3.92	121,868	1.54
Construction	915,437	16.56	1,257,986	12.75	649,232	16.04	661,891	8.34
Services	2,782,816	50.33	1,274,419	12.92	2,146,153	53.04	1,202,170	15.16
Wholesale and Retail Trade	959,988	17.36	713,601	7.23	452,642	11.19	188,019	2.37
Hotel, Food and Beverage Services	14,639	0.26	13,609	0.14	15,650	0.39	23,783	0.30
Transportation and Telecommunication	227,530	4.11	68,156	0.69	387,899	9.59	122,255	1.54
Financial Institutions	1,343,999	24.31	349,048	3.54	818,616	20.23	238,855	3.01
Real Estate and Leasing Services	185,374	3.35	129,300	1.31	4,725	0.12	10,679	0.13
Self-employment Services	-	-	-	-	5,533	0.14	-	-
Education Services	14,425	0.26	289	0.00	10,592	0.26	6,099	0.08
Health and Social Services	36,861	0.67	416	0.00	450,496	11.13	612,480	7.72
Other	486,806	8.80	1,426,216	14.46	123,190	3.04	1,068,093	13.47
<b>Total</b>	<b>5,529,664</b>	<b>100.00</b>	<b>9,863,890</b>	<b>100.00</b>	<b>4,046,543</b>	<b>100.00</b>	<b>7,932,118</b>	<b>100.00</b>



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

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash loans</b>	<b>5,407,709</b>	<b>9,805,654</b>	<b>121,955</b>	<b>58,236</b>
Letters of Guarantee	5,342,664	6,564,877	121,955	58,236
Bank Acceptances	5,363	953,966	-	-
Letters of Credit	59,682	2,286,811	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

**2. Explanations on derivative transactions:**

	Current Period	Prior Period
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions (I)	11,329,664	6,210,256
Forward Transactions	112,342	267,707
Swap Transactions	11,217,322	5,942,549
Futures Transactions	-	-
Option Transactions	-	-
Interest Related Derivative Transactions (II)	-	-
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	-	-
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	-	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>11,329,664</b>	<b>6,210,256</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>11,329,664</b>	<b>6,210,256</b>

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

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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	122,522	14	(83)	(6,255)	-	116,198
- Inflow	4,548,646	2,467	15,273	1,156,545	-	5,722,931
- Outflow	(4,426,124)	(2,453)	(15,356)	(1,162,800)	-	(5,606,733)
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>4,548,646</b>	<b>2,467</b>	<b>15,273</b>	<b>1,156,545</b>	<b>-</b>	<b>5,722,931</b>
<b>Total Outflow</b>	<b>(4,426,124)</b>	<b>(2,453)</b>	<b>(15,356)</b>	<b>(1,162,800)</b>	<b>-</b>	<b>(5,606,733)</b>
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	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>

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**3. Explanations on contingent assets and liabilities:**

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

The Bank's liability resulting from the cheques given to its customers amounts to TL2,410,263 (2011: TL2,461,000).

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

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

**4. Explanations on services in the name of others:**

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

**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>8,333,751</b>	<b>331,547</b>	<b>7,104,203</b>	<b>287,916</b>
Short Term Loans	2,483,854	57,034	1,921,473	60,766
Medium and Long Term Loans	5,746,550	274,493	5,079,534	227,142
Interest on Non-Performing Loans	103,347	20	103,196	8
Premiums from Resource Utilization Support Fund	-	-	-	-

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

**b) Information on interest received from the banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	8,604	-
Domestic Banks	785	535	74	858
Foreign Banks	863	21,750	2,569	22,552
Head Office and Branches	-	-	-	-
<b>Total</b>	<b>1,648</b>	<b>22,285</b>	<b>11,247</b>	<b>23,410</b>

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**c) Information on interest income on marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Trading Financial Assets	2,404	483	6,297	3,274
From Financial Assets at Fair Value through Profit or Loss	-	-	-	-
From Available-for-sale Financial Assets	2,994,360	188,106	2,999,546	203,334
From Held-to-maturity Investments	2,640,001	285,454	2,757,847	295,571
<b>Total</b>	<b>5,636,765</b>	<b>474,043</b>	<b>5,763,690</b>	<b>502,179</b>

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

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	3,770	9,976

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks <sup>(1)</sup>	46,993	27,698	3,976	2,607
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	4,702	1,094	3,958	574
Foreign Banks	42,291	26,604	18	2,033
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>46,993</b>	<b>27,698</b>	<b>3,976</b>	<b>2,607</b>

<sup>(1)</sup> Includes fees and commissions expenses on cash loans.**b) Information on interest expenses given to subsidiaries and associates:**

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	70,439	118,028

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	135,102	-	-	-

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### 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 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	324,786	-	-	-	-	-	324,786
Saving Deposit	14	158,330	3,552,065	362,383	42,473	71,674	415	4,187,354
Public Sector Deposit	277	69,256	378,263	45,074	3,984	571	-	497,425
Commercial Deposit	141	123,566	306,938	54,478	16,075	1,659	-	502,857
Other Deposit	23	24,654	217,202	56,124	23,834	4,082	-	325,919
Deposit With 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>455</b>	<b>700,592</b>	<b>4,454,468</b>	<b>518,059</b>	<b>86,366</b>	<b>77,986</b>	<b>415</b>	<b>5,838,341</b>
FC								
Foreign Currency Deposit	1,451	59,885	161,318	63,762	15,819	127,780	12	430,027
Bank Deposit	31,094	-	-	-	-	-	-	31,094
Deposit With 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	3	37	2	1	1	-	44
<b>Total</b>	<b>32,545</b>	<b>59,888</b>	<b>161,355</b>	<b>63,764</b>	<b>15,820</b>	<b>127,781</b>	<b>12</b>	<b>461,165</b>
<b>Grand Total</b>	<b>33,000</b>	<b>760,480</b>	<b>4,615,823</b>	<b>581,823</b>	<b>102,186</b>	<b>205,767</b>	<b>427</b>	<b>6,299,506</b>

### 3. Explanations on dividend income:

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	14,998	18,658
Other <sup>(1)</sup>	83,070	13,130
<b>Total</b>	<b>98,068</b>	<b>31,788</b>

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

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

	Current Period	Prior Period
<b>Profit</b>	<b>5,240,823</b>	<b>3,537,224</b>
Profit from the Capital Market Transactions	84,519	94,480
Profit on Derivative Financial Instruments	1,330,628	1,533,252
Foreign Exchange Gains	3,825,676	1,909,492
<b>Loss (-)</b>	<b>5,292,436</b>	<b>3,598,677</b>
Loss from the Capital Market Transactions	19,964	1,340
Loss on Derivative Financial Instruments	1,376,786	1,241,678
Foreign Exchange Loss	3,895,686	2,355,659

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(654,958)	(978,210)
Effect of the change in interest rates on profit/loss	608,800	1,269,784
<b>Total</b>	<b>(46,158)</b>	<b>291,574</b>

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

There are no significant matters covering the recent developments which have significant effect on the Bank's income. Main component of the Bank's other operating income consists of reversals from prior period provisions amounting to TL 233,156.

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	809,453	188,374
Group III Loans and Receivables	130,655	14,828
Group IV Loans and Receivables	509,898	55,729
Group V Loans and Receivables	168,900	117,817
General Provision Expenses <sup>(2)</sup>	227,234	464,703
Provision Expenses for the Possible Losses	626,350	131,535
Marketable Securities Impairment Expense	49	2,916
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	49	2,916
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	41
Associates	-	41
Subsidiaries	-	-
Entities under Common Control	-	-
Investment Securities Held to Maturity	-	-
Other <sup>(3)</sup>	132,127	20,428
<b>Total</b>	<b>1,795,213</b>	<b>807,997</b>

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

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

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

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

	Current Period	Prior Period
Personnel Expenses	1,361,181	1,312,835
Reserve for Employee Termination Benefits	158,067	88,700
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	60,949	58,011
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	17,828	13,815
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	350	285
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	666,701	632,713
Operational Leasing Expenses	88,950	75,269
Maintenance Expenses	36,619	40,086
Advertisement Expenses	43,519	36,455
Other Expenses	497,613	480,903
Loss on Sales of Assets	148	1,624
Other <sup>(1)</sup>	563,116	514,456
<b>Total</b>	<b>2,828,340</b>	<b>2,622,439</b>

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

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

The Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period	Prior Period
Net Interest Income	6,900,910	5,241,578
Net Fees and Commissions Income	752,112	625,613
Dividend Income	98,068	31,788
Trading Income/Expense (Net)	(51,613)	(61,453)
Other Operating Income	428,801	372,414
Provision for Loan or Other Receivables Losses (-)	1,795,213	807,997
Other Operating Expenses (-)	2,828,340	2,622,439
<b>Income/(Loss) From Continuing Operations</b>	<b>3,504,725</b>	<b>2,779,504</b>



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

As of 31 December 2012, TL1,142,233 (2011: TL314,816) of the Bank's total tax provision expense amounting to TL854,297 (2011: TL678,830), consists of current tax expense while remaining balances amounting to TL287,936 (2011: TL364,014) consists of deferred tax income.

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

The Bank's net operating income after tax amounts to TL2,650,428 (2011: 2,100,674).

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

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

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

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

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

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

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

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

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

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

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

**b) Explanations on profit distribution:**

The General Assembly for the year 2011 was carried out on 18 April 2012. In accordance with the decision taken, of the profit for the year 2011 amounting to TL2,100,674, TL105,034 is decided to transfer to primary legal reserves and TL12,700 is decided to transfer to secondary legal reserves, TL127,000 is decided to distribute as dividend to employees provided that dividend amount does not exceed two month gross wage for each employee and TL106,250 is decided to distribute to the Treasury after deducting withholding tax of 15% (TL18,750) in cash. Besides, TL1,730,940 of the profit has been preserved and TL122,239 is paid within the framework of dividend decided to transfer to employees. According to the decision of the General Assembly's the remaining part of dividend reserved to be distributed to personnel TL4,761 is transferred to the account of the "Profit Reserves".

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

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

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

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

**d. Profit Reserves:**

As of the balance sheet date, profit reserves amount to TL10,083,742, legal reserves amount to TL2,408,490, extraordinary reserves amount to TL7,041,211 and other profit reserves amount to TL634,041.

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

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

"Operating Profit before Changes in Operating Assets and Liabilities" amounting to TL3,652,117 is composed mainly from interest received from loans and securities amounting to TL13,544,903 and interest paid to deposit and money market operations which is amounting to TL7,950,104. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rate on cash and cash equivalents is determined, approximately, as TL(182,399) as of 31 December 2011 (2011: TL606,441).

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

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

Period Opening	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>
Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	1,437,326	1,331,278
Central Bank of the Republic of Turkey and Other Banks	6,322,525	6,356,714
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>7,759,851</b>	<b>7,687,992</b>

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### 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	1,812,188	675,435	-	-	-	-
Closing Balance	2,267,916	445,849	-	-	-	-
Interest and Commissions Income	3,770	-	-	-	-	-

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

<sup>(2)</sup> Placements to foreign banks in the risk group amounting to TL1,021,097 are included in the cash loans.

b) Prior Period:

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	1,239,818	351,271	-	-	-	-
Closing Balance	1,812,188	675,435	-	-	-	-
Interest and Commissions Income	9,976	-	-	-	-	-

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

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

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	1,175,691	1,527,048	-	-	-	-
Closing Balance	932,442	1,175,691	-	-	-	-
Interest Expense on Deposits	70,439	118,028	-	-	-	-

**Notes to the Unconsolidated Financial Statements at 31 December 2012**

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

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	7,402	-	-	-	-	-
Closing Balance	-	7,402	-	-	-	-
<b>Total Profit/Loss</b>	<b>(297)</b>	<b>(359)</b>	-	-	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

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

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

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

1. With the Bank's Board of Directors' Decision No. 4, dated 11 January 2012, the whole equity share of the Bank in Ziraat Bank AD Skopje will be transferred to Halk Bank A.D. Skopje, Joint Venture of T. Halk Bankası A.Ş., considering the legislation of Turkey and Macedonia within the scope of Decision No. 2002/3555 by the Council of Ministers. The transfer process was completed as of November 2012.

2. The Board of Directors, on 07 November 2012 with the decision no: 348, has applied to the BRSA (Banking Regulation and Supervision Agency) and CMB (Capital Markets Board) and required permissions and approvals have been received to issue domestic bank bills and/or bonds in different types and maturities up to TL7 billion.

In this context, for the purpose of the performing the public offering on 4-5-6 February 2013, all works were initiated and the required application was made to Capital Market Board, in order to take place of issuance of bank bills and/or bonds (in the value date of 8 February 2013) which have nominal value of TL600 million (including the right to nominal amount of TL 200 million additional shares) and maturity of 175 days and bank bonds which have nominal value of TL 400 million (including the right to nominal amount of TL 100 million additional shares) and maturity of 91 days by public offering, to determine the principles of maturity, interest, distribution and allocation regarding to issuance of these bank bonds, to complete the sales and to trade in İstanbul Stock Exchange. Demand for public offering of related bank bonds which has 91 and 175 days of maturity was approved by Capital Market Board on 28 January 2013. Public offering was performed on 4-5-6 February 2013 and TL 1,000,000 of bills were sold (including right of additional sales). Related bank bonds was started to trade in stock market on 12 February 2013.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

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

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

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

	Number	Number of Employees			
Domestic Branch <sup>(1)</sup>	1,490	23,069			
			Country of Incorporation		
Foreign Representative Office	1	1	1- Iran		
				Total Assets	Statutory Share Capital
Foreign branch <sup>(2)</sup>	1	2	1- USA	769,256	209,005
	1	4	2- England	820,970	94,732
	4	4	3- Bulgaria	62,711	33,299
	1	4	4- Georgia	27,275	16,334
	2	6	5- Iraq	142,552	24,910
	4	5	6- Greece	377,618	77,553
	1	2	7- Saudi Arabia	45,090	26,690
			8-T.R. of Northern		
	10	35	Cyprus	582,284	38,422
Off-shore Banking Region Branches	-	-	-	-	-

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Unconsolidated Financial Statements at 31 December 2012

(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 2012, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Independent Auditor's Report dated 14 February 2013 is presented preceding the financial statements.

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

None.



## Ziraat Bank's Financial Standing, Profitability and Solvency

Having defined its goals as stable growth, sustainable profitability and productivity within the frame of strengthening financial structure, Ziraat Bank brought its balance sheet structure in alignment with its shareholders' equity on the back of the assets and liabilities management strategies pursued during 2012, and the positive progress continued with respect to capital adequacy, profitability and productivity.

The Bank's total assets rose to TL 163 billion and its shareholders' equity to TL 17 billion at the end of 2012. As a result of the retention of the prior year profit, the percentage of shareholders' equity went up from 8.2% to 10.5% in the twelve months to end-2012. The Bank set it as its primary strategy to retain earnings until a shareholders' equity structure that is aligned with the targeted balance sheet size is attained. Until then, the Bank will move ahead with a balance sheet structure in a size that is compatible with its shareholders' equity.

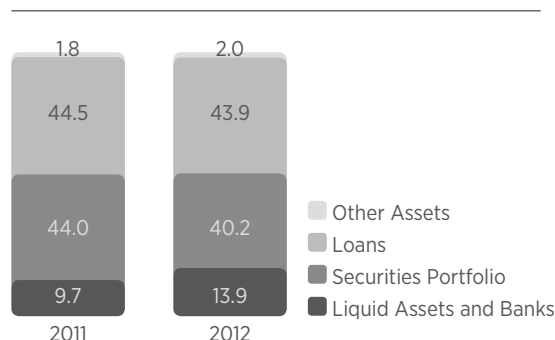
Aiming to render profitability sustainable, which is an important element with respect to shareholders' equity management, the Bank increased its net profit by 26% to TL 2.7 billion in 2012. There was a marked rise in profitability ratios, as well, and RoE and RoA, which were 16.1% and 1.3% respectively at year-end 2011, rose to 17.6% and 1.7%. At 18.96, the Bank's capital adequacy ratio exceeded the sector's average.

Within the frame of the strategy to switch from marketable securities to loans in its balance sheet, the Bank focused on lending activities. As a result of its activities, total lending amounted to TL 71.4 billion at the end of 2012, and accounted for 44% of assets. The share of marketable securities portfolio to assets declined from 44% in 2011 to 40%. Efforts will be ongoing also in the years coming to match the sector's norms in terms of the share of marketable securities within the balance sheet. In 2012, the Bank's NPL ratio rose to 2.8%. The NPL ratio that the Bank keeps equal to the sector's average without disposing of any assets for its non-performing loans indicates that it has good assets quality.

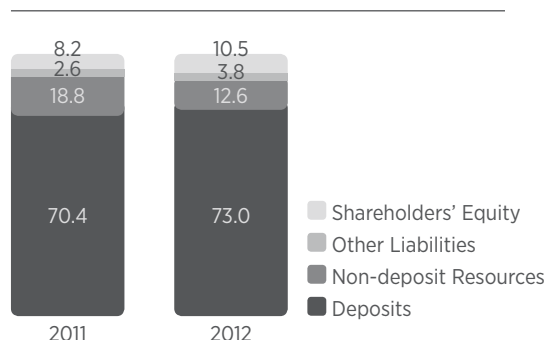
In line with our management concept focused on ensuring diversity and depth in funding, and our goal to secure broad-based and low-cost funds, total deposits were worth TL 119 billion. Ziraat Bank remained the sector's leader in total deposits in 2012. While the share of deposits to liabilities was 73%, that of non-deposit resources including funds was 12.6%. To support funding diversity and quality and to extend average maturity on funds, TL-denominated Bank bonds/bills issues were initiated in February 2012, under which five public offerings were carried out for a total amount of TL 4 billion. BRSA's permission was obtained for issues with a total worth of TL 7 billion as of December 2012. The funding structure will be diversified through non-deposit financing resources including eurobond issues and syndication loans in 2013 and thereafter.

At TL 14.8 billion, interest income continued to represent the Bank's most important income item in 2012. As a result of the lending activities during the reporting period, the share of interests charged on loans within total interest income rose from 54% to 59%. Our efforts to improve net interest margin continued, and resulted in 32% rise in net interest income during 2012. The Bank's activities aimed at growing non-interest income brought about 20% hike in net fee and commission income in 2012.

Composition of Assets (%)



Composition of Liabilities (%)



## Ratios

%	2012	2011
<b>CAPITAL</b>		
Capital Adequacy Ratio	19.0	15.6
Shareholders' Equity/Total Assets	10.5	8.2
Shareholders' Equity/(Total Assets+Non-cash Loans)	9.6	7.6
Shareholders' Equity/(Deposits+Non-Deposit Resources)	12.3	9.2
<b>ASSET QUALITY</b>		
Total Loans/Total Assets	43.9	44.5
NPL (Gross)/Cash Loans	2.8	1.2
NPL (Gross)/(Non-cash Loans+Cash Loans)	2.3	1.0
FC Assets/FC Liabilities	94.6	95.7
<b>LIQUIDITY</b>		
Liquid Assets/Total Assets	13.9	9.7
Liquid Assets/(Deposits+Non-Deposit Resources)	16.2	10.9
<b>PROFITABILITY</b>		
Net Profit (Loss)/Average Total Assets	1.7	1.3
Net Profit (Loss)/Average Shareholders' Equity	17.6	16.1
Net Profit (Loss)/Average Paid-in Capital	106.0	84.0
<b>COST-INCOME STRUCTURE</b>		
Interest Income/Interest Expenses	187.2	161.9
Non-Interest Income/Non-Interest Expenses	31.0	38.8
Total Income/Total Expenses	127.3	122.3
Interest Income/Total Income	90.7	89.8
Non-Interest Income/Total Income	9.3	10.2
Interest Expenses/Total Expenses	61.7	67.8
Non-Interest Expenses/Total Expenses	38.3	32.2

## 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. 7-101, dated 21 March 2012. 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 the risk categories.

In addition, the Bank undertakes capital adequacy assessment adopting the economic capital approach in order to determine the amount of shareholders' equity that is aligned with the losses it might sustain due to its risk exposure, and the results are reported to the senior management.

### Credit Risk

Credit risk management involves manifesting the Bank's credit risk exposure, and defining, measuring, monitoring, controlling and reporting these risks.

With the Basel II requirements published on 28 June 2012, the parallel run carried out from 01 July 2011 to 30 June 2012 was terminated, and legal reporting process was initiated from 01 July 2012. Accordingly, the amount at credit risk that is calculated is reported to the BRSA monthly on solo basis and quarterly on consolidated basis.

