

*(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 Three-Month Period Ended  
31 March 2011

With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ  
26 May 2011

*This report contains "Independent Auditors' Review  
Report" comprising 1 page and; "Consolidated  
Financial Statements and Related Disclosures and  
Footnotes" comprising 69 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 31 March 2011 and the related consolidated statement of income, statement of cash flows and statement of changes in equity for the three-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 31 March 2011, which statements reflect total assets constituting 1.48 percent; and total operating income constituting 0.88 percent as at and for the three-month period ended 31 March 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 31 March 2011, and of the results of its operations and its cash flows for the three-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 and Article 38 of the (Turkish) Banking Law No 5411; and other communiqués, disclosures and directives announced by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Istanbul,  
26 May 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 THREE-MONTH PERIOD ENDED 31 MARCH 2011**

Address : Levent Mahallesi, Hacı Adil Yolu Çayır Çimen Sokak  
No:2, 1. Levent Beşiktaş/İstanbul

Telephone : 0212 316 70 00

Fax : 0312 455 76 92

Electronic web site : [www.vakifbank.com.tr](http://www.vakifbank.com.tr)

Electronic mail address : [posta@vakifbank.com.tr](mailto:posta@vakifbank.com.tr)

The consolidated interim financial report as at and for the three-month period ended 31 March 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 three month period ended 31 March 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 three month period ended 31 March 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.

26 May 2011

Ahmet CANDAN	Serdar TUNÇBİLEK	Halim KANATCI	Süleyman KALKAN
Deputy Chairman of Board of Directors	Board Member and Audit Committee Member	Board Member and Audit Committee Member	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:

Name-Surname/Title : A. Sonat ŞEN /Manager  
Phone no : 0312 455 75 66  
Fax no : 0312 455 76 92

S. Buğra SÜRÜEL /Assistant Manager  
0312 455 75 70  
0312 455 76 92

## **SECTION ONE**

### General Information

	<b>Page No:</b>
I. History of the Parent Bank including its incorporation date, initial legal status, amendments to legal status	1
II. The Parent Bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the period and information on Bank's risk group	1
III. Information on the Parent Bank's board of director's chairman and members, audit committee members, general manager, assistant general managers and their shares in the Parent Bank	2
IV. Information on the Parent Bank's qualified shareholders	3
V. Information about the services and nature of activities of the Parent Bank	3

## **SECTION TWO**

### Consolidated Financial Statements

I. Consolidated balance sheet - Assets	4
II. Consolidated balance sheet - Liabilities and equity	5
III. Consolidated off-balance sheet items	6
IV. Consolidated statement of income	7
V. Consolidated statement of gains and losses recognized in equity	8
VI. Consolidated statement of changes in equity	9
VII. Consolidated statement of cash flows	10

## **SECTION THREE**

### Accounting Policies

I. Basis of presentation	11
II. Strategy for use of financial instruments and foreign currency transactions	11
III. Information on companies subject to consolidation	12
IV. Information on forwards, options and other derivative transactions	14
V. Information on interest income and expenses	14
VI. Information on fees and commissions	14
VII. Information on financial assets	15
VIII. Information on impairment of financial assets	16
IX. Information on netting of financial instruments	16
X. Information on repurchase and resale agreements and securities lending	16
XI. Information on assets and liabilities arising from assets held for sale and discontinued operations	17
XII. Information on goodwill and other intangible assets	17
XIII. Information on tangible assets	17
XIV. Information on investment properties	18
XV. Information on leasing activities	18
XVI. Information on provisions and contingent liabilities	18
XVII. Information on obligations of the Group concerning employee rights	19
XVIII. Information on taxation	20
XIX. Additional information on borrowings	21
XX. Information on issuance of equity securities	21
XXI. Information on confirmed bills of exchange and acceptances	21
XXII. Information on government incentives	22
XXIII. Information on segment reporting	22
XXIV. Other disclosures	22

## **SECTION FOUR**

### Information Related to Financial Position of the Group

I. Consolidated capital adequacy ratio	24
II. Consolidated market risk	27
III. Consolidated operational risk	28
IV. Consolidated foreign currency exchange risk	28
V. Consolidated interest rate risk	31
VI. Consolidated liquidity risk	35
VII. Consolidated segment reporting	37

## **SECTION FIVE**

### Disclosures and Footnotes on Consolidated Financial Statements

I. Information and disclosures related to consolidated assets	38
II. Information and disclosures related to consolidated liabilities	53
III. Information and disclosures related to consolidated off-balance sheet items	58
IV. Information and disclosures related to consolidated statement of income	61
V. Information and disclosures related to the Bank's risk group	64

## **SECTION SIX**

### Other Disclosures and Footnotes

I. Other disclosures on the Bank's activity	66
II. Information on the Bank's rating given by international institutions	67
III. Significant events and matters subsequent to balance sheet date that are not resulted	68
IV. Significant foreign currency exchange rate fluctuations that are subsequent to balance sheet date	68

## **SECTION SEVEN**

### Independent Auditors' Review Report

I. Information on Independent Auditors' Review Report	69
---	----

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

## **Consolidated Interim Financial Report as at and For the Three-Month Period Ended 31 March 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 31 March 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 31 March 2011 is disclosed below:

<b>Shareholders</b>	<b>Number of Shares</b>	<b>Nominal Value of the Shares – Thousands of TL</b>	<b>Share Percentage (%)</b>
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)	3.174.979	3,175	0.13
Other registered foundations (Group B)	1.448.543	1,448	0.06
Other real persons and legal entities (Group C)	1.797.832	1,798	0.07
Publicly traded (Group D)	629.742.555	629,742	25.19
<b>Total</b>	<b>2.500.000.000</b>	<b>2,500,000</b>	<b>100.00</b>

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries**Consolidated Interim Financial Report as at and  
For the Three-Month Period Ended 31 March 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
<b>Board of Directors</b>				
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
<b>Audit Committee</b>				
Halim KANATÇI	Member	5 November 2010	University	38 years
Serdar TUNÇBİLEK	Member	1 April 2010	University	28 years
<b>Auditors</b>				
Mehmet HALTAŞ	Auditor	19 March 2010	University	34 years
Yunus ARINCI	Auditor	19 March 2010	Master	14 years
<b>Assistant General Managers</b>				
Mehmet CANTEKİN (Senior Assistant Manager)	Loans Follow-up, Directorates of the Regions	28 December 2007	Master	18 years
Şahin UĞUR	Support Services	9 August 2004	University	25 years
Feyzi ÖZCAN	Retail Banking, Retail Loans, Corporate Salary Payments, Credit Cards	20 September 2005	University	21 years
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Alternative Distribution Channels, Planning and Performance, Subsidiaries	13 June 2006	PHD	15 years
Birgül DENLİ	Private Banking, International Relations and Investor Relations	15 June 2006	Master	17 years
Ömer ELMAS	Legal Services	5 January 2009	Master	9 years
Remzi ALTINOK	Commercial Loans, Corporate Loans Intelligence	7 May 2010	University	19 years
İbrahim BİLGİÇ	Commercial banking, Corporate Banking, Corporate Centers, Liquid Management	7 May 2010	University	19 years
Hasan ECESoy	Treasury, Investment Banking	18 June 2010	PHD	17 years
Serdar SATOĞLU	Human resources	17 June 2010	PHD	15 years
Ali Engin EROĞLU	Software Development Systems, Ebis Operations, Ebis Support and Business Analysis, Information Technologies Project Management	18 August 2010	Master	15 years

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

Consolidated Interim Financial Report as at and  
For the Three-Month Period Ended 31 March 2011

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

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

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

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

### **IV. Information on the Parent Bank’s qualified shareholders**

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

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

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

- Lending loans by granting securities and real estates against,
- Establishing or participating in all kinds of insurance corporations already established,
- Trading real estates,
- Servicing all banking operations and services,
- Operating real estates and participating in industrial sectors for corporations handed over by foundations and General Directorate of the Foundations in line with conditions stipulated by agreements if signed.
- The Bank is established to render banking services to the foundations and carry out cashier transactions of the General Directorate of Foundations in compliance with the agreements signed by General Directorate of the Foundations.

As at 31 March 2011, the Parent Bank has 648 domestic, 3 foreign, in total 651 branches (31 December 2010: 634 domestic, 2 foreign, in total 636 branches). As at 31 March 2011, the Parent Bank has 11,021 employees (31 December 2010: 11,077 employees).



SECTION TWO – CONSOLIDATED FINANCIAL STATEMENTS

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

Consolidated Balance Sheet (Statement of Financial Position)

As at 31 March 2011

(Thousands of Turkish Lira (“TL”))

*Convenience Translation of Consolidated Financial*

*Statements and Related Disclosures and Footnotes*

*Originally Issued in Turkish, See Section 3 Note 1*

	Notes	Reviewed Current Period 31 March 2011			Audited Prior Period 31 December 2010		
		TL	FC	Total	TL	FC	Total
<b>ASSETS</b>							
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>V-I-1</b>	<b>4,408,625</b>	<b>2,023,266</b>	<b>6,431,891</b>	<b>2,609,792</b>	<b>2,041,241</b>	<b>4,651,033</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	<b>V-I-2</b>	<b>192,363</b>	<b>26,909</b>	<b>219,272</b>	<b>181,921</b>	<b>36,140</b>	<b>218,061</b>
2.1 Financial assets held for trading purpose		192,363	26,909	219,272	181,921	36,140	218,061
2.1.1 Debt securities issued by the governments		140,516	12,044	152,560	176,801	12,489	189,290
2.1.2 Equity securities		73	-	73	79	-	79
2.1.3 Derivative financial assets held for trading purpose		37,935	14,865	52,800	1,343	23,651	24,994
2.1.4 Other securities		13,839	-	13,839	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		-	-	-	-	-	-
<b>III. BANKS</b>	<b>V-I-3</b>	<b>474,811</b>	<b>2,435,945</b>	<b>2,910,756</b>	<b>944,049</b>	<b>1,226,835</b>	<b>2,170,884</b>
<b>IV. RECEIVABLES FROM INTERBANK MONEY MARKETS</b>		<b>280</b>	<b>-</b>	<b>280</b>	<b>2,101,584</b>	<b>-</b>	<b>2,101,584</b>
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		280	-	280	2,101,584	-	2,101,584
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>V-I-4</b>	<b>10,065,401</b>	<b>2,537,460</b>	<b>12,602,861</b>	<b>11,258,914</b>	<b>2,655,333</b>	<b>13,914,247</b>
5.1 Equity securities		-	12,662	12,662	-	12,295	12,295
5.2 Debt securities issued by the governments		10,064,524	2,414,550	12,479,074	11,258,009	2,534,145	13,792,154
5.3 Other securities		877	110,248	111,125	905	108,893	109,798
<b>VI. LOANS AND RECEIVABLES</b>	<b>V-I-5</b>	<b>32,432,387</b>	<b>14,843,910</b>	<b>47,276,297</b>	<b>30,864,839</b>	<b>13,751,403</b>	<b>44,616,242</b>
6.1 Performing loans and receivables		32,408,964	14,841,325	47,250,289	30,840,214	13,748,757	44,588,971
6.1.1 Loans provided to the same risk group	<b>V-V-1</b>	1,143	7,217	8,360	1,141	7,837	8,978
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		32,407,821	14,834,108	47,241,929	30,839,073	13,740,920	44,579,993
6.2 Loans under follow-up		2,254,535	13,947	2,268,482	2,328,805	14,172	2,342,977
6.3 Specific provisions (-)		2,231,112	11,362	2,242,474	2,304,180	11,526	2,315,706
<b>VII. FACTORING RECEIVABLES</b>		<b>542,627</b>	<b>16,255</b>	<b>558,882</b>	<b>450,170</b>	<b>15,203</b>	<b>465,373</b>
<b>VIII. HELD-TO-MATURITY INVESTMENTS (Net)</b>	<b>V-I-6</b>	<b>3,498,500</b>	<b>1,335,236</b>	<b>4,833,736</b>	<b>2,911,012</b>	<b>1,451,233</b>	<b>4,362,245</b>
8.1 Debt securities issued by the governments		3,498,500	1,302,977	4,801,477	2,911,012	1,412,065	4,323,077
8.2 Other securities		-	32,259	32,259	-	39,168	39,168
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>V-I-7</b>	<b>157,763</b>	<b>3</b>	<b>157,766</b>	<b>157,313</b>	<b>3</b>	<b>157,316</b>
9.1 Associates, consolidated per equity method		126,471	-	126,471	127,072	-	127,072
9.2 Unconsolidated associates		31,292	3	31,295	30,241	3	30,244
9.2.1 Financial associates		16,837	-	16,837	15,786	-	15,786
9.2.2 Non-Financial associates		14,455	3	14,458	14,455	3	14,458
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>V-I-8</b>	<b>147,341</b>	<b>-</b>	<b>147,341</b>	<b>147,436</b>	<b>-</b>	<b>147,436</b>
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		147,341	-	147,341	147,436	-	147,436
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>	<b>V-I-9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES</b>	<b>V-I-10</b>	<b>49,991</b>	<b>304,865</b>	<b>354,856</b>	<b>39,318</b>	<b>261,662</b>	<b>300,980</b>
12.1 Finance lease receivables		58,001	335,938	393,939	46,857	291,966	338,823
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		8,010	31,073	39,083	7,539	30,304	37,843
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>	<b>V-I-11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>		<b>1,175,508</b>	<b>3,874</b>	<b>1,179,382</b>	<b>1,190,467</b>	<b>3,251</b>	<b>1,193,718</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>		<b>58,871</b>	<b>29</b>	<b>58,900</b>	<b>57,225</b>	<b>28</b>	<b>57,253</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		58,871	29	58,900	57,225	28	57,253
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	<b>V-I-12</b>	<b>95,138</b>	<b>-</b>	<b>95,138</b>	<b>53,659</b>	<b>-</b>	<b>53,659</b>
<b>XVII. TAX ASSETS</b>		<b>132,212</b>	<b>563</b>	<b>132,775</b>	<b>136,003</b>	<b>-</b>	<b>136,003</b>
17.1 Current tax assets		5,770	-	5,770	4,860	-	4,860
17.2 Deferred tax assets	<b>V-I-13</b>	126,442	563	127,005	131,143	-	131,143
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)</b>	<b>V-I-14</b>	<b>3,829</b>	<b>-</b>	<b>3,829</b>	<b>1,446</b>	<b>-</b>	<b>1,446</b>
18.1 Assets held for sale		3,829	-	3,829	1,446	-	1,446
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>V-I-15</b>	<b>2,451,727</b>	<b>164,631</b>	<b>2,616,358</b>	<b>2,142,427</b>	<b>144,995</b>	<b>2,287,422</b>
<b>TOTAL ASSETS</b>		<b>55,887,374</b>	<b>23,692,946</b>	<b>79,580,320</b>	<b>55,247,575</b>	<b>21,587,327</b>	<b>76,834,902</b>

