

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
NEW YORK, NEW YORK

Written Agreement by and among

TURKIYE CUMHURİYETİ ZIRAAT
BANKASI A.S.
Ankara, Turkey

TURKIYE CUMHURİYETİ ZIRAAT
BANKASI A.S.
NEW YORK BRANCH
New York, New York

FEDERAL RESERVE BANK OF NEW YORK
New York, New York

and

NEW YORK STATE DEPARTMENT OF
FINANCIAL SERVICES
New York, New York

Docket Nos. 14-011-WA/RB-FB
14-011-WA/RB-FBR

WHEREAS, Turkiye Cumhuriyeti Ziraat Bankasi A.S., Ankara, Turkey (the “Bank”) is a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7));

WHEREAS, the Bank conducts operations in the United States through a branch in New York, New York (the “Branch”) for which the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor;

WHEREAS, the New York State Department of Financial Services (“NYSDFS”) is the appropriate state supervisor for the Branch;

WHEREAS, the Bank and the Branch are taking steps to address deficiencies relating to the Branch’s risk management and compliance with applicable federal and state laws, rules, and regulations relating to anti-money laundering (“AML”) compliance, including the Bank Secrecy Act (“BSA”) (31 U.S.C. § 5311 *et seq.*); the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Chapter X); and the requirements of Regulation K of the Board of Governors to report suspicious activity and to maintain an adequate BSA/AML compliance program (12 C.F.R. §§211.24(f) and 211.24(j)) (collectively, the “BSA/AML Requirements”); and the regulations of the NYSDFS (3 N.Y.C.R.R Parts 116 and 300) (the “State Regulations”);

WHEREAS, it is the common goal of the Federal Reserve Bank of New York (the “Reserve Bank”), the NYSDFS, the Bank, and the Branch that the Branch operates in compliance with all applicable federal and state laws, rules, and regulations; and

WHEREAS, on June 12, 2014, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Yuksel Cesur and Ali Rifat Caglayan to enter into this Written Agreement (the “Agreement”) on behalf of the Bank and the Branch, respectively, and consenting to compliance with each and every applicable provision of this Agreement by the Bank, the Branch, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(4) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(4)).

NOW, THEREFORE, the Reserve Bank, the NYSDFS, the Bank, and the Branch hereby agree as follows:

Corporate Governance and Management Oversight

1. Within 60 days of this Agreement, the Bank's board of directors and the Branch's management shall jointly submit to the Reserve Bank and the NYSDFS (collectively, "the Supervisors") an acceptable written plan to enhance the Bank and Branch management's oversight of the Branch's compliance with the BSA/AML Requirements, the State Regulations, and the regulations issued by the Office of Foreign Assets Control ("OFAC") (31 C.F.R. § 500 *et seq.*) and guidelines issued or administered by OFAC (collectively, "OFAC Requirements") ("Management Oversight Plan"). The Management Oversight Plan shall provide for a sustainable governance framework that, at a minimum, addresses, considers, and includes:

(a) Actions the board of directors will take to maintain effective control over, and oversight of, Branch management's compliance with the BSA/AML Requirements, the State Regulations, and the OFAC Requirements;

(b) measures to improve the management information systems reporting of the Branch's BSA/AML compliance program to senior management of the Bank and the Branch;

(c) clearly defined roles, responsibilities, and accountability regarding compliance with the BSA/AML Requirements and State Regulations for the Bank's and the Branch's respective management, BSA/AML compliance personnel, and internal audit staff;

(d) measures to ensure BSA/AML issues are appropriately tracked, escalated and reviewed by the Branch's senior management;

(e) measures to ensure that the persons or groups at the Bank and the Branch charged with the responsibility of overseeing the Branch's compliance with the BSA/AML Requirements and State Regulations possess appropriate subject matter expertise and are actively involved in carrying out such responsibilities;

(f) adequate resources to ensure the Branch's compliance with this Agreement, the BSA/AML Requirements, the State Regulations, and the OFAC Requirements; and

(g) measures to ensure that there is proper oversight of outsourced audit engagements.

BSA/AML Compliance Review

2. Within 60 days of this Agreement, the Bank and the Branch shall retain an independent consultant acceptable to the Supervisors and according to the Supervisors' requirements (the "Compliance Review Consultant") to: (i) conduct a comprehensive review of the Branch's compliance with the BSA/AML Requirements and State Regulations (the "Compliance Review"), and (ii) prepare a written report of findings, conclusions, and recommendations (the "Compliance Report").

3. Within 10 days of the engagement of the independent consultant, but prior to the Compliance Review, the Bank and Branch shall jointly submit to the Supervisors for approval an engagement letter that provides, at a minimum, for the independent consultant to:

(a) Conduct a comprehensive assessment of the Branch's BSA/AML compliance program, policies, and procedures;

(b) assist the Branch in developing the programs required pursuant to paragraphs 4, 5, and 6 of this Agreement;

(c) complete the Compliance Review within 60 days of the Supervisors' approval of the engagement letter;

(d) provide to the Supervisors a copy of the Compliance Report at the same time that the report is provided to the Bank and the Branch; and

(e) commit that any and all interim reports, drafts, workpapers, or other supporting materials associated with the Compliance Review will be made available to the Supervisors upon request.