The Bank established the Company Assessment Model so that related units can determine the creditworthiness of customers in the Commercial, Corporate and Entrepreneurial segments, and the Scoring Model for establishing the creditworthiness of its customers in the Retail segment. Validation is carried out to measure the accuracy and performance of these models using statistical methods. 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 the said scoring models.

Credit risk limits, which are approved by the Board of Directors, have been determined on the basis of customer segments; these limits are monitored on a monthly basis and the risk-weighted assets that the Bank is able to carry on the basis of segments are restricted with these limits.

For tracking loan books and comparing their past performances, monthly vintage analysis is conducted for housing, general-purpose, commercial, agricultural and SME loans.

Work is underway to conduct scenario analysis/stress testing for the non-performing loan ratios.

### Market Risk

With a view to revealing the market 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 market developments that affect the current values of the portfolio at market risk, which is determined in line with the Bank's trading strategy, are monitored at least on a daily basis, and the impact of ordinary or extraordinary downward and upward moves in markets upon the portfolio are analyzed.

In order to be 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 on market risks, stress tests and scenario analyses are conducted.

In an attempt to prevent the Bank's financial strength from being significantly affected by increased volatility in the markets 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.

The amount at market risk to be included in the legal capital adequacy ratio is calculated and reported using the standardized method. Alignment with Basel II requirements has been achieved in calculations as of July 2012. The market risk is measured on a

daily basis using the VaR-based internal method employed in addition to the standardized method, which has been assessed and endorsed for fitness within the frame of international best practices by an independent consultancy firm.

### Operational Risk

Our Bank assesses operational risks with respect to their origins (e.g. personnel, process, system and external), and manages them in accordance with the BRSA regulations.

Operational risks that are realized across the Bank are monitored through the Operational Risk Loss Database. Legal capital requirement is calculated for operational 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.

Our Bank initiated work to set up the integrated risk mainframe within the scope of COBIT. As of 2012, a database on Information Technology risks was created, by which the risks realized and actions taken are monitored.

Our Bank's Business Continuity Plan has been revised in line with the Regulation on Banks' Internal Systems published by the BRSA, and a "Business Impact Analysis" was conducted which evaluated the probable risks that may be caused by potential interruptions in operations and their potential impacts.

To ensure continuity of services obtained from companies to which support services are outsourced, the Bank started assessing the risks that might arise from service procurement within the scope of the Regulation on the Outsourcing of Support Services by Banks published by the BRSA. In this frame, the Risk Management Program has been prepared and enforced. Risk analysis reports have been produced on the support services outsourced by our Bank.

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.

### Balance Sheet Risks

To reveal the liquidity risk and the interest rate risks arising from banking accounts 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.

Liquidity risk control involves monitoring the maturity mismatches between funds and placements; following-up cash and cash-equivalent primary liquid reserve levels that will allow the Bank to pursue its normal day-to-day activities as well as CBRT liquidity facilities that can be used for fulfilling unexpected liquidity needs and secondary reserves that have the potential to be liquidated with low price risk; monitoring borrowing facilities from organized markets and thus, tracking free capital level. In addition, scenario and sensitivity analyses are carried out in this frame.

In interest rate risk control arising from banking accounts, analyses and monitoring are carried out for ratio and maturity mismatches between fixed and variable interest rate funds and placements; 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. Also, Turkish lira and foreign currency interest margins created are watched closely.

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 balance sheet risks, stress tests are conducted.

In order to prevent our financial strength from being significantly affected by increased volatility in the markets and potential mismatches in cash inflows and outflows in the performance of our day-to-day activities, signal values in the early warning system are monitored and risk levels are restricted with limits.

## 31 December 2008 – 31 December 2012 Summary Balance Sheet and Income Statement

(TL million)

<b>ASSETS</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Liquid Assets	13,086	14,604	14,907	15,593	22,647
Securities Portfolio	58,522	70,988	76,352	70,766	65,469
Loans	30,836	36,725	57,443	71,430	71,426
Associates and Subsidiaries	661	715	731	810	1,034
Fixed Assets	815	816	826	930	931
Other Assets	492	681	900	1,152	1,360
<b>TOTAL</b>	<b>104,412</b>	<b>124,529</b>	<b>151,160</b>	<b>160,681</b>	<b>162,868</b>

<b>LIABILITIES</b>					
Deposits	83,883	98,529	125,796	113,067	118,966
Money Markets	7,268	9,144	5,003	25,788	11,162
Loans Borrowed	28	21	99	553	3,072
Marketable Securities Issued	0	0	0	0	1,944
Funds	2,914	3,245	3,525	3,871	4,292
Provisions	1,428	1,704	1,228	1,892	3,002
Other Liabilities	1,529	1,531	2,049	2,332	3,261
Shareholders' Equity	7,361	10,354	13,458	13,177	17,167
<b>TOTAL</b>	<b>104,412</b>	<b>124,529</b>	<b>151,160</b>	<b>160,681</b>	<b>162,868</b>

<b>STATEMENT OF INCOME</b>					
Interest Income	13,368	14,202	12,392	13,706	14,811
Interest Expense	9,266	8,134	7,036	8,465	7,910
Net Interest Income	4,102	6,069	5,356	5,242	6,901
Fees and Commissions Income (net)	572	437	511	626	752
Dividend Income	26	27	34	32	98
Trading Profit/Loss (Net)	-53	61	-13	-61	-52
Other Operating Income	338	350	977	372	429
Total Operating Income	4,986	6,944	6,864	6,210	8,128
Provisions for Loans and Other Receivables	546	632	145	808	1,795
Other Operating Expenses	1,725	1,895	2,250	2,622	2,828
Pretax Profit	2,715	4,417	4,469	2,780	3,505
Tax Provision	581	906	757	679	854
<b>Net Profit/Loss for the Period</b>	<b>2,134</b>	<b>3,511</b>	<b>3,713</b>	<b>2,101</b>	<b>2,650</b>

## Credit Ratings Assigned By Rating Agencies

Ziraat Bank's performance is rated by Fitch Ratings, Moody's and JCR Eurasia Ratings. In annual meetings held with these agencies, the Bank provides detailed and transparent information on its brand positioning, progress achieved in core lines of business, its funding ability and capital structure.

Credit ratings assigned to the Bank as of 31 December 2012 are presented below:

Rating Agency	Category	Rating	Date
Fitch Ratings*	Foreign Currency IDR Long-Term / Short-Term	BBB- / F3	November 2012
	Outlook	Stable	
	Local Currency IDR Long-Term / Short-Term	BBB / F3	
	Outlook	Stable	
	National Long-Term	AAA (tur)	
	Outlook	Stable	
	Support Rating	2	
	Support Rating Floor	BBB-	
	Financial Viability Rating	bbb-	
Moody's**	Long-Term Foreign Currency Deposits	Ba2	July 2012
	Outlook	Stable	
	Short-Term Foreign Currency Deposits	Not Prime	
	Outlook	Positive	
	Long-Term Local Currency Deposits	Baa2	
	Outlook	Stable	
	Short-Term Local Currency Deposits	P-2	
	Outlook	Stable	
JCR Eurasia***	Financial Strength	D+	June 2012
	Outlook	Stable	
	Long-Term Foreign Currency Rating	BB / (Stable Outlook)	
	Long-Term Local Currency Rating	BB / (Stable Outlook)	
	Long-Term National Rating	AAA (Trk) / (Stable Outlook)	
	Short-Term Foreign Currency Rating	B / (Stable Outlook)	
	Short-Term Local Currency Rating	B / (Stable Outlook)	
	Short-Term National Rating	A-1+ (Trk) / (Stable Outlook)	
	Sponsored Support	2	
	Stand-Alone Rating	A	

\* On 13 November 2012, Fitch Ratings revised the credit ratings assigned to Ziraat Bank as follows:

- Foreign Currency Long Term IDR: Upgraded from 'BB+' to 'BBB-' with the outlook on the rating announced as stable.
- Local Currency Long Term IDR: Upgraded from 'BB+' to 'BBB' with the outlook on the rating announced as stable.
- Foreign and Local Currency Short Term IDR: Upgraded from 'B' to 'F3'.
- Support Rating: Upgraded from '3' to '2'.
- Support Rating Floor: Upgraded from 'BB+' to 'BBB-'.
- National Long Term Rating: Upgraded from 'AA+(tur)' to 'AAA(tur)', with the outlook on the rating announced as stable.

\*\* On 30 November 2012, Fitch Ratings upgraded the viability rating assigned to Ziraat Bank from 'bb+' to 'bbb-'.

\*\* On 3 July 2012, Moody's upgraded Ziraat Bank's Long-Term Local Currency Deposits Rating from Baa3 to Baa2, Short Term Local Currency Deposits Rating from P-3 to P-2, and Long Term Foreign Currency Deposits Rating from Ba3 to Ba2, with the outlook declared as stable.

\*\*\* On 13 June 2012, JCR-Eurasia Rating has affirmed the highest investment grade credit rating of 'AAA (Trk)' on the Long Term National Scale along with a 'Stable' outlook to Ziraat Bank. The agency has assessed the Long Term International Foreign and Local Currency ratings and Short Term International Foreign and Local Currency ratings as on par with the Turkey Sovereign rating ceiling.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Publicly Announced Consolidated Financial Statements

### together with Independent Auditor's Report at 31 December 2012

Convenience Translation of Publicly Announced Consolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three

#### INDEPENDENT AUDITOR'S REPORT

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 2012 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 consolidated financial statements include a general reserve amounting to TL644,300 thousand (TL514,300 thousand of this reserve amount was charged to the income statement as an expense in the current period), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions.

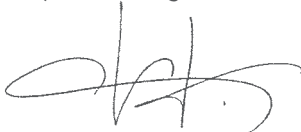
#### *Independent Auditor's Opinion:*

In our opinion, except for the 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 2012 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by regulations in conformity with 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

Partner

İstanbul, 28 March 2013

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**The Consolidated Financial Report of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
as of 31 December 2012**

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

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  
Member of the Audit Committee



Hüseyin AYDIN  
Member of the Board of Directors  
General Manager



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



Cem İNAL  
Financial Coordination  
Assistant General Manager



Atakan BEKTAŞ  
Deputy Head of  
Reporting Management

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

Name/Title: Kubilay ŞAHİN/External Reporting Officer  
Telephone Number: 0312 584 43 23



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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

(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 Treasury.

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

The sole shareholder of the Bank is the Treasury.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

### 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
Hüseyin AYDIN	General Manager and Member
Yusuf DAĞCAN	Deputy Chairman and Member
Erdal ERDEM	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
<b>Audit Committee Members</b>	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
<b>Assistant General Managers</b>	
Ali TOKER	Human Resources
Alpaslan ÇAKAR	Operational Transactions
Bilgehan KURU	Treasury and Strategy Management
Cem İNAL	Financial Coordination
Mehmet Cengiz GÖĞEBAKAN	Credit Policies
Musa ARDA	Credit Allocation and Management
Osman ARSLAN	International Banking and Joint Ventures
Ömer Muzaffer BAKTIR	Marketing
Yunus Uygur KOCAOĞLU *	Information Technologies Management
<b>Head of Board of Inspectors</b>	
Ali ARAS	Head of Board of Inspectors
<b>Head of Group</b>	
Bülent YALIM	Internal Control and Risk Management

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

(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
Treasury	2,500,000	100	2,500,000	-

The sole shareholder of the Bank is the Treasury.

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

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

As of 31 December 2012, the Parent Bank carries its activities with a grand total of 1,514 branches; 1,490 domestic branches including 1,316 branches, 5 corporate branches, 27 commercial branches, 77 entrepreneurial branches, 32 bureaus, 31 private operation centers, 2 mobile branches (31 December 2011: 1,434 branches including 1,373 domestic branches, 27 bureaus, 32 private operation centers, 2 mobile branches) and 24 branches abroad including 16 branches and 8 sub branches (New York branch in United States, London branch in England, Tbilisi branch in Georgia, Baghdad and 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 Gönnyeli 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, as of 11 March 2013, the Batumi branch in Georgia has started its operations.

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

Başakkart is a bank card through which demand deposit accounts and accounts of the loan to finance agricultural production can be linked. Bank, in line with the demands of the customers, can enable the usage of the limits of the loan to finance agricultural production 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 2012, the number of the Group's employees is 24,092 (31 December 2011: 25,319).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

### VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE ENTITIES SUBJECT TO FULL CONSOLIDATION OR PROPORTIONAL CONSOLIDATION AND ENTITIES WHICH ARE DEDUCTED FROM EQUITY OR ENTITIES WHICH ARE NOT INCLUDED IN THESE THREE METHODS

According to Communiqué of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Arap Türk Bankası A.Ş., one of the associates of the Bank, and Turkmen Turkish Joint Stock Com. Bank, Uzbekistan Turkish Bank, Azer Turk Bank, entities under common control are consolidated through "Equity Method" in accompanying consolidated financial statements of the Bank.

Fintek Finansal Teknoloji Hizmetleri A.Ş., Bileşim Alternatif Dağıtım Kanalı ve Ödeme Sistemleri A.Ş. which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué of the Preparation Consolidated Financial Statements since these entities are not financial institutions. Kredi Kayıt Bürosu ve Bankalararası Kart Merkezi which are associates of the bank are not consolidated but carried at cost since these entities are not controlled by the Bank and are not financial companies.

All other subsidiaries are fully consolidated.

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

None.

## SECTION TWO

### THE BANK'S CONSOLIDATED 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 FLOW
- VII. PROFIT APPROPRIATION STATEMENT

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2012 and 2011**

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

		Note (Section Five I)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
I. BALANCE SHEET			TL	FC	Total	TL	FC	Total
I.	ASSETS							
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	5,908,346	15,373,382	21,281,728	6,318,376	8,023,447	14,341,823
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	39,496	129,662	169,158	102,311	40,604	142,915
2.1	Financial Assets Held for Trading		39,496	129,662	169,158	102,311	40,604	142,915
2.1.1	Public Sector Debt Securities		30,789	4,582	35,371	51,574	14,139	65,713
2.1.2	Securities Representing a Share in Capital		819	-	819	34	-	34
2.1.3	Derivative Financial Assets Held for Trading		7,888	125,080	132,968	50,703	26,465	77,168
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(3)	650,945	971,787	1,622,732	566,617	728,025	1,294,642
IV.	MONEY MARKET PLACEMENTS		2,049	59,673	61,722	5,127	7,085	12,212
4.1	Interbank Money Market Placements		-	13,087	13,087	4,997	7,085	12,082
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		2,049	46,586	48,635	130	-	130
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	33,715,982	4,646,421	38,362,403	33,887,985	4,473,922	38,361,907
5.1	Securities Representing a Share in Capital		141,674	118,147	259,821	124,010	93,675	217,685
5.2	Public Sector Debt Securities		33,365,777	4,391,810	37,757,587	33,727,062	4,183,462	37,910,524
5.3	Other Marketable Securities		208,531	136,464	344,995	36,913	196,785	233,698
VI.	LOANS AND RECEIVABLES	(5)	63,978,529	9,168,557	73,147,086	64,315,851	8,907,766	73,223,617
6.1	Loans and Receivables		63,183,707	9,159,764	72,343,471	64,059,258	8,897,971	72,957,229
6.1.1	Loans Granted to Risk Group of The Bank		-	61,333	61,333	-	18,419	18,419
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		63,183,707	9,098,431	72,282,138	64,059,258	8,879,552	72,938,810
6.2	Loans under Follow-up		2,040,802	43,745	2,084,547	850,293	44,306	894,599
6.3	Specific Provisions (-)		1,245,980	34,952	1,280,932	593,700	34,511	628,211
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	23,030,009	4,292,029	27,322,038	27,600,761	5,031,576	32,632,337
8.1	Public Sector Debt Securities		23,020,788	4,267,973	27,288,761	27,592,135	5,006,548	32,598,683
8.2	Other Marketable Securities		9,221	24,056	33,277	8,626	25,028	33,654
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	69,742	612	70,354	60,644	635	61,279
9.1	Accounted with Equity Method		63,676	-	63,676	54,619	-	54,619
9.2	Unconsolidated Associates		6,066	612	6,678	6,025	635	6,660
9.2.1	Financial Associates		-	612	612	-	635	635
9.2.2	Non-financial Associates		6,066	-	6,066	6,025	-	6,025
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	8,032	-	8,032	6,520	-	6,520
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		8,032	-	8,032	6,520	-	6,520
XI.	ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	46,704	46,704	-	39,371	39,371
11.1	Accounted with Equity Method		-	46,704	46,704	-	39,371	39,371
11.2	Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1	Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2	Non Financial Entities Under Common Control		-	-	-	-	-	-
XII.	RECEIVABLES FROM LEASING TRANSACTIONS	(10)	152,321	465,228	617,549	127,924	386,015	513,939
12.1	Finance Lease Receivables		193,108	527,664	720,772	163,798	438,806	602,604
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		40,787	62,436	103,223	35,874	52,791	88,665
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(14)	926,585	27,323	953,908	923,673	33,684	957,357
XV.	INTANGIBLE ASSETS (Net)	(15)	57,426	8,899	66,325	54,255	12,850	67,105
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		57,426	8,899	66,325	54,255	12,850	67,105
XVI.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVII.	TAX ASSET		227,548	2,733	230,281	288,166	2,529	290,695
17.1	Current Tax Asset		340	2,733	3,073	510	2,529	3,039
17.2	Deferred Tax Asset	(16)	227,208	-	227,208	287,656	-	287,656
XVIII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	66,066	-	66,066	51,899	-	51,899
18.1	Held for Sale		66,066	-	66,066	51,899	-	51,899
18.2	Held from Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(17)	1,022,832	51,977	1,074,809	807,768	66,351	874,119
	TOTAL ASSETS		129,855,908	35,244,987	165,100,895	135,117,877	27,753,860	162,871,737

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2012 and 2011**

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

		Note (Section Five II)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
I. BALANCE SHEET			TL	FC	Total	TL	FC	Total
LIABILITIES AND EQUITY								
I.	DEPOSITS	(1)	92,079,627	27,599,627	119,679,254	88,697,824	25,073,972	113,771,796
1.1	Deposits Held By the Risk Group of the Bank		543,630	14,006	557,636	573,757	20,084	593,841
1.2	Other		91,535,997	27,585,621	119,121,618	88,124,067	25,053,888	113,177,955
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	38,987	16,604	55,591	29,897	14,514	44,411
III.	FUNDS BORROWED	(3)	879,745	2,602,533	3,482,278	74,146	606,996	681,142
IV.	MONEY MARKET BALANCES		5,577,693	5,584,781	11,162,474	23,319,266	2,517,720	25,836,986
4.1	Interbank Money Market Borrowings		-	-	-	-	871,480	871,480
4.2	Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3	Funds Provided under Repurchase Agreements		5,577,693	5,584,781	11,162,474	23,319,266	1,646,240	24,965,506
V.	MARKETABLE SECURITIES ISSUED (Net)		1,854,137	-	1,854,137	-	-	-
5.1	Bills		1,675,007	-	1,675,007	-	-	-
5.2	Asset-backed Securities		-	-	-	-	-	-
5.3	Bonds		179,130	-	179,130	-	-	-
VI.	FUNDS		4,292,229	-	4,292,229	3,871,136	-	3,871,136
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		4,292,229	-	4,292,229	3,871,136	-	3,871,136
VII.	MISCELLANEOUS PAYABLES		844,063	313,051	1,157,114	743,233	207,858	951,091
VIII.	OTHER LIABILITIES	(4)	1,182,682	368,050	1,550,732	796,728	360,805	1,157,533
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	PAYABLES FROM LEASING TRANSACTIONS (Net)	(5)	-	287	287	-	-	-
10.1	Finance Lease Payables		-	297	297	-	-	-
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	10	10	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XII.	PROVISIONS	(7)	3,885,824	33,527	3,919,351	2,714,927	25,276	2,740,203
12.1	General Provisions		1,210,302	22,913	1,233,215	982,690	16,641	999,331
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Employee Benefits Provisions		777,731	520	778,251	659,293	344	659,637
12.4	Insurance Technical Reserves (Net)		876,567	-	876,567	817,630	-	817,630
12.5	Other Provisions		1,021,224	10,094	1,031,318	255,314	8,291	263,605
XIII.	TAX LIABILITY	(8)	525,828	1,537	527,365	274,644	2,660	277,304
13.1	Current Tax Liability		525,828	1,169	526,997	274,644	2,557	277,201
13.2	Deferred Tax Liability		-	368	368	-	103	103
XIV.	LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
14.1	Held for Sale		-	-	-	-	-	-
14.2	Held from Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS		-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY	(9)	16,969,799	450,284	17,420,083	13,579,356	(39,221)	13,540,135
16.1	Paid-in Capital		2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital Reserves		1,035,303	450,284	1,485,587	157,049	(39,221)	117,828
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences		474,452	450,284	924,736	(403,794)	(39,221)	(443,015)
16.2.4	Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6	Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7	Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17,369	-	17,369	17,361	-	17,361
16.2.8	Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9	Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10	Other Capital Reserves		543,482	-	543,482	543,482	-	543,482
16.3	Profit Reserves		10,200,423	-	10,200,423	8,339,732	-	8,339,732
16.3.1	Legal Reserves		2,525,171	-	2,525,171	2,400,181	-	2,400,181
16.3.2	Statutory Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		7,041,211	-	7,041,211	5,305,510	-	5,305,510
16.3.4	Other Profit Reserves		634,041	-	634,041	634,041	-	634,041
16.4	Profit or Loss		3,197,558	-	3,197,558	2,491,992	-	2,491,992
16.4.1	Prior Years Profit/Loss		446,544	-	446,544	271,407	-	271,407
16.4.2	Net Period Profit/Loss		2,751,014	-	2,751,014	2,220,585	-	2,220,585
16.5	Minority Interest		36,515	-	36,515	90,583	-	90,583
TOTAL LIABILITIES AND EQUITY			128,130,614	36,970,281	165,100,895	134,101,157	28,770,580	162,871,737