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 31 March 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 31 March 2011			Audited Prior Period 31 December 2010		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	<b>V-II-1</b>	<b>36,114,638</b>	<b>13,120,602</b>	<b>49,235,240</b>	<b>35,040,273</b>	<b>13,012,495</b>	<b>48,052,768</b>
1.1	Deposits of the same risk group	V-V-1	1,025,405	25,833	1,051,238	993,748	54,475	1,048,223
1.2	Other deposits		35,089,233	13,094,769	48,184,002	34,046,525	12,958,020	47,004,545
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>	<b>V-II-2</b>	<b>13,978</b>	<b>33,370</b>	<b>47,348</b>	<b>21,237</b>	<b>82,130</b>	<b>103,367</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>V-II-3</b>	<b>223,684</b>	<b>6,752,236</b>	<b>6,975,920</b>	<b>224,266</b>	<b>6,462,736</b>	<b>6,687,002</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKET</b>		<b>6,504,215</b>	<b>2,447,299</b>	<b>8,951,514</b>	<b>6,146,833</b>	<b>2,097,415</b>	<b>8,244,248</b>
4.1	Interbank Money Market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		30,107	-	30,107	30,616	-	30,616
4.3	Obligations under repurchase agreements		6,474,108	2,447,299	8,921,407	6,116,217	2,097,415	8,213,632
<b>V.</b>	<b>SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
<b>VI.</b>	<b>FUNDS</b>		<b>57,928</b>	-	<b>57,928</b>	<b>61,203</b>	-	<b>61,203</b>
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		57,928	-	57,928	61,203	-	61,203
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>2,317,705</b>	<b>153,875</b>	<b>2,471,580</b>	<b>2,070,811</b>	<b>149,882</b>	<b>2,220,693</b>
<b>VIII.</b>	<b>OTHER EXTERNAL RESOURCES PAYABLE</b>	<b>V-II-4</b>	<b>174,885</b>	<b>415,985</b>	<b>590,870</b>	<b>163,586</b>	<b>375,212</b>	<b>538,798</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X.</b>	<b>LEASE PAYABLES</b>	<b>V-II-5</b>	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred finance leasing expenses ( - )		-	-	-	-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE</b>	<b>V-II-6</b>	-	-	-	-	-	-
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	<b>V-II-7</b>	<b>2,181,083</b>	<b>39,559</b>	<b>2,220,642</b>	<b>2,026,935</b>	<b>108,381</b>	<b>2,135,316</b>
12.1	General provisions		453,205	4,084	457,289	424,374	3,502	427,876
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		288,031	563	288,594	353,198	898	354,096
12.4	Insurance technical provisions		1,235,356	12,376	1,247,732	1,047,068	82,507	1,129,575
12.5	Other provisions	V-II-7	204,491	22,536	227,027	202,295	21,474	223,769
<b>XIII.</b>	<b>TAX LIABILITIES</b>	<b>V-II-8</b>	<b>220,404</b>	<b>4,198</b>	<b>224,602</b>	<b>208,341</b>	<b>4,083</b>	<b>212,424</b>
13.1	Current tax liabilities		217,102	4,198	221,300	204,993	3,941	208,934
13.2	Deferred tax liabilities	V-I-13	3,302	-	3,302	3,348	142	3,490
<b>XIV.</b>	<b>PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>V-II-9</b>	-	-	-	-	-	-
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	<b>V-II-10</b>	-	-	-	-	-	-
<b>XVI.</b>	<b>EQUITY</b>		<b>8,561,220</b>	<b>243,456</b>	<b>8,804,676</b>	<b>8,286,879</b>	<b>292,204</b>	<b>8,579,083</b>
<b>16.1</b>	<b>Paid-in capital</b>	<b>V-II-11</b>	<b>2,500,000</b>	-	<b>2,500,000</b>	<b>2,500,000</b>	-	<b>2,500,000</b>
<b>16.2</b>	<b>Capital reserves</b>		<b>770,656</b>	<b>126,937</b>	<b>897,593</b>	<b>846,672</b>	<b>187,884</b>	<b>1,034,556</b>
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	34,591	126,937	161,528	113,366	187,884	301,250
16.2.4	Revaluation surplus on tangible assets		7,564	-	7,564	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		1,779	-	1,779	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		-	-	-	-	-	-
<b>16.3</b>	<b>Profit reserves</b>		<b>4,675,601</b>	<b>63,178</b>	<b>4,738,779</b>	<b>3,542,070</b>	<b>54,760</b>	<b>3,596,830</b>
16.3.1	Legal reserves		623,908	3,266	627,174	504,005	2,549	506,554
16.3.2	Status reserves		3,980	-	3,980	3,094	-	3,094
16.3.3	Extraordinary reserves		3,786,511	4,593	3,791,104	2,789,810	4,593	2,794,403
16.3.4	Other profit reserves		261,202	55,319	316,521	245,161	47,618	292,779
<b>16.4</b>	<b>Profit or loss</b>		<b>393,160</b>	<b>35,388</b>	<b>428,548</b>	<b>1,172,344</b>	<b>32,563</b>	<b>1,204,907</b>
16.4.1	Prior years' profit/loss		1,233	32,581	33,814	16,005	24,605	40,610
16.4.2	Current period's profit/loss		391,927	2,807	394,734	1,156,339	7,958	1,164,297
<b>16.5</b>	<b>Non-controlling interest</b>		<b>221,803</b>	<b>17,953</b>	<b>239,756</b>	<b>225,793</b>	<b>16,997</b>	<b>242,790</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>56,369,740</b>	<b>23,210,580</b>	<b>79,580,320</b>	<b>54,250,364</b>	<b>22,584,538</b>	<b>76,834,902</b>

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

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

**Consolidated Off-Balance Sheet**

As at 31 March 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 31 March 2011			Audited Prior Period 31 December 2010			
		Notes	TL	FC	TOTAL	TL	FC	TOTAL
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>21,799,608</b>	<b>11,915,545</b>	<b>33,715,153</b>	<b>19,634,089</b>	<b>9,286,071</b>	<b>28,920,160</b>
<b>I.</b>	<b>GUARANTEES AND SURETIES</b>		<b>6,888,813</b>	<b>4,934,652</b>	<b>11,823,465</b>	<b>6,477,511</b>	<b>4,882,317</b>	<b>11,359,828</b>
1.1	Letters of guarantee	V-III-2	6,802,923	1,699,212	8,502,135	6,450,635	1,776,292	8,226,927
1.1.1	Guarantees subject to State Tender Law		1,107,827	403,144	1,510,971	1,001,341	407,089	1,408,430
1.1.2	Guarantees given for foreign trade operations		219,318	-	219,318	215,578	-	215,578
1.1.3	Other letters of guarantee		5,475,778	1,296,068	6,771,846	5,233,716	1,369,203	6,602,919
1.2	Bank acceptances		12,562	169,438	182,000	8,587	188,036	196,623
1.2.1	Import letter of acceptance		-	38,790	38,790	-	27,800	27,800
1.2.2	Other bank acceptances		12,562	130,648	143,210	8,587	160,236	168,823
1.3	Letters of credit		7,660	3,056,560	3,064,220	3,750	2,908,250	2,912,000
1.3.1	Documentary letters of credit		7,660	3,056,560	3,064,220	3,750	2,908,250	2,912,000
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Guaranteed pre-financings		-	5,686	5,686	-	6,823	6,823
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Marketable securities underwriting commitments		-	-	-	-	-	-
1.7	Factoring related guarantees		65,668	2,986	68,654	14,539	2,143	16,682
1.8	Other guarantees		-	770	770	-	773	773
1.9	Other sureties		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>		<b>10,411,301</b>	<b>1,289,762</b>	<b>11,701,063</b>	<b>9,854,827</b>	<b>652,056</b>	<b>10,506,883</b>
2.1	Irrevocable commitments		10,411,156	1,289,762	11,700,918	9,854,682	652,056	10,506,738
2.1.1	Asset purchase/sale commitments	V-III-1	521,417	1,218,963	1,740,380	412,537	492,288	904,825
2.1.2	Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries	V-III-1	2,000	-	2,000	2,000	-	2,000
2.1.4	Loan granting commitments	V-III-1	3,616,464	40,630	3,657,094	3,679,208	19,140	3,698,348
2.1.5	Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Commitments for cheque payments	V-III-1	667,723	-	667,723	655,194	-	655,194
2.1.8	Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9	Commitments for credit card limits	V-III-1	5,197,339	-	5,197,339	4,880,798	-	4,880,798
2.1.10	Commitments for credit card and banking operations promotions		263,636	-	263,636	201,107	-	201,107
2.1.11	Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12	Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		142,577	30,169	172,746	23,838	140,628	164,466
2.2	Revocable commitments		145	-	145	145	-	145
2.2.1	Revocable loan granting commitments		145	-	145	145	-	145
2.2.2	Other revocable commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>4,499,494</b>	<b>5,691,131</b>	<b>10,190,625</b>	<b>3,301,751</b>	<b>3,751,698</b>	<b>7,053,449</b>
3.1	Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1	Fair value hedges		-	-	-	-	-	-
3.1.2	Cash flow hedges		-	-	-	-	-	-
3.1.3	Net foreign investment hedges		-	-	-	-	-	-
3.2	Trading derivatives		4,499,494	5,691,131	10,190,625	3,301,751	3,751,698	7,053,449
3.2.1	Forward foreign currency purchases/sales		55,534	126,385	181,919	39,955	64,916	104,871
3.2.1.1	Forward foreign currency purchases		27,774	63,196	90,970	19,983	32,459	52,442
3.2.2.2	Forward foreign currency sales		27,760	63,189	90,949	19,972	32,457	52,429
3.2.2	Currency and interest rate swaps		3,957,867	4,428,643	8,386,510	3,135,142	3,557,743	6,692,885
3.2.2.1	Currency swaps-purchases		2,498,700	1,489,378	3,988,078	1,319,674	1,772,455	3,092,129
3.2.2.2	Currency swaps-sales		1,219,167	2,649,650	3,868,817	1,575,468	1,489,384	3,064,852
3.2.2.3	Interest rate swaps-purchases		120,000	151,424	271,424	120,000	154,367	274,367
3.2.2.4	Interest rate swaps-sales		120,000	138,191	258,191	120,000	141,537	261,537
3.2.3	Currency, interest rate and security options		486,093	597,103	1,083,196	126,654	129,039	255,693
3.2.3.1	Currency call options		259,301	285,093	544,394	63,327	64,518	127,845
3.2.3.2	Currency put options		226,792	312,008	538,800	63,327	64,519	127,846
3.2.3.3	Interest rate call options		-	-	-	-	-	-
3.2.3.4	Interest rate put options		-	-	-	-	-	-
3.2.3.5	Security call options		-	2	2	-	2	2
3.2.3.6	Security put options		-	-	-	-	-	-
3.2.4	Currency futures		-	-	-	-	-	-
3.2.4.1	Currency futures-purchases		-	-	-	-	-	-
3.2.4.2	Currency futures-sales		-	-	-	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sales		-	-	-	-	-	-
3.2.6	Others		-	539,000	539,000	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>194,414,208</b>	<b>29,060,296</b>	<b>223,474,504</b>	<b>89,266,330</b>	<b>26,456,146</b>	<b>115,722,476</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>121,679,683</b>	<b>837,193</b>	<b>122,516,876</b>	<b>21,004,663</b>	<b>722,012</b>	<b>21,726,675</b>
4.1	Customers' securities held		7,425	14,980	22,405	490,862	15,028	505,890
4.2	Investment securities held in custody		118,649,223	6,730	118,655,953	18,033,907	6,752	18,040,659
4.3	Checks received for collection		1,966,357	316,361	2,282,718	1,532,918	265,691	1,798,609
4.4	Commercial notes received for collection		446,618	91,038	537,656	407,287	128,834	536,121
4.5	Other assets received for collection		2,152	62	2,214	2,152	62	2,214
4.6	Assets received through public offering		-	4,566	4,566	-	4,860	4,860
4.7	Other items under custody		353,149	204,785	557,934	302,245	125,066	427,311
4.8	Custodians		254,759	198,671	453,430	235,292	175,719	411,011
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>72,734,525</b>	<b>28,223,103</b>	<b>100,957,628</b>	<b>68,261,667</b>	<b>25,734,134</b>	<b>93,995,801</b>
5.1	Securities		939,407	62,700	1,002,107	838,790	61,103	899,893
5.2	Guarantee notes		289,939	89,331	379,270	266,934	110,761	377,695
5.3	Commodities		11,137,552	161,545	11,299,097	10,550,064	105,548	10,655,612
5.4	Warranties		-	-	-	-	-	-
5.5	Real estates		55,240,822	23,360,934	78,601,756	51,609,715	21,778,197	73,387,912
5.6	Other pledged items		4,319,750	4,361,933	8,681,683	4,235,061	3,497,190	7,732,251
5.7	Pledged items-depository		807,055	186,660	993,715	761,103	181,335	942,438
<b>VI.</b>	<b>CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>			<b>216,213,816</b>	<b>40,975,841</b>	<b>257,189,657</b>	<b>108,900,419</b>	<b>35,742,217</b>	<b>144,642,636</b>

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 Three-Month Period Ended 31 March 2011  
(Thousands of Turkish Lira ("TL"))

