



T.C. ZIRAAT BANKASI A.S.

2013 US Resolution Plan

Public Section

December 2013



Introduction

This is the public section of the plan for resolution (“Resolution Plan”) prepared by Ziraat Bank and required pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and regulations of the Federal Deposit Insurance Corporation ("FDIC") and the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The initial Resolution Plan of Ziraat Bank is due on December 31, 2013, with annual updates thereafter.

The FDIC and the Federal Reserve have each, by rule and through the supervisory process, prescribed the assumptions, required approach and scope for these resolution plans, and have required that certain information be included in a public section of the resolution plans. This public section of Ziraat’s Resolution Plan adheres to these requirements.

Ziraat Bank is defined as a "covered company" under the applicable rules because it is treated as a bank holding company and is supervised by the Federal Reserve and has consolidated assets of \$50 billion or more. As such, Ziraat Bank must submit a plan for Ziraat Bank’s rapid and orderly resolution of certain activities in the United States in the event of material financial distress or failure.

This Resolution Plan provides an evaluation by Ziraat Bank as to how it can be resolved in the United States under the insolvency regime applicable to its businesses in a way that would not pose serious risk to the financial system. This requires Ziraat Bank to map its core business lines and critical operations (if any) to material entities and provide information on its corporate structure, credit exposure, funding, capital, cash flows, and information with regard to its technology.

This Resolution Plan relates to the subsidiaries, branches, critical operations and core business lines that are domiciled in the United States or are conducted in whole or in material part in the United States. Ziraat Bank is subject to regulation by its financial regulators primarily in Turkey. There are no requirements of the Turkish financial authorities relating to recovery and resolution planning of Ziraat Bank.



Description of Ziraat Bank

Ziraat Bank was established in 1863, prior to the establishment of the modern Republic of Turkey. From its roots of serving the agricultural sector, Ziraat Bank has grown to be the leading bank in Turkey supporting all segments of the Turkish economy, while at the same time continuing to be Turkey's leading agricultural bank. Ziraat Bank is authorized by law to conduct a full range of banking activities.

Ziraat Bank is wholly-owned by the Government of Turkey and its head offices are in Ankara and Istanbul, Turkey.

Ziraat Bank is one of the largest banks in Turkey in terms of retail customers, branches and operations. Within Turkey, Ziraat has almost 1500 branches and service centers for customer business. The branch network is expected to continue to grow with the planned addition of new offices during 2013.

Ziraat Bank's business focuses on Agricultural lending, Corporate and Commercial banking, Retail Banking and Insurance products.

At the end of 2012, Ziraat Bank had 163 billion Turkish Lira in assets and 119 billion in deposits. Ziraat plans to further diversify its funding sources through the use of syndicated loans and bond offerings. Ziraat Bank's performance in 2012 showed a 26% increase in net profit and a 17.6% return on equity.

Ziraat Bank operates in 16 jurisdictions outside of Turkey and maintains the largest international presence of any Turkish bank. Ziraat Bank operates 8 foreign branches in countries including USA, UK, Georgia, Iraq, Greece, Bulgaria, Saudi Arabia, and Turkish Republic of Northern Cyprus), 1 representative office in Iran and 7 foreign subsidiaries in countries including Germany, Bosnia & Herzegovina, Russia, Kazakhstan, Azerbaijan, Turkmenistan, and Uzbekistan.

I. Executive Summary of the Resolution Plan

1. Names of Material Entities

A "material entity" is defined as a "subsidiary or foreign office of the Covered Company that is significant to the activities of a critical operation or core business line."

Core business lines are defined as "those business lines of the Covered Company, including associated operations, services, functions and support that, in the view of the Covered Company, upon failure would result in a material loss of revenue, profit, or franchise value.

Critical operations are defined as "those operations of the Covered Company, including associated services, functions and support, the failure or discontinuance of which, in the view of the Covered Company or as jointly directed by the Board and the Corporation, would pose a threat to the financial stability of the United States.