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2012 and 2011**

(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 (31/12/2012)			Prior Period (31/12/2011)		
			TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>(1),(3)</b>	<b>54,173,751</b>	<b>40,813,745</b>	<b>94,987,496</b>	<b>36,277,904</b>	<b>21,501,989</b>	<b>57,779,893</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>		<b>5,530,506</b>	<b>10,121,614</b>	<b>15,652,120</b>	<b>4,046,227</b>	<b>8,004,544</b>	<b>12,050,771</b>
1.1	Letters of Guarantee		5,465,461	6,787,048	12,252,509	4,044,193	5,936,196	9,980,389
1.1.1	Guarantees Subject to State Tender Law		379,750	6,132,611	6,512,361	391,576	5,600,712	5,992,288
1.1.2	Guarantees Given for Foreign Trade Operations		4,281,844	-	4,281,844	2,959,867	-	2,959,867
1.1.3	Other Letters of Guarantee		803,867	654,437	1,458,304	692,750	335,484	1,028,234
1.2	Bank Acceptances		5,363	955,606	960,969	2,000	361,764	363,764
1.2.1	Import Letter of Acceptance		5,363	941,199	946,562	-	6,354	6,354
1.2.2	Other Bank Acceptances		-	14,407	14,407	2,000	355,410	357,410
1.3	Letters of Credit		59,682	2,355,459	2,415,141	34	1,682,194	1,682,228
1.3.1	Documentary Letters of Credit		59,682	2,291,766	2,351,448	34	1,682,194	1,682,228
1.3.2	Other Letters of Credit		-	63,693	63,693	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	23,501	23,501	-	24,390	24,390
1.9	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>(1),(3)</b>	<b>47,204,131</b>	<b>20,743,710</b>	<b>67,947,841</b>	<b>30,968,423</b>	<b>8,435,865</b>	<b>39,404,288</b>
2.1	Irrevocable Commitments		8,120,364	937,008	9,057,372	7,778,258	1,103,352	8,881,610
2.1.1	Asset Purchase and Sale Commitments		115,642	340,276	455,918	268,644	369,181	637,825
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	1,000	-	1,000
2.1.4	Loan Granting Commitments		11	198,997	199,008	143	84,384	84,527
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		2,410,263	37	2,410,300	2,461,000	15	2,461,015
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		3,813,950	15,439	3,829,389	3,822,106	15,925	3,838,031
2.1.10	Commitments for Credit Cards and Banking Services Promotions		10,985	-	10,985	8,131	-	8,131
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		1,769,513	382,259	2,151,772	1,217,234	633,847	1,851,081
2.2	Revocable Commitments		39,083,767	19,806,702	58,890,469	23,190,165	7,332,513	30,522,678
2.2.1	Revocable Loan Granting Commitments		39,083,755	19,806,702	58,890,457	23,189,863	7,332,513	30,522,376
2.2.2	Other Revocable Commitments		12	-	12	302	-	302
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>1,439,114</b>	<b>9,948,421</b>	<b>11,387,535</b>	<b>1,263,254</b>	<b>5,061,580</b>	<b>6,324,834</b>
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		1,439,114	9,948,421	11,387,535	1,263,254	5,061,580	6,324,834
3.2.1	Forward Foreign Currency Buy/Sell Transactions		7,225	105,117	112,342	133,195	134,512	267,707
3.2.1.1	Forward Foreign Currency Transactions-Buy		3,611	52,564	56,175	66,617	67,248	133,865
3.2.1.2	Forward Foreign Currency Transactions-Sell		3,614	52,553	56,167	66,578	67,264	133,842
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1,431,889	9,843,304	11,275,193	1,130,059	4,927,068	6,057,127

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2012 and 2011**

(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 (31/12/2012)			Prior Period (31/12/2011)		
			TL	FC	Total	TL	FC	Total
3.2.2.1	Foreign Currency Swap-Buy		664	5,695,231	5,695,895	-	3,032,196	3,032,196
3.2.2.2	Foreign Currency Swap-Sell		1,431,225	4,148,073	5,579,298	1,130,059	1,894,872	3,024,931
3.2.2.3	Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4	Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3	Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1	Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2	Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>231,307,867</b>	<b>15,817,059</b>	<b>247,124,926</b>	<b>213,013,294</b>	<b>14,787,539</b>	<b>227,800,833</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>30,258,214</b>	<b>2,479,818</b>	<b>32,738,032</b>	<b>21,157,268</b>	<b>1,292,258</b>	<b>22,449,526</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		10,785,482	1,298,862	12,084,344	3,561,620	1,133,079	4,694,699
4.3	Checks Received for Collection		942,646	22,480	965,126	977,787	14,781	992,568
4.4	Commercial Notes Received for Collection		2,627,395	132,381	2,759,776	2,770,680	143,105	2,913,785
4.5	Other Assets Received for Collection		8,879	-	8,879	8,893	-	8,893
4.6	Assets Received for Public Offering		15,722,252	90	15,722,342	13,672,892	93	13,672,985
4.7	Other Items Under Custody		169,911	1,026,005	1,195,916	163,747	1,200	164,947
4.8	Custodians		1,649	-	1,649	1,649	-	1,649
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>201,042,222</b>	<b>12,750,929</b>	<b>213,793,151</b>	<b>191,856,026</b>	<b>13,410,956</b>	<b>205,266,982</b>
5.1	Marketable Securities		595,136	37,418	632,554	269,329	38,111	307,440
5.2	Guarantee Notes		8,062,281	616,679	8,678,960	24,544,098	4,535,921	29,080,019
5.3	Commodity		1,249,249	13,603	1,262,852	1,249,461	14,118	1,263,579
5.4	Warranty		-	-	-	-	22,168	22,168
5.5	Immovable		177,847,875	9,733,171	187,581,046	154,552,016	7,077,136	161,629,152
5.6	Other Pledged Items		13,282,472	2,343,229	15,625,701	11,235,913	1,714,834	12,950,747
5.7	Pledged Items-Depository		5,209	6,829	12,038	5,209	8,668	13,877
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>7,431</b>	<b>586,312</b>	<b>593,743</b>	<b>-</b>	<b>84,325</b>	<b>84,325</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>285,481,618</b>	<b>56,630,804</b>	<b>342,112,422</b>	<b>249,291,198</b>	<b>36,289,528</b>	<b>285,580,726</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2012 and 2011**

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

III. STATEMENT OF INCOME				
	INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Current Period 01/01-31/12/2012	Prior Period 01/01-31/12/2011
I.	<b>INTEREST INCOME</b>	(1)	15,004,188	13,828,840
1.1	Interest Income from Loans		8,729,428	7,454,331
1.2	Interest Income From Reserve Deposits		1,647	1,815
1.3	Interest Income from Banks		64,787	42,538
1.4	Interest Income from Money Market Placements		1,279	94
1.5	Interest Income from Marketable Securities		6,133,358	6,276,401
1.5.1	Financial Assets Held for Trading		2,887	10,266
1.5.2	Financial Assets at Fair Value through Profit and Loss		963	-
1.5.3	Financial Assets Available-for-Sale		3,201,311	3,210,445
1.5.4	Investments Held-to-Maturity		2,928,197	3,055,690
1.6	Finance Lease Income		48,053	38,692
1.7	Other Interest Income		25,636	14,969
II.	<b>INTEREST EXPENSES</b>	(2)	7,901,565	8,434,665
2.1	Interest Expense on Deposits		6,279,263	7,297,676
2.2	Interest on Borrowings		88,930	16,583
2.3	Interest on Money Market Borrowings		1,381,240	1,099,760
2.4	Interest on Marketable Securities Issued		133,407	-
2.5	Other Interest Expense		18,725	20,646
III.	<b>NET INTEREST INCOME/EXPENSES (I - II)</b>		7,102,623	5,394,175
IV.	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		697,715	540,424
4.1	Fees and Commissions Received		883,660	801,067
4.1.1	Non-cash Loans		64,118	46,850
4.1.2	Other		819,542	754,217
4.2	Fees and Commissions Paid		185,945	260,643
4.2.1	Non-cash Loans		19	167
4.2.2	Other		185,926	260,476
V.	<b>DIVIDEND INCOME</b>	(3)	17,679	21,669
VI.	<b>TRADING PROFIT/LOSS (Net)</b>	(4)	(44,715)	(47,361)
6.1	Profit/Loss from Capital Market Operations		66,792	102,543
6.2	Profit/losses on Derivative Financial Transactions	(5)	(45,184)	287,269
6.3	Profit/Loss from Foreign Exchanges		(66,323)	(437,173)
VII.	<b>OTHER OPERATING INCOME</b>	(6)	1,438,807	1,526,962
VIII.	<b>TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		9,212,109	7,435,869
IX.	<b>PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	(7)	1,807,710	817,086
X.	<b>OTHER OPERATING EXPENSES(-)</b>	(8)	3,758,510	3,684,448
XI.	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		3,645,889	2,934,335
XII.	<b>GAINS RECORDED AFTER MERGER</b>		-	-
XIII.	<b>PROFIT/LOSS ON EQUITY METHOD</b>		11,285	13,473
XIV.	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
XV.	<b>INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	(9)	3,657,174	2,947,808
XVI.	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	(10)	(901,643)	(713,977)
16.1	Current Tax Provision		(1,187,066)	(353,187)
16.2	Deferred Tax Provision		285,423	(360,790)
XVII.	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>		2,755,531	2,233,831
XVIII.	<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		-	-
XIX.	<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		-	-
XX.	<b>PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
XXI.	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
XXIII.	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	(12)	2,755,531	2,233,831
23.1	Group's Profit/Loss		2,751,014	2,220,585
23.2	Minority Shares Profit/Loss		4,517	13,246
	Earnings/Loss per Share (Full TL)		1.1004	0.8882

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Financial Statements at 31 December 2012 and 2011

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (31/12/2012)	Prior Period (31/12/2011)
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	2,262,321	(238,745)
II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	18,450	(17,038)
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	93,907	(216)
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(351,322)	85,332
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	2,023,356	(170,667)
XI. CURRENT YEAR PROFIT/LOSS	(655,605)	(1,050,107)
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	(667,102)	(1,055,826)
11.2 Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4 Other	11,497	5,719
XII. TOTAL PROFIT/LOSS FOR THE PERIOD (X±XI)	1,367,751	(1,220,774)

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Statement of Changes in Shareholders' Equity at 31 December 2011

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

### V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

	31 December 2011	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves
I.	Balance at the beginning of the period		2,500,000	543,482	-	-	2,104,475
	Changes During the Period		-	-	-	-	-
II.	Increase/Decrease Related to Merger		-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	1,071
IV.	Hedging Funds (Active Part)		-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	16,177
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity		-	-	-	-	-
XII.	Increase in Capital		-	-	-	-	-
12.1	Cash		-	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-
XVI.	Other		-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	278,458
18.1	Dividend Distributed		-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	278,458
18.3	Other		-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		2,500,000	543,482	-	-	2,400,181

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

	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
	-	3,000,593	583,409	3,750,753	232,862	777,759	-	17,295	-	-	78,305	13,588,933
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(1,070,571)	-	-	-	-	(63)	(1,069,563)
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	66	-	-	-	66
	-	-	-	-	-	(150,203)	-	-	-	-	-	(134,026)
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	394	-	-	-	-	-	(394)	-
	-	-	-	2,220,585	-	-	-	-	-	-	13,246	2,233,831
	-	2,304,917	50,632	(3,750,753)	38,151	-	-	-	-	-	(511)	(1,079,106)
	-	-	-	-	(1,078,595)	-	-	-	-	-	(511)	(1,079,106)
	-	2,304,917	50,632	(3,750,753)	1,116,746	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	5,305,510	634,041	2,220,585	271,407	(443,015)	-	17,361	-	-	90,583	13,540,135

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Statement of Changes in Shareholders' Equity at 31 December 2012

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

### V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

31 December 2012	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves
I. Balance at the beginning of the period		2,500,000	543,482	-	-	2,400,181
Changes During the Period						
II. Increase/Decrease Related to Merger		-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	11,528
IV. Hedging Funds (Active Part)		-	-	-	-	-
4.1 Cash-Flow Hedge		-	-	-	-	-
4.2 Hedges for Investments Made in Foreign Countries		-	-	-	-	-
V. Revaluation Differences of Tangible Assets		-	-	-	-	-
VI. Revaluation Differences of Intangible Assets		-	-	-	-	-
VII. Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	(4,272)
IX. Changes Resulted from Disposal of Assets		-	-	-	-	-
X. Changes Resulted from Reclassification of Assets		-	-	-	-	-
XI. Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity		-	-	-	-	-
XII. Increase in Capital		-	-	-	-	-
12.1 Cash		-	-	-	-	-
12.2 From Internal Resources		-	-	-	-	-
XIII. Issuance of Share Certificates		-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-
XV. Adjustment to Paid-in Capital		-	-	-	-	-
XVI. Other		-	-	-	-	-
XVII. Net Profit or Losses		-	-	-	-	-
XVIII. Profit Distribution		-	-	-	-	117,734
18.1 Dividend Distributed		-	-	-	-	-
18.2 Transfers to Legal Reserves		-	-	-	-	117,734
18.3 Other		-	-	-	-	-
Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		2,500,000	543,482	-	-	2,525,171

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

	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
	-	5,305,510	634,041	2,220,585	271,407	(443,015)	-	17,361	-	-	90,583	13,540,135
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	1,349,301	-	-	-	-	(206)	1,360,623
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	8	-	-	-	8
	-	-	-	-	-	18,450	-	-	-	-	-	14,178
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	55,226	-	-	-	-	-	(55,226)	-
	-	-	-	2,751,014	-	-	-	-	-	-	4,517	2,755,531
	-	1,735,701	-	(2,220,585)	119,911	-	-	-	-	-	(3,153)	(250,392)
	-	-	-	-	(247,239)	-	-	-	-	-	(3,153)	(250,392)
	-	1,735,701	-	(2,220,585)	367,150	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	7,041,211	634,041	2,751,014	446,544	924,736	-	17,369	-	-	36,515	17,420,083



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Statement of Cash Flows at 31 December 2012 and 2011**

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

		Note (Section Five VI)	Current Period (31/12/2012)	Prior Period (31/12/2011)
<b>VI. STATEMENT OF CASH FLOWS</b>				
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		3,502,274	4,975,541
1.1.1	Interest Received		13,738,401	16,254,240
1.1.2	Interest Paid		(7,941,910)	(8,472,798)
1.1.3	Dividend Received		20,972	24,962
1.1.4	Fees and Commissions Received		883,736	796,514
1.1.5	Other Income		2,491,400	1,864,592
1.1.6	Collections from Previously Written-off Loans and Other Receivables		749,391	826,500
1.1.7	Payments to Personnel and Service Suppliers		(350,720)	(3,428,330)
1.1.8	Taxes Paid		(1,156,789)	(693,046)
1.1.9	Other		(4,932,207)	(2,197,093)
1.2	Changes in Operating Assets and Liabilities		(14,042,253)	(10,872,343)
1.2.1	Net (Increase)/Decrease in Trading Securities		28,120	145,844
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Banks		(8,528,796)	(4,839,565)
1.2.4	Net (Increase)/Decrease in Loans		(804,789)	(16,137,357)
1.2.5	Net (Increase)/Decrease in Other Assets		(94,071)	(244,336)
1.2.6	Net Increase/(Decrease) in Bank Deposits		(10,897,438)	21,802,965
1.2.7	Net Increase/(Decrease) in Other Deposits		2,194,406	(13,298,545)
1.2.8	Net Increase/(Decrease) in Funds Borrowed		2,777,459	504,344
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		1,282,856	1,194,307
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>(10,539,979)</b>	<b>(5,896,802)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>		<b>7,741,998</b>	<b>1,560,969</b>
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(58,847)	(22,196)
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3	Fixed Assets Purchases		(59,728)	(204,116)
2.4	Fixed Assets Sales		37,469	32,217
2.5	Cash for Purchase of Financial Assets Available for Sale		(10,942,498)	(51,482,049)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		12,983,207	50,774,354
2.7	Cash Paid for Purchase of Investment Securities		(418,658)	(4,670,750)
2.8	Cash Obtained from Sale of Investment Securities		5,253,824	9,241,040
2.9	Other		947,229	(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>1,656,341</b>	<b>(1,078,595)</b>
3.1	Cash from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Marketable Securities Issued		1,903,580	-
3.4	Dividends Paid		(247,239)	(1,078,595)
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>(72,871)</b>	<b>613,618</b>
<b>V.</b>	<b>Net Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(1,214,511)</b>	<b>(4,800,810)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	(1)	<b>8,281,135</b>	<b>13,081,945</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	(1)	<b>7,066,624</b>	<b>8,281,135</b>

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

## Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Statement of Profit Appropriation at December 2012 and 2011**

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

VII. PROFIT APPROPRIATION STATEMENT <sup>(1)</sup>		Current Period (31/12/2012)	Prior Period <sup>(2)</sup> (31/12/2011)
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	Current Year Income	3,504,725	2,779,504
1.2	Taxes and Duties Payable (-) <sup>(3)</sup>	1,142,233	678,830
1.2.1	Corporate Tax (Income Tax)	1,142,233	314,816
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes and Duties	-	364,014
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>2,362,492</b>	<b>2,100,674</b>
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	118,125	105,034
1.5	Other Statutory Reserves (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>2,244,367</b>	<b>1,995,640</b>
1.6	First Dividend to Shareholders (-)	-	125,000
1.6.1	To Owners of Ordinary Shares	-	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 (-)	-	122,239
1.8	Dividends to Board of Directors (-)	-	-
1.9	Second Dividend to Shareholders (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	12,700
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	1,735,701
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends to Shareholders (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Privileged Shares	-	-
2.3.3	To Owners of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders of Profit and Loss Sharing Certificates	-	-
2.4	Dividends to Personnel (-)	-	-
2.5	Dividends to Board of Directors (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	To Owners of Ordinary Shares	1.0601	0.8403
3.2	To Owners of Ordinary Shares (%)	106.01	84.03
3.3	To Owners of Privileged Shares	-	-
3.4	To Owners of Privileged Shares (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	To Owners of Ordinary Shares	-	0.05
4.2	To Owners of Ordinary Shares (%)	-	5.00
4.3	To Owners of Privileged Shares	-	-
4.4	To Owners of Privileged Shares (%)	-	-

<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 2011, and rearranged accordingly.<sup>(3)</sup> The deferred tax asset of prior period amounting to TL287,936 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 Consolidated Financial Statements at 31 December 2012

(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 consolidated financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 28337 dated 28 June 2012.

The financial statements of subsidiaries operating abroad have been prepared in accordance with the law and regulations of the country they operate. However, in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to these consolidated financial statements.