BSA/AML Compliance Program

4. Within 60 days of the submission of the Compliance Report, the Bank and the Branch shall jointly submit to the Supervisors an acceptable written enhanced BSA/AML compliance program for the Branch. The program shall provide for enhanced internal controls and provisions for updates on an ongoing basis as necessary to incorporate amendments to the BSA/AML Requirements and State Regulations. At a minimum, the program shall provide for:

(a) A system of internal controls designed to ensure compliance with the BSA/AML Requirements and State Regulations;

(b) controls designed to ensure compliance with all requirements relating to correspondent accounts for foreign financial institutions;

(c) comprehensive BSA/AML risk assessments and methodologies that identify and assess all applicable risk factors and mitigating controls, as appropriate, in determining inherent and residual risks;

(d) procedures to require documentation of exceptions to approved BSA/AML compliance policies and procedures as well as reporting of exceptions to senior management;

(e) management of the Branch's BSA/AML compliance program by a qualified compliance officer, who is supported by adequate staffing levels and resources, and is responsible for implementing and maintaining an effective BSA/AML compliance program that is commensurate with the Branch's size and risk profile, and periodic re-evaluation of resources and staffing needs; and

(f) effective training for all appropriate Branch personnel and appropriate personnel of affiliates that perform BSA/AML compliance-related functions for the Branch in all aspects of the BSA/AML Requirements, State Regulations, and internal policies and procedures.

Customer Due Diligence

5. Within 60 days of the submission of the Compliance Report, the Bank and the Branch shall jointly submit to the Supervisors an acceptable written enhanced customer due diligence program. At a minimum, the program shall include:

(a) Policies, procedures, and controls to ensure that the Branch collects, analyzes and retains complete and accurate customer information for all account holders, including, but not limited to, affiliates;

(b) a plan, with timelines, to remediate deficient due diligence for existing customers accounts;

(c) a revised methodology for assigning risk ratings to account holders that considers factors such as type of customer, type of products and services, and geographic location;

(d) policies, procedures and controls to ensure that foreign correspondent accounts are accorded the appropriate due diligence, and where necessary, enhanced due diligence;

(e) periodic reviews and evaluations of customer and account information for the entire customer base to ensure that information is current, complete, and that the risk rating reflects the current information, and if applicable, documenting rationales for any revisions made to the customer risk rating; and

(f) management oversight to ensure that heightened risk factors are identified, assessed, and adequately documented during the due diligence process, and also to ensure that appropriate risk-based oversight of decentralized due diligence responsibilities is formalized and documented.

Suspicious Activity Monitoring and Reporting

6. Within 60 days of the submission of the Compliance Report, the Bank and the Branch shall jointly submit to the Supervisors an acceptable written program to reasonably ensure the identification and timely, accurate, and complete reporting by the Branch of all known or suspected violations of law or suspicious transactions to law enforcement and supervisory authorities, as required by applicable suspicious activity reporting laws and regulations. At a minimum, the program shall include:

(a) A well-documented methodology for establishing monitoring rules and thresholds appropriate for the Branch's profile which considers factors such as type of customer, type of product or service, and geographic location;

(b) policies and procedures for analyzing, testing, and documenting changes to monitoring rules and thresholds;

(c) enhanced monitoring and investigation criteria and procedures to ensure the timely detection, investigation, and reporting of all known or suspected violations of law and suspicious transactions, including, but not limited to:

(i) effective monitoring of customer accounts and transactions, including but not limited to, transactions conducted through foreign correspondent accounts;

(ii) appropriate allocation of resources to manage alert and case inventory;

(iii) adequate escalation of information about potentially suspicious activity through appropriate levels of management;

(iv) maintenance of sufficient documentation with respect to the investigation and analysis of potentially suspicious activity, including the resolution and escalation of concerns; and

(v) maintenance of accurate and comprehensive customer and transactional data and ensuring that it is applied to the Branch's compliance program.

Transaction Review

7. (a) Within 60 days of this Agreement, the Bank and the Branch shall engage an independent consultant acceptable to the Supervisors and according to the Supervisors' requirements to conduct a review of the Branch's U.S. dollar clearing transaction activity from July 1, 2012 to December 31, 2012 to determine whether suspicious activity involving high risk customers or transactions at, by, or through the Branch was properly identified and reported in accordance with applicable suspicious activity reporting regulations (the "Transaction Review") and to prepare a written report detailing the consultant's findings (the "Transaction Review Report").

(b) Based on the Supervisor's evaluation of the results of the Transaction Review, the Supervisors may direct the Bank and the Branch to engage the independent consultant to conduct a review of the types of transactions described in paragraph 7(a) for an additional six-month period.

8. Within 10 days of the engagement of the independent consultant, but prior to the commencement of the Transaction Review, the Bank and the Branch shall jointly submit to the Supervisors for approval an engagement letter that sets forth:

- (a) The scope of the Transaction Review;
- (b) the methodology for conducting the Transaction Review, including any sampling procedures to be followed;
- (c) the expertise and resources to be dedicated to the Transaction Review;
- (d) the anticipated date of completion of the Transaction Review and the Transaction Review Report; and
- (e) a commitment that supporting material and drafts associated with the Transaction Review will be made available to the Supervisors upon request.

