

(Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I)

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
and Its Financial Subsidiaries**

Consolidated Financial Statements

As at and for the Six-Month Period Ended

30 June 2012

With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ

29 August 2012

This report contains "Independent Auditors' Review Report" comprising 1 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 68 pages.

**Convenience Translation of the Independent Auditors' Review Report
Originally Prepared and Issued in Turkish (See Section 3 Note I)**

To the Board of Directors of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı:

We have reviewed the consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its financial subsidiaries as at 30 June 2012 and the consolidated statements of income, changes in shareholders' equity and cash flows for the six-month period then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility, as independent auditors, is to issue a report on these consolidated financial statements based on our review. We did not review the financial statements of certain consolidated companies as at 30 June 2012, which statements reflect total assets constituting 1.6%; and total operating income constituting 1.5% as at and for the period ended 30 June 2012 of the related consolidated totals. Those statements were reviewed by other auditors whose reports have been furnished to us, and our report, insofar as it relates to the amounts included for those companies is based solely on the reports of the other auditors.

We conducted our review in accordance with the regulations with the "Accounting and Recording Rules" and "Independent Auditing Standards" of (Turkish) Banking Law No 5411. These regulations require that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its financial subsidiaries as at 30 June 2012, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 and Article 38 of the (Turkish) Banking Law No 5411; and other communiqués, disclosures and circulars on accounting and financial reporting principles issued by the Banking Regulation and Supervision Board and explanations by Banking Regulation and Supervision Agency.

Istanbul,
29 August 2012

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

As explained in Section 3 Note I, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED FINANCIAL REPORT
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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The consolidated financial report as at and for the six-month period ended 30 June 2012 prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE YEAR
- INFORMATION RELATED TO THE FINANCIAL POSITION OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITORS' REVIEW REPORT

The subsidiaries and associates included in the consolidated financial report are as follows:

SUBSIDIARIES

Güneş Sigorta AŞ
Vakıf Emeklilik AŞ
Vakıf Finans Factoring Hizmetleri AŞ
Vakıf Finansal Kiralama AŞ
Vakıf Portföy Yönetimi AŞ
Vakıf Yatırım Menkul Değerler AŞ
Vakıfbank International AG

ASSOCIATES

Kıbrıs Vakıflar Bankası Ltd.
Türkiye Sınai Kalkınma Bankası AŞ
Vakıf Gayrimenkul Yatırım Ortaklığı AŞ
Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ

The consolidated interim financial statements and related disclosures and footnotes as at and for the six-month period ended 30 June 2012 that were subject to limited review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated financial statements are presented in thousands of Turkish Lira (“TL”), and have been subjected to limited review.

29 August 2012

Halil AYDOĞAN
Chairman of
Board of Directors

Halim KANATCI
Deputy Chairman and
Audit Committee Member

Ali Fuat TAŞKESENLİOĞLU
Board Member and
Audit Committee Member

Süleyman KALKAN
General Manager and
Board Member

Metin Recep ZAFER
Assistant General Manager

Murat KOYGUN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this consolidated financial report:

Name-Surname/Title : S. Buğra SÜRÜEL /Assistant Manager
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Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Six-Month Period Ended 30 June 2012

(Currency: Thousands of Turkish Lira (“TL”))

SECTION ONE

General Information

I. History of the Parent Bank including its incorporation date, initial legal status, amendments to legal status

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (“the Bank” or “the Parent Bank”) was established to operate as stated in the disclosure V of this section, under the authorization of a special law numbered 6219, called “the Law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı”, on 11 January 1954 within the framework of the authority granted to The General Directorate of the Foundations of Turkish Republic Prime Ministry (“The General Directorate of the Foundations”). The Bank’s statute has not been changed since its establishment.

II. The Parent Bank’s shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the period and information on Bank’s risk group

The shareholder having control over the shares of the Parent Bank is the General Directorate of the Foundations.

As at 30 June 2012 and 31 December 2011, The Bank’s paid-in capital is TL 2,500,000, divided into 250.000.000.000 shares with each has a nominal value of 1 Kuruş.

The Bank’s shareholders’ structure as at 30 June 2012 is stated below:

Shareholders	Number of Shares- 100 shares	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Foundations represented by the General Directorate of the Foundations (Group A)	1.075.058.640	1,075,059	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402.552.666	402,553	16.10
Appendant foundations (Group B)	386.224.785	386,225	15.45
Other appendant foundations (Group B)	3.162.359	3,162	0.13
Other registered foundations (Group B)	1.448.543	1,448	0.06
Other real persons and legal entities (Group C)	1.560.320	1,560	0.06
Publicly traded (Group D)	629.992.687	629,993	25.20
Total	2.500.000.000	2,500,000	100.00

III. Information on the Parent Bank’s board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their shareholdings in the Bank

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Business Administration
<u>Board of Directors</u>				
Halil AYDOĞAN	Chairman	5 January 2012	University	35 years
Halim KANATCI	Deputy Chairman	28 April 2009	University	38 years
Süleyman KALKAN	Member – General Manager	19 March 2010	University	29 years
Ahmet CANDAN	Member	19 March 2010	University	24 years
İsmail ALPTEKİN	Member	6 April 2009	University	13 years
Ramazan GÜNDÜZ	Member	6 April 2009	University	33 years
Dr. Adnan ERTEM	Member	27 October 2010	PHD	24 years
Ali Fuat TAŞKESEN LİOĞLU	Member	30 March 2012	University	24 years
Sadık TILTAK	Member	30 March 2012	University	24 years
<u>Audit Committee</u>				
Halim KANATCI	Member	5 November 2010	University	38 years
Ali Fuat TAŞKESEN LİOĞLU	Member	6 April 2012	University	24 years
<u>Auditors</u>				
Mehmet HALTAŞ	Auditor	19 March 2010	University	35 years
Yunus ARINCI	Auditor	19 March 2010	Master	15 years
<u>Executive Vice Presidents</u>				
Mehmet CANTEKİN (<i>Senior Executive Vice President</i>)	Loans Follow-up, Directorates of the Regions	28 December 2007	Master	20 years
Şahin UĞUR	Support Services	9 August 2004	University	26 years
Feyzi ÖZCAN	Retail Banking, Consumer Loans, Corporate Salary Payments, Credit Cards, Card and Merchants Operations	20 September 2005	University	22 years
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Alternative Distribution Channels	13 June 2006	PHD	16 years
Birgül DENLİ	International Relations and Investor Relations	15 June 2006	Master	18 years
Ömer ELMAS	Legal Services, Non-performing Loans	5 January 2009	Master	9 years
İbrahim BİLGİÇ	Corporate Banking, Corporate Banking, Corporate Centers, Corporate Loans	7 May 2010	University	20 years
Hasan ECESoy	Treasury, Investment Banking	18 June 2010	PHD	18 years
Serdar SATOĞLU	Private Banking, Subsidiaries	17 June 2010	PHD	16 years
Ali Engin EROĞLU	Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate	18 August 2010	Master	15 years
Osman DEMREN	Commercial Banking, Cash Management Affairs, SME Banking	6 April 2011	University	21 years
Mitat ŞAHİN	Human Resources, Planning and Performance	11 April 2011	Master	22 years
Yıldırım EROĞLU	Commercial Loans, Intelligence	6 December 2011	University	19 years

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and

For the Six-Month Period Ended 30 June 2012

(Currency: Thousands of Turkish Lira (“TL”))

As per 5 January 2012 dated resolution of the Board of Directors Halil Aydoğan has been assigned as Chairman of the Board of Directors and Deputy Chairman Ahmet Candan has resigned this duty.

As per 30 March 2012 dated resolution of the Ordinary Meeting of the General Assembly, Serdar Tunçbilek and Selahattin Toraman have resigned from their duty and Ali Fuat Taşkesenoğlu and Sadık Tiltak have been assigned as Board Members.

As per 6 April 2012 dated resolution of the Board of Directors Halim Kanatçı has been assigned as Deputy Chairman of the Board of Directors. As at the same date, Ali Fuat Taşkesenoğlu has been assigned as a Member of Audit Committee.

As per 28 June 2012 dated resolution of the Board of Directors, Birgül Denli has been assigned as Assistant General Manager of Güneş Sigorta AŞ, a subsidiary of the Bank, and has resigned her duty as Assistant General Manager of the Bank at 2 July 2012.

As per 4 July 2012 dated resolution of the Board of Directors, Numan Bek has been assigned as Assistant General Manager of the Bank and has come into office on 18 July 2012.

İsmail Alptekin, Member of the Board, holds non-publicly traded share of the Bank amounting to TL 59 and Assistant General Manager Mitat Şahin holds Group C traded share of the Bank amounting TL 24. The remaining members of the top management listed above do not hold any unquoted shares of the Bank.

IV. Information on people and entities who have qualified share in the Bank

The shareholder holding control over the Parent Bank is The General Directorate of the Foundations having 43.00% of the Bank’s outstanding shares. Another organization holding qualified share in the Parent Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, having 16.10% of outstanding shares of the Bank.

V. Information about the services and nature of activities of the Parent Bank

The Parent Bank was established under the authorization of special law numbered 6219, called “The Law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı”, on 11 January 1954 within the framework of the authority granted to The General Directorate of the Foundations. Operational activities of the Bank as stated at its Articles of Association are as follows:

- Lending loans by obtaining securities and real estate as collateral,
- Establishing or participating in all kinds of insurance corporations,
- Trading real estates,
- Servicing all banking operations and services,
- Investing in various corporations handed over by the foundations and the General Directorate of the Foundations in accordance with conditions stipulated by agreements if signed.
- To render banking services to the foundations and carry out cashier transactions of the General Directorate of Foundations in compliance with the agreements signed by the General Directorate of the Foundations.

As at 30 June 2012, the Parent Bank has 687 domestic, 3 foreign, in total 690 branches (31 December 2011: 677 domestic, 3 foreign, in total 680 branches). As at 30 June 2012, the Parent Bank has 13,343 employees (31 December 2011: 12,222 employees).

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Balance Sheet (Statement of Financial Position)

Convenience Translation of the Consolidated Financial Statements
and Related Disclosures and Footnotes

As at 30 June 2012

Originally Issued in Turkish, See Section 3 Note I

(Currency: Thousands of Turkish Lira (“TL”))

ASSETS	Notes	Reviewed Current Period 30 June 2012			Audited Previous Year 31 December 2011		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	3,935,707	6,909,004	10,844,711	2,069,331	5,072,531	7,141,862
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	185,474	143,493	328,967	177,477	184,145	361,622
2.1 Financial assets held for trading purpose		185,474	143,493	328,967	177,477	184,145	361,622
2.1.1 Debt securities issued by the governments		123,467	13,728	137,195	137,725	14,189	151,914
2.1.2 Equity securities		68	-	68	2,096	-	2,096
2.1.3 Derivative financial assets held for trading purpose	V-I-2	16,929	129,765	146,694	4,182	169,956	174,138
2.1.4 Other securities		45,010	-	45,010	33,474	-	33,474
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
III. BANKS	V-I-3	401,425	1,912,569	2,313,994	408,679	2,132,656	2,541,335
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		762	-	762	190,467	-	190,467
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		700	-	700	340	-	340
4.3 Receivables from reverse repurchase agreements		62	-	62	190,127	-	190,127
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	10,417,232	2,599,430	13,016,662	10,434,795	2,920,048	13,354,843
5.1 Equity securities		-	11,944	11,944	-	11,919	11,919
5.2 Debt securities issued by the governments		10,412,322	2,481,945	12,894,267	10,431,988	2,759,495	13,191,483
5.3 Other securities		4,910	105,541	110,451	2,807	148,634	151,441
VI. LOANS AND RECEIVABLES	V-I-5	45,334,240	17,903,882	63,238,122	38,871,737	19,297,116	58,168,853
6.1 Performing loans and receivables		45,189,373	17,901,250	63,090,623	38,763,115	19,294,387	58,057,502
6.1.1 Loans provided to the same risk group	V-V-1	1,742	6,006	7,748	1,650	2,793	4,443
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		45,187,631	17,895,244	63,082,875	38,761,465	19,291,594	58,053,059
6.2 Loans under follow-up		2,307,290	13,856	2,321,146	2,195,075	16,208	2,211,283
6.3 Specific provisions (-)		2,162,423	11,224	2,173,647	2,086,453	13,479	2,099,932
VII. FACTORING RECEIVABLES		318,751	27,584	346,335	577,291	40,513	617,804
VIII. HELD-TO-MATURITY INVESTMENTS (Net)	V-I-6	4,310,365	1,555,732	5,866,097	4,343,224	1,636,014	5,979,238
8.1 Debt securities issued by the governments		4,310,365	1,503,470	5,813,835	4,343,224	1,581,438	5,924,662
8.2 Other securities		-	52,262	52,262	-	54,576	54,576
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	182,591	3	182,594	167,001	3	167,004
9.1 Associates, consolidated per equity method		156,519	-	156,519	140,112	-	140,112
9.2 Unconsolidated associates		26,072	3	26,075	26,889	3	26,892
9.2.1 Financial associates		13,741	-	13,741	17,546	-	17,546
9.2.2 Non-Financial associates		12,331	3	12,334	9,343	3	9,346
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	148,247	-	148,247	148,290	-	148,290
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		148,247	-	148,247	148,290	-	148,290
XI. INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES	V-I-10	98,284	519,285	617,569	69,712	433,729	503,441
12.1 Finance lease receivables		121,128	580,896	702,024	85,542	489,873	575,415
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		22,844	61,611	84,455	15,830	56,144	71,974
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)		1,180,826	3,893	1,184,719	1,170,784	4,997	1,175,781
XV. INTANGIBLE ASSETS (Net)		81,859	197	82,056	79,782	206	79,988
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		81,859	197	82,056	79,782	206	79,988
XVI. INVESTMENT PROPERTIES (Net)	V-I-12	158,911	-	158,911	159,204	-	159,204
XVII. TAX ASSETS		147,972	-	147,972	195,867	1,803	197,670
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets	V-I-13	147,972	-	147,972	195,867	1,803	197,670
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-14	2,168	-	2,168	2,159	-	2,159
18.1 Assets held for sale		2,168	-	2,168	2,159	-	2,159
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-15	2,446,685	195,817	2,642,502	2,427,064	243,919	2,670,983
TOTAL ASSETS		69,351,499	31,770,889	101,122,388	61,492,864	31,967,680	93,460,544

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Balance Sheet (Statement of Financial Position)

As at 30 June 2012

(Currency: Thousands of Turkish Lira ("TL"))

Convenience Translation of the Consolidated Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note I

LIABILITIES AND EQUITY		Notes	Reviewed Current Period 30 June 2012			Audited Previous Year 31 December 2011		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	46,037,370	18,674,060	64,711,430	43,028,280	18,813,696	61,841,976
1.1	Deposits of the same risk group	V-V-1	974,140	929,433	1,903,573	1,061,432	608,796	1,670,228
1.2	Other deposits		45,063,230	17,744,627	62,807,857	41,966,848	18,204,900	60,171,748
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	21,314	129,401	150,715	4,376	340,427	344,803
III.	FUNDS BORROWED	V-II-3	288,577	7,826,282	8,114,859	350,774	8,561,523	8,912,297
IV.	INTERBANK MONEY MARKET		4,190,027	3,850,753	8,040,780	3,031,108	3,000,144	6,031,252
4.1	Interbank Money Market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		-	-	-	49,577	-	49,577
4.3	Obligations under repurchase agreements		4,190,027	3,850,753	8,040,780	2,981,531	3,000,144	5,981,675
V.	SECURITIES ISSUED (Net)		1,922,177	900,012	2,822,189	493,000	-	493,000
5.1	Bills		1,817,002	-	1,817,002	493,000	-	493,000
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		105,175	900,012	1,005,187	-	-	-
VI.	FUNDS		36,666	-	36,666	40,699	-	40,699
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		36,666	-	36,666	40,699	-	40,699
VII.	MISCELLANEOUS PAYABLES		2,961,132	308,084	3,269,216	2,749,696	224,750	2,974,446
VIII.	OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	247,018	496,240	743,258	181,463	460,709	642,172
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	V-II-5	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	V-II-7	2,466,223	45,638	2,511,861	2,348,817	79,325	2,428,142
12.1	General provisions		788,518	2,558	791,076	668,297	2,883	671,180
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		375,479	592	376,071	402,990	578	403,568
12.4	Insurance technical provisions (Net)		1,136,545	13,028	1,149,573	1,078,213	46,573	1,124,786
12.5	Other provisions	V-II-7	165,681	29,460	195,141	199,317	29,291	228,608
XIII.	TAX LIABILITIES	V-II-8	268,628	7,291	275,919	148,347	5,208	153,555
13.1	Current tax liabilities		264,866	6,230	271,096	144,681	5,208	149,889
13.2	Deferred tax liabilities	V-I-13	3,762	1,061	4,823	3,666	-	3,666
XIV.	PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)	V-II-9	-	-	-	-	-	-
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	V-II-10	-	-	-	-	-	-
XVI.	EQUITY		10,102,234	343,261	10,445,495	9,335,716	262,486	9,598,202
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		699,978	191,474	891,452	541,878	109,679	651,557
16.2.1	Share premium		726,722	-	726,722	726,722	-	726,722
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-11	(78,975)	191,474	112,499	(200,633)	109,679	(90,954)
16.2.4	Revaluation surplus on tangible assets		50,452	-	50,452	14,010	-	14,010
16.2.5	Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6	Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures		1,779	-	1,779	1,779	-	1,779
16.2.8	Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		-	-	-	-	-	-
16.3	Profit reserves		5,838,071	70,258	5,908,329	4,673,086	80,909	4,753,995
16.3.1	Legal reserves		749,689	4,324	754,013	624,013	3,266	627,279
16.3.2	Status reserves		5,050	-	5,050	3,980	-	3,980
16.3.3.	Extraordinary reserves		4,798,202	4,593	4,802,795	3,785,486	4,593	3,790,079
16.3.4.	Other profit reserves		285,130	61,341	346,471	259,607	73,050	332,657
16.4	Profit or loss		730,639	59,608	790,247	1,282,952	50,648	1,333,600
16.4.1	Previous years' profit/loss		44,523	49,591	94,114	(3,293)	32,579	29,286
16.4.2	Current year's profit/loss		686,116	10,017	696,133	1,286,245	18,069	1,304,314
16.5	Non-controlling interest		333,546	21,921	355,467	337,800	21,250	359,050
TOTAL LIABILITIES AND EQUITY			68,541,366	32,581,022	101,122,388	61,712,276	31,748,268	93,460,544

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Off-Balance Sheet Items

As at 30 June 2012

(Currency: Thousands of Turkish Lira ("TL"))

*Convenience Translation of the Consolidated Financial Statements
and Related Disclosures and Footnotes*
Originally Issued in Turkish, See Section 3 Note I