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

	Notes	Reviewed Current Period 31 March 2011	Reviewed Prior Period 31 March 2010
<b>I. INTEREST INCOME</b>		<b>1,479,515</b>	<b>1,541,521</b>
1.1 Interest income from loans	V-IV-1	1,054,561	1,008,695
1.2 Interest income from reserve deposits		-	20,478
1.3 Interest income from banks	V-IV-1	17,163	14,349
1.4 Interest income from money market transactions		2,084	33,197
1.5 Interest income from securities portfolio		359,539	425,022
1.5.1 Trading financial assets		16,157	10,054
1.5.2 Financial assets designated at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets		248,693	333,209
1.5.4 Held-to-maturity investments		94,689	81,759
1.6 Finance lease income		5,661	6,057
1.7 Other interest income		40,507	33,723
<b>II. INTEREST EXPENSE</b>		<b>735,904</b>	<b>801,571</b>
2.1 Interest expense on deposits		585,845	651,750
2.2 Interest expense on funds borrowed	V-IV-2	33,539	19,392
2.3 Interest expense on money market transactions		93,290	100,122
2.4 Interest expense on securities issued		-	-
2.5 Other interest expenses		23,230	30,307
<b>III. NET INTEREST INCOME (I – II)</b>		<b>743,611</b>	<b>739,950</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>116,652</b>	<b>103,134</b>
4.1 Fees and commissions received		150,403	126,567
4.1.1 Non-cash loans		15,621	15,982
4.1.2 Others	V-IV-10	134,782	110,585
4.2 Fees and commissions paid		33,751	23,433
4.2.1 Non-cash loans		102	125
4.2.2 Others	V-IV-10	33,649	23,308
<b>V. DIVIDEND INCOME</b>		<b>4,590</b>	<b>2,874</b>
<b>VI. TRADING INCOME/LOSSES (Net)</b>	<b>V-IV-3</b>	<b>41,159</b>	<b>53,605</b>
6.1 Trading account income/losses	V-IV-3	23,415	38,148
6.2 Income/losses from derivative financial instruments	V-IV-3	10,584	2,300
6.3 Foreign exchange gains/losses	V-IV-3	7,160	13,157
<b>VII. OTHER OPERATING INCOME</b>	<b>V-IV-4</b>	<b>405,217</b>	<b>234,645</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>1,311,229</b>	<b>1,134,208</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	<b>V-IV-5</b>	<b>206,178</b>	<b>212,677</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-6</b>	<b>634,053</b>	<b>560,236</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>470,998</b>	<b>361,295</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>4,761</b>	<b>5,352</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>		<b>475,759</b>	<b>366,647</b>
<b>XVI. CONTINUING OPERATIONS PROVISION FOR TAXES</b>	<b>V-IV-7</b>	<b>(96,567)</b>	<b>(78,704)</b>
16.1 Current tax charges	V-IV-7	(80,733)	(79,720)
16.2 Deferred tax credits	V-IV-7	(15,834)	1,016
<b>XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)</b>	<b>V-IV-8</b>	<b>379,192</b>	<b>287,943</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from investment properties		-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3 Other income from discontinued activities		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS</b>		-	-
19.1 Investment property expenses		-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3 Other expenses from discontinued activities		-	-
<b>XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES</b>		-	-
<b>XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES</b>		-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge		-	-
<b>XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	<b>V-IV-8</b>	<b>379,192</b>	<b>287,943</b>
23.1 Equity holders of the Bank		394,734	296,791
23.2 Non-controlling interest	V-IV-9	(15,542)	(8,848)
Earnings per Share (full TL)		<b>0.1517</b>	<b>0.1152</b>

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 Three-Month Period Ended 31 March 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 31 March 2011	Reviewed Prior Period 31.March 2010
<b>GAINS AND LOSSES RECOGNIZED IN EQUITY</b>			
<b>I.</b>	<b>VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN</b>		
	<b>VALUATION DIFFERENCES OF MARKETABLE SECURITIES</b>	(150,123)	31,828
<b>II.</b>	<b>REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	-	(18,177)
<b>III.</b>	<b>REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	-	-
<b>IV.</b>	<b>CURRENCY TRANSLATION DIFFERENCES</b>	8,557	(4,165)
<b>V.</b>	<b>GAINS/(LOSSES) FROM CASH FLOW HEDGES</b>		
	(Effective Portion of Fair Value Changes)	-	-
<b>VI.</b>	<b>GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES</b>		
	(Effective portion)	-	-
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS</b>	-	-
<b>VIII.</b>	<b>OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS</b>	986	(1,220)
<b>IX.</b>	<b>DEFERRED TAXES DUE TO VALUATION DIFFERENCES</b>	23,926	(8,301)
<b>X.</b>	<b>NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)</b>	(116,654)	(35)
<b>XI.</b>	<b>CURRENT PERIOD'S PROFIT/(LOSS)</b>	<b>379,192</b>	<b>287,943</b>
11.1	Change in fair value of securities (transfers to the statement of income)	61,742	30,860
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	317,450	257,083
<b>XII.</b>	<b>TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)</b>	<b>262,538</b>	<b>287,908</b>

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 Three-Month Period Ended 31 March 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

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 and 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 Discoun. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity	
<b>I. Prior Period – 31 March 2010</b>																				
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>II. Mergers</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>III. Associates, Subsidiaries and "Available-for-sale" securities</b>		-	-	-	-	-	-	-	-	-	-	15,827	-	-	-	-	15,827	6,648	22,475	
<b>IV. Hedges for risk management</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1 Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.2 Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>V. Revaluation surplus on tangible assets</b>		-	-	-	-	-	-	-	-	-	-	-	(14,283)	-	-	-	(14,283)	(6,271)	(20,554)	
<b>VI. Revaluation surplus on intangible assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VII. Bonus shares of associates, subsidiaries and joint-ventures</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VIII. Translation differences</b>		-	-	-	-	-	-	-	(3,728)	-	-	-	-	-	-	-	(3,728)	(437)	(4,165)	
<b>IX. Changes resulted from disposal of the assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Changes resulted from reclassifications of the assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XI. Effect of change in equities of associates on the Bank's equity</b>		-	-	(2)	-	-	-	-	-	5,352	-	38	2,377	-	-	-	7,765	(204)	7,561	
<b>XII. Capital increase</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XIII. Share issuance</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XV. Capital reserves from inflation adjustments to paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XVI. Others</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XVII. Current period's net profit/loss</b>		-	-	-	-	-	-	-	-	291,439	-	-	-	-	-	-	291,439	(8,848)	282,591	
<b>XVIII. Profit distribution</b>		-	-	-	-	123,828	733	1,010,668	20,160	(1,294,741)	14,692	-	3,895	-	-	-	(120,765)	(3,839)	(124,604)	
18.1 Dividends		-	-	-	-	-	-	-	-	(120,765)	-	-	-	-	-	-	(120,765)	(3,839)	(124,604)	
18.2 Transferred to reserves		-	-	-	-	123,828	733	1,010,668	20,160	(1,173,976)	14,692	-	3,895	-	-	-	-	-	-	
18.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balances at the end of the period</b>		<b>2,500,000</b>	<b>-</b>	<b>726,689</b>	<b>-</b>	<b>505,389</b>	<b>3,094</b>	<b>2,789,791</b>	<b>289,247</b>	<b>296,791</b>	<b>45,318</b>	<b>350,787</b>	<b>5,628</b>	<b>1,551</b>	<b>-</b>	<b>-</b>	<b>7,514,285</b>	<b>227,598</b>	<b>7,741,883</b>	
<b>I. Current Period – 31 March 2011</b>																				
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>II. Mergers</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>III. Associates, Subsidiaries and "Available-for-sale" securities</b>		-	-	-	-	-	-	-	-	-	-	(139,203)	-	-	-	-	(139,203)	14,484	(124,719)	
<b>IV. Hedges for risk management</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1 Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.2 Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>V. Revaluation surplus on tangible assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VI. Revaluation surplus on intangible assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VII. Bonus shares of associates, subsidiaries and joint-ventures</b>		-	-	-	-	-	-	-	-	-	-	-	-	228	-	-	228	-	228	
<b>VIII. Translation differences</b>		-	-	-	-	-	-	-	7,701	-	-	-	-	-	-	-	7,701	856	8,557	
<b>IX. Changes resulted from disposal of the assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Changes resulted from reclassifications of the assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XI. Effect of change in equities of associates on the Bank's equity</b>		-	-	-	-	-	-	-	-	4,761	-	(519)	-	-	-	-	4,242	(201)	4,041	
<b>XII. Capital increase</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XIII. Share issuance</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XV. Capital reserves from inflation adjustments to paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XVI. Others</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XVII. Current period's net profit/loss</b>		-	-	-	-	-	-	-	-	389,973	-	-	-	-	-	-	389,973	(15,542)	374,431	
<b>XVIII. Profit distribution</b>		-	-	-	-	120,620	886	996,701	16,041	(1,164,297)	(6,796)	-	2,531	-	-	-	(34,314)	(65)	(34,379)	
18.1 Dividends		-	-	-	-	-	-	-	-	(34,314)	-	-	-	-	-	-	(34,314)	(65)	(34,379)	
18.2 Transferred to reserves		-	-	-	-	120,620	886	996,701	16,041	(1,129,983)	(6,796)	-	2,531	-	-	-	-	-	-	
18.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balances at the end of the period</b>		<b>2,500,000</b>	<b>-</b>	<b>726,722</b>	<b>-</b>	<b>627,174</b>	<b>3,980</b>	<b>3,791,104</b>	<b>316,521</b>	<b>394,734</b>	<b>33,814</b>	<b>161,528</b>	<b>7,564</b>	<b>1,779</b>	<b>-</b>	<b>-</b>	<b>8,564,920</b>	<b>239,756</b>	<b>8,804,676</b>	

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 Three-Month Period Ended 31 March 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 31 March 2011	Reviewed Prior Period 31 March 2010
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>520,358</b>	<b>617,515</b>
1.1.1 Interests received	1,540,031	1,526,832
1.1.2 Interests paid	(719,245)	(705,891)
1.1.3 Dividends received	231	1,887
1.1.4 Fee and commissions received	116,652	103,134
1.1.5 Other income	208,367	162,842
1.1.6 Collections from previously written-off loans and other receivables	123,559	116,419
1.1.7 Payments to personnel and service suppliers	(556,265)	(566,691)
1.1.8 Taxes paid	(116,502)	(89,708)
1.1.9 Others	(76,470)	68,691
<b>1.2 Changes in operating assets and liabilities</b>	<b>(803,010)</b>	<b>2,015,014</b>
1.2.1 Net (increase) decrease in financial assets held for trading purpose	17,221	34,770
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	(127,863)	(72,807)
1.2.4 Net (increase) decrease in loans	(2,843,911)	(2,182,923)
1.2.5 Net (increase) decrease in other assets	(327,253)	(117,898)
1.2.6 Net increase (decrease) in bank deposits	1,004,827	795,445
1.2.7 Net increase (decrease) in other deposits	159,371	2,898,135
1.2.8 Net increase (decrease) in funds borrowed	285,995	1,277,044
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	1,028,603	(616,752)
<b>I. Net cash flow from banking operations</b>	<b>(282,652)</b>	<b>2,632,529</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash flow from investing activities</b>	<b>577,956</b>	<b>(3,411,118)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	-	-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	-	-
2.3 Purchases of tangible assets	(77,845)	(12,512)
2.4 Proceeds from disposal of tangible assets	81,746	11,398
2.5 Cash paid for purchase of available-for-sale financial assets	(1,387,240)	(5,773,337)
2.6 Proceeds from disposal of available-for-sale financial assets	1,000,372	2,206,351
2.7 Cash paid for purchase of held-to-maturity investments	(30,328)	(35,910)
2.8 Proceeds from expiration of held-to-maturity investments	994,797	196,307
2.9 Others	(3,546)	(3,415)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash flow from financing activities</b>	<b>-</b>	<b>-</b>
3.1 Cash obtained from funds borrowed and securities issued	-	-
3.2 Cash used for repayment of funds borrowed and securities issued	-	-
3.3 Equity instruments issued	-	-
3.4 Dividends paid	-	-
3.5 Re-payments for finance leases	-	-
3.6 Others	-	-
<b>IV. Effect of changes in foreign exchange rates on cash and cash equivalents</b>	<b>4,997</b>	<b>6,352</b>
<b>V. Net (decrease)/increase in cash and cash equivalents</b>	<b>300,301</b>	<b>(772,237)</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>7,148,088</b>	<b>8,747,303</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>7,448,389</b>	<b>7,975,066</b>

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 and assets available for sale, which are presented on a fair value basis.

#### **Additional paragraph for convenience translation to English**

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

#### **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 Three-Month Period Ended 31 March 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 classified as “foreign currency differences arising from associates, subsidiaries, and joint ventures” sub account under “other profit reserves” presented in the equity.

### **III. Information on companies subject to consolidation**

As at and for the three-month period ended 31 March 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 7<sup>th</sup> and 9<sup>th</sup> 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 31 March 2011 and 31 December 2010, but its equity until the liquidation decision date has been included in the accompanying consolidated financial statements.

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

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

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira (“TL”))

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

*Vakıf Pazarlama ve Ticaret AŞ* was established in 1993 to enter into finance lease operations through the acquisition of vessels like cargo and ro-ro ships and make related transactions and contracts. In accordance with the 4<sup>th</sup> 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 55<sup>th</sup> 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 sale and repurchase agreements and securities lending**

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

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

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

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

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:

<b>Tangible assets</b>	<b>Estimated useful lives (years)</b>	<b>Depreciation Rates (%)</b>
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 31 March 2011 is TL 2,623 (full TL) (31 December 2010: TL 2,517 (full TL)).

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

As at 31 March 2011 and 31 December 2010, the major statistical assumptions used in the calculation of the total liability 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**

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

**Pension fund**

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

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

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

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

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

Law requires the transfer to be completed in three years beginning from 1 January 2008.

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

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



The technical financial statements of the Fund are audited by the certified actuary according to the the "Actuaries Regulation" which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 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 carried at amortized cost using effective interest method.

As at 31 March 2011 and 31 December 2010, there are no convertible bonds or any other securities issued by the Parent Bank.

### **XX. Information on issuance of equity securities**

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

### **XXI. Information on confirmed bills of exchange and acceptances**

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

## **XXII. Information on government incentives**

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

## **XXIII. Information on segment reporting**

Operational segments are determined based on the structure of the Group’s risks and benefits and presented in Section 4 Note VII.

## **XXIV. Other disclosures**

### **Earnings per shares**

Earning per share is calculated by dividing the net profit for the period to weighted average of outstanding shares. In Turkey, the companies may perform capital increase (“Bonus Shares”) from retained earnings. In earning per share computation bonus shares are treated as issued shares. As at and for the three-month period ended 31 March 2011, earning per share is TL 0.1517 (31 March 2010 : TL 0.1152).

### **Related parties**

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

### **Cash and cash equivalents**

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

### **Insurance operations of the Group**

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

*Reserve for unearned premiums:* Reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the balance sheet date, without deductions of commission or any other expense. Reserve for unearned premiums is calculated for all contracts except for the insurance contracts for which the Group provides mathematical reserve. Reserve for unearned premiums is also calculated for the annual premiums of the annullay renewed long-term insurance contracts. Reserve for unearned premiums is presented under “insurance technical provisions” in the accompanying consolidated financial statements.

