

*(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 Nine-Month Period Ended
30 September 2011
With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ
24 November 2011

*This report contains "Independent Auditors' Review
Report" comprising 1 page and; "Consolidated
Financial Statements and Related Disclosures and
Footnotes" comprising 74 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 September 2011 and the related consolidated statement of income, statement of cash flows and statement of changes in equity for the nine-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 September 2011, which statements reflect total assets constituting 1.68 percent; and total operating income constituting 1.29 percent as at and for the nine-month period ended 30 September 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 September 2011, and of the results of its operations and its cash flows for the nine-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,
24 November 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**

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The consolidated interim financial report as at and for the nine-month period ended 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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.

24 November 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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S. Buğra SÜRÜEL /Assistant Manager
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Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Interim Financial Report as at and For the Nine-Month Period Ended 30 September 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 September 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 September 2011 is as follows:

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)	1.562.105	1,562	0.06
Publicly traded (Group D)	629.990.902	629,991	25.20
Total	2.500.000.000	2,500,000	100.00

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial SubsidiariesConsolidated Interim Financial Report as at and
For the Nine-Month Period Ended 30 September 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 (<i>Senior Assistant Manager</i>)	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
İbrahim BİLGİÇ	Corporate Banking, Corporate Centers, Corporate Loans, Intelligence	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 EROGLU	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, Commercial Loans	6 April 2011	University	20 years
Mitat ŞAHİN	Human Resources, Planning and Performance	11 April 2011	Master	21 years

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Interim Financial Report as at and
For the Nine-Month Period Ended 30 September 2011

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

As per the 23 March 2011 dated resolution of the Board of Directors, Osman Demren has been appointed as Assistant General Manager 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 and has come into office on 11 April 2011.

As per the 21 September 2011 dated resolution of the Board of Directors, Remzi Altınok Assistant General Manager who was in charge of commercial loans and information resigned his position and has been appointed as the General Manager of Taksim Otelcilik AŞ.

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

IV. Information on the Parent Bank’s qualified shareholders

The shareholder holding 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 September 2011, the Parent Bank has 675 domestic, 3 foreign, in total 678 branches (31 December 2010: 634 domestic, 2 foreign, in total 636 branches). As at 30 September 2011, the Parent Bank has 12,315 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)

Convenience Translation of Consolidated Financial

As at 30 September 2011

Statements and Related Disclosures and Footnotes

(Thousands of Turkish Lira (“TL”))

Originally Issued in Turkish, See Section 3 Note I

ASSETS	Notes	Reviewed Current Period 30 September 2011			Audited Prior Period 31 December 2010		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	5,533,133	3,408,407	8,941,540	2,609,792	2,041,241	4,651,033
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	135,294	117,390	252,684	181,921	36,140	218,061
2.1 Financial assets held for trading purpose		135,294	117,390	252,684	181,921	36,140	218,061
2.1.1 Debt securities issued by the governments		124,354	13,998	138,352	176,801	12,489	189,290
2.1.2 Equity securities		66	-	66	79	-	79
2.1.3 Derivative financial assets held for trading purpose		6,678	103,392	110,070	1,343	23,651	24,994
2.1.4 Other securities		4,196	-	4,196	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	619,489	2,603,038	3,222,527	944,049	1,226,835	2,170,884
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		300,554	-	300,554	2,101,584	-	2,101,584
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		300,554	-	300,554	2,101,584	-	2,101,584
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	10,232,366	2,902,017	13,134,383	11,258,914	2,655,333	13,914,247
5.1 Equity securities		-	12,186	12,186	-	12,295	12,295
5.2 Debt securities issued by the governments		10,231,487	2,742,915	12,974,402	11,258,009	2,534,145	13,792,154
5.3 Other securities		879	146,916	147,795	905	108,893	109,798
VI. LOANS AND RECEIVABLES	V-I-5	36,256,691	19,378,961	55,635,652	30,864,839	13,751,403	44,616,242
6.1 Performing loans and receivables		36,198,988	19,375,984	55,574,972	30,840,214	13,748,757	44,588,971
6.1.1 Loans provided to the same risk group	V-V-1	1,622	5,881	7,503	1,141	7,837	8,978
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		36,197,366	19,370,103	55,567,469	30,839,073	13,740,920	44,579,993
6.2 Loans under follow-up		2,126,224	15,785	2,142,009	2,328,805	14,172	2,342,977
6.3 Specific provisions (-)		2,068,521	12,808	2,081,329	2,304,180	11,526	2,315,706
VII. FACTORING RECEIVABLES		575,879	34,364	610,243	450,170	15,203	465,373
VIII. HELD-TO-MATURITY INVESTMENTS (Net)	V-I-6	4,324,264	1,602,387	5,926,651	2,911,012	1,451,233	4,362,245
8.1 Debt securities issued by the governments		4,324,264	1,548,702	5,872,966	2,911,012	1,412,065	4,323,077
8.2 Other securities		-	53,685	53,685	-	39,168	39,168
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	166,079	3	166,082	157,313	3	157,316
9.1 Associates, consolidated per equity method		133,784	-	133,784	127,072	-	127,072
9.2 Unconsolidated associates		32,295	3	32,298	30,241	3	30,244
9.2.1 Financial associates		17,769	-	17,769	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	64,979	399,301	464,280	39,318	261,662	300,980
12.1 Finance lease receivables		78,168	444,154	522,322	46,857	291,966	338,823
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		13,189	44,853	58,042	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)		1,180,775	4,748	1,185,523	1,190,467	3,251	1,193,718
XV. INTANGIBLE ASSETS (Net)		76,402	31	76,433	57,225	28	57,253
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		76,402	31	76,433	57,225	28	57,253
XVI. INVESTMENT PROPERTIES (Net)	V-I-12	159,172	-	159,172	53,659	-	53,659
XVII. TAX ASSETS		208,062	624	208,686	136,003	-	136,003
17.1 Current tax assets		1,768	-	1,768	4,860	-	4,860
17.2 Deferred tax assets		206,294	624	206,918	131,143	-	131,143
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-14	2,159	-	2,159	1,446	-	1,446
18.1 Assets held for sale		2,159	-	2,159	1,446	-	1,446
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-15	2,653,715	158,593	2,812,308	2,142,427	144,995	2,287,422
TOTAL ASSETS		62,632,378	30,609,864	93,242,242	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 September 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 September 2011			Audited Prior Period 31 December 2010		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	39,660,300	16,800,836	56,461,136	35,040,273	13,012,495	48,052,768
1.1	Deposits of the same risk group	V-V-1	1,137,355	338,003	1,475,358	993,748	54,475	1,048,223
1.2	Other deposits		38,522,945	16,462,833	54,985,778	34,046,525	12,958,020	47,004,545
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	7,157	423,081	430,238	21,237	82,130	103,367
III.	FUNDS BORROWED	V-II-3	333,757	8,722,955	9,056,712	224,266	6,462,736	6,687,002
IV.	INTERBANK MONEY MARKET		8,072,433	2,977,759	11,050,192	6,146,833	2,097,415	8,244,248
4.1	Interbank Money Market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		53,598	-	53,598	30,616	-	30,616
4.3	Obligations under repurchase agreements		8,018,835	2,977,759	10,996,594	6,116,217	2,097,415	8,213,632
V.	SECURITIES ISSUED (Net)		481,207	-	481,207	-	-	-
5.1	Bills		481,207	-	481,207	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	FUNDS		44,784	-	44,784	61,203	-	61,203
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		44,784	-	44,784	61,203	-	61,203
VII.	MISCELLANEOUS PAYABLES		3,101,621	117,877	3,219,498	2,070,811	149,882	2,220,693
VIII.	OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	229,694	407,936	637,630	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	2,112,000	70,907	2,182,907	2,026,935	108,381	2,135,316
12.1	General provisions		611,403	2,837	614,240	424,374	3,502	427,876
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		349,879	644	350,523	353,198	898	354,096
12.4	Insurance technical provisions		958,169	39,571	997,740	1,047,068	82,507	1,129,575
12.5	Other provisions	V-II-7	192,549	27,855	220,404	202,295	21,474	223,769
XIII.	TAX LIABILITIES	V-II-8	285,410	6,577	291,987	208,341	4,083	212,424
13.1	Current tax liabilities		282,159	6,577	288,736	204,993	3,941	208,934
13.2	Deferred tax liabilities	V-I-13	3,251	-	3,251	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		9,155,945	230,006	9,385,951	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		692,148	97,719	789,867	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	V-II-11	(50,219)	97,719	47,500	113,366	187,884	301,250
16.2.4	Revaluation surplus on tangible assets		14,010	-	14,010	5,033	-	5,033
16.2.5	Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6	Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures		1,635	-	1,635	1,551	-	1,551
16.2.8	Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		-	-	-	-	-	-
16.3	Profit reserves		4,673,652	84,501	4,758,153	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		259,607	76,642	336,249	245,161	47,618	292,779
16.4	Profit or loss		1,019,630	26,495	1,046,125	1,172,344	32,563	1,204,907
16.4.1	Prior years' profit/loss		14,510	14,806	29,316	16,005	24,605	40,610
16.4.2	Current period's profit/loss		1,005,120	11,689	1,016,809	1,156,339	7,958	1,164,297
16.5	Non-controlling interest		270,515	21,291	291,806	225,793	16,997	242,790
TOTAL LIABILITIES AND EQUITY			63,484,308	29,757,934	93,242,242	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 Statement of Income
For the Nine-Month Period Ended 30 September 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