	Notes	Reviewed Current Period 30 June 2012			Audited Previous Year 31 December 2011		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		44,486,722	32,973,794	77,460,516	39,926,503	33,872,732	73,799,235
I. GUARANTEES AND SURETIES	V-III-2	9,809,018	7,034,981	16,843,999	9,018,742	6,795,639	15,814,381
1.1 Letters of guarantee	V-III-1	9,782,053	2,101,967	11,884,020	8,988,954	2,234,154	11,223,108
1.1.1 Guarantees subject to State Tender Law		1,438,550	936,664	2,375,214	1,421,940	735,091	2,157,031
1.1.2 Guarantees given for foreign trade operations		368,561	-	368,561	323,046	-	323,046
1.1.3 Other letters of guarantee		7,974,942	1,165,303	9,140,245	7,243,968	1,499,063	8,743,031
1.2 Bank acceptances		26,965	840,867	867,832	29,056	454,538	483,594
1.2.1 Import letter of acceptance		-	42,882	42,882	375	40,122	40,497
1.2.2 Other bank acceptances		26,965	797,985	824,950	28,681	414,416	443,097
1.3 Letters of credit		-	4,086,714	4,086,714	732	4,098,668	4,099,400
1.3.1 Documentary letters of credit		-	4,086,714	4,086,714	732	4,098,668	4,099,400
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	4,039	4,039	-	6,941	6,941
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Marketable securities underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	1,116	1,116	-	1,166	1,166
1.9 Other sureties		-	278	278	-	172	172
II. COMMITMENTS		30,290,383	16,732,644	47,023,027	26,651,228	18,132,775	44,784,003
2.1 Irrevocable commitments		11,289,594	1,592,201	12,881,795	10,807,644	1,070,943	11,878,587
2.1.1 Asset purchase commitments	V-III-1	732,061	1,395,975	2,128,036	768,919	857,919	1,626,838
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	1,000	-	1,000	1,000	-	1,000
2.1.4 Loan granting commitments	V-III-1	4,479,302	6,431	4,485,733	4,574,348	5,515	4,579,863
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments	V-III-1	1,096,044	-	1,096,044	829,640	-	829,640
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	4,719,799	-	4,719,799	4,322,604	-	4,322,604
2.1.10 Commitments for credit card and banking operations promotions		209,346	-	209,346	246,030	-	246,030
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		52,042	189,795	241,837	65,103	207,509	272,612
2.2 Revocable commitments		19,000,789	15,140,443	34,141,232	15,843,584	17,061,832	32,905,416
2.2.1 Revocable loan granting commitments		19,000,789	15,140,443	34,141,232	15,843,584	17,061,832	32,905,416
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		4,387,321	9,206,169	13,593,490	4,256,533	8,944,318	13,200,851
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		4,387,321	9,206,169	13,593,490	4,256,533	8,944,318	13,200,851
3.2.1 Forward foreign currency purchases/sales		437,527	679,213	1,116,740	241,499	730,482	971,981
3.2.1.1 Forward foreign currency purchases		218,420	340,023	558,443	120,798	365,252	486,050
3.2.2.2 Forward foreign currency sales		219,107	339,190	558,297	120,701	365,230	485,931
3.2.2 Currency and interest rate swaps		3,780,883	7,727,098	11,507,981	3,895,134	7,555,347	11,450,481
3.2.2.1 Currency swaps-purchases		2,214,988	2,578,662	4,793,650	2,939,954	2,250,643	5,190,597
3.2.2.2 Currency swaps-sales		1,565,895	2,431,828	3,997,723	955,180	3,642,588	4,597,768
3.2.2.3 Interest rate swaps-purchases		-	1,358,304	1,358,304	-	837,023	837,023
3.2.2.4 Interest rate swaps-sales		-	1,358,304	1,358,304	-	825,093	825,093
3.2.3 Currency, interest rate and security options		168,911	164,340	333,251	119,900	127,334	247,234
3.2.3.1 Currency call options		84,456	82,169	166,625	59,950	63,666	123,616
3.2.3.2 Currency put options		84,455	82,169	166,624	59,950	63,666	123,616
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	2	2	-	2	2
3.2.3.6 Security put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-purchases		-	-	-	-	-	-
3.2.4.2 Currency futures-sales		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-	-	-	-
3.2.6 Others		-	635,518	635,518	-	531,155	531,155
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		453,144,076	138,108,655	591,252,731	358,000,449	124,532,124	482,532,573
IV. ITEMS HELD IN CUSTODY		146,086,558	1,480,478	147,567,036	124,679,261	1,965,815	126,645,076
4.1 Customers' securities held		698,493	17,509	716,002	655,668	18,287	673,955
4.2 Investment securities held in custody		139,522,109	7,866	139,529,975	119,737,183	8,216	119,745,399
4.3 Checks received for collection		4,560,683	499,762	5,060,445	3,209,909	488,732	3,698,641
4.4 Commercial notes received for collection		936,622	189,400	1,126,022	685,346	175,092	860,438
4.5 Other assets received for collection		2,152	72	2,224	2,152	75	2,227
4.6 Assets received through public offering		-	5,291	5,291	-	5,570	5,570
4.7 Other items under custody		309	466,139	466,448	309	919,351	919,660
4.8 Custodians		366,190	294,439	660,629	388,694	350,492	739,186
V. PLEDGED ITEMS		103,971,215	37,306,104	141,277,319	80,334,810	33,528,833	113,863,643
5.1 Securities		200,100	34,017	234,117	153,809	36,226	190,035
5.2 Guarantee notes		616,142	170,144	786,286	524,250	153,762	678,012
5.3 Commodities		16,863,323	635,968	17,499,291	13,878,556	551,059	14,429,615
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		80,405,908	29,470,243	109,876,151	61,561,438	25,580,459	87,141,897
5.6 Other pledged items		5,224,731	6,909,320	12,134,051	3,823,085	7,144,193	10,967,278
5.7 Pledged items-depository		661,011	86,412	747,423	393,672	63,134	456,806
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		203,086,303	99,322,073	302,408,376	152,986,378	89,037,476	242,023,854
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		497,630,798	171,082,449	668,713,247	397,926,952	158,404,856	556,331,808

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Income
For the Six-Month Period Ended 30 June 2012
(Currency: Thousands of Turkish Lira (“TL”))

Convenience Translation of the Consolidated Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 3 Note I

	Notes	Reviewed Current Period 1 January 2012- 30 June 2012	Reviewed Prior Period 1 January 2011- 30 June 2011	Reviewed Current Period 1 April 2012- 30 June 2012	Reviewed Prior Period 1 April 2011- 30 June 2011
I. INTEREST INCOME		4,344,921	3,041,158	2,199,142	1,561,643
1.1 Interest income from loans	V-IV-1	3,310,693	2,217,775	1,726,760	1,163,214
1.2 Interest income from reserve deposits		-	-	-	-
1.3 Interest income from banks	V-IV-1	35,820	30,532	12,303	13,369
1.4 Interest income from money market transactions		1,270	3,560	102	1,476
1.5 Interest income from securities portfolio		913,784	714,406	446,614	354,867
1.5.1 Trading financial assets		18,008	19,381	5,084	3,224
1.5.2 Financial assets designated at fair value through profit or loss		-	-	-	-
1.5.3 Available-for-sale financial assets		588,020	496,541	278,618	247,848
1.5.4 Held-to-maturity investments		307,756	198,484	162,912	103,795
1.6 Finance lease income		20,094	12,264	10,816	6,603
1.7 Other interest income		63,260	62,621	2,547	22,114
II. INTEREST EXPENSE		2,532,229	1,606,624	1,263,532	870,720
2.1 Interest expense on deposits		2,102,098	1,283,062	1,046,442	697,217
2.2 Interest expense on funds borrowed	V-IV-2	95,402	75,018	46,273	41,479
2.3 Interest expense on money market transactions		215,115	221,348	107,647	128,058
2.4 Interest expense on securities issued		61,032	-	41,985	-
2.5 Other interest expenses		58,582	27,196	21,185	3,966
III. NET INTEREST INCOME (I – II)		1,812,692	1,434,534	935,610	690,923
IV. NET FEES AND COMMISSIONS INCOME		165,619	270,099	75,378	153,447
4.1 Fees and commissions received		297,147	355,475	147,309	205,072
4.1.1 Non-cash loans		47,204	30,563	25,304	14,942
4.1.2 Others		249,943	324,912	122,005	190,130
4.2 Fees and commissions paid		131,528	85,376	71,931	51,625
4.2.1 Non-cash loans		138	36	70	-
4.2.2 Others		131,390	85,340	71,861	51,625
V. DIVIDEND INCOME		6,621	4,795	143	205
VI. TRADING INCOME/LOSSES (Net)	V-IV-3	121,520	47,917	13,247	6,758
6.1 Trading account income/losses	V-IV-3	43,599	29,542	26,472	6,127
6.2 Income/losses from derivative financial instruments	V-IV-3	11,787	21,437	(26,223)	10,853
6.3 Foreign exchange gains/losses	V-IV-3	66,134	(3,062)	12,998	(10,222)
VII. OTHER OPERATING INCOME	V-IV-4	642,044	769,812	288,766	364,595
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		2,748,496	2,527,157	1,313,144	1,215,928
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5	525,626	432,859	249,093	226,681
X. OTHER OPERATING EXPENSES (-)	V-IV-6	1,351,596	1,231,532	681,221	597,479
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		871,274	862,766	382,830	391,768
XII. INCOME RESULTED FROM MERGERS		-	-	-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		14,724	9,867	7,633	5,106
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		885,998	872,633	390,463	396,874
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-7	(190,724)	(163,678)	(84,090)	(67,111)
16.1 Current tax charges	V-IV-7	(164,539)	(181,423)	(94,532)	(100,690)
16.2 Deferred tax credits	V-IV-7	(26,185)	17,745	10,442	33,579
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)	V-IV-8	695,274	708,955	306,373	329,763
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1 Income from investment properties		-	-	-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-	-	-
18.3 Other income from discontinued activities		-	-	-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS		-	-	-	-
19.1 Investment property expenses		-	-	-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-	-	-
19.3 Other expenses from discontinued activities		-	-	-	-
XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES		-	-	-	-
XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES		-	-	-	-
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge		-	-	-	-
XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS		-	-	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	V-IV-8	695,274	708,955	306,373	329,763
23.1. Equity holders of the Bank		696,133	675,300	306,715	280,566
23.2. Non-controlling interest	V-IV-9	(859)	33,655	(342)	49,197
Earnings per 100 Share (full TL)		0.2781	0.2836	0.1225	0.1319

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Gains and Losses Recognized in Equity
For the Six-Month Period Ended 30 June 2012
(Currency: Thousands of Turkish Lira ("TL"))

*Convenience Translation of the Consolidated Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 3 Note 1*

	Reviewed Current Period 1 January 2012- 30 June 2012	Reviewed Prior Period 1 January 2011- 30 June 2011	Reviewed Current Period 1 April 2012- 30 June 2012	Reviewed Prior Period 1 April 2011- 30 June 2011
GAINS AND LOSSES RECOGNIZED IN EQUITY				
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	289,095	(191,031)	140,958	(40,908)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-	-	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-	-	-
IV. CURRENCY TRANSLATION DIFFERENCES	(13,011)	21,162	(7,298)	12,605
V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)	-	-	-	-
VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)	-	-	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS	-	-	-	-
VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS	(2,098)	(572)	(369)	(1,558)
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(83,390)	34,569	(46,201)	10,643
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	190,596	(135,872)	87,090	(19,218)
XI. CURRENT PERIOD'S PROFIT/(LOSS)	695,274	708,955	306,373	329,763
11.1 Change in fair value of securities (transfers to the statement of income)	(10,781)	87,240	(10,986)	25,498
11.2 Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges	-	-	-	-
11.3 Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges	-	-	-	-
11.4 Others	706,055	621,715	317,359	304,265
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	885,870	573,083	393,463	310,545

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Changes in Equity
For the Six-Month Period Ended 30 June 2012

(Currency: Thousands of Turkish Lira (“TL”))

*Convenience Translation of the Consolidated Financial Statements
and Related Disclosures and Footnotes*

Originally Issued in Turkish, See Section 3 Note I

	Notes	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Current Year's Net Profit/(Loss)	Previous Years' Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s	Shareholders' Equity before Minority Shares	Non-controlling Interest	Total Equity	
CHANGES IN EQUITY																			
Prior period – 30 June 2011																			
I.	Balances at the beginning of the period	2,500,000	-	726,722	-	506,554	3,094	2,794,403	292,779	1,164,297	40,610	301,250	5,033	1,551	-	-	8,336,293	242,790	8,579,083
Changes during the period																			
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation differences of the marketable securities	-	-	-	-	-	-	-	-	-	(164,606)	-	-	-	-	-	(164,606)	9,161	(155,445)
IV.	Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	84	-	-	84	(47)	37	
VIII.	Translation differences	-	-	-	-	-	-	-	19,046	-	-	-	-	-	-	19,046	2,116	21,162	
IX.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Effect of change in equities of associates on the Group's equity	-	-	-	-	-	-	-	9,867	-	(1,291)	-	-	-	-	8,576	(335)	8,241	
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,508)	(2,508)	
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,508)	(2,508)	
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(75)	(75)	
XVII.	Current period's profit/loss	-	-	-	-	-	-	-	665,433	-	-	-	-	-	-	665,433	33,655	699,088	
XVIII.	Profit distribution	-	-	-	-	120,693	886	996,274	13,316	(1,164,297)	(10,163)	8,977	-	-	-	(34,314)	(65)	(34,379)	
18.1	Dividends	-	-	-	-	-	-	-	-	(34,314)	-	-	-	-	-	(34,314)	(65)	(34,379)	
18.2	Transferred to reserves	-	-	-	-	120,693	886	996,274	13,316	(1,129,983)	(10,163)	8,977	-	-	-	-	-	-	
18.3	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at the end of the period		2,500,000	-	726,722	-	627,247	3,980	3,790,677	325,141	675,300	30,447	135,353	14,010	1,635	-	-	8,830,512	284,692	9,115,204
Current period – 30 June 2012																			
I.	Balances at the beginning of the period	2,500,000	-	726,722	-	627,279	3,980	3,790,079	332,657	1,304,314	29,286	(90,954)	14,010	1,779	-	-	9,239,152	359,050	9,598,202
Changes during the period																			
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation differences of marketable securities	-	-	-	-	-	-	-	-	-	200,861	-	-	-	-	200,861	(217)	200,644	
IV.	Hedging Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1	Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.2	Net investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Translation differences	-	-	-	-	-	-	-	(11,710)	-	-	-	-	-	-	(11,710)	(1,301)	(13,011)	
IX.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Changes resulted from reclassifications of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Effect of change in equities of associates on the Group's equity	-	-	-	-	-	-	-	14,724	-	2,592	-	-	-	-	17,316	371	17,687	
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,070)	(1,070)	
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,070)	(1,070)	
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII.	Current period's profit/loss	-	-	-	-	-	-	-	681,409	-	-	-	-	-	-	681,409	(859)	680,550	
XVIII.	Profit distribution	-	-	-	-	126,734	1,070	1,012,716	25,524	(1,304,314)	64,828	36,442	-	-	-	(37,000)	(507)	(37,507)	
18.1	Dividends	-	-	-	-	-	-	-	-	(37,000)	-	-	-	-	-	(37,000)	(507)	(37,507)	
18.2	Transferred to reserves	-	-	-	-	126,734	1,070	1,012,716	25,524	(1,267,314)	64,828	36,442	-	-	-	-	-	-	
18.3	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at the end of the period		2,500,000	-	726,722	-	754,013	5,050	4,802,795	346,471	696,133	94,114	112,499	50,452	1,779	-	-	10,090,028	355,467	10,445,495

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Cash Flows
For the Six-Month Period Ended 30 June 2012
(Currency: Thousands of Turkish Lira (“TL”))

*Convenience Translation of the Consolidated Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 3 Note I*

	Notes	Reviewed Current Period 30 June 2012	Reviewed Previous Period 30 June 2011
A. CASH FLOWS FROM BANKING OPERATIONS			
I.1 Operating profit before changes in operating assets and liabilities		1,245,832	622,526
1.1.1 Interests received		4,131,713	3,005,548
1.1.2 Interests paid		(2,354,977)	(1,541,552)
1.1.3 Dividends received		4,621	4248
1.1.4 Fee and commissions received		297,147	270,099
1.1.5 Other income		361,192	384,415
1.1.6 Collections from previously written-off loans and other receivables		216,630	123,559
1.1.7 Payments to personnel and service suppliers		(1,340,012)	(1,271,983)
1.1.8 Taxes paid		(126,837)	(167,739)
1.1.9 Others		56,355	(184,069)
I.2 Changes in operating assets and liabilities		(2,657,909)	2,828,859
1.2.1 Net (increase) decrease in financial assets held for trading purpose		19,004	17,935
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(1,859,539)	(534,443)
1.2.4 Net (increase) decrease in loans		(5,197,899)	(8,884,195)
1.2.5 Net (increase) decrease in other assets		25,997	(218,526)
1.2.6 Net increase (decrease) in bank deposits		751,604	752,869
1.2.7 Net increase (decrease) in other deposits		1,993,434	5,097,115
1.2.8 Net increase (decrease) in funds borrowed		(807,172)	1,613,549
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		2,416,662	4,984,555
I. Net cash flow from banking operations		(1,412,077)	3,451,385
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		580,745	(240,566)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-	-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures		-	-
2.3 Cash paid for purchase of tangible assets		(29,875)	(225,817)
2.4 Proceeds from disposal of tangible assets		44,264	178,803
2.5 Cash paid for purchase of available-for-sale financial assets		(824,197)	(3,223,020)
2.6 Proceeds from disposal of available-for-sale financial assets		1,390,639	1,515,415
2.7 Cash paid for purchase of held-to-maturity investments		(103,675)	(62,778)
2.8 Proceeds from disposal of held-to-maturity investments		111,271	1,582,906
2.9 Others		(7,682)	(6,075)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		2,248,726	(34,379)
3.1 Cash obtained from funds borrowed and securities issued		2,782,814	-
3.2 Cash used for repayment of funds borrowed and securities issued		(496,581)	-
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(37,507)	(34,379)
3.5 Re-payments for finance leases		-	-
3.6 Others		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents		2,032	(2,546)
V. Net increase in cash and cash equivalents		1,419,426	3,173,894
VI. Cash and cash equivalents at the beginning of the year		5,006,075	7,148,088
VII. Cash and cash equivalents at the end of the period		6,425,501	10,321,982

The accompanying notes are an integral part of these consolidated financial statements.

SECTION THREE

Accounting Policies

I. Basis of presentation

As per the Article 37 and 38 of “Accounting and Recording Rules” of the Turkish Banking Law no. 5411 published on the Official Gazette no. 25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its unconsolidated and consolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published by the Banking Regulation and Supervision Agency (“BRSA”) and effective since 1 November 2006, Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the related statements and guidance (collectively “Reporting Standards”) issued by Turkish Accounting Standards Board (“TASB”).

Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no:1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association (“Board”) has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board become effective.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis except for the financial assets at fair value through profit or loss, derivative financial assets and liabilities held for trading purpose, available-for-sale financial assets and unconsolidated investments in associates and subsidiaries whose fair value can be reliably measured and assets available for sale, which are presented on a fair value basis.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying consolidated financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and jurisdictions other than Turkey and IFRS.

II. Strategy for the use of financial instruments and foreign currency transactions

Strategy for the use of financial instruments

The Bank’s core operations are based on retail banking, corporate banking, private banking, foreign exchange operations, money market operations, investment security transactions, and international banking. As a result of the nature of its operations, the Bank intensively utilizes financial instruments. The Bank funds itself through deposits with different maturities as the main funding resources that are invested in assets earning higher returns.

The most important fund sources of the Bank other than the deposits are its equity, interbank money market takings and medium and long-term borrowings obtained from foreign financial institutions. The Bank pursues an effective asset-liability management strategy by securing balance between funding resources and investments so as to reduce risks and increase returns. Accordingly, the Bank attaches great significance to long-term placements bearing higher interest rates.

It is essential to consider the maturity structure of assets and liabilities in liquidity management. The essence of asset liability management is the keep the liquidity risk, interest rate risk, exchange rate risk, and credit risk within reasonable limits; while enhancing profitability and strengthening the Bank’s shareholders’ equity.

Investments in marketable securities and lending loans generate higher return than the average rate of return of the Bank's operating activities on the basis of maturity structures and market conditions. When bank placements are considered, they have short term maturity in terms of liquidity management but earn lower return. The Bank takes position against short-term foreign exchange risk, interest rate risk and market risk in money and capital markets, by considering market conditions, within specified limits set by regulations.

The Bank hedges itself and controls its position against the foreign exchange risk being exposed due to foreign currency available-for-sale investments, investments in other portfolios and other foreign currency transactions by various derivative transactions and setting the equilibrium between foreign currency denominated assets and liabilities. Foreign currency position is closely followed taking the legal limits and the Bank's internal control regulations, formed in a balanced basket taking the market conditions into account.

In order to avoid interest rate risk, assets and liabilities having fixed and floating interest rates are kept in balance, taking the maturity structure into consideration.

Information on foreign currency transactions

Transactions of the Parent Bank and its consolidated subsidiaries located in Turkey are recorded in TL, the functional currency of the Parent Bank and the related subsidiaries. Foreign currency transactions are recorded using the foreign exchange rates ruling at the transaction date. At the end of the periods, foreign currency denominated monetary assets and liabilities are measured at the Parent Bank's spot purchase rates in the financial statements of the Parent Bank; and at the spot purchase rates announced by the Central Bank of Turkey ("CBT") in the financial statements of the other subsidiaries. The foreign exchange rate differences are recognized as foreign exchange gains or losses in the statement of income.

Foreign exchange differences resulting from amortized costs of foreign currency denominated available-for-sale financial assets are recognized in the statement of income whilst foreign exchange differences resulting from unrealized gains and losses are presented in "valuation differences of marketable securities" under equity.

If the net investments in associates and subsidiaries operating in foreign countries are measured at cost, they are reported as translated into TL by using the foreign exchange rate at the date of transaction. If related associates and subsidiaries are measured at fair value, net foreign operations are reported as translated into TL by the rates prevailing at the date of the determination of the fair value.

Foreign currency differences arising from the translation of the financial statements of the net investment in foreign operations into TL for consolidation purpose are classified as "foreign currency differences arising from associates, subsidiaries, and joint ventures" sub account under "other profit reserves" presented in equity.

III. Information on companies subject to consolidation

Investments in consolidated subsidiaries

As at and for the six-month period ended 30 June 2012, the financial statements of T. Vakıflar Bankası TAO, Vakıf International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik AŞ, Vakıf Finans Faktoring Hizmetleri AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ and Vakıf Gayrimenkul Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

Vakıf International AG, was established in 1999 to operate in the banking sector in foreign countries, in line with the Bank's globalization policy. Its head office is in Vienna.

Vakıf Finansal Kiralama AŞ, was established in 1988 to enter into finance lease operations and related transactions and contracts. Its head office is in Istanbul.

Güneş Sigorta AŞ was established under the leadership of the Bank and Toprak Mahsulleri Ofisi in 1957. The Company has been operating in nearly all non-life insurance branches like fire, accident, transaction, engineering, agriculture, health, forensic protection, and loan insurance. Its head office is in Istanbul.

Vakıf Emeklilik AŞ was established under the name Güneş Hayat Sigorta AŞ in 1991. In 2003 the Company has taken conversion permission from Treasury and started to operate in private pension system. Its head office is in Istanbul.

Vakıf Finans Faktoring Hizmetleri AŞ was established in 1998 to perform factoring transactions and any kind of financing transactions. Factoring, the main operation of the Company, is a financing method that includes the trade receivables of production, distribution and service companies to be sold to intermediary institutions. Its head office is in Istanbul.

Vakıf Yatırım Menkul Değerler AŞ was established in 1996 to provide service to investors through making capital markets transactions, issuance of capital market tools, commitment of repurchase and sales, and purchase and sales of marketable securities, operating as a member of stock exchange, investment consultancy, and portfolio management. Its head office is in Istanbul.

Vakıf Portföy Yönetimi AŞ operates in investment fund management, portfolio management and pension fund management. Its head office is in Istanbul.

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ was established as the first real estate investment partnership in finance sector under the adjudication of Capital Markets Law in 1996. The Company's main operation is in line with the scope in the Capital Markets Board's regulations relating to real estate investment trusts like, real estates, capital market tools based on real estates, real estate projects and investment on capital market tools. Its head office is in Istanbul.

Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd, a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at 30 June 2012 and 31 December 2011 but its equity until the liquidation decision date has included in the accompanying consolidated financial statements.

As per the resolution of the Board of Directors of the Bank held on 8 September 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at 30 June 2012 and 31 December 2011, but its equity until the merger date has been included in the accompanying consolidated financial statements.

Investments in associates consolidated per equity method

As at and for the six-month period ended 30 June 2012, the financial statements of Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ, Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ was established in 1991 in Istanbul. The main operation of the Company is to invest a portfolio including marketable debt securities, equity securities without having managerial power in the partnerships whose securities have been acquired; and gold and other precious metals traded in national and international stock exchange markets or active markets other than stock exchange markets, in accordance with the principles and regulations promulgated by Capital Markets Board. Its head office is in Istanbul.

Kıbrıs Vakıflar Bankası Ltd. was established in 1982 in Turkish Republic of Northern Cyprus, mainly to encourage the credit cards issued by the Bank, and increase foreign exchange inflow, and carry on retail and commercial banking operations. Its head office is in Lefkosa.

Türkiye Sınai Kalkınma Bankası AŞ was established in 1950 to support investments in all economical sectors. Its head office is in Istanbul.

In cases where the accounting policies for the preparation of the financial statements of Financial Subsidiaries are different than those of the Parent Bank, the differences have been adjusted to the accounting policies of the Parent Bank, taking the materiality principle into account. The financial statements of local Financial Subsidiaries, and foreign Financial Subsidiaries preparing their financial statements according to the principles of the countries which they are located in, have been adjusted in accordance with Reporting Standards as at the related reporting dates. Inter-company balances and transactions, and any unrealized gains and losses arising from inter-company transactions, are eliminated in preparing these consolidated financial statements.

IV. Information on forwards, options and other derivative transactions

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency forward contracts and foreign currency options. The Group has classified its derivative transactions as “trading derivatives” in accordance with the TAS 39 – *Financial Instruments: Recognition and Measurement*.

Derivatives are initially recorded at their acquisition costs including the transaction costs.

The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts stated on the related derivative contracts.

Subsequently, the derivative transactions are measured at their fair values and the changes in fair values are recorded in the balance sheet under “derivative financial assets held for trading purpose” or “derivative financial liabilities held for trading purpose”. The subsequent fair value changes are recorded in the consolidated statement of income.

V. Information on interest income and expenses

Banking activities

Interest income and expense are recognized according to the effective interest method based on accrual basis. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. Effective interest rate is calculated when a financial asset or a liability is initially recorded and is not modified thereafter.

The computation of effective interest rate comprises all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are additional costs that are directly related to the acquisition, emission or disposal of financial assets or liabilities.

As per relevant legislation, the accrued interest income on non-performing loans are reversed and subsequently recognized as interest income only when collected.

Finance leasing activities

The total of minimum rent amounts are recorded at “finance lease receivables” account in gross amounts comprising the principal amounts and interests. The interest, the difference between the total of rent amounts and the cost of the fixed assets, is recorded at “unearned income” account. As the rents are collected, “finance lease receivables” account is decreased by the rent amount; and the interest component is recorded in the consolidated statement of income as interest income.

Factoring operations

Factoring receivables are initially recorded at their historical costs less transaction costs. They are amortized using the effective interest method, taking their historical costs and future cash flows into account and the amortized amounts are recognized as “other interest income” in the consolidated statement of income.

VI. Information on fees and commissions

Fees and commission received and paid are recognized according to either accrual basis of accounting or effective interest method depending on nature of fees and commission, incomes derived from agreements and asset purchases for third parties are recognized as income when realized.

VII. Information on financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

Financial assets except for measured at fair value through profit or loss are recognized initially with their transaction costs that are directly attributable to the acquisition or issue of the financial asset. Purchase and sale transactions of securities are accounted at settlement dates.

Financial assets are classified in four categories; as financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and loans and receivables.

Financial assets at fair value through profit or loss

Such assets are measured at their fair values and gain/loss arising is recorded in the consolidated statement of income. Interest income earned on trading securities and the difference between their acquisition costs and fair values are recorded as interest income in the consolidated statement of income. The gains/losses in case of disposal of such securities before their maturities are recorded under trading income/losses in the consolidated statement of income.

Held to maturity investments, available-for-sale financial assets and loans and receivables

Held to maturity investments are the financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables.

There are no financial assets that are not allowed to be classified as held-to-maturity investments for two years due to the tainting rules applied for the breach of classification rules.

Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any.

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity investments and loans and receivables.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses calculated as the difference between the fair values and the discounted values of available for sale financial assets are recorded in “valuation differences of the marketable securities” under the equity. In case of sales, the realized gain or losses are recognized directly in the consolidated statement of income.

Purchase and sales of investment securities are recognized at the date of delivery. The changes in fair value of assets during the period between trade date and settlement date are accounted for in financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets held for trading in the settlement date-accounting policy.

Loan and receivables are the financial assets raised by the Bank providing money, commodity and services to debtors. Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Loans and receivables are recorded at cost and measured at amortized cost by using effective interest method. The duties paid, transaction expenditures and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers.

Factoring receivables

Factoring receivables are recorded at cost and measured at amortized cost by using effective interest method after deducting unearned interest income and impairment losses, if any. Factoring receivables are reviewed regularly and specific provisions are recorded in order to present impaired factoring receivables at their collectable amounts. A doubtful factoring receivable is written off after all legal procedures are completed and net loss is measured.

Associates and subsidiaries

The financial subsidiaries of the Group are consolidated in the accompanying consolidated financial statements and non-financial subsidiaries are accounted for in accordance with TAS 39.

In the accompanying consolidated financial statements financial associates of the Group, whose total assets, and net operating profit/(loss) individually or as a whole do not comprise a material portion within the consolidated assets and operation results, have not been subject to consolidation; remaining financial associates have been consolidated using the equity method. Non-financial associates are accounted for in accordance with TAS 39 in the accompanying consolidated financial statements.

VIII. Information on impairment of financial assets

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Group estimates the amount of impairment.

Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (loss event(s)) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank provides specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables published on the Official Gazette no. 26333 dated 1 November 2006 and the amendments to this regulation. The allowances are recorded in the statement of income of the related period.

IX. Information on netting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right of the Group to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

X. Information on repurchase and resale agreements and securities lending

Securities sold under repurchase agreements are recorded on the balance sheet. Government bonds and treasury bills sold to customers under repurchase agreements are classified as “Securities Subject to Repurchase Agreements” and measured based on their original portfolio, either at fair value or at amortized cost using the effective interest rate method. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis.

Securities purchased under resale agreements are classified under “Receivables from Interbank Money Markets” separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

XI. Information on assets and liabilities arising from assets held for sale and discontinued operations

A tangible asset (or a disposal group) classified as “asset held for sale” is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Group’s business which is sold or classified as held-for-sale. The operating results of the discontinued operations are disclosed separately in the consolidated income statement. The Group has no discontinued operations as at the balance sheet date.

XII. Information on goodwill and other intangible assets

The Group’s intangible assets consist of software.

Intangible assets are initially recorded at their costs in compliance with the TAS 38 – *Intangible Assets*.

The costs of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortized on their restated costs based on straight line amortisation.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the TAS 36 – *Impairment of Assets* and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

XIII. Information on tangible assets

The costs of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets purchased after 1 January 2005 are recorded at their historical costs after deducting financing expenses and foreign exchange differences if any.

Gains and losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price.

Maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

Depreciation rates and estimated useful lives are:

Tangible assets	Estimated useful lives (years)	Depreciation Rates (%)
Buildings	50	2
Office equipment, furniture and fixture, and motor vehicles	5-10	10-20
Assets obtained through finance leases	4-5	20-25

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

At each balance sheet date, the Group evaluates whether there is objective evidence of impairment on its assets. If there is an objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the TAS 36 – *Impairment of Assets* and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

XIV. Information on investment properties

Investment property is a property held either to earn rental income or for capital appreciation or for both. The Group holds investment property through its real estate company and insurance companies, consolidated in the accompanying consolidated financial statements.

Investment properties are initially recorded at their acquisition costs including transaction costs.

Subsequent to initial recognition, the Group measures all investment property based on the cost model in accordance with the cost model for property and equipment (i.e. at cost less accumulated depreciation and less any accumulated impairment losses).

XV. Information on leasing activities

Finance leasing activities as the lessee

Tangible assets acquired through finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under “Finance Lease Payables” account in the consolidated balance sheet of the Group. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through finance lease is calculated in the same manner as tangible assets.

Finance leasing activities as the lessor

The total of minimum rent amounts are recorded at “finance lease receivables” account in gross amounts comprising the principal amounts and interests. The interest, the difference between the total of rent amounts and the cost of the fixed assets, is recorded at “unearned income” account. As the rents are collected, “finance lease receivables” account is decreased by the rent amount; and the interest component is recorded at consolidated income statement as interest income.

Operational leases

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

XVI. Information on provisions and contingent liabilities

In the consolidated financial statements, a provision is booked for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as at the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the consolidated financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in consolidated financial statements but are assessed continuously to ensure that related updates are appropriately reflected in the consolidated 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 consolidated financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset.

XVII. Information on obligations of the Group concerning employee rights

In accordance with existing Turkish Labour Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 30 June 2012 is TL 2,917 (full TL) (31 December 2011: TL 2,732 (full TL)).

The Bank reserved for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the TAS 19 – *Employee Benefits*.

As at 30 June 2012 and 31 December 2011, the major actuarial assumptions used in the calculation of the total liability are as follows:

	Current Period	Previous Year
Discount rate	3.78%	3.78%
Expected rate of salary/limit increase	5.00%	5.00%
Estimated employee turnover rate	1.61%	1.61%

Other benefits to employees

In the accompanying consolidated financial statements, the Group has provided provision in compliance with *TAS 19*, for undiscounted other employee benefits earned during the financial period as per services rendered.

Pension fund

The employees of the Bank are the members of "Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı" ("the Fund") established on 15 May 1957 as per the temporary article no. 20 of the Social Security Law no. 506.

The first paragraph of the temporary article no. 23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the issue date of the Banking Law no. 5411, issued in the 1 November 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court's 22 March 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on 15 December 2007 in the Official Gazette no. 26731. The reason for the cancellation decision by Constitutional Court was stated as possible future losses on acquired rights of Fund members.

Constitutional Court has indicated the probable losses in acquired rights of fund members as the reason of the cancellation decision. Following the publication of the ruling, the Turkish Parliament started to work on new legal arrangements and the Social Security Law no. 5754 ("the Law") has been approved on 17 April 2008. The Law is enacted by the approval of the President of Turkey and issued on the 8 May 2008 dated and 26870 numbered Official Gazette.

In accordance with the temporary article no. 20 of the Article no. 73 of the Law;

The discounted liability for each fund in terms of the persons transferred as at the transfer date, including the contributors left the fund, should be calculated by the assumptions below,

- The technical interest rate to be used for the actuarial calculation is 9.80%
- Income and expenditures in respect to fund's insurance division are considered in the calculation of discounted liability.

Law requires the transfer to be completed in three years beginning from 1 January 2008. The three year period has expired on 8 May 2011; however, it has been extended to 8 May 2013 with the decision of Council of Ministers published in Official Gazette dated 9 April 2011.

The employer of pension fund participants (the Banks) will continue to pay the non-transferable social rights, which are already disclosed in the article of association of the pension fund, to the pension participants and their right owners, even though the salary payment obligation has been transferred to the Social Security Foundation.

The technical financial statements of the Fund are audited by the certified actuary according to the the “Actuaries Regulation” which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 2012 which is prepared in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against.

XVIII. Information on taxation

Corporate tax

Corporate tax rate is 20% in Turkey. This rate is applied to the total income of the corporations adjusted for certain disallowable expenses, exempt income and any other allowances.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Except for the dividend payments to these institutions, the withholding tax rate on the dividend payments is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time 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.

The corporate tax rate for the Group’s subsidiary in Austria has been determined as 25.0%. Prepaid corporate taxes for every three months are computed and paid using the related period’s tax rate. Taxes which have been paid for previous periods can be deducted from corporate taxes computed on annual taxable income. According to the Double Taxation Treaty Agreement between Turkey and Austria, Turkish corporations in Austria possess the right to benefit from tax returns of 10.0% on interest earned from the investments and loans granted in Turkey.

Deferred taxes

According to the TAS 12 – *Income Taxes*; deferred tax assets and liabilities are recognized, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Deferred tax assets and deferred tax liabilities for each subsidiary subject to consolidation are presented after offsetting these assets and liabilities in the financial statements of the related subsidiaries, since the subsidiaries have legal right to offset tax assets and tax liabilities. In the consolidated financial statements, deferred tax assets and deferred tax liabilities are not offsetted since the subsidiaries subject to consolidation do not have the right to receive a net receivable or pay a net payable legally.

In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the consolidated statement of income, then the related current and/or deferred tax effects are also recognized in the consolidated statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Investment incentive

As per the provisional Article no. 69, effective from 1 January 2006, added to the Income Tax Law no. 193 by Law no. 5479 dated 8 April 2006 and published in Official Gazette no. 26133, tax payers could deduct investment incentives which were calculated according to the legislative provisions (including tax rate related provisions) in force on 31 December 2005, only from the taxable income for the years 2006, 2007, and 2008. The rights of tax payers who could not deduct investment incentives fully or partially due to insufficient taxable income during those years, were lost as at 31 December 2008.