In the view of management of Ziraat Bank, there are no critical operations or core business lines conducted in the United States. The only entity that Ziraat Bank operates in the U.S. is the New York Branch (“the New York Branch”). Based on the definition in the regulation, the New York Branch is not a “material entity.” The New York Branch does not conduct any core business lines or critical operations in the U.S., but engages in some banking activities such as:

Deposit Accounts

- Checking Accounts
- Interest Bearing Checking Accounts (N.O.W.)
- Money Market Accounts (MMDA)
- Time Deposit Accounts

Corporate Lending

- Short-Term Loans
- Secured Lending
- Standby Letters of Credit
- SBA Loans
- Letters of Credit – Import & Export
- Bankers Acceptances
- Documentary Inward and Outward Collections
- Bank-to- Bank Reimbursements
- Medium to Long Term Export Import Financing
- Non-Recourse Purchase of Foreign Trade Obligations
- U.S. – Exim Bank Financing
- Pre-Export Financing and Post Financing
- General Working Capital Financing
- Bill-Discount / Negotiation

Corporate Banking

The purchase of debt instruments that are short to medium term in nature such as bills of exchange, promissory notes and deferred payments under letters of credit that are backed by the guarantee of an acceptable financial institution

Consumer Loans

Fixed and variable rate loans



2. Description of Core Business Lines

As noted above, in the view of management of Ziraat Bank, there are no core business lines conducted in the United States.

3. Summary financial information regarding assets, liabilities, capital and major funding sources

Assets and Liabilities

The following is Ziraat Bank's Consolidated Balance Sheet for the period ended December 31, 2012. For a more detailed discussion on each of the specific line captions on the Consolidated Balance Sheet, please refer to Ziraat Bank's 2012 Annual Report.

	BRSA		
	As of 31 December		
	2012	2011	2010
Assets:			
Cash balances with the Central Bank of Turkey.....	20,713,331	14,272,374	10,265,064
Financial assets at fair value through profit or (loss) (net).....			
....	146,217	133,596	239,589
Banks.....	1,933,471	1,320,459	4,642,110
Financial assets available for sale (net).....	38,068,017	38,127,783	39,724,505
Loans and receivables.....	71,426,479	71,429,975	57,443,453
Investment held to maturity (net).....	27,254,825	32,504,197	36,388,051
Investments in associates (net).....	893,734	699,949	635,676
Investments in subsidiaries (net).....	65,452	59,806	52,177
Entities under common control (net).....	74,926	50,359	43,231
Tangible assets (net).....	931,356	930,498	826,042
Intangible assets (net).....	61,416	63,977	35,424
Tax assets.....	224,079	281,913	316,340
Assets held for sale and assets held from discontinued operations (net).....	66,049	51,882	14,945
Other assets.....	1,008,405	754,374	533,101
Total Assets	162,867,757	160,681,142	151,159,708
Liabilities:			
Deposits.....	118,966,304	113,066,682	125,796,472
Derivative financial liabilities held for trading.....	55,548	39,821	5,599
Funds borrowed.....	3,072,439	553,482	98,763
Money market balances.....	11,162,474	25,788,170	5,003,477
Marketable securities issued (net).....	1,943,988	-	-
Funds.....	4,292,229	3,871,136	3,525,458

	BRSA		
	As of 31 December		
	2012	2011	2010
Miscellaneous payables.....	1,157,483	887,856	713,706
Other liabilities.....	1,533,199	1,134,858	924,313
Payables from leasing transactions (net).....	287	-	1
Provisions.....	3,002,039	1,892,436	1,228,030
Tax liability.....	514,277	269,448	405,804
Total Liabilities.....	145,700,267	147,503,889	137,701,623
Shareholders' Equity:			
Paid-in Capital.....	2,500,000	2,500,000	2,500,000
Capital Reserves.....	1,773,522	186,474	1,489,385
Profit Reserves.....	10,083,742	8,230,307	5,596,300
Profit or loss.....	2,810,226	2,260,472	3,872,400
Total Liabilities and Equity.....	162,867,757	160,681,142	151,159,708

Presentation of assets and liabilities according to their remaining maturities

As of 31 December 2012	Demand	Up to 1 month	1-3 months	3-12 months	1 year to 5 years	Over 5 years	Undistributed (1) (2)	Total
(TL thousands)								
Assets:								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank 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
Total Assets	22,328,704	5,390,872	6,882,152	46,095,368	65,005,647	13,635,048	3,529,966	162,867,757
Liabilities								
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 ⁽³⁾	1,541,700	182,413	351,186	224	4,328,518	774,200	19,386,828	26,565,069
Total Liabilities.....	23,996,236	82,714,635	18,854,752	11,131,032	4,798,299	1,985,975	19,386,828	162,867,757
Liquidity Gap	(1,667,532)	(77,323,763)	(11,972,600)	34,964,336	60,207,348	11,649,073	(15,856,862)	-

Capital

The capital adequacy ratio recommended by the BRSA is 12%. Ziraat Bank follows a policy for its capital adequacy ratio to be over 12% taking into account its internal growth projections. In all the stress tests performed to date, Ziraat Bank has met the BRSA's requirements for capital adequacy.