		Reviewed Current Period 1 January 2011- 30 September 2011	Reviewed Prior Period 1 January 2010- 30 September 2010	Reviewed Current Period 1 July 2011- 30 September 2011	Reviewed Prior Period 1 July 2010- 30 September 2010
	Notes				
I. INTEREST INCOME		4,802,995	4,523,777	1,761,837	1,461,836
1.1 Interest income from loans	V-IV-1	3,547,690	3,023,579	1,329,915	1,009,856
1.2 Interest income from reserve deposits		-	65,085	-	21,865
1.3 Interest income from banks	V-IV-1	47,067	42,081	16,535	14,921
1.4 Interest income from money market transactions		3,629	58,587	69	7,561
1.5 Interest income from securities portfolio		1,098,780	1,242,575	384,374	384,327
1.5.1 Trading financial assets		24,763	26,533	5,382	8,656
1.5.2 Financial assets designated at fair value through profit or loss		-	-	-	-
1.5.3 Available-for-sale financial assets		754,312	941,764	257,771	276,836
1.5.4 Held-to-maturity investments		319,705	274,278	121,221	98,835
1.6 Finance lease income		19,568	16,796	7,304	5,312
1.7 Other interest income		86,261	75,074	23,640	17,994
II. INTEREST EXPENSE		2,608,840	2,406,183	1,002,216	791,875
2.1 Interest expense on deposits		2,091,790	2,000,171	808,728	673,505
2.2 Interest expense on funds borrowed	V-IV-2	121,525	74,043	46,507	27,381
2.3 Interest expense on money market transactions		359,466	284,843	138,118	81,878
2.4 Interest expense on securities issued		6,041	-	6,041	-
2.5 Other interest expenses		30,018	47,126	2,822	9,111
III. NET INTEREST INCOME (I – II)		2,194,155	2,117,594	759,621	669,961
IV. NET FEES AND COMMISSIONS INCOME		405,818	319,493	135,719	103,331
4.1 Fees and commissions received		538,466	399,607	182,991	138,202
4.1.1 Non-cash loans		47,007	46,832	16,444	15,378
4.1.2 Others	V-IV-10	491,459	352,775	166,547	122,824
4.2 Fees and commissions paid		132,648	80,114	47,272	34,871
4.2.1 Non-cash loans		21	164	(15)	5
4.2.2 Others	V-IV-10	132,627	79,950	47,287	34,866
V. DIVIDEND INCOME		4,833	3,457	38	24
VI. TRADING INCOME/LOSSES (Net)	V-IV-3	26,819	164,466	(21,098)	29,639
6.1 Trading account income/losses	V-IV-3	71,107	203,842	41,565	47,198
6.2 Income/losses from derivative financial instruments	V-IV-3	(6,950)	(50,514)	(28,387)	(33,592)
6.3 Foreign exchange gains/losses	V-IV-3	(37,338)	11,138	(34,276)	16,033
VII. OTHER OPERATING INCOME	V-IV-4	1,181,215	782,722	411,403	271,071
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		3,812,840	3,387,732	1,285,683	1,074,026
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5	637,732	742,983	204,873	191,798
X. OTHER OPERATING EXPENSES (-)	V-IV-6	1,863,247	1,718,023	631,715	593,922
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,311,861	926,726	449,095	288,306
XII. INCOME RESULTED FROM MERGERS		-	-	-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		14,205	16,738	4,338	5,599
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		1,326,066	943,464	453,433	293,905
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-7	(265,029)	(205,804)	(101,351)	(62,968)
16.1 Current tax charges	V-IV-7	(331,978)	(205,476)	(150,555)	(70,525)
16.2 Deferred tax credits	V-IV-7	66,949	(328)	49,204	7,557
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)	V-IV-8	1,061,037	737,660	352,082	230,937
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	1,061,037	737,660	352,082	230,937
23.1. Equity holders of the Bank		1,016,809	763,817	341,509	236,368
23.2. Non-controlling interest	V-IV-9	44,228	(26,157)	10,573	(5,431)
Earnings per Share (full TL)		0.4244	0.2951	0.1408	0.0924

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 Nine-Month Period Ended 30 September 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 September 2011	Reviewed Prior Period 1 January 2010- 30 September 2010	Reviewed Current Period 1 July 2011- 30 September 2011	Reviewed Prior Period 1 July 2010- 30 September 2010
GAINS AND LOSSES RECOGNIZED IN EQUITY				
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES				
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	(294,818)	17,199	(103,787)	164,594
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	(18,772)	-	(595)
IV. CURRENCY TRANSLATION DIFFERENCES	-	-	-	-
V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)	32,246	(5,938)	11,084	4,948
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	-	-	-	-
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	146	16,158	718	269
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	45,219	17,296	10,650	(17,121)
XI. CURRENT PERIOD'S PROFIT/(LOSS)	(217,207)	25,943	(81,335)	152,095
XI. CURRENT PERIOD'S PROFIT/(LOSS)	1,061,037	737,660	352,082	230,937
11.1 Change in fair value of securities (transfers to the statement of income)	138,502	104,739	51,262	114,928
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	922,535	632,921	300,820	116,009
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	843,830	763,603	270,747	383,032

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 Nine-Month Period Ended 30 September 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 Discount. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity	
I. Prior Period – 30 September 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		-	-	-	-	-	-	-	-	-	-	29,611	-	-	-	-	29,611	13,775	43,386	
IV. Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	(12,501)	-	-	-	(12,501)	(6,271)	(18,772)	
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation differences		-	-	-	-	-	-	-	(5,290)	-	-	-	-	-	-	-	(5,290)	(648)	(5,938)	
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	-	-	-	-	-	16,738	-	1,139	-	-	-	-	17,908	6,128	24,036	
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,702	4,702	4,702
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		-	-	-	-	-	-	-	-	747,079	-	-	-	-	-	-	747,079	(26,157)	720,922	
XVIII. Profit distribution		-	-	-	-	124,993	733	1,015,280	19,091	(1,294,741)	9,984	-	3,895	-	-	-	(120,765)	(329)	(121,094)	
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	286,616	763,817	40,610	365,672	5,033	1,551	-	-	7,994,072	236,322	8,230,394	
I. Current Period – 30 September 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		-	-	-	-	-	-	-	-	-	-	(251,767)	-	-	-	-	(251,767)	4,939	(246,828)	
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		-	-	-	-	-	-	-	29,023	-	-	-	-	-	-	-	29,023	3,223	32,246	
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		-	-	-	-	-	-	-	-	14,205	-	(1,983)	-	-	-	-	12,222	(679)	11,543	
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,508)	(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		-	-	-	-	-	-	-	-	1,002,604	-	-	-	-	-	-	1,002,604	44,228	1,046,832	
XVIII. Profit distribution		-	-	-	-	120,693	886	996,274	14,447	(1,164,297)	(11,294)	-	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	14,447	(1,129,983)	(11,294)	-	8,977	-	-	-	-	-	-	-
18.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period		2,500,000	-	726,722	-	627,247	3,980	3,790,677	336,249	1,016,809	29,316	47,500	14,010	1,635	-	-	9,094,145	291,806	9,385,951	

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 Nine-Month Period Ended 30 September 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*