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

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

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

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

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

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

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

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

### **Individual pension business**

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

‘*Receivable from pension investment funds for investment management fees*’ are the fees charged to the pension funds for the administration and portfolio management services provided. ‘Receivables from the clearing house on behalf of the participants’ is the receivable from the clearing house on pension fund basis against the contributions of the participants. The same amount is also recorded as payables to participants for the funds acquired against their contributions under the ‘individual pension system payables’.

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

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

## **SECTION FOUR**

### **Information Related to Financial Position of the Group**

#### **I. Consolidated capital adequacy ratio**

The Bank's consolidated capital adequacy ratio is 14.02% (The Parent Bank: 14.64%).

##### **Risk measurement methods in calculation of capital adequacy ratio**

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

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

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

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

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

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira (“TL”))

*Convenience Translation of Financial Statements*

*and Related Disclosures and Footnotes*

*Originally Issued in Turkish, See Section 3 Note 1*

**Information related to the consolidated capital adequacy ratio**

	Parent Bank's Risk Weights – 31 March 2011							Consolidated – Group's Risk Weights – 30 March 2011						
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
<b>Balance Sheet Items (Net)</b>	<b>12,058,716</b>	-	<b>1,999,194</b>	<b>13,941,614</b>	<b>35,494,563</b>	<b>61,785</b>	<b>2,397</b>	<b>12,327,929</b>	-	<b>2,813,166</b>	<b>13,979,213</b>	<b>37,205,259</b>	<b>61,785</b>	<b>2,397</b>
Cash on hand	570,157	-	1	-	-	-	-	574,645	-	35	-	-	-	-
Securities in redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	4,454,271	-	-	-	-	-	-	4,454,271	-	-	-	-	-	-
Domestic and foreign banks, foreign head offices and branches	587,102	-	1,631,360	-	198,683	-	-	588,559	-	1,949,614	-	367,452	-	-
Interbank money market placements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from reverse repurchase agreements	-	-	-	-	-	-	-	280	-	-	-	-	-	-
Reserve deposits	1,402,940	-	-	-	-	-	-	1,402,940	-	-	-	-	-	-
Loans	154,673	-	261,365	13,828,567	32,249,339	61,785	2,397	159,525	-	456,330	13,864,105	32,322,230	61,785	2,397
Loans under follow-up (Net)	-	-	-	-	23,423	-	-	-	-	-	-	26,008	-	-
Lease Receivables	-	-	-	-	-	-	-	3,433	-	-	-	348,019	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Held-to-maturity investments	4,679,307	-	29,260	-	-	-	-	4,688,023	-	32,206	-	-	-	-
Receivables from term sale of assets	-	-	-	-	93,619	-	-	-	-	-	-	93,618	-	-
Miscellaneous receivables	2,200	-	35,924	-	475,207	-	-	198,122	-	327,426	-	1,469,421	-	-
Accrued interests and income	114,906	-	41,284	113,047	283,521	-	-	115,072	-	47,555	115,108	280,943	-	-
Investments in associates, subsidiaries and joint-ventures (Net)	-	-	-	-	885,784	-	-	-	-	-	-	178,352	-	-
Tangible assets (Net)	-	-	-	-	877,633	-	-	-	-	-	-	1,053,981	-	-
Other assets	93,160	-	-	-	407,354	-	-	143,059	-	-	-	1,065,235	-	-
<b>Off-Balance Sheet Items</b>	<b>236,607</b>	-	<b>533,007</b>	<b>431,679</b>	<b>7,611,378</b>	-	-	<b>236,607</b>	-	<b>535,270</b>	<b>431,679</b>	<b>7,729,502</b>	-	-
Non-cash loans and commitments	236,607	-	358,388	431,679	7,607,165	-	-	236,607	-	358,388	431,679	7,725,289	-	-
Derivative financial instruments	-	-	174,619	-	4,213	-	-	-	-	176,882	-	4,213	-	-
<b>Non risk-weighted accounts</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Risk-Weighted Assets</b>	<b>12,295,323</b>	-	<b>2,532,201</b>	<b>14,373,293</b>	<b>43,105,941</b>	<b>61,785</b>	<b>2,397</b>	<b>12,564,536</b>	-	<b>3,348,436</b>	<b>14,410,892</b>	<b>44,934,761</b>	<b>61,785</b>	<b>2,397</b>

**Summary information related to capital adequacy ratio**

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Value at Credit Risk (VaCR)	50,896,499	48,608,735	52,907,366	49,842,490
Value at Market Risk (VaMR)	2,163,013	1,781,375	2,250,413	1,853,063
Value at Operational Risk (VaOR) <sup>(*)</sup>	6,531,375	5,795,900	7,608,913	6,766,363
Equity	8,724,670	8,065,195	8,801,962	8,150,498
<b>Equity/ (VaCR+VaMR+VaOR)*100</b>	<b>%14.64</b>	<b>%14.35</b>	<b>%14.02</b>	<b>%13.94</b>

<sup>(\*)</sup> 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.

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira (“TL”))

*Convenience Translation of Financial Statements*

*and Related Disclosures and Footnotes*

*Originally Issued in Turkish, See Section 3 Note I*

**Components of consolidated equity**

	<b>Current Period</b>	<b>Prior Period</b>
<b>CORE CAPITAL</b>		
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	627,174	506,554
I. Legal reserve (Turkish Commercial Code 466/1)	331,925	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	4,107,625	3,087,182
Reserve allocated as per the decision held by the General Assembly	3,791,104	2,794,403
Retained earnings	316,521	292,779
Accumulated losses	-	-
Exchange rate differences on foreign currency capital	-	-
Reserves from inflation adjustments to legal, status and extraordinary reserves	-	-
Profit	428,548	1,204,907
Current period's profit	394,734	1,164,297
Prior years' profit	33,814	40,610
Free provision for possible losses (up to 25% of Core Capital)	68,555	65,428
Income on sale of equity shares and real estates to be used up for capital increase	7,564	5,033
Primary subordinated loans (up to 15% of Core Capital)	-	-
Non-controlling interest	186,239	203,757
Loss excess of reserves (-)	-	-
Current period's loss	-	-
Prior years' loss	-	-
Leasehold improvements (-)	78,296	75,703
Prepaid expenses (-)	-	326,278
Intangible assets (-)	58,900	57,253
Deferred tax asset excess of 10% of core capital (-)	-	-
Limit excesses as per the 3 <sup>rd</sup> paragraph of the Article 56 of the Banking Law (-)	-	-
Goodwill (net) (-)	-	-
<b>Total core capital</b>	<b>8,519,211</b>	<b>7,843,443</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General provisions	457,289	427,876
45% of revaluation surplus on movables	-	-
Bonus shares of associates, subsidiaries and joint-ventures	1,779	1,551
Primary subordinated loans excluding the portion included in core capital	-	-
Secondary subordinated loans	-	-
45% of securities value increase fund	72,688	135,563
Associates and subsidiaries	(12,465)	(5,797)
Available-for-sale financial assets	85,153	141,360
Inflation adjustment differences of capital reserves, profit reserves and prior years' profit/(loss)	-	-
Non-controlling interest	24,129	17,612
<b>Total supplementary capital</b>	<b>555,885</b>	<b>582,602</b>
<b>TIER III CAPITAL</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>9,075,096</b>	<b>8,426,045</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>273,134</b>	<b>275,547</b>
Unconsolidated investments in entities (domestic/foreign) operating in banking and financial sectors exceeding 10% of ownership	284	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	126,471	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	146,072	148,466
Others	307	-
<b>TOTAL EQUITY</b>	<b>8,801,962</b>	<b>8,150,498</b>

## 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

	<b>Amount</b>
(I) Capital obligation against general market risk - standard method	122,857
(II) Capital obligation against specific risks - standard method	40,685
(III) Capital obligation against currency risk - standard method	15,775
(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	716
(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)	180,033
<b>(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))</b>	<b>2,250,413</b>

### Equity price risk

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

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



**III. Consolidated operational risk**

The Group calculated the value at operational risk in accordance with the fourth section published in the Official Gazette date 1 June 2007 related to the "Computation of Value of Operational Risk" of the circular, "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 26333 and dated 1 November 2006.

The amount calculated as TL 608,713 (31 December 2010: TL 541,309) from gross income for the years ended 2010, 2009 and 2008 and used for the calculation of capital adequacy ratio as at 31 March 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 31 March 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:

	<b>US Dollar</b>	<b>Euro</b>
<b>The Bank's foreign currency purchase rate at the balance sheet date</b>	1.5400	2.1836
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	1.5200	2.1426
Day 2	1.5200	2.1453
Day 3	1.5100	2.1216
Day 4	1.5100	2.1397
Day 5	1.5300	2.1552
	<b>US Dollar</b>	<b>Euro</b>
<b>Last 30-days arithmetical average rate</b>	1.5507	2.1600

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note I

**Information on currency risk**

<b>Current Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Japanese Yen</b>	<b>Other FCs</b>	<b>Total</b>
<b>Assets:</b>					
Cash and balances with the Central Bank of Turkey	55,207	1,959,905	147	8,007	<b>2,023,266</b>
Banks	1,176,293	1,224,459	688	34,505	<b>2,435,945</b>
Financial assets at fair value through profit or loss <sup>(1)</sup>	6,529	18,480	-	-	<b>25,009</b>
Interbank money market placements	-	-	-	-	-
Available-for-sale financial assets	734,926	1,802,534	-	-	<b>2,537,460</b>
Loans and receivables <sup>(2)</sup>	6,340,515	9,039,647	1,306	55,828	<b>15,437,296</b>
Associates, subsidiaries and joint-ventures	3	-	-	-	<b>3</b>
Held-to-maturity investments	162,793	1,172,443	-	-	<b>1,335,236</b>
Derivative financial assets held for risk management purpose	-	-	-	-	-
Tangible assets	1,604	2,270	-	-	<b>3,874</b>
Intangible assets	29	-	-	-	<b>29</b>
Other assets <sup>(3) (4)</sup>	203,433	409,060	-	3,312	<b>615,805</b>
<b>Total assets</b>	<b>8,681,332</b>	<b>15,628,798</b>	<b>2,141</b>	<b>101,652</b>	<b>24,413,923</b>
<b>Liabilities:</b>					
Bank deposits	166,927	1,487,661	-	40	<b>1,654,628</b>
Foreign currency deposits	4,549,945	6,876,426	924	38,679	<b>11,465,974</b>
Interbank money market takings	575,465	1,871,834	-	-	<b>2,447,299</b>
Funds borrowed <sup>(5)</sup>	3,379,185	3,335,384	1,305	38,222	<b>6,754,096</b>
Securities issued	-	-	-	-	-
Miscellaneous payables	40,753	113,038	-	84	<b>153,875</b>
Derivative financial liabilities held for risk management purpose	-	-	-	-	-
Other liabilities <sup>(1) (6)</sup>	81,835	364,621	-	22,355	<b>468,811</b>
<b>Total liabilities</b>	<b>8,794,110</b>	<b>14,048,964</b>	<b>2,229</b>	<b>99,380</b>	<b>22,944,683</b>
<b>Net 'on balance sheet' position</b>	<b>(112,778)</b>	<b>1,579,834</b>	<b>(88)</b>	<b>2,272</b>	<b>1,469,240</b>
<b>Net 'off-balance sheet' position</b>	<b>(37,590)</b>	<b>(1,163,058)</b>	<b>943</b>	<b>3,991</b>	<b>(1,195,714)</b>
Derivative assets <sup>(8)</sup>	581,604	2,253,440	943	21,203	<b>2,857,190</b>
Derivative liabilities <sup>(8)</sup>	619,194	3,416,498	-	17,212	<b>4,052,904</b>
Non-cash loans <sup>(7)</sup>	1,493,265	3,273,611	44,642	123,134	<b>4,934,652</b>
<b>Prior Period</b>					
<b>Total assets</b>	<b>8,096,103</b>	<b>13,924,015</b>	<b>21,669</b>	<b>116,110</b>	<b>22,157,897</b>
<b>Total liabilities</b>	<b>8,131,220</b>	<b>14,151,812</b>	<b>5,055</b>	<b>106,931</b>	<b>22,395,018</b>
<b>Net 'on balance sheet' position</b>	<b>(35,117)</b>	<b>(227,797)</b>	<b>16,614</b>	<b>9,179</b>	<b>(237,121)</b>
<b>Net 'off-balance sheet' position</b>	<b>122,293</b>	<b>126,228</b>	<b>453</b>	<b>(4,218)</b>	<b>244,756</b>
Derivative assets	369,060	1,863,759	551	11,001	<b>2,244,371</b>
Derivative liabilities	246,767	1,737,531	98	15,219	<b>1,999,615</b>
Non-cash loans <sup>(7)</sup>	1,506,310	3,155,668	90,106	130,233	<b>4,882,317</b>

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

<sup>(2)</sup> Foreign currency indexed loans amounting to TL 593,386 (31 December 2010: TL 443,516) presented in TL in the accompanying consolidated financial statements are included.

<sup>(3)</sup> Foreign currency indexed factoring receivables amounting to TL 148,651 (31 December 2010: TL 155,611) presented in TL in the accompanying consolidated financial statements are included.

<sup>(4)</sup> Prepaid expenses amounting to TL 18,597 (31 December 2010: TL 14,278) are not included. Also, deferred tax assets amounting to TL 563 (31 December 2010: nil) are not included.

<sup>(5)</sup> Foreign currency indexed funds borrowed amounting to TL 1,860 (31 December 2010: TL 124,169), presented in TL in the accompanying consolidated financial statements are included.

<sup>(6)</sup> Unearned income amounting to TL 19,956 (31 December 2010: TL 19,581) is not included.

<sup>(7)</sup> Asset purchase commitments amounting to TL 598,597 (31 December 2010: TL 220,570) and asset sales commitments amounting to TL 620,366 (31 December 2010: TL 271,718) are included.

<sup>(8)</sup> Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

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

10 percent devaluation of the TL against the following currencies as at and for the three month periods ended 31 March 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.