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

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

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

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

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

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

Main activity of the Parent 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 Parent 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 Parent Bank directs these

funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Parent Bank's liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the Parent Bank's balance sheet are with fixed interest rate, some of the securities in assets have floating interest rate. Since the remaining time to re-pricing date of sources is short, cost of sources is repriced in short periods based on the market conditions. Moreover, the Parent Bank adopts high return principle for its long-term placements.

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

Since the Parent Bank's total debt to the market is low among its total liabilities, the Parent 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 Parent Bank is a public bank with an extensive branch network.

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

Foreign currency operations are recognized at transaction date and valued by Parent Bank's prevailing counter currency buying rate. At period ends, foreign currency asset and liability balances are valued at the Parent 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 Parent Bank are translated into Turkish Lira with the Bank's prevailing counter currency buying rates at the balance sheet date.

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

#### **a. Consolidation principles applied:**

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" and the "Turkish Accounting Standard for Consolidated and Separate Financial Statements" ("TAS 27") published in the Official Gazette No. 26340 dated 8 November 2006.

#### **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.

## Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

### Notes to the Consolidated Financial Statements at 31 December 2012

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

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	2012		2011	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Ziraat Hayat ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	99.99	99.98	99.98	99.98
Ziraat Sigorta A.Ş.	İstanbul/Turkey	Insurance	99.99	99.98	99.98	99.98
Ziraat Finansal Kiralama A.Ş.	İstanbul/Turkey	Leasing	90.00	90.00	50.25	50.25
Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	Investment Management	72.60	75.00	63.06	75.00
Ziraat Portföy Yönetimi A.Ş.	İstanbul/Turkey	Portfolio Management	68.08	74.90	65.44	74.90
Ziraat Bank International A.G.	Frankfurt/Germany	Banking	100.00	100.00	100.00	100.00
Ziraat Bank BH d.d.	Sarajevo/Bosnia Herzegovina	Banking	100.00	100.00	100.00	100.00
Ziraat Bank (Moscow) CJSC	Moscow/Russia	Banking	99.91	99.91	99.91	99.91
Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	Banking	99.58	99.58	99.36	99.36
Ziraat Banka AD Skopje	Skopje/Macedonia	Banking	-	-	100.00	100.00

\* The whole equity share of the Bank Ziraat Bank AD Skopje will be transferred to Halk Banka A.D. Skopje, Joint Venture of T. Halk Bankası A.Ş. under the Council of Ministers' decision numbered 2002/3555, by taking both Turkey and Macedonia's legislation into consideration. Transfer transaction was completed on November, 2012.

#### 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.

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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	2012		2011	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Azer Türk Bank ASC	Baku/Azerbaijan	Banking	50.00	50.00	50.00	50.00
Turkmen Turkish Joint Stock Commercial Bank	Ashgabat/Turkmenistan	Banking	50.00	50.00	50.00	50.00
Uzbekistan- Turkish Bank	Tashkent/Uzbekistan	Banking	50.00	50.00	50.00	50.00
Arap Türk Bankası A.Ş.	İstanbul/Turkey	Banking	15.43	15.43	15.43	15.43

3. Principles applied during share transfer, merger and acquisition: None.

4. Transactions with minority shareholders:

The Group considers transactions with minority shareholders as transactions within the Group.

For acquisitions from minority shareholders, the difference between the acquisition cost and related portion of net assets' booked value is deducted from equity. Profit or loss resulting from sales to minority shareholders is booked under equity.

### b. Presentation of unconsolidated subsidiaries and associates in consolidated financial statements:

Turkish lira denominated unconsolidated associates and subsidiaries are booked at cost value, less any impairment if any, in accordance with "Turkish Accounting Standards for Consolidated and Separate Financial Statements" ("TAS 27") are recognised in the consolidated financial statements.

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

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

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

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

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

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

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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 is recognized as income on the date they are collected. Whereas, commission income from individual, commercial and entrepreneurial loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. Other fees and commission expenses are recorded as expense on the date they are paid.

### VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

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

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

### c. Loans and receivables:

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

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

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

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

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

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



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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 "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.

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

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

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

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

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

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

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

Parent Bank's 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.

Estimated depreciation rates of tangible fixed assets are as follows;

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

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

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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 ("Management") Lease

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

#### b. Accounting of leasing transactions for lessor:

Subject to financial leasing in the consolidated balance sheet of the entity is shown as a receivable equal to net leasing. The interest income is determined so as to form a fixed revenue return ratio using net investment method related to lease asset of the lessor, and the portion of interest income which does not take part in the related term is followed under the unearned interest income account.

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

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

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

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

#### b. Pension Rights

Some of the Parent Bank's personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees Pension Fund ("Fund") which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. As of 31 December 2012 the number of personnel who benefit from the Fund, excluding dependents is 14,060 (2011: 14,325). 10,537 of these members are active while 3,523 are passive members. (2011: 10,925 active members, 3,400 passive members).

In accordance with 23<sup>rd</sup> 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 1<sup>st</sup> paragraph of the 1<sup>st</sup> article of the 23<sup>rd</sup> provisional clause of Banking Act numbered 5411 allowing pension funds to be transferred to Social Security Institution ("SSI") is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

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

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

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

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

The technical balance sheet report as of 31 December 2012 which is prepared in accordance with the new law and the rate determined as 9.80%, concluded no technical deficit arises in the above mentioned fund. Since the 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 14<sup>th</sup> and paid by the 17<sup>th</sup> 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.

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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 25<sup>th</sup> 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 2012 are presented below:

Russia	20.00%
Kazakhstan	20.00%
Germany	15.00%
Bosnia Herzegovina	10.00%

### b. Deferred tax

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

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

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

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

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

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

## XVIII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES

### Technical Reserves

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that, future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. In accordance with "the circular about the Change of Unexpired Risks Reserve Calculation"

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numbered 2012/15 published by Treasury, if the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

### ***Reserve for unearned premiums:***

Reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the balance sheet date, without deductions of commission or any other expense.

### ***Unexpired risk provision:***

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that, future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. In accordance with "the circular about the Change of Unexpired Risks Reserve Calculation" numbered 2012/15 published by Treasury, if the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

### ***Reserve for outstanding claims:***

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

### ***Offset provision:***

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

### ***Mathematical provisions:***

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

## **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.



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

The Group has issued no convertible bonds.

### 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 Group, are disclosed in Note IX. of Section Four.

### XXV. EXPLANATIONS ON OTHER MATTERS

a. The General Assembly for the year 2011 was carried out on 18 April 2012. In accordance with the decision taken, of the profit for the year 2011 amounting to TL2,100,674, TL105,034 is transferred to legal reserves and TL12,700 is transferred to second legal reserve, TL127,000 is distributed as dividend to employees provided that dividend amount does not exceed two month gross wage for each employee and TL106,250 is distributed to Treasury after deducting withholding tax of 15% (TL18,750) in cash. In this context, TL1,730,940 of the profit is preserved and of the dividend decided to be paid to personnel, TL122,239 dividend is paid. In accordance with the decision taken in General Assembly Meeting, the remaining of dividend paid to employees, TL4,761 was transferred to "profit reserves" account.

#### b. Overview of Changes in Accounting Estimates:

In the previous periods, the parent bank allocated special provisions considering the minimum rates and prudence principle stated in "Regulation on the Procedures and Principles on Determining the Characteristics of the Loans and other Receivables by the Banks and the provisions that would be Set Aside for them" regardless of such loan collaterals; however, in line with the provision of the General Directorate Authority Approval dated 29 June 2012 and of the clause (8) of Article 10 of the regulation stating that "based on the reliability and prudence assumptions defined in the Communiqué on Conceptual Framework regarding Preparation and Presentation of Financial Statements promulgated in the Official Gazette No. 25702 dated 16 January 2005, special provision may be allocated to the extent of the amount of the said non-performing receivable on condition not to be less than the special provision amounts applicable for the group in which the non-performing receivable is included regardless of the amount of



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collateral", the parent bank started to set aside special provisions corresponding to 50% of the non-performing receivable amount as of the date of including the non-performing receivables in the Third Group and special provisions corresponding to 100% of the non-performing receivable amount as of the date of including the non-performing receivables in the Fourth and Fifth Group. As a result of increasing the said special provision rates, an additional special provision corresponding to TL112,989 was allocated as of 30 June 2012.

### 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 18.69%.

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

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

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

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

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

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

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

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**Information related to capital adequacy ratio:**

	Risk Weights									
	Parent Bank									
	0%	10%	20%	50% Real Est. Mort. Coll.	50%	75%	100%	150%	200%	1250%
<b>Value at Credit Risk Exposure Categories</b>	<b>80,773,000</b>	-	<b>2,954,823</b>	-	<b>15,770,532</b>	<b>42,769,173</b>	<b>23,613,710</b>	<b>2,709,624</b>	<b>8,947,550</b>	-
<b>Risk Classes</b>										
Conditional and unconditional receivables from central governments or central banks	75,058,356	-	-	-	7,189,829	-	201,384	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	99,250	-	22	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	332,421	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	2,855,506	-	8,580,681	-	425,570	-	-	-
Conditional and unconditional corporate receivables	-	-	-	-	-	-	19,517,032	-	-	-
Conditional and unconditional retail receivables	-	-	-	-	-	35,074,899	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	7,694,274	179,500	-	-	-
Past due receivables	-	-	-	-	-	-	588,005	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	2,709,624	8,947,550	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	5,714,644	-	67	-	-	-	2,369,798	-	-	-

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

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	Risk Weights									
	Consolidated									
	0%	10%	20%	50% Real Est. Mort. Coll.	50%	75%	100%	150%	200%	1250%
<b>Value at Credit Risk Exposure Categories</b>	<b>81,297,464</b>	-	<b>3,437,315</b>	-	<b>14,713,995</b>	<b>43,154,015</b>	<b>25,261,184</b>	<b>2,716,015</b>	<b>8,947,550</b>	-
<b>Risk Classes</b>										
Conditional and unconditional receivables from central governments or central banks	75,058,409	-	-	-	7,289,156	-	221,635	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	99,250	-	22	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	333,015	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	3,337,998	-	7,424,817	-	167,491	-	-	-
Conditional and unconditional corporate receivables	-	-	-	-	-	-	21,305,523	-	-	-
Conditional and unconditional retail receivables	-	-	-	-	-	35,459,741	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	7,694,274	179,500	-	-	-
Past due receivables	-	-	-	-	-	-	589,047	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	2,716,015	8,947,550	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	6,239,055	-	67	-	-	-	2,464,973	-	-	-

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

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

	Consolidated Current Period	The Parent Bank Current Period
Credit Risk Base Amount (CRBA) (Value at Credit Risk* 0.08)	6,553,198	6,450,484
Market Risk Base Amount (MRBA)	404,867	379,023
Operational Risk Base Amount (ORBA)	1,012,507	910,851
Shareholders' Equity	18,621,101	18,390,975
<b>Shareholders' Equity((CRBA+MRBA+ORBA) *12.5)* 100</b>	<b>18.69</b>	<b>19.01</b>

### Information Related to the 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 to Paid-in Capital	543,482	543,482
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	10,200,423	8,339,732
Inflation Adjustments to Reserves	-	-
Profit	3,197,558	2,491,992
Current Period's Profit	2,751,014	2,220,585
Prior Period's Profit	446,544	271,407
Provision for Possible Losses (up to 25% of Core Capital)	654,776	140,248
Income on Sale of Equity Shares and Real Estates	-	-
Primary Subordinated Debts (up to 15% of Core Capital) <sup>(1)</sup>	-	-
Minority Shareholders	36,515	90,583
Loss (in excess of Reserves) (-)	-	-
Current Period's Losses	-	-
Prior Period's Losses	-	-
Leasehold Improvements on Operational Leases (-)	32,458	34,382
Intangible Assets (-)	33,867	32,723
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>17,066,429</b>	<b>14,038,932</b>

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

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	Current Period	Prior Period
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	1,233,215	999,331
45% of Movable Assets Revaluation Fund	-	-
45% of Immovables Revaluation Fund	-	-
Bonus Shares of Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	17,369	17,361
Primary Subordinated Loans Excluding the Portion included in the Core Capital	-	-
Secondary Subordinated Loan	-	-
45% of Value Increase Amount of Available for Sale Securities and Subsidiaries and Associates	416,131	(443,015)
Inflation Adjustments for Capital Reserves, Profit Reserves and Retained Earnings/Accumulated Losses (Except Inflation Adjustments for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
<b>Total Supplementary Capital</b>	<b>1,666,715</b>	<b>573,677</b>
<b>CAPITAL</b>	<b>18,733,144</b>	<b>14,612,608</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>112,043</b>	<b>94,880</b>
Shares in Unconsolidated Banks and Financial Institutions	612	-
Loans to banks, Financial Institutions (Domestic/Foreign), Holders of Qualified Shares in the form of Secondary Subordinated Loan and Loan Instruments Purchased from those Parties Qualified as Primary or Secondary Subordinated Loan	-	-
Shares of banks and financial institutions equity pick-up method applied but assets and liabilities are not consolidated	110,380	93,990
Equity Shares in Banks and Financial Institutions (Domestic and Foreign), 10% or More of whose Capital is Owned by the Bank and which are Excluded from the Consolidation	-	-
Total Equity Shares in Banks and Financial Institutions (Domestic and Foreign), less than 10% of whose Capital is Owned by the Bank and that Exceeds 10% of the Total Core Capital and Supplementary Capital	-	-
Loans Granted not in Compliance with the Provisions Stated in Articles 50 and 51 of the Act	-	-
Total Net Book Value of the Bank's Real Estates in excess of 50% of the Equity and in accordance with Article 57 of the Act, Net Book Value of Real Estates and Commodities Acquired in Exchange of Loans and Receivables that should be Disposed of however; have not been Disposed for the Last 5 Years Since the Beginning of the Acquisition Date	386	39
Other	665	851
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>18,621,101</b>	<b>14,517,728</b>

**3. Applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:**

The Parent Bank determined the capital adequacy policy within the scope of internal capital adequacy evaluation process, fixed the minimum factors to be considered in the capital adequacy determination.

Therefore, in the Parent Bank,

- Being evaluated within the scope of capital adequacy of financial situation of the Parent Bank in prior period, legal ratios and economic capital analysis.
- Being analysed within the scope of the accord to legal ratios and legal capital adequacy of budget considering imposed risks.
- Analyzing operations with stress tests are carried out the preservation potential against financial fluctuations of budget and convenience to capital adequacy policy in the process of these fluctuations.

**II. EXPLANATIONS ON THE CREDIT RISK**

Credit risk is the probable risks and losses arising from the partial or complete default of the opposite party that the Parent 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, group 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. 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.).

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Loans to finance agricultural production are the specialized loans of the Parent Bank and issued by all of the Parent Bank's branches. 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 and the financial information of the customer. The transactions of the loan customers are followed through the periodic visits made and in this way the changes at the credit worthiness are identified. The new limit issuances and changes at the existing 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 transactions 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.

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.

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

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

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

General provision made by the Bank for the credit risk is TL1,233,215 (2011: TL999,331).



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	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Current Period</b>							
Domestic	82,057,885	99,272	333,015	-	-	2,392,333	20,634,581
European Union Countries	4,860	-	-	-	-	8,072,801	88,326
OECD Countries <sup>(1)</sup>	-	-	-	-	-	81,116	-
Off-shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	175,065	-	-	-	-	37,737	151,880
Other Countries	331,390	-	-	-	-	332,221	430,736
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	14,098	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>82,569,200</b>	<b>99,272</b>	<b>333,015</b>	<b>-</b>	<b>-</b>	<b>10,930,306</b>	<b>21,305,523</b>

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

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

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

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Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
35,219,107	7,867,954	586,351	11,649,643	-	-	-	-	8,139,446	168,979,587
56,254	-	1,363	11,682	-	-	-	-	506,746	8,742,032
-	-	-	-	-	-	-	-	-	81,116
-	-	-	-	-	-	-	-	-	-
1,903	-	-	-	-	-	-	-	-	366,585
182,477	5,820	1,333	2,240	-	-	-	-	57,903	1,344,120
-	-	-	-	-	-	-	-	-	14,098
-	-	-	-	-	-	-	-	-	-
35,459,741	7,873,774	589,047	11,663,565	-	-	-	-	8,704,095	179,527,538

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

**Risk Classes**

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Sectors/Counter Parties</b>							
Agriculture	398	1,411	27,744	-	-	4	2,339,649
Farming and Stockbreeding	80	506	14,001	-	-	-	2,182,256
Forestry	4	10	495	-	-	-	104,486
Fishing	314	895	13,248	-	-	4	52,907
Manufacturing	44,067	1,727	11,351	-	-	-	10,063,049
Mining and Quarrying	4	139	14	-	-	-	219,899
Production	44,063	868	11,331	-	-	-	8,506,551
Electric, Gas and Water	-	720	6	-	-	-	1,336,599
Construction	-	69	11,957	-	-	9,168	1,823,214
Services	24,112,398	5,477	228,285	-	-	7,927,754	4,262,261
Wholesale and Retail Trade	22	171	742	-	-	-	2,165,033
Hotel Food and Beverage Services	56	193	38	-	-	-	354,134
Transportation and Telecommunication	8	324	89,507	-	-	-	183,104
Financial Institutions	24,108,610	1,304	502	-	-	7,391,830	150,721
Real Estate and Leasing Services	130	741	101,938	-	-	535,924	1,278,777
Self-Employment Services	-	-	-	-	-	-	-
Education Services	1,277	27	30,103	-	-	-	39,277
Health and Social Services	2,295	2,717	5,455	-	-	-	91,215
Other	58,412,337	90,588	53,678	-	-	2,993,380	2,817,350
<b>Total</b>	<b>82,569,200</b>	<b>99,272</b>	<b>333,015</b>	<b>-</b>	<b>-</b>	<b>10,930,306</b>	<b>21,305,523</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short- term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	13,412,627	293,313	8,475	9,884	-	-	-	-	3,005,128	18,861,554	237,079	19,098,633
	9,746,138	270,771	8,028	4,810	-	-	-	-	3,005,128	15,108,742	122,976	15,231,718
	85,593	2,884	192	2,172	-	-	-	-	-	96,835	99,001	195,836
	3,580,896	19,658	255	2,902	-	-	-	-	-	3,655,977	15,102	3,671,079
	1,579,958	90,622	18,484	18,766	-	-	-	-	-	5,027,601	6,800,423	11,828,024
	51,089	1,555	1,479	1,093	-	-	-	-	-	103,106	172,166	275,272
	1,503,084	86,915	15,514	15,155	-	-	-	-	-	4,617,511	5,565,970	10,183,481
	25,785	2,152	1,491	2,518	-	-	-	-	-	306,984	1,062,287	1,369,271
	751,826	46,427	12,660	8,542	-	-	-	-	-	1,769,319	894,544	2,663,863
	4,480,745	305,287	494,410	97,539	-	-	-	-	-	18,709,700	23,204,456	41,914,156
	2,906,220	174,387	22,318	49,256	-	-	-	-	-	4,506,638	811,511	5,318,149
	321,133	35,149	1,870	10,921	-	-	-	-	-	420,729	302,765	723,494
	663,993	36,556	2,948	16,997	-	-	-	-	-	903,571	89,866	993,437
	21,456	3,241	64	824	-	-	-	-	-	10,996,301	20,682,251	31,678,552
	245,176	22,794	465,559	9,090	-	-	-	-	-	1,361,789	1,298,340	2,660,129
	-	-	-	-	-	-	-	-	-	-	-	-
	56,595	4,074	383	2,043	-	-	-	-	-	117,981	15,798	133,779
	266,172	29,086	1,268	8,408	-	-	-	-	-	402,691	3,925	406,616
	15,234,585	7,138,125	55,018	11,528,834	-	-	-	-	5,698,967	90,750,042	13,272,820	104,022,862
	<b>35,459,741</b>	<b>7,873,774</b>	<b>589,047</b>	<b>11,663,565</b>	-	-	-	-	<b>8,704,095</b>	<b>135,118,216</b>	<b>44,409,322</b>	<b>179,527,538</b>

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

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

	Term To Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Classifications:					
Conditional and unconditional exposures to central governments or central banks	15,627,686	3,375,829	7,673,566	15,135,704	40,756,415
Conditional and unconditional exposures to regional governments or local authorities	66	256	181	258	98,511
Conditional and unconditional receivables from administrative units and non-commercial enterprises	53,649	4,574	6,033	18,846	249,913
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	2,524,255	2,795,019	717,335	1,931,585	2,962,112
Conditional and unconditional exposures to corporates	1,263,765	336,569	928,633	5,119,234	13,657,322
Conditional and unconditional retail exposures	1,436,495	1,861,106	3,143,626	9,533,027	19,485,487
Conditional and unconditional exposures secured by real estate property	75,750	87,400	258,467	991,103	6,461,054
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	86,034	2,419	795,600	222,221	10,540,688
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
<b>Grand Total</b>	<b>21,067,700</b>	<b>8,463,172</b>	<b>13,523,441</b>	<b>32,951,978</b>	<b>94,211,502</b>

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

Rating scores are used in following risk classes:

1. Receivables from Central Governments or Central Banks
2. Receivables from Regional Governments or Local Authorities
3. Receivables from Administrative Units and Non-Commercial Enterprises
4. Receivables from Banks and Brokerage Houses

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

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

### Exposures by risk weights:

	Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	81,297,464	-	3,437,315	14,713,995	43,154,015	25,261,184	2,716,015	8,947,550	-	112,043
2	Exposures after Credit Risk Mitigation	85,898,865	-	4,655,066	19,061,505	35,057,808	23,190,729	2,716,015	8,947,550	-	112,043

Prepared with the numbers after conversion rate to credit.