	Reviewed Current Period 30 September 2011	Reviewed Prior Period 30 September 2010
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	962,926	2,244,115
1.1.1 Interests received	4,599,867	4,634,591
1.1.2 Interests paid	(2,512,682)	(2,484,751)
1.1.3 Dividends received	4,286	3,457
1.1.4 Fee and commissions received	405,818	319,493
1.1.5 Other income	543,248	479,540
1.1.6 Collections from previously written-off loans and other receivables	453,785	420,157
1.1.7 Payments to personnel and service suppliers	(1,946,142)	(1,354,680)
1.1.8 Taxes paid	(239,701)	(206,070)
1.1.9 Others	(345,553)	432,378
1.2 Changes in operating assets and liabilities	1,054,004	(1,901,389)
1.2.1 Net (increase) decrease in financial assets held for trading purpose	44,285	93,032
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss	-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions	(1,655,365)	(631,974)
1.2.4 Net (increase) decrease in loans	(11,365,745)	(7,498,525)
1.2.5 Net (increase) decrease in other assets	(519,506)	(439,514)
1.2.6 Net increase (decrease) in bank deposits	1,394,039	622,287
1.2.7 Net increase (decrease) in other deposits	6,936,233	2,128,075
1.2.8 Net increase (decrease) in funds borrowed	2,347,738	1,240,900
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	3,872,325	2,584,330
I. Net cash flow from banking operations	2,016,930	342,726
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	(569,349)	(906,028)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	(1,000)	-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	-	-
2.3 Purchases of tangible assets	(245,851)	(55,039)
2.4 Proceeds from disposal of tangible assets	273,036	17,043
2.5 Cash paid for purchase of available-for-sale financial assets	(3,506,429)	(7,062,943)
2.6 Proceeds from disposal of available-for-sale financial assets	2,587,802	5,409,361
2.7 Cash paid for purchase of held-to-maturity investments	(1,283,359)	(75,059)
2.8 Proceeds from expiration of held-to-maturity investments	1,634,837	874,821
2.9 Others	(28,385)	(14,212)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	440,816	(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	475,195	-
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	2,771	12,212
V. Net (decrease)/increase in cash and cash equivalents	1,891,168	(672,184)
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	9,039,256	8,075,119

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 Nine-Month Period Ended 30 September 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 nine-month period ended 30 September 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 non-compliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at 30 September 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

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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 September 2011 is TL 2,732 (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 September 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 Parent 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.

On 8 August 2011, the Parent Bank has issued discount bonds with a nominal value of TL 500,000 and 176 days maturity. As at 30 September 2011 the related bonds are measured at amortized cost using effective interest method.

XX. Information on issuance of equity securities

The shares of the Bank having nominal value of TL 322,000,000, 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 September 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 Four Note VII.

XXIV. Other disclosures

Earnings per shares

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

As at and for the nine-month period ended 30 September 2011, earning per share is TL 0.4244 (30 September 2010: TL 0.2951).

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 annuities renewed long-term insurance contracts. Reserve for unearned premiums is presented under "insurance technical provisions" in the accompanying consolidated financial statements.

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

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

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

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

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

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

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

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

Individual pension business

Individual pension system receivables presented under ‘other assets’ in the accompanying consolidated financial statements consists of ‘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 13.18% (The Parent Bank: 13.41%).

Risk measurement methods in calculation of capital adequacy ratio

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

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

The items deducted from the capital base are not included in the calculation of risk weighted assets, 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”.

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Information related to the consolidated capital adequacy ratio

	Parent Bank's Risk Weights – 30 September 2011							Consolidated – Group's Risk Weights – 30 September 2011						
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
Balance Sheet Items (Net)	16,232,131	-	1,784,706	17,673,352	38,305,321	537,273	1,445,375	17,316,272	-	2,598,096	17,741,776	39,806,731	537,273	1,445,375
Cash on hand	747,559	-	2	-	-	-	-	754,066	-	35	-	-	-	-
Securities in redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	5,562,334	-	-	-	-	-	-	5,562,334	-	-	-	-	-	-
Domestic and foreign banks, foreign head offices and branches	708,386	-	1,425,300	-	428,945	-	-	729,643	-	1,828,865	-	655,617	-	-
Interbank money market placements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from reverse repurchase agreements	300,000	-	-	-	-	-	-	300,500	-	-	-	-	-	-
Reserve deposits	2,625,105	-	-	-	-	-	-	2,625,105	-	-	-	-	-	-
Loans	257,796	-	261,976	17,461,283	34,319,298	537,273	1,445,375	268,038	-	495,170	17,490,988	34,699,516	537,273	1,445,375
Loans under follow-up (Net)	-	-	-	-	57,703	-	-	-	-	-	-	60,680	-	-
Lease Receivables	-	-	-	-	-	-	-	7,543	-	-	38,333	416,695	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Held-to-maturity investments	5,784,180	-	53,650	-	-	-	-	5,791,618	-	53,650	-	-	-	-
Receivables from term sale of assets	-	-	-	-	105,687	-	-	-	-	-	-	105,687	-	-
Miscellaneous receivables	2,611	-	27,853	-	816,171	-	-	976,881	-	198,139	-	992,689	-	-
Accrued interests and income	84,275	-	15,925	212,069	420,762	-	-	84,686	-	22,237	212,455	443,358	-	-
Investments in associates, subsidiaries and joint-ventures (Net)	-	-	-	-	819,585	-	-	-	-	-	-	175,441	-	-
Tangible assets (Net)	-	-	-	-	892,671	-	-	-	-	-	-	1,132,847	-	-
Other assets	159,885	-	-	-	444,499	-	-	215,858	-	-	-	1,124,201	-	-
Off-Balance Sheet Items	101,716	-	864,493	538,750	9,409,608	-	-	101,716	-	867,327	538,750	9,514,170	-	-
Non-cash loans and commitments	101,716	-	568,493	538,750	9,402,534	-	-	101,716	-	568,493	538,750	9,507,096	-	-
Derivative financial instruments	-	-	296,000	-	7,074	-	-	-	-	298,834	-	7,074	-	-
Non risk-weighted accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Risk-Weighted Assets	16,333,847	-	2,649,199	18,212,102	47,714,929	537,273	1,445,375	17,417,988	-	3,465,423	18,280,526	49,320,901	537,273	1,445,375

Summary information related to capital adequacy ratio

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Value at Credit Risk (VaCR)	61,047,479	48,608,735	62,850,908	49,842,490
Value at Market Risk (VaMR)	2,133,288	1,781,375	2,199,313	1,853,063
Value at Operational Risk (VaOR) ^(*)	6,531,375	5,795,900	7,608,913	6,766,363
Equity	9,347,431	8,065,195	9,575,998	8,150,498
Equity/ (VaCR+VaMR+VaOR)*100	13.41%	14.35%	13.18%	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	4,126,926	3,087,182
Reserve allocated as per the decision held by the General Assembly	3,790,677	2,794,403
Retained earnings	336,249	292,779
Accumulated losses	-	-
Exchange rate differences on foreign currency capital	-	-
Reserves from inflation adjustments to legal, status and extraordinary reserves	-	-
Profit	1,046,125	1,204,907
Current period's profit	1,016,809	1,164,297
Prior years' profit	29,316	40,610
Free provision for possible losses (up to 25% of Core Capital)	57,259	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	236,593	203,757
Loss excess of reserves (-)	-	-
Current period's loss	-	-
Prior years' loss	-	-
Leasehold improvements (-)	75,505	75,703
Prepaid expenses (-)	-	326,278
Intangible assets (-)	76,433	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	9,186,924	7,843,443
SUPPLEMENTARY CAPITAL		
General provisions	614,240	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	21,375	135,563
Associates and subsidiaries	(8,289)	(5,797)
Available-for-sale financial assets	29,664	141,360
Inflation adjustment differences of capital reserves, profit reserves and prior years' profit/(loss)	-	-
Non-controlling interest	24,867	17,612
Total supplementary capital	662,117	582,602
TIER III CAPITAL	-	-
CAPITAL	9,849,041	8,426,045
DEDUCTIONS FROM CAPITAL	273,043	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	133,784	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	138,502	148,466
Others	535	-
TOTAL EQUITY	9,575,998	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	135,615
(II) Capital obligation against specific risks - standard method	8,696
(III) Capital obligation against currency risk - standard method	31,594
(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	40
(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)	175,945
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	2,199,313

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.