	31 March 2011		31 March 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	21,341	33,011	(6,469)	365
Euro	(33,025)	(15,035)	3,560	14,602
Other currencies	546	546	794	794
<b>Total, net</b>	<b>(11,138)</b>	<b>18,522</b>	<b>(2,115)</b>	<b>15,761</b>

(\*) 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 three month periods ended 31 March 2011 and 2010 would effect consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

	31 March 2011		31 March 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(40,807)	(29,137)	10,865	4,031
Euro	30,673	15,035	(3,493)	(14,535)
Other currencies	223	223	(29)	(29)
<b>Total, net</b>	<b>(9,911)</b>	<b>(13,879)</b>	<b>7,343</b>	<b>(10,533)</b>

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

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

*Convenience Translation of Financial Statements**and Related Disclosures and Footnotes**Originally Issued in Turkish, See Section 3 Note I***V. Consolidated interest rate risk**

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

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

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

*Interest rate sensitivity of assets, liabilities and off balance sheet items (based on repricing dates)*

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets:</b>							
Cash and balances with CBT	-	-	-	-	-	6,431,891	<b>6,431,891</b>
Banks	2,046,671	133,866	234,672	-	-	495,547	<b>2,910,756</b>
Financial assets at fair value through profit/loss	19,670	22,391	45,644	121,891	9,603	73	<b>219,272</b>
Interbank money market placements	280	-	-	-	-	-	<b>280</b>
Available-for-sale financial assets	4,187,047	1,686,097	3,204,185	1,428,011	2,084,859	12,662	<b>12,602,861</b>
Loans and receivables	15,152,884	10,057,069	7,986,351	9,816,476	4,237,509	26,008	<b>47,276,297</b>
Held-to-maturity investments	874,908	549,505	89,768	1,009,456	2,310,099	-	<b>4,833,736</b>
Other assets (*)	26,453	40,742	485,224	466,308	24,550	4,261,950	<b>5,305,227</b>
<b>Total assets</b>	<b>22,307,913</b>	<b>12,489,670</b>	<b>12,045,844</b>	<b>12,842,142</b>	<b>8,666,620</b>	<b>11,228,131</b>	<b>79,580,320</b>
<b>Liabilities:</b>							
Bank deposits	1,734,314	1,433,488	561,964	-	-	23,049	<b>3,752,815</b>
Other deposits	25,382,772	9,326,006	3,028,495	275,602	431	7,469,119	<b>45,482,425</b>
Interbank money market takings	6,512,763	1,282,358	1,156,393	-	-	-	<b>8,951,514</b>
Miscellaneous payables	-	20,265	2,426	-	-	2,448,889	<b>2,471,580</b>
Securities issued	-	-	-	-	-	-	<b>-</b>
Funds borrowed	609,878	3,132,056	3,117,385	98,048	18,553	-	<b>6,975,920</b>
Other liabilities (**)	7,105	5,208	20,855	41,036	16,420	11,855,442	<b>11,946,066</b>
<b>Total liabilities</b>	<b>34,246,832</b>	<b>15,199,381</b>	<b>7,887,518</b>	<b>414,686</b>	<b>35,404</b>	<b>21,796,499</b>	<b>79,580,320</b>
On balance sheet long position	-	-	4,158,326	12,427,456	8,631,216	-	<b>25,216,998</b>
On balance sheet short position	(11,938,919)	(2,709,711)	-	-	-	(10,568,368)	<b>(25,216,998)</b>
Off-balance sheet long position	158,500	754,600	50,107	30,125	-	-	<b>993,332</b>
Off-balance sheet short position	-	(20,265)	(251,270)	(585,068)	(115,500)	-	<b>(972,103)</b>
<b>Position, Net</b>	<b>(11,780,419)</b>	<b>(1,975,376)</b>	<b>3,957,163</b>	<b>11,872,513</b>	<b>8,515,716</b>	<b>(10,568,368)</b>	<b>21,229</b>

(\*) 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.

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

*Convenience Translation of Financial Statements*

*and Related Disclosures and Footnotes*

*Originally Issued in Turkish, See Section 3 Note I*

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

<sup>(\*)</sup> Subsidiaries, associates and tangible and intangible assets are stated in non-interest bearing column.

<sup>(\*\*)</sup> Equity is included in non-interest bearing column in other liabilities line.

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

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

Average interest rates applied to monetary financial instruments:

<b>Current Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Japanese Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and balance with CBT	-	-	-	-
Banks	0.8	0.93	-	8.23
Financial assets at fair value through profit/loss	4.83	3.56	-	8.29
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	5.29	6.98	-	8.3
Loans and receivables	4.23	3.91	3.49	13.49
Held-to-maturity investments	5.55	7.43	-	9.73
<b>Liabilities:</b>				
Bank deposits	2.62	1.49	-	7.68
Other deposits	2.27	2.47	-	7.19
Interbank money market takings	1.51	1.33	-	6.63
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds borrowed	1.79	1.46	0.49	7.55
<b>Prior Period</b>				
	<b>Euro</b>	<b>US Dollar</b>	<b>Japanese Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
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
<b>Liabilities:</b>				
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

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira (“TL”))

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

Interest rate sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and three month effect on net interest income of floating rate non-trading financial assets and financial liabilities held at 31 March 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 31 March 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 three-month period ended 31 March 2010.

	Profit or loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 March 2011</b>				
Financial assets at fair value through profit or loss	17,677	(16,066)	17,677	(16,066)
Available-for-sale financial assets	29,286	(28,398)	(193,308)	207,031
Floating rate financial assets	67,661	(67,661)	67,661	(67,661)
Floating rate financial liabilities	(16,981)	16,981	(16,981)	16,981
<b>Total, net</b>	<b>97,643</b>	<b>(95,144)</b>	<b>(124,951)</b>	<b>140,285</b>

	Profit or loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 March 2010</b>				
Financial assets at fair value through profit or loss	(8,659)	9,551	(8,659)	9,551
Available-for-sale financial assets	28,214	(28,408)	(214,658)	227,194
Floating rate financial assets	59,019	(59,019)	59,019	(59,019)
Floating rate financial liabilities	(17,099)	17,099	(17,099)	17,099
<b>Total, net</b>	<b>61,475</b>	<b>(60,777)</b>	<b>(181,397)</b>	<b>194,825</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of 100 bp increase or decrease in interest rates.

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

*Convenience Translation of Financial Statements*

*and Related Disclosures and Footnotes*

*Originally Issued in Turkish, See Section 3 Note I*

**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:

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Undistributed<sup>(*)</sup></b>	<b>Total</b>
<b>Assets:</b>								
Cash and balance with CBT	6,431,891	-	-	-	-	-	-	<b>6,431,891</b>
Banks	1,065,393	1,476,825	133,866	234,672	-	-	-	<b>2,910,756</b>
Financial assets at fair value through profit/loss	-	8,908	19,862	45,503	124,122	9,603	11,274	<b>219,272</b>
Interbank money market placements	-	280	-	-	-	-	-	<b>280</b>
Available-for-sale financial assets	-	3,413	23,143	1,185,202	6,100,505	5,277,936	12,662	<b>12,602,861</b>
Loans and receivables	-	6,656,844	2,822,168	8,928,518	22,329,341	6,513,418	26,008	<b>47,276,297</b>
Held-to-maturity investments	-	498,887	141,277	28,316	1,855,156	2,310,100	-	<b>4,833,736</b>
Other assets	19,551	584,648	128,499	539,575	594,386	24,550	3,414,018	<b>5,305,227</b>
<b>Total assets</b>	<b>7,516,835</b>	<b>9,229,805</b>	<b>3,268,815</b>	<b>10,961,786</b>	<b>31,003,510</b>	<b>14,135,607</b>	<b>3,463,962</b>	<b>79,580,320</b>
<b>Liabilities:</b>								
Bank deposits	23,049	1,734,314	1,433,488	561,964	-	-	-	<b>3,752,815</b>
Other deposits	7,469,119	25,382,772	9,326,006	3,028,495	275,602	431	-	<b>45,482,425</b>
Funds borrowed	-	236,002	242,776	3,627,074	1,729,539	1,140,529	-	<b>6,975,920</b>
Interbank money market takings	-	6,472,687	1,235,646	1,196,469	46,712	-	-	<b>8,951,514</b>
Securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	1,410,297	71,379	38,767	33,441	-	917,696	<b>2,471,580</b>
Other liabilities	-	299,426	153,037	39,313	102,414	17,211	11,334,665	<b>11,946,066</b>
<b>Total liabilities</b>	<b>7,492,168</b>	<b>35,535,498</b>	<b>12,462,332</b>	<b>8,492,082</b>	<b>2,187,708</b>	<b>1,158,171</b>	<b>12,252,361</b>	<b>79,580,320</b>
<b>Net liquidity gap</b>	<b>24,667</b>	<b>(26,305,693)</b>	<b>(9,193,517)</b>	<b>2,469,704</b>	<b>28,815,802</b>	<b>12,977,436</b>	<b>(8,788,399)</b>	<b>-</b>
<b>Prior Period</b>								
<b>Prior Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Undistributed<sup>(*)</sup></b>	<b>Total</b>
Total assets	5,447,216	11,574,475	3,510,909	12,014,722	28,839,733	12,183,956	3,263,891	<b>76,834,902</b>
Total liabilities	7,266,369	34,200,580	13,869,244	6,501,120	2,656,735	1,097,971	11,242,883	<b>76,834,902</b>
<b>Net liquidity gap</b>	<b>(1,819,153)</b>	<b>(22,626,105)</b>	<b>(10,358,335)</b>	<b>5,513,602</b>	<b>26,182,998</b>	<b>11,085,985</b>	<b>(7,978,992)</b>	<b>-</b>

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



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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

*Convenience Translation of Financial Statements*

*and Related Disclosures and Footnotes*

*Originally Issued in Turkish, See Section 3 Note I*

*Residual contractual maturities of financial liabilities*

<b>Current period</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Bank deposits	3,752,815	3,776,400	23,049	1,735,316	1,442,919	575,116	-	-
Other deposits	45,482,425	45,735,519	7,469,119	25,523,267	9,378,106	3,059,841	304,651	535
Funds borrowed	6,975,920	7,483,297	-	236,439	244,174	3,760,912	1,921,906	1,319,866
Money market takings	8,951,514	8,976,707	-	6,481,660	1,241,274	1,204,542	49,231	-
Miscellaneous payables	2,471,580	2,471,580	917,696	1,410,297	71,379	38,767	33,441	-
Other liabilities	596,007	596,007	415,119	88,677	5,105	21,964	48,722	16,420
<b>Total</b>	<b>68,230,261</b>	<b>69,039,510</b>	<b>8,824,983</b>	<b>35,475,656</b>	<b>12,382,957</b>	<b>8,661,142</b>	<b>2,357,951</b>	<b>1,336,821</b>
<b>Non-Cash Loans</b>	<b>11,823,465</b>	<b>11,823,465</b>	<b>7,266,978</b>	<b>599,761</b>	<b>840,766</b>	<b>1,993,384</b>	<b>1,106,821</b>	<b>15,755</b>

  

<b>Prior period</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
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
<b>Total</b>	<b>65,827,612</b>	<b>69,663,036</b>	<b>8,503,349</b>	<b>36,931,297</b>	<b>13,994,913</b>	<b>6,305,535</b>	<b>2,672,369</b>	<b>1,255,573</b>
<b>Non-Cash Loans</b>	<b>11,359,828</b>	<b>11,359,828</b>	<b>6,993,322</b>	<b>598,232</b>	<b>820,728</b>	<b>1,699,003</b>	<b>1,168,428</b>	<b>80,115</b>

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.

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

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

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

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

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

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

Major financial statement items according to business lines:

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Operating profit	295,525	189,756	210,212	490,609	1,186,102
Undistributed expenses	-	-	-	(719,694)	(719,694)
<b>Operating profit</b>	<b>295,525</b>	<b>189,756</b>	<b>210,212</b>	<b>(229,085)</b>	<b>466,408</b>
Income from associates	-	-	-	-	9,351
Income before taxes	-	-	-	-	475,759
Provision for taxes	-	-	-	-	(96,567)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>379,192</b>
Segment assets	16,369,106	30,900,262	25,995,699	1,480,827	74,745,894
Investments in associates and subsidiaries	-	-	-	305,107	305,107
Undistributed assets	-	-	-	4,529,319	4,529,319
<b>Total assets</b>	<b>16,369,106</b>	<b>30,900,262</b>	<b>25,995,699</b>	<b>6,315,253</b>	<b>79,580,320</b>
Segment liabilities	18,038,152	31,197,088	15,663,053	392,348	65,290,641
Equity	-	-	-	8,804,676	8,804,676
Undistributed liabilities	-	-	-	5,485,003	5,485,003
<b>Total liabilities and equity</b>	<b>18,038,152</b>	<b>31,197,088</b>	<b>15,663,053</b>	<b>14,682,027</b>	<b>79,580,320</b>

## 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	480,139	93,187	571,665	87,505
Central Bank of Turkey <sup>(*)</sup>	3,928,130	1,929,081	2,037,805	1,953,075
Others	356	998	322	661
<b>Total</b>	<b>4,408,625</b>	<b>2,023,266</b>	<b>2,609,792</b>	<b>2,041,241</b>

<sup>(\*)</sup>TL 1,402,940 (31 December 2010: TL 1,423,140) of the foreign currency deposit at Central Bank of Turkey consists of foreign currency reserve deposits.

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

As at 31 March 2011 and 31 December 2010 interest is not given for TL and foreign currency reserve deposits by the CBT.