9. The Bank and the Branch shall provide to the Supervisors a copy of the Transaction Review Report at the same time that the report is provided to the Bank and the Branch.

10. Throughout the Transaction Review, the Bank and the Branch shall ensure that all matters or transactions required to be reported that have not previously been reported are reported in accordance with applicable rules and regulations.

Office of Foreign Assets Control Compliance

11. Within 60 days of this Agreement, the Bank and the Branch shall jointly submit to the Supervisors an acceptable written plan to enhance the Branch's compliance program for the OFAC Requirements. At a minimum, the plan shall include:

- (a) A methodology for assessing OFAC risks presented by the specific product lines, customer base, and nature of transactions conducted at, by, or through the Branch;
- (b) appropriate screening procedures for identified high-risk areas;
- (c) procedures to ensure that customer files contain complete documentation of all OFAC checks performed, including the resolution and escalation of concerns;

(d) effective training for all appropriate Branch personnel that perform OFAC compliance-related functions in all aspects of OFAC Requirements and updating of training on a regular basis; and

(e) independent testing of compliance with OFAC Requirements.

Internal Audit

12. Within 60 days of this Agreement, the Bank and the Branch shall jointly submit to the Supervisors an acceptable written enhanced internal audit program for the Branch that shall, at a minimum, provide for:

(a) Completion, at least annually, of a written, board approved, risk-based audit plan that encompasses all appropriate areas of audit coverage;

(b) a direct reporting line between the internal auditor and the Bank's board of directors;

(c) timely escalation and resolution of audit findings and follow-up reviews to ensure completion of corrective measures; and

(d) comprehensive tracking and reporting of the status and resolution of audit and examination findings to the Bank's board of directors.

Approval, Implementation, and Progress Reports

13. (a) The Bank and the Branch shall jointly submit the written plans and programs that are acceptable to the Supervisors in accordance with each Supervisor's requirements within the applicable time periods set forth in paragraphs 1, 4, 5, 6, 11, and 12 of this Agreement. Independent consultants acceptable to the Supervisors shall be retained in accordance with the Supervisors' requirements by the Bank and the Branch within the time periods set forth in paragraphs 2 and 7(a) of this Agreement. Engagement letters shall be

submitted to the Supervisors within the time periods set forth in paragraphs 3 and 8 of this Agreement.

(b) Within 10 days of acceptance by the Supervisors, the Bank and the Branch shall adopt the plan and programs. Upon adoption, the Bank and the Branch shall implement the plan and programs and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plan, programs, and engagement letters shall not be amended or rescinded without the prior written approval of the Supervisors.

14. Within 30 days after the end of each month following the date of this Agreement, the Bank and the Branch shall submit to the Supervisors written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof. The Supervisors may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

Notices

15. All communications regarding this Agreement shall be sent to:

- (a) Mr. F. Christopher Calabia
Senior Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
- (b) Ms. Regina Stone
Deputy Superintendent
New York State Department of Financial Services
One State Street
New York, New York 10004

- (c) Mr. Yuksel Cesur
Executive Vice President
Turkiye Cumhuriyeti Ziraat Bankasi A.S.
Ic Sistemler
Yildiz Teknik Universitesi Davutpasa Kampusu
Teknoloji Gelistirme Bolgesi C-2 Blok 34220 Esenler
Istanbul
Turkey
- (d) Mr. Ali Rifat Caglayan
Executive Director/
Senior Country Manager
Turkiye Cumhuriyeti Ziraat Bankasi A.S.
New York Branch
122 East 42nd Street, Suite 310
New York, New York 10168

Miscellaneous

16. The provisions of this Agreement shall be binding on the Bank and the Branch and each of their institution-affiliated parties in their capacities as such, and their successors and assigns.

17. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Supervisors.

18. Notwithstanding any provision of this Agreement, the Supervisors may, in their sole discretion, grant written extensions of time to the Bank and the Branch to comply with any provision of this Agreement.

19. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Supervisors, or any other federal or state agency from taking any further or other action affecting the Bank and the Branch, any subsidiary thereof, or any of their current or former institution-affiliated parties or their successors or assigns.

20. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818), and by the NYSDFS pursuant to section 39 of the New York State Banking Law.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 25th day of June, 2014

TURKIYE CUMHURİYETİ
ZIRAAT BANKASI A.S.

FEDERAL RESERVE BANK OF
NEW YORK

By: /s/ Yuksel Cesur
Yuksel Cesur
Executive Vice President

By: /s/ F. Christopher Calabia
F. Christopher Calabia
Senior Vice President

TURKIYE CUMHURİYETİ
ZIRAAT BANKASI A.S.
NEW YORK BRANCH

NEW YORK STATE DEPARTMENT OF
FINANCIAL SERVICES

By: /s/ Ali Rifat Caglayan
Ali Rifat Caglayan
Executive Director/
Senior Country Manager

By: /s/ Regina Stone
Regina Stone
Deputy Superintendent