

*(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 2011

With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ
25 August 2011

*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 2011 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 2011, which statements reflect total assets constituting 1.50 percent; and total operating income constituting 1.08 percent as at and for the six-month period ended 30 June 2011 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 2011, 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,
25 August 2011

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 2011**

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The consolidated interim financial report as at and for the six-month period ended 30 June 2011, 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 2011 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 as at and for the six-month period ended 30 June 2011 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.

25 August 2011

Ahmet CANDAN
Deputy Chairman of
Board of Directors

Serdar TUNÇBİLEK
Board Member and
Audit Committee Member

Halim KANATCI
Board Member and
Audit Committee Member

Süleyman KALKAN
General Manager and
Board Member

Metin Recep ZAFER
Assistant General Manager

Murat KOYGUN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

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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 2011

(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 2011 and 31 December 2010, the Bank’s paid-in capital is TL 2,500,000 divided into 250.000.000.000 shares with each has a nominal value of 1 Kuruş.

The Bank’s shareholders’ structure as at 30 June 2011 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)	386.224.785	386,225	15.45
Other appendant foundations (Group B)	3.162.359	3,162	0.13
Other registered foundations (Group B)	1.448.543	1,448	0.06
Other real persons and legal entities (Group C)	1.563.813	1,564	0.06
Publicly traded (Group D)	629.989.194	629,989	25.20
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 2011

(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>				
Ahmet CANDAN	Deputy Chairman	19 March 2010	University	24 years
Süleyman KALKAN	Member – General Manager	19 March 2010	University	28 years
Serdar TUNÇBİLEK	Member	24 July 2007	University	28 years
Dr. Adnan ERTEM	Member	27 October 2010	PHD	23 years
İsmail ALPTEKİN	Member	6 April 2009	University	13 years
Ramazan GÜNDÜZ	Member	6 April 2009	University	33 years
Halim KANATÇI	Member	28 April 2009	University	38 years
Selahattin TORAMAN	Member	19 March 2010	University	34 years
<u>Audit Committee</u>				
Halim KANATÇI	Member	5 November 2010	University	38 years
Serdar TUNÇBİLEK	Member	1 April 2010	University	28 years
<u>Auditors</u>				
Mehmet HALTAŞ	Auditor	19 March 2010	University	34 years
Yunus ARINCI	Auditor	19 March 2010	Master	14 years
<u>Assistant General Managers</u>				
Mehmet CANTEKİN (Senior Assistant Manager)	Loans Follow-up, Directorates of the Regions	28 December 2007	Master	19 years
Şahin UĞUR	Support Services	9 August 2004	University	25 years
Feyzi ÖZCAN	Retail Banking, Retail Loans, Corporate Salary Payments and Credit Cards, Member Store Operations	20 September 2005	University	22 years
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Alternative Distribution Channels	13 June 2006	PHD	15 years
Birgül DENLİ	International Relations and Investor Relations	15 June 2006	Master	17 years
Ömer ELMAS	Legal Services	5 January 2009	Master	9 years
Remzi ALTINOK	Commercial Loans, Intelligence	7 May 2010	University	19 years
İbrahim BİLGİÇ	Corporate Banking, Corporate Centers, Corporate Loans	7 May 2010	University	19 years
Hasan ECESoy	Treasury, Investment Banking	18 June 2010	PHD	17 years
Serdar SATOĞLU	Private Banking, Associations	17 June 2010	PHD	15 years
Ali Engin EROĞLU	Software Development, Systems Management, IT Businesses and Support, IT Services Planning, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate	18 August 2010	Master	15 years
Osman DEMREN	Commercial Banking, Cash Management Affairs, SME Banking	6 April 2011	University	15 years
Mitat ŞAHİN	Human Resources, Planning and Performance	11 April 2011	Master	20 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 2011

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

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.

As per the 23 March 2011 dated resolution of the Board of Directors, Osman Demren has been appointed as Assistant General Manager responsible for Commercial Banking and Cash Management Operations, and has come into office on 6 April 2011.

As per the 23 March 2011 dated resolution of the Board of Directors, Mitat Şahin has been appointed as Assistant General Manager responsible for Human Resources, Planning and Performance, and has come into office on 11 April 2011.

IV. Information on the Parent Bank’s qualified shareholders

The shareholder holding control over the Parent Bank is The General Directorate of the Foundations having 43.00% of the Bank’s outstanding shares. Another organization holding qualified share in the Parent Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (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 2011, the Parent Bank has 668 domestic, 3 foreign, in total 671 branches (31 December 2010: 634 domestic, 2 foreign, in total 636 branches). As at 30 June 2011, the Parent Bank has 12,446 employees (31 December 2010: 11,077 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 2011

(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

	Notes	Reviewed Current Period 30 June 2011			Audited Prior Period 31 December 2010		
		TL	FC	Total	TL	FC	Total
ASSETS							
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	7,636,739	2,504,832	10,141,571	2,609,792	2,041,241	4,651,033
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	146,258	48,697	194,955	181,921	36,140	218,061
2.1 Financial assets held for trading purpose		146,258	48,697	194,955	181,921	36,140	218,061
2.1.1 Debt securities issued by the governments		125,182	12,976	138,158	176,801	12,489	189,290
2.1.2 Equity securities		89	-	89	79	-	79
2.1.3 Derivative financial assets held for trading purpose		2,865	35,721	38,586	1,343	23,651	24,994
2.1.4 Other securities		18,122	-	18,122	3,698	-	3,698
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	501,907	1,983,066	2,484,973	944,049	1,226,835	2,170,884
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		2,622	-	2,622	2,101,584	-	2,101,584
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		2,621	-	2,621	-	-	-
4.3 Receivables from reverse repurchase agreements		1	-	1	2,101,584	-	2,101,584
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	11,430,715	2,664,619	14,095,334	11,258,914	2,655,333	13,914,247
5.1 Equity securities		-	12,939	12,939	-	12,295	12,295
5.2 Debt securities issued by the governments		11,429,813	2,510,018	13,939,831	11,258,009	2,534,145	13,792,154
5.3 Other securities		902	141,662	142,564	905	108,893	109,798
VI. LOANS AND RECEIVABLES	V-I-5	36,223,443	16,925,386	53,148,829	30,864,839	13,751,403	44,616,242
6.1 Performing loans and receivables		36,215,736	16,922,615	53,138,351	30,840,214	13,748,757	44,588,971
6.1.1 Loans provided to the same risk group	V-V-1	1,003	6,687	7,690	1,141	7,837	8,978
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		36,214,733	16,915,928	53,130,661	30,839,073	13,740,920	44,579,993
6.2 Loans under follow-up		2,198,621	14,662	2,213,283	2,328,805	14,172	2,342,977
6.3 Specific provisions (-)		2,190,914	11,891	2,202,805	2,304,180	11,526	2,315,706
VII. FACTORING RECEIVABLES		693,794	26,772	720,566	450,170	15,203	465,373
VIII. HELD-TO-MATURITY INVESTMENTS (Net)	V-I-6	2,922,126	1,413,846	4,335,972	2,911,012	1,451,233	4,362,245
8.1 Debt securities issued by the governments		2,922,126	1,381,438	4,303,564	2,911,012	1,412,065	4,323,077
8.2 Other securities		-	32,408	32,408	-	39,168	39,168
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	162,438	3	162,441	157,313	3	157,316
9.1 Associates, consolidated per equity method		131,137	-	131,137	127,072	-	127,072
9.2 Unconsolidated associates		31,301	3	31,304	30,241	3	30,244
9.2.1 Financial associates		16,775	-	16,775	15,786	-	15,786
9.2.2 Non-Financial associates		14,526	3	14,529	14,455	3	14,458
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	143,365	-	143,365	147,436	-	147,436
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		143,365	-	143,365	147,436	-	147,436
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	54,301	342,921	397,222	39,318	261,662	300,980
12.1 Finance lease receivables		64,428	378,148	442,576	46,857	291,966	338,823
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		10,127	35,227	45,354	7,539	30,304	37,843
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)		1,193,713	3,944	1,197,657	1,190,467	3,251	1,193,718
XV. INTANGIBLE ASSETS (Net)		70,357	31	70,388	57,225	28	57,253
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		70,357	31	70,388	57,225	28	57,253
XVI. INVESTMENT PROPERTIES (Net)	V-I-12	159,087	-	159,087	53,659	-	53,659
XVII. TAX ASSETS		157,765	289	158,054	136,003	-	136,003
17.1 Current tax assets		227	-	227	4,860	-	4,860
17.2 Deferred tax assets		157,538	289	157,827	131,143	-	131,143
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-14	3,899	-	3,899	1,446	-	1,446
18.1 Assets held for sale		3,899	-	3,899	1,446	-	1,446
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-15	2,322,599	189,226	2,511,825	2,142,427	144,995	2,287,422
TOTAL ASSETS		63,825,128	26,103,632	89,928,760	55,247,575	21,587,327	76,834,902

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 2011

(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 2011			Audited Prior Period 31 December 2010		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	39,756,634	14,204,040	53,960,674	35,040,273	13,012,495	48,052,768
1.1	Deposits of the same risk group	V-V-1	1,318,849	65,997	1,384,846	993,748	54,475	1,048,223
1.2	Other deposits		38,437,785	14,138,043	52,575,828	34,046,525	12,958,020	47,004,545
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	65,081	25,732	90,813	21,237	82,130	103,367
III.	FUNDS BORROWED	V-II-3	351,592	7,960,706	8,312,298	224,266	6,462,736	6,687,002
IV.	INTERBANK MONEY MARKET		9,835,573	2,932,846	12,768,419	6,146,833	2,097,415	8,244,248
4.1	Interbank Money Market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		60,399	-	60,399	30,616	-	30,616
4.3	Obligations under repurchase agreements		9,775,174	2,932,846	12,708,020	6,116,217	2,097,415	8,213,632
V.	SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	FUNDS		54,561	-	54,561	61,203	-	61,203
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		54,561	-	54,561	61,203	-	61,203
VII.	MISCELLANEOUS PAYABLES		2,594,497	126,650	2,721,147	2,070,811	149,882	2,220,693
VIII.	OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	226,297	298,357	524,654	163,586	375,212	538,798
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	V-II-5	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	V-II-7	2,066,506	96,947	2,163,453	2,026,935	108,381	2,135,316
12.1	General provisions		530,671	4,296	534,967	424,374	3,502	427,876
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		329,478	612	330,090	353,198	898	354,096
12.4	Insurance technical provisions		1,008,982	68,356	1,077,338	1,047,068	82,507	1,129,575
12.5	Other provisions	V-II-7	197,375	23,683	221,058	202,295	21,474	223,769
XIII.	TAX LIABILITIES	V-II-8	212,904	4,633	217,537	208,341	4,083	212,424
13.1	Current tax liabilities		209,643	4,633	214,276	204,993	3,941	208,934
13.2	Deferred tax liabilities	V-I-13	3,261	-	3,261	3,348	142	3,490
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		8,831,895	283,309	9,115,204	8,286,879	292,204	8,579,083
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		727,673	150,047	877,720	846,672	187,884	1,034,556
16.2.1	Share premium		726,722	-	726,722	726,722	-	726,722
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities		-	-	-	-	-	-
16.2.4	Revaluation surplus on tangible assets	V-II-11	(14,694)	150,047	135,353	113,366	187,884	301,250
16.2.5	Revaluation surplus on intangible assets		14,010	-	14,010	5,033	-	5,033
16.2.6	Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-
16.2.8	Hedging reserves (effective portion)		1,635	-	1,635	1,551	-	1,551
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		4,672,521	74,524	4,747,045	3,542,070	54,760	3,596,830
16.3.1	Legal reserves		623,981	3,266	627,247	504,005	2,549	506,554
16.3.2	Status reserves		3,980	-	3,980	3,094	-	3,094
16.3.3	Extraordinary reserves		3,786,084	4,593	3,790,677	2,789,810	4,593	2,794,403
16.3.4	Other profit reserves		258,476	66,665	325,141	245,161	47,618	292,779
16.4	Profit or loss		666,710	39,037	705,747	1,172,344	32,563	1,204,907
16.4.1	Prior years' profit/loss		(2,134)	32,581	30,447	16,005	24,605	40,610
16.4.2	Current period's profit/loss		668,844	6,456	675,300	1,156,339	7,958	1,164,297
16.5	Non-controlling interest		264,991	19,701	284,692	225,793	16,997	242,790
TOTAL LIABILITIES AND EQUITY			63,995,540	25,933,220	89,928,760	54,250,364	22,584,538	76,834,902