##### *Balances with the Central Bank of Turkey*

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	3,928,130	526,141	2,034,444	529,935
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	1,402,940	3,361	1,423,140
<b>Total</b>	<b>3,928,130</b>	<b>1,929,081</b>	<b>2,037,805</b>	<b>1,953,075</b>

##### 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	115,539	1,682	125,996	10,795
Others	-	-	-	-
<b>Total</b>	<b>115,539</b>	<b>1,682</b>	<b>125,996</b>	<b>10,795</b>

##### *Trading securities subject to repurchase agreements*

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1,026	-	2,533	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	-
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>1,026</b>	<b>-</b>	<b>2,533</b>	<b>-</b>

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

*Convenience Translation of Financial Statements*

*and Related Disclosures and Footnotes*

*Originally Issued in Turkish, See Section 3 Note I*

***Trading purpose derivative financial assets***

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	626	623	907	99
Swap transactions	36,739	14,178	356	22,194
Futures	-	-	-	-
Options	570	64	80	1,358
Others	-	-	-	-
<b>Total</b>	<b>37,935</b>	<b>14,865</b>	<b>1,343</b>	<b>23,651</b>

**3. Information on banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	474,811	2,435,945	944,049	1,226,835
Domestic	473,973	249,005	902,831	82,925
Foreign	838	2,186,940	41,218	1,143,910
Foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>474,811</b>	<b>2,435,945</b>	<b>944,049</b>	<b>1,226,835</b>

**4. Information on available-for-sale financial assets**

***Available-for-sale financial assets given as collateral or blocked***

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	1,032,055	69,023	1,660,529	68,530
Others	-	-	-	-
<b>Total</b>	<b>1,032,055</b>	<b>69,023</b>	<b>1,660,529</b>	<b>68,530</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	4,571,459	76,795	5,074,766	-
Treasury bills	-	-	-	-
Other debt securities	-	1,617,665	-	1,527,078
Bonds issued or guaranteed by banks	-	21,814	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>4,571,459</b>	<b>1,716,274</b>	<b>5,074,766</b>	<b>1,527,078</b>

***Information on available-for-sale financial assets***

	Current Period	Prior Period
<b>Debt securities</b>	<b>12,636,087</b>	<b>13,912,962</b>
Quoted	12,636,087	13,912,962
Unquoted	-	-
<b>Equity securities</b>	<b>12,829</b>	<b>12,462</b>
Quoted	1,912	1,545
Unquoted	10,917	10,917
<b>Provision for impairment (-)</b>	<b>46,055</b>	<b>11,177</b>
<b>Total</b>	<b>12,602,861</b>	<b>13,914,247</b>

**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
<b>Direct loans provided to the shareholders</b>	-	<b>26,879</b>	-	<b>563</b>
Legal entities	-	26,879	-	563
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>	-	-	-	-
<b>Loans provided to the employees</b>	<b>49,777</b>	<b>33</b>	<b>45,918</b>	<b>31</b>
<b>Total</b>	<b>49,777</b>	<b>26,912</b>	<b>45,918</b>	<b>594</b>

*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
<b>Cash Loans</b>				
<b>Loans</b>	<b>44,901,269</b>	-	<b>1,748,287</b>	<b>550,530</b>
Discounted bills	6,011	-	-	1
Export loans	3,516,652	-	133,221	72,966
Import loans	-	-	-	6
Loans to the financial sectors	2,493,909	-	1,027	85
Overseas loans	139,018	-	8,386	-
Consumer loans	14,322,018	-	490,172	120,415
Credit cards	1,402,891	-	73,489	7,731
Precious metal loans	-	-	-	-
Others	23,020,770	-	1,041,992	349,326
<b>Specialization loans</b>	<b>43,275</b>	-	-	-
<b>Other receivables</b>	<b>6,928</b>	-	-	-
<b>Total</b>	<b>44,951,472</b>	-	<b>1,748,287</b>	<b>550,530</b>

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note I

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

	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>231,234</b>	<b>14,081,847</b>	<b>14,313,081</b>
Housing loans	5,470	6,674,101	6,679,571
Automobile loans	3,394	229,113	232,507
General purpose loans	58,234	3,245,197	3,303,431
Others	164,136	3,933,436	4,097,572
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
<b>Consumer loans – FC</b>	<b>564</b>	<b>3,742</b>	<b>4,306</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	564	3,742	4,306
Others	-	-	-
<b>Retail credit cards – TL</b>	<b>1,392,962</b>	<b>2,293</b>	<b>1,395,255</b>
With installment	490,075	2,293	492,368
Without installment	902,887	-	902,887
<b>Retail credit cards – FC</b>	<b>1,367</b>	-	<b>1,367</b>
With installment	-	-	-
Without installment	1,367	-	1,367
<b>Personnel loans – TL</b>	<b>779</b>	<b>26,330</b>	<b>27,109</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	735	26,330	27,065
Others	44	-	44
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
<b>Personnel loans – FC</b>	<b>338</b>	-	<b>338</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	338	-	338
Others	-	-	-
<b>Personnel credit cards – TL</b>	<b>22,284</b>	-	<b>22,284</b>
With installment	8,515	-	8,515
Without installment	13,769	-	13,769
<b>Personnel credit cards – FC</b>	<b>46</b>	-	<b>46</b>
With installment	-	-	-
Without installment	46	-	46
<b>Overdraft checking accounts – TL (Real persons)</b>	<b>587,771</b>	-	<b>587,771</b>
<b>Overdraft checking accounts – FC (Real persons)</b>	-	-	-
<b>Total</b>	<b>2,237,345</b>	<b>14,114,212</b>	<b>16,351,557</b>

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note I

***Installment based commercial loans and corporate credit cards***

	Short-Term	Medium and Long-Term	Total
<b>Installment-based commercial loans – TL</b>	<b>224,745</b>	<b>5,628,538</b>	<b>5,853,283</b>
Real estate loans	314	102,003	102,317
Automobile loans	18,264	409,673	427,937
General purpose loans	206,167	5,116,862	5,323,029
Others	-	-	-
<b>Installment-based commercial loans – FC indexed</b>	<b>10,700</b>	<b>240,755</b>	<b>251,455</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	10,700	240,755	251,455
Others	-	-	-
<b>Installment-based commercial loans – FC</b>	<b>98,700</b>	<b>611,876</b>	<b>710,576</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	98,655	284,082	382,737
Others	45	327,794	327,839
<b>Corporate credit cards – TL</b>	<b>64,995</b>	<b>104</b>	<b>65,099</b>
With installment	11,529	104	11,633
Without installment	53,466	-	53,466
<b>Corporate credit cards – FC</b>	<b>60</b>	<b>-</b>	<b>60</b>
With installment	-	-	-
Without installment	60	-	60
<b>Overdraft checking accounts – TL (corporate)</b>	<b>253,936</b>	<b>-</b>	<b>253,936</b>
<b>Overdraft checking accounts – FC (corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>653,136</b>	<b>6,481,273</b>	<b>7,134,409</b>

***Allocation of domestic and overseas loans***

	Current Period	Prior Period
Domestic loans	47,025,813	44,346,489
Overseas loans	224,476	242,482
<b>Total</b>	<b>47,250,289</b>	<b>44,588,971</b>

***Loans to associates and subsidiaries***

As at 31 March 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	72,570	67,426
Loans and receivables with doubtful collectibility	184,768	219,301
Uncollectible loans and receivables	1,985,136	2,028,979
<b>Total</b>	<b>2,242,474</b>	<b>2,315,706</b>

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira (“TL”))

*Convenience Translation of Financial Statements*

*and Related Disclosures and Footnotes*

*Originally Issued in Turkish, See Section 3 Note 1*

**Information on non-performing loans (“NPLs”) (Net)**

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>	<b>9,029</b>	<b>55,445</b>	<b>107,514</b>
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	9,029	55,445	107,514
<b>Prior period</b>	<b>12,885</b>	<b>56,475</b>	<b>159,362</b>
(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:*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Balance at the beginning of the period</b>	<b>92,051</b>	<b>219,301</b>	<b>2,031,625</b>
Additions (+)	84,290	1,024	20,463
Transfers from other categories of loans under follow-up (+) <sup>(*)</sup>	-	65,373	59,087
Transfers to other categories of loans under follow-up (-) <sup>(*)</sup>	65,380	79,860	35,685
Collections (-)	14,968	21,070	87,521
Write-offs (-)	-	-	267
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Others	-	-	267
Currency differences	-	-	19
<b>Balance at the end of the period</b>	<b>95,993</b>	<b>184,768</b>	<b>1,987,721</b>
Specific provision (-)	72,570	184,768	1,985,136
<b>Net balance on balance sheet</b>	<b>23,423</b>	<b>-</b>	<b>2,585</b>

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

<sup>(\*)</sup> 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.



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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

*Convenience Translation of Financial Statements*

*and Related Disclosures and Footnotes*

*Originally Issued in Turkish, See Section 3 Note I*

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period</b>			
Balance at the end of the period	424	12,986	370,485
Specific provision (-)	85	12,986	367,900
<b>Net balance on balance sheet</b>	<b>339</b>	<b>-</b>	<b>2,585</b>
<b>Prior Period</b>			
Balance at the end of the period	3,356	9,852	369,112
Specific provision (-)	1,206	9,852	366,466
<b>Net balance on balance sheet</b>	<b>2,150</b>	<b>-</b>	<b>2,646</b>

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

***Write-off policy for uncollectible loans and receivables***

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

***Loan customer concentration of non-performing loans:***

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period (Net)</b>			
	<b>23,423</b>	<b>-</b>	<b>2,585</b>
Consumer and commercial loans (Gross)	94,076	183,323	1,884,245
Specific provision (-)	70,752	183,323	1,881,660
Consumer and commercial loans (Net)	23,324	-	2,585
Banks (Gross)	-	-	8,576
Specific provision (-)	-	-	8,576
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1,917	1,445	94,900
Specific provision (-)	1,818	1,445	94,900
Other loans and receivables (Net)	99	-	-
<b>Prior Period (Net)</b>			
	<b>24,625</b>	<b>-</b>	<b>2,646</b>
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	3,498,500	-	2,911,012	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	1,302,977	-	1,412,065
<b>Total</b>	<b>3,498,500</b>	<b>1,302,977</b>	<b>2,911,012</b>	<b>1,412,065</b>

*Information on held-to-maturity investment securities*

	Current Period	Prior Period
<b>Debt Securities</b>	<b>4,859,008</b>	<b>4,392,223</b>
Quoted at stock exchanges	4,829,707	4,355,131
Unquoted at stock exchanges	29,301	37,092
<b>Impairment losses (-)</b>	<b>25,272</b>	<b>29,978</b>
<b>Total</b>	<b>4,833,736</b>	<b>4,362,245</b>

*The movement table of the held-to-maturity investments*

	Current Period	Prior Period
<b>Balances at the beginning of the period</b>	<b>4,362,245</b>	<b>3,578,218</b>
Foreign currency differences on monetary assets	7,772	41,486
Acquisitions during the period	1,488,477	2,276,240
Disposals through sales/redemptions	(994,797)	(1,532,959)
Impairment losses	4,706	(17,166)
Change in amortized costs of the securities (*)	(34,667)	16,426
<b>Balances at the end of the period</b>	<b>4,833,736</b>	<b>4,362,245</b>

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

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

The 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.

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

Consolidated Interim Financial Report  
As at and For the Three-Month Period Ended 31 March 2011  
(Thousands of Turkish Lira (“TL”))

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

**Information about held-to-maturity investments**

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	200,065	29,260	200,994	29,301
Investments subject to repurchase agreements	2,352,570	960,019	2,421,113	976,018
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others (*)	867,478	336,028	876,393	329,917
<b>Total</b>	<b>3,420,113</b>	<b>1,325,307</b>	<b>3,498,500</b>	<b>1,335,236</b>

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
<b>Total</b>	<b>2,814,931</b>	<b>1,429,037</b>	<b>2,911,012</b>	<b>1,451,233</b>

(\*) 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	1,194,094	210,455	172,789	4,652	-	8,905	13,007	-
2	20,567	17,454	6,312	181	-	1,589	1,905	-
3	45,045	19,875	2,517	778	-	4,175	2,638	-
4	116,426	24,879	146	294	-	(9,203)	(8,289)	-
5	106,501	46,382	100,443	-	-	(351)	(806)	-
6	1,612,098	279,421	11,019	7,017	757	7,497	7,890	-
7	140,922	135,790	3,090	900	-	2,685	2,120	-
8	2,453	(24,727)	-	-	-	(829)	(480)	-

(\*) The financial statements as at and for the year ended 31 December 2010 are presented.

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira (“TL”))

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

Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd, a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. 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 31 March 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
1 652,219	56,923	8,070	12,946	2,233	1,766	2,204	-
2 16,370	15,354	105	87	108	(152)	297	16,579
3 87,074	83,434	76,541	85	243	781	1,228	67,456
4 8,799,504	1,396,199	25,969	77,608	54,167	60,264	59,925	1,868,838

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note I

***Movement of consolidated investments in associates***

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at beginning of the period</b>	<b>184,877</b>	<b>120,202</b>
<b>Movements during the period</b>	<b>(893)</b>	<b>64,675</b>
Acquisitions and capital increases	-	-
Bonus shares received	8,710	10,477
Dividends from current year profit	-	-
Sales/liquidations	-	-
Fair value changes	(9,603)	54,198
Impairment losses	-	-
<b>Balance at the end of the period</b>	<b>183,984</b>	<b>184,877</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of period (%)</b>	-	-

***Sectoral distribution of consolidated investments in associates***

	<b>Current Period</b>	<b>Prior Period</b>
Banks	163,398	162,870
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	20,586	22,007
<b>Total</b>	<b>183,984</b>	<b>184,877</b>

***Quoted consolidated associates***

	<b>Current Period</b>	<b>Prior Period</b>
Quoted at domestic stock exchanges	177,866	178,758
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>177,866</b>	<b>178,758</b>

***Investments in associates disposed during the period***

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

***Investments in associates acquired during the period***

In the current period, Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Bank, 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, from TL 20,800 to TL 22,000, by the General Assembly of the Company, the share of the Bank amounting to TL 332 is presented in the movement table of investments in associates as bonus shares received.

In 2010, Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Bank, 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, 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.

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

*Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes**Originally Issued in Turkish, See Section 3 Note I***8. Investments in subsidiaries*****Unconsolidated investments in subsidiaries***

	<b>Subsidiary</b>	<b>Address (City / Country)</b>	<b>Bank's Share –If Different, Voting Rights (%)</b>	<b>Bank's Risk Group Share (%)</b>
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

	<b>Total Assets</b>	<b>Equity</b>	<b>Tangible Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period's Profit/(Loss)</b>	<b>Prior Period's Profit/(Loss)</b>	<b>Company's Fair Value</b>
1	8,806	8,679	1,062	317	1	(51)	(351)	12,500
2	212,890	211,310	84,345	2,239	2	502	(1,916)	212,968
3	15,042	8,483	464	94	7	657	548	12,000
4	16,079	11,902	410	788	65	5,147	3,884	32,000

(\*) The financial statements as at and for the year ended 31 December 2010 are presented.

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

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

Vakıf Enerji ve Madencilik AŞ, Taksim Otelcilik AŞ, Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme AŞ that have not been consolidated since they are not among the financial subsidiaries of the Bank have been reflected in the consolidated financial statements at their fair values.

