



T.C. ZIRAAT BANKASI A.S.

2015 US Resolution Plan

Public Section

December 2015



Introduction

This is the public section of the tailored resolution plan for the U.S. operations of T.C. Ziraat Bankasi A.S. ("Ziraat Bank"). The tailored resolution plan is required pursuant to the Section 165(d) of 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").

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.

Dodd-Frank Act permits certain eligible covered companies to file a "tailored" resolution plan. Ziraat Bank has been approved by the Federal Reserve and the FDIC to file a tailored resolution plan for its 2015 submission on or before December 31, 2015.

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.



Overview 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. As of December 31, 2014, Ziraat Bank carries its activities through a grand total of 1,707 branches; 1,682 domestic branches and 25 international branches. Ziraat Bank's business focuses on agricultural lending, corporate and commercial banking, retail banking and insurance products.

As of December 31, 2014, Ziraat Bank had 248 billion Turkish Lira in assets and 153 billion Turkish Lira in deposits. Ziraat Bank's performance in 2014 showed a 22% increase in net profit at 4.05 billion Turkish Lira.

Ziraat Bank also operates outside of Turkey and maintains the largest international presence of any Turkish bank. Ziraat Bank operates foreign branches in countries including USA, England, Georgia, Iraq, Greece, Bulgaria, Saudi Arabia, and Turkish Republic of Northern Cyprus, and foreign subsidiaries in countries including Germany, Bosnia & Herzegovina, Russia, Kazakhstan, Azerbaijan, Turkmenistan, and Uzbekistan.

I. Executive Summary of the Resolution Plan

1. 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."

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"). The New York Branch is the only "material entity" for the purpose of this plan. The New York Branch does not conduct any core business lines or critical operations in the U.S., but engages in basic banking, loans, deposits, corporate banking, trade finance and treasury business.



2. Core Business Lines

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”.

As noted above, in the view of management of Ziraat Bank, New York Branch does not conduct any core business lines or critical operations in the U.S., but engages in basic banking, loans, deposits, corporate banking, trade finance and treasury business.

3. Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

3.1 Balance Sheet

The following is Ziraat Bank’s Consolidated Balance Sheet for the period ended December 31, 2014. For a more detailed discussion on each of the specific line captions on the Consolidated Balance Sheet, please refer to Ziraat Bank’s 2014 Annual Report.

| | 12/31/2014 (000 TL) | 12/31/2013 (000 TL) |
|---|------------------------|------------------------|
| Assets: | | |
| Cash balances with the Central Bank of Turkey..... | 30.284.746 | 26,898,031 |
| Financial assets at fair value through profit or (loss) (net)..... | 329.994 | 464,789 |
| Banks..... | 2.767.811 | 3,005,253 |
| Money Market Placements..... | 51.529 | 53,272 |
| Financial assets available for sale (net)..... | 54.430.243 | 46,892,961 |
| Loans and receivables..... | 145.521.903 | 113,368,659 |
| Investment held to maturity (net)..... | 10.239.816 | 15,799,338 |
| Investments in associates (net)..... | 88.913 | 78,111 |
| Investments in subsidiaries (net)..... | 7.450 | 6,237 |
| Entities under common control (net)..... | 60.271 | 62,167 |
| Receivables from leasing transactions..... | 1.851.256 | 1,477,549 |
| Tangible assets (net)..... | 4.741.305 | 1,080,750 |
| Intangible assets (net)..... | 193.315 | 143,155 |
| Tax assets..... | 227.805 | 345,079 |
| Assets held for sale and assets held from discontinued operations (net)..... | 174.207 | 105,904 |
| Other assets..... | 2.038.627 | 1,822,224 |
| Total Assets..... | 253,009,191 | 211,603,479 |