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 2011

(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

		Reviewed Current Period 30 June 2011			Audited Prior Period 31 December 2010			
		Notes	TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		23,051,603	11,863,585	34,915,188	19,634,089	9,286,071	28,920,160
I.	GUARANTEES AND SURETIES		7,352,545	5,087,696	12,440,241	6,477,511	4,882,317	11,359,828
1.1	Letters of guarantee	V-III-1	7,268,296	1,831,086	9,099,382	6,450,635	1,776,292	8,226,927
1.1.1	Guarantees subject to State Tender Law		1,080,888	427,238	1,508,126	1,001,341	407,089	1,408,430
1.1.2	Guarantees given for foreign trade operations		221,456	-	221,456	215,578	-	215,578
1.1.3	Other letters of guarantee		5,965,952	1,403,848	7,369,800	5,233,716	1,369,203	6,602,919
1.2	Bank acceptances		12,530	162,908	175,438	8,587	188,036	196,623
1.2.1	Import letter of acceptance		-	38,174	38,174	-	27,800	27,800
1.2.2	Other bank acceptances		12,530	124,734	137,264	8,587	160,236	168,823
1.3	Letters of credit		-	3,083,559	3,083,559	3,750	2,908,250	2,912,000
1.3.1	Documentary letters of credit		-	3,083,559	3,083,559	3,750	2,908,250	2,912,000
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Guaranteed pre-financings		-	5,982	5,982	-	6,823	6,823
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		71,719	2,812	74,531	14,539	2,143	16,682
1.8	Other guarantees		-	1,155	1,155	-	773	773
1.9	Other sureties		-	194	194	-	-	-
II.	COMMITMENTS		11,520,600	1,098,041	12,618,641	9,854,827	652,056	10,506,883
2.1	Irrevocable commitments		10,185,399	1,098,041	11,283,440	9,854,682	652,056	10,506,738
2.1.1	Asset purchase/sale commitments	V-III-1	446,746	769,321	1,216,067	412,537	492,288	904,825
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	3,912,560	43,664	3,956,224	3,679,208	19,140	3,698,348
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	800,896	-	800,896	655,194	-	655,194
2.1.8	Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9	Commitments for credit card limits	V-III-1	4,629,875	-	4,629,875	4,880,798	-	4,880,798
2.1.10	Commitments for credit card and banking operations promotions		283,581	-	283,581	201,107	-	201,107
2.1.11	Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12	Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		109,741	285,056	394,797	23,838	140,628	164,466
2.2	Revocable commitments		1,335,201	-	1,335,201	145	-	145
2.2.1	Revocable loan granting commitments		1,335,201	-	1,335,201	145	-	145
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		4,178,458	5,677,848	9,856,306	3,301,751	3,751,698	7,053,449
3.1	Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1	Fair value hedges		-	-	-	-	-	-
3.1.2	Cash flow hedges		-	-	-	-	-	-
3.1.3	Net foreign investment hedges		-	-	-	-	-	-
3.2	Trading derivatives		4,178,458	5,677,848	9,856,306	3,301,751	3,751,698	7,053,449
3.2.1	Forward foreign currency purchases/sales		228,308	307,248	535,556	39,955	64,916	104,871
3.2.1.1	Forward foreign currency purchases		114,182	153,627	267,809	19,983	32,459	52,442
3.2.2.2	Forward foreign currency sales		114,126	153,621	267,747	19,972	32,457	52,429
3.2.2	Currency and interest rate swaps		3,777,438	4,842,366	8,619,804	3,135,142	3,557,743	6,692,885
3.2.2.1	Currency swaps-purchases		2,445,270	1,395,500	3,840,770	1,319,674	1,772,455	3,092,129
3.2.2.2	Currency swaps-sales		1,092,168	2,670,428	3,762,596	1,575,468	1,489,384	3,064,852
3.2.2.3	Interest rate swaps-purchases		120,000	395,120	515,120	120,000	154,367	274,367
3.2.2.4	Interest rate swaps-sales		120,000	381,318	501,318	120,000	141,537	261,537
3.2.3	Currency, interest rate and security options		172,712	204,234	376,946	126,654	129,039	255,693
3.2.3.1	Currency call options		86,356	102,116	188,472	63,327	64,518	127,845
3.2.3.2	Currency put options		86,356	102,116	188,472	63,327	64,519	127,846
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		-	324,000	324,000	-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		201,478,864	31,893,699	233,372,563	89,266,330	26,456,146	115,722,476
IV.	ITEMS HELD IN CUSTODY		122,627,720	1,010,195	123,637,915	21,004,663	722,012	21,726,675
4.1	Customers' securities held		552,719	15,758	568,477	490,862	15,028	505,890
4.2	Investment securities held in custody		118,846,955	7,079	118,854,034	18,033,907	6,752	18,040,659
4.3	Checks received for collection		2,282,580	368,744	2,651,324	1,532,918	265,691	1,798,609
4.4	Commercial notes received for collection		483,517	116,746	600,263	407,287	128,834	536,121
4.5	Other assets received for collection		2,152	65	2,217	2,152	62	2,214
4.6	Assets received through public offering		-	4,804	4,804	-	4,860	4,860
4.7	Other items under custody		89,848	282,426	372,274	302,245	125,066	427,311
4.8	Custodians		369,949	214,573	584,522	235,292	175,719	411,011
V.	PLEDGED ITEMS		78,851,144	30,883,504	109,734,648	68,261,667	25,734,134	93,995,801
5.1	Securities		1,009,282	55,986	1,065,268	838,790	61,103	899,893
5.2	Guarantee notes		274,096	107,517	381,613	266,934	110,761	377,695
5.3	Commodities		11,598,746	339,421	11,938,167	10,550,064	105,548	10,655,612
5.4	Warranties		-	-	-	-	-	-
5.5	Real estates		60,696,689	24,809,860	85,506,549	51,609,715	21,778,197	73,387,912
5.6	Other pledged items		4,516,477	5,303,399	9,819,876	4,235,061	3,497,190	7,732,251
5.7	Pledged items-depository		755,854	267,321	1,023,175	761,103	181,335	942,438
VI.	CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)			224,530,467	43,757,284	268,287,751	108,900,419	35,742,217	144,642,636

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 2011
(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

	Notes	Reviewed Current Period 1 January 2011- 30 June 2011	Reviewed Prior Period 1 January 2010- 30 June 2010	Reviewed Current Period 1 April 2011- 30 June 2011	Reviewed Prior Period 1 April 2010- 30 June 2010
I. INTEREST INCOME		3,041,158	3,061,941	1,561,643	1,520,420
1.1 Interest income from loans	V-IV-1	2,217,775	2,013,723	1,163,214	1,005,028
1.2 Interest income from reserve deposits		-	43,220	-	22,742
1.3 Interest income from banks	V-IV-1	30,532	27,160	13,369	12,811
1.4 Interest income from money market transactions		3,560	51,026	1,476	17,829
1.5 Interest income from securities portfolio		714,406	858,248	354,867	433,226
1.5.1 Trading financial assets		19,381	17,877	3,224	7,823
1.5.2 Financial assets designated at fair value through profit or loss		-	-	-	-
1.5.3 Available-for-sale financial assets		496,541	664,928	247,848	331,719
1.5.4 Held-to-maturity investments		198,484	175,443	103,795	93,684
1.6 Finance lease income		12,264	11,484	6,603	5,427
1.7 Other interest income		62,621	57,080	22,114	23,357
II. INTEREST EXPENSE		1,606,624	1,614,308	870,720	812,737
2.1 Interest expense on deposits		1,283,062	1,326,666	697,217	674,916
2.2 Interest expense on funds borrowed	V-IV-2	75,018	46,662	41,479	27,270
2.3 Interest expense on money market transactions		221,348	202,965	128,058	102,843
2.4 Interest expense on securities issued		-	-	-	-
2.5 Other interest expenses		27,196	38,015	3,966	7,708
III. NET INTEREST INCOME (I – II)		1,434,534	1,447,633	690,923	707,683
IV. NET FEES AND COMMISSIONS INCOME		270,099	216,162	153,447	113,028
4.1 Fees and commissions received		355,475	261,405	205,072	134,838
4.1.1 Non-cash loans		30,563	31,454	14,942	15,472
4.1.2 Others		324,912	229,951	190,130	119,366
4.2 Fees and commissions paid		85,376	45,243	51,625	21,810
4.2.1 Non-cash loans		36	159	(66)	34
4.2.2 Others		85,340	45,084	51,691	21,776
V. DIVIDEND INCOME		4,795	3,433	205	559
VI. TRADING INCOME/LOSSES (Net)	V-IV-3	47,917	134,827	6,758	81,222
6.1 Trading account income/losses	V-IV-3	29,542	156,644	6,127	118,496
6.2 Income/losses from derivative financial instruments	V-IV-3	21,437	(16,922)	10,853	(19,222)
6.3 Foreign exchange gains/losses	V-IV-3	(3,062)	(4,895)	(10,222)	(18,052)
VII. OTHER OPERATING INCOME	V-IV-4	769,812	511,651	364,595	277,006
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		2,527,157	2,313,706	1,215,928	1,179,498
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5	432,859	551,185	226,681	338,508
X. OTHER OPERATING EXPENSES (-)	V-IV-6	1,231,532	1,124,101	597,479	563,865
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		862,766	638,420	391,768	277,125
XII. INCOME RESULTED FROM MERGERS		-	-	-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		9,867	11,139	5,106	5,787
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		872,633	649,559	396,874	282,912
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-7	(163,678)	(142,836)	(67,111)	(64,132)
16.1 Current tax charges	V-IV-7	(181,423)	(134,951)	(100,690)	(55,231)
16.2 Deferred tax credits	V-IV-7	17,745	(7,885)	33,579	(8,901)
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)	V-IV-8	708,955	506,723	329,763	218,780
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1 Income from investment properties		-	-	-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-	-	-
18.3 Other income from discontinued activities		-	-	-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS		-	-	-	-
19.1 Investment property expenses		-	-	-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-	-	-
19.3 Other expenses from discontinued activities		-	-	-	-
XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES		-	-	-	-
XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES		-	-	-	-
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge		-	-	-	-
XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS		-	-	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	V-IV-8	708,955	506,723	329,763	218,780
23.1. Equity holders of the Bank		675,300	527,449	280,566	230,658
23.2. Non-controlling interest	V-IV-9	33,655	(20,726)	49,197	(11,878)
Earnings per Share (full TL)		0.2836	0.2027	0.1319	0.0875

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 2011

(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*

	Reviewed Current Period 1 January 2011- 30 June 2011	Reviewed Prior Period 1 January 2010- 30 June 2010	Reviewed Current Period 1 April 2011- 30 June 2011	Reviewed Prior Period 1 April 2010- 30 June 2010
GAINS AND LOSSES RECOGNIZED IN EQUITY				
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	(191,031)	(147,395)	(40,908)	(179,223)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-	(18,177)	-	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-	-	-
IV. CURRENCY TRANSLATION DIFFERENCES	21,162	(10,886)	12,605	(6,721)
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	(572)	15,889	(1,558)	17,109
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	34,569	34,417	10,643	42,718
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	(135,872)	(126,152)	(19,218)	(126,117)
XI. CURRENT PERIOD'S PROFIT/(LOSS)	708,955	506,723	329,763	218,780
11.1 Change in fair value of securities (transfers to the statement of income)	87,240	(10,189)	25,498	(41,049)
11.2 Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges	-	-	-	-
11.3 Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges	-	-	-	-
11.4 Others	621,715	516,912	304,265	259,829
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	573,083	380,571	310,545	92,663

