

*(Convenience Translation of 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 Interim Financial Statements
As at and for the Six-Month Period Ended
30 June 2010

With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ
26 August 2010

*This report contains "Independent Auditors' Review
Report" comprising 1 page and; "Consolidated
Financial Statements and Related Disclosures and
Footnotes" comprising 70 pages.*

**Convenience Translation of the 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 2010 and the related consolidated statement of income, statement of cash flows and statement of changes in equity 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 2010, which statements reflect total assets constituting 3.39 percent; and total operating income constituting (3.67) percent as at and for the six-month period ended 30 June 2010 of the related consolidated totals. Those statements were reviewed by other auditors whose reports have been furnished to us, and our review 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 uniform chart of accounts, accounting and audit standards in conformity with the (Turkish) Banking Law No 5411. These standard regulations require that we plan and perform the review to obtain reasonable 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 the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its financial subsidiaries as at 30 June 2010, 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 directives announced by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Istanbul,
26 August 2010

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Özkan Genç
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 INTERIM FINANCIAL REPORT
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010**

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The consolidated interim financial report as at and for the six-month period ended 30 June 2010, 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
- ACCOUNTING POLICIES
- INFORMATION RELATED TO 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 as at and for the six month period ended 30 June 2010 are as follows:

SUBSIDIARIES

Güneş Sigorta AŞ
Vakıf Emeklilik AŞ
Vakıf Finans Factoring Hizmetleri AŞ
Vakıf Finansal Kiralama AŞ
Vakıf Pazarlama ve Ticaret 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 Menkul Kıymetler Yatırım Ortaklığı AŞ

The consolidated interim financial statements and related disclosures and footnotes 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.

26 August 2010

Hasan SEZER
Board of Directors
Chairman

Sabahattin BİRDAL
Board Member
Audit Committee Member

Serdar TUNÇBİLEK
Board Member
Audit Committee Member

Süleyman KALKAN
General Manager and
Board Member

Dr. Metin Recep ZAFER
Assistant General Manager

Mitat ŞAHİN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

Name-Surname/Title : A. Sonat ŞEN /Manager
Phone no : 0312 455 75 66
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S. Buğra SÜRÜEL /Assistant Manager
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General Information

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Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Interim Financial Report as at and For the Six-Month Period Ended 30 June 2010

(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 shareholders 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 direct or indirect control over the shares of the Bank is the General Directorate of the Foundations.

As at 30 June 2010 and 31 December 2009, the Bank’s paid-in capital is TL 2,500,000 divided into 2.500.000.000 shares with each has a nominal value of 1 Turkish Lira.

The Bank’s shareholders’ structure as at 30 June 2010 is disclosed below:

Shareholders	Number of 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)	387,681,125	387,681	15.51
Other appendant foundations (Group B)	3,179,181	3,179	0.13
Other real persons and legal entities (Group C)	1,861,346	1,861	0.07
Publicly traded (Group D)	629,667,042	629,667	25.19
Total	2,500,000,000	2,500,000	100.00

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Interim Financial Report as at and

For the Six-Month Period Ended 30 June 2010

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

III. Information on the Parent Bank’s board of directors chairman and members, audit committee members, general manager, assistant general managers and their shares in the Bank

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking
<u>Board of Directors</u>				
Hasan SEZER	Chairman	19 March 2010	University	27 years
Ahmet CANDAN	Deputy Chairman	19 March 2010	University	23 years
Süleyman KALKAN	Member – General Manager	19 March 2010	University	27 years
Serdar TUNÇBİLEK	Member	24 July 2007	University	27 years
Sabahattin BİRDAL	Member	21 March 2008	University	26 years
İsmail ALPTEKİN	Member	6 April 2009	University	12 years
Ramazan GÜNDÜZ	Member	6 April 2009	University	32 years
Halim KANATÇI	Member	28 April 2009	University	37 years
Selahattin TORAMAN	Member	19 March 2010	University	33 years
<u>Audit Committee</u>				
Sabahattin BİRDAL	Member	21 August 2008	University	26 years
Serdar TUNÇBİLEK	Member	1 April 2010	University	27 years
<u>Auditors</u>				
Mehmet HALTAŞ	Auditor	19 March 2010	University	33 years
Yunus ARINCI	Auditor	19 March 2010	Master	13 years
<u>Assistant General Managers</u>				
Mehmet CANTEKİN	Loans Follow-up, Directorates of the Regions	28 December 2007	Master	18 years
Serdar SATOĞLU	Human Resources, Pension Fund	17 June 2010	PHD	14 years
Dr. Metin Recep ZAFER	Accounting and Financial Affairs, Planning and Performance, Subsidiaries Treasury and Foreign Operations, Banking Operations, Alternative Distribution Channels	13 June 2006	PHD	15 years
İbrahim BİLGİÇ	Commercial Banking, Corporate Banking, Commercial Centers and Cash Management Operations	7 May 2010	University	18 years
Remzi ALTINOK	Corporate Loans, Commercial Loans, Intelligence	7 May 2010	University	19 years
Feyzi ÖZCAN	Retail Banking, Retail Loans, Corporate Salary Payments, Credit Cards	20 September 2005	University	21 years
Hasan ECESOY	Treasury, Investment Banking	18 June 2010	PHD	16 years
Ali Engin EROĞLU	Software Development, Ebis Operations, Ebis Support and Business Analysis, Information Technologies Project Management	18 August 2010	Master	15 years
Şahin UĞUR	Support Services	9 August 2004	University	25 years
Ömer ELMAS	Legal Services, Loans Follow-up	5 January 2009	Master	8 years
Birgül DENLİ	Private Banking, International Relations and Investor Relations	15 June 2006	Master	16 years

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Interim Financial Report as at and
For the Six-Month Period Ended 30 June 2010

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

In accordance with the 17 March 2010 dated approval of Prime Ministry, Süleyman Kalkan has been appointed as the General Manager and he has come into office on 19 March 2010.

As per the 19 March 2010 dated resolution of the Annual General Assembly of the shareholders, Hasan Sezer and Ahmet Candan representing Group (A), Sabahattin Birdal representing Group (B), Selahattin Toraman representing Group (C), and İsmail Alptekin, Ramazan Gündüz and Serdar Tunçbilek as independent members have been appointed as members of the Board of Directors of the Bank in accordance with the 48th article of the Articles of Association of T. Vakıflar Bankası T.A.O. Hasan Sezer has been appointed as Chairman and Ahmet Candan has been appointed as Deputy Chairman of the Board in accordance with the 52th article of Articles of Association of T. Vakıflar Bankası T.A.O.

Yusuf Beyazıt, former Chairman of the Board; Hasan Özer, former member of the Board; and Ragıp Doğu, former member of the Board and the Audit Committee, resigned pursuant to the end of their term of office.

Former Assistant General Managers İhsan Çakır and M. Kürşat Demirkol resigned on 25 March 2010 and on 30 June 2010 respectively; and Tanju Yüksel retired on 16 July 2010.

İsmail Alptekin, member of the Board, holds a Group C non-publicly traded share of the Bank amounting of TL 59. The remaining members of the top management listed above do not hold any unquoted shares of the Bank.

IV. Information on the Parent Bank’s qualified shareholders

The shareholder holding direct or indirect 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 (the pension fund of the employees of the Bank), 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 granting securities and real estates against,
- Establishing or participating in all kinds of insurance corporations already established,
- Trading real estates,
- Servicing all banking operations and services,
- Operating real estates and participating in industrial sectors for corporations handed over by foundations and General Directorate of the Foundations in line with conditions stipulated by agreements if signed.
- The Bank is established 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 General Directorate of the Foundations.

As at 30 June 2010, the Parent Bank has 574 domestic, 2 foreign, in total 576 branches (31 December 2009: 543 domestic, 2 foreign, in total 545 branches). As at 30 June 2010, the Parent Bank has 10,337 employees (31 December 2009: 10,153 employees).

SECTION TWO – CONSOLIDATED FINANCIAL STATEMENTS

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Balance Sheet (Statement of Financial Position)

As at 30 June 2010

(Thousands of Turkish Lira (“TL”))

Convenience Translation of Consolidated Financial

Statements and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note I

ASSETS	Notes	Reviewed Current Period 30 June 2010			Audited Prior Year 31 December 2009		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	6,003,031	1,651,268	7,654,299	1,657,012	1,396,356	3,053,368
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	225,769	45,213	270,982	98,236	42,084	140,320
2.1 Financial assets held for trading purpose		225,769	45,213	270,982	98,236	42,084	140,320
2.1.1 Debt securities issued by the governments		222,824	31,912	254,736	95,265	21,258	116,523
2.1.2 Equity securities		39	-	39	27	-	27
2.1.3 Derivative financial assets held for trading purpose		394	13,301	13,695	698	20,826	21,524
2.1.4 Other securities	V-I-2	2,512	-	2,512	2,246	-	2,246
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	597,397	2,038,699	2,636,096	668,611	2,625,436	3,294,047
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		354	-	354	3,401,294	-	3,401,294
4.1 Interbank money market placements		-	-	-	3,400,614	-	3,400,614
4.2 Istanbul Stock Exchange money market placements		180	-	180	680	-	680
4.3 Receivables from reverse repurchase agreements		174	-	174	-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	11,895,182	2,667,741	14,562,923	12,978,890	2,286,436	15,265,326
5.1 Equity securities		6,896	12,062	18,958	6,815	12,227	19,042
5.2 Debt securities issued by the governments		11,888,286	2,597,970	14,486,256	12,972,075	2,213,330	15,185,405
5.3 Other securities		-	57,709	57,709	-	60,879	60,879
VI. LOANS AND RECEIVABLES	V-I-5	26,269,038	12,821,648	39,090,686	23,326,720	11,201,232	34,527,952
6.1 Performing loans and receivables		26,201,995	12,819,235	39,021,230	23,192,802	11,198,101	34,390,903
6.1.1 Loans provided to the same risk group	V-V-1	702	8,404	9,106	708	8,879	9,587
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		26,201,293	12,810,831	39,012,124	23,192,094	11,189,222	34,381,316
6.2 Loans under follow-up		2,396,167	15,105	2,411,272	2,190,679	75,791	2,266,470
6.3 Specific provisions (-)		2,329,124	12,692	2,341,816	2,056,761	72,660	2,129,421
VII. FACTORING RECEIVABLES		745,876	5,689	751,565	351,438	2,370	353,808
VIII. HELD-TO-MATURITY INVESTMENTS (Net)	V-I-6	3,451,952	1,453,751	4,905,703	2,075,831	1,502,387	3,578,218
8.1 Debt securities issued by the governments		3,451,952	1,410,121	4,862,073	2,075,831	1,455,711	3,531,542
8.2 Other securities		-	43,630	43,630	-	46,676	46,676
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	145,329	3	145,332	136,014	3	136,017
9.1 Associates, consolidated per equity method		115,511	-	115,511	106,209	-	106,209
9.2 Unconsolidated associates		29,818	3	29,821	29,805	3	29,808
9.2.1 Financial associates		16,025	-	16,025	15,786	-	15,786
9.2.2 Non-Financial associates		13,793	3	13,796	14,019	3	14,022
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	140,540	-	140,540	144,722	-	144,722
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		140,540	-	140,540	144,722	-	144,722
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	31,755	215,315	247,070	25,301	217,287	242,588
12.1 Finance lease receivables		38,988	243,750	282,738	33,136	252,253	285,389
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		7,233	28,435	35,668	7,835	34,966	42,801
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)		1,147,254	1,953	1,149,207	1,179,050	1,841	1,180,891
XV. INTANGIBLE ASSETS (Net)		51,938	29	51,967	47,293	29	47,322
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		51,938	29	51,967	47,293	29	47,322
XVI. INVESTMENT PROPERTIES (Net)	V-I-12	55,618	-	55,618	55,452	-	55,452
XVII. TAX ASSETS		118,713	-	118,713	124,493	29	124,522
17.1 Current tax assets		-	-	-	7,534	-	7,534
17.2 Deferred tax assets		118,713	-	118,713	116,959	29	116,988
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-14	1,847	436	2,283	3,023	-	3,023
18.1 Assets held for sale		1,847	436	2,283	3,023	-	3,023
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-15	1,390,680	212,911	1,603,591	1,218,148	242,820	1,460,968
TOTAL ASSETS		52,272,273	21,114,656	73,386,929	47,491,528	19,518,310	67,009,838

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 2010

(Thousands of Turkish Lira (“TL”))