There is no equity instruments quoted to Istanbul Stock Exchange ("ISE") held as associates and subsidiaries in the accompanying consolidated financial statements. Therefore a 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 September 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 September 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	1.8500	2.4846
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	1.8200	2.4781
Day 2	1.8000	2.4406
Day 3	1.8000	2.4394
Day 4	1.8100	2.4408
Day 5	1.8000	2.4282
	US Dollar	Euro
Last 30-days arithmetical average rate	1.7453	2.4304

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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	75,122	3,325,085	184	8,016	3,408,407
Banks	1,251,621	1,287,732	1,522	62,163	2,603,038
Financial assets at fair value through profit or loss ⁽¹⁾	5,044	103,742	-	-	108,786
Interbank money market placements	-	-	-	-	-
Available-for-sale financial assets	850,614	2,051,403	-	-	2,902,017
Loans and receivables ⁽²⁾	8,260,331	12,080,183	-	50,979	20,391,493
Associates, subsidiaries and joint-ventures	3	-	-	-	3
Held-to-maturity investments	179,580	1,422,807	-	-	1,602,387
Derivative financial assets held for risk management purpose	-	-	-	-	-
Tangible assets	1,729	3,019	-	-	4,748
Intangible assets	31	-	-	-	31
Other assets ^{(3) (4)}	226,864	439,747	1	4,150	670,762
Total assets	10,850,939	20,713,718	1,707	125,308	31,691,672
Liabilities:					
Bank deposits	161,789	1,980,474	-	70	2,142,333
Foreign currency deposits	5,942,258	8,649,180	716	66,349	14,658,503
Interbank money market takings	678,807	2,298,952	-	-	2,977,759
Funds borrowed ⁽⁵⁾	4,107,872	4,576,212	-	39,739	8,723,823
Securities issued	-	-	-	-	-
Miscellaneous payables	33,689	84,061	-	127	117,877
Derivative financial liabilities held for risk management purpose	-	-	-	-	-
Other liabilities ^{(1) (6)}	82,397	433,144	24	23,863	539,428
Total liabilities	11,006,812	18,022,023	740	130,148	29,159,723
Net 'on balance sheet' position	(155,873)	2,691,695	967	(4,840)	2,531,949
Net 'off-balance sheet' position	59,084	(2,616,540)	126	2,921	(2,554,409)
Derivative assets ⁽⁷⁾	400,064	1,975,203	430	28,068	2,403,765
Derivative liabilities ⁽⁷⁾	340,980	4,591,743	304	25,147	4,958,174
Non-cash loans ⁽⁸⁾	1,733,352	4,590,496	53,451	185,139	6,562,438
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 1,012,532 (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 100,798 (31 December 2010: TL 155,611) presented in TL in the accompanying consolidated financial statements are included.

⁽⁴⁾ Prepaid expenses amounting to TL 22,294 (31 December 2010: TL 14,278) and deferred tax assets amounting to TL 289 (31 December 2010: nil) are not included.

⁽⁵⁾ Foreign currency indexed funds borrowed amounting to TL 868 (31 December 2010: TL 124,169), presented in TL in the accompanying consolidated financial statements are included.

⁽⁶⁾ Unearned income amounting to TL 24,615 (31 December 2010: TL 19,581) is not included.

⁽⁷⁾ Asset purchase commitments amounting to TL 144,489 (31 December 2010: TL 220,570) and asset sales commitments amounting to TL 227,806 (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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10 percent devaluation of the TL against the following currencies as at and for the nine month periods ended 30 September 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 September 2011		30 September 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(4,449)	5,479	17,734	37,819
Euro	(29,051)	(10,329)	(15,281)	1,601
Other currencies	(180)	(180)	167	167
Total, net	(33,680)	(5,030)	2,620	39,587

(*) 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 nine month periods ended 30 September 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 September 2011		30 September 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	7,242	(2,686)	(13,776)	(33,861)
Euro	29,051	10,329	15,285	(1,597)
Other currencies	1,068	1,068	587	587
Total, net	37,361	8,711	2,096	(34,871)

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

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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	-	-	-	-	-	8,941,540	8,941,540
Banks	2,296,761	216,413	128,385	-	-	580,968	3,222,527
Financial assets at fair value through profit/loss	12,968	103,686	120,442	3,305	12,217	66	252,684
Interbank money market placements	300,554	-	-	-	-	-	300,554
Available-for-sale financial assets	3,498,868	1,622,417	2,801,645	2,825,055	2,374,212	12,186	13,134,383
Loans and receivables	15,946,328	8,279,193	14,054,925	11,518,575	5,775,951	60,680	55,635,652
Held-to-maturity investments	1,053,755	705,706	112,795	1,536,277	2,518,118	-	5,926,651
Other assets (*)	29,512	68,425	740,389	362,498	7,272	4,620,155	5,828,251
Total assets	23,138,746	10,995,840	17,958,581	16,245,710	10,687,770	14,215,595	93,242,242
Liabilities:							
Bank deposits	3,200,904	855,010	84,840	-	-	24,256	4,165,010
Other deposits	29,234,634	11,336,071	2,842,959	359,809	1,642	8,521,011	52,296,126
Interbank money market takings	9,436,224	968,470	645,498	-	-	-	11,050,192
Miscellaneous payables	2,060	16,230	-	-	-	3,201,208	3,219,498
Securities issued	-	-	481,207	-	-	-	481,207
Funds borrowed	958,226	4,454,857	3,516,417	104,924	22,288	-	9,056,712
Other liabilities (**)	58,720	94,949	218,198	28,943	60,113	12,512,574	12,973,497
Total liabilities	42,890,768	17,725,587	7,789,119	493,676	84,043	24,259,049	93,242,242
On balance sheet long position	-	-	10,169,462	15,752,034	10,603,727	-	36,525,223
On balance sheet short position	(19,752,022)	(6,729,747)	-	-	-	(10,043,454)	(36,525,223)
Off-balance sheet long position	92,500	1,369,000	66,610	-	-	-	1,528,110
Off-balance sheet short position	-	(16,230)	(184,320)	(670,988)	(508,750)	-	(1,380,288)
Position, Net	(19,659,522)	(5,376,977)	10,051,752	15,081,046	10,094,977	(10,043,454)	147,822

(*) 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	1.03	0.14	-	10.05
Financial assets at fair value through profit/loss	5.39	0.80	-	9.32
Interbank money market placements	-	-	-	6.59
Available-for-sale financial assets	5.23	6.96	-	8.38
Loans and receivables	4.84	4.66	-	14.32
Held-to-maturity investments	5.62	7.33	-	9.76
Liabilities:				
Bank deposits	3.54	1.28	-	8.55
Other deposits	3.36	3.54	-	8.12
Interbank money market takings	1.97	1.28	-	5.76
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	8.70
Funds borrowed	2.10	1.71	-	8.13
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 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 nine-month effect on net interest income of floating rate non-trading financial assets and financial liabilities held at 30 September 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 September 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 nine-month period ended 30 September 2010.

Current Year	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets at fair value through profit or loss	48,581	(64,885)	48,581	(64,885)
Available-for-sale financial assets	23,977	(25,187)	(221,877)	236,493
Floating rate financial assets	251,731	(251,731)	251,731	(251,731)
Floating rate financial liabilities	(68,676)	68,676	(68,676)	68,676
Total, net	255,613	(273,127)	9,759	(11,447)

Prior Year	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets at fair value through profit or loss	(10,045)	9,214	(10,045)	9,214
Available-for-sale financial assets	2,503	(2,750)	(252,250)	275,204
Floating rate financial assets	184,681	(184,681)	184,681	(184,681)
Floating rate financial liabilities	(55,855)	55,855	(55,855)	55,855
Total, net	121,284	(122,362)	(133,469)	155,592

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

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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	8,941,540	-	-	-	-	-	-	8,941,540
Banks	1,275,673	1,602,056	216,413	128,385	-	-	-	3,222,527
Financial assets at fair value through profit/loss	1,554	7,374	18,551	147,703	65,219	12,217	66	252,684
Interbank money market placements	500	300,054	-	-	-	-	-	300,554
Available-for-sale financial assets	-	9,945	14,767	574,053	6,814,764	5,708,668	12,186	13,134,383
Loans and receivables	-	5,779,053	3,048,605	11,874,645	27,186,794	7,685,875	60,680	55,635,652
Held-to-maturity investments	-	35,173	18,512	51,442	3,269,186	2,552,338	-	5,926,651
Other assets	31,992	873,498	217,587	647,992	778,272	34,502	3,244,408	5,828,251
Total assets	10,251,259	8,607,153	3,534,435	13,424,220	38,114,235	15,993,600	3,317,340	93,242,242
Liabilities:								
Bank deposits	24,256	2,085,010	855,010	84,840	-	-	1,115,894	4,165,010
Other deposits	8,521,011	29,234,634	11,336,071	2,842,959	359,809	1,642	-	52,296,126
Funds borrowed	-	547,832	383,931	4,362,760	2,141,396	1,620,793	-	9,056,712
Interbank money market takings	-	9,388,080	912,363	749,749	-	-	-	11,050,192
Securities issued	-	-	-	481,207	-	-	-	481,207
Miscellaneous payables	-	2,062,975	145,013	80,680	18,134	-	912,696	3,219,498
Other liabilities	-	312,732	270,839	226,618	396,902	60,211	11,706,195	12,973,497
Total liabilities	8,545,267	43,631,263	13,903,227	8,828,813	2,916,241	1,682,646	13,734,785	93,242,242
Net liquidity gap	1,705,992	(35,024,110)	(10,368,792)	4,595,407	35,197,994	14,310,954	(10,417,445)	-
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	4,165,010	4,184,470	24,256	3,204,626	868,737	86,851	-	-
Other deposits	52,296,126	52,536,238	8,521,011	29,265,753	11,415,823	2,935,432	396,194	2,025
Funds borrowed	9,056,712	9,778,405	-	548,736	386,635	4,447,803	2,479,369	1,915,862
Money market takings	11,050,192	11,062,460	-	9,393,889	914,106	754,465	-	-
Securities issued	481,207	516,199	-	-	-	516,199	-	-
Miscellaneous payables	3,219,498	3,219,498	912,696	2,062,975	145,013	80,680	18,134	-
Other liabilities	1,014,117	1,014,117	38,802	192,838	101,997	226,618	393,651	60,211
Total	81,282,862	82,311,387	9,496,765	44,668,817	13,832,311	9,048,048	3,287,348	1,978,098
Non-Cash Loans	14,407,623	14,529,182	6,520,257	587,102	1,589,910	3,491,729	1,621,185	718,999