In accordance with the decision taken by the Turkish Constitutional Court on 15 October 2009, the "2006, 2007 and 2008 ..." clause of the provisional Article no. 69 of the Income Tax Law mentioned above, is repealed and the time limitation for the use of the investment incentive is removed. The repeal related to the investment incentive was enacted and issued in the 8 January 2010 Official Gazette number 27456. Accordingly, the Group's subsidiary operating in finance leasing business will be able to deduct its remaining investment incentives from taxable income in the future without any time limitation.

As per "Law regarding amendments to the Income Tax Law and Some Other Certain Laws and Decree Laws" accepted on 23 July 2010 at the Grand National Assembly of Turkey, the expression of "can be deducted from the earnings again in the context of this legislation (including the legislation regarding the tax rate) valid at this date" has been amended as "can be deducted from the earnings again in the context of this legislation (including the legislation regarding the tax rate as explained in the second clause of the temporary article no 61 of the Law) valid at this date" and the following expression of "Investment incentive amount used in determination of the tax base shall not exceed 25% of the associated taxable income. Tax is computed on the remaining income per the enacted tax rate" has been added. This Law has been published in the Official Gazette on 1 August 2010.

The clause "The amount which to be deducted as investment incentive to estimate tax base can not exceed 25% of related income" which has been added to first clause of the temporary 69th article of Law No: 193 with the 5th article of Law No: 6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the 9 February 2012 dated decisions no: E.2010/93 and K.2012/20. The decision has been put into stay of execution until the date of publishment in the official gazette in order to avoid the abrogation decision become inconclusive and to prevent the situations and losses which are impossible or difficult to compensate later and occurring due to putting the abrogation into effect. If the Group makes adjustment in accordance with the abrogation decision of Tax Administration, net profit for the year remains same but current tax charge and deferred tax income need to be reclassified. Accordingly, the Group's subsidiary operating in finance lease sector have taken these effects into account while arranging corporate tax declaration for the year 2011 and made classification between corporate tax and deferred tax.

XIX. Additional information on borrowings

Group obtains funding resources such as syndication and securitization transactions in case of need. In the current period, the Bank provides funds through issuance of domestic and international bonds and bills.

Financial liabilities for trading purposes and derivative financial liabilities are measured at fair value. All other financial liabilities are measured at amortized cost using effective interest method.

XX. Information on issuance of equity securities

The shares of the Bank having nominal value of TL 322,000,000 (full TL), representing the 25.18% of the Bank’s outstanding shares, was publicly offered at a price between TL 5.13-5.40 for each share having a nominal value of TL 1 on November 2005, and TL 1,172,347 was recorded as “Share Premiums” in shareholders’ equity. TL 448,429 of this amount has been utilized in capital increase on 19 December 2006.

XXI. Confirmed bills of exchange and acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any. As at the balance sheet date, there are no acceptances recorded as liability in return for assets.

XXII. Government incentives

As at 30 June 2012, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has investment incentives which are not used amounting to TL 271,049 (31 December 2011: TL 274,080)

XXIII. Segment reporting

Operational segments are determined based the structure of the Group’s risks and benefits and presented in Section Four Note VII.

XXIV. Other disclosures

Earnings per shares

Earning per share is calculated by dividing the net profit for the period to weighted average of outstanding shares. In Turkey, the companies may perform capital increase (“Bonus Shares”) from retained earnings. In earning per share computation bonus shares are treated as issued shares.

As at and for the six-month period 30 June 2012, earning per 100 shares is TL 0.2781 (30 June 2011: TL 0.2836).

Related parties

Shareholders, top executives and board members are accepted as related party personally, with their families and companies according to TAS 24 - *Related Party Disclosures Standard*. Transactions made with related parties are disclosed in Section Five Note V.

Cash and cash equivalents

Cash and cash equivalents which is a base for preparation of cash flow statement includes cash in TL, cash in FC, cheques, demand deposits for both Central Bank of Turkey and other banks, money market placements and time deposits at banks and marketable securities whose original maturity is less than 3 months.

Insurance operations of the Group

Written Premiums: Written premiums represent premiums on policies written during the year net of taxes and premiums of the cancelled policies produced in previous years. Written premiums, net off ceded are recorded under other operating income in the accompanying consolidated statement of income.

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. Reserve for unearned premiums is calculated for all contracts except for the insurance contracts for which the Group provides mathematical reserve. Reserve for unearned premiums is also calculated for the annual premiums of the annuities renewed long-term insurance contracts. Reserve for unearned premiums is presented under “insurance technical provisions” in the accompanying consolidated financial statements.

Reserve for outstanding claims: Reserve for outstanding claims is provided for the outstanding claims, which incurred and reported but not yet settled in current or previous years based on reported balances or estimates when actual balances are not exactly known and incurred but not yet reported claims (“IBNR”). IBNR and subrogation and salvage reimbursements are recognized as the highest of the amount calculated based on historical data and results of actuarial chain ladder method. Reserve for outstanding claims is presented under “insurance technical provisions” in the accompanying consolidated financial statements.

Mathematical provisions: Mathematical provisions are the provisions recorded against the liabilities of the Group to the beneficiaries of long-term life and individual accident policies based on actuarial assumptions. Mathematical provisions consist of actuarial mathematical provisions savings and profit sharing reserves.

Actuarial mathematical provisions are calculated as the difference between the net present values of premiums written in return of the risk covered by the Group and the liabilities to policyholders for long-term insurance contracts based on the basis of actuarial mortality assumptions as approved by the Republic of Turkey Prime Ministry Undersecretariat of Treasury, which are applicable for Turkish insurance companies. Mathematical provision also includes the saving portion of the provisions for saving life product.

Profit sharing reserves are the reserves provided against income obtained from asset backing saving life insurance contracts. These contracts entitle the beneficiaries of those contracts to a minimum guaranteed crediting rate per annum or, when higher, a bonus rate declared by the Group from the eligible surplus available to date.

Mathematical provisions are presented under “insurance technical provisions” in the accompanying consolidated financial statements.

Deferred acquisition cost and deferred commission income: Commissions given to the intermediaries and other acquisition costs that vary with and are related to securing new contracts and renewing existing insurance contracts are capitalized as deferred acquisition cost. Deferred acquisition costs are amortized on a straight-line basis over the life of the contracts. Commission income obtained from the premiums ceded to reinsurance firms are also deferred and amortized on a straight-line basis over the life of the contracts.

Liability adequacy test: At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition costs. In performing this test, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision under “insurance technical provisions” in the accompanying consolidated financial statements.

If the result of the test is that a loss is required to be recognised, the first step is to reduce any intangible item arising from business combinations related to insurance. If there is still a loss remaining, then the deferred acquisition cost is reduced to the extent that expense loadings are considered not recoverable. Finally, if there is a still remaining amount of loss, this should be booked as an addition to the reserve for premium deficiency.

Individual pension business

Individual pension system receivables presented under ‘other assets’ in the accompanying consolidated financial statements consists of ‘receivables from the clearing house on behalf of the participants’. Pension funds are the mutual funds that the individual pension companies invest in, by the contributions of the participants. Shares of the participants are kept at the clearing house on behalf of the participants.

‘Receivables from the clearing house on behalf of the participants’ is the receivable from the clearing house on pension fund basis against the contributions of the participants. The same amount is also recorded as payables to participants for the funds acquired against their contributions under the ‘individual pension system payables’.

In addition to the ‘payables to participants’ account, mentioned in the previous paragraph, individual pension system payables also includes participants’ temporary accounts, and payables to individual pension agencies. The temporary account of participants includes the contributions of participants that have not yet been invested. Individual pension system payables are presented under other liabilities and provisions in the accompanying consolidated financial statements.

Fees received from individual pension business consist of investment management fees, fees levied on contributions and entrance fees. Fees received from individual pension business are recognised in other income in the accompanying consolidated statement of comprehensive income.

SECTION FOUR

Information Related to Financial Position of the Group

I. Consolidated capital adequacy ratio

The Bank’s consolidated capital adequacy ratio is 13.18% (The Parent Bank: 13.41%).

Risk measurement methods in calculation of capital adequacy ratio

Consolidated capital adequacy ratio is calculated within the scope of the “Regulation on the Measurement and Assessment of Capital Adequacy Ratios of Banks” published in Official Gazette no. 26333 dated 1 November 2006, “Regulation for an Amendment for the Regulation on the Measurement and Assessment of Capital Adequacy Ratios of Banks” published in Official Gazette no. 26824 dated 22 March 2008 and “Regulation on the Equity of Banks”.

In calculation of the consolidated capital adequacy ratio, the accounting records prepared in compliance with the current legislation are used.

The items deducted from the capital base are not included in the calculation of risk weighted assets. In calculation of risk weighted assets, impairments, depreciation and amortization, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables”. The net amounts are then multiplied by the rates stated in the Article 5 of “Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks”.

In the calculation of the risk based values of the derivative financial instruments, such instruments are weighted and classified according to the related risk groups after being multiplied by the rates stated in the Article 5 of “Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of the Banks”.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Three-Month Period 31 March 2012
(Currency: Thousands of Turkish Lira (“TL”))

Convenience Translation of the Consolidated Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 3 Note I

Information on consolidated capital adequacy ratio

	Unconsolidated – The Parent Bank’s Risk Weights – 30 June 2012							Consolidated – Group’s Risk Weights – 30 June 2012						
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
Balance Sheet Items (Net)	17,957,161	-	1,542,063	21,469,857	37,438,123	1,346,779	3,808,811	19,523,954	-	2,127,744	21,529,702	39,082,115	1,346,779	3,808,811
Cash on hand	837,650	-	1	-	-	-	-	842,571	-	49	-	-	-	-
Securities in redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	4,828,144	-	-	-	-	-	-	4,828,144	-	-	-	-	-	-
Domestic and foreign banks, foreign head offices and branches	509,276	-	1,110,069	-	184,036	-	-	734,410	-	1,358,996	-	210,289	-	-
Interbank money market placements	-	-	-	-	-	-	-	700	-	-	-	-	-	-
Receivables from reverse repurchase agreements	-	-	-	-	-	-	-	62	-	-	-	-	-	-
Reserve deposits	5,173,947	-	-	-	-	-	-	5,173,947	-	-	-	-	-	-
Loans	711,168	-	233,308	21,222,312	34,089,540	1,346,779	3,808,811	718,033	-	372,352	21,225,849	34,950,409	1,346,779	3,808,811
Loans under follow-up (Net)	-	-	-	-	129,766	-	-	-	-	-	-	147,499	-	-
Lease Receivables	-	-	-	-	-	-	-	1,902	-	5,332	56,308	551,146	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Held-to-maturity investments	5,674,952	-	52,200	-	-	-	-	5,681,788	-	52,200	-	-	-	-
Receivables from term sale of assets	-	-	-	-	46,854	-	-	-	-	-	-	46,854	-	-
Miscellaneous receivables	-	-	71,500	-	261,069	-	-	1,245,957	-	251,935	-	522,474	-	-
Accrued interests and income	140,252	-	69,978	247,545	402,121	-	-	140,521	-	81,873	247,545	422,099	-	-
Investments in associates, subsidiaries and joint-ventures (Net)	-	-	-	-	952,975	-	-	-	-	-	-	174,322	-	-
Tangible assets	-	-	-	-	915,905	-	-	-	-	-	-	1,155,298	-	-
Other assets	81,772	-	5,007	-	455,857	-	-	155,919	-	5,007	-	901,725	-	-
Off-Balance Sheet Items	110,770	-	1,589,851	662,071	10,771,515	-	-	110,770	-	1,591,638	662,071	10,821,918	-	-
Non-cash loans and commitments	110,770	-	1,235,956	662,071	10,737,295	-	-	110,770	-	1,235,956	662,071	10,787,698	-	-
Derivative financial instruments	-	-	353,895	-	34,220	-	-	-	-	355,682	-	34,220	-	-
Non risk-weighted accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Risk-Weighted Assets	18,067,931	-	3,131,914	22,131,928	48,209,638	1,346,779	3,808,811	19,634,724	-	3,719,382	22,191,773	49,904,033	1,346,779	3,808,811

Summary information related to capital adequacy ratio

	Unconsolidated		Consolidated	
	Current Period	Previous Year	Current Period	Previous Year
Value at Credit Risk (VaCR)	69,539,775	63,377,481	71,381,586	65,189,906
Value at Market Risk (VaMR)	1,559,738	1,952,688	1,806,388	2,041,100
Value at Operational Risk (VaOR) ^(*)	7,443,688	6,531,375	8,610,738	7,608,913
Equity	10,532,200	9,616,230	10,779,028	9,895,265
Equity/ (VaCR+VaMR+VaOR)*100	%13.41	%13.38	%13.18	%13.22

^(*) In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio for the year 2011 was measured by taking value at operational risk calculated based on average of gross incomes for the years ended 31 December 2010, 2009 and 2008 into consideration. For the year 2012, value at operational risk is being calculated based on average of gross incomes for the years ended 31 December 2011, 2010 and 2009.

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Information on consolidated equity

	Current Period	Previous Year
CORE CAPITAL		
Paid-in capital	2,500,000	2,500,000
Nominal capital	2,500,000	2,500,000
Capital commitments (-)	-	-
Capital reserves from inflation adjustments to paid-in capital	-	-
Share premiums	726,722	726,722
Share cancellation profits	-	-
Legal reserves	754,013	627,279
I. Legal reserve (Turkish Commercial Code 466/1)	398,701	332,030
II. Legal reserve (Turkish Commercial Code 466/2)	-	-
Reserves allocated as per special legislations	355,312	295,249
Status reserves	5,050	3,980
Extraordinary reserves	5,149,266	4,122,736
Reserve allocated as per the decision held by the General Assembly	4,802,795	3,790,079
Retained earnings	346,471	332,657
Accumulated losses	-	-
Exchange rate differences on foreign currency capital	-	-
Reserves from inflation adjustments to legal, status and extraordinary reserves	-	-
Profit	790,247	1,333,600
Current period's profit	696,133	1,304,314
Previous years' profit	94,114	29,286
Free provision for possible losses (up to 25% of Core Capital)	58,132	51,676
Income on sale of equity shares and real estates to be used up for capital increase	50,452	14,010
Primary subordinated loans (up to 15% of Core Capital)	-	-
Non-controlling interest	310,714	314,080
Loss excess of reserves (-)	-	-
Current period's loss	-	-
Previous years' loss	-	-
Leasehold improvements (-)	60,512	71,969
Prepaid expenses (-)	-	-
Intangible assets (-)	82,056	79,988
Deferred tax asset excess of 10% of core capital (-)	-	-
Limit excesses as per the 3 rd paragraph of the Article 56 of the Banking Law (-)	-	-
Goodwill (net) (-)	-	-
Total core capital	10,202,028	9,542,126
SUPPLEMENTARY CAPITAL		
General provisions	791,076	671,180
45% of revaluation surplus on movables	-	-
Bonus shares of associates, subsidiaries and joint-ventures	1,779	1,779
Primary subordinated loans excluding the portion included in core capital	-	-
Secondary subordinated loans	-	-
45% of valuation differences of marketable securities	50,625	(90,954)
Associates and subsidiaries	(9,667)	(19,393)
Available-for-sale financial assets	60,292	(71,561)
Inflation adjustment differences of capital reserves, profit reserves and previous years' profit/(loss)	-	-
Non-controlling interest	20,186	44,970
Total supplementary capital	863,666	626,975
TIER III CAPITAL		
CAPITAL	11,065,694	10,169,101
DEDUCTIONS FROM CAPITAL	286,666	273,836
Unconsolidated investments in entities (domestic/foreign) operating in banking and financial sectors exceeding 10% of ownership	-	-
Investments in entities (domestic/foreign) operating in banking and financial sectors at less than 10% exceeding 10% or more of the total core and supplementary capitals	156,519	140,112
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated loans and debt instruments purchased from such parties qualified as primary or secondary subordinated debts	-	-
Loan granted to customer against the Articles 50 and 51 of the Banking Law	-	-
Net book values of immovables exceeding 50% of the capital and of assets acquired against overdue receivables and held for sale as per the Article 57 of the Banking Law but retained more than five years	129,988	133,265
Others	159	459
TOTAL EQUITY	10,779,028	9,895,265

II. Consolidated market risk

The Parent Bank has defined its risk management procedures and has taken necessary precaution in order to avoid market risk, in compliance with "Regulation on Bank's Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006.

The market risk is defined as the potential risk of loss due to changes in interest rates, foreign exchange rates and equity prices on balance sheet and off-balance sheet positions of the banks.

The capital need for general market risk and specific risks is calculated using the standard method defined by the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and reported monthly.

In addition to the standard method, the Bank also uses internal models like Historical and Monte Carlo Simulations in measuring market risk. The Bank also performs daily back-testing in order to measure the reliability of the models. Besides, scenario analyses are implemented in order to support the Standard Method and internal models. In order to monitor the maturity structure of the asset and liability accounts, liquidity analysis are performed and the duration of the Bank's assets and liabilities is calculated.

The market risk analysis of the Parent Bank is reported monthly and sent to the related regulatory institutions.

Value at market risk

	Amount
(I) Capital obligation against general market risk - standard method	97,096
(II) Capital obligation against specific risks - standard method	7,245
(III) Capital obligation against currency risk - standard method	40,028
(IV) Capital obligation against stocks risks - standard method	
(V) Capital obligation against exchange risks - standard method	
(VI) Capital obligation against market risks of options - standard method	142
(VII) Capital obligation against market risks of banks applying risk measurement models	
(VIII) Total capital obligations against market risk (I+II+III+IV+V+VI)	144,511
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	1,806,388

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of the changes in the levels of equity indices and the value of individual stocks.

The effect on equity (except for tax effect) as a result of change in the fair value of quoted equity instruments which are presented as available for sale financial instruments in the accompanying financial statements, due to a 10% increase/decrease in equity prices, with all other variables held constant, is TL 119 (30 June 2011: TL 217).

III. Consolidated operational risk

The Group calculates the value at operational risk in accordance with the fourth section published in the Official Gazette date 1 June 2007 related to the “Computation of Value of Operational Risk” of the circular, “Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette numbered 26333 and dated 1 November 2006. “Basic Indicator Approach” is used in the computation.

The amount calculated as TL 688,859 (31 December 2011: TL 608,713 from gross income of the years 2011, 2010 and 2009 and used for the calculation of capital adequacy ratio as at 30 June 2012, represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk. Value at operational risk amounting to TL 8,610,738 (31 December 2011: TL 7,608,913) presented in the table included in Note I of this section is calculated as 12.5 times of the operational risk.

IV. Consolidated foreign currency exchange risk

Foreign exchange risk that the Parent Bank is exposed to, estimation of effects of exposures, and the limits set by the Board of Directors of the Parent Bank for the positions monitored on a daily basis

The Standard Method which is also used in the legal reporting is used in measuring the currency risk of the Bank.

All of the foreign currency assets and liabilities and the forward foreign-currency transactions are taken into consideration in calculating the capital obligation for the currency risk. The net long and short positions are calculated in Turkish Lira equivalent of the each currency. The position with the biggest absolute value is determined as the base amount for the capital obligation. The capital obligation is calculated at that amount.