As of December 31, 2012, the Capital Adequacy Ratio of the Bank is 19% and the Tier 1 Capital Adequacy Ratio is 17.2%. The capital ratios are as follows:

	As of 31 December 2012
<i>Capital:</i>	
Tier I capital.....	16,642,009
Tier II capital.....	1,767,810
Deductions from capital.....	18,844
Total regulatory capital.....	18,390,975
Risk-weighted assets.....	80,631,050
Value at market risk.....	4,737,788
Value at operational risk.....	11,385,643
Total.....	96,754,481
<i>Capital Adequacy Ratios:</i>	
Tier I capital adequacy ratio.....	17.2%
Total capital adequacy ratio.....	19.0%

Major Funding Sources

The main source of funding for Ziraat Bank is customer deposits. As of December 31, 2012, 73% of liabilities consist of customer deposits. Ziraat Bank also accesses the wholesale funding markets (through syndicated loan facilities and Turkish capital markets) in order to diversify its funding sources. In 2012, Ziraat Bank raised a total of USD 2.3 billion via the capital markets through offerings of debt instruments.

4. Description of Derivative and Hedging Activities

Derivative instruments enable end-users to modify or mitigate exposure to credit or market risk. Customers use derivatives to mitigate or modify interest rate, credit, foreign exchange, equity and commodity risks. Ziraat Bank uses Derivatives to manage interest rate risk



Ziraat Bank's derivative transactions are mainly customer-driven forward transactions, foreign exchange swaps, commodity swaps and cross-currency swaps. Ziraat Bank uses derivatives for its own account for hedging purposes. Ziraat Bank's policy is to enter foreign exchange swaps for liquidity management and reserve requirement purposes. Commodity swaps allow Ziraat Bank to fulfill the requirement to maintain gold with the Central Bank against Turkish Lira liabilities. The Bank uses cross-currency swaps to create long-term Turkish Lira fixed rate funding against US Dollars, and also to hedge against interest rate risk created by the Bank's long-term, fixed rate loan book. All derivative transactions undertaken by the Bank are subject to credit risk limits set by the Board of Directors for treasury transactions.

Interest rate contracts are used to minimize fluctuations in earnings that are caused by changes in interest rates. Interest Rate exposures are often hedged through Interest Rate Swaps. Foreign currency forward contracts are used to manage the foreign exchange risk associated with certain foreign currency-denominated (i.e., non-US dollar) assets and liabilities and forecasted transactions. Interest Rate exposures are often hedged through Interest Rate Swaps.

5. Memberships in Material Payment, Clearing and Settlement Systems

Ziraat Bank maintains memberships and/or participates in many systems to facilitate the clearing and settlement of customer securities, derivatives, and cash transactions. Certain of these organizations require members to support the financial obligations of other defaulting members. Ziraat Bank does not view these exposures as material. The following are the most significant systems used:

Central Bank of Turkey Electronic Funds Transfer System, is the bank-wide system for transferring Turkish Lira operated and controlled by the Central Bank of Turkey

Takasbank, is a member-owned public institution that settles and clears Turkish equity securities and debt securities

Euroclear, is an international settlement organization for international debt instruments

Fedwire Funds Service ("Fedwire Funds"), is a wire transfer services provider that is owned and operated by the Federal Reserve. Fedwire Funds is a real-time gross settlement system. Payments are continuously settled on an individual, order-by-order basis without netting

The Society for Worldwide Interbank Financial Telecommunication ("SWIFT"), is a member-owned cooperative to provide a telecommunication platform for the exchange of standardized financial messages between financial institutions and corporations

6. Description of Foreign Operations

As noted above, Ziraat Bank offers its products and services to its customers through an international branch network, which as of December 31, 2012, included almost 1,500 domestic branches and 24 international branches (the largest international service network of any Turkish bank according to data published by the Banking Regulation and Supervision Agency of Turkey (the "BRSA")). Ziraat



Bank also has subsidiary, affiliate and joint venture operations in Germany, Bosnia & Herzegovina, Azerbaijan, Turkmenistan, Uzbekistan, Kazakhstan and Russia.

Ziraat Bank branches and subsidiaries are subject to regulation by the local supervisory authority corresponding to their respective jurisdictions.