Convenience Translation of 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 2010			Audited Prior Year 31 December 2009		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	V-II-1	35,566,327	14,173,335	49,739,662	31,489,891	13,610,976	45,100,867
1.1 Deposits of the same risk group	V-V-1	1,525,164	85,412	1,610,576	1,330,837	98,627	1,429,464
1.2 Other deposits		34,041,163	14,087,923	48,129,086	30,159,054	13,512,349	43,671,403
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	18,186	24,264	42,450	9,549	32,998	42,547
III. FUNDS BORROWED	V-II-3	237,398	5,495,123	5,732,521	155,188	4,458,039	4,613,227
IV. INTERBANK MONEY MARKET		4,198,153	1,969,562	6,167,715	4,664,659	1,502,724	6,167,383
4.1 Interbank Money Market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		30,037	-	30,037	22,031	-	22,031
4.3 Obligations under repurchase agreements		4,168,116	1,969,562	6,137,678	4,642,628	1,502,724	6,145,352
V. SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		71,647	-	71,647	83,383	-	83,383
6.1 Funds against borrower's note		-	-	-	-	-	-
6.2 Others		71,647	-	71,647	83,383	-	83,383
VII. MISCELLANEOUS PAYABLES		1,738,380	99,917	1,838,297	1,318,482	128,333	1,446,815
VIII. OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	168,155	112,053	280,208	146,176	152,521	298,697
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	1,430,818	97,902	1,528,720	1,456,538	38,035	1,494,573
12.1 General provisions		357,669	4,098	361,767	319,100	3,889	322,989
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		277,961	532	278,493	305,616	622	306,238
12.4 Insurance technical provisions (Net)		642,640	73,041	715,681	658,051	10,473	668,524
12.5 Other provisions	V-II-7	152,548	20,231	172,779	173,771	23,051	196,822
XIII. TAX LIABILITIES	V-II-8	138,102	4,947	143,049	179,930	3,837	183,767
13.1 Current tax liabilities		134,814	4,728	139,542	176,146	3,837	179,983
13.2 Deferred tax liabilities	V-I-13	3,288	219	3,507	3,784	-	3,784
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		7,644,918	197,742	7,842,660	7,402,365	176,214	7,578,579
16.1 Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2 Capital reserves		837,676	114,871	952,547	977,301	99,502	1,076,803
16.2.1 Share premium		726,722	-	726,722	726,691	-	726,691
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Valuation differences of the marketable securities	V-II-11	103,775	114,871	218,646	235,420	99,502	334,922
16.2.4 Revaluation surplus on tangible assets		5,628	-	5,628	13,639	-	13,639
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		1,551	-	1,551	1,551	-	1,551
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		3,542,071	44,143	3,586,214	2,381,974	53,886	2,435,860
16.3.1 Legal reserves		504,005	2,549	506,554	379,012	2,549	381,561
16.3.2 Status reserves		3,094	-	3,094	2,361	-	2,361
16.3.3. Extraordinary reserves		2,789,810	4,593	2,794,403	1,774,530	4,593	1,779,123
16.3.4. Other profit reserves		245,162	37,001	282,163	226,071	46,744	272,815
16.4 Profit or loss		539,975	28,084	568,059	1,309,272	16,095	1,325,367
16.4.1 Prior years' profit/loss		16,005	24,605	40,610	3,187	27,439	30,626
16.4.2 Current period's profit/loss		523,970	3,479	527,449	1,306,085	(11,344)	1,294,741
16.5 Non-controlling interest		225,196	10,644	235,840	233,818	6,731	240,549
TOTAL LIABILITIES AND EQUITY		51,212,084	22,174,845	73,386,929	46,906,161	20,103,677	67,009,838

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

As at 30 June 2010

(Thousands of Turkish Lira (“TL”))

Convenience Translation of Consolidated Financial

Statements and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note I

	Notes	Reviewed Current Period 30 June 2010			Audited Prior Year 31 December 2009		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		14,735,918	6,467,272	21,203,190	13,291,214	7,019,051	20,310,265
I. GUARANTEES AND SURETIES		4,988,552	4,256,583	9,245,135	4,277,216	4,832,823	9,110,039
1.1 Letters of guarantee	V-III-2	4,987,632	1,629,607	6,617,239	4,269,944	1,925,236	6,195,180
1.1.1 Guarantees subject to State Tender Law	V-III-1	866,819	451,677	1,318,496	856,655	555,653	1,412,308
1.1.2 Guarantees given for foreign trade operations		216,402	-	216,402	161,158	-	161,158
1.1.3 Other letters of guarantee		3,904,411	1,177,930	5,082,341	3,252,131	1,369,583	4,621,714
1.2 Bank acceptances		825	173,897	174,722	-	357,489	357,489
1.2.1 Import letter of acceptance		-	30,131	30,131	-	45,760	45,760
1.2.2 Other bank acceptances		825	143,766	144,591	-	311,729	311,729
1.3 Letters of credit		-	2,439,445	2,439,445	4,130	2,526,463	2,530,593
1.3.1 Documentary letters of credit		-	2,439,445	2,439,445	4,130	2,526,463	2,530,593
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	11,212	11,212	-	18,355	18,355
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		95	1,637	1,732	64	1,051	1,115
1.8 Other guarantees		-	785	785	-	1,061	1,061
1.9 Other sureties		-	-	-	3,078	3,168	6,246
II. COMMITMENTS		8,507,437	554,365	9,061,802	7,827,412	240,202	8,067,614
2.1 Irrevocable commitments		8,499,755	554,365	9,054,120	7,819,730	240,202	8,059,932
2.1.1 Asset purchase commitments	V-III-1	301,647	401,796	703,443	61,292	237,385	298,677
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	2,000	-	2,000	2,000	-	2,000
2.1.4 Loan granting commitments	V-III-1	3,142,639	13,914	3,156,553	2,839,124	2,817	2,841,941
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	689,608	-	689,608	735,839	-	735,839
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	4,166,179	-	4,166,179	4,043,910	-	4,043,910
2.1.10 Commitments for credit card and banking operations promotions		172,898	-	172,898	135,591	-	135,591
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	1,970	-	1,970
2.1.13 Other irrevocable commitments	V-III-1	24,784	138,655	163,439	4	-	4
2.2 Revocable commitments		7,682	-	7,682	7,682	-	7,682
2.2.1 Revocable loan granting commitments		7,682	-	7,682	7,682	-	7,682
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		1,239,929	1,656,324	2,896,253	1,186,586	1,946,026	3,132,612
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		1,239,929	1,656,324	2,896,253	1,186,586	1,946,026	3,132,612
3.2.1 Forward foreign currency purchases/sales		39,616	42,188	81,804	66,090	197,741	263,831
3.2.1.1 Forward foreign currency purchases		19,816	21,095	40,911	33,051	98,888	131,939
3.2.2.2 Forward foreign currency sales		19,800	21,093	40,893	33,039	98,853	131,892
3.2.2 Currency and interest rate swaps		1,115,577	1,529,438	2,645,015	924,063	1,521,349	2,445,412
3.2.2.1 Currency swaps-purchases		55,409	995,370	1,050,779	-	804,489	804,489
3.2.2.2 Currency swaps-sales		820,168	213,624	1,033,792	447,000	363,686	810,686
3.2.2.3 Interest rate swaps-purchases		120,000	166,680	286,680	180,959	238,390	419,349
3.2.2.4 Interest rate swaps-sales		120,000	153,764	273,764	296,104	114,784	410,888
3.2.3 Currency, interest rate and security options		84,736	84,698	169,434	196,433	212,036	408,469
3.2.3.1 Currency call options		42,368	42,348	84,716	98,216	106,017	204,233
3.2.3.2 Currency put options		42,368	42,348	84,716	98,217	106,017	204,234
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		-	-	-	-	14,900	14,900
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		82,246,221	24,634,110	106,880,331	72,945,771	22,080,666	95,026,437
IV. ITEMS HELD IN CUSTODY		20,900,518	590,822	21,491,340	16,041,213	411,568	16,452,781
4.1 Customers' securities held		462,573	15,271	477,844	462,656	14,493	477,149
4.2 Investment securities held in custody		18,097,996	6,861	18,104,857	13,726,000	3,531	13,729,531
4.3 Checks received for collection		1,324,487	211,843	1,536,330	1,040,224	144,495	1,184,719
4.4 Commercial notes received for collection		378,515	106,121	484,636	276,588	66,382	342,970
4.5 Other assets received for collection		2,152	63	2,215	70,643	60	70,703
4.6 Assets received through public offering		-	4,912	4,912	-	4,709	4,709
4.7 Other items under custody		397,095	65,846	462,941	267,726	57,537	325,263
4.8 Custodians		237,700	179,905	417,605	197,376	120,361	317,737
V. PLEDGED ITEMS		61,345,703	24,043,288	85,388,991	56,904,558	21,669,098	78,573,656
5.1 Securities		885,782	59,006	944,788	1,330,209	71,781	1,401,990
5.2 Guarantee notes		259,102	84,985	344,087	261,065	92,769	353,834
5.3 Commodities		9,767,728	59,937	9,827,665	9,234,986	45,375	9,280,361
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		45,551,882	20,411,556	65,963,438	41,635,886	18,625,220	60,261,106
5.6 Other pledged items		4,212,205	3,245,772	7,457,977	3,897,552	2,677,275	6,574,827
5.7 Pledged items-depository		669,004	182,032	851,036	544,860	156,678	701,538
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		96,982,139	31,101,382	128,083,521	86,236,985	29,099,717	115,336,702

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 2010
(Thousands of Turkish Lira (“TL”))

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

	Notes	Reviewed Current Period 1 January 2010- 30 June 2010	Reviewed Prior Period 1 January 2009- 30 June 2009	Reviewed Current Period 1 April 2010- 30 June 2010	Reviewed Prior Period 1 April 2009- 30 June 2009
I. INTEREST INCOME		3,061,941	3,379,266	1,520,420	1,636,159
1.1 Interest income from loans	V-IV-1	2,013,723	2,316,372	1,005,028	1,132,000
1.2 Interest income from reserve deposits		43,220	65,088	22,742	31,374
1.3 Interest income from banks	V-IV-1	27,160	17,397	12,811	8,409
1.4 Interest income from money market transactions		51,026	46,654	17,829	11,253
1.5 Interest income from securities portfolio		858,248	888,662	433,226	438,512
1.5.1 Trading financial assets		17,877	12,144	7,823	11,298
1.5.2 Financial assets at fair value through profit or loss		-	-	-	-
1.5.3 Available-for-sale financial assets		664,928	624,174	331,719	305,072
1.5.4 Held-to-maturity investments		175,443	252,344	93,684	122,142
1.6 Finance lease income		11,484	13,381	5,427	6,101
1.7 Other interest income		57,080	31,712	23,357	8,510
II. INTEREST EXPENSE		1,614,308	1,796,056	812,737	846,816
2.1 Interest expense on deposits		1,326,666	1,577,724	674,916	746,085
2.2 Interest expense on funds borrowed	V-IV-2	46,662	101,274	27,270	41,678
2.3 Interest expense on money market transactions		202,965	97,359	102,843	44,991
2.4 Interest expense on securities issued		-	-	-	-
2.5 Other interest expenses		38,015	19,699	7,708	14,062
III. NET INTEREST INCOME (I – II)		1,447,633	1,583,210	707,683	789,343
IV. NET FEES AND COMMISSIONS INCOME		216,162	219,942	113,028	118,253
4.1 Fees and commissions received		261,405	290,125	134,838	150,272
4.1.1 Non-cash loans		31,454	36,263	15,472	16,955
4.1.2 Others	V-IV-10	229,951	253,862	119,366	133,317
4.2 Fees and commissions paid		45,243	70,183	21,810	32,019
4.2.1 Non-cash loans		159	182	34	76
4.2.2 Others	V-IV-10	45,084	70,001	21,776	31,943
V. DIVIDEND INCOME		3,433	12,306	559	182
VI. TRADING INCOME/LOSSES (Net)	V-IV-3	134,827	85,683	81,222	27,875
6.1 Trading account income/losses	V-IV-3	156,644	52,792	118,496	18,619
6.2 Income/losses from derivative financial instruments	V-IV-3	(16,922)	12,144	(19,222)	9,319
6.3 Foreign exchange gains/losses	V-IV-3	(4,895)	20,747	(18,052)	(63)
VII. OTHER OPERATING INCOME	V-IV-4	511,651	321,759	277,006	177,384
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		2,313,706	2,222,900	1,179,498	1,113,037
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5	551,185	447,315	338,508	257,528
X. OTHER OPERATING EXPENSES (-)	V-IV-6	1,124,101	1,025,921	563,865	490,849
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		638,420	749,664	277,125	364,660
XII. INCOME RESULTED FROM MERGERS		-	-	-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		11,139	6,153	5,787	2,615
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		649,559	755,817	282,912	367,275
CONTINUING OPERATIONS PROVISION FOR					
XVI. TAXES	V-IV-7	(142,836)	(128,477)	(64,132)	(50,574)
16.1 Current tax charges	V-IV-7	(134,951)	(152,957)	(55,231)	(62,588)
16.2 Deferred tax credits	V-IV-7	(7,885)	24,480	(8,901)	12,014
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-8	506,723	627,340	218,780	316,701
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1 Income from investment properties		-	-	-	-
Income from sales of subsidiaries, affiliates and joint-ventures		-	-	-	-
18.2		-	-	-	-
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 (XVIII-XIX)		-	-	-	-
DISCONTINUED OPERATIONS PROVISION FOR					
XXI. TAXES (±)		-	-	-	-
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge		-	-	-	-
XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	V-IV-8	506,723	627,340	218,780	316,701
23.1 Equity holders of the Bank		527,449	616,492	230,658	309,517
23.2 Non-controlling interest	V-IV-9	(20,726)	10,848	(11,878)	7,184
Earnings per Share (full TL)		0.2027	0.2509	0.0875	0.1267

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 2010

(Thousands of Turkish Lira (“TL”))

Convenience Translation of Consolidated Financial

Statements and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note 1

GAINS AND LOSSES RECOGNIZED IN EQUITY		Reviewed Current Period 1 January 2010- 30 June 2010	Reviewed Prior Period 1 January 2009- 30 June 2009	Reviewed Current Period 1 April 2010- 30 June 2010	Reviewed Prior Period 1 April 2009- 30 June 2009
I.	VALUATION DIFFERENCES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF THE MARKETABLE SECURITIES	(147,395)	173,539	(179,223)	102,889
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	(18,177)	-	-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES	(10,886)	1,375	(6,721)	(1,324)
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	15,889	(4,704)	17,109	(2,012)
IX.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES	34,417	(24,954)	42,718	(15,093)
X.	NET GAINS/(LOSSES) RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	(126,152)	145,256	(126,117)	84,460
XI.	CURRENT PERIOD'S PROFIT/(LOSS)	506,723	627,340	218,780	316,701
11.1	Change in fair value of marketable securities (transfers to the statement of income)	(10,189)	(20,017)	(41,049)	(13,749)
11.2	Gains/losses recognized in the consolidated statement of income due to reclassification of derivatives which have previously designated as hedging instrument in a cash flow hedge	-	-	-	-
11.3	Gains/losses recognized in the consolidated statement of income due to reclassification of net foreign investment hedges	-	-	-	-
11.4	Others	516,912	647,357	259,829	330,450
XII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	380,571	772,596	92,663	401,161