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 2011
(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 Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period 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 Disc. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity	
I. Prior Period – 30 June 2010																				
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	
Changes during the period																				
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Associates, Subsidiaries and "Available-for-sale" securities		-	-	-	-	-	-	-	-	-	-	(115,882)	-	-	-	-	(115,882)	13,417	(102,465)	
IV. Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	(14,283)	-	-	-	(14,283)	(6,271)	(20,554)	
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation differences		-	-	-	-	-	-	-	(9,743)	-	-	-	-	-	-	-	(9,743)	(1,143)	(10,886)	
IX. Changes resulted from disposal of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from reclassifications of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on the Bank's equity		-	-	31	-	-	-	-	-	11,139	-	(394)	2,377	-	-	-	13,153	5,770	18,923	
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,573	4,573
XVII. Current period's net profit/loss		-	-	-	-	-	-	-	-	516,310	-	-	-	-	-	-	-	-	-	-
XVIII. Profit distribution		-	-	-	-	124,993	733	1,015,280	19,091	(1,294,741)	9,984	-	3,895	-	-	-	516,310	(20,726)	495,584	
18.1 Dividends		-	-	-	-	-	-	-	-	(120,765)	-	-	-	-	-	-	(120,765)	(329)	(121,094)	
18.2 Transferred to reserves		-	-	-	-	124,993	733	1,015,280	19,091	(1,173,976)	9,984	-	3,895	-	-	-	-	-	-	
18.3 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	
I. Current Period – 30 June 2011																				
Balances at the beginning of the period		2,500,000	-	726,722	-	506,554	3,094	2,794,403	292,779	1,164,297	40,610	301,250	5,033	1,551	-	-	8,336,293	242,790	8,579,083	
Changes during the period																				
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Associates, Subsidiaries and "Available-for-sale" securities		-	-	-	-	-	-	-	-	-	-	(164,606)	-	-	-	-	(164,606)	9,161	(155,445)	
IV. Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	84	-	-	84	(47)	37	
VIII. Translation differences		-	-	-	-	-	-	-	19,046	-	-	-	-	-	-	-	19,046	2,116	21,162	
IX. Changes resulted from disposal of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from reclassifications of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on the Bank's equity		-	-	-	-	-	-	-	-	9,867	-	(1,291)	-	-	-	-	8,576	(335)	8,241	
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,508)	(2,508)	
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,508)	(2,508)
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current period's net profit/loss		-	-	-	-	-	-	-	-	665,433	-	-	-	-	-	-	665,433	33,655	699,088	
XVIII. Profit distribution		-	-	-	-	120,693	886	996,274	13,316	(1,164,297)	(10,163)	-	8,977	-	-	-	(34,314)	(65)	(34,379)	
18.1 Dividends		-	-	-	-	-	-	-	-	(34,314)	-	-	-	-	-	-	(34,314)	(65)	(34,379)	
18.2 Transferred to reserves		-	-	-	-	120,693	886	996,274	13,316	(1,129,983)	(10,163)	-	8,977	-	-	-	-	-	-	
18.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at the end of the period		2,500,000	-	726,722	-	627,247	3,980	3,790,677	325,141	675,300	30,447	135,353	14,010	1,635	-	-	8,830,512	284,692	9,115,204	

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 2011
(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*

	Reviewed Current Period 30 June 2011	Reviewed Prior Period 30 June 2010
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	622,526	1,265,064
1.1.1 Interests received	3,005,548	3,115,466
1.1.2 Interests paid	(1,541,552)	(1,657,098)
1.1.3 Dividends received	4248	3,433
1.1.4 Fee and commissions received	270,099	216,297
1.1.5 Other income	384,415	345,751
1.1.6 Collections from previously written-off loans and other receivables	123,559	272,909
1.1.7 Payments to personnel and service suppliers	(1,271,983)	(1,066,862)
1.1.8 Taxes paid	(167,739)	(170,242)
1.1.9 Others	(184,069)	205,410
1.2 Changes in operating assets and liabilities	2,828,859	179,123
1.2.1 Net (increase) decrease in financial assets held for trading purpose	17,935	107,071
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	(534,443)	(374,221)
1.2.4 Net (increase) decrease in loans	(8,884,195)	(5,593,323)
1.2.5 Net (increase) decrease in other assets	(218,526)	(162,946)
1.2.6 Net increase (decrease) in bank deposits	752,869	814,597
1.2.7 Net increase (decrease) in other deposits	5,097,115	3,790,927
1.2.8 Net increase (decrease) in funds borrowed	1,613,549	1,113,558
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	4,984,555	483,460
I. Net cash flow from banking operations	3,451,385	1,444,187
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	(240,566)	(1,156,350)
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	(225,817)	(33,075)
2.4 Proceeds from disposal of tangible assets	178,803	22,349
2.5 Cash paid for purchase of available-for-sale financial assets	(3,223,020)	(7,966,094)
2.6 Proceeds from disposal of available-for-sale financial assets	1,515,415	6,426,602
2.7 Cash paid for purchase of held-to-maturity investments	(62,778)	(75,360)
2.8 Proceeds from expiration of held-to-maturity investments	1,582,906	477,007
2.9 Others	(6,075)	(7,779)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	(34,379)	(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	(34,379)	(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	(2,546)	(3,697)
V. Net (decrease)/increase in cash and cash equivalents	3,173,894	163,046
VI. Cash and cash equivalents at the beginning of the period	7,148,088	8,747,303
VII. Cash and cash equivalents at the end of the period	10,321,982	8,910,349

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 unconsolidated investments in associates and subsidiaries whose fair value can be reliably measured.

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 2011
(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 accounted for as “foreign currency differences arising from associates, subsidiaries, and joint ventures” sub account under “other reserves” presented in the equity.

III. Information on companies subject to consolidation

As at and for the six-month period ended 30 June 2011, 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 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 2011 and 31 December 2010, but its equity until the liquidation decision date has been 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 2011

(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 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. Purchase and sale transactions of securities are accounted at settlement dates.

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

Financial assets at fair value through profit or loss

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

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

Held to maturity investments are the financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables. Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any.

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.

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

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

VIII. Information on impairment of financial assets

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

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

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

IX. Information on netting of financial instruments

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

X. Information on repurchase and resale agreements and securities lending

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

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

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

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

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

XII. Information on goodwill and other intangible assets

The Group’s intangible assets consist of software.

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

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

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

XIII. Information on tangible assets

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

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

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

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

Depreciation rates and estimated useful lives are:

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

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

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

XIV. Information on investment properties

Investment property is a property held either to earn rental income or for capital appreciation or for both. The Group holds investment property 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 2011 is TL 2,623 (full TL) (31 December 2010: TL 2,517).

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 2011 and 31 December 2010, the major statistical assumptions used by the Parent Bank are as follows:

	Current Period	Prior Period
Discount rate	%4.66	%4.66
Expected rate of salary/limit increase	%5.10	%5.10
Estimated employee turnover rate	%1.13	%1.13

Other benefits to employees

The Group has recorded provision in accordance with *TAS 19*, for other undiscounted employee benefits earned during the financial period for services rendered in the consolidated financial statements.

Pension fund

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

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

Following the publication of the ruling, the Turkish Parliament started to work on new legal arrangements and the Social Security Law no. 5754 (“the Law”) has been approved on 17 April 2008. The Law is enacted by the approval of the President of Turkey and issued on the 8 May 2008 dated and 26870 numbered Official Gazette. In accordance with the temporary article no. 20 of the Article no. 73 of the Law;

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

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

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

At 19 June 2008, Cumhuriyet Halk Partisi, appealed to the Supreme Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. The application has been refused in accordance with the decision taken in 30 March 2011 dated meeting of the Supreme Court.

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 2011 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 measured at amortized cost using effective interest method subsequent to initial recognition.

As at 30 June 2011 and 31 December 2010, 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 2011 and 31 December 2010, the Group does not have any government incentives.

XXIII. Information on segment reporting

Operational segments are determined based on 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 2011, earning per share is TL 0.2836 (30 June 2010 : TL 0.2027).

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.

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 2011
(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*

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

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

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

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

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

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

Individual pension business

Individual pension system receivables presented under ‘other assets’ in the accompanying consolidated financial statements consists of ‘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 13.64% (The Parent Bank: 14.00%).

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, non-cash loans, and liabilities. 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

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Information related to the consolidated capital adequacy ratio

	Parent Bank’s Risk Weights – 30 June 2011							Consolidated – Group’s Risk Weights – 30 June 2011						
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
Balance Sheet Items (Net)	15,173,352	-	1,612,863	15,943,377	38,983,981	145,695	263,158	16,251,373	-	2,361,064	16,018,862	40,184,734	145,695	263,158
Cash on hand	720,726	-	2	-	-	-	-	726,113	-	50	-	-	-	-
Securities in redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	7,565,002	-	-	-	-	-	-	7,565,002	-	-	-	-	-	-
Domestic and foreign banks, foreign head offices and branches	389,835	-	1,271,605	-	225,921	-	-	408,602	-	1,652,116	-	413,997	-	-
Interbank money market placements	-	-	-	-	-	-	-	2,621	-	-	-	-	-	-
Receivables from reverse repurchase agreements	-	-	-	-	-	-	-	1	-	-	-	-	-	-
Reserve deposits	1,850,406	-	-	-	-	-	-	1,850,406	-	-	-	-	-	-
Loans	246,185	-	272,014	15,812,263	35,602,128	145,695	263,158	256,016	-	479,616	15,845,486	35,715,389	145,695	263,158
Loans under follow-up (Net)	-	-	-	-	7,707	-	-	-	-	-	-	10,478	-	-
Lease Receivables	-	-	-	-	-	-	-	3,250	-	-	41,745	349,996	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Held-to-maturity investments	4,185,475	-	32,400	-	-	-	-	4,194,841	-	32,400	-	-	-	-
Receivables from term sale of assets	-	-	-	-	104,630	-	-	-	-	-	-	104,630	-	-
Miscellaneous receivables	2,570	-	30,648	-	523,985	-	-	968,569	-	184,444	-	744,385	-	-
Accrued interests and income	110,887	-	6,194	131,114	299,172	-	-	111,235	-	12,438	131,631	324,573	-	-
Investments in associates, subsidiaries and joint-ventures (Net)	-	-	-	-	914,428	-	-	-	-	-	-	174,447	-	-
Tangible assets (Net)	-	-	-	-	902,216	-	-	-	-	-	-	1,144,121	-	-
Other assets	102,266	-	-	-	403,794	-	-	164,717	-	-	-	1,202,718	-	-
Off-Balance Sheet Items	177,306	-	573,186	492,177	7,805,098	-	-	177,306	-	575,535	492,177	8,007,052	-	-
Non-cash loans and commitments	177,306	-	360,612	492,177	7,798,833	-	-	177,306	-	360,612	492,177	8,000,787	-	-
Derivative financial instruments	-	-	212,574	-	6,265	-	-	-	-	214,923	-	6,265	-	-
Non risk-weighted accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Risk-Weighted Assets	15,350,658	-	2,186,049	16,435,554	46,789,079	145,695	263,158	16,428,679	-	2,936,599	16,511,039	48,191,786	145,695	263,158

Summary information related to capital adequacy ratio

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Value at Credit Risk (VaCR)	56,188,924	48,608,735	57,779,484	49,842,490
Value at Market Risk (VaMR)	1,934,813	1,781,375	2,042,763	1,853,063
Value at Operational Risk (VaOR) ^(*)	6,531,375	5,795,900	7,608,913	6,766,363
Equity	9,052,553	8,065,195	9,198,364	8,150,498
Equity/ (VaCR+VaMR+VaOR)*100	%14.00	%14.35	%13.64	%13.94

^(*) In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio as at 2010 was measured by taking value at operational risk calculated based on average of gross incomes for the years 2009, 2008 and 2007 into consideration and for the year 2011, value at operational risk was calculated based on average of gross incomes for the years 2010, 2009 and 2008.