***Investments in consolidated subsidiaries***

	<b>Subsidiary</b>	<b>Address(City / Country)</b>	<b>Bank's Share –If Different Voting Rights (%)</b>	<b>Bank's Risk Group Share (%)</b>
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

	<b>Total Assets</b>	<b>Equity</b>	<b>Tangible Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period's Profit / (Loss)</b>	<b>Prior Period's Profit / (Loss)</b>	<b>Company's Fair Value</b>
1	1,197,755	163,472	54,113	2,825	-	(29,854)	(20,670)	312,591
2	1,238,567	106,924	24,416	9,727	15,690	2,744	4,234	194,500
3	569,352	77,268	468	11,209	-	2,656	3,697	70,000
4	406,733	92,146	3,466	7,062	28	6,082	4,616	124,829
5	46,219	9,184	204	718	-	1,001	564	0
6	98,007	53,937	352	1,657	105	1,630	1,330	55,298
7	1,130,067	166,442	1,633	8,505	1,847	3,119	1,794	166,683
8	6,309	4,922	9	89	7	322	376	19,621

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note I

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 1<sup>st</sup> clause and 4<sup>th</sup> 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***

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the beginning of the period</b>	<b>547,961</b>	<b>401,528</b>
<b>Movements during the period</b>	<b>(9,188)</b>	<b>146,433</b>
Acquisitions and capital increases	-	42,320
Bonus shares received	14,678	-
Dividends from current year profit	-	-
Sales and liquidations	-	-
Fair value changes	(23,866)	104,113
Impairment losses	-	-
<b>Balance at the end of the period</b>	<b>538,773</b>	<b>547,961</b>
<b>Capital commitments</b>	<b>-</b>	<b>-</b>
<b>Share percentage at the end of the period (%)</b>	<b>-</b>	<b>-</b>

***Methods to measure consolidated investments in subsidiaries***

	<b>Current Period</b>	<b>Prior Period</b>
Measured at cost	-	-
Measured at fair value	538,773	547,961
Equity method of accounting	-	-
<b>Total</b>	<b>538,773</b>	<b>547,961</b>

***Sectoral distribution of consolidated investments in subsidiaries***

	<b>Current Period</b>	<b>Prior Period</b>
Banks	150,015	150,015
Insurance companies	208,207	214,617
Factoring companies	50,368	50,368
Leasing companies	73,287	64,965
Finance companies	-	-
Other financial subsidiaries	56,896	67,996
<b>Total</b>	<b>538,773</b>	<b>547,961</b>

***Quoted subsidiaries***

	<b>Current Period</b>	<b>Prior Period</b>
Quoted at domestic stock exchanges	186,914	183,064
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>186,914</b>	<b>183,064</b>

***Investments in subsidiaries disposed during the period***

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

***Consolidated investments in subsidiaries acquired during the period***

In current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ, a subsidiary of the Bank, 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 subsidiaries as bonus shares received.

In 2010, Vakıf International AG, a subsidiary of Bank, 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 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	47,049	46,788	37,066	36,058
Between 1-4 years	226,350	201,486	223,923	197,661
Longer than 4 years	120,540	106,582	77,834	67,261
<b>Total</b>	<b>393,939</b>	<b>354,856</b>	<b>338,823</b>	<b>300,980</b>

***Net investments in finance lease receivables***

	Current period	Prior Period
Gross finance lease receivables	393,939	338,823
Unearned income on finance lease receivables (-)	(39,083)	(37,843)
Terminated lease contracts (-)	-	-
<b>Net finance lease receivables</b>	<b>354,856</b>	<b>300,980</b>

***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 31 March 2011, the Group has investment property amounting to TL 95,138 (31 December 2010: TL 53,659) in total which consists of the net book value amounting to TL 76,492 (31 December 2010: TL 36,126) for the subsidiaries operating in real estate investment trust sector and the net book value amounting to TL 18,646 (31 December 2010: TL 17,533) for the subsidiaries operating in the insurance business.



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

Consolidated Interim Financial Report  
As at and For the Three-Month Period Ended 31 March 2011  
(Thousands of Turkish Lira ("TL"))

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

**13. Information on deferred tax assets**

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

	<b>Current period</b>	<b>Prior Period</b>
Provision for employee termination benefits and unused vacations	44,379	44,055
Other provisions	30,265	29,447
Investment incentives	26,697	25,342
Valuation difference for associates and subsidiaries	19,020	18,733
Reporting Standarts - Tax Code depreciation differences	17,324	16,999
Valuation differences of financial assets and liabilities	4,723	13,582
Tax losses carried forward	126	567
Other differences	1,627	1,582
<b>Deferred tax assets</b>	<b>144,161</b>	<b>150,307</b>
Net-off of the deferred tax assets and liabilities from the same entity	(17,156)	(19,164)
<b>Deferred tax assets, (net)</b>	<b>127,005</b>	<b>131,143</b>
	<b>Current period</b>	<b>Prior Period</b>
Valuation differences of financial assets and liabilities	19,191	21,250
Valuation difference for associates and subsidiaries	1,081	758
Reporting Standarts - Tax Code depreciation differences	88	201
Other differences	98	445
<b>Deferred tax liabilities</b>	<b>20,458</b>	<b>22,654</b>
Net-off of the deferred tax assets and liabilities from the same entity	(17,156)	(19,164)
<b>Deferred tax liabilities, (net)</b>	<b>3,302</b>	<b>3,490</b>

As further detailed in the accounting policies (see Section Three Note XVIII), temporary Article no. 69, added to Income Tax Law by Law no. 5479, stating that investment incentive calculated in accordance with the legislative provisions effective as at 31 December 2005 could only be deducted from the profits of 2006, 2007 and 2008, has been amended following a decision taken by the Turkish Constitutional Court on 15 October 2009 since the clause restricting the deduction to 2006, 2007 and 2008 ... was in contradiction of Constitutional Law. The Turkish Constitutional Court's decision was published in the 8 January 2010 Official Gazette number 27456. Based on this decision the Group's subsidiary operating in the finance lease business will be able to deduct investment incentives from future taxable profit without any time limitation. Hence, the Group has recognised deferred tax assets amounting to TL 26,697 as at 31 March 2011 (31 December 2010: TL 25,342).

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

As at 31 March 2011, net book value of asset held for sale of the Group is amounting to TL 3,829 (31 December 2010: TL 1,446).

**15. Information on other assets**

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

	<b>Current period</b>	<b>Prior Period</b>
Receivables from insurance operations	743,962	627,453
Receivables from private pension business	742,793	701,303
Receivables from credit cards	412,849	292,504
Prepaid expenses	385,609	326,278
Receivables from term sale of assets	93,619	87,974
Deferred acquisition costs	59,590	79,402
Receivables from lawsuit and court expenses	56,500	52,062
Receivables from derivative financial instruments	38,124	37,763
Others	83,312	82,683
<b>Total</b>	<b>2,616,358</b>	<b>2,287,422</b>

The Parent Bank has recorded specific provisions amounting to TL 51,937 (31 December 2010: TL 48,480) for lawsuit and court expenses undertaken due to loans and advances under follow-up loans amounting to TL 52,548 (31 December 2010: TL 48,926) that is a part of lawsuit and court expenses that amounts to TL 56,500 in total.

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira (“TL”))

*Convenience Translation of Financial Statements*

*and Related Disclosures and Footnotes*

*Originally Issued in Turkish, See Section 3 Note I*

**II. Information 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	1,582,321	-	715,478	10,280,144	366,058	19,508	46,136	-	13,009,645
Foreign currency deposits	1,107,582	-	1,869,795	5,780,617	508,055	350,132	1,849,793	-	11,465,974
Residents in Turkey	988,716	-	1,824,537	5,689,340	493,944	227,069	1,276,428	-	10,500,034
Residents in abroad	118,866	-	45,258	91,277	14,111	123,063	573,365	-	965,940
Public sector deposits	2,315,646	-	1,189,445	4,242,633	615,498	11,804	8,572	-	8,383,598
Commercial deposits	933,506	-	2,397,373	4,783,564	378,939	2,078	1,504	-	8,496,964
Others	1,530,064	-	410,227	1,434,489	721,801	9,467	20,196	-	4,126,244
Precious metal deposits	-	-	-	-	-	-	-	-	-
Bank deposits	23,049	-	1,456,195	1,267,734	123,504	882,333	-	-	3,752,815
Central Bank	94	-	-	-	-	-	-	-	94
Domestic banks	9,606	-	1,433,073	915,395	107,313	153,065	-	-	2,618,452
Foreign banks	4,723	-	23,122	352,339	16,191	729,268	-	-	1,125,643
Participation banks	8,620	-	-	-	-	-	-	-	8,620
Others	6	-	-	-	-	-	-	-	6
<b>Total</b>	<b>7,492,168</b>	<b>-</b>	<b>8,038,513</b>	<b>27,789,181</b>	<b>2,713,855</b>	<b>1,275,322</b>	<b>1,926,201</b>	<b>-</b>	<b>49,235,240</b>

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
<b>Total</b>	<b>7,266,369</b>	<b>-</b>	<b>7,860,126</b>	<b>28,040,459</b>	<b>2,343,911</b>	<b>695,570</b>	<b>1,846,333</b>	<b>-</b>	<b>48,052,768</b>

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	5,920,534	5,664,532	7,089,111	6,749,362
Foreign currency saving deposits	1,346,634	1,378,766	2,951,052	2,759,321
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
<b>Total</b>	<b>7,267,168</b>	<b>7,043,298</b>	<b>10,040,163</b>	<b>9,508,683</b>

***Saving deposits out of insurance coverage limits***

	<b>Current Period</b>	<b>Prior Period</b>
Deposits and other accounts at foreign branches	3,952	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	2,293	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***

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forwards	521	602	845	94
Swaps	12,859	31,038	20,297	80,716
Futures	-	-	-	-
Options	598	1,730	95	1,320
Others	-	-	-	-
<b>Total</b>	<b>13,978</b>	<b>33,370</b>	<b>21,237</b>	<b>82,130</b>

**3. Information on banks and other financial institutions**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	113,908	374,046	139,492	323,562
Foreign banks, institutions and funds	109,776	6,378,190	84,774	6,139,174
<b>Total</b>	<b>223,684</b>	<b>6,752,236</b>	<b>224,266</b>	<b>6,462,736</b>

***Maturity information of funds borrowed***

	<b>Current period</b>		<b>Prior period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Short-term <sup>(*)</sup>	216,265	3,727,681	187,802	3,488,644
Medium and Long term <sup>(*)</sup>	7,419	3,024,555	36,464	2,974,092
<b>Total</b>	<b>223,684</b>	<b>6,752,236</b>	<b>224,266</b>	<b>6,462,736</b>

<sup>(\*)</sup> 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 9.9% (31 December 2010: 9.8%) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

On 24 March 2010, the Parent Bank obtained a syndication loan at the amount of US Dollar 170 million and Euro 566.5 million with interest rates of US Libor + 1.50% and Euribor + 1.50%, with the participation of 33 banks under the coordination of West LB AG and repaid the loan on 29 March 2011.

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

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

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

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

*Obligations under finance leases*

None.

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

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

None.

**7. Information on provisions**

*Information on general provisions*

	<b>Current Period</b>	<b>Prior period</b>
Provisions for loans and receivables in Group I	376,616	350,017
Provisions for loans and receivables in Group II	40,158	40,852
Provisions for non-cash loans	39,146	35,922
Others	1,369	1,085
<b>Total</b>	<b>457,289</b>	<b>427,876</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Provision for currency exchange gain/loss on foreign currency indexed loans	4,031	715

The Parent Bank recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 4,031 (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*

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans with limited collectability	509	233
Non-cash loans with doubtful collectability	1,018	3,636
Uncollectible non-cash loans	87,759	88,379
<b>Total</b>	<b>89,286</b>	<b>92,248</b>

*Information on other provisions*

The Parent Bank has recorded provision for possible loan losses amounting to TL 68,555 (31 December 2010: TL 65,428 TL) which corresponds to %3 (31 December 2010: 3%) percent of loans under follow up. The related balance has been recorded as provisions for miscellaneous risks under other provisions in the accompanying financial statements.

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

*Convenience Translation of Financial Statements**and Related Disclosures and Footnotes**Originally Issued in Turkish, See Section 3 Note I****Information on other provisions exceeding 10% of total provisions***

	<b>Current Period</b>	<b>Prior period</b>
Specific provisions for non-cash loans	89,286	92,248
Provision for loans under follow-up	68,555	65,428
Provision for World Vakıf UBB Ltd with regard to its negative equity	20,517	19,920
Provision for cheques	18,019	16,251
Provisions for lawsuits against the Group	15,470	15,486
Provisions for credit card promotions	8,335	7,873
Other provisions	6,845	6,563
<b>Total</b>	<b>227,027</b>	<b>223,769</b>

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

As at 31 March 2011, corporate tax payable of the Group amounts to TL 67,450 (31 December 2010: TL 115,123).

***Information on taxes payable***

	<b>Current Period</b>	<b>Prior Period</b>
Corporate taxes payable	67,450	115,123
Taxation on securities	92,056	38,770
Capital gains tax on property	1,183	1,047
Banking and Insurance Transaction Tax (BITT)	20,030	22,863
Taxes on foreign exchange transactions	-	-
Value added tax payable	1,422	1,540
Others	35,664	23,890
<b>Total</b>	<b>217,805</b>	<b>203,233</b>

***Information on premiums payable***

	<b>Current Period</b>	<b>Prior Period</b>
Social security premiums- employee share	390	446
Social security premiums- employer share	1,355	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	559	375
Unemployment insurance- employer share	1160	781
Others	31	1,257
<b>Total</b>	<b>3,495</b>	<b>5,701</b>

***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***

	<b>Current Period</b>	<b>Prior Period</b>
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***

<b>Capital System</b>	<b>Paid-in Capital</b>	<b>Ceiling per Registered Share Capital</b>
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***

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Associates, subsidiaries and joint ventures	(27,700)	-	(12,882)	-
Fair value differences of available-for-sale securities	62,291	126,937	126,248	187,884
Foreign exchange differences	-	-	-	-
<b>Total</b>	<b>34,591</b>	<b>126,937</b>	<b>113,366</b>	<b>187,884</b>

### III. Information and disclosures related to consolidated off-balance sheet items

#### 1. Disclosures related to other contingent liabilities

*Type and amount of irrevocable commitments*

	<b>Current Period</b>	<b>Prior Period</b>
Commitments for credit card limits	5,197,339	4,880,798
Loan granting commitments	3,657,094	3,698,348
Asset purchase/sale commitments	1,740,380	904,825
Commitments for cheque payments	667,723	655,194
Share capital commitments to associates and subsidiaries	2,000	2,000
<b>Toplam</b>	<b>11,264,536</b>	<b>10,141,165</b>

*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 89,286 (31 December 2010: TL 92,248) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 91,321 (31 December 2010: TL 93,180)..