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 2010
(Thousands of Turkish Lira (“TL”))

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

CHANGES IN EQUITY	Notes	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Current Period's Net Profit/(Loss)	Prior 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	
Previous period – 30 June 2009																				
I. Balances at the beginning of the period		2,500,000	-	726,691	-	303,514	1,863	1,109,553	249,831	791,310	10,422	(10,008)	12,526	1,551	-	-	5,697,253	234,975	5,932,228	
II. Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of correction of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted balances at the beginning of the period (I+II)		2,500,000	-	726,691	-	303,514	1,863	1,109,553	249,831	791,310	10,422	(10,008)	12,526	1,551	-	-	5,697,253	234,975	5,932,228	
Changes during the period																				
IV. Merges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V. Valuation differences of the marketable securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Hedging reserves		-	-	-	-	-	-	-	-	-	-	135,262	-	-	-	-	135,262	3,994	139,256	
6.1 Cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.2 Net investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Translation differences		-	-	-	-	-	-	-	1,234	-	-	-	-	-	-	-	1,234	141	1,375	
XI. Changes resulted from disposal of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Changes resulted from reclassifications of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Effect of change in equities of associates on the Group's equity		-	-	-	-	-	-	-	-	6,153	-	4,185	-	-	-	-	10,338	440	10,778	
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,282	1,282	
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,282	1,282	
XV. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIX. Current period's profit/loss		-	-	-	-	-	-	-	-	610,339	-	-	-	-	-	-	610,339	10,848	621,187	
XX. Profit distribution		-	-	-	-	77,912	498	670,108	21,878	(791,310)	19,801	-	1,113	-	-	-	(1,780)	(1,780)	(1,780)	
20.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.2 Transferred to reserves		-	-	-	-	77,912	498	670,108	21,878	(791,310)	19,801	-	1,113	-	-	-	-	-	-	
20.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at the end of the period		2,500,000	-	726,691	-	381,426	2,361	1,779,661	272,943	616,492	30,223	129,439	13,639	1,551	-	-	6,454,426	249,900	6,704,326	
Current period – 30 June 2010																				
I. Balances at the beginning of the period		2,500,000	-	726,691	-	381,561	2,361	1,779,123	272,815	1,294,741	30,626	334,922	13,639	1,551	-	-	7,338,030	240,549	7,578,579	
II. Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of correction of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted balances at the beginning of the period (I+II)		2,500,000	-	726,691	-	381,561	2,361	1,779,123	272,815	1,294,741	30,626	334,922	13,639	1,551	-	-	7,338,030	240,549	7,578,579	
Changes during the period																				
IV. Merges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V. Valuation differences of marketable securities		-	-	-	-	-	-	-	-	-	-	(115,882)	-	-	-	-	(115,882)	13,417	(102,465)	
VI. Hedging Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.1 Cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.2 Net investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	(14,283)	-	-	-	(14,283)	(6,271)	(20,554)	
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Translation differences		-	-	-	-	-	-	-	(9,743)	-	-	-	-	-	-	-	(9,743)	(1,143)	(10,886)	
XI. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Changes resulted from reclassifications of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Effect of change in equities of associates on the Group's equity		-	-	31	-	-	-	-	-	11,139	-	(394)	2,377	-	-	-	13,153	5,770	18,923	
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,573	
XIX. Current period's profit/loss		-	-	-	-	-	-	-	-	516,310	-	-	-	-	-	-	516,310	(20,726)	495,584	
XX. Profit distribution		-	-	-	-	124,993	733	1,015,280	19,091	(1,294,741)	9,984	-	3,895	-	-	-	(120,765)	(329)	(121,094)	
20.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.2 Transferred to reserves		-	-	-	-	124,993	733	1,015,280	19,091	(1,173,976)	9,984	-	3,895	-	-	-	(120,765)	(329)	(121,094)	
20.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at the end of the period		2,500,000	-	726,722	-	506,554	3,094	2,794,403	282,163	527,449	40,610	218,646	5,628	1,551	-	-	7,606,820	235,840	7,842,660	

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 2010

(Thousands of Turkish Lira (“TL”))

Convenience Translation of Consolidated Financial

Statements and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note 1

	Reviewed Current Period 30 June 2010	Reviewed Prior Period 30 June 2009
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	1,265,064	1,168,517
1.1.1 Interests received	3,115,466	3,439,774
1.1.2 Interests paid	(1,657,098)	(1,889,890)
1.1.3 Dividends received	3,433	9,999
1.1.4 Fee and commissions received	216,297	219,942
1.1.5 Other income	345,751	284,834
1.1.6 Collections from previously written-off loans and other receivables	272,909	157,426
1.1.7 Payments to personnel and service suppliers	(1,066,862)	(1,011,961)
1.1.8 Taxes paid	(170,242)	(148,890)
1.1.9 Others	205,410	107,283
1.2 Changes in operating assets and liabilities	179,123	3,632,243
1.2.1 Net (increase) decrease in financial assets held for trading purpose	107,071	(25,844)
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	(374,221)	343
1.2.4 Net (increase) decrease in loans	(5,593,323)	(2,165,334)
1.2.5 Net (increase) decrease in other assets	(162,946)	12,793
1.2.6 Net increase (decrease) in bank deposits	814,597	1,158,980
1.2.7 Net increase (decrease) in other deposits	3,790,927	3,737,373
1.2.8 Net increase (decrease) in funds borrowed	1,113,558	(194,784)
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	483,460	1,108,716
I. Net cash flow from banking operations	1,444,187	4,800,760
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	(1,156,350)	(2,074,395)
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 Purchases of tangible assets	(33,075)	(35,155)
2.4 Proceeds from disposal of tangible assets	22,349	10,311
2.5 Cash paid for purchase of available-for-sale financial assets	(7,966,094)	(3,714,027)
2.6 Proceeds from disposal of available-for-sale financial assets	6,426,602	1,524,118
2.7 Cash paid for purchase of held-to-maturity investments	(75,360)	(99,953)
2.8 Proceeds from expiration of held-to-maturity investments	477,007	240,311
2.9 Others	(7,779)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	(121,094)	-
3.1 Cash obtained from funds borrowed and securities issued	-	-
3.2 Cash used for repayment of funds borrowed and securities issued	-	-
3.3 Equity instruments issued	-	-
3.4 Dividends paid	(121,094)	-
3.5 Re-payments for finance leases	-	-
3.6 Others	-	-
IV. Effect of changes in foreign exchange rates on cash and cash equivalents	(3,697)	(1,583)
V. Net (decrease)/increase in cash and cash equivalents	163,046	2,724,782
VI. Cash and cash equivalents at the beginning of the period	8,747,303	7,107,581
VII. Cash and cash equivalents at the end of the period	8,910,349	9,832,363

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” and “Consolidated Financial Reports”, respectively of the Turkish Banking Law no. 5411 published on the Official Gazette no. 25983 dated 1 November 2005 and became effective, Türkiye Vakıflar Bankası TAO (“the Bank” or “the Parent Bank”) and its Financial Subsidiaries (“the Group”) keeps its accounting records and prepares its 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 in effect since 1 November 2006, Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the related statements and guidance (collectively “Reporting Standards”).

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 investments in associates and subsidiaries which are scoped out from consolidation and whose fair value can be reliably measured, which are presented on a fair value basis in the accompanying consolidated financial statements.

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.

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, funds borrowed through repurchase agreements in various maturities 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 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.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Interim Financial Report

As at and For the Six-Month Period Ended 30 June 2010

(Thousands of Turkish Lira (“TL”))

Convenience Translation of Consolidated Financial

Statements and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note 1

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 Bank and its consolidated subsidiaries located in Turkey are recorded in TL, the functional currency of the 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 the equity.

III. Information on companies subject to consolidation

As at and for the six-month period ended 30 June 2010, the financial statements of T. Vakıflar Bankası TAO, Vakıf International AG, Vakıf Finansal Kiralama AŞ, Vakıf Pazarlama ve Ticaret AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik AŞ, Vakıf Finans Factoring Hizmetleri AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ, Kıbrıs Vakıflar Bankası Ltd, and Türkiye Sınai Kalkınma Bankası AŞ have been included in the consolidated financial statements of the Group.

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 non-compliance 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 2010, but its equity until the liquidation decision date has included in the accompanying consolidated financial statements.

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Interim Financial Report
As at and For the Six-Month Period Ended 30 June 2010
(Thousands of Turkish Lira (“TL”))

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

Vakıf Pazarlama ve Ticaret AŞ was established in 1993 to enter into finance lease operations through the acquisition of vessels like cargo and ro-ro ships and make related transactions and contracts. In accordance with the 4th subclause of temporary Article 1 of “Regulation on Establishment and Operations of Leasing, Factoring and Finance Companies”, licence of *Vakıf Pazarlama ve Ticaret AŞ* for operating in finance lease sector has been revoked by Banking Regulation and Supervision Agency on 25 June 2009. Thereupon, the title of *Vakıf Deniz Finansal Kiralama AŞ* has been changed as *Vakıf Pazarlama ve Ticaret AŞ* based on the resolution of 55th Annual General Assembly held on 29 September 2009. The firm’s 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 Factoring 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 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.

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 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 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.

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.

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 sale transactions of securities are accounted at settlement dates.

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

Subsidiaries are the entities that the Group has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. In the unconsolidated financial statements of the Bank, subsidiaries are accounted in accordance with TAS 39 – *Financial Instruments: Recognition and Measurement*. Subsidiaries, which are traded in an active market or whose fair value can be reliably measured, recorded at their fair values. Subsidiaries which are not traded in an active market and whose fair value cannot be reliably measured are reflected in the unconsolidated financial statements with their costs after deducting impairment losses, if any. The financial subsidiaries of the Group are consolidated in the accompanying consolidated financial statements and non-financial subsidiaries are accounted in accordance with TAS 39.

Associates have been reclassified as available-for-sale financial assets in the unconsolidated financial statements of the Bank and associates which are not traded in an active market and whose fair value cannot be reliably measured are reflected in the unconsolidated financial statements with their costs after deducting impairment losses, if any. In the consolidated financial statements, the financial associates of the Group have been subjected to consolidation based on equity method, non-financial associates of the Group are accounted in accordance with TAS 39.

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 sale and repurchase 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.

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.

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

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

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 as a consequence of operations of 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 measured 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 by way of 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 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 made 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 since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments 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**Reserve for employee termination benefits**

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 2010 is TL 2,427 (full TL) (31 December 2009: TL 2,365 (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 2010 and 31 December 2009, the major statistical assumptions used in the calculation of the total liability are as follows:

	Current Period	Prior Period
Discount rate	5.92%	5.92%
Expected rate of salary/limit increase	4.80%	4.80%
Estimated employee turnover rate	0.94%	0.94%

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.

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.

At 19 June 2008, Cumhuriyet Halk Partisi, opposition party, appealed to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. As at the report date, there is no arbitrement of the Constitutional Court published.

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 2010 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 items 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.

XIX. Additional information on borrowings

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

As at 30 June 2010 and 31 December 2009, there are no convertible bonds or any other securities issued by the Parent Bank.

XX. Information on issuance of equity securities

The shares of the Bank having nominal value of TL 322,000,000, 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. Information on 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. Information on government incentives

As at 30 June 2010 and 31 December 2009, the Group does not have any government incentives.

XXIII. Information on segment reporting

Operational segments are determined based the structure of the Group’s risks and benefits and presented in Section 4 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 ended 30 June 2010, earning per share is TL 0.2027 (30 June 2009: TL 0.2509).

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*. 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 three 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 annullay 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, health 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. Deferred acquisition costs are offsetted against deferred commission income and presented under “other assets” in the accompanying consolidated financial statements.

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 ‘receivable from pension investment funds for investment management fees’, ‘entrance fee receivable from participants’ and ‘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.

‘Receivable from pension investment funds for investment management fees’ are the fees charged to the pension funds for the administration and portfolio management services provided. ‘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 14.05% (The Parent Bank: 14.48%).

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 Interim Financial Report

As at and For the Six-Month Period Ended 30 June 2010

(Thousands of Turkish Lira (“TL”))

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note I

Information related to consolidated capital adequacy ratio

	Parent Bank's Risk Weights – 30 June 2010							Consolidated – Group's Risk Weights – 30 June 2010						
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
Balance Sheet Items (Net)	13,405,744	-	1,704,808	10,457,096	30,581,039	53,784	236	13,519,262	-	2,227,347	10,457,096	31,584,857	53,784	236
Cash on hand	468,090	-	3	-	-	-	-	471,686	-	46	-	-	-	-
Securities in redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	6,093,713	-	-	-	-	-	-	6,093,713	-	-	-	-	-	-
Domestic and foreign banks, foreign head offices and branches	661,600	-	1,318,820	-	116,484	-	-	672,400	-	1,758,886	-	199,990	-	-
Interbank money market placements	-	-	-	-	-	-	-	180	-	-	-	-	-	-
Receivables from reverse repurchase agreements	-	-	-	-	-	-	-	174	-	-	-	-	-	-
Reserve deposits	1,066,112	-	-	-	-	-	-	1,066,112	-	-	-	-	-	-
Loans	192,583	-	294,429	10,362,952	28,171,479	53,784	236	202,256	-	365,547	10,362,952	27,682,734	53,784	236
Loans under follow-up (Net)	-	-	-	-	67,043	-	-	-	-	-	-	69,456	-	-
Lease Receivables	-	-	-	-	-	-	-	2,001	-	-	-	243,272	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Held-to-maturity investments	4,686,894	-	37,680	-	-	-	-	4,733,137	-	43,464	-	-	-	-
Receivables from term sale of assets	-	-	-	-	102,320	-	-	-	-	-	-	102,320	-	-
Miscellaneous receivables	18	-	46,889	-	215,745	-	-	18	-	46,889	-	1,058,986	-	-
Accrued interests and income	151,721	-	6,987	94,144	269,668	-	-	153,535	-	12,515	94,144	258,018	-	-
Investments in associates, subsidiaries and joint-ventures (Net)	-	-	-	-	778,650	-	-	-	-	-	-	170,113	-	-
Tangible assets (Net)	-	-	-	-	823,600	-	-	-	-	-	-	959,424	-	-
Other assets	85,013	-	-	-	36,050	-	-	124,050	-	-	-	840,544	-	-
Off-Balance Sheet Items	78,822	-	266,924	408,904	6,192,057	-	-	78,822	-	269,698	408,904	6,239,632	-	-
Non-cash loans and commitments	78,822	-	163,208	408,904	6,189,987	-	-	78,822	-	163,208	408,904	6,237,562	-	-
Derivative financial instruments	-	-	103,716	-	2,070	-	-	-	-	106,490	-	2,070	-	-
Non risk-weighted accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Risk-Weighted Assets	13,484,566	-	1,971,732	10,866,000	36,773,096	53,784	236	13,598,084	-	2,497,045	10,866,000	37,824,489	53,784	236

Summary information related to capital adequacy ratio

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Value at Credit Risk (VaCR)	42,681,590	37,706,171	43,838,046	38,684,473
Value at Market Risk (VaMR)	1,765,875	1,889,513	1,874,088	1,914,000
Value at Operational Risk (VaOR) ^(*)	5,795,900	4,756,200	6,766,363	5,609,963
Equity	7,277,034	6,837,925	7,373,970	7,028,463
Equity/ (VaCR+VaMR+VaOR)*100	%14.48	%15.42	%14.05	%15.21

^(*) In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio as at 31 December 2009 was measured by taking value at operational risk calculated based on average of gross incomes for the years 2008, 2007 and 2006 into consideration and for the year 2010, value at operational risk was calculated based on average of gross incomes for the years 2009, 2008 and 2007.