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Information on 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	726,722
Share cancellation profits	-	-
Legal reserves	627,247	506,554
I. Legal reserve (Turkish Commercial Code 466/1)	331,998	268,496
II. Legal reserve (Turkish Commercial Code 466/2)	-	-
Reserves allocated as per special legislations	295,249	238,058
Status reserves	3,980	3,094
Extraordinary reserves	4,115,818	3,087,182
Reserve allocated as per the decision held by the General Assembly	3,790,677	2,794,403
Retained earnings	325,141	292,779
Accumulated losses	-	-
Exchange rate differences on foreign currency capital	-	-
Reserves from inflation adjustments to legal, status and extraordinary reserves	-	-
Profit	705,747	1,204,907
Current period's profit	675,300	1,164,297
Prior years' profit	30,447	40,610
Free provision for possible losses (up to 25% of Core Capital)	74,098	65,428
Income on sale of equity shares and real estates to be used up for capital increase	14,010	5,033
Primary subordinated loans (up to 15% of Core Capital)	-	-
Non-controlling interest	225,257	203,757
Loss excess of reserves (-)	-	-
Current period's loss	-	-
Prior years' loss	-	-
Leasehold improvements (-)	75,568	75,703
Prepaid expenses (-)	-	326,278
Intangible assets (-)	70,388	57,253
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	8,846,923	7,843,443
SUPPLEMENTARY CAPITAL		
General provisions	534,967	427,876
45% of revaluation surplus on movables	-	-
Bonus shares of associates, subsidiaries and joint-ventures	1,635	1,551
Primary subordinated loans excluding the portion included in core capital	-	-
Secondary subordinated loans	-	-
45% of securities value increase fund	60,909	135,563
Associates and subsidiaries	(10,118)	(5,797)
Available-for-sale financial assets	71,027	141,360
Inflation adjustment differences of capital reserves, profit reserves and prior years' profit/(loss)	-	-
Non-controlling interest	26,767	17,612
Total supplementary capital	624,278	582,602
TIER III CAPITAL	-	-
CAPITAL	9,471,201	8,426,045
DEDUCTIONS FROM CAPITAL	272,837	275,547
Unconsolidated investments in entities (domestic/foreign) operating in banking and financial sectors exceeding 10% of ownership	222	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	131,137	127,072
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	140,954	148,466
Others	524	-
TOTAL EQUITY	9,198,364	8,150,498

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	136,657
(II) Capital obligation against specific risks - standard method	9,691
(III) Capital obligation against currency risk - standard method	15,366
(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	1,707
(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)	163,421
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	2,042,763

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 (without tax effects) as a result of change in the fair value of equity instruments quoted to Istanbul Stock Exchange (“ISE”) held as associates and subsidiaries due to a reasonably possible change in equity indices, with all other variables held constant, is nil.(31 December 2010:nil).

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 608,713 (31 December 2010: TL 541,309) from gross income for the years ended 2010, 2009 and 2008 and used for the calculation of capital adequacy ratio as at 30 June 2011, 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 7,608,913 (31 December 2010: TL 6,766,363) 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 2011 and 31 December 2010, 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	1.6200	2.3459
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	1.5800	2.2714
Day 2	1.5900	2.2696
Day 3	1.6000	2.2579
Day 4	1.5700	2.2376
Day 5	1.5700	2.2437
	US Dollar	Euro
Last 30-days arithmetical average rate	1.5533	2.2261

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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	224,107	2,273,170	201	7,354	2,504,832
Banks	784,925	1,150,905	1,078	46,158	1,983,066
Financial assets at fair value through profit or loss ⁽¹⁾	5,380	42,088	-	-	47,468
Interbank money market placements	-	-	-	-	-
Available-for-sale financial assets	792,432	1,872,187	-	-	2,664,619
Loans and receivables ⁽²⁾	7,612,923	10,036,882	1,423	56,826	17,708,054
Associates, subsidiaries and joint-ventures	3	-	-	-	3
Held-to-maturity investments	170,417	1,243,429	-	-	1,413,846
Derivative financial assets held for risk management purpose	-	-	-	-	-
Tangible assets	1,689	2,255	-	-	3,944
Intangible assets	31	-	-	-	31
Other assets ^{(3) (4)}	231,548	513,878	1	3,754	749,181
Total assets	9,823,455	17,134,794	2,703	114,092	27,075,044
Liabilities:					
Bank deposits	142,444	1,406,190	-	49	1,548,683
Foreign currency deposits	5,308,429	7,300,139	496	46,293	12,655,357
Interbank money market takings	621,136	2,311,710	-	-	2,932,846
Funds borrowed ⁽⁵⁾	3,812,276	4,107,137	1,421	41,379	7,962,213
Securities issued	-	-	-	-	-
Miscellaneous payables	37,033	89,359	-	258	126,650
Derivative financial liabilities held for risk management purpose	-	-	-	-	-
Other liabilities ^{(1) (6)}	112,526	265,211	953	21,041	399,731
Total liabilities	10,033,844	15,479,746	2,870	109,020	25,625,480
Net ‘on balance sheet’ position	(210,389)	1,655,048	(167)	5,072	1,449,564
Net ‘off-balance sheet’ position	100,475	(1,382,464)	1,017	(549)	(1,281,521)
Derivative assets ⁽⁷⁾	441,263	2,125,595	1,017	14,949	2,582,824
Derivative liabilities ⁽⁷⁾	340,788	3,508,059	-	15,498	3,864,345
Non-cash loans ⁽⁸⁾	1,719,536	3,184,335	53,172	130,653	5,087,696
Prior Period					
Total assets	8,096,103	13,924,015	21,669	116,110	22,157,897
Total liabilities	8,131,220	14,151,812	5,055	106,931	22,395,018
Net ‘on balance sheet’ position	(35,117)	(227,797)	16,614	9,179	(237,121)
Net ‘off-balance sheet’ position	122,293	126,228	453	(4,218)	244,756
Derivative assets	369,060	1,863,759	551	11,001	2,244,371
Derivative liabilities	246,767	1,737,531	98	15,219	1,999,615
Non-cash loans ⁽⁸⁾	1,506,310	3,155,668	90,106	130,233	4,882,317

⁽¹⁾ Accruals of derivative financial assets and liabilities based on foreign exchange rates are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 782,668 (31 December 2010: TL 443,516) presented in TL in the accompanying consolidated financial statements are included.

⁽³⁾ Foreign currency indexed factoring receivables amounting to TL 207,338 (31 December 2010: TL 155,611) presented in TL in the accompanying consolidated financial statements are included.

⁽⁴⁾ Prepaid expenses amounting to TL 17,076 (31 December 2010: TL 14,278) are not included. Also, deferred tax assets amounting to TL 289 (31 December 2010: nil) are not included.

⁽⁵⁾ Foreign currency indexed funds borrowed amounting to TL 1,507 (31 December 2010: TL 124,169), presented in TL in the accompanying consolidated financial statements are included.

⁽⁶⁾ Unearned income amounting to TL 23,093 (31 December 2010: TL 19,581) is not included.

⁽⁷⁾ Asset purchase commitments amounting to TL 374,459 (31 December 2010: TL 220,570) and asset sales commitments amounting to TL 394,862 (31 December 2010: TL 271,718) are included.

⁽⁸⁾ Non-cash loans are not taken into consideration in the calculation of the net ‘off-balance sheet’ position.

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Exposure to currency risk

10 percent devaluation of the TL against the following currencies as at and for the six month periods ended 30 June 2011 and 2010 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 2011		30 June 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	10,633	24,586	(27,541)	(26,486)
Euro	(31,518)	(12,764)	5,646	15,001
Other currencies	80	80	(198)	(198)
Total, net	(20,805)	11,902	(22,093)	(11,683)

(*) 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 2011 and 2010 would effect consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

	30 June 2011		30 June 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(6,727)	(20,680)	31,967	30,911
Euro	31,518	12,764	(5,642)	(14,997)
Other currencies	708	708	956	956
Total, net	25,499	(7,208)	27,281	16,870

(*) 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	-	-	-	-	-	10,141,571	10,141,571
Banks	1,670,986	235,605	23,407	-	-	554,975	2,484,973
Financial assets at fair value through profit/loss	19,809	30,186	21,084	113,416	10,371	89	194,955
Interbank money market placements	2,622	-	-	-	-	-	2,622
Available-for-sale financial assets	4,206,264	2,770,431	2,258,640	2,660,364	2,186,696	12,939	14,095,334
Loans and receivables	15,679,509	6,909,764	14,096,458	11,158,406	5,294,214	10,478	53,148,829
Held-to-maturity investments	407,444	472,788	27,186	1,027,848	2,400,706	-	4,335,972
Other assets (*)	32,824	540,308	191,348	472,005	13,019	4,275,000	5,524,504
Total assets	22,019,458	10,959,082	16,618,123	15,432,039	9,905,006	14,995,052	89,928,760
Liabilities:							
Bank deposits	1,983,995	540,528	-	-	-	983,313	3,507,836
Other deposits	28,156,723	10,687,346	2,807,796	305,030	983	8,494,960	50,452,838
Interbank money market takings	10,465,474	767,513	1,534,987	445	-	-	12,768,419
Miscellaneous payables	1,927	2,637	14,212	-	-	2,702,371	2,721,147
Securities issued	-	-	-	-	-	-	-
Funds borrowed	356,584	4,081,275	3,742,825	112,158	19,456	-	8,312,298
Other liabilities (**)	26,381	7,828	48,275	34,851	13,939	12,034,948	12,166,222
Total liabilities	40,991,084	16,087,127	8,148,095	452,484	34,378	24,215,592	89,928,760
On balance sheet long position	-	-	8,470,028	14,979,555	9,870,628	-	33,320,211
On balance sheet short position	(18,971,626)	(5,128,045)	-	-	-	(9,220,540)	(33,320,211)
Off-balance sheet long position	245,308	1,002,530	24,390	-	-	-	1,272,228
Off-balance sheet short position	(174,432)	(2,607)	(144,142)	(653,738)	(243,000)	-	(1,217,919)
Position, Net	(18,900,750)	(4,128,122)	8,350,276	14,325,817	9,627,628	(9,220,540)	54,309

(*) 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	-	-	-	-	-	4,651,033	4,651,033
Banks	1,409,438	395,857	47,029	-	-	318,560	2,170,884
Financial assets at fair value through profit/loss	18,932	24,650	37,635	126,769	9,996	79	218,061
Interbank money market placements	2,101,584	-	-	-	-	-	2,101,584
Available-for-sale financial assets	4,425,280	2,670,463	3,204,305	1,363,721	2,238,183	12,295	13,914,247
Loans and receivables	14,312,313	9,213,160	8,337,008	9,127,571	3,598,919	27,271	44,616,242
Held-to-maturity investments	594,696	1,062,472	816,733	311,319	1,577,025	-	4,362,245
Other assets (*)	85,230	336,746	79,469	385,443	5,202	3,908,516	4,800,606
Total assets	22,947,473	13,703,348	12,522,179	11,314,823	7,429,325	8,917,754	76,834,902
Liabilities:							
Bank deposits	1,382,792	142,796	421,561	-	-	12,578	1,959,727
Other deposits	25,473,441	10,368,525	2,633,710	363,335	239	7,253,791	46,093,041
Interbank money market takings	5,840,307	1,253,350	1,150,591	-	-	-	8,244,248
Miscellaneous payables	-	4,601	20,332	-	-	2,195,760	2,220,693
Securities issued	-	-	-	-	-	-	-
Fund borrowed	205,976	4,864,117	1,397,873	219,036	-	-	6,687,002
Other liabilities (**)	11,539	1,360	21,611	98,706	17,926	11,479,049	11,630,191
Total liabilities	32,914,055	16,634,749	5,645,678	681,077	18,165	20,941,178	76,834,902
On balance sheet long position	-	-	6,876,501	10,633,746	7,411,160	-	24,921,407
On balance sheet short position	(9,966,582)	(2,931,401)	-	-	-	(12,023,424)	(24,921,407)
Off-balance sheet long position	208,483	757,781	7,539	30,223	-	-	1,004,026
Off-balance sheet short position	(58,401)	(5,331)	(140,331)	(662,168)	(115,875)	-	(982,106)
Position, Net	(9,816,500)	(2,178,951)	6,743,709	10,001,801	7,295,285	(12,023,424)	21,920

(*) 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	-	-	-	-
Banks	1.50	0.62	-	9.14
Financial assets at fair value through profit/loss	4.77	1.67	-	5.90
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	5.26	6.96	-	8.28
Loans and receivables	4.51	3.86	3.49	13.83
Held-to-maturity investments	5.26	7.41	-	10.10
Liabilities:				
Bank deposits	3.32	1.69	-	9.00
Other deposits	2.69	3.10	-	8.32
Interbank money market takings	1.34	1.39	-	6.57
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds borrowed	2.13	1.76	0.49	9.22
Prior Period				
	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	-
Banks	0.92	1.27	-	8.88
Financial assets at fair value through profit/loss	4.11	4.34	-	8.02
Interbank money market placements	-	-	-	6.97
Available-for-sale financial assets	5.15	7.00	-	9.24
Loans and receivables	4.37	4.18	3.49	14.18
Held-to-maturity investments	6.44	7.38	-	9.72
Liabilities:				
Bank deposits	2.24	0.99	-	8.36
Other deposits	2.70	2.73	-	8.08
Interbank money market takings	1.24	1.28	-	7.01
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds borrowed	1.75	1.53	0.49	7.51

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Interest sensitivity

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 and six-month effect on net interest income of floating rate non-trading financial assets and financial liabilities held at 30 June 2011.