| | 12/31/2014 (000 TL) | 12/31/2013 (000 TL) |
|--|------------------------|------------------------|
| <i>Liabilities and Equity:</i> | | |
| Deposits..... | 156.144.724 | 143,511,262 |
| Derivative financial liabilities held for trading..... | 416.397 | 56,353 |
| Funds borrowed..... | 15.612.353 | 9,262,261 |
| Money market balances..... | 31.793.959 | 24,570,850 |
| Marketable securities issued (net)..... | 4.273.877 | 2,656,460 |
| Funds..... | 5.426.448 | 4,036,491 |
| Miscellaneous payables..... | 1.793.104 | 1,380,203 |
| Other liabilities..... | 2.070.784 | 1,913,807 |
| Payables from leasing transactions (net)..... | | 7 |
| Provisions..... | 6.009.281 | 5,144,596 |
| Tax liability..... | 851.232 | 403,850 |
| Shareholder's Equity..... | 28.617.032 | 18,667,339 |
| Total Liabilities and Equity..... | 253,009,191 | 211,603,479 |

3.2 Capital

The capital adequacy ratio recommended by the Banking Regulation and Supervision Agency ("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, 2014, the Capital Adequacy Ratio of the Bank is 18.2% and the Tier I Capital Adequacy Ratio is 17.2%. The capital ratios are as follows:

| | 12/31/2014 (000 TL) |
|--------------------------------------|------------------------|
| <i>Capital:</i> | |
| Tier I capital..... | 24,689,151 |
| Tier II capital..... | 1,818,980 |
| Deductions from capital..... | 24,090 |
| Total regulatory capital..... | 31,484,041 |
| Credit Risk-weighted assets..... | 145,518,416 |



| | |
|--------------------------------|--------------------|
| Value at market risk..... | 13,592,650 |
| Value at operational risk..... | 13,729,680 |
| Total..... | 172,840,746 |

Capital Adequacy Ratios:

| | |
|------------------------------------|-------|
| Tier I capital adequacy ratio..... | 17.2% |
| Total capital adequacy ratio..... | 18.2% |

3.3 Major Funding Sources

The main source of funding for Ziraat Bank is deposits. As of December 31, 2014, 62% of liabilities consisted of deposits. Ziraat Bank accesses the wholesale funding markets through capital markets, syndicated loans and repurchase transactions (repos) in order to diversify its funding sources. In 2014, Ziraat Bank raised a total of 50.6 billion TL by security issuances, loans and repos.

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, cross-currency swaps and currency options. 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.

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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, 2014, included almost 1,682 domestic branches and 25 international branches. 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 of Turkey 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.

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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

Board of Directors

Muharrem Karslı – Chairman
Yusuf Dağcan – Deputy Chairman
Hüseyin Aydın – CEO & Member of the Board
Cemalettin Başlı - Member of the Board
Fahrettin Özdemirci- Member of the Board
Feyzi Çutur- Member of the Board – Audit Committee Member
Metin Özdemir - Member of the Board
Mustafa Çetin - Member of the Board
Salim Alkan - Member of the Board
Davut Karataş- Auditor Board Member
Gökhan Karasu- Auditor Board Member

Senior Management

Ömer M. Baktır- Assistant General Manager for Marketing
Musa Arda- Assistant General Manager for Loan Allocation and Management
Alpaslan Çakar- Assistant General Manager for Retail Banking
M. Cengiz Göğebakan- Assistant General Manager for Loan Policies
Bilgehan Kuru- Assistant General Manager for Treasury Management and International Banking
Osman Arslan - Assistant General Manager for IT Management
Peyami Ömer Özdilek- Assistant General Manager for Human Resources
Bülent Suer- Assistant General Manager for Operational Transactions
Cem İnal- Assistant General Manager for Financial Coordination
Yüksel Cesur- Assistant General Manager for Internal Systems



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 approves 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. The resolution plan is prepared and reviewed by the Ziraat Bank Head Office Departments and ultimately approved by the Ziraat Bank Board of Directors.

10. Description of Material Management Information Systems

Ziraat Bank utilizes Management Information Systems ("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.

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