*Final guarantees, provisional guarantees, sureties and similar transactions*

	<b>Current Period</b>	<b>Prior Period</b>
Provisional letters of guarantee	521,863	627,236
Final letters of guarantee	3,569,263	3,480,369
Letters of guarantee for advances	1,288,745	1,215,050
Letters of guarantee given to custom offices	219,318	215,578
Other letters of guarantee	2,902,946	2,688,694
<b>Total</b>	<b>8,502,135</b>	<b>8,226,927</b>

#### 2. Non-cash loans

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans given for cash loan risks	237,860	309,128
With original maturity of 1 year or less	119,067	197,708
With original maturity of more than 1 year	118,793	111,420
Other non-cash loans	11,585,605	11,050,700
<b>Total</b>	<b>11,823,465</b>	<b>11,359,828</b>

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

*Convenience Translation of Financial Statements*

*and Related Disclosures and Footnotes*

*Originally Issued in Turkish, See Section 3 Note I*

**3. Sectoral risk concentrations of non-cash loans**

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>36,890</b>	<b>0.54</b>	<b>181,608</b>	<b>3.68</b>	<b>34,489</b>	<b>0.53</b>	<b>168,629</b>	<b>3.46</b>
Farming and cattle	32,920	0.48	176,790	3.58	30,764	0.47	154,865	3.17
Forestry	3,191	0.05	-	-	3,252	0.05	3,250	0.07
Fishing	779	0.01	4,818	0.10	473	0.01	10,514	0.22
<b>Manufacturing</b>	<b>2,982,868</b>	<b>43.30</b>	<b>2,501,057</b>	<b>50.68</b>	<b>2,913,650</b>	<b>45.00</b>	<b>2,585,483</b>	<b>52.96</b>
Mining	36,878	0.54	153,679	3.11	37,315	0.58	177,128	3.63
Production	2,015,055	29.25	1,840,448	37.30	1,974,922	30.50	1,762,739	36.11
Electric, gas and water	930,935	13.51	506,930	10.27	901,413	13.92	645,616	13.22
<b>Construction</b>	<b>1,010,331</b>	<b>14.67</b>	<b>833,810</b>	<b>16.90</b>	<b>1,082,641</b>	<b>16.71</b>	<b>730,552</b>	<b>14.96</b>
<b>Services</b>	<b>2,135,046</b>	<b>30.98</b>	<b>378,589</b>	<b>7.67</b>	<b>1,871,905</b>	<b>28.89</b>	<b>405,121</b>	<b>8.29</b>
Wholesale and retail trade	750,443	10.89	181,066	3.67	721,816	11.14	179,191	3.67
Hotel, food and beverage services	42,129	0.61	4,067	0.08	42,105	0.65	7,510	0.15
Transportation and telecommunication	225,458	3.27	139,170	2.82	204,053	3.15	186,231	3.81
Financial institutions	1,038,066	15.07	33,631	0.68	866,234	13.37	18,590	0.38
Real estate and renting services	16,817	0.24	-	-	2,008	0.03	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	5,100	0.07	1,346	0.03	4,925	0.08	-	-
Health and social services	57,033	0.83	19,309	0.39	30,764	0.47	13,599	0.28
<b>Others</b>	<b>723,678</b>	<b>10.51</b>	<b>1,039,588</b>	<b>21.07</b>	<b>574,826</b>	<b>8.87</b>	<b>992,532</b>	<b>20.33</b>
<b>Total</b>	<b>6,888,813</b>	<b>100.00</b>	<b>4,934,652</b>	<b>100.00</b>	<b>6,477,511</b>	<b>100.00</b>	<b>4,882,317</b>	<b>100.00</b>

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	6,683,278	1,612,961	91,142	26,494
Confirmed bills of exchange and acceptances	12,562	162,949	-	4,653
Letters of credit	7,660	3,024,581	-	31,979
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	65,668	2,986	-	-
Other guarantees and sureties	-	5,231	-	-
<b>Total Non-Cash Loans</b>	<b>6,769,168</b>	<b>4,808,708</b>	<b>91,142</b>	<b>63,126</b>

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	-	-
<b>Total Non-Cash Loans</b>	<b>6,360,777</b>	<b>4,781,799</b>	<b>87,838</b>	<b>36,234</b>



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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira (“TL”))

*Convenience Translation of Financial Statements*

*and Related Disclosures and Footnotes*

*Originally Issued in Turkish, See Section 3 Note I*

**5. Contingent assets and liabilities**

None.

**6. Services rendered on behalf of third parties**

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

The Parent Bank’s custody services and banking transactions on behalf of individuals and corporate customers does not present a material portion.

**IV. Information on disclosures related to the consolidated statement of income**

**1. Interest income**

*Information on interest income received from loans*

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	286,388	28,036	296,931	49,982
Medium and long-term loans	592,769	115,982	556,301	81,786
Loans under follow-up	31,386	-	23,695	-
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>910,543</b>	<b>144,018</b>	<b>876,927</b>	<b>131,768</b>

*Information on interest income received from banks*

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	13,757	455	12,611	595
Foreign banks	820	2,131	58	1,085
Foreign head office and branches	-	-	-	-
<b>Total</b>	<b>14,577</b>	<b>2,586</b>	<b>12,669</b>	<b>1,680</b>

*Information on interest income received from associates and subsidiaries*

	Current Period	Prior Period
Interests received from the associates and subsidiaries	34	126

**2. Interest expense**

*Interest expense on funds borrowed*

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>5,616</b>	<b>26,353</b>	<b>1,895</b>	<b>16,863</b>
Central Bank of Turkey	-	-	-	-
Domestic banks	2,399	1,549	1,895	213
Foreign banks	3,217	24,804	-	16,650
Foreign head offices and branches	-	-	-	-
<b>Other institutions</b>	<b>-</b>	<b>1,570</b>	<b>-</b>	<b>634</b>
<b>Total</b>	<b>5,616</b>	<b>27,923</b>	<b>1,895</b>	<b>17,497</b>

*Interest expense paid to associates and subsidiaries*

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	5,300	3,315

*Interest expense on securities issued*

None.

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Section 3 Note I

**3. Trading income/losses**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Income</b>	<b>395,266</b>	<b>438,061</b>
Income from capital market transactions	28,811	263,437
Income from derivative financial instruments	122,321	38,156
Foreign exchange gains	244,134	136,468
<b>Losses</b>	<b>(354,107)</b>	<b>(384,456)</b>
Losses from capital market transactions	(5,396)	(225,289)
Losses from derivative financial instruments	(111,737)	(35,856)
Foreign exchange losses	(236,974)	(123,311)
<b>Trading income/losses, net</b>	<b>41,159</b>	<b>53,605</b>

Net loss arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is TL 40,747 as at and for the three-month period ended 31 March 2011 (31 March 2010: net profit of TL 8,036).

**4. Other operating income**

	<b>Current Period</b>	<b>Prior Period</b>
Income from reversal of impairment losses on loans and receivables	173,909	71,464
Earned insurance premiums (net of reinsurance share)	137,048	115,442
Gain on sale of assets	36,180	5,217
Communication income	20,471	18,577
Rent income	2,767	1,778
Change in life mathematical provisions	-	-
Income from private pension business	6,639	5,097
Other income	28,203	17,070
<b>Total</b>	<b>405,217</b>	<b>234,645</b>

**5. Provision expenses for losses on loans and other receivables**

	<b>Current Period</b>	<b>Prior Period</b>
Specific provisions on loans and other receivables	95,490	142,814
<i>Loans and receivables in Group III</i>	23,841	34,738
<i>Loans and receivables in Group IV</i>	51,936	-
<i>Loans and receivables in Group V</i>	19,713	108,076
Non-performing commissions and other receivables	-	-
General provision expenses	28,831	7,008
Provision for possible losses	3,127	-
Impairment losses on securities	42,806	7,564
<i>Trading securities</i>	22,653	-
<i>Investment securities available-for-sale</i>	20,153	7,564
Other impairment losses	9,272	20,723
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	13,535
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	9,272	7,188
Others (*)	26,652	34,568
<b>Total</b>	<b>206,178</b>	<b>212,677</b>

(\*) Other provision expenses amounting to TL 26,652 (31 March 2010: TL 34,568) is comprised of provision expenses for dividends to the personnel amounting to TL 21,450 (31 March 2010: TL 15,433), provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 4,541 (31 March 2010: TL 17,785) and other provision expenses amounting to TL 661 (31 March 2010: TL 1,350).

**6. Other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel costs	229,647	182,630
Reserve for employee termination benefits	2,679	7,363
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	25,692	25,663
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	2,361	1,910
Impairment losses on assets to be disposed	1,112	735
Depreciation expenses on assets to be disposed	2,808	2,672
Impairment losses on assets held for sale	-	-
Other operating expenses	192,077	166,745
<i>Operational lease related expenses</i>	27,830	19,597
<i>Repair and maintenance expenses</i>	2,892	3,801
<i>Advertisement expenses</i>	3,691	7,767
<i>Other expenses</i>	157,664	135,580
Loss on sale of assets	267	186
Others	177,410	172,332
<b>Total</b>	<b>634,053</b>	<b>560,236</b>

**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 80,733 (31 March 2010: TL 79,720) 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***

	<b>Current Period</b>	<b>Prior Period</b>
<b>Sources of deferred tax benefit/charge</b>		
Arising from origination / (reversal) of deductible temporary differences	(10,909)	2,388
Arising from (origination) / reversal of taxable temporary differences	(4,925)	(467)
Arising from origination / (reversal) of tax losses	-	(905)
Arising from tax rate change	-	-
<b>Total</b>	<b>(15,834)</b>	<b>1,016</b>

**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**

	<b>Current Period</b>	<b>Prior Period</b>
Income/(losses) related to non-controlling interest	(15,542)	(8,848)

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

Other fees and commission income of the Group mainly consist of credit card fees and commissions, 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*

<b>Current Period</b>	<b>Associates and Subsidiaries and Joint-Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
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	-	303,726	-	26,879	8,360	2,358
Interest and commission income	34	55	-	-	106	25

<b>Prior Period</b>	<b>Associates and Subsidiaries and Joint-Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
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	126	89	-	-	130	40

*Information on deposits held by the Parent Bank’s risk group*

	<b>Associates and Subsidiaries and Joint-Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>
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	327,893	411,915	663,855	581,885	59,490	54,423
Interest on deposits	5,300	3,315	8,331	13,051	107	139

*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.

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira ("TL"))

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

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

Pricing policy and other conditions of transactions with the risk group of the Bank, are determined and applied on arm's length basis. The ratio of cash and non-cash loans given to the Bank's risk group to total cash and non-cash loans are 0.02% (31 December 2010: 0.02%) and 2.82% (31 December 2010: 2.81%), respectively.

<b>Current Period</b>	<b>Amount</b>	<b>Compared With the Financial Statement Amount (%)</b>
Cash loans	8,360	0.02
Non-cash loans	332,963	2.82
Deposits	1,051,238	2.14

<b>Prior Period</b>	<b>Amount</b>	<b>Compared With the Financial Statement Amount (%)</b>
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 4<sup>th</sup> 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 which is still in process at the State Council as at the report date. In accordance with the decision of Ankara 5th Tax Court, the Bank paid TL 20,484 accrued by the tax office on 3 December 2009.

- 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 56th Annual General Assembly of the Parent Bank held on 25 March 2011, it is decided to distribute the net profit of year 2010 as shown in the table below. Pursant to the 5 May 2011 dated Board of Directors meeting, dividend to be distributed amounting to TL 34,314 is decided to be paid to shareholders as at 31 May 2011.

<b>Profit Distribution Table of Year 2010</b>	
<b>Current year’s profit of the Parent Bank’s unconsolidated financial statements</b>	<b>1,157,140</b>
Deferred tax income	(13,315)
<b>Net profit of the year subject to distribution</b>	<b>1,143,825</b>
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
<b>Net profit of the year subject to distribution</b>	<b>1,029,443</b>
Other reserves	2,531
Extraordinary reserves	992,598
<b>Dividends to the shareholders</b>	<b>34,314</b>

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

Consolidated Interim Financial Report

As at and For the Three-Month Period Ended 31 March 2011

(Thousands of Turkish Lira (“TL”))

*Convenience Translation of Financial Statements**and Related Disclosures and Footnotes**Originally Issued in Turkish, See Section 3 Note I***II. Information on the Parent Bank’s credit rating given by international institutions**

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

  

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

  

<b>December 2010</b> (*)	<b>Fitch Rating</b>
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Pozitive
Long Term Local Currency	BB+
Short Term Local Currency	B
Local Currency Outlook	Pozitive
National Long Term	AA+ (tur)
National Outlook	Stable
Individual	C/D
Support	3
Base Support Rating	BB+

  

<b>November 2010</b> (*)	<b>Capital Intelligence</b>
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 21 April 2011 dated and 2011-06 numbered “Press release related to reserve requirement” of CBT, foreign currency reserve requirement rate applied as 11% has been amended as 12% for foreign currency demand deposits, notice deposits, private current accounts, and participation accounts with up to one month, three months, six months and one year maturities; 11% for foreign currency deposits/participation accounts with one year and longer maturity and cumulative deposits/participation accounts; 12% for other foreign currency liabilities up to one year maturity (including one year), 11.5% for other foreign currency liabilities up to three year maturity (including three year), 11% for other foreign currency liabilities with maturities more than three years. Turkish Lira required reserve rates for demand deposits, notice deposits and private current accounts, deposits/participation accounts up to one month maturity (including one month), have been increased from 15% to 16%.
- In accordance with the temporary article no. 20 of the Article no. 73 of the Social Security Law no. 5754, it has been decided that pension funds of insurance companies and banks shall be transferred to the Social Security Institution within three years, and it has been stated in the first article of the Social Security Law that this period can be extended for two years with the decision of Council of Ministers. The three year period that has expired on 8 May 2011 has been extended to 8 May 2013 with the decision of Council of Ministers published in Official Gazette dated 9 April 2011.
- On 13 May 2011, the Parent Bank obtained in total US Dollar 215 million loan within the scope of remittance securitization program. Tranche A of the loan amounting to US Dollar 100 million has been received from European Bank for Restructuring and Development (“EBRD”), and Tranche B amounting to US Dollar 115 million has been received from Wells Fargo NA and WestLB Bank AG. Besides, with the revokal of the insurance of Tranche A loan with US Dollar 131.5 million balance obtained in 2007 (with the condition of maintaining the maturity and the balance), this loan has been restructured with the coordinatorship of ING Bank. Tranche A of the loan has a maturity of 12 years with no principal payments for first three years, whereas Tranche B of the loan has maturity of 5 years with no-payment for first two years.

**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 three-month period ended 31 March 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 26 May 2010 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group’s financial position and results of its operations as at and for the three-month period ended 31 March 2011.