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 2011.

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 2010.

	Profit or loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2011				
Financial assets at fair value through profit or loss	31,567	(34,432)	31,567	(34,432)
Available-for-sale financial assets	28,122	(29,396)	(216,725)	230,525
Floating rate financial assets	149,476	(149,476)	149,476	(149,476)
Floating rate financial liabilities	(44,543)	44,543	(44,543)	44,543
Total, net	164,622	(168,761)	(80,225)	91,160

	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

^(*) 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	10,141,571	-	-	-	-	-	-	10,141,571
Banks	930,194	1,295,767	235,605	23,407	-	-	-	2,484,973
Financial assets at fair value through profit/loss	15,413	2,644	3,003	31,897	131,538	10,371	89	194,955
Interbank money market placements	-	2,622	-	-	-	-	-	2,622
Available-for-sale financial assets	-	158	579,340	486,184	7,554,493	5,462,220	12,939	14,095,334
Loans and receivables	-	6,729,353	2,988,281	11,431,434	25,157,140	6,832,143	10,478	53,148,829
Held-to-maturity investments	-	32,444	2,433	27,186	1,873,203	2,400,706	-	4,335,972
Other assets	-	815,576	259,922	362,122	790,578	25,995	3,270,311	5,524,504
Total assets	11,087,178	8,878,564	4,068,584	12,362,230	35,506,952	14,731,435	3,293,817	89,928,760
Liabilities:								
Bank deposits	8,528	1,983,995	540,528	-	-	-	974,785	3,507,836
Other deposits	8,494,960	28,156,723	10,687,346	2,807,796	305,030	983	-	50,452,838
Funds borrowed	-	265,471	1,567,319	3,005,191	1,950,506	1,523,811	-	8,312,298
Interbank money market takings	-	10,377,932	627,406	1,698,397	64,684	-	-	12,768,419
Securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	1,639,194	71,554	82,951	9,076	-	918,372	2,721,147
Other liabilities	-	343,733	291,763	167,281	346,600	17,385	10,999,460	12,166,222
Total liabilities	8,503,488	42,767,048	13,785,916	7,761,616	2,675,896	1,542,179	12,892,617	89,928,760
Net liquidity gap	2,583,690	(33,888,484)	(9,717,332)	4,600,614	32,831,056	13,189,256	(9,598,800)	-
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	5,447,216	11,574,475	3,510,909	12,014,722	28,839,733	12,183,956	3,263,891	76,834,902
Total liabilities	7,266,369	34,200,580	13,869,244	6,501,120	2,656,735	1,097,971	11,242,883	76,834,902
Net liquidity gap	(1,819,153)	(22,626,105)	(10,358,335)	5,513,602	26,182,998	11,085,985	(7,978,992)	-

(*) 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	3,507,836	3,519,616	983,313	1,988,529	547,774	-	-	-
Other deposits	50,452,838	50,774,920	8,494,959	28,365,875	10,764,609	2,827,680	320,586	1,211
Funds borrowed	8,312,298	8,950,323	-	345,406	1,588,491	2,968,529	2,255,526	1,792,371
Money market takings	12,768,419	12,787,254	-	10,384,860	629,573	1,706,932	65,889	-
Miscellaneous payables	2,721,147	2,721,147	921,946	1,639,194	71,554	79,377	9,076	-
Other liabilities	905,770	905,770	290,610	200,911	187,944	129,825	79,083	17,397
Total	78,668,308	79,659,030	10,690,828	42,924,775	13,789,945	7,712,343	2,730,160	1,810,979
Non-Cash Loans	12,440,241	12,440,241	6,557,862	501,208	734,631	3,222,502	1,334,889	89,149

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	1,959,727	1,977,922	12,578	1,384,621	144,416	436,307	-	-
Other deposits	46,093,041	46,406,276	7,253,791	25,655,301	10,443,763	2,662,113	390,976	332
Funds borrowed	6,687,002	6,993,036	-	201,407	1,663,595	1,923,383	1,967,336	1,237,315
Money market takings	8,244,248	11,442,208	-	8,359,164	1,677,663	1,235,014	170,367	-
Miscellaneous payables	2,220,693	2,220,693	859,384	1,241,034	59,551	26,868	33,856	-
Other liabilities	622,901	622,901	377,596	89,770	5,925	21,850	109,834	17,926
Total	65,827,612	69,663,036	8,503,349	36,931,297	13,994,913	6,305,535	2,672,369	1,255,573
Non-Cash Loans	11,359,828	11,359,828	6,993,322	598,232	820,728	1,699,003	1,168,428	80,115

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

VII. Consolidated segment reporting

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

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

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

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

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Operating profit	616,706	373,175	417,265	893,732	2,300,878
Undistributed expenses	-	-	-	(1,442,907)	(1,442,907)
Operating profit	616,706	373,175	417,265	(549,175)	857,971
Income from associates	-	-	-	-	14,662
Income before taxes	-	-	-	-	872,633
Provision for taxes	-	-	-	-	(163,678)
Net profit	-	-	-	-	708,955
Segment assets	19,080,916	34,060,339	30,034,825	1,757,649	84,933,729
Investments in associates and subsidiaries	-	-	-	305,806	305,806
Undistributed assets	-	-	-	4,689,225	4,689,225
Total assets	19,080,916	34,060,339	30,034,825	6,752,680	89,928,760
Segment liabilities	19,134,976	34,825,698	20,645,418	597,520	75,203,612
Equity	-	-	-	9,115,204	9,115,204
Undistributed liabilities	-	-	-	5,609,944	5,609,944
Total liabilities and equity	19,134,976	34,825,698	20,645,418	15,322,668	89,928,760

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	612,248	112,973	571,665	87,505
Central Bank of Turkey ^(*)	7,024,444	2,390,964	2,037,805	1,953,075
Others	47	895	322	661
Total	7,636,739	2,504,832	2,609,792	2,041,241

^(*)TL 1,850,406 (31 December 2010: TL 1,423,140) of the foreign currency deposit at Central Bank of Turkey consists of foreign currency reserve deposits.

In accordance with “Announcement on Reserve Deposits” of CBT numbered 2005/1, all banks operating in Turkey shall provide a reserve rate of 16% for demand deposits, and the rates decrease to 5% as maturities get longer (31 December 2010: for all maturity ranges 6%). For foreign currency liabilities, all banks shall provide a reserve rate of 12 % in US Dollar or Euro for demand and upto 1 year maturity deposits and rates decrease to 11% as maturities get longer (31 December 2010: for all maturity ranges 11%).

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	7,024,444	540,558	2,034,444	529,935
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	1,850,406	3,361	1,423,140
Total	7,024,444	2,390,964	2,037,805	1,953,075

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	-	-	-	-
Bonds, treasury bills and similar marketable securities	110,974	11,061	125,996	10,795
Others	-	-	-	-
Total	110,974	11,061	125,996	10,795

Trading securities subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	3,047	-	2,533	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	-
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Others	-	-	-	-
Total	3,047	-	2,533	-

Trading purpose derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	2,504	179	907	99
Swap transactions	278	34,428	356	22,194
Futures	-	-	-	-
Options	83	1,114	80	1,358
Others	-	-	-	-
Total	2,865	35,721	1,343	23,651

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	501,907	1,983,066	944,049	1,226,835
Domestic	500,330	294,504	902,831	82,925
Foreign	1,577	1,688,562	41,218	1,143,910
Foreign head offices and branches	-	-	-	-
Total	501,907	1,983,066	944,049	1,226,835

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	2,018,796	80,745	1,660,529	68,530
Others	-	-	-	-
Total	2,018,796	80,745	1,660,529	68,530

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	7,875,987	-	5,074,766	-
Treasury bills	-	-	-	-
Other debt securities	-	1,751,683	-	1,527,078
Bonds issued or guaranteed by banks	-	30,598	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	7,875,987	1,782,281	5,074,766	1,527,078

Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	14,128,363	13,912,962
Quoted	14,128,363	13,912,962
Unquoted	-	-
Equity securities	13,076	12,462
Quoted	2,188	1,545
Unquoted	10,888	10,917
Provision for impairment (-)	46,105	11,177
Total	14,095,334	13,914,247

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	-	27,989	-	563
Legal entities	-	27,989	-	563
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	51,949	43	45,918	31
Total	51,949	28,032	45,918	594

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	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
		Loans and Other Receivables		Loans and Other Receivables
Cash Loans				
Loans	50,562,381	-	1,923,142	604,745
Discounted bills	10,145	-	-	1
Export loans	3,992,786	-	122,557	64,825
Import loans	-	-	-	1
Loans to the financial sectors	2,467,986	-	7,141	85
Overseas loans	148,294	-	7,492	-
Consumer loans	16,807,393	-	539,131	146,753
Credit cards	1,579,032	-	87,652	8,620
Precious metal loans	-	-	-	-
Others	25,556,745	-	1,159,169	384,460
Specialization loans	40,510	-	-	-
Other receivables	7,573	-	-	-
Total	50,610,464	-	1,923,142	604,745

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

<i>Performing Loans and Other Receivables (*)</i>						
Number of Restructuring	Number of Loans	Up to 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
1	5	1,943	-	-	-	1,943
1	16	-	1,678	-	-	1,678
1	13	-	-	1,286	-	1,286
	34	1,943	1,678	1,286	-	4,907
<i>Loans under Follow-up and Other Receivables (*)</i>						
Number of Restructuring	Number of Loans	Up to 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
1	109	114	-	-	-	114
1	167	-	38,930	-	-	38,930
1	90	-	-	4,097	-	4,097
1	1	-	-	-	168	168
	367	114	38,930	4,097	168	43,309

(*) The tables above include performing loans and other receivables whose payment schedules are restructured or rescheduled after the date 28 May 2011.