The magnitude of hedging foreign currency debt instruments and net investment in foreign operations by using derivatives

As at 30 June 2012 and 31 December 2011, the Group does not have derivate financial instruments held for risk management purpose.

Foreign exchange risk management policy

Risk policy of the Parent Bank is based on the transactions within the limits and keeping the currency position well-balanced. In the light of the national legislations and international applications, the Parent Bank has established a foreign currency risk management policy that enables the Group to take a position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the Parent Bank. The effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Parent Bank in TL are as follows:

	US Dollar	Euro
The Bank’s foreign currency purchase rate at the balance sheet date	1.8000	2.2820
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	1.7700	2.2141
Day 2	1.7800	2.2245
Day 3	1.7900	2.2393
Day 4	1.7900	2.2414
Day 5	1.7900	2.2477
Last 30-days arithmetical average rate	1.7983	2.2596

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Information on currency risk

Current Period	Euro	US Dollar	Japanese Yen	Other FCs	Total
Assets:					
Cash and balances with the Central Bank of Turkey	2,461,860	3,330,666	165	1,116,313	6,909,004
Banks	815,738	964,008	8,151	124,672	1,912,569
Financial assets at fair value through profit or loss ⁽¹⁾	4,692	83,471	-	-	88,163
Interbank money market placements	-	-	-	-	-
Available-for-sale financial assets	789,473	1,809,957	-	-	2,599,430
Loans and receivables ⁽²⁾	7,391,411	12,018,551	-	52,627	19,462,589
Associates, subsidiaries and joint-ventures	3	-	-	-	3
Held-to-maturity investments	164,478	1,391,254	-	-	1,555,732
Derivative financial assets held for risk management purpose	-	-	-	-	-
Tangible assets	1,463	2,430	-	-	3,893
Intangible assets	28	169	-	-	197
Other assets ^{(3) (4)}	395,794	358,633	-	11,327	765,754
Total assets	12,024,940	19,959,139	8,316	1,304,939	33,297,334
Liabilities:					
Bank deposits	417,875	1,258,508	-	6,439	1,682,822
Foreign currency deposits	6,882,320	9,496,981	6,840	605,097	16,991,238
Interbank money market takings	491,545	3,359,208	-	-	3,850,753
Funds borrowed	3,765,503	4,023,479	-	37,300	7,826,282
Securities issued	-	900,012	-	-	900,012
Miscellaneous payables	155,852	152,041	-	191	308,084
Derivative financial liabilities held for risk management purpose	-	-	-	-	-
Other liabilities ^{(1) (5)}	98,302	543,070	3,010	249	644,631
Total liabilities	11,811,397	19,733,299	9,850	649,276	32,203,822
Net 'on balance sheet' position	213,543	225,840	(1,534)	655,663	1,093,512
Net 'off-balance sheet' position	(27,214)	85,542	1,177	(637,357)	(577,852)
Derivative assets ⁽⁶⁾	655,442	4,246,193	32,837	77,674	5,012,146
Derivative liabilities ⁽⁶⁾	682,656	4,160,651	31,660	715,031	5,589,998
Non-cash loans ⁽⁷⁾	1,428,768	5,347,014	51,181	208,018	7,034,981
Previous Year					
	Euro	US Dollar	Japanese Yen	Other FCs	Total
Total assets	10,827,868	21,714,774	2,067	656,754	33,201,463
Total liabilities	11,432,492	19,667,246	4,279	121,653	31,225,670
Net 'on balance sheet' position	(604,624)	2,047,528	(2,212)	535,101	1,975,793
Net 'off-balance sheet' position	559,790	(2,087,169)	2,354	(2,207)	(1,527,232)
Derivative assets	910,626	2,921,104	12,331	27,864	3,871,925
Derivative liabilities	350,836	5,008,273	9,977	30,071	5,399,157
Non-cash loans ⁽⁷⁾	1,449,366	4,962,322	69,748	168,981	6,650,417

⁽¹⁾ Foreign exchange rates based accruals of derivative financial assets and liabilities which respectively amount to TL 55,330 and TL 11,293 are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 1,558,707 (31 December 2011: TL 1,204,076) presented in TL in the financial statements are included in the above table.

⁽³⁾ Foreign currency indexed factoring receivables amounted to TL 44,055 (31 December 2011: TL 100,611) presented in TL column in the accompanying consolidated balance sheet are included.

⁽⁴⁾ Prepaid expenses amounting to TL 20,987 (31 December 2011: TL 16,647) are not included.

⁽⁵⁾ Unearned income amounting to TL 21,585 (31 December 2011: TL 25,460) and deferred tax liabilities amounted to TL 1,061 are not included.

⁽⁶⁾ Asset purchase commitments amounting to TL 652,986 (31 December 2011: TL 355,339) and asset sales commitments amounting to TL 742,989 (31 December 2011: TL 502,580) are included.

⁽⁷⁾ Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

Exposure to currency risk

10 percent devaluation of the TL against the following currencies as at and for the six-month periods ended 30 June 2012 and 2011 would effect consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

	30 June 2012		30 June 2011	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	14,524	30,878	10,633	24,586
EUR	(2,639)	19,974	(31,518)	(12,764)
Other currencies	1,795	1,795	80	80
Total, net	13,680	52,647	(20,805)	11,902

^(*) Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.

10 percent revaluation of the TL against the following currencies as at and for the six-month periods ended 30 June 2012 and 2011 would effect consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	30 June 2012		30 June 2011	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	(12,154)	(28,508)	(6,727)	(20,680)
Euro	2,639	(19,974)	31,518	12,764
Other currencies	(937)	(937)	708	708
Total, net	(10,452)	(49,419)	25,499	(7,208)

^(*) Equity effect also includes profit or loss effect of 10% revaluation of TL against related currencies.

V. Consolidated interest rate risk

Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the weekly Assets-Liabilities Committee meetings taking into account the developments in market conditions.

The Parent Bank's interest rate risk is measured by the standard method.

Measurements for standard method are carried out monthly using the maturity ladder table.

Interest rate sensitivity of assets, liabilities and off balance sheet items (based on re-pricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBT	-	-	-	-	-	10,844,711	10,844,711
Banks	1,641,807	269,784	13,027	-	-	389,376	2,313,994
Financial assets at fair value through profit/loss	30,033	90,990	54,538	127,987	25,351	68	328,967
Interbank money market placements	762	-	-	-	-	-	762
Available-for-sale financial assets	4,178,259	2,273,236	2,028,224	2,421,629	2,103,370	11,944	13,016,662
Loans and receivables	19,991,743	8,012,060	16,450,578	12,274,264	6,361,978	147,499	63,238,122
Held-to-maturity investments	396,622	889,788	658,704	1,642,663	2,278,320	-	5,866,097
Other assets (*)	41,764	51,046	403,036	515,994	5,259	4,495,974	5,513,073
Total assets	26,280,990	11,586,904	19,608,107	16,982,537	10,774,278	15,889,572	101,122,388
<i>Liabilities:</i>							
Bank deposits	3,307,644	779,820	107,055	-	-	15,863	4,210,382
Other deposits	32,276,810	16,330,302	1,865,997	497,107	4,646	9,526,186	60,501,048
Interbank money market takings	5,510,630	1,494,708	1,035,442	-	-	-	8,040,780
Miscellaneous payables	107,654	-	-	-	-	3,161,562	3,269,216
Securities issued	1,038,239	-	883,938	900,012	-	-	2,822,189
Funds borrowed	1,845,937	3,902,248	2,168,017	86,248	112,409	-	8,114,859
Other liabilities (**)	42,762	6,389	28,151	34,414	82,969	13,969,229	14,163,914
Total liabilities	44,129,676	22,513,467	6,088,600	1,517,781	200,024	26,672,840	101,122,388
On balance sheet long position	-	-	13,519,507	15,464,756	10,574,254	-	39,558,517
On balance sheet short position	(17,848,686)	(10,926,563)	-	-	-	(10,783,268)	(39,558,517)
Off-balance sheet long position	213,208	1,620,000	274,152	-	274,152	-	2,381,512
Off-balance sheet short position	(45,360)	-	(403,392)	(921,287)	(931,302)	-	(2,301,341)
Position, Net	(17,680,838)	(9,306,563)	13,390,267	14,543,469	9,917,104	(10,783,268)	80,171

(*) Subsidiaries, associates and tangible and intangible assets are included in non-interest bearing column.

(**) Equity is included in non-interest bearing column in other liabilities line.

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Previous Year	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBT	-	-	-	-	-	7,141,862	7,141,862
Banks	1,440,909	285,832	2,108	-	-	812,486	2,541,335
Financial assets at fair value through profit/loss	90,885	126,566	13,828	108,150	20,097	2,096	361,622
Interbank money market placements	190,467	-	-	-	-	-	190,467
Available-for-sale financial assets	4,216,825	2,207,753	1,968,148	2,615,781	2,334,417	11,919	13,354,843
Loans and receivables	16,398,510	8,534,741	15,123,875	11,951,813	6,048,563	111,351	58,168,853
Held-to-maturity investments	393,491	810,574	745,303	1,634,477	2,395,393	-	5,979,238
Other assets (*)	13,126	70,436	602,015	544,910	888,715	3,603,122	5,722,324
Total assets	22,744,213	12,035,902	18,455,277	16,855,131	11,687,185	11,682,836	93,460,544
<i>Liabilities:</i>							
Bank deposits	2,806,127	581,887	32,739	-	-	34,116	3,454,869
Other deposits	33,481,477	12,490,392	2,866,843	395,629	3,367	9,149,399	58,387,107
Interbank money market takings	3,985,979	1,269,469	775,804	-	-	-	6,031,252
Miscellaneous payables	-	1,789	6,914	-	-	2,965,743	2,974,446
Securities issued	-	493,000	-	-	-	-	493,000
Funds borrowed	361,305	6,042,808	2,296,083	189,521	22,580	-	8,912,297
Other liabilities (**)	88,308	79,296	139,996	11,790	65,433	12,822,750	13,207,573
Total liabilities	40,723,196	20,958,641	6,118,379	596,940	91,380	24,972,008	93,460,544
On balance sheet long position	-	-	12,336,898	16,258,191	11,595,805	-	40,190,894
On balance sheet short position	(17,978,983)	(8,922,739)	-	-	-	(13,289,172)	(40,190,894)
Off-balance sheet long position	132,758	1,391,200	99,600	-	79,423	-	1,702,981
Off-balance sheet short position	(55,272)	(77,100)	(140,500)	(673,238)	(596,423)	-	(1,542,533)
Position, Net	(17,901,497)	(7,608,639)	12,295,998	15,584,953	11,078,805	(13,289,172)	160,448

(*) Subsidiaries, associates and tangible and intangible assets are stated in non-interest bearing column.

(**) Equity is included in non-interest bearing column in other liabilities line.

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Average interest rates applied to monetary financial instruments:

	Euro	US Dollar	Japanese Yen	TL
Current Period	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	-
Banks	0.62	0.51	-	11.74
Financial assets at fair value through profit/loss	11.04	6.89	-	11.26
Interbank money market placements	-	-	-	11.24
Available-for-sale financial assets	5.28	7.03	-	9.10
Loans and receivables	5.13	5.60	-	15.67
Held-to-maturity investments	5.62	7.35	-	10.41
Liabilities:				
Bank deposits	2.61	1.72	-	10.30
Other deposits	3.57	3.67	-	10.01
Interbank money market takings	1.04	1.56	-	9.86
Miscellaneous payables	-	-	-	-
Securities issued	-	5.75	-	10.49
Funds borrowed	1.98	2.23	-	10.35
Previous Year				
	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	-
Banks	0.90	0.52	-	11.37
Financial assets at fair value through profit/loss	5.47	8.50	-	10.91
Interbank money market placements	-	-	-	12.16
Available-for-sale financial assets	5.27	6.93	-	8.41
Loans and receivables	5.15	4.98	-	14.92
Held-to-maturity investments	5.62	7.34	-	9.96
Liabilities:				
Bank deposits	2.56	1.93	-	11.00
Other deposits	3.76	4.21	-	9.62
Interbank money market takings	1.91	1.98	-	8.80
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	8.70
Funds borrowed	2.12	1.75	-	10.67

VI. Consolidated liquidity risk

In order to avoid the liquidity risk, the Parent Bank diverts funding resources as customer deposits and foreign borrowings, considers the maturity mismatch between assets and liabilities and maintains liquid assets to guarantee sufficient liquidity during market fluctuations.

While the Parent Bank's short term liquidity need is met mainly with deposits, its long term liquidity is provided through foreign funding sources such as syndication and securitization transactions. There are no significant idle liquidity resources.

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period	Demand	Upto 1Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Undistributed ^(*)	Total
Assets:								
Cash and balance with CBT	10,844,711	-	-	-	-	-	-	10,844,711
Banks	872,925	1,158,258	269,784	13,027	-	-	-	2,313,994
Financial assets at fair value through profit/loss	4,901	13,205	38,623	73,793	173,026	25,351	68	328,967
Interbank money market placements	-	762	-	-	-	-	-	762
Available-for-sale financial assets	-	20,451	99,091	837,563	8,307,444	3,740,169	11,944	13,016,662
Loans and receivables	-	5,151,278	3,336,946	14,928,325	30,091,725	9,582,349	147,499	63,238,122
Held-to-maturity investments	-	23,885	144,251	614,355	2,767,943	2,315,663	-	5,866,097
Other assets	-	420,711	125,706	440,146	621,831	5,259	3,899,420	5,513,073
Total assets	11,722,537	6,788,550	4,014,401	16,907,209	41,961,969	15,668,791	4,058,931	101,122,388
Liabilities:								
Bank deposits	15,863	3,307,644	779,820	107,055	-	-	-	4,210,382
Other deposits	9,526,186	32,276,810	16,330,302	1,865,997	497,107	4,646	-	60,501,048
Funds borrowed	-	193,230	1,729,844	2,879,309	2,072,815	1,239,661	-	8,114,859
Interbank money market takings	-	5,510,630	1,494,708	1,035,442	-	-	-	8,040,780
Securities issued	-	933,064	-	989,113	900,012	-	-	2,822,189
Miscellaneous payables	-	1,839,962	79,173	52,335	20,838	-	1,276,908	3,269,216
Other liabilities	-	228,296	121,583	22,727	51,842	103,640	13,635,826	14,163,914
Total liabilities	9,542,049	44,289,636	20,535,430	6,951,978	3,542,614	1,347,947	14,912,734	101,122,388
Liquidity (Gap)/Surplus	2,180,488	(37,501,086)	(16,521,029)	9,955,231	38,419,355	14,320,844	(10,853,803)	-
Previous Year								
Total assets	8,905,390	5,464,615	3,773,670	14,407,187	41,518,542	16,762,906	2,628,234	93,460,544
Total liabilities	9,183,515	42,519,194	17,063,787	6,727,464	2,628,943	2,624,084	12,713,557	93,460,544
Liquidity (Gap)/Surplus	(278,125)	(37,054,579)	(13,290,117)	7,679,723	38,889,599	14,138,822	(10,085,323)	-

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash on short period such as tangible assets, intangible assets, associates, subsidiaries, miscellaneous receivables and equity are included in this column.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Six-Month Period Ended 30 June 2012
(Currency: Thousands of Turkish Lira (“TL”))

Convenience Translation of the Consolidated Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 3 Note 1

Residual contractual maturities of monetary liabilities

Current period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	4,210,382	4,221,037	15,863	3,309,899	782,931	112,344	-	-
Other deposits	60,501,048	60,935,272	9,526,186	32,371,663	16,540,503	1,935,731	555,378	5,811
Funds borrowed	8,114,859	8,788,333	-	193,670	1,760,668	2,947,235	2,359,931	1,526,829
Money market takings	8,040,780	8,069,976	-	5,526,889	1,497,620	1,045,467	-	-
Issued Securities (Net)	2,822,189	3,135,043	-	939,944	-	1,036,349	1,158,750	-
Miscellaneous payables	3,269,216	3,269,216	1,276,908	1,839,962	79,173	52,335	20,838	-
Other liabilities	736,675	736,675	484,506	70,209	8,574	22,727	47,019	103,640
Total	87,695,149	89,155,552	11,303,463	44,252,236	20,669,469	7,152,188	4,141,916	1,636,280
Non-Cash Loans	16,843,999	16,843,999	6,998,479	1,447,284	816,046	4,772,739	2,090,977	718,474

Prior year	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	3,454,869	3,464,812	34,116	2,808,512	588,099	33,863	222	-
Other deposits	58,387,107	58,815,936	9,149,399	33,573,979	12,679,537	2,964,571	444,217	4,233
Funds borrowed	8,912,297	9,621,929	-	368,812	2,109,076	2,807,422	2,375,159	1,961,460
Money market takings	6,031,252	6,046,235	-	3,990,490	1,216,863	838,882	-	-
Issued Securities (Net)	493,000	496,581	-	-	496,581	-	-	-
Miscellaneous payables	2,974,446	2,974,446	133,580	1,683,573	149,540	104,294	35,396	868,063
Other liabilities	951,238	951,238	477,197	112,907	86,435	144,583	44,586	85,530
Total	81,204,209	82,371,177	9,794,292	42,538,273	17,326,131	6,893,615	2,899,580	2,919,286
Non-Cash Loans	15,814,381	15,814,381	9,724,999	1,027,359	770,703	2,442,300	1,189,150	659,870

This table shows the undiscounted cash flows on the Group’s financial liabilities on the basis of their earliest possible contractual maturities. Therefore, the gross nominal outflows in the table above vary from the carrying amounts of the relevant financial liabilities reflected in the consolidated financial statements.

VII. Consolidated segment reporting

The Parent Bank operates in corporate, commercial, small business, retail and investment banking. Accordingly, the banking products served to customers are; time and demand deposit, accumulating account, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account, cheques, safety boxes, bill payments, tax collections, payment orders.

The Parent Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers’ needs effectively and efficiently.

Additionally, the Parent Bank provides “small business” banking service to enterprises in retail and service sectors. Products include overdraft accounts, POS machines, credit cards, cheque books, TL and foreign currency deposits, investment accounts, internet banking and call-center, debit card, and bill payment.

Retail banking customers form a wide-spread and sustainable deposit base for the Parent Bank. Individual customers’ needs are met by diversified consumer banking products through branches and alternative delivery channels.