7. Material Supervisory Authorities

Turkish Banking System

Ziraat Bank is primarily supervised in Turkey by the BRSA, and the Central Bank exercises overall supervision of the Turkish banking system. The BRSA ensures that banks observe banking legislation, supervises the application of banking legislation and also monitors the banking system. The BRSA receives regular reports from Turkish banking organizations and conducts regular audits and other regulatory examinations.

U.S Bank Supervisory System

Ziraat Bank New York Branch is subject to the supervision and examination of the New York State Department of Financial Services. The Federal Reserve supervises and examines Ziraat Bank New York Branch and acts as the umbrella supervisor for Ziraat Bank with regard to any activities in the U.S.

8. Principal Officers

A) Head Office

Board of Directors

Muharrem Karşlı – President of the Board of Directors
Yusuf Dağcan – Acting President of the Board of Directors
Hüseyin Aydın – CEO & Member of the Board of Directors
Salim Alkan - Member of the Board of Directors
Erdal Erdem - Member of the Board of Directors
Mustafa Çetin - Member of the Board of Directors
Metin Özdemir - Member of the Board of Directors
Feyzi Çutur- Member of the Board of Directors
Fahrettin Özdemirci- Member of the Board of Directors
Gökhan Karasu- Auditor
Davut Karataş- Auditor



Senior Management

Musa Arda- Deputy Chief Executive of Credit Allocation and Management
Osman Arslan - Deputy Chief Executive of International Banking and Joint Ventures
Omer Baktır- Deputy Chief Executive of Marketing
Alpaslan Çakar- Deputy Chief Executive of Retail Banking
Cengiz Gögebakan- Deputy Chief Executive of Credit Policies
Cem İnal-Deputy Chief Executive of Financial Coordination
Bilgehan Kuru- Deputy Chief Executive of Treasury and Strategy Management
Bülent Suer- Deputy Chief Executive of Operational Transactions

B) New York Branch Senior Management

Baran Erdil – Acting Branch Manager, Treasury Manager
Mehmet Erişkin – Compliance Officer
Aylin Sarışen – Financial Control & Reporting Manager
Şahin İnceoğlu – IT Manager

9. Corporate governance structure for Resolution Planning and Related Processes

As noted elsewhere, Ziraat Bank does not have, and is not required to have, a Resolution Plan and does not engage in resolution planning pursuant to the requirements of its home country regulator. The resolution planning process at Ziraat Bank is largely managed out of the United States. The Board of Directors will have final approval of the Resolution Plan. The governance structure for the US resolution planning effort consists of the active involvement of the senior officers of the New York Branch. These senior executives represent the business and supervisory functions at Ziraat Bank New York Branch. This group is responsible for reviewing and approving the resolution planning process in the United States. Upon completion in the United States, the Resolution Plan will be reviewed by the Subsidiaries and International Units Coordination Department and the Internal Control and Risk Management Department, and ultimately approved as required by Ziraat Bank's Board of Directors.

10. Description of Material Management Information Systems

Ziraat Bank utilizes MIS for risk management, loan and deposit origination, accounting, portfolio management, trading and investment management, financial, and regulatory reporting, as well as internal management reporting and analysis. Ziraat Bank's U.S. operations rely on robust management information systems and reporting to monitor financial health, risk and operations. Software is generally acquired and supported by third-party vendors. Ziraat Bank has a control environment with policies and procedures to ensure the systems producing MIS are dependable and maintained and operated in a manner that will support Ziraat Bank's business. These policies and procedures govern information security, data protection, technology developments and improvement and business continuity. Ziraat Bank has developed and supports the necessary MIS infrastructure to conduct its business, control its risks and fulfill its internal and regulatory reporting obligations.



11. High-level description of resolution strategy including such items as the range of potential purchasers of the company, its material entities and core business lines

As noted above, Ziraat Bank does not have, and is not required to have, a Resolution Plan and does not engage in resolution planning pursuant to the requirements of its home country regulator. Ziraat Bank New York Branch is aware that any resolution activity in the U.S. of Ziraat Bank New York Branch will be conducted by the New York State Department of Financial Services pursuant to the provisions of New York Banking Law governing the liquidation of branches of foreign banks operating in New York. In view of this manner of resolution, Ziraat Bank New York Branch has adopted a Plan that focuses on coordination with the New York State Department of Financial Services in regard to the liquidation of the New York Branch. This action Plan includes preparation of all financial and business information relevant to the liquidation of the Branch. This Plan is based in part on the steps required for a voluntary liquidation of a branch of a foreign bank under Section 605 of the New York Banking Law.