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

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

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

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

	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	514,390	819,095	17,863	278,152
Farming and Stockbreeding	502,098	800,665	17,461	267,699
Forestry	2,799	3,429	75	2,759
Fishery	9,493	15,001	327	7,694
Manufacturing	158,828	123,753	2,699	143,430
Mining and Quarrying	3,503	7,751	169	2,072
Production	152,084	115,284	2,514	139,564
Electricity, Gas and Water	3,241	718	16	1,794
Services	861,201	532,126	11,606	365,284
Wholesale and Retail Trade	116,667	257,333	5,612	96,757
Accommodation and Dining	9,671	44,016	960	8,313
Transportation and Telecom.	26,328	102,610	2,238	23,752
Financial Institutions	2,373	6,147	134	2,253
Real Estate and Rental Services	693,443	73,212	1,597	223,027
Professional Services	97	896	20	96
Educational Services	2,128	15,897	347	1,854
Health and Social Services	10,494	32,015	698	9,232
Other	550,128	3,026,439	66,109	494,066
<b>Total</b>	<b>2,084,547</b>	<b>4,501,413</b>	<b>98,277</b>	<b>1,280,932</b>

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

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	628,211	815,403	162,682	-	1,280,932
2	General Provisions	999,331	233,884	-	-	1,233,215

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

(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	169,158	142,915
Banks	1,622,732	1,294,642
Interbank Money Market Placements	61,722	12,212
Available-for-sale Financial Assets	38,362,403	38,361,907
Held-to-maturity Investments	27,322,038	32,632,337
Loans	73,147,086	73,223,617
Other Assets	901,599	693,336
<b>Total credit risk exposure of balance sheet items</b>	<b>141,586,738</b>	<b>146,360,966</b>
Financial Guarantees	15,652,120	12,050,771
Commitments	67,947,841	39,404,288
<b>Total credit risk exposure of off-balance sheet items</b>	<b>83,599,961</b>	<b>51,455,059</b>
<b>Total credit risk exposure</b>	<b>225,186,699</b>	<b>197,816,025</b>

### Information about credit quality per class of financial assets

	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
<b>Financial Assets</b>						
Banks	1,622,732	-	1,622,732	1,294,642	-	1,294,642
Financial Assets at Fair Value Through Profit or Loss	169,158	-	169,158	142,915	-	142,915
Loans	67,842,058	4,501,413	72,343,471	69,241,119	3,716,110	72,957,229
Corporate Loans	18,849,892	1,008,778	19,858,670	17,666,517	729,498	18,396,015
Consumer Loans	27,901,936	2,678,930	30,580,866	29,658,241	2,402,036	32,060,277
Specialized Loans	21,090,230	813,705	21,903,935	21,916,361	584,576	22,500,937
Available-for-sale Financial Assets	38,362,403	-	38,362,403	38,361,907	-	38,361,907
Held-to-maturity Investments	27,322,038	-	27,322,038	32,632,337	-	32,632,337



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

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	665,905	579,478
Corporate Loans	288,605	113,076
Consumer Loans	31,515	29,452
Specialized Loans	345,785	436,950
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

### III. EXPLANATIONS ON THE MARKET RISK

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

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

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

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

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

Excluding Standard Method, Daily Value at Risk ("VAR") forecasts are made as per daily period for Held-for-Trading accounts and are reported to the related units. Historical Simulation Method are used in daily reportings and limit allocation. VAR results, calculated with Parametric and Monte Carlo Methods, are used for monitoring. Backward testing is performed so as to measure performance of used model. Also, Parent Bank performs as per daily and monthly periods stress tests and scenario analysis so as to observe the effect of excessive market fluctuations that are not covered by models over the Parent Bank's financial position.

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

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

**Information Related to Group's Market Risk:**

	Current Period
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	212,219
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	52,146
Capital Requirement for Specific Risk of Securitization Positions	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	118,764
(IV) Capital Requirement to be Employed for Commodity Risk - Standard Method	-
(V) Capital Requirement to be Employed for Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed for Market Risk Resulting from Options - Standard Method	-
(VII) Capital Requirement to be Employed for Counter Party Credit Risk - Standard Method	21,738
(VIII) Total Capital Requirement to be Employed for Market Risk in Banks Using Risk Measurement Model	-
(IX) Total Capital Requirement to be Employed for Market Risk (I+II+III+IV+V+VI+VII)	404,867
<b>(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)</b>	<b>5,060,838</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	329,633	357,613	245,055	397,381	405,682	394,521
Equity Share Risk	27,640	17,716	19,310	31,698	33,348	30,188
Currency Risk	96,287	101,457	118,764	92,292	103,546	79,213
Commodity Risk	-	-	-	1,156	1,954	1,565
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counter Party Credit Risk	19,374	17,009	21,738	-	-	-
<b>Amount Subject to Total Risk</b>	<b>5,790,578</b>	<b>6,172,438</b>	<b>5,060,838</b>	<b>6,531,588</b>	<b>6,806,625</b>	<b>6,318,588</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

### Quantitative Information on Counterparty Risk:

	Amount
Agreements based on Interest Rate	-
Agreements based on Foreign Exchange Currency	170,595
Agreements Based on Commodity	-
Agreements Based on Shares	-
Other	-
Gross Positive Fair Values	124,502
Benefits of Netting	-
Current Net Risk Amount	-
Reserved Guarantee	69,269
Net Position of Derivatives	236,981

### IV. EXPLANATIONS ON THE OPERATIONAL RISK

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

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

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

	31.12.2009	31.12.2010	31.12.2011	Total/ Positive Year	Rate (%)	Total
Gross Income	6,585,292	6,702,784	6,962,068	6,750,048	15	1,012,507
Amount Subject to Operational Risk						12,656,340

#### b) The Parent Bank does not apply standard method.

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

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

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

None.

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

"Liquidity Gap Analysis", "Repricing Gap Analysis" and "Structural Liquidity Gap Analysis" which takes into account historical repricing rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the 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
24.12.2012	1.7875	2.3548	1.8544	0.31632	0.27310	1.9549	1.8025	0.31938	2.8829	0.47666	2.1089
25.12.2012	1.7850	2.3493	1.8604	0.31558	0.27270	1.9526	1.8018	0.31870	2.8432	0.47600	2.1052
26.12.2012	1.7835	2.3557	1.8492	0.31674	0.27406	1.9567	1.7957	0.31958	2.8808	0.47556	2.0902
27.12.2012	1.7823	2.3530	1.8466	0.31628	0.27386	1.9530	1.7931	0.31979	2.8777	0.47528	2.0785
28.12.2012	1.7783	2.3449	1.8448	0.31509	0.27337	1.9465	1.7855	0.31861	2.8704	0.47420	2.0664
31.12.2012	1.7793	2.3501	1.8478	0.31513	0.27340	1.9467	1.7890	0.31973	2.8903	0.47446	2.0608

**e) Simple arithmetic average of the 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
1.7785	2.3273	1.8601	0.31276	0.26980	1.9312	1.7962	0.31707	2.8687	0.47430	2.1233

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

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

Current Period	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	5,995,127	5,214,984	4,163,271	15,373,382
Banks	296,834	293,773	381,180	971,787
Financial Assets at Fair Value Through Profit and Loss	401	129,261	-	129,662
Money Market Placements	-	3,909	55,764	59,673
Financial Assets Available-for-Sale	2,984,472	1,661,866	83	4,646,421
Loans <sup>(2)</sup>	3,002,780	5,793,353	372,702	9,168,835
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	11,697	35,619	-	47,316
Investments Held-to-Maturity	1,388,822	2,865,734	37,473	4,292,029
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	6,555	1,738	19,030	27,323
Intangible Assets	1,178	2,292	5,429	8,899
Other Assets	399,478	103,769	11,977	515,224
<b>Total Assets</b>	<b>14,087,344</b>	<b>16,106,298</b>	<b>5,046,909</b>	<b>35,240,551</b>
<b>Liabilities</b>				
Interbank Deposits	783,759	2,366,962	32,743	3,183,464
Foreign Currency Deposits	15,608,913	7,099,775	1,707,475	24,416,163
Money Market Borrowings	657,810	4,926,971	-	5,584,781
Funds Provided from Other Financial Institutions	453,899	2,147,908	726	2,602,533
Issued Marketable Securities	-	-	-	-
Sundry Creditors	205,170	106,698	1,183	313,051
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	226,566	127,264	49,571	403,401
<b>Total Liabilities</b>	<b>17,936,117</b>	<b>16,775,578</b>	<b>1,791,698</b>	<b>36,503,393</b>
<b>Net Balance Sheet Position</b>	<b>(3,848,773)</b>	<b>(669,280)</b>	<b>3,255,211</b>	<b>(1,262,842)</b>
<b>Net Off-Balance Sheet Position <sup>(3)</sup></b>	<b>3,633,754</b>	<b>733,994</b>	<b>(2,820,579)</b>	<b>1,547,169</b>
Financial Derivative Assets	3,673,362	1,530,053	544,380	5,747,795
Financial Derivative Liabilities	39,608	796,059	3,364,959	4,200,626
<b>Non-cash Loans</b>	<b>2,772,831</b>	<b>6,905,465</b>	<b>443,318</b>	<b>10,121,614</b>
<b>Prior Period</b>				
Total Assets	14,159,426	11,933,012	1,632,711	27,725,149
Total Liabilities	15,357,023	12,656,053	782,211	28,795,287
<b>Net Balance Sheet Position</b>	<b>(1,197,597)</b>	<b>(723,041)</b>	<b>850,500</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>(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>284,519</b>	<b>8,004,544</b>

<sup>(1)</sup> Of the foreign currencies presented in the other FC column of assets 83.44% is Gold, 2.23% is GEL, 1.27% is IQD, and the remaining 13.07% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 51.88% is Gold, 17.70% is GBP, 9.73% is CHF, 2.60% is IQD and the remaining 18.09% is other foreign currencies.

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

<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.

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

**VI. EXPLANATIONS ON THE INTEREST RATE RISK****Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on days to repricing dates):**

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 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	27,731	-	-	-	-	21,253,997	21,281,728
Banks	621,037	340,250	161,918	9,470	-	490,057	1,622,732
Financial Assets at Fair Value Through Profit and Loss	1,907	817	2,880	14,345	16,241	132,968	169,158
Money Market Placements	58,162	3,560	-	-	-	-	61,722
Financial Assets Available-for-Sale	11,707,771	4,854,830	10,489,599	5,802,620	5,056,280	451,303	38,362,403
Loans Given	19,526,037	6,891,959	18,393,808	24,285,842	3,184,094	865,346	73,147,086
Investments Held-to-Maturity	8,726,370	10,962,981	3,529,569	1,880,786	2,222,332	-	27,322,038
Other Assets	51,576	54,815	141,513	278,543	91,910	2,515,671	3,134,028
<b>Total Assets</b>	<b>40,720,591</b>	<b>23,109,212</b>	<b>32,719,287</b>	<b>32,271,606</b>	<b>10,570,857</b>	<b>25,709,342</b>	<b>165,100,895</b>
<b>Liabilities</b>							
Interbank Deposits	4,851,442	1,108,979	392,655	229,827	450,939	84,134	7,117,976
Other Deposits	67,883,171	14,004,597	7,961,408	334,251	3,209	22,374,642	112,561,278
Money Market Borrowings	8,334,493	2,023,843	804,138	-	-	-	11,162,474
Sundry Creditors	382	-	-	-	-	1,156,732	1,157,114
Issued Marketable Securities	132,765	1,019,768	701,604	-	-	-	1,854,137
Funds Provided from Other Financial Institutions	683,669	815,686	1,380,677	93,974	508,272	-	3,482,278
Other Liabilities	1,775	6,143	1,015	4,970,070	2,683	22,783,952	27,765,638
<b>Total Liabilities</b>	<b>81,887,697</b>	<b>18,979,016</b>	<b>11,241,497</b>	<b>5,628,122</b>	<b>965,103</b>	<b>46,399,460</b>	<b>165,100,895</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>4,130,196</b>	<b>21,477,790</b>	<b>26,643,484</b>	<b>9,605,754</b>	<b>-</b>	<b>61,857,224</b>
<b>Balance Sheet Short Position</b>	<b>(41,167,106)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,690,118)</b>	<b>(61,857,224)</b>
Off-Balance Sheet Long Position	300,498	978,666	191	51	-	-	1,279,406
Off-Balance Sheet Short Position	-	-	-	(1,162,801)	-	-	(1,162,801)
<b>Total Position</b>	<b>(40,866,608)</b>	<b>5,108,862</b>	<b>21,477,981</b>	<b>25,480,734</b>	<b>9,605,754</b>	<b>(20,690,118)</b>	<b>116,605</b>

<sup>(1)</sup> Non maturity balances are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.<sup>(2)</sup> TL4,277,386 of fund balance, whose risk does not belong to the Parent Bank, is included in other liabilities and shown under the "1 - 5 Years" column. TL14,843 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.<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 2012**

(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	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>-</b>	<b>14,376,765</b>	<b>22,376,356</b>	<b>33,226,883</b>	<b>10,758,675</b>	<b>-</b>	<b>80,738,679</b>
<b>Balance Sheet Short Position</b>	<b>(60,643,816)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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> Non maturity balances 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 is included in other liabilities and 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 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 Consolidated Financial Statements at 31 December 2012

(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>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	5.00
Banks	1.44	2.09	-	6.69
Financial Assets at Fair Value Through Profit and Loss	-	5.58	-	9.06
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.67	6.03	-	8.37
Loans Given <sup>(2)</sup>	4.73	5.06	-	14.77
Investments Held-to-Maturity	6.36	7.00	-	8.37
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	1.08	1.47	-	6.02
Other Deposits <sup>(4)</sup>	2.09	1.68	-	6.04
Money Market Borrowings	0.63	1.11	-	5.67
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	-	-	7.48
Funds Provided from Other Financial Institutions	1.81	2.16	-	6.37

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

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

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

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



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2012**

(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	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 Turkish Republic of Northern Cyprus.

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

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

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

**Interest rate risk on banking accounts:**

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

The Parent Bank performs scenario analysis with measurements that are suitable for structure and complexness of positions related to the market risk management, limiting, scenario analysis and stress test and also reports the findings cyclically. Bank performs analysis related to interest rate risks for the entire balance sheet. New products and services are also evaluated from the point of interest rate risk that is originated from banking accounts.

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

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

### Interest rate risk on banking accounts

Type of Currency	Shock Applied (+/- x basis point)	Gains/(Losses)	Gains/Equity- (Losses)/Equity
1. TRY	(+) 300bp	(1,294,992)	(7.04)%
2. TRY	(-) 300bp	1,456,026	7.92%
3. EUR	(+) 100bp	(26,881)	(0.15)%
4. EUR	(-) 100bp	32,057	0.17%
5. USD	(+) 100bp	(221,148)	(1.20)%
6. USD	(-) 100bp	248,818	1.35%
<b>Total (of negative shocks)</b>		<b>1,736,901</b>	<b>9.44%</b>
<b>Total (of positive shocks)</b>		<b>(1,543,021)</b>	<b>(8.39)%</b>

Equity Share Investments	Comparison		
	Balance Sheet Value	Fair Value	Market Value
1. Stock Investment Group A	-	-	-
Stock Exchange Securities	-	-	-
2. Stock Investment Group B	-	-	-
Stock Exchange Securities	-	-	-
3. Stock Investment Group C	-	-	-
Stock Exchange Securities	-	-	-
4. Stock Investment Other Group	-	-	-
Other	138,277	138,277	-

### VII. EXPLANATIONS ON THE LIQUIDITY RISK

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

The Parent Bank performs "Remaining Maturity Analysis" for the observation of the maturity structure of the balance sheet, "Liquidity Gap" and "Structural Liquidity Gap Analysis" for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Parent Bank's liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the Parent Bank's most crucial funding resource is monitored on a daily basis. Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

The Parent Bank calculates liquidity adequacy ratio and reports to BRSA on a weekly basis in accordance with the "Measurement and Assessment of Liquidity Adequacy of Banks" issued in the Official Gazette numbered 26333 and dated 1 November 2006. The liquidity adequacy of the Parent Bank is over the limit values specified in the mentioned regulation. Liquidity ratios in 2012 and 2011 are as follows;

<i>Current Period</i>	<b>First Maturity Segment (Weekly)</b>		<b>Second Maturity Segment (Monthly)</b>	
	<b>FC</b>	<b>FC + TL</b>	<b>FC</b>	<b>FC + TL</b>
<b>Average (%)</b>	318.14	218.56	170.13	133.86
<b>Maximum (%)</b>	405.61	346.97	183.5	159.56
<b>Minimum (%)</b>	250.5	169.37	155.17	114.29
<i>Prior Period</i>	<b>First Maturity Segment (Weekly)</b>		<b>Second Maturity Segment (Monthly)</b>	
	<b>FC</b>	<b>FC + TL</b>	<b>FC</b>	<b>FC + TL</b>
<b>Average (%)</b>	446.14	293.62	227.38	157.38
<b>Maximum (%)</b>	558.04	436.26	277.85	196.57
<b>Minimum (%)</b>	320.63	172.03	170.36	119.83

**a) Basis for the current liquidity risk of the 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. 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 inconsistency exists.

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

Although the average maturity of the Parent Bank's assets 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 Parent Bank. Besides, volume of deposits constituting the majority of the liabilities is not subject to significant changes. The Parent Bank also provides funds from long term financial transactions.

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

The Parent Bank's major source of funds 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 2012**

(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 (1) (2)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	21,281,728	-	-	-	-	-	-	21,281,728
Banks	490,057	621,037	340,250	161,918	9,470	-	-	1,622,732
Financial Assets at Fair Value Through Profit and Loss	-	128,853	502	3,201	19,960	16,241	401	169,158
Money Market Placements	-	58,162	3,560	-	-	-	-	61,722
Financial Assets Available-for-Sale	524	1,722,554	819,754	6,951,760	22,911,578	5,696,538	259,695	38,362,403
Loans Given	61,731	2,625,719	5,862,684	26,825,884	32,641,575	4,325,878	803,615	73,147,086
Investments Held-to-Maturity	-	239,298	174,305	12,660,595	9,984,972	4,262,868	-	27,322,038
Other Assets	842,165	73,481	54,831	159,697	280,692	91,910	1,631,252	3,134,028
<b>Total Assets</b>	<b>22,676,205</b>	<b>5,469,104</b>	<b>7,255,886</b>	<b>46,763,055</b>	<b>65,848,247</b>	<b>14,393,435</b>	<b>2,694,963</b>	<b>165,100,895</b>
<b>Liabilities</b>								
Interbank Deposits	84,134	4,851,442	1,108,979	392,655	229,827	450,939	-	7,117,976
Other Deposits	22,374,642	67,883,171	14,004,597	7,961,408	334,251	3,209	-	112,561,278
Funds Provided from Other Financial Instruments	-	498,012	332,110	1,339,215	101,283	1,211,658	-	3,482,278
Money Market Borrowings	-	8,334,493	2,023,843	804,138	-	-	-	11,162,474
Issued Marketable Securities	-	132,765	1,019,768	701,604	-	-	-	1,854,137
Sundry Creditors	675,705	452,949	5,693	8,814	14	-	13,939	1,157,114
Other Liabilities <sup>(3)</sup>	1,591,212	238,743	370,253	117,133	4,991,003	777,090	19,680,204	27,765,638
<b>Total Liabilities</b>	<b>24,725,693</b>	<b>82,391,575</b>	<b>18,865,243</b>	<b>11,324,967</b>	<b>5,656,378</b>	<b>2,442,896</b>	<b>19,694,143</b>	<b>165,100,895</b>
<b>Liquidity Gap</b>	<b>(2,049,488)</b>	<b>(76,922,471)</b>	<b>(11,609,357)</b>	<b>35,438,088</b>	<b>60,191,869</b>	<b>11,950,539</b>	<b>(16,999,180)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	15,517,512	3,097,781	7,448,083	27,800,128	82,369,823	24,436,873	2,201,537	162,871,737
Total Liabilities	22,113,048	99,189,843	12,636,327	8,210,897	4,874,271	966,010	14,881,341	162,871,737
<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>

<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> TL4,277,386 of the funds balance, whose risk is not born by the Bank, is included in other liabilities and shown under the "1-5 year" column, fund balance amounted to TL14,843 is not granted as loan and is included under "Up to One Month" column.