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.

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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	969,665	1,143,304	1,542,859	1,348,277	5,004,105
Undistributed expenses	-	-	-	(3,697,077)	(3,697,077)
Operating profit	969,665	1,143,304	1,542,859	(2,348,800)	1,307,028
Income from associates	-	-	-	-	19,038
Income before taxes	-	-	-	-	1,326,066
Provision for taxes	-	-	-	-	(265,029)
Net profit	-	-	-	-	1,061,037
Segment assets	20,382,372	35,241,802	30,452,253	1,794,137	87,870,564
Investments in associates and subsidiaries	-	-	-	309,447	309,447
Undistributed assets	-	-	-	5,062,231	5,062,231
Total assets	20,382,372	35,241,802	30,452,253	7,165,815	93,242,242
Segment liabilities	20,096,671	36,364,465	20,434,634	644,729	77,540,499
Equity	-	-	-	9,385,951	9,385,951
Undistributed liabilities	-	-	-	6,315,792	6,315,792
Total liabilities and equity	20,096,671	36,364,465	20,434,634	16,346,472	93,242,242

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	637,139	115,996	571,665	87,505
Central Bank of Turkey ^(*)	4,895,964	3,291,475	2,037,805	1,953,075
Others	30	936	322	661
Total	5,533,133	3,408,407	2,609,792	2,041,241

^(*)TL 2,625,105 (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 are required to provide reserve requirement for their TL and foreign currency liabilities in Central Bank of Turkey. Reserve requirement rates vary with respect to maturities; 16% for TL demand deposits, for TL time deposits rates vary between 16% - %5 depending on their maturities, the rates for other TL liabilities rates vary between 5%-11% (31 December 2010: for all maturity ranges 6%). For foreign currency liabilities, all banks are required to provide 11% reserve in US Dollar or Euro for demand and upto 1 year maturity deposits, 9% for deposits with maturities longer than 1 year, for other foreign currency liabilities the rates vary between 6%-11% (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	4,895,964	666,370	2,034,444	529,935
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	2,625,105	3,361	1,423,140
Total	4,895,964	3,291,475	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	110,078	11,831	125,996	10,795
Others	-	-	-	-
Total	110,078	11,831	125,996	10,795

Trading securities subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	3,571	-	2,533	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	-
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Others	-	-	-	-
Total	3,571	-	2,533	-

Trading purpose derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	6,589	2,466	907	99
Swap transactions	10	100,879	356	22,194
Futures	-	-	-	-
Options	79	47	80	1,358
Others	-	-	-	-
Total	6,678	103,392	1,343	23,651

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	619,489	2,603,038	944,049	1,226,835
Domestic	617,845	373,197	902,831	82,925
Foreign	1,644	2,229,841	41,218	1,143,910
Foreign head offices and branches	-	-	-	-
Total	619,489	2,603,038	944,049	1,226,835

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	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	2,337,089	169,376	1,660,529	68,530
Others	-	-	-	-
Total	2,337,089	169,376	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	4,435,859	93,884	5,074,766	-
Treasury bills	-	-	-	-
Other debt securities	-	1,561,950	-	1,527,078
Bonds issued or guaranteed by banks	-	38,986	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	4,435,859	1,694,820	5,074,766	1,527,078

Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	13,216,927	13,912,962
Quoted	13,216,927	13,912,962
Unquoted	-	-
Equity securities	12,324	12,462
Quoted	1,436	1,545
Unquoted	10,888	10,917
Provision for impairment (-)	94,868	11,177
Total	13,134,383	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	-	27,160	-	563
Legal entities	-	27,160	-	563
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	53,920	31	45,918	31
Total	53,920	27,191	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	53,530,096	-	1,445,103	557,608
Discounted bills	30,696	-	27	-
Export loans	4,467,000	-	81,115	57,034
Import loans	-	-	-	-
Loans to the financial sectors	1,777,212	-	17	85
Overseas loans	170,588	-	11,923	-
Consumer loans	18,059,215	-	453,019	136,782
Credit cards	1,743,585	-	69,379	7,870
Precious metal loans	-	-	-	-
Others	27,281,800	-	829,623	355,837
Specialization loans	30,687	-	-	-
Other receivables	11,478	-	-	-
Total	53,572,261	-	1,445,103	557,608

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	14	39,933	-	-	-	39,933
1	27	-	3,441	-	-	3,441
1	20	-	-	3,335	-	3,335
	61	39,933	3,441	3,335	-	46,709
<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	115	450	-	-	-	450
1	440	-	4,588	-	-	4,588
1	303	-	-	46,143	-	46,143
1	1	-	-	-	12	12
	859	450	4,588	46,143	12	51,193

(*) 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	269,338	17,642,976	17,912,314
Housing loans	4,620	8,534,032	8,538,652
Automobile loans	3,271	312,552	315,823
General purpose loans	127,183	4,563,678	4,690,861
Others	134,264	4,232,714	4,366,978
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Consumer loans – FC	1,422	5,374	6,796
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,422	5,374	6,796
Others	-	-	-
Retail credit cards – TL	1,668,328	1,948	1,670,276
With installment	637,785	1,948	639,733
Without installment	1,030,543	-	1,030,543
Retail credit cards – FC	1,363	-	1,363
With installment	-	-	-
Without installment	1,363	-	1,363
Personnel loans – TL	1,147	25,446	26,593
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,107	25,446	26,553
Others	40	-	40
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Personnel loans – FC	406	-	406
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	406	-	406
Others	-	-	-
Personnel credit cards – TL	26,849	-	26,849
With installment	10,575	-	10,575
Without installment	16,274	-	16,274
Personnel credit cards – FC	72	-	72
With installment	-	-	-
Without installment	72	-	72
Overdraft checking accounts – TL (Real persons)	702,907	-	702,907
Overdraft checking accounts – FC (Real persons)	-	-	-
Total	2,671,832	17,675,744	20,347,576

Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based commercial loans – TL	410,132	6,585,051	6,995,183
Real estate loans	920	115,791	116,711
Automobile loans	19,415	605,581	624,996
General purpose loans	389,797	5,863,679	6,253,476
Others	-	-	-
Installment-based commercial loans – FC indexed	14,065	349,960	364,025
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	14,065	349,960	364,025
Others	-	-	-
Installment-based commercial loans – FC	370,001	1,165,463	1,535,464
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	369,804	441,304	811,108
Others	197	724,159	724,356
Corporate credit cards – TL	121,985	53	122,038
With installment	23,763	53	23,816
Without installment	98,222	-	98,222
Corporate credit cards – FC	236	-	236
With installment	-	-	-
Without installment	236	-	236
Overdraft checking accounts – TL (corporate)	358,066	-	358,066
Overdraft checking accounts – FC (corporate)	-	-	-
Total	1,274,485	8,100,527	9,375,012

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic loans	55,289,152	44,346,489
Overseas loans	285,820	242,482
Total	55,574,972	44,588,971