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Components of consolidated equity

	Current Period	Prior Period
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	726,691
Share cancellation profits	-	-
Legal reserves	506,554	381,561
I. Legal reserve (Turkish Commercial Code 466/1)	268,496	205,055
II. Legal reserve (Turkish Commercial Code 466/2)	-	-
Reserves allocated as per special legislations	238,058	176,506
Status reserves	3,094	2,361
Extraordinary reserves	3,076,566	2,051,938
Reserve allocated as per the decision held by the General Assembly	2,794,403	1,779,123
Retained earnings	282,163	272,815
Accumulated losses	-	-
Exchange rate differences on foreign currency capital	-	-
Reserves from inflation adjustments to legal, status and extraordinary reserves	-	-
Profit	568,059	1,325,367
Current period's profit	527,449	1,294,741
Prior years' profit	40,610	30,626
Free provision for possible losses (up to 25% of Core Capital)	-	-
Income on sale of equity shares and real estates to be used up for capital increase	5,628	1,138
Primary subordinated loans (up to 15% of Core Capital)	-	-
Non-controlling interest	207,724	219,579
Loss excess of reserves (-)	-	-
Current period's loss	-	-
Prior years' loss	-	-
Leasehold improvements (-) ^(*)	75,478	82,719
Prepaid expenses (-) ^(*)	279,375	256,478
Intangible assets (-) ^(*)	51,967	47,322
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	7,187,527	6,822,116
SUPPLEMENTARY CAPITAL		
General provisions	361,767	322,989
45% of revaluation surplus on movables	-	5,625
Bonus shares of associates, subsidiaries and joint-ventures	1,551	1,551
Primary subordinated loans excluding the portion included in core capital	-	-
Secondary subordinated loans	-	-
45% of securities value increase fund	98,391	150,715
Associates and subsidiaries	(877)	680
Available-for-sale financial assets	99,268	150,035
Inflation adjustment differences of capital reserves, profit reserves and prior years' profit/(loss)	-	-
Non-controlling interest	12,699	9,483
Total supplementary capital	474,408	490,363
TIER III CAPITAL	-	-
CAPITAL	7,661,935	7,312,479
DEDUCTIONS FROM CAPITAL	287,965	284,016
Unconsolidated investments in entities (domestic/foreign) operating in banking and financial sectors exceeding 10% of ownership	248	9
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	115,511	106,209
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	172,206	177,798
Others	-	-
TOTAL EQUITY	7,373,970	7,028,463

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	120,595
(II) Capital obligation against specific risks - standard method	4,865
(III) Capital obligation against currency risk - standard method	24,322
(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	145
(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)	149,927
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	1,874,088

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 as a result of change in the fair value of equity instruments quoted to Istanbul Stock Exchange (“ISE”) held as available for sale financial assets, associates and subsidiaries due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

		30 June 2010	30 June 2009
	Change in index	Equity	Equity
ISE – 100 (IMKB - 100)	10%	-	94

III. Consolidated operational risk

The Group calculated 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.

The amount calculated as TL 541,309 (31 December 2009: TL 448,797) from gross income for the years ended 31 December 2009, 2008 and 2007 and used for the calculation of capital adequacy ratio as at 30 June 2010, 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 6,766,363 (31 December 2009: TL 5,609,963) 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 exposed to, estimation of effects of exposures, and the limits set by the Board of Directors of the Parent Bank for the positions being 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 2010 and 31 December 2009, the Group does not have derivate financial instruments held for risk management purpose.

Foreign exchange risk management policy

Risk policy of the 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 Bank to take position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the 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	1.5700	1.9280
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	1.5400	1.8887
Day 2	1.5300	1.8944
Day 3	1.5500	1.9096
Day 4	1.5300	1.8869
Day 5	1.5400	1.8883
	US Dollar	Euro
Last 30-days arithmetical average rate	1.5433	1.8921

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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	893,227	746,105	211	11,725	1,651,268
Banks	652,886	1,353,825	4,855	27,133	2,038,699
Financial assets at fair value through profit or loss ⁽¹⁾	6,084	39,083	-	-	45,167
Interbank money market placements	-	-	-	-	-
Available-for-sale financial assets	660,014	2,007,727	-	-	2,667,741
Loans and receivables ⁽²⁾	4,375,652	8,681,242	-	58,950	13,115,844
Associates, subsidiaries and joint-ventures	3	-	-	-	3
Held-to-maturity investments	237,022	1,216,729	-	-	1,453,751
Derivative financial assets held for risk management purpose	-	-	-	-	-
Tangible assets	1,084	869	-	-	1,953
Intangible assets	29	-	-	-	29
Other assets ^{(3) (4)}	175,577	359,375	169	101	535,222
Total assets	7,001,578	14,404,955	5,235	97,909	21,509,677
Liabilities:					
Bank deposits	81,054	772,186	-	125	853,365
Foreign currency deposits	4,140,671	9,129,748	1,583	47,968	13,319,970
Interbank money market takings	-	1,969,562	-	-	1,969,562
Funds borrowed ⁽⁵⁾	2,730,814	2,727,630	-	40,859	5,499,303
Securities issued	-	-	-	-	-
Miscellaneous payables	39,238	60,525	1	153	99,917
Derivative financial liabilities held for risk management purpose	-	-	-	-	-
Other liabilities ^{(1) (6)}	63,169	150,733	1,565	1,177	216,644
Total liabilities	7,054,946	14,810,384	3,149	90,282	21,958,761
Net 'on balance sheet' position	(53,368)	(405,429)	2,086	7,627	(449,084)
Net 'off-balance sheet' position	138,483	648,572	-	(2,175)	784,880
Derivative assets	196,772	1,224,025	-	703	1,421,500
Derivative liabilities	58,289	575,453	-	2,878	636,620
Non-cash loans ⁽⁷⁾	1,455,320	2,585,515	109,751	105,997	4,256,583
Prior Period					
Prior Period	Euro	US Dollar	Japanese Yen	Other FCs	Total
Total assets	6,806,275	12,665,618	6,059	97,787	19,575,739
Total liabilities	7,055,348	12,765,732	1,764	89,428	19,912,272
Net 'on balance sheet' position	(249,073)	(100,114)	4,295	8,359	(336,533)
Net 'off-balance sheet' position	359,143	208,333	(3,063)	33	564,446
Derivative assets	419,475	797,226	-	31,085	1,247,786
Derivative liabilities	60,332	588,893	3,063	31,052	683,340
Non-cash loans ⁽⁷⁾	1,958,583	2,731,973	11,538	130,729	4,832,823

⁽¹⁾ Foreign exchange rates based accruals of derivative financial assets and liabilities are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 294,196 (31 December 2009: TL 77,011) presented in TL in the accompanying consolidated financial statements are included.

⁽³⁾ Foreign currency indexed factoring receivables amounting to TL 116,673 presented in TL in the accompanying consolidated financial statements are included.

⁽⁴⁾ Prepaid expenses amounting to TL 15,802 (31 December 2009: TL 18,579) are not included.

⁽⁵⁾ Foreign currency indexed funds borrowed amounting to TL 4,180 (31 December 2009: TL 9,464), presented in TL in the accompanying consolidated financial statements are included.

⁽⁶⁾ Unearned income amounting to TL 22,162 (31 December 2009: TL 23,773) is not included. Also, deferred tax liabilities amounting to TL 219 are not included.

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

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10 percent devaluation of the TL against the following currencies as at and for the six month periods ended 30 June 2010 and 2009 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 2010		30 June 2009	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(27,541)	(26,486)	(26,461)	(28,485)
Euro	5,646	15,001	5,869	16,516
Other currencies	(198)	(198)	(198)	(198)
Total, net	(22,093)	(11,683)	(20,790)	(12,167)

(*) 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 2010 and 2009 would effect consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

	30 June 2010		30 June 2009	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	31,967	30,911	33,795	35,819
Euro	(5,642)	(14,997)	(4,865)	(15,511)
Other currencies	956	956	962	962
Total, net	27,281	16,870	29,892	21,270

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

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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 repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets:							
Cash and balances with CBT	5,617,971	-	-	-	-	2,036,328	7,654,299
Banks	2,144,244	253,020	21	-	-	238,811	2,636,096
Financial assets at fair value through profit/loss	7,327	8,225	91,540	133,391	27,948	2,551	270,982
Interbank money market placements	354	-	-	-	-	-	354
Available-for-sale financial assets	3,994,456	3,614,094	3,666,884	1,472,010	1,796,521	18,958	14,562,923
Loans and receivables	13,415,643	6,035,563	9,937,434	7,037,116	2,595,474	69,456	39,090,686
Held-to-maturity investments	524,051	480,172	2,473,616	313,640	1,114,224	-	4,905,703
Other assets (*)	84,593	175,508	614,716	260,802	1,942	3,128,325	4,265,886
Total assets	25,788,639	10,566,582	16,784,211	9,216,959	5,536,109	5,494,429	73,386,929
Liabilities:							
Bank deposits	2,565,937	370,370	4	-	-	10,966	2,947,277
Other deposits	26,502,568	11,770,067	1,246,582	319,093	485	6,953,590	46,792,385
Interbank money market takings	2,449,584	3,364,905	185,852	167,374	-	-	6,167,715
Miscellaneous payables	-	6,423	27,546	-	-	1,804,328	1,838,297
Securities issued	-	-	-	-	-	-	-
Funds borrowed	236,758	3,592,039	1,862,098	41,626	-	-	5,732,521
Other liabilities (**)	10,969	4,362	3,353	60,126	21,579	9,808,345	9,908,734
Total liabilities	31,765,816	19,108,166	3,325,435	588,219	22,064	18,577,229	73,386,929
On balance sheet long position	-	-	13,458,776	8,628,740	5,514,045	-	27,601,561
On balance sheet short position	(5,977,177)	(8,541,584)	-	-	-	(13,082,800)	(27,601,561)
Off-balance sheet long position	214,659	771,341	-	46,889	-	-	1,032,889
Off-balance sheet short position	(65,940)	(6,427)	(29,588)	(782,168)	-	-	(884,123)
Position, Net	(5,828,458)	(7,776,670)	13,429,188	7,893,461	5,514,045	(13,082,800)	148,766

(*) 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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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets:							
Cash and balances with CBT	1,148,099	-	-	-	-	1,905,269	3,053,368
Banks	3,091,172	52,448	895	-	-	149,532	3,294,047
Financial assets at fair value through profit/loss	6,351	14,899	52,085	46,439	20,519	27	140,320
Interbank money market placements	3,401,294	-	-	-	-	-	3,401,294
Available-for-sale financial assets	3,063,598	3,428,083	4,298,973	3,094,475	1,361,155	19,042	15,265,326
Loans and receivables	9,765,350	9,835,578	6,361,204	6,204,795	2,223,976	137,049	34,527,952
Held-to-maturity investments	527,451	652,383	746,959	426,038	1,225,387	-	3,578,218
Other assets (*)	13,981	374,671	92,339	276,140	1,706	2,990,476	3,749,313
Total assets	21,017,296	14,358,062	11,552,455	10,047,887	4,832,743	5,201,395	67,009,838
Liabilities:							
Bank deposits	1,618,275	450,325	56,144	-	-	9,372	2,134,116
Other deposits	25,822,329	9,150,222	1,888,579	199,820	28	5,905,773	42,966,751
Interbank money market takings	754,768	3,934,522	1,403,218	74,875	-	-	6,167,383
Miscellaneous payables	-	9,497	32,677	-	-	1,404,641	1,446,815
Securities issued	-	-	-	-	-	-	-
Fund borrowed	255,471	3,642,212	708,778	6,766	-	-	4,613,227
Other liabilities (**)	24,146	15,369	26,144	29,096	11,561	9,575,230	9,681,546
Total liabilities	28,474,989	17,202,147	4,115,540	310,557	11,589	16,895,016	67,009,838
On balance sheet long position	-	-	7,436,915	9,737,330	4,821,154	-	21,995,399
On balance sheet short position	(7,457,693)	(2,844,085)	-	-	-	(11,693,621)	(21,995,399)
Off-balance sheet long position	180,959	184,045	-	54,345	-	-	419,349
Off-balance sheet short position	(68,838)	(9,496)	(40,453)	(292,101)	-	-	(410,888)
Position, Net	(7,345,572)	(2,669,536)	7,396,462	9,499,574	4,821,154	(11,693,621)	8,461

(*) 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:

Current Period	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	5.20
Banks	0.46	0.51	-	7.78
Financial assets at fair value through profit/loss	4.62	11.17	-	12.01
Interbank money market placements	-	-	-	6.65
Available-for-sale financial assets	4.90	6.20	-	8.87
Loans and receivables	4.22	4.29	-	14.88
Held-to-maturity investments	6.53	7.37	-	9.61
Liabilities:				
Bank deposits	1.73	1.05	-	8.52
Other deposits	2.65	3.46	-	9.01
Interbank money market takings	-	1.30	-	7.83
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds borrowed	0.85	1.64	-	7.90
Prior Period				
	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	5.20
Banks	0.28	0.34	-	8.51
Financial assets at fair value through profit/loss	6.12	11.68	-	10.65
Interbank money market placements	-	-	-	6.50
Available-for-sale financial assets	5.09	6.70	-	9.85
Loans and receivables	4.73	4.91	6.79	15.62
Held-to-maturity investments	7.08	7.44	-	11.93
Liabilities:				
Bank deposits	2.25	0.81	-	8.69
Other deposits	2.80	2.74	-	8.73
Interbank money market takings	1.00	1.30	-	8.99
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds borrowed	1.86	1.56	-	10.85

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Interest rate sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss held as at 30 June 2010 and six month effect on net interest income of floating rate non-trading financial assets and financial liabilities held at 30 June 2010.