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

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

Current Period <sup>(1)</sup>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Bank deposits	5,640,492	1,113,927	398,054	260,410	541,010	7,953,893
Other deposits	90,823,656	14,108,830	8,123,466	358,607	9,972	113,424,531
Funds borrowed from other financial institutions	499,504	336,523	1,380,770	241,310	1,408,756	3,866,863
Funds borrowed from Interbank money market	8,345,215	2,026,567	809,913	-	-	11,181,695
<b>Total</b>	<b>105,308,867</b>	<b>17,585,847</b>	<b>10,712,203</b>	<b>860,327</b>	<b>1,959,738</b>	<b>136,426,982</b>
<b>Prior Period <sup>(1)</sup></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>

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

### Separation of Securitization of Non-Performing Loans as Types and Losses in Current Year

There is no securitization of non-performing loans.

#### e) Credit Risk Mitigation Techniques:

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

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

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

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

The Parent Bank has no position about credit derivatives.

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

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	82,569,200	4,559,858	-	-
Conditional and unconditional receivables from regional or local governments	99,272	44,941	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	333,015	138,426	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	10,930,307	4,841,047	-	-
Conditional and unconditional corporate receivables	21,305,523	1,331,761	-	451,684
Conditional and unconditional retail receivables	35,459,741	339,103	-	62,831
Conditional and unconditional secured mortgage receivables	7,873,774	4,959	-	657
Past due receivables	589,047	-	-	-
Receivables in high risk category defined by BRSA	11,663,565	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	8,704,095	-	-	-
<b>Total</b>	<b>179,527,539</b>	<b>11,260,095</b>	<b>-</b>	<b>515,172</b>

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

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### VIII. RISK MANAGEMENT OBJECTIVES AND POLICIES

#### a) Strategies and Practices on Risk Management

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

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

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

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

#### c) Risk Reporting and Measurement Systems' Scope and Qualification

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

##### Liquidity Risk

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

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

##### Interest Rate Risk on Banking Accounts

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

It is made periodically Repricing Gap Analysis, Net Interest Margin/Revenue Analysis and Duration Analysis based on whole balance sheet intended for measurement and monitoring operations of interest rate on banking accounts and Parent Bank's economic capital adequacy is observed. Repricing Gap Analysis is applied based on assets and liabilities' time to repricing and Net Interest Margin/Revenue Analysis is applied based on balance sheet items' time to repricing. Duration Analysis is made through being weighted with quantities of periods that are calculated with effective duration method of assets and liabilities. It is revealed effect of important fluctuations, exchange rates, prices and interest rates in stress tests for interest rate on banking accounts. Also, it is made monthly legal reportings intended for interest rate on banking accounts.

### Market Risk

Parent Bank performs scenario analysis with measurements that are suitable for structure and complexness of positions related to the market risk management, limiting, scenario analysis and stress test and banks also reports the findings cyclically.

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

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

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

### Operational Risks

Operational risk represents the possibility of damage from inadequate or failed internal processes, people and systems or from external events and including legal risks. The Operational Risk Management Services in the Bank in order to ensure compliance with Basel II are carried out with the regulations issued on 28.06.2012 by the BRSA, revised in accordance with the Parent Bank's "Operational, Reputational and Strategic Risk Management Regulations".

- The amount subject to operational risk is calculated by Basic Indicator Approach within the scope of "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" in order for keeping adequate shareholder's equity against losses that could arise due to operational risks in the Parent Bank, and is reported to BRSA based on yearly.
- Operational risk profile in the Parent Bank is monitored with several effective methods. Actualized operational risks are followed by "Operational Risk Loss Database" which is compatible with accounting system. Advanced Measurement Approach is performed in scope of calculation of economic capital and development of approach is performed.
- So as to be determined the operational risk levels of branches, studying of "Operational Risk Map" are carried out for use in Internal Control Audit Program.
- An integrated risk mainframe is instituted within the scope of risks management arising from information technologies. In this context, a database regarding Information Technologies risks is constituted and actualized risks and actions taken are monitored via the database.
- By being revised of the Parent Bank Business Continuity Plan, that possible risks that may occur in activities due to corruption and its potential effects evaluated are documented as "Business Impact Analysis".
- Risk arising from purchase of services provided from support service organizations in order for continuity has been evaluated with the "Regulation on Procurement of Support Services of Banks" published by the BRSA. In this context, Risk Management Program was established and Risk Analysis Reports regarding support services taken by the Bank are prepared.

### Credit Risk

As of 1 July 2012, BASEL II legal reporting process based on Standard Method is started in calculation of Credit Risk legal capital need.

In the Parent Bank, it was constituted scoring models for individual customers, rating for Corporate, Commercial and Entrepreneurial customers with the object of customer evaluation within the scope of centralization of credit risk. The studies regarding these models' validation are conducted by Internal Control and Risk Management Group Presidency as independently from Units that have executive actions. It is also made analysis for performance measurement and accuracy with statistical methods.



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In the Parent Bank, in base of segments, risk limits are framed at credit risk weighted assets and are monitored monthly based.

In the Parent Bank, based on general and sub accounts, credit portfolios' improvement tracking portfolio's improvement and loans under close monitoring is analysed periodically. Also, it is made vintage analysis for real estate, vehicle, consumer, commercial and entrepreneurial loans so as to credit monitoring and comparing past performances.

### d) Procedures on Risk Management and Risk Mitigation Policies with Regular Control of Their Effectiveness

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

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

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

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

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

## IX. EXPLANATIONS ON OPERATING SEGMENTS

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

The Group has operations in consumer banking, corporate-commercial-entrepreneurial banking, investment banking and international banking areas.

Known as having the most extensive branch network in retail (consumer) banking sector, the Parent Bank renders services, such as; deposits, consumer loans, loans originated from funds whose risk does not belong to the Bank, credit cards, automatic payment, cheques and notes, money transfer order, foreign exchange transactions, internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing instruments are improved and new banking instruments are created in order to benefit from services undertaken as being a state bank in increasing the profitability of the Parent Bank. By "Finart" system, which is working in a centralized manner, the Parent Bank has the technical infrastructure required by modern banking sector to meet its clients' needs.

In the context of corporate-commercial- entrepreneurial banking, the Group gives loans for operations, mid-term and long-term investment loans, foreign trade financing loans, letter of credits and guarantees in Turkish Lira and foreign currencies; renders other corporate finance related services, foreign exchange transactions and banking services to large-scale corporate clients and middle-small scale enterprises. Besides, as the Parent Bank is the main financial institution that meets the financing needs of agricultural sector in Turkey, it extends agricultural operations and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and agricultural credit corporations.

Investment banking operations are conducted by the Financial Markets and Assets-Liabilities Management and Economic Research 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 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

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performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Parent Bank performs foreign currency forward agreements and currency swap transactions.

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

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

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

**Table for Segment Reporting:**

	Retail Banking	Corporate Commercial Entrepreneurial Banking <sup>(1)</sup>	Investment Banking	International Banking	Foreign Operations	Consolidation Adjustments	Total Operations of the Group
<b>Current Period</b>							
Total Operating Income/Expense <sup>(2)</sup>	3,668,002	1,966,994	3,580,709	56,045	87,153	(146,794)	9,212,109
Net Operating Profit	1,261,654	834,542	1,498,262	23,489	19,284	2,264	3,639,495
Income from Subsidiaries <sup>(3)</sup>	-	-	-	-	-	(83,167)	17,679
Income Before Taxes	-	-	-	-	-	-	3,657,174
Tax Provision	-	-	-	-	-	-	(901,643)
<b>Net Profit for the Period</b>	-	-	-	-	-	-	<b>2,755,531</b>
Segment Assets-net <sup>(2)</sup>	31,803,132	40,122,570	86,057,445	2,763,352	2,849,508	(1,679,288)	161,916,719
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	-	125,090
Undistributed Assets <sup>(4)</sup>	-	-	-	-	-	-	3,059,086
<b>Total Assets</b>							<b>165,100,895</b>
Segment Liabilities - net <sup>(2)</sup>	23,110,631	34,493,626	76,098,984	2,717,302	2,143,734	(1,430,740)	137,133,537
Undistributed Liabilities <sup>(4)</sup>	-	-	-	-	-	-	10,547,275
Shareholders' Equity	-	-	-	-	-	-	17,420,083
<b>Total Liabilities</b>	-	-	-	-	-	-	<b>165,100,895</b>
Other Segment Items							
Capital Investment	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	82,174
Restructuring Costs	-	-	-	-	-	-	-

<sup>(1)</sup> Shows the Group's commercial and SME loans with interest and commission income related to these loans.

<sup>(2)</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>(3)</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>(4)</sup> The total of tangible and intangible assets, tax asset, other assets and assets held for sale is shown in "Undistributed Assets" row, whereas the total of borrowings, miscellaneous payables, other liabilities, finance lease payables, provisions and tax liability is shown in "Undistributed Liabilities" row.

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**Table for Segment Reporting:**

	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>Prior 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>2,233,831</b>
Segment Assets-net <sup>(3)</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>162,871,737</b>
Segment Liabilities - net <sup>(3)</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>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, other assets and assets held for sale is shown in "Undistributed Assets" row, whereas the total of borrowings, miscellaneous payables, other liabilities, finance lease payables, provisions and tax liability is shown in "Undistributed Liabilities" row.

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**X. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE****a) Information regarding the fair value of financial assets and liabilities:**

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>140,515,981</b>	<b>145,524,715</b>	<b>141,853,909</b>	<b>146,034,486</b>
Due from Interbank Money Market	61,722	12,212	61,722	12,212
Banks	1,622,732	1,294,642	1,622,732	1,294,642
Available-for-sale Financial Assets	38,362,403	38,361,907	38,362,403	38,361,907
Held-to-maturity Investments	27,322,038	32,632,337	28,659,966	33,142,108
Loans	73,147,086	73,223,617	73,147,086	73,223,617
<b>Financial Liabilities</b>	<b>126,172,783</b>	<b>115,404,029</b>	<b>126,172,783</b>	<b>115,404,029</b>
Bank Deposits	7,117,976	3,340,902	7,117,976	3,340,902
Other Deposits	112,561,278	110,430,894	112,561,278	110,430,894
Funds Borrowed from Other Financial Institutions	3,482,278	681,142	3,482,278	681,142
Issued Marketable Securities	1,854,137	-	1,854,137	-
Miscellaneous Payables	1,157,114	951,091	1,157,114	951,091

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:

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Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>35,371</b>	<b>132,968</b>	<b>819</b>	<b>169,158</b>
Government Debt Securities	35,371	-	-	35,371
Share Certificates	-	-	819	819
Trading Derivative Financial Assets	-	132,968	-	132,968
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets (Net)</b>	<b>38,108,799</b>	<b>234,927</b>	<b>83</b>	<b>38,343,809</b>
Equity Securities <sup>(1)</sup>	118,246	122,898	83	241,227
Government Debt Securities	37,757,587	-	-	37,757,587
Other Marketable Securities	232,966	112,029	-	344,995
<b>Total Assets</b>	<b>38,144,170</b>	<b>367,895</b>	<b>902</b>	<b>38,512,967</b>
Trading Derivative Financial Liabilities	-	55,591	-	55,591
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>55,591</b>	<b>-</b>	<b>55,591</b>

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

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</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 (Net)</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 of financial assets available for sale amounting to TL17,385 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

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

### 1. Transaction, Custody, Management and Consultancy Services of the 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.

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**SECTION FIVE****EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS****I. EXPLANATIONS AND NOTES RELATED TO ASSETS****1. a) Information on Cash and Balances with Central Bank of the Republic of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,105,775	359,246	1,094,881	260,320
Central Bank of the Republic of Turkey	4,802,571	14,473,438	5,223,495	7,717,601
Other	-	540,698	-	45,526
<b>Total</b>	<b>5,908,346</b>	<b>15,373,382</b>	<b>6,318,376</b>	<b>8,023,447</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%; for deposits 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.

As of 31 December 2012, total reserve requirement of the Group is TL19,774,030 including Central Banks abroad. (2011: TL12,977,192)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	4,773,232	-	5,192,098	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1) (2)</sup>	29,339	14,473,438	31,397	7,717,601
<b>Total</b>	<b>4,802,571</b>	<b>14,473,438</b>	<b>5,223,495</b>	<b>7,717,601</b>

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

(2) TL11,100,608 of the current period's FC required reserve is the part of the TL required reserves that are held in FC.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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### 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) Group 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	4,513	-	4,711	-
Other	-	-	-	-
<b>Total</b>	<b>4,513</b>	<b>-</b>	<b>4,711</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	27	324	982	6
Swap Transactions	7,861	124,756	49,721	26,459
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>7,888</b>	<b>125,080</b>	<b>50,703</b>	<b>26,465</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	638,377	212,856	505,577	52,759
Foreign Banks	12,568	758,931	61,040	675,266
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>650,945</b>	<b>971,787</b>	<b>566,617</b>	<b>728,025</b>

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### b) Information on foreign banks accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	248,833	165,039	255	-
USA, Canada	227,698	343,019	3,821	-
OECD Countries <sup>(1)</sup>	2,989	23,108	-	-
Off-shore Banking Regions	-	-	-	-
Other	287,673	159,156	230	45,984
<b>Total</b>	<b>767,193</b>	<b>690,322</b>	<b>4,306</b>	<b>45,984</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	4,303,003	17,061,477
Assets Blocked/Given as Collateral	289,274	2,663,870
<b>Total</b>	<b>4,592,277</b>	<b>19,725,347</b>

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

	Current Period	Prior Period
Debt Securities	38,155,195	38,588,871
Quoted in Stock Exchange	38,155,195	38,125,304
Not Quoted in Stock Exchange	-	463,567
Share Certificates	261,753	219,917
Quoted in Stock Exchange	119,261	94,717
Not Quoted in Stock Exchange	142,492	125,200
Provision for Impairment (-)	54,545	446,881
<b>Total</b>	<b>38,362,403</b>	<b>38,361,907</b>



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## Notes to the Consolidated Financial Statements at 31 December 2012

(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 Group:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	4,664	-	9,216
<b>Loans Granted to Employees</b>	239,746	86	249,450	85
<b>Total</b>	<b>239,746</b>	<b>4,750</b>	<b>249,450</b>	<b>9,301</b>

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms	Other
<b>Non-Specialized Loans</b>	46,208,570	80,839	-	3,448,427	239,281	-
Commercial loans	9,816,018	29,787	-	644,494	118,289	-
Export Loans	1,119,535	-	-	3,392	476	-
Import Loans	75,959	-	-	-	-	-
Loans Given to Financial Sector	729,127	181	-	-	-	-
Consumer loans <sup>(4)</sup>	24,411,135	16,359	-	2,613,590	14,289	-
Credit Cards	1,922,439	24	-	50,503	547	-
Other <sup>(2)</sup>	8,134,357	34,488	-	136,448	105,680	-
Specialized Lending <sup>(3)</sup>	19,588,614	299,476	-	767,396	46,309	-
Other Receivables	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Accruals	1,664,559	-	-	-	-	-
<b>Total</b>	<b>67,461,743</b>	<b>380,315</b>	<b>-</b>	<b>4,215,823</b>	<b>285,590</b>	<b>-</b>

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

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

<sup>(3)</sup> Fund Sourced Agricultural Loans are shown under Specialized Lending.

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

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No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended <sup>(1)</sup>	380,315	285,590
3,4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-

<sup>(1)</sup> Number of modification made according to extent of payment plan can not be decomposed systematically therefore it is shown in this line.

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	97,311	29,654
6 Months - 12 Months	131,909	55,945
1 - 2 Years	57,516	59,865
2 - 5 Years	93,579	140,126
5 Years and Over	-	-

### 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	Restructured or Rescheduled <sup>(1)</sup>
Short-term Loans and Other Receivables	19,590,165	101,413	661,861	58,333
Non-specialized Loans	9,718,838	6,668	237,915	30,231
Specialized Loans	9,871,327	94,745	423,946	28,102
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	46,207,019	278,902	3,553,962	227,257
Non-specialized Loans <sup>(2)</sup>	36,489,732	74,171	3,210,512	209,050
Specialized Loans	9,717,287	204,731	343,450	18,207
Other Receivables	-	-	-	-

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

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

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## Notes to the Consolidated Financial Statements at 31 December 2012

(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	336,032	26,169,234	26,505,266
Real Estate Loans	797	6,907,115	6,907,912
Vehicle Loans	672	217,335	218,007
Consumer Loans	331,729	18,897,378	19,229,107
Abroad <sup>(2)</sup>	2,834	147,406	150,240
Other	-	-	-
Consumer Loans- Indexed to FC	-	12	12
Real Estate Loans	-	12	12
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	13,635	86,846	100,481
Real Estate Loans	36	4,870	4,906
Vehicle Loans	-	-	-
Consumer Loans	13,599	81,976	95,575
Other	-	-	-
Individual Credit Cards-TL	1,783,370	6,745	1,790,115
With Installment	647,977	6,411	654,388
Without Installment	1,135,393	334	1,135,727
Individual Credit Cards-FC	3,026	-	3,026
With Installment	-	-	-
Without Installment	3,026	-	3,026
Personnel Loans-TL	17,143	149,433	166,576
Real Estate Loans	-	1,740	1,740
Vehicle Loans	-	-	-
Consumer Loans	4,999	146,883	151,882
Abroad <sup>(2)</sup>	63	810	873
Other	12,081	-	12,081
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	588	676	1,264
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	555	375	930
Other	33	301	334
Personnel Credit Cards-TL	68,593	223	68,816
With Installment	28,959	211	29,170
Without Installment	39,634	12	39,646
Personnel Credit Cards-FC	109	-	109
With Installment	-	-	-
Without Installment	109	-	109
Overdraft Accounts-TL (Real Person)	447,549	-	447,549
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>2,670,045</b>	<b>26,413,169</b>	<b>29,083,214</b>

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

<sup>(2)</sup> TL873 of consumer loans used by the personnel abroad and TL164,902 of consumer loans have been shown under "International Loans" of 5-b Table.

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	320,230	4,010,033	4,330,263
Business Loans	81	86,690	86,771
Vehicle Loans	2,268	216,824	219,092
Consumer Loans	308,241	2,418,410	2,726,651
Other	9,640	1,288,109	1,297,749
Commercial Installment Loans- Indexed to FC	453	73,161	73,614
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	453	73,161	73,614
Commercial Installment Loans - FC	14,678	1,145,557	1,160,235
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	13,487	1,060,027	1,073,514
Other	1,191	85,530	86,721
Corporate Credit Cards-TL	110,923	174	111,097
With Installment	5,682	159	5,841
Without Installment	105,241	15	105,256
Corporate Credit Cards-FC	350	-	350
With Installment	-	-	-
Without Installment	350	-	350
Overdraft Account-TL (Legal Entity)	50,226	-	50,226
Overdraft Account-FC (Legal Entity)	29,983	73,161	103,144
<b>Total <sup>(1)</sup></b>	<b>526,843</b>	<b>5,302,086</b>	<b>5,828,929</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	1,374,756	1,472,561
Private	69,304,156	70,015,558
Interest Income Accruals of Loans	1,664,559	1,469,110
<b>Total</b>	<b>72,343,471</b>	<b>72,957,229</b>

### g) Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	69,374,300	70,176,371
Foreign Loans	1,304,612	1,311,748
Interest Income Accruals of Loans	1,664,559	1,469,110
<b>Total</b>	<b>72,343,471</b>	<b>72,957,229</b>

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### h) Loans granted to subsidiaries and associates:

None (31 December 2011: None).