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Operating profit	492,442	613,135	630,485	780,584	2,516,646
Undistributed expenses	-	-	-	(1,651,993)	(1,651,993)
Operating profit	492,442	613,135	630,485	(871,409)	864,653
Income from associates	-	-	-	-	21,345
Income before taxes	-	-	-	-	885,998
Provision for taxes	-	-	-	-	(190,724)
Net profit	-	-	-	-	695,274
Segment assets	22,377,679	40,839,632	31,049,612	1,584,130	95,851,053
Investment in associates and subsidiaries	-	-	330,841	-	330,841
Undistributed assets	-	-	-	4,940,494	4,940,494
Total assets	22,377,679	40,839,632	31,380,453	6,524,624	101,122,388
Segment liabilities	24,361,719	40,349,711	18,602,567	631,152	83,945,149
Equity	-	-	-	10,445,495	10,445,495
Undistributed liabilities	-	-	-	6,731,744	6,731,744
Total liabilities and equity	24,361,719	40,349,711	18,602,567	17,808,391	101,122,388

SECTION FIVE**Disclosure and Footnotes on the Consolidated Financial Statements****I. Information and disclosures related to consolidated assets****1. Information on cash and balances with the Central Bank**

	Current Period		Previous Year	
	TL	FC	TL	FC
Cash	613,577	153,808	604,234	111,770
Central Bank of Turkey ^(*)	3,307,623	6,694,468	1,465,064	4,959,763
Others	14,507	60,728	33	998
Total	3,935,707	6,909,004	2,069,331	5,072,531

^(*) TL 5,173,947 (31 December 2011: TL 4,269,727) of the foreign currency deposit at Central Bank of Turkey is comprised of foreign currency reserve deposits and related interest income accruals.

In accordance with "Announcement on Reserve Deposits" of CBT numbered 2005/1, all banks operating in Turkey shall provide a reserve rate of 11% for demand deposits, and the rates decrease to 5% as maturities get longer (31 December 2011: 11% for demand deposits, and the rates decrease to 5% as maturities get longer). For foreign currency liabilities, all banks shall provide a reserve rate of 11% in US Dollar or Euro for demand and upto 1 year maturity deposits and rates decrease to 6% as maturities get longer (31 December 2011: 11% in US Dollar or Euro for demand and upto 1 year maturity deposits and rates decrease to 6% as maturities get longer).

Balances with the Central Bank of Turkey

	Current Period		Previous Year	
	TL	FC	TL	FC
Unrestricted demand deposits	3,307,623	710,521	1,465,064	690,036
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	810,000	-	-
Reserve Deposits	-	5,173,947	-	4,269,727
Total	3,307,623	6,694,468	1,465,064	4,959,763

The Parent Bank and CBT had disagreement about the reserve requirements deposited at CBT regarding the syndication loans obtained by foreign branches of the Bank. Subsequent to the decision, CBT required the Bank to provide reserve requirement for loans obtained by foreign branches, the Bank filed a claim in Ankara 15th Administrative Court for the suspension of execution and cancellation of the decision. As at 15 June 2011, the court decided on refusal of the claim with the right to appeal on State Council. CBT requested the Bank to provide additional reserves amounting to USD 384 million in average for 3.5 years period with the 4 May 2011 dated communique. In this context, the Bank has began to provide additional reserve requirements at 27 May 2011.

2. Further information on financial assets at fair value through profit/loss

Financial assets at fair value through profit/loss given as collateral or blocked

	Current Period		Previous Year	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	92,206	10,789	95,711	11,466
Others	-	-	-	-
Total	92,206	10,789	95,711	11,466

Trading securities subject to repurchase agreements

	Current Period		Previous Year	
	TL	FC	TL	FC
Government bonds	2,269	-	3,098	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	-
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Others	-	-	-	-
Total	2,269	-	3,098	-

Trading purpose derivative financial assets

	Current Period		Previous Year	
	TL	FC	TL	FC
Forward transactions	4,657	3,668	3,141	4,720
Swap transactions	12,227	125,895	1,038	165,143
Futures	-	-	-	-
Options	45	202	3	93
Others	-	-	-	-
Total	16,929	129,765	4,182	169,956

3. Information on banks

	Current Period		Previous Year	
	TL	FC	TL	FC
Banks	401,425	1,912,569	408,679	2,132,656
Domestic	399,719	498,892	406,875	60,978
Foreign	1,706	1,413,677	1,804	2,071,678
Foreign head offices and branches	-	-	-	-
Total	401,425	1,912,569	408,679	2,132,656

4. Information on available-for-sale financial assets*Available-for-sale financial assets given as collateral or blocked*

	Current Period		Previous Year	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	692,875	380,676	661,402	387,393
Others	-	-	-	-
Total	692,875	380,676	661,402	387,393

Available-for-sale financial assets subject to repurchase agreements

	Current Period		Previous Year	
	TL	FC	TL	FC
Government bonds	1,896,205	54,619	1,506,673	61,442
Treasury bills	-	-	-	-
Other debt securities	-	1,436,293	-	1,930,563
Bonds issued or guaranteed by banks	-	51,947	-	54,748
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	1,896,205	1,542,859	1,506,673	2,046,753

Information on available-for-sale financial assets

	Current Period		Previous Year	
Debt securities		13,056,265		13,513,369
Quoted		13,056,265		13,513,369
Unquoted		-		-
Equity securities		12,177		14,438
Quoted		1,288		1,169
Unquoted		10,889		13,269
Provisions for impairment losses (-)		51,780		172,964
Total		13,016,662		13,354,843

5. Information on loans*Information on all types of loans and advances given to shareholders and employees of the Group*

	Current Period		Previous Year	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	12,616	-	6,572
Legal entities	-	12,616	-	6,572
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	64,454	25	55,917	31
Total	64,454	12,641	55,917	6,603

Information about loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled

	Performing Loans and Other Receivables		Loans and Other Receivables under Follow-Up	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Cash Loans				
Loans	60,754,514	40,961	1,744,358	523,107
Discounted bills	41,235	-	-	-
Export loans	3,571,340	-	100,188	41,034
Import loans	-	-	-	-
Loans to the financial sectors	1,333,373	-	82	-
Overseas loans	262,637	-	7,364	-
Consumer loans	19,255,786	-	642,626	180,310
Credit cards	2,493,678	-	93,225	7,239
Precious metal loans	-	-	-	-
Others	33,796,465	40,961	900,873	294,524
Specialization loans	21,973	-	-	-
Other receivables	5,710	-	-	-
Total	60,782,197	40,961	1,744,358	523,107

Information on changes in payment schedules of the performing loans and other receivables

Performing Loans and Other Receivables (*)

Number of Restructuring	Number of Loans	Up to 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
1	12	2,307	-	-	-	2,307
1	45	-	33,947	-	-	33,947
1	31	-	-	4,708	-	4,708
	88	2,307	33,947	4,708	-	40,962

Loans under Follow-up and Other Receivables (*)

Number of Restructuring	Number of Loans	Up to 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
1	613	5,450	-	-	-	5,450
1	2827	-	26,214	-	-	26,214
1	3811	-	-	109,174	-	109,174
1	22	-	-	-	3,046	3,046
	7,273	5,450	26,214	109,174	3,046	143,884

(*) Performing loans and other receivables whose payment schedules are restructured or rescheduled after the date 28 May 2011 are included.

Consumer loans, retail credit cards, personnel loans and personnel credit cards

	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	254,146	18,894,143	19,148,289
Housing loans	5,000	9,148,221	9,153,221
Automobile loans	4,463	420,831	425,294
General purpose loans	129,022	5,056,392	5,185,414
Others	115,661	4,268,699	4,384,360
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Consumer loans – FC	1,005	5,029	6,034
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,005	5,029	6,034
Others	-	-	-
Retail credit cards – TL	2,207,078	1,815	2,208,893
With installment	1,051,690	1,815	1,053,505
Without installment	1,155,388	-	1,155,388
Retail credit cards – FC	1,315	-	1,315
With installment	-	-	-
Without installment	1,315	-	1,315
Personnel loans – TL	1,877	30,389	32,266
Housing loans	8	-	8
Automobile loans	-	-	-
General purpose loans	1,836	30,389	32,225
Others	33	-	33
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Personnel loans – FC	255	-	255
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	255	-	255
Others	-	-	-
Personnel credit cards – TL	31,897	-	31,897
With installment	14,402	-	14,402
Without installment	17,495	-	17,495
Personnel credit cards – FC	36	-	36
With installment	-	-	-
Without installment	36	-	36
Overdraft Checking Accounts – TL (Real persons)	891,799	-	891,799
Overdraft Checking Accounts – FC (Real persons)	79	-	79
Total	3,389,487	18,931,376	22,320,863

Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based commercial loans – TL	742,625	10,545,276	11,287,901
Real estate loans	1,526	162,301	163,827
Automobile loans	32,741	1,196,003	1,228,744
General purpose loans	708,358	9,186,972	9,895,330
Others	-	-	-
Installment-based commercial loans – FC indexed	20,024	600,295	620,319
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	20,024	600,295	620,319
Others	-	-	-
Installment-based commercial loans – FC	455,804	1,453,768	1,909,572
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	453,395	563,228	1,016,623
Others	2,409	890,540	892,949
Corporate credit cards – TL	351,956	36	351,992
With installment	122,176	36	122,212
Without installment	229,780	-	229,780
Corporate credit cards – FC	9	-	9
With installment	-	-	-
Without installment	9	-	9
Overdraft Checking Accounts – TL (Corporate)	318,349	-	318,349
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	1,888,767	12,599,375	14,488,142

Allocation of domestic and overseas loans

	Current Period	Previous Year
Domestic loans	62,820,622	57,754,229
Overseas loans	270,001	303,273
Total	63,090,623	58,057,502

Loans to associates and subsidiaries

As at 30 June 2012 and 31 December 2011, there are no loans given to associates and subsidiaries by the Group.

Specific provisions for loans

Specific Provisions	Current Period	Previous Year
Loans and receivables with limited collectibility	37,130	48,991
Loans and receivables with doubtful collectibility	289,350	176,438
Uncollectible loans and receivables	1,847,167	1,874,503
Total	2,173,647	2,099,932

Information on non-performing loans (Net)

Information on non-performing loans and other receivables restructured or rescheduled

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period	12,536	36,562	84,151
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	12,536	36,562	84,151
Previous year	18,471	26,240	81,771
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	18,471	26,240	81,771

Movements in non-performing loan groups

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Balance at the beginning of the period	157,613	176,438	1,877,232
Additions (+)	306,177	27,996	43,639
Transfers from other categories of loans under follow-up (+) ^(*)	-	255,430	99,137
Transfers to other categories of loans under follow-up (-) ^(*)	255,485	104,625	45,151
Collections (-)	36,324	55,873	124,168
Write-offs (-)	-	-	119
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Others</i>	-	-	119
Currency differences	-	-	(771)
Balance at the end of the period	171,981	299,366	1,849,799
Specific provisions (-)	37,130	289,350	1,847,167
Net balance on balance sheet	134,851	10,016	2,632

(*)Loans that are transferred from restructured loans to non-performing loans and from non-performing loans to restructured loans are presented in the transfers from and to other categories of loans under follow-up lines.

Uncollectible loans and other receivables are collected through liquidation of collaterals and legal follow-up.

Information on non-performing loans and other receivables in foreign currencies

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Period			
Balance at the end of the year	2,173	16,337	292,094
Specific provisions (-)	442	6,447	289,462
Net balance on balance sheet	1,731	9,890	2,632
Previous Year			
Balance at the end of the year	1,414	315	309,702
Specific provisions (-)	672	315	306,973
Net balance on balance sheet	742	-	2,729

Non performing loans due to foreign currency denominated loans provided by the Parent Bank or domestic financial subsidiaries are followed in TL accounts, while non-performing loans provided by subsidiaries in abroad are followed in foreign currency accounts.

Write-off policy for uncollectible loans and receivables

The Group writes off a loan balance (and any related allowances for impairment losses) when it is concluded that those loans are uncollectible. This conclusion is given after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

Loan customer concentration of non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Period (Net)	134,851	10,016	2,632
Consumer and commercial loans (Gross)	159,551	285,690	1,768,518
Specific provisions (-)	31,911	285,690	1,765,886
Consumer and commercial loans (Net)	127,640	-	2,632
Banks (Gross)	-	-	7,654
Specific provisions (-)	-	-	7,654
Banks (Net)	-	-	-
Other loans and receivables (Gross)	12,430	13,676	73,627
Specific provisions (-)	5,219	3,660	73,627
Other loans and receivables (Net)	7,211	10,016	-
Previous Year (Net)	108,622	-	2,729
Consumer and commercial loans (Gross)	155,483	174,471	1,796,258
Specific provisions (-)	47,132	174,471	1,793,529
Consumer and commercial loans (Net)	108,351	-	2,729
Banks (Gross)	-	-	9,565
Specific provisions (-)	-	-	9,565
Banks (Net)	-	-	-
Other loans and receivables (Gross)	2,130	1,967	71,409
Specific provisions (-)	1,859	1,967	71,409
Other loans and receivables (Net)	271	-	-

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Previous Year	
	TL	FC	TL	FC
Government bonds	4,310,365	-	4,343,224	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	1,503,470	-	1,581,438
Total	4,310,365	1,503,470	4,343,224	1,581,438

Information on held-to-maturity investment securities

	Current Period	Previous Year
Debt Securities	5,916,243	6,021,368
Quoted at stock exchanges	5,863,981	5,966,792
Unquoted at stock exchanges	52,262	54,576
Impairment losses (-)	50,146	42,130
Total	5,866,097	5,979,238

The movement table of the held-to-maturity investments

	Current Period	Previous Year
Balances at the beginning of the year	5,979,238	4,362,245
Foreign currency differences on monetary assets	(90,096)	223,839
Acquisitions during the year	103,675	3,102,225
Disposals through sales/redemptions	(111,271)	(1,688,257)
Impairment losses	(8,016)	(12,039)
Change in amortized costs of the securities (*)	(7,433)	(8,775)
Balances at the end of the year	5,866,097	5,979,238

(*) Differences in the amortized costs of the marketable securities are included in this column.

In year 2011 the Parent Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 1,690,000 to its held-to-maturity investment securities portfolio at their fair values of TL 1,764,346 as at their reclassification dates in the current year. These reclassifications are presented in "purchases during the period" line in the movement table of held-to-maturity investment securities. The value increases of such securities amounting to TL (2,497) are recorded under equity and will be amortized through the statement of income until their maturities.

Information about held-to-maturity investments

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	-	52,200	-	52,262
Investments subject to repurchase agreements	4,168,637	1,449,984	4,236,815	1,463,356
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others (*)	74,287	38,975	73,550	40,114
Total	4,242,924	1,541,159	4,310,365	1,555,732

Previous Year	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	-	54,520	-	54,576
Investments subject to repurchase agreements	2,328,425	940,202	2,370,567	962,317
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others (*)	1,938,751	619,877	1,972,657	619,121
Total	4,267,176	1,614,599	4,343,224	1,636,014

(*) The securities held as free that are not subject to collateral/blockage or other transactions are presented in the "Others" line.

7. Investments in associates

Unconsolidated investments in associates

Title	Address (City/ Country)	Parent Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ	Ankara/Turkey	9.93	9.93
2 Bankalararası Kart Merkezi AŞ	İstanbul/Turkey	9.70	9.70
3 Kredi Kayıt Bürosu AŞ	İstanbul/Turkey	9.09	9.09
4 Güçbirliği Holding AŞ	İzmir/Turkey	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ	İstanbul/Turkey	5.00	5.00
6 İMKB Takas ve Saklama Bankası AŞ	İstanbul/Turkey	4.86	5.28
7 Kredi Garanti Fonu AŞ	Ankara/Turkey	1.67	1.67
8 World Vakıf UBB Ltd.	Lefkosa/NCTR	82.00	85.24

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Year’s Profit/Loss	Fair Value
1 1,527,069	280,233	217,431	18,353	-	58,556	5,410	-
2 30,507	20,440	12,875	453	124	1,957	1,309	-
3 57,225	50,441	3,459	785	-	16,175	8,179	-
4 125,410	9,661	1,778	181	-	(1,219)	(3,144)	-
5 103,064	37,645	98,472	-	-	2,616	(2,748)	-
6 3,378,472	309,635	13,133	43,725	1,400	33,198	15,837	-
7 207,201	199,536	3,325	5,732	1	4,714	2,780	-
8 1,878	(33,038)	-	2	-	(1,771)	(1,631)	-

Roketsan Roket Sanayi ve Ticaret AŞ, a consolidated associate of the Bank, has merged with its subsidiary Tapasan-Hassas Mekanik ve Elektronik Sanayi ve Ticaret AŞ, with dissolution of Tapasan-Hassas Mekanik ve Elektronik Sanayi ve Ticaret AŞ without liquidation. The merge has been registered in trade registry gazette on 29 June 2012. With the merger, the share of the Bank has increased by TL 4 from TL 14,600 to TL 14,604 and the ownership ratio of the Parent Bank has decreased from 10.00% to 9.93% due to two new shareholders from Tapasan-Hassas Mekanik ve Elektronik Sanayi ve Ticaret AŞ

As per 5 April 2012 dated and 4686 numbered decision of the BRSA, Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ has been classified as non-financial associates. Based on this decision, Kredi Kayıt Bürosu AŞ ve Bankalararası Kart Merkezi have been transferred to "Other Business Enterprises" account from "Other financial investments" account.

The name of World Vakıf Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakıf UBB. Ltd. on 4 February 2009. Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to 24 May 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. Due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified "Investments in associates". The financial statements of the Company have not been consolidated as at 30 June 2012 and 2010, but its equity until the liquidation decision date has been included in the accompanying consolidated financial statements.

As per the resolution of the Board of Directors of the Parent Bank on 3 April 2008, it was decided to work on disposal process of Roketsan Roket Sanayi AŞ ("Roketsan"), to the third parties or other shareholders of Roketsan in accordance with the 7th clause of the article of association on share transfer.

Unconsolidated associates, reasons for not consolidating such investments and accounting treatments applied for such investments:

IMKB Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ have not been consolidated since their total assets and net operating profit/(loss) individually or as a whole, do not comprise a material portion within the consolidated totals. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

Consolidated investments in associates

Title	Address (City/ Country)	Parent Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1 Kıbrıs Vakıflar Bankası Ltd.	Lefkosa/NCTR	15.00	15.00
2 Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ ^(*)	İstanbul/Turkey	11.75	21.77
3 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ^(*)	İstanbul/Turkey	27.63	29.47
4 Türkiye Sınai Kalkınma Bankası AŞ ^(*)	İstanbul/Turkey	8.38	8.38

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Years’ Profit/Loss	Fair Value
1 774,836	66,034	7,603	34,920	3,951	5,639	2,514	-
2 14,712	14,340	75	374	116	593	(536)	17,560
3 191,787	189,249	140,389	1,062	1,575	2,431	26,267	357,016
4 10,302,247	1,712,861	26,196	176,417	133,781	175,128	119,271	2,007,953

^(*) These figures are obtained from reviewed 30 June 2012 financial statements announced at Public Disclosure Platform.

The name of Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ, a consolidated associate of the Bank, has been changed as Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ on 3 April 2012. Amendment of association regarding this change has been discussed and decided on 28 March 2012 dated General Assembly meeting upon 2 March 2012 dated and 2354 numbered permission by Capital Market Board and 12 March 2012 dated 1814 numbered permission by General Directorate of Domestic Trade in Trade Ministry of Custom and Trade. The name has been registered on 3 March 2012 by İstanbul Trade Registry Office and has been announced on 9 April 2012 and 8044 numbered Turkish Trade Registry Gazette.