Loans to associates and subsidiaries

As at 30 September 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	14,565	67,426
Loans and receivables with doubtful collectibility	179,271	219,301
Uncollectible loans and receivables	1,887,493	2,028,979
Total	2,081,329	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	8,191	27,289	103,792
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	8,191	27,289	103,792
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 (+)	232,827	68,087	51,574
Transfers from other categories of loans under follow-up (+) ^(*)	-	217,375	239,804
Transfers to other categories of loans under follow-up (-) ^(*)	217,263	273,192	64,650
Collections (-)	35,347	52,300	366,138
Write-offs (-)	-	-	4,272
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Others	-	-	4,272
Currency differences	-	-	2,527
Balance at the end of the period	72,268	179,271	1,890,470
Specific provision (-)	14,565	179,271	1,887,493
Net balance on balance sheet	57,703	-	2,977

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	93	661	313,117
Specific provision (-)	19	661	310,140
Net balance on balance sheet	74	-	2,977
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

The Parent Bank and its domestic subsidiaries follow non-performing foreign currency denominated loans 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)			
Consumer and commercial loans (Gross)	71,915	177,223	1,789,922
Specific provision (-)	14,383	177,223	1,786,945
Consumer and commercial loans (Net)	57,532	-	2,977
Banks (Gross)	-	-	9,579
Specific provision (-)	-	-	9,579
Banks (Net)	-	-	-
Other loans and receivables (Gross)	353	2,048	90,969
Specific provision (-)	182	2,048	90,969
Other loans and receivables (Net)	171	-	-
Prior Period (Net)			
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	4,324,264	-	2,911,012	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	1,548,702	-	1,412,065
Total	4,324,264	1,548,702	2,911,012	1,412,065

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	5,963,082	4,392,223
Quoted at stock exchanges	5,909,397	4,355,131
Unquoted at stock exchanges	53,685	37,092
Impairment losses (-)	36,431	29,978
Total	5,926,651	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	224,812	41,486
Acquisitions during the period	3,047,705	2,276,240
Disposals through sales/redemptions	(1,634,837)	(1,532,959)
Impairment losses	(6,453)	(17,166)
Change in amortized costs of the securities ^(*)	(66,821)	16,426
Balances at the end of the period	5,926,651	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 1,690,000 to its held-to-maturity investment securities portfolio at their fair values of TL 1,764,346 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 (2,497) 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	-	53,650	-	53,685
Investments subject to repurchase agreements	4,224,361	1,107,890	4,262,614	1,126,343
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others (*)	62,341	433,406	61,650	422,359
Total	4,286,702	1,594,946	4,324,264	1,602,387

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 Enternasyonel Otelcilik AŞ	İstanbul/Turkey	5.00	5.00
6 İMKB Takas ve Saklama Bankası AŞ	İstanbul/Turkey	4.86	5.28
7 Kredi Garanti Fonu AŞ	Ankara/Turkey	1.67	1.67
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	1,314,482	191,452	184,583	14,565	-	(2,798)	20,595	-
2	22,629	19,044	6,401	686	-	3,179	2,525	-
3	33,294	28,668	3,163	1,804	-	12,969	9,899	-
4	122,250	16,701	339	217	-	(8,178)	(4,185)	-
5	104,983	35,114	101,465	-	-	(11,618)	755	-
6	2,168,769	297,083	10,613	27,363	2,890	24,411	23,845	-
7	207,899	201,048	2,904	3,979	-	7,672	5,439	-
8	2,444	(31,386)	-	4,045	-	(2,347)	(1,755)	-

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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 September 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
1 690,965	56,605	7,682	40,335	7,149	1,448	11,136	-
2 14,518	14,281	94	231	(388)	(1,226)	819	12,443
3 143,256	108,148	252	800	364	25,494	3,742	56,174
4 9,821,491	1,486,861	19,237	239,631	154,205	170,649	182,805	1,586,814

(*) 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	(28,800)	64,675
Acquisitions and capital increases	-	-
Bonus shares received	8,710	10,477
Dividends from current year profit	-	-
Sales/liquidations	-	-
Fair value changes	(37,510)	54,198
Impairment losses	-	-
Balance at the end of the period	156,077	184,877
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Sectoral distribution of consolidated investments in associates

	Current Period	Prior Period
Banks	139,094	162,870
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	16,983	22,007
Total	156,077	184,877

Quoted consolidated associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	149,958	178,758
Quoted at international stock exchanges	-	-
Total	149,958	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

As per the 19 August 2011 dated resolution of the Board of Directors of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Bank, it has been decided to increase the paid in capital by TL 78,000 from TL 22,000 to TL 100,000. As per the 20 October 2011 dated resolution of the Board of Directors of the Bank, it has been decided to fully exercise the preemptive right of the Bank’s shares.

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 the current period, the Bank has paid TL 1,000 of its capital commitment to Kredi Garanti Fonu AŞ, an unconsolidated associate of the Bank.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Bankalararası Kart AŞ (“BKM”), an unconsolidated associate of the Bank, from TL 6,000 to TL 14,000, by the General Assembly of BKM, the share of the Bank amounting to TL 776 is presented in the movement table of investments in associates as bonus shares received.

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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.

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	224,691	219,987	84,258	6,618	2	8,176	371	212,968
3	16,490	9,852	473	717	51	2,176	1,599	12,000
4	23,596	18,325	657	998	87	6,546	3,616	32,000

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

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.

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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	727,824	264,591	163,157	9,558	-	11,501	(11,418)	272,394
2	1,353,507	123,129	25,116	22,996	24,291	19,403	10,055	194,500
3	653,681	80,785	385	43,084	-	9,266	9,846	70,000
4	570,511	99,006	3,719	21,876	388	12,938	15,315	82,981
5	31,397	10,524	238	1,772	-	2,535	1,643	-
6	116,333	55,757	282	6,413	248	3,449	4,836	55,298
7	1,530,078	199,819	1,761	32,378	6,316	12,988	6,454	166,683
8	7,182	5,738	6	386	49	1,139	1,055	19,621

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

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	(48,369)	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	(50,009)	104,113
Impairment losses	-	-
Balance at the end of the period	499,592	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	499,592	547,961
Equity method of accounting	-	-
Total	499,592	547,961

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	Current Period	Prior Period
Banks	150,015	150,015
Insurance companies	193,595	214,617
Factoring companies	50,368	50,368
Leasing companies	48,718	64,965
Finance companies	-	-
Other financial subsidiaries	56,896	67,996
Total	499,592	547,961

Quoted subsidiaries

	Current Period	Prior Period
Quoted at domestic stock exchanges	147,733	183,064
Quoted at international stock exchanges	-	-
Total	147,733	183,064

Investments in subsidiaries disposed during the period

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.

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	41,511	41,155	37,066	36,058
Between 1-4 years	326,609	293,589	223,923	197,661
Longer than 4 years	154,202	129,536	77,834	67,261
Total	522,322	464,280	338,823	300,980

Net investments in finance lease receivables

	Current period	Prior Period
Gross finance lease receivables	522,322	338,823
Unearned income on finance lease receivables (-)	(58,042)	(37,843)
Terminated lease contracts (-)	-	-
Net finance lease receivables	464,280	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 September 2011, the Group has investment property amounting to TL 159,172 (31 December 2010: TL 53,659) in total which consists of the net book value amounting to TL 140,454 (31 December 2010: TL 36,126) for the subsidiaries operating in real estate investment trust sector and the net book value amounting to TL 18,718 (31 December 2010: TL 17,533) for the subsidiaries operating in the insurance business.

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

	Current period	Prior Period
Valuation differences of financial assets and liabilities	71,193	13,582
Provision for employee termination benefits and unused vacations	47,668	44,055
Other provisions	36,488	29,447
Investment incentives	27,542	25,342
Valuation difference for associates and subsidiaries	21,487	18,733
Reporting Standarts - Tax Code depreciation differences	17,988	16,999
Tax losses carried forward	-	567
Other differences	3,047	1,582
Deferred tax assets	225,413	150,307
Net-off of the deferred tax assets and liabilities from the same entity	(18,495)	(19,164)
Deferred tax assets, (net)	206,918	131,143
	Current period	Prior Period
Valuation differences of financial assets and liabilities	14,804	21,250
Reporting Standart and Tax code differences of leased tangible assets	5,705	-
Valuation difference for associates and subsidiaries	798	758
Reporting Standarts - Tax Code depreciation differences	97	201
Other differences	342	445
Deferred tax liabilities	21,746	22,654
Net-off of the deferred tax assets and liabilities from the same entity	(18,495)	(19,164)
Deferred tax liabilities, (net)	3,251	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 27,542 as at 30 September 2011 (31 December 2010: TL 25,342).

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As at 30 September 2011, net book value of asset held for sale of the Group is amounting to TL 2,159 (31 December 2010: TL 1,446).