### i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	127,788	17,444
Loans and other receivables with doubtful collectability	561,030	106,956
Uncollectible loans and other receivables	592,114	503,811
<b>Total</b>	<b>1,280,932</b>	<b>628,211</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>			
(Gross amounts before the specific provisions)	13,471	47,107	66,765
Loans and other receivables which are restructured	13,471	47,107	66,765
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>			
(Gross amounts before the specific provisions)	2,981	23,208	63,547
Loans and other receivables which are restructured	2,981	23,208	63,547
Rescheduled loans and other receivables	-	-	-

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**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>77,965</b>	<b>168,783</b>	<b>647,851</b>
Additions (+)	1,731,799	111,196	104,173
Transfers from other Categories of Loans under Follow-Up (+)	-	1,355,799	479,037
Transfers to other categories of Loans under Follow-Up (-)	1,355,799	479,037	-
Collections (-) <sup>(1)</sup>	190,965	107,488	458,368
Write-offs (-)	-	-	399
Corporate and Commercial Loans	-	-	74
Consumer Loans	-	-	325
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance <sup>(2)</sup></b>	<b>263,000</b>	<b>1,049,253</b>	<b>772,294</b>
Specific Provision (-) <sup>(3)</sup>	127,788	561,030	592,114
<b>Net Balance on Balance Sheet</b>	<b>135,212</b>	<b>488,223</b>	<b>180,180</b>

<sup>(1)</sup> The restructured and rescheduled loans are included on the stated sum.<sup>(2)</sup> Includes the loans originated from funds amounting to TL206,962 whose risk does not belong to the Parent Bank.<sup>(3)</sup> As of 31 December 2012, Parent Bank made 100% provision for the portion of TL155 million of the loans under follow-up which is TL619 million after taking guarantees into consideration.**3) Information on foreign currency non-performing loans:**

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>9,175</b>	<b>10,489</b>	<b>24,081</b>
Specific Provision (-)	4,036	9,096	21,820
<b>Net Balance on Balance Sheet</b>	<b>5,139</b>	<b>1,393</b>	<b>2,261</b>
<b>Prior 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>

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

	Group III:	Group IV:	Group V:
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Current Period (Net)</b>	<b>135,212</b>	<b>488,223</b>	<b>180,180</b>
Loans to Real Persons and Legal Entities (Gross)	263,000	996,394	772,294
Specific Provisions (-)	127,788	508,171	592,114
Loans to Real Persons and Legal Entities (Net)	135,212	488,223	180,180
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	52,859	-
Specific Provisions (-)	-	52,859	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior 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)	-	-	-

**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 are also tried to be collected and liquidated by means of administrative procedures. Transactions are performed within the context of legislation agreement, which ensures the collection of receivables through administrative channels, and authorizations transferred to the Branch/Regional Offices. When the debtor offers exceed authorizations transferred to the Branch/Regional Offices or includes matters outside the scope of current legislation agreements and the Branch/Regional Offices submit favorable opinion to the Head Office regarding this issue, receivables should be restructured on a company/debtor basis in accordance with the decisions made by the related authorities.

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

The 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 accountability decision on the related personnel of the considered receivable.

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**m) Other explanations and disclosures:**

Current Period	Commercial	Consumer <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired Loans	18,849,892	27,901,936	21,090,230	67,842,058
Past Due but not Impaired Loans	1,008,778	2,678,930	813,705	4,501,413
Impaired Loans	1,164,364	408,309	511,874	2,084,547
<b>Total</b>	<b>21,023,034</b>	<b>30,989,175</b>	<b>22,415,809</b>	<b>74,428,018</b>
Specific Provisions of Impaired Loans(-)	633,902	371,298	275,732	1,280,932
<b>Net Loan Amount</b>	<b>20,389,132</b>	<b>30,617,877</b>	<b>22,140,077</b>	<b>73,147,086</b>

<sup>(1)</sup> TL1,265,064 consumer, TL2,805,292 agricultural, and TL48 commercial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

Prior Period	Commercial	Consumer <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired Loans	17,666,517	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	276,947	262,073	355,579	894,599
<b>Total</b>	<b>18,672,962</b>	<b>32,322,350</b>	<b>22,856,516</b>	<b>73,851,828</b>
Specific Provisions of Impaired Loans(-)	239,596	210,217	178,398	628,211
<b>Net Loan Amount</b>	<b>18,433,366</b>	<b>32,112,133</b>	<b>22,678,118</b>	<b>73,223,617</b>

<sup>(1)</sup> TL1,198,462 consumer, TL2,507,770 agricultural, and TL168 commercial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

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	153,179	49,079	26,544	-	228,802
Consumer Loans	52,131	20,954	9,302	-	82,387
Agricultural Loans	320,853	103,323	12,579	-	436,755
<b>Total</b>	<b>526,163</b>	<b>173,356</b>	<b>48,425</b>	<b>-</b>	<b>747,944</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 TL3,072,006.

Prior 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
Consumer 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 and overdue principals for other loans; the remaining principal amount of loans with installments equals to TL3,349,268.



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## Notes to the Consolidated Financial Statements at 31 December 2012

(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	4,617,294	3,182,681	6,920,200	1,638,210
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>4,617,294</b>	<b>3,182,681</b>	<b>6,920,200</b>	<b>1,638,210</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	6,456,814	594,419	9,241,832	1,023,067
Other	-	-	-	-
<b>Total</b>	<b>6,456,814</b>	<b>594,419</b>	<b>9,241,832</b>	<b>1,023,067</b>

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

	Current Period	Prior Period
Government Bonds	27,251,620	32,501,880
Treasury Bills	37,141	96,803
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>27,288,761</b>	<b>32,598,683</b>

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

	Current Period	Prior Period
Debt securities	27,322,038	32,632,337
Quoted in a Stock Exchange	27,305,785	30,199,138
Not Quoted in a Stock Exchange	16,253	2,433,199
Provision for Impairment (-)	-	-
<b>Total</b>	<b>27,322,038</b>	<b>32,632,337</b>

**Notes to the Consolidated Financial Statements at 31 December 2012**

(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>32,632,337</b>	<b>36,456,153</b>
Addition to Scope of Consolidation	-	-
Foreign Currency Differences on Monetary Assets	(277,048)	817,892
Purchases During the Year	220,573	4,599,332
Disposals through Sales and Redemptions	(5,253,824)	(9,241,040)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>27,322,038</b>	<b>32,632,337</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, EUR (23,067) thousand and USD(15,207) thousand respectively and are recorded under shareholders' equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. As of balance sheet date, negative revaluation difference, which are accounted under shareholders' equity, are TL12, USD13,747 thousand and EUR9,214 thousand respectively.

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

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL43,660 would have been recorded. As of 31 December 2012, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL(39,784).

**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 Bank's Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	İstanbul/TURKEY	12.50	17.98
2	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	11.11	9.09

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	32,354	19,628	15,161	1,045	-	1,144	2,694	-
2	79,837	67,450	45,452	2,164	-	33,184	18,340	-

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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(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.	İstanbul/TURKEY	22.22	15.43

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	2,748,287	412,677	25,036	92,508	26,417	58,700	48,095	-

<sup>(1)</sup> Since shares of 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 2012. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2011.

### 2) Information about consolidated associates:

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>54,619</b>	<b>47,198</b>
<b>Movement During the Period</b>	<b>9,057</b>	<b>7,421</b>
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer	-	-
Sales	-	-
Revaluation	9,057	7,421
Impairment Provision	-	-
<b>Ending Balance</b>	<b>63,676</b>	<b>54,619</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation	-	-

### 3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	63,676	54,619
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

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

None (2011: None).

**8. Information on subsidiaries (net):****a) 1) Information about unconsolidated subsidiaries:**

	Description	Address (City/Country)	The Parent Bank's Share Percentage-if different Voting Percentage (%)	The Parent Bank's Group Share Percentage (%)
1	Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.	İstanbul/TURKEY	71.43	58.50
2	Fintek Finansal Teknoloji Hizmetleri A.Ş.	Ankara/TURKEY	75.00	90.04

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income ( <sup>2</sup> )	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss ( <sup>2</sup> )	Prior Period Profit/Loss ( <sup>2</sup> )	Fair Value <sup>(1)</sup>
1	27,782	12,670	4,411	534	261	938	2,474	-
2	24,612	5,470	94	453	78	689	569	-

<sup>(1)</sup> Since shares of subsidiaries are not traded in the stock market, fair values cannot be identified.<sup>(2)</sup> Current period information of subsidiaries has been provided from audited financial statements as of 31 December 2012. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2011.**b) 1) Information about consolidated subsidiaries:**

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

	Description	Address (City/Country)	The Parent Bank's Share Percentage-if different Voting Percentage (%)	The Parent Bank's Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	İstanbul/TURKEY	100.00	99.99
2	Ziraat Sigorta A.Ş.	İstanbul/TURKEY	100.00	99.99
3	Ziraat Finansal Kiralama A.Ş.	İstanbul/TURKEY	100.00	90.00
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	100.00	72.60
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul/TURKEY	60.00	68.08
6	Ziraat Bank International A.G.	Frankfurt/GERMANY	100.00	100.00
7	Turkish Ziraat BH d.d.	Sarajevo/BOSNIA HERZEGOVINA	100.00	100.00
8	Ziraat Bank (Moscow) CJSC	Moscow/RUSSIA	100.00	99.91
9	Kazakhstan Ziraat Int. Bank	Almaty/KAZAKHSTAN	100.00	99.58

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

	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	957,139	169,481	1,344	99,093	13,478	88,290	51,829	-
2	238,503	100,693	903	17,051	-	51,253	42,170	-
3	662,218	155,392	1,046	48,609	4	22,140	16,904	-
4	90,919	69,519	1,687	7,607	963	7,360	11,429	-
5	9,585	9,145	120	1,032	1,013	703	1,253	-
6	2,294,644	375,261	2,931	53,125	6,671	6,217	8,585	397,352
7	279,085	81,665	8,479	11,009	476	(2,556)	965	58,047
8	127,581	55,144	3,556	8,494	120	3,611	2,234	57,240
9	261,565	194,118	9,888	11,072	1,520	6,209	3,909	197,733

<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 2012, the prior period profit/loss balances has been provided from audited financial statements as of 31 December 2011.

### 2) Information about consolidated subsidiaries:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>694,228</b>	<b>629,955</b>
<b>Movements During the Period</b>	<b>192,273</b>	<b>64,273</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	58,848	56,930
Bonus Shares Obtained	59,676	7,343
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales <sup>(2)</sup>	37,469	-
Revaluation Increase	111,218	-
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>886,501</b>	<b>694,228</b>
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> Paid Capital Increases made during the period are classified at the "Purchases" account.

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

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

	Current Period	Prior Period
Banks	710,374	576,949
Insurance Companies	39,984	39,984
Factoring Companies	-	-
Leasing Companies	116,291	57,443
Financing Companies	-	-
Other Financial Subsidiaries	19,852	19,852

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

None (2011: None)

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

Entities under Common Control (Joint Ventures) <sup>(1)</sup>	Parent Bank's Share <sup>(2)</sup>	Group's Share	Current Assets	Non-Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	11,972	11,972	117,262	6,387	25,606	18,351	8,756
Uzbekistan- Turkish Bank	20,446	20,454	114,061	1,306	2,947	9,451	6,052
Azer Türk Bank ASC	14,026	15,246	191,493	1,766	547	34,761	32,019
<b>Total</b>	<b>46,444</b>	<b>47,672</b>	<b>422,816</b>	<b>9,459</b>	<b>29,100</b>	<b>62,563</b>	<b>46,827</b>

<sup>(1)</sup> Information on entities under joint control is provided from the audited financial statements as of 31 December 2012.

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

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

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

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	101,537	93,575	48,198	45,830
1-5 Years	510,719	436,059	420,762	361,944
More than 5 Years	108,516	87,915	133,644	106,165
<b>Total</b>	<b>720,772</b>	<b>617,549</b>	<b>602,604</b>	<b>513,939</b>

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

The Group has no derivative financial assets for hedging purposes.

### 12. Information on investment property:

None (2011: 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, commercial 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 immovables acquired amount to TL66,621 consisting of TL4,049 due to consumer loans, TL54,628 on its commercial loans and TL7,944 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL82. Total depreciation expense is TL637 for these held for sale assets.

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## Notes to the Consolidated Financial Statements at 31 December 2012

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### 14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Other Tangibles	Total
<b>Prior Period End:</b>					
Cost	1,405,218	52,947	26,544	336,975	1,821,684
Accumulated Depreciation (-)	622,944	48,960	14,333	178,090	864,327
<b>Net Book Value</b>	<b>782,274</b>	<b>3,987</b>	<b>12,211</b>	<b>158,885</b>	<b>957,357</b>
<b>Current Period End:</b>					
Net Book Value at the Beginning of the Period	782,274	3,987	12,211	158,885	957,357
Change During the Period (Net)	28,419	(52,342)	15,380	63,608	55,065
Depreciation – net (-)	18,459	(48,846)	12,155	72,153	53,921
Impairment (-)	686	-	-	3,907	4,593
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-
Cost at Period End	1,431,009	557	41,708	396,464	1,869,738
Accumulated Depreciation at Period End (-)	639,461	66	26,272	250,031	915,830
<b>Closing Net Book Value</b>	<b>791,548</b>	<b>491</b>	<b>15,436</b>	<b>146,433</b>	<b>953,908</b>

### 15. Explanations on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	58,585	26,127	32,458	50,072	15,166	34,906
Establishment Costs	6,345	4,213	2,132	6,000	3,267	2,733
Goodwill	-	-	-	-	-	-
Intangible Rights	53,248	21,513	31,735	46,527	17,061	29,466
<b>Total</b>	<b>118,178</b>	<b>51,853</b>	<b>66,325</b>	<b>102,599</b>	<b>35,494</b>	<b>67,105</b>

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(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 are shown below:

	Current Period	Prior Period
Deferred Tax Assets	227,208	287,656
Deferred Tax Liabilities	368	103
Net Deferred Tax Assets	226,840	287,553
Net Deferred Tax Income/(Expense)	285,423	(360,790)
	Current Period	Prior Period
Reserve for Employment Termination Benefits	127,960	106,644
Short Term Employee Benefits	26,880	25,283
Other Provisions	44,845	18,840
Valuation of Financial Assets	14,793	131,294
Other	12,362	5,492
<b>Net Deferred Tax Assets</b>	<b>226,840</b>	<b>287,553</b>
	Current Period	Prior Period
<b>As of 1 January</b>	<b>287,553</b>	<b>317,280</b>
Addition to Scope of Consolidation	-	-
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax Income	285,423	(360,790)
<b>Deferred Tax Expenses (Net)</b>	<b>285,423</b>	<b>(360,790)</b>
Deferred Tax Recognized Under Shareholders' Equity	351,322	331,063
<b>Deferred Tax Assets</b>	<b>226,840</b>	<b>287,553</b>

**17. Information on other assets:**

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



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(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	6,841,656	-	2,177,611	43,630,169	3,366,354	481,282	839,417	5,010	57,341,499
Foreign Currency Deposits	4,419,545	-	3,344,408	6,213,862	2,605,138	929,004	5,692,499	272	23,204,728
Residents in Turkey	3,592,096	-	3,237,316	5,837,263	2,398,288	742,057	4,776,439	270	20,583,729
Residents Abroad	827,449	-	107,092	376,599	206,850	186,947	916,060	2	2,620,999
Public Sector Deposits	6,417,045	-	1,572,256	5,756,571	336,474	366,977	3,577	-	14,452,900
Commercial Inst. Deposits	2,395,630	-	2,488,634	4,793,646	880,897	6,475	46,241	-	10,611,523
Other Inst. Deposits	1,451,961	-	401,365	3,640,179	171,128	348,875	6,788	-	6,020,296
Precious Metals	848,805	-	-	81,527	-	-	-	-	930,332
Interbank Deposits	84,134	-	4,107,739	923,044	1,995,059	2,000	6,000	-	7,117,976
CBRT	6,118	-	1,777	-	-	-	-	-	7,895
Domestic Banks	36,307	-	4,078,998	211,324	279,529	2,000	6,000	-	4,614,158
Foreign Banks	31,460	-	26,964	711,720	1,715,530	-	-	-	2,485,674
Participation Banks	10,249	-	-	-	-	-	-	-	10,249
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>22,458,776</b>	<b>-</b>	<b>14,092,013</b>	<b>65,038,998</b>	<b>9,355,050</b>	<b>2,134,613</b>	<b>6,594,522</b>	<b>5,282</b>	<b>119,679,254</b>

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	6,304,736	-	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	-	9,784,996
Other Inst. Deposits	1,813,833	-	644,005	2,861,162	2,164,509	116,823	74,763	-	7,675,095
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank Deposits	93,409	-	3,196,706	48,787	-	-	2,000	-	3,340,902
CBRT	3,780	-	376	-	-	-	-	-	4,156
Domestic Banks	30,444	-	3,044,061	-	-	-	2,000	-	3,076,505
Foreign Banks	37,746	-	152,269	48,787	-	-	-	-	238,802
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>

**Notes to the Consolidated Financial Statements at 31 December 2012**

(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:**

	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
<b>Saving Deposits</b>				
Saving Deposits <sup>(2)</sup>	30,505,073	30,206,627	26,579,587	25,297,249
Foreign Currency Saving Deposits <sup>(2)</sup>	8,336,033	7,404,412	10,600,342	9,275,852
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	423,579	412,909	28,553	42,243
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-	-	-

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

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

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

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

**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	64,624	4,436
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors, General Manager and His Assistants and Their Close Families	1,691	1,199
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

(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	25	319	943	28
Swap Transactions	38,962	16,285	28,910	14,486
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	44	-
<b>Total</b>	<b>38,987</b>	<b>16,604</b>	<b>29,897</b>	<b>14,514</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	82,261	159,675	74,146	71,330
Foreign Banks, Institutions and Funds	797,484	2,442,858	-	535,666
<b>Total</b>	<b>879,745</b>	<b>2,602,533</b>	<b>74,146</b>	<b>606,996</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	70,574	1,573,650	63,631	157,307
Medium and Long-Term	809,171	1,028,883	10,515	449,689
<b>Total</b>	<b>879,745</b>	<b>2,602,533</b>	<b>74,146</b>	<b>606,996</b>

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

72.49% 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.

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

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

Information on finance lease payables:

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

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

There are no derivative financial liabilities for hedging purposes.

**7. Explanations on provisions:****a) Information on general provisions:**

	Current Period	Prior Period
<b>General Provisions</b>	<b>1,233,215</b>	<b>999,331</b>
Allocated for Group-I Loans and Receivables	1,001,019	840,216
Additional Provision for Loans and Receivables with Extended Maturities	20,214	-
Allocated for Group-II Loans and Receivables	150,136	93,884
Additional Provision for Loans and Receivables with Extended Maturities	13,702	-
Allocated for Non-cash Loans	47,638	40,199
Other	34,422	25,032

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:**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Total
<b>31 December 2012</b>						
Number of Rescheduled Loan Agreements	525	368	4,112	5,480	-	10,485
Risk Amount	37,264	33,684	176,173	151,095	-	398,216

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

31 December 2012	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Total
Number of Rescheduled Loan Agreements	417	206	1,098	3,197	-	4,918
Risk Amount	9,280	12,269	49,721	199,991	-	271,261

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

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

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

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

### d) Information on other provisions:

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

The accompanying financial statements include a general reserve amounting to TL644,300 thousand (TL514,300 thousand of this reserve amount was charged to the income statement as an expense in the current period), provided by the Parent Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL10,250 and other provision of TL226 exist for cash transfers made by Parent Bank officials.

	Current Period	Prior Period
General provisions for possible risks	654,776	140,248

#### 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 amount to TL73,526. Full provision has been provided in the accompanying financial statements for law suits ended against the Parent Bank but not finalized yet, amounting to TL32,809. 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.

With the final decision of the Competition Board in 08 March 2013, the Parent Bank was imposed an administrative penalty of TL148,231 that is 1% of its gross revenue, (the penalty is formed at the end of 2011 and determined by the board), because of the violation of the fourth article of "Act on the Protection of Competition" numbered 4054. In accordance with 17<sup>th</sup> article of Misdemeanor Law, the Parent Bank sets free provisions amounting to TL111,200 that is determined amount with early payment.