Interest rate sensitivity of equity is calculated by considering the effects of the assumed changes in interest rates on the fair values of fixed rate available-for-sale financial assets as at 30 June 2010.

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

This analysis is performed on the same basis as at and for the six-month period ended 30 June 2009.

	Profit or loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2010				
Financial assets at fair value through profit or loss	20,430	(18,492)	20,430	(18,492)
Available-for-sale financial assets	26,708	(27,352)	(220,577)	238,350
Floating rate financial assets	122,475	(122,475)	122,475	(122,475)
Floating rate financial liabilities	(36,997)	36,997	(36,997)	36,997
Total, net	132,616	(131,322)	(114,669)	134,380

	Profit or loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2009				
Financial assets at fair value through profit or loss	(5,981)	6,318	(5,981)	6,318
Available-for-sale financial assets	19,665	(19,732)	(120,909)	128,780
Floating rate financial assets	108,544	(108,544)	108,544	(108,544)
Floating rate financial liabilities	(32,607)	32,607	(32,607)	32,607
Total, net	89,621	(89,351)	(50,953)	59,161

^(*) Equity effect also includes profit or loss effect of 100 bp increase or decrease in interest rates.

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	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed^(*)	Total
Assets:								
Cash and balance with CBT	7,654,299	-	-	-	-	-	-	7,654,299
Banks	881,998	1,501,057	253,020	21	-	-	-	2,636,096
Financial assets at fair value through profit/loss	2,512	7,144	4,346	91,540	137,453	27,948	39	270,982
Interbank money market placements	-	354	-	-	-	-	-	354
Available-for-sale financial assets	-	172,648	1,655,516	2,054,210	6,790,251	3,871,340	18,958	14,562,923
Loans and receivables	-	6,559,857	2,327,615	8,392,737	18,152,088	3,588,933	69,456	39,090,686
Held-to-maturity investments	-	37,721	313,296	2,273,298	1,167,164	1,114,224	-	4,905,703
Other assets	521	251,590	175,742	618,506	982,894	1,942	2,234,691	4,265,886
Total assets	8,539,330	8,530,371	4,729,535	13,430,312	27,229,850	8,604,387	2,323,144	73,386,929
Liabilities:								
Bank deposits	10,966	2,565,937	370,370	4	-	-	-	2,947,277
Other deposits	6,953,590	26,502,568	11,770,067	1,246,582	319,093	485	-	46,792,385
Funds borrowed	-	197,746	1,226,463	1,524,904	1,812,281	971,127	-	5,732,521
Interbank money market takings	-	2,449,584	3,364,905	185,852	167,374	-	-	6,167,715
Securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	1,044,440	56,536	18,028	636,333	-	82,960	1,838,297
Other liabilities	2,143	238,554	91,779	50,881	379,739	21,579	9,124,059	9,908,734
Total liabilities	6,966,699	32,998,829	16,880,120	3,026,251	3,314,820	993,191	9,207,019	73,386,929
Net liquidity gap	1,572,631	(24,468,458)	(12,150,585)	10,404,061	23,915,030	7,611,196	(6,883,875)	-
Prior Period								
Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed^(*)	Total
Total assets	4,299,733	12,197,714	3,795,723	11,965,865	25,800,528	6,303,209	2,647,066	67,009,838
Total liabilities	5,915,145	29,294,430	13,786,895	4,916,180	1,911,371	1,295,416	9,890,401	67,009,838
Net liquidity gap	(1,615,412)	(17,096,716)	(9,991,172)	7,049,685	23,889,157	5,007,793	(7,243,335)	-

(*) 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.

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Residual contractual maturities of financial 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	2,947,277	3,056,510	10,966	2,664,786	380,754	4	-	-
Other deposits	46,792,385	47,945,870	6,953,590	27,251,111	12,106,493	1,289,591	344,465	620
Funds borrowed	5,732,521	6,166,071	-	225,040	1,228,849	1,538,605	2,025,188	1,148,389
Money market takings	6,167,715	6,178,085	-	2,452,216	3,366,291	186,388	173,190	-
Miscellaneous payables	1,838,297	1,838,297	82,960	1,044,440	56,536	18,028	636,333	-
Other liabilities	289,980	289,980	73,755	111,195	3,815	13,029	66,607	21,579
Total	63,768,175	65,474,813	7,121,271	33,748,788	17,142,738	3,045,645	3,245,783	1,170,588
Non-Cash Loans	9,245,135	9,245,135	5,275,630	241,206	1,048,113	1,742,693	863,142	74,351

Prior 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	2,134,116	2,142,969	9,372	1,620,621	455,531	57,445	-	-
Other deposits	42,966,751	43,210,393	5,905,773	25,960,456	9,202,351	1,916,371	225,408	34
Funds borrowed	4,613,227	4,949,531	-	215,041	163,136	1,514,698	1,629,818	1,426,838
Money market takings	6,167,383	6,175,522	-	755,038	3,889,087	1,408,969	122,428	-
Miscellaneous payables	1,446,815	1,446,815	609,073	702,059	44,310	43,953	47,420	-
Other liabilities	336,987	336,987	116,532	88,045	8,309	37,664	68,752	17,685
Total	57,665,279	58,262,217	6,640,750	29,341,260	13,762,724	4,979,100	2,093,826	1,444,557
Non-Cash Loans	9,110,039	9,110,039	4,767,616	53,817	154,574	1,291,543	2,633,322	209,167

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. The Bank also utilizes alternative delivery channels intensively.

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	479,656	(19,882)	832,972	625,932	1,918,678
Undistributed expenses	-	-	-	(1,283,691)	(1,283,691)
Operating profit	479,656	(19,882)	832,972	(657,759)	634,987
Income from associates	-	-	-	-	14,572
Income before taxes	-	-	-	-	649,559
Provision for taxes	-	-	-	-	(142,836)
Net profit	-	-	-	-	506,723
Segment assets	11,723,791	27,361,901	28,925,161	1,786,320	69,797,173
Investments in associates and subsidiaries	-	-	-	285,872	285,872
Undistributed assets	-	-	-	3,303,884	3,303,884
Total assets	11,723,791	27,361,901	28,925,161	5,376,076	73,386,929
Segment liabilities	14,991,221	34,748,440	11,746,499	301,808	61,787,968
Equity	-	-	-	7,842,660	7,842,660
Undistributed liabilities	-	-	-	3,756,301	3,756,301
Total liabilities and equity	14,991,221	34,748,440	11,746,499	11,900,769	73,386,929

SECTION FIVE

Disclosure and footnotes on consolidated financial statements

I. Information and disclosures related to consolidated assets

1. Information on cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	385,060	85,930	508,880	85,901
Central Bank of Turkey ^(*)	5,617,971	1,564,596	1,148,099	1,309,753
Others	-	742	33	702
Total	6,003,031	1,651,268	1,657,012	1,396,356

^(*) TL 1,066,112 (31 December 2009: TL 872,785) of the foreign currency deposit at Central Bank of Turkey is comprised of foreign currency reserve; TL 22,742 (31 December 2009: TL 21,013) of Turkish Lira balances is comprised of interest income accruals from unrestricted portion of the deposit at Central Bank of Turkey held as reserve requirement.

According to the no. 2005/1 announcement of the CBT, “Announcement on Reserve Deposits”, all banks operating in Turkey should provide a reserve amounting to 5% (31 December 2009: 5%) of the liabilities in Turkish Lira and 9% (31 December 2009: 9%) of the liabilities in foreign currencies.

In accordance with the press announcement of CBT regarding reserve requirements, dated 5 December 2008 and numbered 2008-63, the foreign currency reserve requirement ratio of the banks which was 11% was decreased by 2 points to 9%, aiming to diminish the negative effects of the global credit crisis and sustain foreign currency liquidity to the banks. Accordingly, foreign currency reserve requirement rate is increased by 0.5 point from 9% to 9.5% in accordance with the press announcement of CBT regarding reserve requirements, dated 26 April 2010 and numbered 2010-20. Once again, the foreign currency reserve requirement rate is increased by 0.5 point from 9.5% to 10% in accordance with the press announcement of CBT regarding reserve requirements, dated 29 July 2010 and numbered 2010-41.

In accordance with “Press release related to reserve requirements” of CBT dated 16 October 2009 and numbered 2009-51, Turkish Lira reserve requirement rate was decreased by 1 point from 6% to 5% in order to diminish the negative effects of the global credit crisis and sustain TL liquidity to the banks.

As at 30 June 2010, interest rate given by CBT is 5.2% for TL reserve deposits and interest rate is nil for foreign currency reserve deposits (31 December 2009: TL 5.2%, FC nil).

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	5,595,229	498,484	1,127,086	436,968
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Deposits	22,742	1,066,112	21,013	872,785
Total	5,617,971	1,564,596	1,148,099	1,309,753

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		Prior Period	
	TL	FC	TL	FC
Equity shares	27	-	27	-
Bonds, treasury bills and similar marketable securities	169,405	7,920	97	-
Others	-	-	-	-
Total	169,432	7,920	124	-

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Trading securities subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	-	-	2,080	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	-
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Others	-	-	-	-
Total	-	-	2,080	-

Trading purpose derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	332	46	456	920
Swap transactions	-	13,089	-	19,205
Futures	-	-	-	-
Options	62	166	242	701
Others	-	-	-	-
Total	394	13,301	698	20,826

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	597,397	2,038,699	668,611	2,625,436
Domestic	419,682	450,589	556,799	209,606
Foreign	177,715	1,588,110	111,812	2,415,830
Foreign head offices and branches	-	-	-	-
Total	597,397	2,038,699	668,611	2,625,436

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	3,074,595	282,423	3,124,343	300,450
Others	-	-	-	-
Total	3,074,595	282,423	3,124,343	300,450

Available-for-sale financial assets given as collateral against repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1,505,755	-	3,958,401	-
Treasury bills	570,761	-	205,312	-
Other debt securities	-	1,294,767	-	823,038
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Total	2,076,516	1,294,767	4,163,713	823,038

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Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	14,549,932	15,270,722
Quoted	14,549,932	15,270,722
Unquoted	-	-
Equity securities	71,217	71,377
Quoted	1,288	1,477
Unquoted	69,929	69,900
Provision for impairment (-)	58,226	76,773
Total	14,562,923	15,265,326

5. Information on loans

Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	528	-	549
Legal entities	-	528	-	549
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	45,731	29	40,120	32
Total	45,731	557	40,120	581

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 under Follow-Up and Other Receivables	
	Loans and Other Receivables	<i>Restructured or Rescheduled</i>	Loans and Other Receivables	<i>Restructured or Rescheduled</i>
		<i>Loans and Other Receivables</i>		<i>Loans and Other Receivables</i>
Cash Loans				
Loans	36,911,722	-	1,463,439	583,039
Discounted bills	126,706	-	-	1
Export loans	2,742,685	-	24,871	120,985
Import loans	-	-	-	28
Loans to the financial sectors	2,541,846	-	291	-
Overseas loans	105,869	-	-	-
Consumer loans	9,880,898	-	440,111	114,327
Credit cards	1,183,570	-	62,150	8,141
Precious metal loans	-	-	-	-
Others	20,330,148	-	936,016	339,557
Specialization loans	58,036	-	-	-
Other receivables	4,994	-	-	-
Total	36,974,752	-	1,463,439	583,039

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

	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	237,658	9,563,723	9,801,381
Housing loans	3,966	4,635,614	4,639,580
Automobile loans	3,171	146,422	149,593
General purpose loans	102,581	3,679,913	3,782,494
Others	127,940	1,101,774	1,229,714
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Consumer loans – FC	278	4,411	4,689
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	278	4,411	4,689
Others	-	-	-
Retail credit cards – TL	1,204,859	1,902	1,206,761
With installment	392,943	1,902	394,845
Without installment	811,916	-	811,916
Retail credit cards – FC	891	-	891
With installment	-	-	-
Without installment	891	-	891
Personnel loans – TL	451	24,981	25,432
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	451	24,981	25,432
Others	-	-	-
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Personnel loans – FC	265	-	265
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	265	-	265
Others	-	-	-
Personnel credit cards – TL	19,983	-	19,983
With installment	7,301	-	7,301
Without installment	12,682	-	12,682
Personnel credit cards – FC	51	-	51
With installment	-	-	-
Without installment	51	-	51
Overdraft checking accounts – TL (Real persons)	603,569	-	603,569
Overdraft checking accounts – FC (Real persons)	-	-	-
Total	2,068,005	9,595,017	11,663,022

Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based commercial loans – TL	201,919	4,954,959	5,156,878
Real estate loans	17	91,720	91,737
Automobile loans	14,648	290,478	305,126
General purpose loans	187,254	4,572,034	4,759,288
Others	-	727	727
Installment-based commercial loans – FC indexed	247	53,198	53,445
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	247	53,198	53,445
Others	-	-	-
Installment-based commercial loans – FC	88,267	485,070	573,337
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	88,201	326,844	415,045
Others	66	158,226	158,292
Corporate credit cards – TL	25,783	91	25,874
With installment	2,743	91	2,834
Without installment	23,040	-	23,040
Corporate credit cards – FC	301	-	301
With installment	-	-	-
Without installment	301	-	301
Overdraft checking accounts – TL (corporate)	152,722	-	152,722
Overdraft checking accounts – FC (corporate)	-	-	-
Total	469,239	5,493,318	5,962,557

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic loans	38,864,310	34,225,967
Overseas loans	156,920	164,936
Total	39,021,230	34,390,903

Loans to associates and subsidiaries

As at 30 June 2010 and 31 December 2009, there are no loans given to the associates and subsidiaries by the Group.

Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Loans and receivables with limited collectibility	71,293	85,123
Loans and receivables with doubtful collectibility	448,442	340,501
Uncollectible loans and receivables	1,822,081	1,703,797
Total	2,341,816	2,129,421

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Information on non-performing loans (“NPLs”) (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	7,393	44,575	122,313
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	7,393	44,575	122,313
Prior period	7,438	46,766	115,357
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	7,438	46,766	115,357

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	219,041	340,501	1,706,928
Additions (+)	489,680	10,315	21,108
Transfers from other categories of loans under follow-up (+)	-	773,820	309,719
Transfers to other categories of loans under follow-up (-)	510,871	609,068	-
Collections (-)	57,620	65,684	149,605
Write-offs (-)	1,894	1,442	62,048
Corporate and commercial loans	-	-	59,341
Retail loans	-	-	-
Credit cards	-	-	-
Others	1,894	1,442	2,707
Currency differences	-	-	(1,608)
Balance at the end of the period	138,336	448,442	1,824,494
Specific provision (-)	71,293	448,442	1,822,081
Net balance on balance sheet	67,043	-	2,413

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

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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 period	51	21,607	362,211
Specific provision (-)	10	21,607	359,798
Net balance on balance sheet	41	-	2,413
Prior Period			
Balance at the end of the period	10,693	11,933	401,845
Specific provision (-)	2,139	11,933	398,714
Net balance on balance sheet	8,554	-	3,131

Non-performing foreign currency denominated loans are followed in TL accounts.

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)			
Current Period (Net)	67,043	-	2,413
Consumer and commercial loans (Gross)	136,443	444,946	1,730,816
Specific provision (-)	70,179	444,946	1,728,403
Consumer and commercial loans (Net)	66,264	-	2,413
Banks (Gross)	-	-	1,551
Specific provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1,893	3,496	92,127
Specific provision (-)	1,114	3,496	92,127
Other loans and receivables (Net)	779	-	-
Prior Period (Net)			
Prior Period (Net)	133,918	-	3,131
Consumer and commercial loans (Gross)	214,619	336,847	1,601,765
Specific provision (-)	82,127	336,847	1,598,634
Consumer and commercial loans (Net)	132,492	-	3,131
Banks (Gross)	-	-	10,637
Specific provision (-)	-	-	10,637
Banks (Net)	-	-	-
Other loans and receivables (Gross)	4,422	3,654	94,526
Specific provision (-)	2,996	3,654	94,526
Other loans and receivables (Net)	1,426	-	-

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	3,451,952	-	2,075,831	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	1,410,121	-	1,455,711
Total	3,451,952	1,410,121	2,075,831	1,455,711

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	4,928,786	3,601,256
Quoted at stock exchanges	4,891,094	3,565,490
Unquoted at stock exchanges	37,692	35,766
Impairment losses (-)	23,083	23,038
Total	4,905,703	3,578,218

The movement table of the held-to-maturity investments

	Current Period	Prior Period
Balances at the beginning of the period	3,578,218	3,683,920
Foreign currency differences on monetary assets	36,012	(19,011)
Acquisitions during the period	1,779,679	1,519,383
Disposals through sales/redemptions	(477,007)	(1,543,275)
Impairment losses	(10,437)	(20,419)
Change in amortized costs of the securities (*)	(762)	(42,380)
Balances at the end of the period	4,905,703	3,578,218

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

In the current period, the Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 1,805,476 to its held-to-maturity investment securities portfolio at their fair values of TL 1,704,319 as at their reclassification dates. 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 159 are recorded under equity and will be amortized through the statement of income until their maturities.

The Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 675,000 to its held-to-maturity investment securities portfolio at their fair values of TL 610,161 as at their reclassification dates, in 2009. 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 1,118 are recorded under equity and will be amortized through the statement of income until their maturities.

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Information about held-to-maturity investments

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	530,785	37,680	539,173	37,692
Investments subject to repurchase agreements	2,107,236	1,139,957	2,169,740	1,156,064
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others ^(*)	726,373	257,373	743,039	259,995
Total	3,364,394	1,435,010	3,451,952	1,453,751

Prior Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	668,259	35,760	694,386	35,766
Investments subject to repurchase agreements	645,938	1,001,983	685,565	1,017,238
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others ^(*)	680,170	437,115	695,880	449,383
Total	1,994,367	1,474,858	2,075,831	1,502,387

^(*) 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

Associate	Address (City/ Country)	Bank’s Share- if different Voting Rights (%)	Bank Risk Group’s Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ	Ankara/Turkey	10.00	10.00
2 Bankalararası Kart Merkezi AŞ	Istanbul/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 Enternasyonel 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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period’s Profit/(Loss)	Prior Period’s Profit/Loss	Company’s Fair Value
1	912,654	182,928	255,482	9,300	-	23,036	(2,277)	-
2	18,840	15,414	5,971	428	-	1,014	(91)	-
3	31,192	29,140	2,193	1,121	-	5,914	4,713	-
4	112,653	21,692	168	117	-	(4,707)	(3,052)	-
5	107,621	45,857	101,990	-	-	(3,496)	(1,662)	-
6	1,648,890	287,517	10,878	16,249	4,403	17,870	25,446	-
7	135,541	131,237	2,169	2,728	-	3,270	4,619	-

^(*) The financial statements as at and for the year ended 31 December 2009 are presented.

In accordance with the directives of BRSA, the shares of İMKB Takas ve Saklama Bankası AŞ, previously presented as “Equity securities” under “Available for sale financial assets” with carrying value of TL 9,181 were reclassified as “Investments in associates” in 2009.

In year 2009, the Bank reclassified İşkur İşçi İşadamı Kimya Kuruluşları AŞ shares as “Uncollectible Loans and Receivables”, which were previously presented as “Investment in associates” with carrying value of TL 0.

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As per the resolution no. 77232 of the Board of Directors of the Bank on 3 April 2008, it was decided to work on disposal process of Roketsan Roket Sanayi AŞ (“Roketsan”), that the Bank owns 10% shares representing TL 14,600 nominal shares of its capital of TL 146,000 to the third parties or other shareholders of Roketsan.

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

Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, 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 Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal AŞ are not financial associates; these associates have not been consolidated. Associates 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.

Consolidated investments in associates

Associate	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 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 Period’s Profit/Loss	Prior Period’s Profit/Loss	Company’s Fair Value
1	639,263	53,305	5,176	30,216	5,667	5,687	5,617	-
2	16,421	14,567	37	176	629	247	1,488	19,770
3	80,558	80,130	36,515	448	1,119	2,437	3,729	67,647
4	7,776,686	1,273,909	237,578	109,639	118,814	124,362	91,006	1,234,427

Movement of consolidated investments in associates

	Current Period	Prior Period
Balance at beginning of the period	120,202	46,155
Movements during the period	10,375	74,047
Acquisitions and capital increases	-	-
Bonus shares received	10,477	9,691
Dividends from current year profit	-	-
Sales/liquidations	-	-
Fair value changes	(102)	64,356
Impairment losses	-	-
Balance at the end of the period	130,577	120,202
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Sectoral distribution of consolidated investments and associates

	Current Period	Prior Period
Banks	109,563	94,446
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	21,014	25,756
Total	130,577	120,202

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Quoted associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	124,959	116,183
Quoted at international stock exchanges	-	-
Total	124,959	116,183

Investments in associates disposed during the period

There is not any associate subject to consolidation disposed in the current period.

Investments in associates acquired during the period

Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Bank subject to consolidation, increased its paid-in capital from TL 600,000 to TL 700,000 in the current period. The share of the Bank amounting to TL 8,377 is presented in the movement table of investments in associates as bonus shares received.

Kıbrıs Vakıflar Bankası Ltd, an associate of the Bank subject to consolidation, increased its paid-in capital from TL 26,000 to TL 40,000 in the current period. The share of the Bank amounting to TL 2,100 is presented in the movement table of investments in associates as bonus shares received.

As per the 11 June 2009 dated resolution of the Board of Directors of the Parent Bank, it was decided to invest in Kredi Garanti Fonu AŞ (“the Company”) which was established in order to provide guarantee and ease credit conditions for Small and Medium size entities. Based on this resolution, the Bank purchased one share of Kredi Garanti Fonu AŞ at a nominal value of TL 50 (full TL) from Turkish Union of Chambers and Commodity Exchanges on 9 September 2009. As per the 9 September 2009 dated resolution of the Extraordinary General Assembly of Kredi Garanti Fonu AŞ, it was decided to increase share capital of Kredi Garanti Fonu AŞ from TL 60,000 to TL 240,000 by TL 180,000 through TL 19,110 from internal sources and TL 160,890 by cash injection of the shareholders. Accordingly, the Parent Bank made a commitment of TL 4,000 of which TL 2,000 was paid on 15 October 2009. The remaining balance, TL 2,000 is followed under “Share capital commitments to associates and subsidiaries” in the off-balance sheet commitments and contingencies, to be paid upon the request of Board of Directors of the Company within six years.

In 2009, Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Bank, increased its paid-in capital from TL 500,000 to TL 600,000. The share of the Bank amounting to TL 8,377 is presented in the movement table of investments in associates as bonus shares received.

In 2009, Kıbrıs Vakıflar Bankası Ltd increased its paid-in capital from TL 20,000 to TL 26,000. The share of the Bank amounting to TL 900 is presented in the movement table of investments in associates as bonus shares received.

In 2009, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Bank, from TL 19,300 to TL 20,800, by the General Assembly of the Company, the share of the Bank amounting to TL 414 is presented in the movement table of investments in associates as bonus shares received.

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8. Investments in subsidiaries***Unconsolidated investments in subsidiaries***

	Subsidiary	Address (City / Country)	Bank’s Share –If Different, Voting Rights (%)	Bank’s Risk Group Share (%)
1	Vakıf Enerji ve Madencilik AŞ	Ankara/Türkiye	65.50	84.92
2	Taksim Otelcilik AŞ	İstanbul/Türkiye	51.00	51.52
3	Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ	Ankara/Türkiye	73.00	79.85
4	Vakıf Gayrimenkul Değerleme AŞ	Ankara/Türkiye	54.29	58.54
5	World Vakıf UBB Ltd.	Lefkoşa/KKTC	82.00	85.24

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period’s Profit/(Loss)	Prior Period’s Profit/(Loss)	Company’s Fair Value
1	8,921	8,803	1,062	163	-	73	(658)	12,500
2	211,838	209,414	86,960	3,090	4	(3,273)	(1,843)	212,968
3	14,158	8,213	325	402	24	1,249	748	12,000
4	13,804	9,392	202	414	15	2,636	1,815	32,000
5	4,510	(22,852)	-	6	-	(934)	(983)	0

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, 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 2010, but its equity until the liquidation decision date has included in the accompanying consolidated financial statements.

As per 17 June 2010 dated resolution of the Board of Directors, it is decided to sell 51% share in Taksim Otelcilik, a subsidiary of the Bank, to domestic or foreign investors and to execute necessary procedures including assignment of a consultant.

Since the Parent Bank’s share in Vakıf Gayrimenkul Değerleme AŞ has increased to 54.29% in 2009, it has been reclassified to “Investment in subsidiaries” which was previously classified as “Investment in associates”.

As per the 4 September 2009 dated resolution of the Board of Directors, it was decided to sale the shares of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ owned by the Bank, comprising 31.0% of the company’s share capital to Rhea Gayrimenkul Proje Geliştirme İnşaat Sanayi ve Ticaret AŞ in accordance with sales agreement signed on 25 August 2009. The application to Capital Market Board (“CMB”) dated 7 September 2009 regarding the sale of the shares was approved and stated at the CMB Bulletin dated 13 November 2009 and numbered 2009/49. In order for the Bank and the counter party to obtain economic benefits expected from the transfer of the shares it was decided to apply to the CMB for the permission for operations of the Company as a venture-capital trust to be extended for one-year starting from 31 December 2009. Following the approval of the sale of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ by CMB, the shares were transferred on 10 December 2009 and the Bank’s portion from the sales amounting to TL 2,150 was received in cash. As a result of this sales transaction, the Bank recorded gain on sale of subsidiaries amounting to TL 1,592.

The shares of Ataköy Mağazacılık Ticaret AŞ, previously presented as “Investment in subsidiaries”, that is in liquidation process and had a carrying value of TL 0, were written off in year 2009.

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

Vakıf Enerji ve Madencilik AŞ, Taksim Otelcilik AŞ, Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme AŞ have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, they have been accounted either according to their fair values, if can be reliably set, or according to their costs. Since World Vakıf UBB Ltd. is in liquidation process, the Bank has no longer controlling power over the Company and accordingly the Company has not been consolidated as at 30 June 2010.