15. Information on other assets

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

	Current period	Prior Period
Receivables from private pension business	844,892	701,303
Receivables from credit cards	810,175	292,504
Prepaid expenses	419,742	326,278
Receivables from reinsurance operations	300,205	371,213
Receivables from insurance operations	172,552	256,240
Receivables from term sale of assets	105,687	87,974
Deferred acquisition costs	60,395	79,402
Receivables from derivative financial instruments	30,464	37,763
Receivables from lawsuit and court expenses	15	52,062
Others	68,181	82,683
Total	2,812,308	2,287,422

In prior period the Parent Bank has recorded specific provisions amounting to TL 48,480 for lawsuit and court expenses undertaken due to loans and advances under follow-up amounting to TL 48,976 that is a part of receivables from lawsuit and court expenses amounting to TL 52,062 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	1,750,508	-	485,952	10,206,539	1,093,300	260,138	76,748	-	13,873,185
Foreign currency deposits	1,387,401	-	1,732,149	7,094,462	1,250,537	544,682	2,649,272	-	14,658,503
Residents in Turkey	1,226,777	-	1,728,034	7,032,292	1,234,165	437,685	1,715,111	-	13,374,064
Residents in abroad	160,624	-	4,115	62,170	16,372	106,997	934,161	-	1,284,439
Public sector deposits	2,679,220	-	1,795,494	4,356,052	619,052	132,217	11,332	-	9,593,367
Commercial deposits	1,023,491	-	2,165,337	4,300,198	632,776	226,685	1,390	-	8,349,877
Others	1,680,391	-	470,609	2,553,713	744,220	361,702	10,559	-	5,821,194
Precious metal deposits	-	-	-	-	-	-	-	-	-
Bank deposits	24,256	-	781,914	1,496,911	1,857,877	2,024	2,028	-	4,165,010
Central Bank	114	-	-	-	-	-	-	-	114
Domestic banks	1,896	-	671,771	1,375,685	827,171	2,024	2,028	-	2,880,575
Foreign banks	5,661	-	110,143	121,226	1,030,706	-	-	-	1,267,736
Participation banks	16,584	-	-	-	-	-	-	-	16,584
Others	1	-	-	-	-	-	-	-	1
Total	8,545,267	-	7,431,455	30,007,875	6,197,762	1,527,448	2,751,329	-	56,461,136

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	6,191,240	5,664,532	7,681,945	6,749,362
Foreign currency saving deposits	1,451,176	1,378,766	3,760,439	2,759,321
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	7,642,416	7,043,298	11,442,384	9,508,683

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	9,876	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	1,705	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	7,078	2,281	845	94
Swaps transactions	-	420,754	20,297	80,716
Futures transactions	-	-	-	-
Options	79	46	95	1,320
Others	-	-	-	-
Total	7,157	423,081	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	126,883	465,214	139,492	323,562
Foreign banks, institutions and funds	206,874	8,257,741	84,774	6,139,174
Total	333,757	8,722,955	224,266	6,462,736

Maturity information of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short-term ^(*)	317,793	3,199,830	187,802	3,488,644
Medium and Long term ^(*)	15,964	5,523,125	36,464	2,974,092
Total	333,757	8,722,955	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 10.8% (31 December 2010: 9.8%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On 1 September 2010, the Bank obtained a syndication loan at the amount of US Dollar 135 million and Euro 408 million with interest rates of Libor + 0.75% and Euribor + 0.75% at 1 year maturity and syndication loan at the amount of US Dollar 10 million and Euro 45 million with interest rates of Libor + 1.15% and Euribor + 1.15% at 2 years maturity with the participation of 32 banks under the coordination of West LB AG, and the Bank has repaid the part of the loan with one year maturity on 6 September 2011.

This loan has been renewed with a syndication loan at the amount of US Dollar 145 million and Euro 433 million with interest rates of US Libor+ % 1.00 and Euribor + %1.00 at a maturity of one year, with the participation of 26 banks under the coordination of ING Bank N.V.

Information on securities issued

On 8 August 2011, the Parent Bank has issued bonds with a nominal value of TL 500,000 and 176 days maturity. As at 30 September 2011, the Bank has purchased its bonds with a nominal of TL 3,010 and netted from its bonds payable. The carrying value of these bonds amounts to TL 481,207 as at 30 September 2011 (31 December 2011: None).

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	522,983	350,017
Provisions for loans and receivables in Group II	42,537	40,852
Provisions for non-cash loans	46,159	35,922
Others	2,561	1,085
Total	614,240	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	572	715

The Parent Bank recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 572 (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	206	233
Non-cash loans with doubtful collectability	8,597	3,636
Uncollectible non-cash loans	78,265	88,379
Total	87,068	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: 3%). Part of this provision has been recorded under general provisions account and the remaining TL 57,259 (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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	Current Period	Prior period
Specific provisions for non-cash loans	87,068	92,248
Provision for loans under follow-up	57,259	65,428
Provision for World Vakıf UBB Ltd with regard to its negative equity	26,022	19,920
Provision for cheques	17,837	16,251
Provisions for lawsuits against the Group	15,680	15,486
Provisions for credit card promotions	8,210	7,873
Other provisions	8,328	6,563
Total	220,404	223,769

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

As at 30 September 2011, corporate tax payable of the Group amounts to TL 168,842 (31 December 2010: TL 115,123).

Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	168,842	115,123
Taxation on securities	69,184	38,770
Capital gains tax on property	1,319	1,047
Banking and Insurance Transaction Tax (BITT)	24,132	22,863
Taxes on foreign exchange transactions	-	-
Value added tax payable	1,168	1,540
Others	20,929	23,890
Total	285,574	203,233

Information on premiums payable

	Current Period	Prior Period
Social security premiums- employee share	437	446
Social security premiums- employer share	1,275	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	444	375
Unemployment insurance- employer share	942	781
Others	64	1,257
Total	3,162	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	(18,420)	-	(12,882)	-
Fair value differences of available-for-sale securities	(31,799)	97,719	126,248	187,884
Foreign exchange differences	-	-	-	-
Total	(50,219)	97,719	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	4,903,729	4,880,798
Loan granting commitments	4,922,060	3,698,348
Asset purchase/sale commitments	636,121	904,825
Commitments for cheque payments	803,307	655,194
Share capital commitments to associates and subsidiaries	1,000	2,000
Total	11,266,217	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 87,068 (31 December 2010: TL 92,248) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 87,891 (31 December 2010: TL 93,180).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional letters of guarantee	518,663	627,236
Final letters of guarantee	4,148,714	3,480,369
Letters of guarantee for advances	1,628,678	1,215,050
Letters of guarantee given to custom offices	297,749	215,578
Other letters of guarantee	3,419,226	2,688,694
Total	10,013,030	8,226,927

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	301,482	309,128
With original maturity of 1 year or less	111,410	197,708
With original maturity of more than 1 year	190,072	111,420
Other non-cash loans	14,106,141	11,050,700
Total	14,407,623	11,359,828

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3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	43,408	0.55	230,437	3.51	34,489	0.53	168,629	3.46
Farming and cattle	39,742	0.51	215,891	3.29	30,764	0.47	154,865	3.17
Forestry	2,671	0.03	8,848	0.13	3,252	0.05	3,250	0.07
Fishing	995	0.01	5,698	0.09	473	0.01	10,514	0.22
Manufacturing	3,412,303	43.49	3,187,908	48.58	2,913,650	45.00	2,585,483	52.96
Mining	47,756	0.61	113,974	1.74	37,315	0.58	177,128	3.63
Production	2,357,771	30.05	2,607,502	39.73	1,974,922	30.50	1,762,739	36.11
Electric, gas and water	1,006,776	12.83	466,432	7.11	901,413	13.92	645,616	13.22
Construction	1,254,028	15.98	1,137,638	17.34	1,082,641	16.71	730,552	14.96
Services	2,601,998	33.17	1,170,988	17.84	1,871,905	28.89	405,121	8.29
Wholesale and retail trade	922,324	11.76	227,372	3.46	721,816	11.14	179,191	3.67
Hotel, food and beverage services	54,746	0.70	2,406	0.04	42,105	0.65	7,510	0.15
Transportation and telecommunication	269,618	3.44	842,952	12.85	204,053	3.15	186,231	3.81
Financial institutions	1,141,689	14.55	51,312	0.78	866,234	13.37	18,590	0.38
Real estate and renting services	147,414	1.88	31,980	0.49	2,008	0.03	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	9,360	0.12	1,532	0.02	4,925	0.08	-	-
Health and social services	56,847	0.72	13,434	0.20	30,764	0.47	13,599	0.28
Others	533,448	6.81	835,467	12.73	574,826	8.87	992,532	20.33
Total	7,845,185	100.00	6,562,438	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	7,707,699	2,161,971	56,097	935
Confirmed bills of exchange and acceptances	21,919	213,388	-	-
Letters of credit	3,206	4,122,089	-	191
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	21,802	3,705	-	-
Other guarantees and sureties	-	6,730	-	-
Total Non-Cash Loans	7,754,626	6,507,883	56,097	1,126

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.