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

The Parent Bank also provided provisions amounting to TL24,191 for unindemnified non-cash loans, and TL16,760 for other provisions. As a result, in addition to the provisions mentioned above, the other provision balance on the Parent Bank's balance sheet amounts to TL1,031,318 (2011: TL263,605).

**Notes to the Consolidated Financial Statements at 31 December 2012**

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**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	533,222	491,494
Payments in the period	(49,590)	(47,577)
Charge for the period	158,848	89,305
<b>Total</b>	<b>642,480</b>	<b>533,222</b>

As of 31 December 2012, unpaid vacation liability amounted to TL135,771 (2011: TL126,415) is presented under the "Employee Benefits Provision" in the financial statements.

**2) Pension Rights**

The technical balance sheet report which is prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9.80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2012 and 2011.

The liability related to 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 TL813,030 (2011: TL810,181) as of 31 December 2012.

	Current Period	Prior Period
Present value of funded obligations	(64,970)	181
-Pension benefits transferable to SSI	(330,877)	(266,234)
-Post employment medical benefits transferable to SSI	265,907	266,415
Fair value of plan assets	878,000	810,000
<b>Actuarial Surplus</b>	<b>813,030</b>	<b>810,181</b>

The principal actuarial assumptions used are as follows:

	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.

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## Notes to the Consolidated Financial Statements at 31 December 2012

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Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank Placements	694,729	79%	612,231	76%
Property and Equipment	160,982	18%	160,771	20%
Marketable Securities	13,889	2%	26,498	3%
Other	8,400	1%	10,500	1%
<b>Total</b>	<b>878,000</b>	<b>100%</b>	<b>810,000</b>	<b>100%</b>

### 8. Information on tax liability:

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

##### 1) Information on tax provisions:

As of 31 December 2012, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL348,154 (2011: TL92,957).

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

	Current Period	Prior Period
Corporate Tax Payable	348,154	92,957
Taxation on Income From Securities	86,583	108,177
Property Tax	1,023	840
Banking Insurance Transactions Tax (BITT)	52,227	41,494
Foreign Exchange Transactions Tax	5	4
Value Added Tax Payable	3,483	1,363
Other	34,231	22,489
<b>Total</b>	<b>525,706</b>	<b>267,324</b>

##### 3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	98	219
Social Security Premiums - Employer	134	279
Bank Social Aid Pension Fund Premium - Employee	101	3,263
Bank Social Aid Pension Fund Premium - Employer	187	4,598
Pension Fund Membership Fees and Provisions - Employee	5	7
Pension Fund Membership Fees and Provisions - Employer	14	17
Unemployment Insurance - Employee	247	493
Unemployment Insurance - Employer	496	989
Other	9	12
<b>Total</b>	<b>1,291</b>	<b>9,877</b>

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

The Group's deferred tax liability amounts to TL368 (2011: TL103). However, this amount is netted off against the deferred tax asset and accordingly deferred tax asset amounting to TL226,840 (2011: TL287,553) 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 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 Parent Bank has no preferred shares.



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## Notes to the Consolidated Financial Statements at 31 December 2012

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	474,452	450,284	(403,794)	(39,221)
Revaluation Difference	695,188	450,284	(549,986)	(39,221)
Deferred Tax Effect	(212,771)	-	134,345	-
Foreign Exchange Difference	(7,965)	-	11,847	-
<b>Total</b>	<b>474,452</b>	<b>450,284</b>	<b>(403,794)</b>	<b>(39,221)</b>

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

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

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

	Current Period	Prior Period
Payment Commitments for Cheques	2,410,300	2,461,015
Asset Purchase Commitments	455,918	637,825
Commitments for Credit Card Expenditure Limits	3,829,389	3,838,031
Loan Granting Commitments	199,008	84,527
Other Irrevocable Commitments	2,151,772	1,851,081
Subsidiaries and Associates Capital Contribution Commitments	-	1,000
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	10,985	8,131
<b>Total</b>	<b>9,057,372</b>	<b>8,881,610</b>

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

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

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

	Current Period	Prior Period
Guarantee Letters	12,276,010	9,980,389
Bank Acceptances	960,969	374,545
Letter of Credits	2,415,141	1,695,837
<b>Total</b>	<b>15,652,120</b>	<b>12,050,771</b>

**Notes to the Consolidated Financial Statements at 31 December 2012**

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**2) Certain guarantees, temporary guarantees, suretyships and similar transactions:**

	Current Period	Prior Period
Letter of Temporary Guarantees	473,559	421,609
Letter of Certain Guarantees	6,832,794	5,398,981
Letters of Advance Guarantees	3,533,511	3,130,140
Letters of Guarantees given to Customs Offices	122,121	100,452
Other Letters of Guarantees	1,290,524	929,207
<b>Total</b>	<b>12,252,509</b>	<b>9,980,389</b>

**c) 1) Total non-cash loans:**

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1,168,472</b>	<b>301,982</b>
With Original Maturity of One Year or Less	244,978	123,676
With Original Maturity of More than One Year	923,494	178,306
<b>Other Non-Cash Loans</b>	<b>14,483,648</b>	<b>11,748,789</b>
<b>Total</b>	<b>15,652,120</b>	<b>12,050,771</b>

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	10,429	0.19	1,507	0.01	71,486	1.77	51,571	0.64
Farming and Raising Livestock	352	0.01	-	-	70,540	1.74	50,682	0.63
Forestry	10,077	0.18	1,507	0.01	-	-	-	-
Fishing	-	-	-	-	946	0.02	889	0.01
Manufacturing	1,334,176	24.12	5,910,412	58.39	1,056,482	26.11	4,954,522	61.90
Mining and Quarrying	34,068	0.62	156,134	1.54	259,156	6.40	488,577	6.10
Production	960,724	17.37	5,087,746	50.27	638,665	15.78	4,344,009	54.27
Electric, Gas and Water	339,384	6.14	666,532	6.59	158,661	3.92	121,936	1.52
Construction	915,437	16.55	1,299,436	12.84	649,232	16.05	669,249	8.36
Services	2,783,659	50.33	1,392,348	13.76	2,145,837	53.03	1,201,679	15.01
Wholesale and Retail Trade	960,831	17.37	822,514	8.13	452,946	11.19	229,216	2.86
Hotel, Food and Beverage Services	14,639	0.26	14,119	0.14	15,650	0.39	26,646	0.33
Transportation and Telecommunication	227,530	4.11	73,617	0.73	387,899	9.59	128,204	1.60
Financial Institutions	1,343,999	24.30	349,503	3.45	817,996	20.22	187,458	2.34
Real Estate and Leasing Services	185,374	3.35	131,890	1.30	4,725	0.12	10,679	0.13
Self-employment Services	-	-	-	-	5,533	0.14	67	0.00
Education Services	14,425	0.26	289	0.00	10,592	0.26	6,184	0.08
Health and Social Services	36,861	0.67	416	0.00	450,496	11.13	613,225	7.66
Other	486,805	8.80	1,517,911	15.00	123,190	3.04	1,127,523	14.09
<b>Total</b>	<b>5,530,506</b>	<b>100.00</b>	<b>10,121,614</b>	<b>100.00</b>	<b>4,046,227</b>	<b>100.00</b>	<b>8,004,544</b>	<b>100.00</b>

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash loans</b>	<b>5,408,551</b>	<b>10,013,991</b>	<b>121,955</b>	<b>107,623</b>
Letters of Guarantee	5,343,506	6,681,445	121,955	105,603
Bank Acceptances	5,363	955,606	-	-
Letters of Credit	59,682	2,353,439	-	2,020
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	23,501	-	-

### 2. Explanations on derivative transactions:

	Current Period	Prior Period
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions (I)	11,387,535	6,324,834
Forward Transactions	112,342	267,707
Swap Transactions	11,275,193	6,057,127
Futures Transactions	-	-
Option Transactions	-	-
Interest Related Derivative Transactions (II)	-	-
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	-	-
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	-	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>11,387,535</b>	<b>6,324,834</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>11,387,535</b>	<b>6,324,834</b>

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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	122,611	87	162	(6,255)	-	116,605
- Inflow	(4,429,946)	(17,032)	(25,687)	(1,162,800)	-	(5,635,465)
- Outflow	4,552,557	17,119	25,849	1,156,545	-	5,752,070
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>(4,429,946)</b>	<b>(17,032)</b>	<b>(25,687)</b>	<b>(1,162,800)</b>	<b>-</b>	<b>(5,635,465)</b>
<b>Total Outflow</b>	<b>4,552,557</b>	<b>17,119</b>	<b>25,849</b>	<b>1,156,545</b>	<b>-</b>	<b>5,752,070</b>
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	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 2012

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

### 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.

Group's liability resulting from the cheques given to its customers amounts to TL 2,410,300 (2011: TL 2,461,015).

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.

## 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>8,333,265</b>	<b>396,163</b>	<b>7,100,410</b>	<b>353,921</b>
Short Term Loans	2,483,854	66,886	1,921,473	76,898
Medium and Long Term Loans	5,746,064	328,762	5,075,741	276,666
Interest on Non-Performing Loans	103,347	515	103,196	357
Premiums from Resource Utilization Support Fund	-	-	-	-

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

### b) Information on interest received from the banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	8,604	-
Domestic Banks	56,607	858	17,241	577
Foreign Banks	863	6,345	2,419	13,697
Head Office and Branches	-	114	-	-
<b>Total</b>	<b>57,470</b>	<b>7,317</b>	<b>28,264</b>	<b>14,274</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

### c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Trading Financial Assets	2,404	483	6,992	3,274
From Financial Assets at Fair Value through Profit or Loss	963	-	-	-
From Available-for-sale Financial Assets	3,007,160	194,151	3,000,539	209,906
From Held-to-maturity Investments	2,640,001	288,196	2,757,847	297,843
<b>Total</b>	<b>5,650,528</b>	<b>482,830</b>	<b>5,765,378</b>	<b>511,023</b>

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

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	3,770	3,820

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks <sup>(1)</sup>	43,134	45,796	14,716	1,867
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	842	16,632	14,698	704
Foreign Banks	42,292	29,164	18	1,163
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>43,134</b>	<b>45,796</b>	<b>14,716</b>	<b>1,867</b>

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

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

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	25,786	27,535

### c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	133,407	-	-	-

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

### 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 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	324,786	-	-	-	-	-	324,786
Saving Deposit	14	158,330	3,552,065	362,383	42,473	71,674	415	4,187,354
Public Sector Deposit	277	69,256	378,263	45,074	3,984	571	-	497,425
Commercial Deposit	141	123,566	306,938	54,478	16,075	1,659	-	502,857
Other Deposit	23	511	205,860	56,124	23,834	3,548	-	289,900
Deposit With 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>455</b>	<b>676,449</b>	<b>4,443,126</b>	<b>518,059</b>	<b>86,366</b>	<b>77,452</b>	<b>415</b>	<b>5,802,322</b>
FC								
Foreign Currency Deposit	8,320	59,601	161,737	71,454	15,875	128,729	21	445,737
Bank Deposit	31,076	78	-	-	6	-	-	31,160
Deposit With 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	3	37	2	1	1	-	44
<b>Total</b>	<b>39,396</b>	<b>59,682</b>	<b>161,774</b>	<b>71,456</b>	<b>15,882</b>	<b>128,730</b>	<b>21</b>	<b>476,941</b>
<b>Grand Total</b>	<b>39,851</b>	<b>736,131</b>	<b>4,604,900</b>	<b>589,515</b>	<b>102,248</b>	<b>206,182</b>	<b>436</b>	<b>6,279,263</b>

### 3. Explanations on dividend income:

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	14,998	18,658
Other <sup>(1)</sup>	2,681	3,011
<b>Total</b>	<b>17,679</b>	<b>21,669</b>

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

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

	Current Period	Prior Period
<b>Profit</b>	<b>5,250,568</b>	<b>3,599,867</b>
Profit from the Capital Market Transactions	86,786	103,883
Profit on Derivative Financial Instruments	1,331,691	1,533,269
Foreign Exchange Gains	3,832,091	1,962,715
<b>Loss (-)</b>	<b>5,295,283</b>	<b>3,647,228</b>
Loss from the Capital Market Transactions	19,994	1,340
Loss on Derivative Financial Instruments	1,376,875	1,246,000
Foreign Exchange Loss	3,898,414	2,399,888

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

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(654,435)	(982,513)
Effect of the change in interest rates on profit/loss	609,251	1,269,782
<b>Total</b>	<b>(45,184)</b>	<b>287,269</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 TL 233,156.

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	815,403	194,816
Group III Loans and Receivables	131,824	16,375
Group IV Loans and Receivables	510,664	57,034
Group V Loans and Receivables	172,915	121,407
General Provision Expenses <sup>(2)</sup>	229,131	467,350
Provision Expenses for the Possible Losses	630,853	131,535
Marketable Securities Impairment Expense	106	2,916
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	106	2,916
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	41
Associates	-	41
Subsidiaries	-	-
Entities under Common Control	-	-
Investment Securities Held to Maturity	-	-
Other <sup>(3)</sup>	132,217	20,428
<b>Total</b>	<b>1,807,710</b>	<b>817,086</b>

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

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

<sup>(3)</sup> Other includes standard loans and consumer loans followed under other receivables account of loan customers that have amounts in non-performing loans accounts amounting to TL108,650 and additional provision for litigation purposes amounting to TL23,000.



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## Notes to the Consolidated Financial Statements at 31 December 2012

(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	1,430,198	1,375,305
Reserve for Employee Termination Benefits	159,120	89,187
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	878	-
Depreciation Expenses of Tangible Fixed Assets	63,114	61,194
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	19,060	14,623
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	350	285
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1,121,949	797,580
Operational Leasing Expenses	90,404	76,365
Maintenance Expenses	38,709	41,925
Advertisement Expenses	45,554	37,272
Other Expenses	947,282	642,018
Loss on Sales of Assets	216	1,630
Other <sup>(1)</sup>	963,628	1,344,644
<b>Total</b>	<b>3,758,513</b>	<b>3,684,448</b>

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

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

The 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	7,102,623	5,394,175
Net Fees and Commissions Income	697,715	540,424
Dividend Income	17,679	21,669
Trading Income/Expense (Net)	(44,715)	(47,361)
Other Operating Income	1,438,807	1,526,962
Provision for Loan or Other Receivables Losses (-)	1,807,710	817,086
Other Operating Expenses (-)	3,758,513	3,684,448
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	11,285	13,473
<b>Income/(Loss) From Continuing Operations</b>	<b>3,657,171</b>	<b>2,947,808</b>

## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

As of 31 December 2012, TL(901,643) (2011 TL(713,977)) of the Group's total tax provision expense amounting to TL(1,187,066) (2011: TL(353,187)), consists of current tax expense while the rest amounting to TL285,423 (2011: TL(360,790)) 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 TL2,755,528 (2011: TL2,220,585).

### 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 (2011: None).

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

As of 31 December 2012, the Group's other fee and commission income amounting to TL819,542 (2011: TL754,217) consists of TL268,971 (2011: TL193,991) of credit card fees and commission income, TL145,288 (2011: TL169,191) of insurance commission and the remaining TL405,283 (2011: TL391,035) 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's decree numbered 1623 on 21 April 2005.

#### b) Explanations on profit distribution:

The General Assembly for the year 2011 was carried out on 18 April 2012. In accordance with the decision taken, of the profit for the year 2011 amounting to TL2,100,674, TL105,034 is decided to transfer to primary legal reserves and TL12,700 is decided to transfer to secondary legal reserves, TL127,000 is decided to distribute as dividend to employees provided that dividend amount does not exceed two month gross wage for each employee and TL106,250 is decided to distribute to the Treasury after deducting withholding tax of 15% (TL18,750) in cash. Besides, TL1,730,940 of the profit has been preserved and TL122,239 is paid within the framework of dividend decided to transfer to employees. According to the decision of the General Assembly's the remaining part of dividend reserved to be distributed to personnel TL4,761 is transferred to the account of the "Profit Reserves".

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

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

### 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 Parent 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, profit reserves amount to TL10,200,423, legal reserves amount to TL2,525,171, extraordinary reserves amount to TL7,041,211 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 TL3,502,274 is composed mainly from interest received from loans and securities amounting to TL13,738,401 and interest paid to deposit and money market operations which is amounting to TL7,941,910. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rate on cash and cash equivalents is determined, approximately, as TL(72,871) as of 31 December 2012 (2011: TL613,618).

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	1,355,201	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>
Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	1,465,021	1,355,201
Central Bank of the Republic of Turkey and Other Banks	5,539,881	6,913,722
Money Market Operations	61,722	12,212
<b>Total Cash and Cash Equivalents</b>	<b>7,066,624</b>	<b>8,281,135</b>

**Notes to the Consolidated Financial Statements at 31 December 2012**

(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	18,419	-	-	-	-	-
Closing Balance	61,333	-	-	-	-	-
Interest and Commissions Income	3,770	-	-	-	-	-

**b) Prior Period:**

Risk Group of the Parent 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	9,275	-	-	-	-	-
Closing Balance	18,419	-	-	-	-	-
Interest and Commissions Income	3,820	-	-	-	-	-

**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 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	580,370	879,379	-	-	-	-
Closing Balance	557,636	580,370	-	-	-	-
Interest Expense on Deposits	25,786	27,535	-	-	-	-

**Notes to the Consolidated Financial Statements at 31 December 2012**

(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 Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	7,402	-	-	-	-	-
Closing Balance	-	7,402	-	-	-	-
<b>Total Profit/Loss</b>	<b>(297)</b>	<b>(359)</b>	-	-	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

**3) Information about fees paid to the Group's top executives:**

Fees paid to the Group's key management amount to TL18,628 (2011: TL16,445).

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

1. With the Bank's Board of Directors' Decision No. 4, dated 11 January 2012, the whole equity share of the Bank in Ziraat Bank AD Skopje will be transferred to Halk Bank A.D. Skopje, Joint Venture of T. Halk Bankası A.Ş., considering the legislation of Turkey and Macedonia within the scope of Decision No. 2002/3555 by the Council of Ministers. The transfer process was completed as of November 2012.

2. The Board of Directors, on 07 November 2012 with the decision no: 348, has applied to the BRSA (Banking Regulation and Supervision Agency) and CMB (Capital Markets Board) and required permissions and approvals have been received to issue domestic bank bills and/or bonds in different types and maturities up to TL7 billion.

In this context, for the purpose of the performing the public offering on 4-5-6 February 2013, all works were initiated and the required application was made to Capital Market Board, in order to take place of issuance of bank bills and/or bonds (in the value date of 8 February 2013) which have nominal value of TL600 million (including the right to nominal amount of TL200 million additional shares) and maturity of 175 days and bank bonds which have nominal value of TL400 million (including the right to nominal amount of TL100 million additional shares) and maturity of 91 days by public offering, to determine the principles of maturity, interest, distribution and allocation regarding to issuance of these bank bonds, to complete the sales and to trade in İstanbul Stock Exchange. Demand for public offering of related bank bonds which has 91 and 175 days of maturity was approved by Capital Market Board on 28 January 2013. Public offering was performed on 4-5-6 February 2013 and TL1,000,000 of bills were sold (including right of additional sales). Related bank bonds was started to trade in stock market on 12 February 2013.

3. With the final decision of the Competition Board on 08 March 2013, the Parent Bank was imposed an administrative penalty of TL148,231 that is 1% of its gross revenue, (the penalty is formed at the end of 2011 and determined by the board), because of the violation of the fourth article of "Act on the Protection of Competition" numbered 4054. In accordance with 17<sup>th</sup> article of Misdemeanor Law, the Parent Bank sets free provisions amounting to TL111,200 that is three-quarters of the penalty.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

### IX. EXPLANATIONS AND NOTES RELATED TO 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			
Domestic Branch <sup>(1)</sup>	1,490	23,069			
Foreign Representative Office	1	1	Country of Incorporation		
				Total Assets	Statutory Share Capital
Foreign Branch <sup>(2)</sup>	1	2	1- Iran	769,256	209,005
	1	4	2- USA	820,970	94,732
	4	4	3- England	62,711	33,299
	1	4	4- Bulgaria	27,275	16,334
	2	6	5- Georgia	142,552	24,910
	4	5	6- Iraq	377,618	77,553
	1	2	7- Greece	45,090	26,690
	10	35	8- Saudi Arabia	582,284	38,422
Off-shore Banking Region Branches	-	-	8-T.R. of Northern Cyprus	-	-

<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 2012, consolidated 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 28 March 2013 is presented preceding the financial statements.

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

None.

## Directory

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