Movement of consolidated investments in associates

	Current Period	Previous Year
Balance at the beginning of the period	195,947	184,877
Movements during the period	79,145	11,070
Acquisitions and capital increases	-	21,553
Bonus shares received	26,514	9,591
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	52,631	(20,074)
Impairment losses	-	-
Balance at the end of the period	275,092	195,947
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Sectoral distribution of consolidated investments and associates

	Current Period	Previous Year
Banks	174,385	128,267
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	100,707	67,680
Total	275,092	195,947

Quoted associates

	Current Period	Previous Year
Quoted at domestic stock exchanges	268,973	189,827
Quoted at international stock exchanges	-	-
Total	268,973	189,827

Investments in associates disposed during the period

None.

Investments in associates acquired during the period

There is not any associate acquired in the current period.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Parent Bank, from TL 800,000 to TL 1,100,000, by the General Assembly of the Company, the share of the Parent Bank amounting to TL 25,132 is presented in the movement table of investments in associates as bonus shares received.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Parent Bank, by TL 5,000 from TL 100,000 to TL 105,000, by the General Assembly of the Company, the share of the Parent Bank amounting to TL 1,382 is presented in the movement table of investments in associates as shares received.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Parent Bank, by TL 78,000 from TL 22,000 to TL 100,000, by the General Assembly of the Company, the share of the Parent Bank amounting to TL 21,553 is presented in the movement table of investments in associates as shares received.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ (“TSKB”), an associate of the Parent Bank, from TL 700,000 to TL 800,000, by the General Assembly of TSKB, the share of the Parent Bank amounting to TL 8,378 is presented in the movement table of investments in associates as bonus shares received.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ (“Vakıf GYO”), an associate of the Bank, from TL 20,800 to TL 22,000, by the General Assembly of Vakıf GYO, the share of the Bank amounting to TL 332 is presented in the movement table of investments in associates as bonus shares received.

In year 2011, the capital of Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ, an associate of the Bank has been increased by TL 7,500 from TL 7,500 to TL 15,000. The share of the Bank amounting to TL 882 is presented in the movement table of investments in associates as bonus shares received.

8. Investments in subsidiaries

Unconsolidated investments in subsidiaries

	Title	Address (City / Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Vakıf Enerji ve Madencilik AŞ ^(**)	Ankara/ Turkey	65.50	84.92
2	Taksim Otelcilik AŞ	Istanbul/ Turkey	51.00	51.52
3	Vakıf Pazarlama Sanayi ve Ticaret AŞ ^(*)	Istanbul/ Turkey	69.33	74.98
4	Vakıf Gayrimenkul Değerleme AŞ ^(*)	Ankara/ Turkey	54.29	58.54

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Years' Profit/(Loss)	Fair Value
1	8,208	8,087	1,062	316	-	588	(51)	12,500
2	215,308	208,973	88,648	6,302	-	2,556	4,680	212,968
3	30,433	24,388	794	481	48	509	-	-
4	20,047	16,954	757	515	21	(76)	7,185	26,987

(*) Financial information as at and for the three month period ended 31 March 2012 has been presented for these subsidiaries.

(**) Financial information as at and for the year ended 31 December 2011 has been presented for these subsidiaries.

As per the resolution of the Board of Directors of the Bank held on 8 September 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with disolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with article 451 of Turkish Commercial Code.

Legal entity of Vakıf Sistem Pazarlama Yazılım AŞ has ended with the merger. The title of the Company has been amended as Vakıf Pazarlama Sanayi ve Ticaret AŞ and new capital has amounted to TL 30,241. The share of the Parent Bank in Vakıf Pazarlama Sanayi ve Ticaret AŞ has been 69.33% that amounts to TL 20,966 after the merger.

Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at 30 June 2012 and 31 December 2011, but its equity until the merger date has been included in the accompanying consolidated financial statements.

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments:

Vakıf Enerji ve Madencilik AŞ, Taksim Otelcilik AŞ, Vakıf Pazarlama Sanayi ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme AŞ have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values; the ones whose fair values cannot be reliably measured are reflected at their costs.

Investments in consolidated subsidiaries

	Title	Address(City / Country)	Bank's Share –If Different Voting Rights (%)	Bank's Risk Group Share (%)
1	Güneş Sigorta AŞ ^(**)	Istanbul/Turkey	36.35	36.35
2	Vakıf Emeklilik AŞ	Istanbul/Turkey	53.90	75.30
3	Vakıf Finans Faktoring Hizmetleri AŞ	Istanbul/Turkey	78.39	86.97
4	Vakıf Finansal Kiralama AŞ ^(*)	Istanbul/Turkey	58.71	64.40
5	Vakıf Yatırım Menkul Değerler AŞ ^(**)	Istanbul/Turkey	99.00	99.44
6	Vakıfbank International AG	Vienna/Austria	90.00	90.00
7	Vakıf Portföy Yönetimi A	Istanbul/Turkey	99.99	99.99

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Six-Month Period Ended 30 June 2012
(Currency: Thousands of Turkish Lira (“TL”))

Convenience Translation of the Consolidated Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 3 Note I

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit / (Loss)	Prior Year's Profit / (Loss)	Fair Value
1	830,005	232,214	160,248	8,714	350	(11,002)	5,778	317,549
2	1,597,429	129,325	34,972	13,489	99	14,251	7,208	165,471
3	383,973	83,034	398	31,815	-	4,816	6,408	57,708
4	633,783	102,307	4,161	9,824	68	2,123	6,082	105,401
5	59,599	53,825	375	3,143	263	1,739	2,336	36,766
6	1,636,243	206,276	1,490	27,682	4,375	11,308	7,508	166,683
7	6,975	6,676	8	346	17	962	693	16,633

(*) Financial information as at and for the three month period ended 31 March 2012 has been presented for these subsidiaries s.

(**) These figures are obtained from reviewed 30 June 2012 financial statements announced at Public Disclosure Platform.

Movement table of consolidated investments in subsidiaries in unconsolidated financial statements

	Current Period	Previous Year
Balance at the beginning of the period	504,663	547,961
Movements during the period	10,118	(43,298)
Acquisitions and capital increases	-	-
Bonus shares received	5,871	14,678
Share of current year profit	(14,388)	(13,038)
Sales and liquidations	-	-
Fair value changes	18,635	(44,938)
Impairment losses	-	-
Balance at the end of the period	514,781	504,663
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period	Previous Year
Measured at cost	-	-
Measured at fair value	514,781	504,663
Equity method of accounting	-	-
Total	514,781	504,663

Sectoral distribution of consolidated investments in subsidiaries

	Current Period	Previous Year
Banks	150,015	150,015
Insurance companies	204,618	193,303
Factoring companies	45,237	50,368
Leasing companies	61,881	54,080
Financing companies	-	-
Other financial subsidiaries	53,030	56,897
Total	514,781	504,663

Quoted consolidated subsidiaries

	Current Period	Previous Year
Quoted at domestic stock exchanges	177,310	152,804
Quoted at international stock exchanges	-	-
Total	177,310	152,804

Consolidated subsidiaries disposed during the year

There is not any disposal in the consolidated subsidiaries in the current year.

Consolidated investments in subsidiaries acquired during the period

In current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ, a subsidiary of the Parent Bank, from TL 50,000 to TL 60,000, by the General Assembly of Vakıf Leasing, the share of the Bank amounting to TL 5,871 is presented as bonus shares received in the movement table of investments in subsidiaries.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ, a subsidiary of the Bank, from TL 25,000 to TL 50,000, by the General Assembly of Vakıf Finansal Kiralama AŞ, the share of the Bank amounting to TL 14,678 is presented as bonus shares received in the movement table of investments in subsidiaries.

9. Investments in joint-ventures

There is not any investment in joint-ventures of the Group.

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

	Current Period		Previous Year	
	Gross	Net	Gross	Net
Less than 1 year	245,831	206,329	195,121	162,102
Between 1-4 years	429,877	386,325	359,054	320,643
Longer than 4 years	26,316	24,915	21,240	20,696
Total	702,024	617,569	575,415	503,441

Net investments in finance lease receivables

	Current Period	Previous Year
Gross finance lease receivables	702,024	575,415
Unearned income on finance lease receivables (-)	(84,455)	(71,974)
Terminated lease contracts (-)	-	-
Net finance lease receivables	617,569	503,441

Finance lease agreements

Sum of the minimum lease payments including interest and principal amounts are stated under the "finance lease receivables" as gross. The difference between the total of rent payments and the cost of the related fixed assets is reflected to the "unearned income" account. If the lease payments are made, the lease principal amount is deducted from the "finance lease receivables" as the interest component of the payment is reflected to interest income on the consolidated statement of income.

11. Information on derivative financial instruments held for risk management purposes

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on investment properties

As at 30 June 2012, the Group has investment property amounting to TL 158,911 (31 December 2011: TL 159,204) in total which consists of the net book value amounting to TL 140,149 (31 December 2011: TL 140,354) for the associate operating in the field of real estate investment sector and the net book value amounting to TL 18,762 (31 December 2011: TL 18,850) for the subsidiaries operating in the insurance business.

13. Information on deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at 30 June 2012 and 31 December 2011:

	Current Period	Previous Year
Provision for employee termination benefits and unused vacations	53,231	50,125
Other provisions	39,420	40,736
Valuation difference for associates and subsidiaries	26,820	31,382
Investment incentives	26,473	28,436
Reporting Standarts - Tax Code depreciation differences	17,333	16,030
Valuation differences of financial assets and liabilities	10,186	62,824
Tax losses carried forward	12,412	7,029
Other differences	1,622	1,606
Deferred tax assets	187,497	238,168
Net-off of the deferred tax assets and liabilities from the same entity	(39,525)	(40,498)
Deferred tax assets, (net)	147,972	197,670
	Current Period	Previous Year
Valuation differences of financial assets and liabilities	38,612	32,898
Valuation difference for associates and subsidiaries	889	3,227
Other differences	4,847	8,039
Deferred tax liabilities	44,348	44,164
Net-off of the deferred tax assets and liabilities from the same entity	(39,525)	(40,498)
Deferred tax liabilities, (net)	4,823	3,666

14. Information on assets held for sale and assets related to the discontinued operations

As at 30 June 2012, net book value of assets held for sale of the Group is amounting to TL 2,168 (31 December 2011: TL 2,159).

15. Information on other assets

As at 30 June 2012 and 31 December 2011, the details of other assets are as follows:

	Current Period	Previous Year
Receivables from private pension business	1,050,937	868,063
Prepaid expenses	425,015	398,979
Receivables from reinsurance companies	393,761	446,440
Receivables from credit cards	249,570	392,479
Receivables from insurance operations	234,512	266,178
Deferred insurance premium acquisition costs	81,727	79,501
Receivables from derivative financial instruments	73,600	20,177
Receivables from term sale of assets	46,854	103,778
Others	86,526	95,388
Total	2,642,502	2,670,983

II. Information and disclosures related to consolidated liabilities

1. Information on maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	1,923,314	-	301,920	11,926,202	1,839,425	142,130	108,522	-	16,241,513
Foreign currency deposits	1,505,075	-	1,414,956	8,855,931	1,878,560	532,255	2,280,432	-	16,467,209
Residents in Turkey	1,281,548	-	1,410,757	8,793,528	1,831,821	409,880	1,017,190	-	14,744,724
Residents in abroad	223,527	-	4,199	62,403	46,739	122,375	1,263,242	-	1,722,485
Public sector deposits	2,406,960	-	1,256,944	5,578,643	847,303	128,980	27,806	-	10,246,636
Commercial deposits	1,112,795	-	1,894,074	5,034,829	2,646,430	307,879	3,906	-	10,999,913
Others	2,054,013	-	558,061	2,128,794	1,134,171	133,809	12,900	-	6,021,748
Precious metal deposits	524,029	-	-	-	-	-	-	-	524,029
Bank deposits	15,863	-	2,974,602	821,375	287,157	102,962	8,423	-	4,210,382
Central Bank	175	-	-	-	-	-	-	-	175
Domestic banks	4,772	-	2,946,635	299,988	6,701	102,962	8,423	-	3,369,481
Foreign banks	4,328	-	27,967	521,387	280,456	-	-	-	834,138
Participation banks	6,588	-	-	-	-	-	-	-	6,588
Others	-	-	-	-	-	-	-	-	-
Total	9,542,049	-	8,400,557	34,345,774	8,633,046	1,348,015	2,441,989	-	64,711,430

Previous Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	1,671,682	-	362,643	11,508,016	1,195,391	216,923	75,894	-	15,030,549
Foreign currency deposits	1,593,247	-	1,713,252	8,198,861	1,827,824	435,120	2,256,902	-	16,025,206
Residents in Turkey	1,393,685	-	1,711,511	8,140,988	1,805,721	352,134	1,147,847	-	14,551,886
Residents in abroad	199,562	-	1,741	57,873	22,103	82,986	1,109,055	-	1,473,320
Public sector deposits	2,766,392	-	1,885,113	4,837,879	835,509	38,441	32,799	-	10,396,133
Commercial deposits	1,187,064	-	2,457,318	5,169,390	954,209	336,589	1,718	-	10,106,288
Others	1,931,014	-	681,617	2,936,530	966,888	294,692	18,190	-	6,828,931
Precious metal deposits	-	-	-	-	-	-	-	-	-
Bank deposits	34,116	-	1,666,239	833,548	916,823	2,069	2,074	-	3,454,869
Central Bank	116	-	-	-	-	-	-	-	116
Domestic banks	3,185	-	1,599,705	302,618	481,791	2,069	2,074	-	2,391,442
Foreign banks	19,066	-	66,534	530,930	435,032	-	-	-	1,051,562
Participation banks	11,749	-	-	-	-	-	-	-	11,749
Others	-	-	-	-	-	-	-	-	-
Total	9,183,515	-	8,766,182	33,484,224	6,696,644	1,323,834	2,387,577	-	61,841,976

Information on saving deposits insured by Saving Deposit Insurance Fund and the total amounts of the deposits exceeding the insurance coverage limit

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Previous Year	Current Period	Previous Year
Saving deposits	6,928,805	6,344,011	9,312,708	8,678,865
Foreign currency saving deposits	1,835,912	1,485,189	5,036,841	4,116,656
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	8,764,717	7,829,200	14,349,549	12,795,521

Saving deposits out of insurance coverage limits

	Current Period	Previous Year
Deposits and other accounts at foreign branches	11,198	7,231
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	2,158	1,859
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose***Negative differences related to the derivative financial liabilities held for trading purpose***

	Current Period		Previous Year	
	TL	FC	TL	FC
Forwards	4,619	3,666	3,399	4,574
Swaps	16,650	125,558	973	335,760
Futures	-	-	-	-
Options	45	177	4	93
Others	-	-	-	-
Total	21,314	129,401	4,376	340,427

3. Information on banks and other financial institutions

	Current Period		Previous Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	176,494	422,275	238,436	551,187
Foreign banks, institutions and funds	112,083	7,404,007	112,338	8,010,336
Total	288,577	7,826,282	350,774	8,561,523

Maturity information of funds borrowed

	Current Period		Previous Year	
	TL	FC	TL	FC
Short-term ^(*)	245,582	2,601,890	330,858	2,902,663
Medium and Long-term ^(*)	42,995	5,224,392	19,916	5,658,860
Total	288,577	7,826,282	350,774	8,561,523

^(*) Maturity profile of funds borrowed has been prepared in accordance with their original maturities.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 8.9% (31 December 2011: 10.6%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On 1 September 2010, the Parent Bank obtained a syndication loan at the amount of US Dollar 135 million with interest rate of Libor + 1.30% and Euro 408 million with interest rate of Euribor + 1,30% at 1 year maturity; and syndication loan at the amount of US Dollar 10 million with interest rate of Libor + 1.75% and Euro 45 million with interest rates of Euribor + 1.75% at 2 years maturity with the participation of 32 banks under the coordination of West LB AG. The Bank has repaid the part of the loan with one year maturity on 6 September 2011. This loan has been renewed with a syndicated loan at the amount of US Dollar 145 million and Euro 433 million with interest rates of US Libor + 1.00 % and Euribor + 1.00 % at a maturity of one year, with the participation of 26 banks under the coordination of ING Bank NV on 7 September 2011.

On 28 March 2011, the Parent Bank has obtained syndication loan of USD 192.5 million and Euro 573.5 million with one year maturity at the cost of Libor + 1.10% and Euribor + 1.10%, with the participation of 34 banks under the coordination of West LB AG, the the loan was repaid on 29 March 2012.

This loan has been renewed with a syndicated loan at the amount of US Dollar 152 million and Euro 586.7 million with interest rates of US Libor + 1.45 % and Euribor + 1.45 % at a maturity of one year, with the participation of 41 banks under the coordination of Wells Fargo Bank NA on 10 April 2012.

Information on securities issued

On 8 August 2011, the Parent Bank has issued discounted bonds with a nominal value of TL 500,000 and 176 days maturity. The bond has matured as at 31 January 2012.

On 31 January 2012, the Parent Bank has issued discounted bonds with a nominal value of TL 1,000,000 and 178 days maturity.. The carrying value of these bonds amounts to TL 933,064 as at 30 June 2012.

On 1 June 2012, the Parent Bank has issued discounted bonds with a nominal value of TL 926,838 and 179 days maturity. As at 30 June 2012, the carrying amount of the related bonds is TL 883,938.

On 1 June 2012, the Parent Bank has issued floating-rate bonds with monthly coupon payment with a nominal value of TL 105,055 and 374 days maturity. As at 30 June 2012, the carrying amount of the related bonds is TL 105,175.

On 24 April 2012, the Parent Bank has issued the bond with a nominal value of USD 500 million and with the maturity date of 24 April 2017. 36% of the bond has been sold in Europe, 27% in the United States, 27% in England, 10% in Asia and the Middle East. Furthermore, with respect to purchaser parties 64% of the bond was purchased by fund managers, 18% was purchased by banks, 14% by private banks and 4% by insurance and pension funds. As of 30 June 2012, the carrying amount of the bond is TL 900,012.

4. Components of “other external resources payable” in the consolidated financials that comprise at least 20% of the account, if the account exceeds 10% of total liabilities and equity excluding off-balance sheet commitments.

Other external resources payable in the consolidated financials do not exceed 10% of total liabilities and equity.

5. Criteria used in the determination of lease installments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Obligations under finance leases

6. None.

7. Information on derivative financial liabilities held for risk management purpose

Negative differences related to the derivative financial liabilities held for risk management purpose

None.

8. Information on provisions

Information on general provisions

	Current Period	Prior period
Provisions for loans and receivables in Group I	679,561	583,470
Provisions for loans and receivables in Group II	57,890	38,615
Provisions for non-cash loans	50,385	46,189
Others	3,240	2,906
Total	791,076	671,180

Provision for currency exchange gain/loss on foreign currency indexed loans

	Current Period	Previous Year
Provision for currency exchange gain/loss on foreign currency indexed loans	47,262	2,419

As at 30 June 2012 the Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 47,262 (31 December 2011: 2,419) and has reflected the related foreign exchange loss amount in the consolidated financial statements by offsetting from related loans.