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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	256,095	16,571,108	16,827,203
Housing loans	6,259	8,021,886	8,028,145
Automobile loans	3,101	265,766	268,867
General purpose loans	129,623	4,429,148	4,558,771
Others	117,112	3,854,308	3,971,420
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Consumer loans – FC	812	5,406	6,218
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	812	5,406	6,218
Others	-	-	-
Retail credit cards – TL	1,548,614	2,125	1,550,739
With installment	551,661	2,125	553,786
Without installment	996,953	-	996,953
Retail credit cards – FC	1,210	-	1,210
With installment	-	-	-
Without installment	1,210	-	1,210
Personnel loans – TL	902	25,567	26,469
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	860	25,567	26,427
Others	42	-	42
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Personnel loans – FC	300	-	300
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	300	-	300
Others	-	-	-
Personnel credit cards – TL	25,142	-	25,142
With installment	9,887	-	9,887
Without installment	15,255	-	15,255
Personnel credit cards – FC	38	-	38
With installment	-	-	-
Without installment	38	-	38
Overdraft checking accounts – TL (Real persons)	633,087	-	633,087
Overdraft checking accounts – FC (Real persons)	-	-	-
Total	2,466,200	16,604,206	19,070,406

Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based commercial loans – TL	379,999	6,334,890	6,714,889
Real estate loans	167	111,619	111,786
Automobile loans	21,283	541,076	562,359
General purpose loans	358,549	5,682,195	6,040,744
Others	-	-	-
Installment-based commercial loans – FC indexed	9,800	271,308	281,108
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	9,800	271,308	281,108
Others	-	-	-
Installment-based commercial loans – FC	274,144	938,013	1,212,157
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	273,945	396,346	670,291
Others	199	541,667	541,866
Corporate credit cards – TL	98,006	73	98,079
With installment	17,873	73	17,946
Without installment	80,133	-	80,133
Corporate credit cards – FC	96	-	96
With installment	-	-	-
Without installment	96	-	96
Overdraft checking accounts – TL (corporate)	311,821	-	311,821
Overdraft checking accounts – FC (corporate)	-	-	-
Total	1,073,866	7,544,284	8,618,150

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic loans	52,749,360	44,346,489
Overseas loans	388,991	242,482
Total	53,138,351	44,588,971

Loans to associates and subsidiaries

As at 30 June 2011 and 31 December 2010, 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	59,594	67,426
Loans and receivables with doubtful collectibility	142,019	219,301
Uncollectible loans and receivables	2,001,192	2,028,979
Total	2,202,805	2,315,706

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	7,649	29,028	107,173
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	7,649	29,028	107,173
Prior period	12,885	56,475	159,362
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	12,885	56,475	159,362

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	92,051	219,301	2,031,625
Additions (+)	156,406	11,298	36,228
Transfers from other categories of loans under follow-up (+) ^(*)	-	155,830	177,914
Transfers to other categories of loans under follow-up (-) ^(*)	155,967	203,195	50,190
Collections (-)	25,189	41,215	192,258
Write-offs (-)	-	-	265
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Others	-	-	265
Currency differences	-	-	909
Balance at the end of the period	67,301	142,019	2,003,963
Specific provision (-)	59,594	142,019	2,001,192
Net balance on balance sheet	7,707	-	2,771

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

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

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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	915	3,240	357,903
Specific provision (-)	715	3,240	355,132
Net balance on balance sheet	200	-	2,771
Prior Period			
Balance at the end of the period	3,356	9,852	369,112
Specific provision (-)	1,206	9,852	366,466
Net balance on balance sheet	2,150	-	2,646

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

Write-off policy for uncollectible loans and receivables

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

Loan customer concentration of non-performing loans:

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Period (Net)			
	7,707	-	2,771
Consumer and commercial loans (Gross)	66,291	140,672	1,899,245
Specific provision (-)	58,860	140,672	1,896,474
Consumer and commercial loans (Net)	7,431	-	2,771
Banks (Gross)	-	-	8,801
Specific provision (-)	-	-	8,801
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1,010	1,347	95,917
Specific provision (-)	734	1,347	95,917
Other loans and receivables (Net)	276	-	-
Prior Period (Net)			
	24,625	-	2,646
Consumer and commercial loans (Gross)	91,167	214,723	1,927,927
Specific provision (-)	66,714	214,723	1,925,281
Consumer and commercial loans (Net)	24,453	-	2,646
Banks (Gross)	-	-	8,794
Specific provision (-)	-	-	8,794
Banks (Net)	-	-	-
Other loans and receivables (Gross)	884	4,578	94,904
Specific provision (-)	712	4,578	94,904
Other loans and receivables (Net)	172	-	-

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	2,922,126	-	2,911,012	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	1,381,438	-	1,412,065
Total	2,922,126	1,381,438	2,911,012	1,412,065

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	4,365,336	4,392,223
Quoted at stock exchanges	4,332,928	4,355,131
Unquoted at stock exchanges	32,408	37,092
Impairment losses (-)	29,364	29,978
Total	4,335,972	4,362,245

The movement table of the held-to-maturity investments

	Current Period	Prior Period
Balances at the beginning of the period	4,362,245	3,578,218
Foreign currency differences on monetary assets	74,530	41,486
Acquisitions during the period	1,520,927	2,276,240
Disposals through sales/redemptions	(1,582,906)	(1,532,959)
Impairment losses	614	(17,166)
Change in amortized costs of the securities ^(*)	(39,438)	16,426
Balances at the end of the period	4,335,972	4,362,245

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

In the current period, the Parent Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 1,390,000 to its held-to-maturity investment securities portfolio at their fair values of TL 1,458,149 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 valuation differences of such securities amounting to TL (2,570) are recorded under equity and will be amortized through the statement of income until their maturities.

The Parent Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 2,205,476 to its held-to-maturity investment securities portfolio at their fair values of TL 2,166,451 as at their reclassification dates, in 2010. These reclassifications are presented in “purchases during the period” line in the movement table of held-to-maturity investment securities. The valuation differences of such securities amounting to TL (4,842) 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	207	32,400	209	32,408
Investments subject to repurchase agreements	2,797,430	1,020,050	2,858,520	1,039,499
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others (*)	62,794	343,638	63,397	341,939
Total	2,860,431	1,396,088	2,922,126	1,413,846

Prior Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	401,847	37,080	405,031	37,092
Investments subject to repurchase agreements	1,267,246	927,119	1,321,006	942,923
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others (*)	1,145,838	464,838	1,184,975	471,218
Total	2,814,931	1,429,037	2,911,012	1,451,233

(*) 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	İstanbul/Turkey	9.70	9.70
3 Kredi Kayıt Bürosu AŞ	İstanbul/Turkey	9.09	9.09
4 Güçbirliği Holding AŞ	İzmir/Turkey	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ	İstanbul/Turkey	5.00	5.00
6 İMKB Takas ve Saklama Bankası AŞ	İstanbul/Turkey	4.86	5.28
7 Kredi Garanti Fonu AŞ	Ankara/Turkey	1.67	1.67
8 World Vakıf UBB Ltd.	Lefkoşa/NCTR	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	1,230,929	199,661	179,336	9,718	-	5,410	23,036	-
2	21,526	17,174	6,364	430	-	1,309	1,014	-
3	28,935	24,419	3,069	1,301	-	8,719	5,914	-
4	120,448	21,734	201	119	-	(3,144)	(4,707)	-
5	106,830	43,985	99,605	-	-	(2,748)	(3,496)	-
6	1,734,538	288,509	10,099	15,202	1,806	15,837	17,870	-
7	142,235	135,886	3,038	2,147	245	2,782	3,270	-
8	2,330	(26,788)	-	2,807	-	(1,631)	(934)	-

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The name of World Vakıf Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakıf UBB. Ltd. on 4 February 2009. Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to 24 May 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. Due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified “Investments in associates”. The financial statements of the Company have not been consolidated as at 30 June 2011 and 31 December 2010, but its equity until the liquidation decision date has been included in the accompanying consolidated financial statements.

As per the resolution of the Board of Directors of the 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	679,188	57,671	7,760	26,075	4,778	2,514	5,687	-
2	15,825	14,971	100	-	-	(536)	247	14,851
3	158,205	108,920	140,723	1,376	343	26,267	2,437	63,739
4	9,002,184	1,451,563	19,547	154,388	97,301	119,271	124,362	2,073,783

(*) Obtained from financial statements that are reviewed and disclosed on Istanbul Stock Exchange.

Movement of consolidated investments in associates

	Current Period	Prior Period
Balance at beginning of the period	184,877	120,202
Movements during the period	14,381	64,675
Acquisitions and capital increases	-	-
Bonus shares received	8,710	10,477
Dividends from current year profit	-	-
Sales/liquidations	-	-
Fair value changes	5,671	54,198
Impairment losses	-	-
Balance at the end of the period	199,258	184,877
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Sectoral distribution of consolidated investments in associates

	Current Period	Prior Period
Banks	179,901	162,870
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	19,357	22,007
Total	199,258	184,877

Quoted consolidated associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	193,139	178,758
Quoted at international stock exchanges	-	-
Total	193,139	178,758

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

In the current period, Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Bank subject to consolidation, increased its paid-in capital from TL 700,000 to TL 800,000. The share of the Bank amounting to TL 8,378 is presented in the movement table of investments in associates as bonus shares received.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Bank subject to consolidation, from TL 20,800 to TL 22,000, by the General Assembly of the Company, the share of the Bank amounting to TL 332 is presented in the movement table of investments in associates as bonus shares received.

In 2010, 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. 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 2010, 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.

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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/Turkey	65.50	84.92
2	Taksim Otelcilik AŞ	İstanbul/Turkey	51.00	51.52
3	Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ	Ankara/Turkey	73.00	79.85
4	Vakıf Gayrimenkul Değerleme AŞ	Ankara/Turkey	54.29	58.54

	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	8,884	8,782	1,062	134	1,827	387	(90)	12,500
2	217,004	213,479	84,170	4,711	2	1,668	(3,273)	212,968
3	16,274	9,211	474	415	21	1,536	1,249	12,000
4	23,025	17,437	629	582	36	5,658	2,636	32,000

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.

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 Parent Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values; the ones whose fair values cannot be reliably measured are reflected at their costs.

Investments in consolidated subsidiaries

	Subsidiary	Address(City / Country)	Bank's Share –If Different Voting Rights (%)	Bank's Risk Group Share (%)
1	Güneş Sigorta AŞ (*)	İstanbul / Turkey	36.35	36.35
2	Vakıf Emeklilik AŞ	İstanbul / Turkey	53.90	75.30
3	Vakıf Finans Factoring Hizmetleri AŞ	İstanbul / Turkey	78.39	86.97
4	Vakıf Finansal Kiralama AŞ (*)	İstanbul / Turkey	58.71	64.40
5	Vakıf Pazarlama ve Ticaret AŞ	İstanbul / Turkey	68.55	73.95
6	Vakıf Yatırım Menkul Değerler AŞ	İstanbul / Turkey	99.00	99.44
7	Vakıfbank International AG	Wien / Austria	90.00	90.00
8	Vakıf Portföy Yönetimi AŞ	İstanbul / Turkey	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	777,295	263,715	162,244	5,923	-	4,440	(23,945)	353,392
2	1,296,886	113,499	24,443	15,817	18,824	9,591	7,230	194,500
3	726,050	77,154	428	25,792	-	2,541	6,667	70,000
4	515,943	94,553	3,485	14,033	57	8,488	11,801	122,529
5	30,629	10,649	204	1,326	-	2,122	1,360	-
6	121,531	54,644	319	3,780	141	2,336	4,183	55,298
7	1,316,632	183,923	1,689	19,823	4,002	7,508	3,739	166,683
8	6,721	5,292	7	210	46	693	730	19,621

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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. Pursuant to the BRSA decision dated 25 March 2010, all rights and obligations arising from 3226 numbered Leasing Law can continue until the termination of the existing leasing contracts of the Company.

Movement table of consolidated investments in subsidiaries

	Current Period	Prior Period
Balance at the beginning of the period	547,961	401,528
Movements during the period	4,293	146,433
Acquisitions and capital increases	-	42,320
Bonus shares received	14,678	-
Dividends from current year profit	(13,038)	-
Sales and liquidations	-	-
Fair value changes	2,653	104,113
Impairment losses	-	-
Balance at the end of the period	552,254	547,961
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

Methods to measure consolidated investments in subsidiaries

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	552,254	547,961
Equity method of accounting	-	-
Total	552,254	547,961

Sectoral distribution of consolidated investments in subsidiaries

	Current Period	Prior Period
Banks	150,015	150,015
Insurance companies	223,038	214,617
Factoring companies	50,368	50,368
Leasing companies	71,937	64,965
Finance companies	-	-
Other financial subsidiaries	56,896	67,996
Total	552,254	547,961

Quoted subsidiaries

	Current Period	Prior Period
Quoted at domestic stock exchanges	200,395	183,064
Quoted at international stock exchanges	-	-
Total	200,395	183,064

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

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

In 2010, Vakıf International AG, a subsidiary of the Bank subject to consolidation, increased its paid-in capital from EUR 20,000,000 (full EUR) to EUR 45,000,000 (full EUR). The increased amount of EUR 25,000,000 (full EUR) was fully paid in cash. The Bank utilized its pre-emptive right of EUR 22,500,000 (full EUR) and TL equivalent of the related amount, TL 42,320, is presented as acquisitions and capital increases in the movement table of investments in consolidated subsidiaries.