Investments in consolidated subsidiaries

	Subsidiary	Address(City / Country)	Bank's Share –If Different Voting Rights (%)	Bank's Risk Group Share (%)
1	Güneş Sigorta AŞ	İstanbul / TÜRKİYE	36.35	36.35
2	Vakıf Emeklilik AŞ	İstanbul / TÜRKİYE	53.90	75.30
3	Vakıf Finans Factoring Hizmetleri AŞ	İstanbul / TÜRKİYE	78.39	86.97
4	Vakıf Finansal Kiralama AŞ	İstanbul / TÜRKİYE	58.71	64.40
5	Vakıf Pazarlama ve Ticaret AŞ	İstanbul / TÜRKİYE	68.55	73.95
6	Vakıf Yatırım Menkul Değerler AŞ	İstanbul / TÜRKİYE	99.00	99.44
7	Vakıfbank International AG	Wien/ AUSTRIA	90.00	90.00
8	Vakıf Portföy Yönetimi AŞ	İstanbul / TÜRKİYE	99.99	99.99

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period's Profit / (Loss)	Prior Period's Profit / (Loss)	Company's Fair Value
1	631,411	178,159	73,042	5,496	-	(40,535)	23	283,194
2	1,080,085	107,282	24,997	8,454	16,000	7,230	8,473	194,500
3	906,514	68,615	540	32,480	-	6,667	6,825	70,000
4	385,500	72,453	3,612	7,528	3	4,625	13,504	102,553
5	50,093	6,026	204	2,514	-	1,360	2,582	0
6	98,031	94,163	439	3,388	73	3,461	2,987	55,298
7	896,458	92,794	1,550	16,438	3,986	3,739	(1,367)	119,661
8	5,286	5,152	12	1	-	730	719	19,621

As per the resolution of the Board of Directors of the Bank on 22 August 2006, it is decided to merge Vakıf Deniz Finansal Kiralama AŞ and Vakıf Finansal Kiralama AŞ. In accordance with the “Regulation on Establishment and Operations of Leasing, Factoring and Finance Companies”, temporary 1st clause and 4th subclause, permission for operations of Vakıf Deniz Finansal Kiralama AŞ was revoked on 25 June 2009. The application for the merge of Vakıf Finansal Kiralama AŞ with Vakıf Deniz Finansal Kiralama AŞ was not approved by Capital Market Board. As a result, activities regarding the merger were stopped. Thereupon, the registered name of Vakıf Deniz Finansal Kiralama AŞ was changed as Vakıf Pazarlama ve Ticaret AŞ on 29 September 2009.

Movement table of consolidated investments in subsidiaries

	Current Period	Prior Period
Balance at the beginning of the period	401,528	333,977
Movements during the period	84,199	67,551
Acquisitions and capital increases	-	-
Bonus shares received	-	4,436
Dividends from current year profit	-	-
Sales and liquidations	-	-
Fair value changes	84,199	63,115
Impairment losses	-	-
Balance at the end of the period	485,727	401,528
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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	Current Period	Prior Period
Measured at cost	-	40,334
Measured at fair value	485,727	361,194
Equity method of accounting	-	-
Total	485,727	401,528

Sectoral distribution of consolidated investments in subsidiaries

	Current Period	Prior Period
Banks	107,695	100,158
Insurance companies	199,458	188,268
Factoring companies	50,368	33,708
Leasing companies	60,209	39,058
Finance companies	-	-
Other financial subsidiaries	67,997	40,336
Total	485,727	401,528

Quoted subsidiaries

	Current Period	Prior Period
Quoted at domestic stock exchanges	163,150	154,104
Quoted at international stock exchanges	-	-
Total	163,150	154,104

Investments in subsidiaries disposed during the period

There is not any subsidiary subject to consolidation disposed in the current period.

Consolidated investments in subsidiaries acquired during the period

There is not any subsidiary subject to consolidation acquired in the current period.

In 2009, Vakıf Finansal Kiralama AŞ, a subsidiary of the Bank, increased its paid-in capital from TL 20,000 to TL 25,000. The share of the Bank amounting to TL 2,936 is presented in the movement table of investments in subsidiaries as bonus shares received.

In 2009, Vakıf Portföy Yönetimi AŞ, a subsidiary of the Bank, increased its paid-in capital from TL 1,500 to TL 3,000. The share of the Bank amounting to TL 1,500 is presented in the movement table of investments in subsidiaries as bonus shares received.

9. Investments in joint-ventures

There is not any investment in joint-ventures of the Group in the current and prior period.

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	87,718	73,270	93,221	76,640
Between 1-4 years	187,147	166,202	172,000	147,528
Longer than 4 years	7,873	7,598	20,168	18,420
Total	282,738	247,070	285,389	242,588

Net investments in finance lease receivables

	Current period	Prior Period
Gross finance lease receivables	282,738	285,389
Unearned income on finance lease receivables (-)	(35,668)	(42,801)
Terminated lease contracts (-)	-	-
Net finance lease receivables	247,070	242,588

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 2010, the Group has investment property amounting to TL 55,618 (31 December 2009: TL 55,452) in total which consists of the net book value amounting to TL 36,450 (31 December 2009: TL 36,763) for the subsidiaries operating in the field of real estate investment sector and the net book value amounting to TL 19,168 (31 December 2009: TL 18,689) for the subsidiaries operating in the insurance business.

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13. Information on deferred tax assets

Items generating deferred tax assets and liabilities are listed below as at 30 June 2010 and 31 December 2009:

	Current period	Prior Period
Provision for employee termination benefits and unused vacations	38,716	38,284
Investment incentives	22,439	21,384
Valuation difference for associates and subsidiaries	18,690	16,453
Reporting Standarts - Tax Code depreciation differences	18,396	18,706
Valuation differences of financial assets and liabilities	11,334	16,491
Other provisions	10,323	21,698
Tax losses carried forward	2,046	3,797
Other differences	7,309	2,567
Deferred tax assets	129,253	139,380
Net-off of the deferred tax assets and liabilities from the same entity	(10,540)	(22,392)
Deferred tax assets, (net)	118,713	116,988
	Current period	Prior Period
Valuation differences of financial assets and liabilities	10,127	17,678
Finance lease corrections	3,279	3,342
Valuation difference for associates and subsidiaries	417	951
Reporting Standarts - Tax Code depreciation differences	121	2,274
Other differences	103	1,931
Deferred tax liabilities	14,047	26,176
Net-off of the deferred tax assets and liabilities from the same entity	(10,540)	(22,392)
Deferred tax liabilities, (net)	3,507	3,784

As further detailed in the accounting policies (see Section Three Note XVIII), temporary Article no. 69, added to Income Tax Law by Law no. 5479, stating that investment incentive calculated in accordance with the legislative provisions effective as at 31 December 2005 could only be deducted from the profits of 2006, 2007 and 2008, has been amended following a decision taken by the Turkish Constitutional Court on 15 October 2009 since the clause restricting the deduction to 2006, 2007 and 2008 ... was in contradiction of Constitutional Law. The Turkish Constitutional Court's decision was published in the 8 January 2010 Official Gazette number 27456. Based on this decision the Group's subsidiary operating in the finance lease business will be able to deduct investment incentives from future taxable profit without any time limitation. Hence, the Group has recognised deferred tax assets amounting to TL 22,439 as at 30 June 2010 (31 December 2009: TL 21,384).

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

As at 30 June 2010, net book value of asset held for sale of the Group is amounting to TL 2,283 (31 December 2009: TL 3,023).

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As at 30 June 2010 and 31 December 2009, other assets are as follows:

	Current period	Prior Period
Receivables from private pension business	601,372	534,122
Prepaid expenses	279,375	256,478
Receivables from insurance operations	248,249	255,634
Receivables from term sale of assets	102,320	125,323
Receivables from credit cards	165,633	113,010
Receivables from derivative financial instruments	46,907	56,006
Deferred acquisition costs	18,866	45,122
Receivables from lawsuit and court expenses	44,317	41,796
Others	96,552	33,477
Total	1,603,591	1,460,968

The Parent Bank recorded specific provision amounting to TL 42,891 (31 December 2009: TL 39,203) for lawsuit and court expenses amounting to TL 44,317 (31 December 2009: TL 41,426) that was undertaken due to non-performing loans and receivables.

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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	1,276,114	-	1,539,278	7,322,944	180,123	18,335	36,979	-	10,373,773
Foreign currency deposits	1,094,034	-	2,446,291	6,865,660	1,301,393	221,971	1,390,621	-	13,319,970
Residents in Turkey	1,058,282	-	2,354,279	6,794,332	1,283,955	97,992	859,057	-	12,447,897
Residents in abroad	35,752	-	92,012	71,328	17,438	123,979	531,564	-	872,073
Public sector deposits	1,907,891	-	1,156,523	3,309,488	187,709	663	4,628	-	6,566,902
Commercial deposits	1,085,386	-	3,387,514	6,503,479	245,706	477	1,302	-	11,223,864
Others	1,590,165	-	763,134	2,724,294	216,195	3,169	10,919	-	5,307,876
Precious metal deposits	-	-	-	-	-	-	-	-	-
Bank deposits	10,966	-	1,804,219	1,055,742	76,346	4	-	-	2,947,277
Central Bank	510	-	-	-	-	-	-	-	510
Domestic banks	1,322	-	1,514,457	626,730	76,346	4	-	-	2,218,859
Foreign banks	7,461	-	289,762	429,012	-	-	-	-	726,235
Participation banks	1,672	-	-	-	-	-	-	-	1,672
Others	1	-	-	-	-	-	-	-	1
Total	6,964,556	-	11,096,959	27,781,607	2,207,472	244,619	1,444,449	-	49,739,662

Prior 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	1,044,253	-	799,491	6,689,074	177,812	21,785	32,249	-	8,764,664
Foreign currency deposits	1,034,270	-	2,286,296	7,606,146	624,510	313,891	1,325,028	-	13,190,141
Residents in Turkey	1,001,988	-	2,227,986	7,478,873	618,457	135,487	784,674	-	12,247,465
Residents in abroad	32,282	-	58,310	127,273	6,053	178,404	540,354	-	942,676
Public sector deposits	1,431,736	-	1,238,093	2,915,113	123,913	249	3,217	-	5,712,321
Commercial deposits	955,588	-	1,938,012	6,568,624	646,249	227	1,315	-	10,110,015
Others	1,439,926	-	800,571	2,696,795	238,527	2,171	11,620	-	5,189,610
Precious metal deposits	-	-	-	-	-	-	-	-	-
Bank deposits	9,372	-	817,312	1,037,591	194,955	56,144	18,742	-	2,134,116
Central Bank	49	-	-	-	-	-	-	-	49
Domestic banks	1,133	-	758,936	497,421	82,411	4	-	-	1,339,905
Foreign banks	4,733	-	58,376	540,170	112,544	56,140	18,742	-	790,705
Participation banks	3,457	-	-	-	-	-	-	-	3,457
Others	-	-	-	-	-	-	-	-	-
Total	5,915,145	-	7,879,775	27,513,343	2,005,966	394,467	1,392,171	-	45,100,867

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	Prior Period	Current Period	Prior Period
Saving deposits	5,144,256	4,726,338	5,229,517	4,038,326
Foreign currency saving deposits	1,363,632	1,397,224	2,655,018	3,006,765
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	6,507,888	6,123,562	7,884,535	7,045,091

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	702	1,715
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	3,491	3,852
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	-	4,808

2. Information on derivative financial liabilities held for trading purpose

Negative differences related to the derivative financial liabilities held for trading purpose

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	388	44	424	882
Swaps	17,669	23,727	8,868	31,367
Futures	-	-	-	-
Options	129	493	257	749
Others	-	-	-	-
Total	18,186	24,264	9,549	32,998

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	169,053	264,709	74,746	314,092
Foreign banks, institutions and funds	68,345	5,230,414	80,442	4,143,947
Total	237,398	5,495,123	155,188	4,458,039

Maturity information of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short-term (*)	236,416	369,647	154,675	1,403,643
Medium and Long term (*)	982	5,125,476	513	3,054,396
Total	237,398	5,495,123	155,188	4,458,039

(*) 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 8.7% (31 December 2009: 7.8%) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

On 24 March 2010, the Bank obtained a syndication loan at the amount of US Dollar 170 million and Euro 566.5 million with interest rates of US Libor + 1.50% and Euribor + 1.50%, with the participation of 33 banks under the coordinatorship of West LB AG.

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

None.

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

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

None.

7. Information on provisions

Information on general provisions

	Current Period	Prior period
Provisions for loans and receivables in Group I	295,298	238,772
Provisions for loans and receivables in Group II	36,975	56,869
Provisions for non-cash loans	29,101	27,151
Others	393	197
Total	361,767	322,989

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

	Current Period	Prior Period
Provision for currency exchange gain/loss on foreign currency indexed loans	1,504	209

The Parent Bank recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 1,504 (31 December 2009: TL 209) and 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 into cash

	Current Period	Prior Period
Non-cash loans with limited collectibility	2,449	1,215
Non-cash loans with doubtful collectibility	3,837	7,646
Uncollectible non-cash loans	92,207	93,868
Total	98,493	102,729

Information on other provisions

The Group does not have general reserves for possible losses.

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Specific provisions for non-cash loans	98,493	102,729
Provision for World Vakıf UBB Ltd with regard to its negative equity	18,740	-
Provisions for lawsuits against the Group	14,704	37,496
Provisions for credit card promotions	7,813	8,246
Other provisions	33,029	48,351
Total	172,779	196,822

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8. Taxation***Current Taxes****Tax provision*

As at 30 June 2010, corporate tax payable of the Group amounts to TL 21,697 (31 December 2009: TL 84,360).

Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	21,697	84,360
Taxation on securities	72,817	44,597
Capital gains tax on property	862	717
Banking and Insurance Transaction Tax (BITT)	21,591	27,729
Taxes on foreign exchange transactions	-	-
Value added tax payable	1,692	1,222
Others	18,792	18,975
Total	137,451	177,600

Information on premiums payable

	Current Period	Prior Period
Social security premiums- employee share	479	723
Social security premiums- employer share	454	637
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	386	335
Unemployment insurance- employer share	767	679
Others	5	9
Total	2,091	2,383

Information on deferred tax liabilities

Disclosed in Note 13 of information and disclosures for the 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 equity

Paid-in capital

	Current Period	Prior Period
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 appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members representing Group (A), one member representing Group (B), and two members representing Group (C); among the nominees shown by the majority of each group, and one member among the nominees offered by the shareholders at the General Assembly are selected. 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 period

There is no share capital increase in the current and prior period.

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following period

None.

Prior 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		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	(1,949)	-	1,510	-
Fair value differences of available-for-sale securities	105,724	114,871	233,910	99,502
Foreign exchange differences	-	-	-	-
Total	103,775	114,871	235,420	99,502

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	Prior Period
Commitments for credit card limits	4,166,179	4,043,910
Loan granting commitments	3,156,553	2,841,941
Asset purchase commitments	703,443	298,677
Commitments for cheque payments	689,608	735,839
Other irrevocable commitments	163,439	4
Share capital commitments to associates and subsidiaries	2,000	2,000
Toplam	8,881,222	7,922,371

Type and amount of possible losses from off-balance sheet items including those referred to below

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

The Bank provided specific provision amounting to TL 98,493 (31 December 2009: TL 102,729) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 108,288 (31 December 2009: TL 106,264).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional letters of guarantee	193,749	186,588
Final letters of guarantee	3,131,754	3,317,010
Letters of guarantee for advances	1,079,389	1,186,749
Letters of guarantee given to custom offices	216,402	161,158
Other letters of guarantee	1,995,945	1,343,675
Total	6,617,239	6,195,180

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	280,991	461,812
With original maturity of 1 year or less	143,657	287,978
With original maturity of more than 1 year	137,334	173,834
Other non-cash loans	8,964,144	8,648,227
Total	9,245,135	9,110,039

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3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	20,417	0.41	111,418	2.62	30,798	0.72	100,974	2.09
Farming and cattle	17,977	0.36	92,016	2.16	25,451	0.60	87,111	1.80
Forestry	2,013	0.04	7,189	0.17	3,995	0.09	-	-
Fishing	427	0.01	12,213	0.29	1,352	0.03	13,863	0.29
Manufacturing	2,119,750	42.49	2,256,282	53.01	1,944,249	45.46	2,190,049	45.30
Mining	21,689	0.43	120,386	2.83	35,457	0.83	129,519	2.68
Production	1,676,225	33.60	1,520,550	35.72	1,614,210	37.74	1,537,794	31.80
Electric, gas and water	421,836	8.46	615,346	14.46	294,582	6.89	522,736	10.82
Construction	674,782	13.53	712,950	16.75	570,644	13.34	851,475	17.62
Services	1,742,550	34.93	534,136	12.55	1,520,561	35.55	943,101	19.53
Wholesale and retail trade	648,881	13.01	222,065	5.22	618,790	14.47	457,975	9.48
Hotel, food and beverage services	44,096	0.88	7,893	0.19	43,000	1.01	10,486	0.22
Transportation and telecommunication	202,680	4.06	275,859	6.48	229,508	5.37	399,433	8.27
Financial institutions	813,681	16.31	13,695	0.32	595,009	13.89	60,754	1.26
Real estate and renting services	1,794	0.04	-	-	2,101	0.05	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	4,610	0.09	147	-	2,398	0.06	-	-
Health and social services	26,808	0.54	14,477	0.34	29,755	0.70	14,453	0.30
Others	431,053	8.64	641,797	15.07	210,964	4.93	747,224	15.46
Total	4,988,552	100.00	4,256,583	100.00	4,277,216	100.00	4,832,823	100.00

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

	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	4,863,625	1,530,484	90,132	29,146
Confirmed bills of exchange and acceptances	825	170,660	-	371
Letters of credit	-	2,399,462	-	39,662
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	95	1,637	-	-
Other guarantees and sureties	-	10,748	-	-
Total Non-Cash Loans	4,864,545	4,112,991	90,132	69,179

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.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	622,639	89,381	842,557	143,423
Medium and long-term loans	1,078,757	176,816	1,103,124	196,211
Loans under follow-up	46,130	-	31,057	-
Premiums received from resource utilization support fund	-	-	-	-
Total	1,747,526	266,197	1,976,738	339,634

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	16,549	1,622	7,024	1,426
Foreign banks	6,913	2,076	1,038	7,909
Foreign head office and branches	-	-	-	-
Total	23,462	3,698	8,062	9,335

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interests received from the associates and subsidiaries	190	26

2. Interest expense*Interest expense on funds borrowed*

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	7,542	37,815	6,374	94,841
Central Bank of Turkey	-	-	-	-
Domestic banks	4,389	2,323	6,374	3,081
Foreign banks	3,153	35,492	-	91,760
Foreign head offices and branches	-	-	-	-
Other institutions	-	1,305	59	-
Total	7,542	39,120	6,433	94,841

Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	10,724	8,785

Interest expense on securities issued

None.

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3. Trading income/losses

	Current Period	Prior Period
Income	1,109,731	1,359,390
Income from capital market transactions	754,822	285,050
Income from derivative financial instruments	48,166	38,734
Foreign exchange gains	306,743	1,035,606
Losses	(974,904)	(1,273,707)
Losses from capital market transactions	(598,178)	(232,258)
Losses from derivative financial instruments	(65,088)	(26,590)
Foreign exchange losses	(311,638)	(1,014,859)
Trading income/losses, net	134,827	85,683

Net loss arising from changes in foreign exchange rate that relate to the Group’s derivative financial instruments based on foreign exchange rate is TL 20,035 as at and for the six-month period ended 30 June 2010 (30 June 2009: net profit of TL 3,049).

4. Other operating income

	Current Period	Prior Period
Earned insurance premiums (net of reinsurance share)	230,108	199,472
Income from reversal of the impairment losses	158,908	42,328
Communication income	37,616	30,718
Gain on sale of assets	13,120	13,946
Income from private pension business	9,750	8,174
Rent income	3,682	4,989
Change in life mathematical provisions	-	3,593
Other income	58,467	18,539
Total	511,651	321,759

5. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	428,636	323,459
<i>Loans and receivables in Group III</i>	39,162	40,644
<i>Loans and receivables in Group IV</i>	205,209	167,014
<i>Loans and receivables in Group V</i>	184,265	115,801
Non-performing commissions and other receivables	-	-
General provision expenses	38,569	32,367
Provision for possible losses	-	-
Impairment losses on securities	4,434	6,748
<i>Trading securities</i>	2	134
<i>Investment securities available-for-sale</i>	4,432	6,614
Other impairment losses	24,367	9,877
<i>Associates</i>	-	-
<i>Subsidiaries</i>	13,930	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	10,437	9,877
Others (*)	55,179	74,864
Total	551,185	447,315

(*) Other provision expenses amounting to TL 55,179 (30 June 2009: TL 74,864) are comprised of provision expenses for dividends to personnel amounting to TL 35,758 (30 June 2009: TL 40,000), provision for non-cash loans that are not indemnified or converted into cash amounting to TL 18,080 (30 June 2009: TL 14,179), and other provision expenses amounting to TL 1,341 (30 June 2009: TL 20,685).

6. Other operating expenses

	Current Period	Prior Period
Personnel costs	374,181	351,112
Reserve for employee termination benefits	9,329	14,984
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	51,395	49,247
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	3,812	2,781
Impairment losses on assets to be disposed	1,694	-
Depreciation expenses on assets to be disposed	5,399	4,210
Impairment losses on assets held for sale	-	-
Other operating expenses	371,287	299,871
<i>Operational lease related expenses</i>	47,050	36,762
<i>Repair and maintenance expenses</i>	11,186	8,727
<i>Advertisement expenses</i>	20,088	20,517
<i>Other expenses</i>	292,963	233,865
Loss on sale of assets	172	560
Others	306,832	303,156
Total	1,124,101	1,025,921

7. Provision for taxes on income

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

In the current period, the Group recorded a tax provision of TL 134,951 (30 June 2009: TL 152,957) 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

	Current Period	Prior Period
Sources of deferred tax benefit/charge		
Arising from origination / (reversal) of deductible temporary differences	(6,723)	20,448
Arising from (origination) / reversal of taxable temporary differences	(1,162)	(504)
Arising from origination / (reversal) of tax losses	-	4,536
Arising from tax rate change	-	-
Total	(7,885)	24,480

8. Net profit and loss

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

None.

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

None.

9. Income/loss related to non-controlling interest

	Current Period	Prior Period
Income/(losses) related to non-controlling interest	(20,726)	10,848

10. Information related to the components of other items in the statement of income 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 period end and income and expenses in the current period

Loans and other receivables of the Parent Bank’s risk group

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 period	-	300,094	-	549	9,587	4,122
Balance at the end of the period	-	272,731	-	528	9,106	1,617
Interest and commission income	190	81	-	-	324	40

Prior 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 period	-	9,098	-	668	8,437	5,881
Balance at the end of the period	-	300,094	-	549	9,587	4,122
Interest and commission income	26	24	-	-	487	67

Information on deposits held by 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	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	456,031	176,458	917,223	977,811	56,210	208,027
Balance at the end of the period	576,517	456,031	977,213	917,223	56,846	56,210
Interest on deposits	10,724	8,785	25,605	54,290	236	390

Information on forward and option agreements and similar 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 regardless of the nature of relationship among the parties***

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

Pricing policy and other conditions of transactions with the risk group of the Bank, are determined and applied on arm’s length basis. The ratio of cash and non-cash loans given to the Bank’s risk group to total cash and non-cash loans are 0.02% (31 December 2009: 0.03%) and 2.97% (31 December 2009: 3.35%), respectively.

Current Period	Amount	Compared With the Financial Statement Amount (%)
Cash loans	9,106	0.02
Non-cash loans	274,876	2.97
Deposits	1,610,576	3.24

Prior Period	Amount	Compared With the Financial Statement Amount (%)
Cash loans	9,587	0.03
Non-cash loans	304,765	3.35
Deposits	1,429,464	3.17

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

- There were monetary losses amounting to TL 379,000 incurred in the 2001 financial year as a result of the inflation accounting applied in compliance with the Temporary article no. 4 added to the Banks Law no. 4389 through the Law no. 4743. The tax returns of 2002, 2003 and 2004 were submitted with a condition stating that such losses should have been deducted and the Bank may appeal to the tax court for the tax return. The Bank appealed to the tax court for the corporate tax return on 22 February 2007. Ankara 5th Tax court decided in favour of the Bank and TL 125,187 was transferred to the Bank’s accounts on 5 September 2007.

“The Law on the Collection of Some of the Public Receivables by Reconciliation” no. 5736 was passed on 20 February 2008 in Parliament and approved on 26 February 2008 by the President of the Turkish Republic. In accordance with this law’s first sub-clause of the third article, the tax authority would not insist on their claims with the banks which consider 65 percent of these losses in the determination of revenues for the year 2001 as previous year losses, and admit to correct taxable income for the subsequent years and declare that they abnegated from all of the courts related to this matter in one month after this law came into effect. As per the 27 March 2008 dated resolution of the Board of Directors, the Bank management has taken no decision for any reconciliations for the point in dispute stated in the first paragraph above.

The related tax administration appealed to a higher court and the appeal was partially accepted by the State Council. Based on the decision of the State Council, the exercise of jurisdiction was renewed by the Ankara 5th Tax Court and the related case was partly revoked and partly declined. Consequently, the Bank has filed an appeal against the decision of the Ankara 5th Tax Court which is still in process at the State Council as at the report date. In accordance with the decision of Ankara 5th Tax Court, the Bank paid TL 20,484 accrued by the tax office on 3 December 2009.

- As per the 28 May 2010 dated resolution of Board of Directors of the Parent Bank, it is decided to assess the opportunities of establishing a bank or opening a branch or a representative office in Iraq Republic and where appropriate to receive relevant approvals to execute opening procedures.
- As per the resolution of 56th Annual General Assembly of the Parent Bank held on 19 March 2010, it is decided to distribute the net profit of year 2009 as follows, and the distribution has been completed in the current period.

Profit Distribution Table of Year 2009	
Current year’s profit of the Parent Bank’s unconsolidated financial statements	1,251,206
Deferred tax income	(20,160)
Net profit of the year subject to distribution	1,231,046
Legal reserves	123,104
<i>First legal reserves</i>	<i>61,552</i>
<i>Reserves allocated, according to banking law and articles of association.</i>	<i>61,552</i>
Net profit of the year subject to distribution	1,107,942
Other reserves	3,895
Extraordinary reserves	983,282
Dividends to the shareholders	120,765

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Interim Financial Report
As at and For the Six-Month Period Ended 30 June 2010
(Thousands of Turkish Lira (“TL”))

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

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

February 2010 (*)	Standard Poors
Foreign Currency Credit Rating	BB/ positive / B
Foreign Currency Deposit Rating	BB / positive / B
National	trAA / -- / trA-1
Continuance Rating	BBB-/--/--

January 2010 (*)	Moody’s Investors’ Service
Financial Strength Rating	D+
Local Currency Deposit Rating	Baa3 / P-3
Local Currency Outlook	Stable
Foreign Currency Deposit Rating	Ba3 / NP
Foreign Currency Outlook	Stable

December 2009 (*)	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	C/D
Support	3
Base Support Rating	BB+

February 2010 (*)	Capital Intelligence
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB-
Support Rating	2
Outlook	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

- According to the “Press release related to reserve requirements” of CBT, dated 29 July 2010 and numbered 2010-41, foreign currency reserve requirement rate for banks is increased by 0.5 point from 9.5% to 10%.
- 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.

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

None.

SECTION SEVEN

Independent Auditors’ Review Report

I. 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 2010, 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 26 August 2010 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 2010.