Provisions for non-cash loans that are not indemnified or converted to cash

	Current Period	Previous Year
Non-cash Loans with Limited Collectibility	538	417
Non-cash Loans with Doubtful Collectibility	1,556	7,484
Uncollectible Non-cash Loans	63,618	60,036
Total	65,712	67,937

Information on other provisions

As at 30 June 2012, the Parent Bank has recorded provision amounting to 5% of loans under follow up (31 December 2011: 5%). Part of that amount has been recognized under general provisions and the remaining TL 58,132 (31 December 2011: TL 51,676) has been recognized as provisions for miscellaneous risks under other provisions in the accompanying financial statements.

Information on other provisions exceeding 10% of total provisions

	Current Period	Previous Year
Specific provisions for non-cash loans	65,712	67,937
Provision for loans under follow-up	58,132	51,676
Provision for World Vakıf UBB Ltd with regard to its negative equity	27,399	27,105
Provisions for lawsuits against the Group	17,790	17,056
Provisions for credit card promotions	7,432	7,923
Provision for cheques	7,319	17,736
Other provisions	11,357	39,175
Total	195,141	228,608

8. Taxation

Current Taxes

Tax provision

As at and for the six-month period ended 30 June 2012, the tax liability of the Group is amounting to TL 113,009 (31 December 2011: TL 22,502).

Information on taxes payable

	Current Period	Previous Year
Corporate taxes payable	113,009	22,502
Taxation on securities	94,569	62,943
Capital gains tax on property	1,327	1,216
Banking and Insurance Transaction Tax (BITT)	195	28,855
Taxes on foreign exchange transactions	36,393	-
Value added tax payable	1,666	1,417
Others	19,166	28,394
Total	266,325	145,327

Information on premiums payable

	Current Period	Previous Year
Social security premiums- employee share	835	789
Social security premiums- employer share	2,262	1,930
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	506	429
Unemployment insurance- employer share	1,112	958
Others	56	456
Total	4,771	4,562

Information on deferred tax liabilities

Disclosed in Note 13 of information and disclosures for consolidated assets.

9. Information on payables for assets held for resale and tangible assets related to discounted activities

None.

10. Information on subordinated loans

None.

11. Information on shareholders' equity

Paid-in capital

	Current Period	Previous Year
Common stock	2,500,000	2,500,000
Preferred stock	-	-

Paid-in capital of the Parent Bank amounted to TL 2,500,000 is divided into groups comprised of 43.0% Group (A), 15.6 % Group (B), 16.2% Group (C) and 25.2% Group (D).

Board of Directors' members; one member is appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members are appointed representing Group (A), one member is appointed representing Group (B), and two members are appointed representing Group (C), and one member is appointed among the nominees offered by the shareholders at the General Assembly. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered capital system	2,500,000	5,000,000

The registered capital ceiling was increased from TL 1,300,000 to TL 5,000,000 as per the resolution no. 74202 dated 16 February 2006 by the Board of Directors.

Information on share capital increases and their sources; other information on any increase in capital shares during the current year

There is no share capital increase in the current year and previous year.

Information on share capital increases from revaluation funds

None.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Six-Month Period Ended 30 June 2012
(Currency: Thousands of Turkish Lira (“TL”))

*Convenience Translation of the Consolidated Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 3 Note I*

Capital commitments for current financial year and following year

None.

Previous period indicators of the Parent Bank’s income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the securities

	Current Period		Previous Year	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	(21,484)	-	(19,393)	-
Fair value differences of available-for-sale securities	(57,491)	191,474	(181,240)	109,679
Foreign exchange differences	-	-	-	-
Total	(78,975)	191,474	(200,633)	109,679

III. Information and disclosures related to consolidated off-balance sheet items**1. Disclosures related to other contingent liabilities***Type and amount of irrevocable commitments*

	Current Period	Previous Year
Commitments for credit card limits	4,719,799	4,322,604
Loan granting commitments	4,485,733	4,579,863
Commitments for cheque payments	1,096,044	829,640
Asset purchase commitments	2,128,036	1,626,838
Other	452,183	519,642
Toplam	12,881,795	11,878,587

Type and amount of possible losses from off-balance sheet items

Guarantees, bills of exchange and acceptances and other letters of credit which can be counted as financial collateral

The Parent Bank provided specific provision amounting to TL 65,712 (31 December 2011: TL 67,937) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 67,863 (31 December 2011: TL 69,605).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Previous Year
Final letters of guarantee	4,352,707	4,493,718
Letters of guarantee for advances	2,145,368	1,946,721
Provisional letters of guarantee	482,542	489,911
Letters of guarantee given to custom offices	368,561	323,046
Other letters of guarantee	4,534,842	3,969,712
Total	11,884,020	11,223,108

2. Non-cash loans

	Current Period	Previous Year
Non-cash loans given for cash loan risks	1,125,844	591,334
With original maturity of 1 year or less	709,634	353,374
With original maturity of more than 1 year	416,210	237,960
Other non-cash loans	15,718,155	15,223,047
Total	16,843,999	15,814,381

3. Sectoral risk concentrations of non-cash loans

	Current Period				Previous Year			
	TL	%	FC	%	TL	%	FC	%
Agricultural	67,065	0.69	176,012	2.49	44,778	0.49	189,336	2.79
Farming and cattle	56,088	0.57	168,265	2.38	39,146	0.43	176,234	2.59
Forestry	9,355	0.10	5,252	0.07	4,610	0.05	7,949	0.12
Fishing	1,622	0.02	2,495	0.04	1,022	0.01	5,153	0.08
Manufacturing	4,183,748	42.65	3,497,415	49.71	3,990,192	44.24	3,237,435	47.63
Mining	60,684	0.62	66,838	0.95	49,592	0.55	53,415	0.79
Production	2,872,228	29.28	3,069,700	43.63	2,889,888	32.04	2,816,140	41.43
Electric, gas and water	1,250,836	12.75	360,877	5.13	1,050,712	11.65	367,880	5.41
Construction	1,656,978	16.89	1,112,138	15.81	1,509,054	16.73	1,021,201	15.03
Services	3,601,285	36.71	1,698,338	24.16	2,843,974	31.54	1,385,717	20.39
Wholesale and retail trade	1,473,272	15.02	651,805	9.27	1,093,274	12.12	380,986	5.61
Hotel, food and beverage services	69,255	0.71	11,168	0.16	57,270	0.64	1,931	0.03
Transportation and Telecommunication	463,713	4.73	738,720	10.50	463,721	5.14	781,092	11.48
Financial institutions	1,120,151	11.40	42,081	0.60	1,166,857	12.94	202,866	2.99
Real estate and renting services	107,658	1.10	162,951	2.32	15,604	0.17	43	-
Self-employment services	284,060	2.90	70,131	1.00	-	-	-	-
Education services	6,495	0.07	-	-	6,817	0.08	-	-
Health and social services	76,681	0.78	21,482	0.31	40,431	0.45	18,799	0.28
Others	299,942	3.06	551,078	7.83	630,744	7.00	961,950	14.16
Total	9,809,018	100.00	7,034,981	100.00	9,018,742	100.00	6,795,639	100.00

4. Information on the non-cash loans classified as first and second group

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	9,686,315	2,058,288	62,420	10,823
Confirmed bills of exchange and acceptances	26,965	840,867	-	-
Letters of credit	-	4,083,410	-	3,047
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	-	-	-	-
Other guarantees and sureties	-	4,001	-	-
Total Non-Cash Loans	9,713,280	6,986,566	62,420	13,870

Previous Year	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	8,914,681	2,199,461	40,559	297
Confirmed bills of exchange and acceptances	29,056	454,538	-	-
Letters of credit	732	4,098,201	-	467
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	-	-	-	-
Other guarantees and sureties	-	6,784	-	-
Total Non-Cash Loans	8,944,469	6,758,984	40,559	764

5. Contingent assets and liabilities

None.

6. Services rendered on behalf of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts. The Parent Bank's custody services and banking transactions on behalf of individuals and corporate customers does not present a material portion.

IV. Information on disclosures related to the consolidated statement of income**1. Interest income***Information on interest income received from loans*

	Current Period		Previous Period	
	TL	FC	TL	FC
Short-term loans	930,450	111,250	602,354	65,893
Medium and long-term loans	1,859,621	361,692	1,244,469	243,750
Loans under follow-up	47,680	-	61,309	-
Premiums received from resource utilization support fund	-	-	-	-
Total	2,837,751	472,942	1,908,132	309,643

Information on interest income received from banks

	Current Period		Previous Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	30,752	1,536	23,909	817
Foreign banks	32	3,500	823	4,983
Foreign head office and branches	-	-	-	-
Total	30,784	5,036	24,732	5,800

Information on interest income received from associates and subsidiaries

	Current Period	Previous Period
Interests received from the associates and subsidiaries	18	46

2. Interest Expense*Interest expenses on funds borrowed*

	Current Period		Previous Period	
	TL	FC	TL	FC
Banks	11,352	80,042	15,302	56,516
Central Bank of Turkey	-	-	-	-
Domestic banks	11,352	5,804	6,491	1,714
Foreign banks	-	74,238	8,811	54,802
Foreign head offices and branches	-	-	-	-
Other institutions	-	4,008	-	3,200
Total	11,352	84,050	15,302	59,716

Interest expenses paid to associates and subsidiaries

	Current Period	Previous Period
Interests paid to the associates and subsidiaries	15,001	11,055

Interest expense on securities issued

Interest paid to securities issued as at for the six-month period ending at 30 June 2012 is TL 61,032 (30 June 2011: None).

3. Trading income/losses

	Current Period	Previous Period
Income	1,139,461	826,289
Income from capital market transactions	48,352	38,896
Income from derivative financial instruments	297,392	200,913
Foreign exchange gains	793,717	586,480
Losses	(1,017,941)	(778,372)
Losses from capital market transactions	(4,753)	(9,354)
Losses from derivative financial instruments	(285,605)	(179,476)
Foreign exchange losses	(727,583)	(589,542)
Trading income/losses, net	121,520	47,917

Net gain arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is TL 38,515 as at and for the six-month period ended 30 June 2012 (30 June 2011: net gain of TL 32,719).

4. Other operating income

	Current Period	Previous Period
Earned insurance premiums (net of reinsurance share)	247,700	273,142
Income from reversal of the impairment losses	244,871	337,651
Communication income	37,883	40,223
Gain on sale of assets	17,236	64,116
Income from private pension business	16,054	12,623
Rent income	8,071	4,734
Other income	70,229	37,323
Total	642,044	769,812

5. Provision expenses for losses on loans and other receivables

	Current Period	Previous Period
Specific provisions on loans and other receivables	261,123	198,237
<i>Loans and receivables in Group III</i>	51,480	36,345
<i>Loans and receivables in Group IV</i>	195,018	123,668
<i>Loans and receivables in Group V</i>	14,625	38,224
Non-performing commissions and other receivables	-	-
General provision expenses	120,221	106,297
Provision for possible losses	8,251	8,671
Impairment losses on securities	56,494	42,710
<i>Trading securities</i>	26,313	22,654
<i>Investment securities available-for-sale</i>	30,181	20,056
Other impairment losses	11,405	16,388
<i>Associates</i>	-	3,867
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	11,405	12,521
Others ^(*)	68,132	60,556
Total	525,626	432,859

(*) Other provision expenses amounting to TL 68,132 (30 June 2011: TL 60,556) is comprised of provision expenses for dividends to the personnel amounting to TL 51,443 (30 June 2011: TL 46,375), provision for non-cash loans that are not indemnified or converted to cash and provisions for cheques amounting to TL 13,363 (30 June 2011: TL 12,858) and other provision expenses amounting to TL 3,326 (30 June 2011: TL 1,323).

6. Other operating expenses

	Current Period	Previous Period
Personnel costs	561,468	459,196
Reserve for employee termination benefits	16,049	7,478
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	55,146	52,758
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	5,619	4,645
Impairment losses on assets to be disposed	4,762	1,565
Depreciation expenses on assets to be disposed	6,225	5,489
Impairment losses on assets held for sale	-	-
Other operating expenses	407,864	394,569
<i>Operational lease related expenses</i>	62,505	52,756
<i>Repair and maintenance expenses</i>	8,837	6,858
<i>Advertisement expenses</i>	36,121	14,788
<i>Other expenses</i>	300,401	320,167
Loss on sale of assets	63	315
Others	294,400	305,517
Total	1,351,596	1,231,532

7. Provision for taxes on income

Current year taxation benefit or charge and deferred tax benefit or charge

In the current year, the Group recorded a tax provision of TL 164,539 (30 June 2011: TL 181,423) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

Deferred tax charge arising from temporary differences, tax losses and unused tax credits

Sources of deferred tax benefit/charge	Current Period	Previous Period
Arising from origination (+)/ reversal (-) of deductible temporary differences	(42,767)	19,053
Arising from origination (-)/ reversal (+) of taxable temporary differences	16,582	(1,308)
Arising from origination (+)/ reversal (-) of tax losses	-	-
Arising from tax rate change	-	-
Total	(26,185)	17,745

8. Net profit and loss

Any further explanation on operating results needed for a proper understanding of the Bank's performance

Group has earned TL 4,344,921 interest income and TL 165,619 net fee and commission income also incurred TL 2,532,229 amount of interest expense from its ordinary banking operations (30 June 2011: TL 3,041,158 interest income, TL 1,606,624 interest expense, TL 270,099 net fee and commission income).

Any changes in estimations that might have a material effect on current and subsequent year results

None.

9. Income/loss related to non-controlling interest

	Current Period	Previous Period
Income/(losses) related to non-controlling interest	(859)	33,655

10. Information related to the components of other items in the income statement exceeding 10% of the group total, or 20% of the sub-accounts belonging to this group

Other fees and commission income of the Group mainly consist of credit card fees and commissions, receipt and payment commissions, money transfer commissions, research fees and reinsurance commissions received due to insurance business.

Other fees and commission expenses of the Group mainly consist of credit card fees and commissions, commission paid for funds borrowed from foreign banks and commissions to agent's due to insurance business.

V. Information and disclosures related to the Parent Bank's risk group**1. Information on the volume of transactions with the Parent Bank's risk group, lending and deposits outstanding at year end and income and expenses in the current year**

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	-	591,730	-	6,572	4,443	1,385
Balance at the end of the year	-	549,146	-	12,616	7,748	11,101
Interest and commission income	18	160	-	19	104	9

Previous Year	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	-	316,196	-	563	8,978	2,371
Balance at the end of the year	-	591,730	-	6,572	4,443	1,385
Interest and commission income	46	112	-	21	200	25

Information on deposits held by the Parent Bank's risk group

The Parent Bank's Risk Group	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Previous Year	Current Period	Previous Year	Current Period	Previous Year
Deposits						
Balance at the beginning of the year	855,959	411,915	728,474	581,885	85,795	54,423
Balance at the end of the year	1,173,400	855,959	674,811	728,474	55,362	85,795
Interest on deposits	15,001	11,055	28,725	19,417	2	231

Information on forward and option agreements made with the Parent Bank's risk group

None.

2. Disclosures of transactions with the Parent Bank's risk group**Relations with entities in the risk group of/ or controlled by the Bank**

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.01% (31 December 2011: 0.01%) and 3.40% (31 December 2011: 3.83%).

Current Period	Amount	Compared with the Financial Statement
		Amount %
Cash Loans	7,748	0.01
Non-Cash Loans	572,863	3.40
Deposits	1,903,573	2.94

Previous Year	Amount	Compared with the Financial Statement
		Amount %
Cash Loans	4,443	0.01
Non-Cash Loans	599,687	3.83
Deposits	1,670,228	2.70

SECTION SIX**Other Disclosures and Footnotes****I. Other disclosures on the Parent Bank's activity**

As per the resolution of 58th Annual General Assembly held on 30 March 2012, the net profit of year 2011 is decided to be distributed as follows:

Profit Distribution Table of Year 2011	
Current year's profit of the Parent Bank's unconsolidated financial statements	1,226,785
Deferred tax income	(25,524)
Net profit of the year subject to distribution	1,201,261
Legal reserves	120,126
<i>First legal reserves</i>	60,063
<i>Reserves allocated, according to banking law and articles of association.</i>	60,063
Net profit of the year subject to distribution	1,081,135
Other reserves	33,497
Extraordinary reserves	1,010,638
Dividends to the shareholders	37,000

II. Information on the Parent Bank's rating given by international institutions

June 2012^(*)		Standard & Poors
Foreign Currency Credit Rating		BB / Stable / B
Foreign Currency Deposit Rating		BB / Stable / B
National		trAA / -- / trA-1
Continuance Rating		NR
July 2012^(*)		Moody's Investors' Service
Financial Strength Rating		D+
Local Currency Deposit Rating		Baa2 / P-2
Local Currency Outlook		Stable
Foreign Currency Deposit Rating		Ba2 / NP
Foreign Currency Outlook		Stable
December 2011^(*)		Fitch Rating
Long Term Foreign Currency		BB+
Short Term Foreign Currency		B
Foreign Currency Outlook		Stable
Long Term Local Currency		BB+
Short Term Local Currency		B
Local Currency Outlook		Stable
National Long Term		AA+ (tur)
National Outlook		Stable
Individual		WD
Support Rating		3
Base Support Rating		BB+
February 2012^(*)		Capital Intelligence
Financial Strength Rate		BBB-
Short Term Foreign Currency		B
Long Term Foreign Currency		BB
Support Rating		2
Outlook Foreign Currency		Stable

(*) Dates represent the last change dates of credit ratings and outlook.

III. Significant events and matters subsequent to balance sheet date that are not resulted

The Parent Bank's bill with the ISIN code TRQVKFB71212 with TL 1,000,000,000 nominal value and 178 days maturity public offered on 25-26-27 January 2012 has matured on 27 July 2012.

On 27 July 2012, the Parent Bank has issued two discounted bills; first with the ISIN code TRQVKFB11317, nominal value of TL 724,565, and 175 days maturity; second with the ISIN code TRQVKFB61312, nominal value of TL 98,070, and 318 days maturity.

The Parent Bank has applied for the register by the Capital Market Board and the authorization from the BRSA to issue either Eurobond or bill having the provisions of subordinated debt with at least 2-year term, at a maximum amount of US Dollar 2 billion equivalent of U.S. Dollar, Euro, Swiss Franc and/ or other high liquid currencies in international bond and money markets.

IV. Significant foreign currency exchange rate fluctuations that are subsequent to balance sheet date

None.

SECTION SEVEN

I. Independent Auditors’ Review Report

1. Information on the independent auditors’ review report

The consolidated financial statements and footnotes of the Bank and its financial subsidiaries as at and for the six-month period ended 30 June 2012, have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity). It was noted in their review report dated 29 August 2012 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group’s financial position and results of its operations as at and for the six-month period ended 30 June 2012.