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	98,213	89,520	37,066	36,058
Between 1-4 years	343,422	306,534	223,923	197,661
Longer than 4 years	941	1,168	77,834	67,261
Total	442,576	397,222	338,823	300,980

Net investments in finance lease receivables

	Current period	Prior Period
Gross finance lease receivables	442,576	338,823
Unearned income on finance lease receivables (-)	(45,354)	(37,843)
Terminated lease contracts (-)	-	-
Net finance lease receivables	397,222	300,980

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 2011, the Group has investment property amounting to TL 159,087 (31 December 2010: TL 53,659) in total which consists of the net book value amounting to TL 140,473 (31 December 2010: TL 36,126) for the subsidiaries operating in real estate investment trust sector and the net book value amounting to TL 18,614 (31 December 2010: TL 17,533) for the subsidiaries operating in the insurance business.

13. Information on deferred tax assets

Items generating deferred tax assets and liabilities are listed below as at 30 June 2011 and 31 December 2010:

	Current period	Prior Period
Provision for employee termination benefits and unused vacations	46,836	44,055
Other provisions	41,414	29,447
Investment incentives	26,851	25,342
Valuation difference for associates and subsidiaries	24,123	18,733
Reporting Standarts - Tax Code depreciation differences	18,785	16,999
Valuation differences of financial assets and liabilities	12,791	13,582
Tax losses carried forward	-	567
Other differences	1,774	1,582
Deferred tax assets	172,574	150,307
Net-off of the deferred tax assets and liabilities from the same entity	(14,747)	(19,164)
Deferred tax assets, (net)	157,827	131,143
	Current period	Prior Period
Valuation differences of financial assets and liabilities	12,767	21,250
Leased tangible assets Reporting Standart and Tax code differences	3,228	-
Valuation difference for associates and subsidiaries	812	758
Reporting Standarts - Tax Code depreciation differences	63	201
Other differences	1,138	445
Deferred tax liabilities	18,008	22,654
Net-off of the deferred tax assets and liabilities from the same entity	(14,747)	(19,164)
Deferred tax liabilities, (net)	3,261	3,490

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 26,851 as at 30 June 2011 (31 December 2010: TL 25,342).

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

As at 30 June 2011, net book value of asset held for sale of the Group is amounting to TL 3,899 (31 December 2010: TL 1,446).

15. Information on other assets

As at 30 June 2011 and 31 December 2010, other assets are as follows:

	Current period	Prior Period
Receivables from insurance operations	798,227	701,303
Receivables from private pension business	545,633	627,453
Receivables from credit cards	467,810	292,504
Prepaid expenses	376,846	326,278
Receivables from term sale of assets	104,630	87,974
Deferred acquisition costs	69,174	79,402
Receivables from lawsuit and court expenses	50,276	52,062
Receivables from derivative financial instruments	33,218	37,763
Others	66,011	82,683
Total	2,511,825	2,287,422

The Parent Bank has recorded specific provisions amounting to TL 45,602 (31 December 2010: TL 48,480) for lawsuit and court expenses undertaken due to loans and advances under follow-up amounting to TL 45,989 (31 December 2010: TL 48,976) that is a part of lawsuit and court expenses that amounts to TL 50,276 in total.

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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	1,786,540	-	619,149	10,502,783	523,991	114,842	55,664	-	13,602,969
Foreign currency deposits	1,394,601	-	1,920,801	5,811,192	1,041,950	381,025	2,105,788	-	12,655,357
Residents in Turkey	1,228,161	-	1,916,331	5,754,171	1,037,310	270,801	1,366,835	-	11,573,609
Residents in abroad	166,440	-	4,470	57,021	4,640	110,224	738,953	-	1,081,748
Public sector deposits	2,571,842	-	1,717,985	4,040,422	820,693	81,072	9,281	-	9,241,295
Commercial deposits	1,075,899	-	2,430,712	5,270,517	670,407	3,217	1,513	-	9,452,265
Others	1,666,078	-	440,794	2,588,697	723,286	70,183	11,914	-	5,500,952
Precious metal deposits	-	-	-	-	-	-	-	-	-
Bank deposits	983,313	-	1,104,042	597,674	223,345	599,462	-	-	3,507,836
Central Bank	100	-	-	-	-	-	-	-	100
Domestic banks	653,829	-	1,086,702	436,319	145,586	-	-	-	2,322,436
Foreign banks	326,436	-	17,340	161,355	77,759	599,462	-	-	1,182,352
Participation banks	2,940	-	-	-	-	-	-	-	2,940
Others	8	-	-	-	-	-	-	-	8
Total	9,478,273	-	8,233,483	28,811,285	4,003,672	1,249,801	2,184,160	-	53,960,674

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	1,460,236	-	1,235,236	9,402,828	245,339	25,332	44,923	-	12,413,894
Foreign currency deposits	1,077,084	-	1,824,133	6,768,853	681,869	228,177	1,771,836	-	12,351,952
Residents in Turkey	1,040,000	-	1,759,213	6,683,137	653,594	120,414	1,253,338	-	11,509,696
Residents in abroad	37,084	-	64,920	85,716	28,275	107,763	518,498	-	842,256
Public sector deposits	2,100,660	-	971,257	3,174,130	635,535	10,981	8,260	-	6,900,823
Commercial deposits	1,094,317	-	2,467,484	5,907,425	453,906	471	1,589	-	9,925,192
Others	1,521,494	-	758,990	1,898,088	293,835	9,048	19,725	-	4,501,180
Precious metal deposits	-	-	-	-	-	-	-	-	-
Bank deposits	12,578	-	603,026	889,135	33,427	421,561	-	-	1,959,727
Central Bank	123	-	-	-	-	-	-	-	123
Domestic banks	5,432	-	578,270	384,135	33,427	150,133	-	-	1,151,397
Foreign banks	1,837	-	24,756	505,000	-	271,428	-	-	803,021
Participation banks	5,128	-	-	-	-	-	-	-	5,128
Others	58	-	-	-	-	-	-	-	58
Total	7,266,369	-	7,860,126	28,040,459	2,343,911	695,570	1,846,333	-	48,052,768

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	6,214,005	5,664,532	7,388,964	6,749,362
Foreign currency saving deposits	1,364,105	1,378,766	3,277,844	2,759,321
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	7,578,110	7,043,298	10,666,808	9,508,683

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	7,041	6,604
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	1,655	3,486
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards transactions	2,703	183	845	94
Swaps transactions	62,286	24,362	20,297	80,716
Futures transactions	-	-	-	-
Options	92	1,187	95	1,320
Others	-	-	-	-
Total	65,081	25,732	21,237	82,130

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	159,066	439,301	139,492	323,562
Foreign banks, institutions and funds	192,526	7,521,405	84,774	6,139,174
Total	351,592	7,960,706	224,266	6,462,736

Maturity information of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short-term ^(*)	337,164	4,215,084	187,802	3,488,644
Medium and Long term ^(*)	14,428	3,745,622	36,464	2,974,092
Total	351,592	7,960,706	224,266	6,462,736

^(*) 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 10.3% (31 December 2010: 9.8%) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

On 24 March 2010, the Parent 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 coordination of West LB AG and repaid the loan on 29 March 2011.

This loan has been renewed with a syndicated loan at the amount of US Dollar 192,5 million and Euro 573,5 million with interest rates of US Libor+ % 1.10 and Euribor + %1.10 at a maturity of one year, with the participation of 34 banks under the coordination of West LB AG and the agency of ING Bank N.V.

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	440,141	350,017
Provisions for loans and receivables in Group II	51,292	40,852
Provisions for non-cash loans	41,582	35,922
Others	1,952	1,085
Total	534,967	427,876

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	265	715

The Parent Bank recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 265 (31 December 2010: TL 715) 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 collectability	2,408	233
Non-cash loans with doubtful collectability	2,815	3,636
Uncollectible non-cash loans	71,328	88,379
Total	76,551	92,248

Information on other provisions

The Parent Bank has recorded provision for possible loan losses on loans under follow up, at a rate of 5% (31 December 2010: 5%). Part of this provision has been recorded under general provisions account and the remaining TL 74,098 (31 Aralık 2010: 65,428 TL) has been recorded as provisions for miscellaneous risks under other provisions account in the accompanying consolidated financial statements.

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Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Specific provisions for non-cash loans	76,551	92,248
Provision for loans under follow-up	74,098	65,428
Provision for World Vakıf UBB Ltd with regard to its negative equity	22,220	19,920
Provision for cheques	17,896	16,251
Provisions for lawsuits against the Group	15,500	15,486
Provisions for credit card promotions	8,501	7,873
Other provisions	6,292	6,563
Total	221,058	223,769

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

As at 30 June 2011, corporate tax payable of the Group amounts to TL 98,844 (31 December 2010: TL 115,123).

Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	98,844	115,123
Taxation on securities	49,254	38,770
Capital gains tax on property	1,083	1,047
Banking and Insurance Transaction Tax (BITT)	22,676	22,863
Taxes on foreign exchange transactions	-	-
Value added tax payable	16,387	1,540
Others	22,616	23,890
Total	210,860	203,233

Information on premiums payable

	Current Period	Prior Period
Social security premiums- employee share	415	446
Social security premiums- employer share	1,516	2,839
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	3
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	464	375
Unemployment insurance- employer share	984	781
Others	37	1,257
Total	3,416	5,701

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	(22,484)	-	(12,882)	-
Fair value differences of available-for-sale securities	7,790	150,047	126,248	187,884
Foreign exchange differences	-	-	-	-
Total	(14,694)	150,047	113,366	187,884

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	4,629,875	4,880,798
Loan granting commitments	3,956,224	3,698,348
Asset purchase/sale commitments	1,216,067	904,825
Commitments for cheque payments	800,896	655,194
Share capital commitments to associates and subsidiaries	2,000	2,000
Total	10,605,062	10,141,165

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 Parent Bank provided specific provision amounting to TL 76,551 (31 December 2010: TL 92,248) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 86,183 (31 December 2010: TL 93,180).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional letters of guarantee	466,343	627,236
Final letters of guarantee	3,816,727	3,480,369
Letters of guarantee for advances	1,306,925	1,215,050
Letters of guarantee given to custom offices	221,456	215,578
Other letters of guarantee	3,287,931	2,688,694
Total	9,099,382	8,226,927

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	243,338	309,128
With original maturity of 1 year or less	58,867	197,708
With original maturity of more than 1 year	184,471	111,420
Other non-cash loans	12,196,903	11,050,700
Total	12,440,241	11,359,828

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3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	36,367	0.49	99,585	1.95	34,489	0.53	168,629	3.46
Farming and cattle	32,331	0.44	96,356	1.89	30,764	0.47	154,865	3.17
Forestry	3,213	0.04	-	-	3,252	0.05	3,250	0.07
Fishing	823	0.01	3,229	0.06	473	0.01	10,514	0.22
Manufacturing	3,158,278	42.95	2,722,994	53.52	2,913,650	45.00	2,585,483	52.96
Mining	40,566	0.55	139,131	2.73	37,315	0.58	177,128	3.63
Production	2,131,767	28.99	2,112,348	41.52	1,974,922	30.50	1,762,739	36.11
Electric, gas and water	985,945	13.41	471,515	9.27	901,413	13.92	645,616	13.22
Construction	1,137,967	15.49	808,000	15.88	1,082,641	16.71	730,552	14.96
Services	2,398,578	32.62	587,587	11.56	1,871,905	28.89	405,121	8.29
Wholesale and retail trade	864,792	11.76	175,321	3.45	721,816	11.14	179,191	3.67
Hotel, food and beverage services	51,112	0.70	2,557	0.05	42,105	0.65	7,510	0.15
Transportation and telecommunication	260,801	3.55	214,963	4.23	204,053	3.15	186,231	3.81
Financial institutions	1,139,618	15.50	179,766	3.53	866,234	13.37	18,590	0.38
Real estate and renting services	16,497	0.22	-	-	2,008	0.03	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	8,120	0.11	1,446	0.03	4,925	0.08	-	-
Health and social services	57,638	0.78	13,534	0.27	30,764	0.47	13,599	0.28
Others	621,355	8.45	869,530	17.09	574,826	8.87	992,532	20.33
Total	7,352,545	100.00	5,087,696	100.00	6,477,511	100.00	4,882,317	100.00