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	932,113	123,432	924,995	115,869
Medium and long-term loans	1,959,045	421,612	1,635,553	278,558
Loans under follow-up	111,488	-	68,604	-
Premiums received from resource utilization support fund	-	-	-	-
Total	3,002,646	545,044	2,629,152	394,427

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	35,855	1,616	29,584	1,043
Foreign banks	824	8,772	8,138	3,316
Foreign head office and branches	-	-	-	-
Total	36,679	10,388	37,722	4,359

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interests received from the associates and subsidiaries	47	202

2. Interest expense

Interest expense on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	19,317	97,883	10,164	61,114
Central Bank of Turkey	-	-	-	-
Domestic banks	4,227	8,831	4,874	4,697
Foreign banks	15,090	89,052	5,290	56,417
Foreign head offices and branches	-	-	-	-
Other institutions	-	4,325	-	2,765
Total	19,317	102,208	10,164	63,879

Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	16,669	16,166

Interest expense on securities issued

For the nine-month period ended 30 September 2011, interest expense on bonds issued is amounting to TL 6,041 (30 September 2010: None).

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3. Trading income/losses

	Current Period	Prior Period
Income	1,737,279	1,898,363
Income from capital market transactions	81,924	1,149,725
Income from derivative financial instruments	651,273	106,564
Foreign exchange gains	1,004,082	642,074
Losses	(1,710,460)	(1,733,897)
Losses from capital market transactions	(10,817)	(945,883)
Losses from derivative financial instruments	(658,223)	(157,078)
Foreign exchange losses	(1,041,420)	(630,936)
Trading income/losses, net	26,819	164,466

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 61,776 as at and for the nine-month period ended 30 September 2011 (30 September 2010: net loss of TL 55,343).

4. Other operating income

	Current Period	Prior Period
Income from reversal of impairment losses on loans and receivables	537,079	266,194
Earned insurance premiums (net of reinsurance share)	401,122	354,940
Gain on sale of assets	94,647	30,384
Communication income	60,096	55,873
Income from private pension business	18,985	14,667
Rent income	3,353	5,386
Other income	65,933	55,278
Total	1,181,215	782,722

5. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	277,416	472,313
<i>Loans and receivables in Group III</i>	<i>51,799</i>	<i>52,170</i>
<i>Loans and receivables in Group IV</i>	<i>173,398</i>	<i>214,501</i>
<i>Loans and receivables in Group V</i>	<i>52,219</i>	<i>205,642</i>
Non-performing commissions and other receivables	-	-
General provision expenses	187,029	64,393
Provision for possible losses	-	-
Impairment losses on securities	55,876	26,020
<i>Trading securities</i>	<i>22,654</i>	<i>1</i>
<i>Investment securities available-for-sale</i>	<i>33,222</i>	<i>26,019</i>
Other impairment losses	21,114	27,541
<i>Associates</i>	<i>63</i>	<i>-</i>
<i>Subsidiaries</i>	<i>3,867</i>	<i>13,535</i>
<i>Joint ventures</i>	<i>-</i>	<i>-</i>
<i>Investment securities held-to-maturity</i>	<i>17,184</i>	<i>14,006</i>
Others (*)	96,297	152,716
Total	637,732	742,983

(*) Other provision expenses amounting to TL 96,297 (30 September 2010: TL 152,716) is comprised of provision expenses for dividends to the personnel amounting to TL 69,879 (30 September 2010: TL 56,308), provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 24,427 (30 September 2010: TL 26,329) and other provision expenses amounting to TL 1,991 (30 September 2010: TL 2,384).

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	Current Period	Prior Period
Personnel costs	702,484	568,713
Reserve for employee termination benefits	11,371	14,620
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	79,488	84,249
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	6,926	5,929
Impairment losses on assets to be disposed	2,263	2,438
Depreciation expenses on assets to be disposed	8,248	7,842
Impairment losses on assets held for sale	-	-
Other operating expenses	595,842	518,674
<i>Operational lease related expenses</i>	81,807	63,608
<i>Repair and maintenance expenses</i>	11,064	11,668
<i>Advertisement expenses</i>	20,713	38,127
<i>Other expenses</i>	482,258	405,271
Loss on sale of assets	713	997
Others	455,912	514,561
Total	1,863,247	1,718,023

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 331,978 (30 September 2010: TL 205,476) 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	69,047	6,279
Arising from (origination) / reversal of taxable temporary differences	(2,098)	(4,359)
Arising from origination / (reversal) of tax losses	-	(2,248)
Arising from tax rate change	-	-
Total	66,949	(328)

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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	44,228	(26,157)

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

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	-	316,196	-	563	8,978	2,371
Balance at the end of the period	-	353,047	-	27,160	7,503	167
Interest and commission income	47	182	-	27	292	45

Prior Period	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	-	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	202	118	-	-	426	69

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	697,507	411,915	691,331	581,885	86,520	54,423
Interest on deposits	16,669	16,166	30,756	41,325	355	348

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 2.64% (31 December 2010: 2.81%), respectively.

Current Period	Amount	Compared With the Financial Statement Amount (%)
Cash loans	7,503	0.01
Non-cash loans	380,374	2.64
Deposits	1,475,358	2.61

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 Court 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

- 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.
- As a result of the investigation conducted on 8 banks including the Bank, pursuant to the Law on Protection of Competition No. 4054, the Competition Board has announced that the Bank has been charged a penalty of TL 8,226,296 with the clause that the Bank has the right to appeal to Supreme Court. On 22 September 2011, the Bank has benefited from cash payment discount and paid TL 6,169,722 to Major Taxpayer Tax Office for TL 8,226,296 administrative penalty charged with 7 March 2011 dated and 11-13/243-78 numbered decision of Competition Board due to breach of the Law on Protection of Competition No. 4054 provided that rights to appeal are preserved.
- The public offering of the Bank’s bond with TL 500,000,000 nominal value and 176 days maturity in accordance with the communiqué approved by CMB on 22 July 2011, has been published on Official Gazette dated 22 July 2011. The bond has started to be traded on Istanbul Stock Exchange with the ISIN code “TRQVKFB11218” on 10 August 2011.

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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 2011/62 numbered "Press Release on Reserve Requirements" announced by Central Bank and published on 5 October 2011, notice foreign deposit accounts reserve requirements ratio for one year decreased from 11.5% to 11% and more than one year dated foreign currency deposit accounts and cumulative foreign currency deposit accounts decreased from 9.5% to 9%, for foreign currency other liabilities with maturity up to one year decreased from 11.5% to 11%, for foreign currency other liabilities with maturity from one to three years (three-years included) decreased from 9.5% to 9%, and for foreign currency other liabilities with maturity more than three years the ratio decreased from 8.5% to 6%. Announced rates has been effective beginning from the liability schedule dated 30 September 2011 and the reserve requirements calculated at the new rates has been set starting from 14 October 2011.

In accordance with the 2011/70 numbered "Press Release on Reserve Requirements" announced by Central Bank and published on 27 October 2011, reserve requirement ratio for FC demand deposits, notice deposits and FC private current accounts, deposits/participation accounts up to one month decreased from 16% to 11%, for deposits/participation accounts with maturity up to three months (including three months) decreased from 12% to 11.5% and deposits/participation accounts with maturity up to six months (including six months) decreased by one point from 9% to 8%. Remaining rates has been maintained. Announced rates has been effective beginning from the liability schedule dated 28 October 2011 and the reserve requirements calculated at the new rates will be maintained starting from 11 November 2011.

In accordance with the same press release, the 20% upper limit for the portion of TL reserve requirements allowed to be deposited in FC is increased to 40%.

- Per decree no:660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no:1 of the 2499 numbered Law on establishment of Turkish Accounting Standards Board ("TASB") has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association ("Board") has been decided by the Council of Ministers. In accordance with this additional temporary article no:1 of decree, current regulations will prevail until related standards and regulations will be issued by the Board become effective. Therefore, as at the balance sheet date, this amendment does not result in any change in Section Three Note 1 "Basis of Presentation" presented above.

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 nine-month period ended 30 September 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 24 November 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 nine-month period ended 30 September 2011.