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	7,121,280	1,758,328	112,148	27,047
Confirmed bills of exchange and acceptances	12,530	160,088	-	2,733
Letters of credit	-	3,077,297	-	2,033
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	71,719	2,812	-	-
Other guarantees and sureties	-	6,043	-	-
Total Non-Cash Loans	7,205,529	5,004,568	112,148	31,813

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	6,333,901	1,696,378	87,838	18,993
Confirmed bills of exchange and acceptances	8,587	168,833	-	17,070
Letters of credit	3,750	2,908,079	-	171
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	14,539	2,143	-	-
Other guarantees and sureties	-	6,366	-	-
Total Non-Cash Loans	6,360,777	4,781,799	87,838	36,234

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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 and 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	602,354	65,893	622,639	89,381
Medium and long-term loans	1,244,469	243,750	1,078,757	176,816
Loans under follow-up	61,309	-	46,130	-
Premiums received from resource utilization support fund	-	-	-	-
Total	1,908,132	309,643	1,747,526	266,197

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	23,909	817	16,549	1,622
Foreign banks	823	4,983	6,913	2,076
Foreign head office and branches	-	-	-	-
Total	24,732	5,800	23,462	3,698

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interests received from the associates and subsidiaries	46	190

2. Interest expense*Interest expense on funds borrowed*

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	15,302	56,516	7,542	37,815
Central Bank of Turkey	-	-	-	-
Domestic banks	6,491	1,714	4,389	2,323
Foreign banks	8,811	54,802	3,153	35,492
Foreign head offices and branches	-	-	-	-
Other institutions	-	3,200	-	1,305
Total	15,302	59,716	7,542	39,120

Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	11,055	10,724

Interest expense on securities issued

None.

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3. Trading income/losses

	Current Period	Prior Period
Income	826,289	1,109,731
Income from capital market transactions	38,896	754,822
Income from derivative financial instruments	200,913	48,166
Foreign exchange gains	586,480	306,743
Losses	(778,372)	(974,904)
Losses from capital market transactions	(9,354)	(598,178)
Losses from derivative financial instruments	(179,476)	(65,088)
Foreign exchange losses	(589,542)	(311,638)
Trading income/losses, net	47,917	134,827

Net income arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is TL 32,719 as at and for the six-month period ended 30 June 2011 (30 June 2010: net loss of TL 20,035).

4. Other operating income

	Current Period	Prior Period
Income from reversal of impairment losses on loans and receivables	337,651	158,908
Earned insurance premiums (net of reinsurance share)	273,142	230,108
Gain on sale of assets	64,116	13,120
Communication income	40,223	37,616
Income from private pension business	12,623	9,750
Rent income	4,734	3,682
Other income	37,323	58,467
Total	769,812	511,651

5. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	198,237	428,636
<i>Loans and receivables in Group III</i>	<i>36,345</i>	<i>39,162</i>
<i>Loans and receivables in Group IV</i>	<i>123,668</i>	<i>205,209</i>
<i>Loans and receivables in Group V</i>	<i>38,224</i>	<i>184,265</i>
Non-performing commissions and other receivables	-	-
General provision expenses	106,297	38,569
Provision for possible losses	8,671	-
Impairment losses on securities	42,710	4,434
<i>Trading securities</i>	<i>22,654</i>	<i>2</i>
<i>Investment securities available-for-sale</i>	<i>20,056</i>	<i>4,432</i>
Other impairment losses	16,388	24,367
<i>Associates</i>	<i>3,867</i>	-
<i>Subsidiaries</i>	-	<i>13,930</i>
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	<i>12,521</i>	<i>10,437</i>
Others (*)	60,556	55,179
Total	432,859	551,185

(*) Other provision expenses amounting to TL 60,556 (30 June 2010: TL 55,179) is comprised of provision expenses for dividends to the personnel amounting to TL 46,375 (30 June 2010: TL 35,758), provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 12,858 (30 June 2010: TL 18,080) and other provision expenses amounting to TL 1,323 (30 June 2010: TL 1,341).

6. Other operating expenses

	Current Period	Prior Period
Personnel costs	459,196	374,181
Reserve for employee termination benefits	7,478	9,329
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	52,758	51,395
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	4,645	3,812
Impairment losses on assets to be disposed	1,565	1,694
Depreciation expenses on assets to be disposed	5,489	5,399
Impairment losses on assets held for sale	-	-
Other operating expenses	394,569	371,287
<i>Operational lease related expenses</i>	52,756	47,050
<i>Repair and maintenance expenses</i>	6,858	11,186
<i>Advertisement expenses</i>	14,788	20,088
<i>Other expenses</i>	320,167	292,963
Loss on sale of assets	315	172
Others	305,517	306,832
Total	1,231,532	1,124,101

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 181,423 (30 June 2010: TL 134,951) 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	19,053	(6,723)
Arising from (origination) / reversal of taxable temporary differences	(1,308)	(1,162)
Arising from origination / (reversal) of tax losses	-	-
Arising from tax rate change	-	-
Total	17,745	(7,885)

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	33,655	(20,726)

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, money transfer commissions and research fees.

Other fees and commission expenses of the Group mainly consist of credit card fees and commissions and commission paid for funds borrowed from foreign banks.

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

	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
Current Period						
Loans and other receivables						
Balance at the beginning of the period	-	316,196	-	563	8,978	2,371
Balance at the end of the period	-	314,161	-	27,989	7,690	2,031
Interest and commission income	46	112	-	21	200	25

	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
Prior Period						
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	-	316,196	-	563	8,978	2,371
Interest and commission income	190	81	-	-	324	40

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	411,915	456,031	581,885	917,223	54,423	56,210
Balance at the end of the period	634,256	411,915	690,190	581,885	60,400	54,423
Interest on deposits	11,055	10,724	19,417	25,605	231	236

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.

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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 0.01% (31 December 2010: 0.02%) and 2.77% (31 December 2010: 2.81%), respectively.

Current Period	Amount	Compared With the Financial Statement Amount (%)
Cash loans	7,690	0.01
Non-cash loans	344,181	2.77
Deposits	1,384,846	2.57

Prior Period	Amount	Compared With the Financial Statement Amount (%)
Cash loans	8,978	0.02
Non-cash loans	319,130	2.81
Deposits	1,048,223	2.18

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. Related court decision has been approved by 4th Council of Supreme Count in year 2010.

“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 reconcilements 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, the decision was certified by the judgement of Ankara 4th State Council and mentioned decision became definite per this judgement. 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 and the lawsuit and the related legal procedures has been completed.

- In order to assess banking opportunities in Republic of Iraq, Erbil Branch of the Parent Bank has started its operations on 16 February 2011.
- As per the resolution of 57th Annual General Assembly held on 25 March 2011, the net profit of year 2010 is decided to be distributed as follows and the distribution is completed in the current year.

Profit Distribution Table of Year 2010

Current year’s profit of the Parent Bank’s unconsolidated financial statements	1,157,140
Deferred tax income	(13,315)
Net profit of the year subject to distribution	1,143,825
Legal reserves	114,382
<i>First legal reserves</i>	57,191
<i>Reserves allocated, according to banking law and articles of association.</i>	57,191
Net profit of the year subject to distribution	1,029,443
Other reserves	2,531
Extraordinary reserves	992,598
Dividends to the shareholders	34,314

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- The Bank and CBT had disagreement about the reserve requirements deposited at CBT regarding the syndication loans obtained by foreign branches of the Bank. Subsequent to the decision, CBT required the Bank to provide reserve requirement for loans obtained by foreign branches, the Bank filed a claim in Ankara 15th Administrative Court for the suspension of execution and cancellation of the decision. As at 15 June 2011, the court decided on refusal of the claim with the right to appeal on State Council. CBT requested the Bank to provide additional reserves amounting to USD 384 million in average for 3.5 years period with the 4 May 2011 dated communique. In this context, the Bank has began to provide additional reserve requirements at 27 May 2011.
- Small and Medium Industry Development Organization (“KOSGEB”) claimed that the Bank had subscription fee liabilities for the years 2004, 2005 and 2006 based on the clause c of 14th article of the KOSGEB Law No: 3624 which states that the organization’s budget comprise the subscription fees from banks whose equities are held by state institutions and organizations by more than 50%, amounting to %2 of their annual profits subject to corporate tax. First stage of the court decided the Bank to pay TL 50,252 thousands. Following the notice of the court decision the Bank appealed for correction in the scope of 97th and 98th articles of the Law No: 6111 which became effective as at 25 February 2011. With respect to 97th article of Law No: 6111 the subscription fee liability is abrogated in favor of Bank and 98th article states that this practice will be effective starting from 1 January 2004. Therefore, subscription fee liability and compensation decided by the court lost their basis. Main opposition party applied to the Constitutional Court for the cancellation of 98th article of Law No: 6111. Since 97th and 98th articles of Law No: 6111 are currently effective and are in favour of the Bank, the Bank has not booked provision for the related lawsuit in the accompanying financial statements.

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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-/ -- / --

October 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	Positive

July 2011 ^(*)	Fitch Rating
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Positive
Long Term Local Currency	BB+
Short Term Local Currency	B
Local Currency Outlook	Positive
National Long Term	AA+ (tur)
National Outlook	Stable
Viability Rating	BB+
Individual	C/D
Support	3
Support Rating Floor	BB+

November 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

- In accordance with the 2011/40 numbered "Press Release on Reserve Requirements" announced by Central Bank and published on 25 July 2011, reserve requirements ratio for one year and more than one year dated foreign currency deposit accounts and cumulative foreign currency deposit accounts decreased from 11% to 10%, for foreign currency other liabilities with maturity up to one to three years (three-years included) decreased from 11.5% to 10%, and for foreign currency other liabilities with maturity more than three years the ratio decreased from 11% to 9%. Announced rates has been effective beginning from the liability schedule dated 22 July 2011 and the reserve requirements calculated at the new rates has been set starting from 5 August 2011.

For all maturities of foreign currency reserve requirement ratios have been reduced by 0.5% with 2011/48 numbered "Press Release on Reserve Requirements" announced by Central Bank and published on 5 August 2011. Announced amendment has been effective beginning from the liability schedule dated 19 August 2011 and the reserve requirements calculated at new rates has been set starting from 5 August 2011.

- Communiqué on Reserve Requirements has been amended in order to assist the mitigation of the volatility in repurchase agreements' interest rate in accordance with the strategy determined in the Monetary Policy Committee meeting held on 4 August 2011. Accordingly, obligations under repurchase agreements will be included to liabilities subject to the reserve requirement with average amount of all the days between the two liability periods, instead of amount as at every 14 days on Fridays. This regulation has become effective beginning from the liability period dated 5 August 2011.
- Bank's application for the issuance of TL denominated bank bill and/or bond with different maturities up to TL 1,500 million is announced with approval of Capital Markets Board published on No. 2011/28 weekly bulletin. In this context, bank bonds with nominal value of TL 500 million, maturity of 176 days, date of issuance of 8 August 2011, and maturity date of 31 January 2012 were sold through public offer as the first tranche of bonds to be issued. Compound and simple interest rates of mentoined bond are 8.896% p.a. and 8.7% p.a, respectively and the issuance price is TL 95.974. Investors will receive the yield at maturity based on nominal amounts of the bonds and the interest rate determined and started to be calculated from the issuance date. The interest of the fixed rate bank bond will be paid with the principal at maturity.

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 2011, 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 25 August 2011 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 2011.