

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

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

Consolidated Financial Report

As at and for the Year Ended

31 December 2010

With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ

23 March 2011

*This report contains "Independent Auditors' Report" comprising 2 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 89 pages.*

**Convenience Translation of the Auditors' 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 audited the consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its financial subsidiaries as at 31 December 2010 and the related consolidated statements of income, cash flows, changes in equity and a summary of significant accounting policies and notes to the consolidated financial statements. We did not audit the financial statements of certain consolidated companies as at 31 December 2010, which statements reflect total assets constituting 4 percent; and total operating income constituting (2.35) percent as at and for the year ended 31 December 2010 of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our audit report, insofar as it relates to the amounts included for those companies is based solely on the reports of the other auditors.

*Disclosure for the responsibility of the Bank's Board of Directors:*

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no. 26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the statements and guidances published by the Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

*Disclosure for the Responsibility of the Authorized Audit Firm:*

Our responsibility, as independent auditors, is to express an opinion on these consolidated financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no. 26333 dated 1 November 2006 and International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the consolidated financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

*Independent Auditors' Opinion:*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its financial subsidiaries as at 31 December 2010 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Articles 37 and 38 of (Turkish) Banking Law No. 5411 and the statements and guidances published by the BRSA on accounting and financial reporting principles.

Istanbul,  
23 March 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 FINANCIAL REPORT  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2010**

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The consolidated financial report as at and for the year ended 31 December 2010 prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections.

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

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

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**SUBSIDIARIES**

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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

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**ASSOCIATES**

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

The consolidated financial statements and related disclosures and footnotes that were subject to independent audit, 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”).

23 March 2011

Ahmet CANDAN  
Deputy Chairman of  
Board of Directors

Serdar TUNÇBİLEK  
Board Member  
Audit Committee Member

Halim KANATÇI  
Board Member  
Audit Committee Member

Süleyman KALKAN  
General Manager and  
Executive Director  
of the Board

Metin Recep ZAFER  
Executive Vice President

Mitat ŞAHİN  
Director of Accounting and  
Financial Affairs

The authorized contact person for questions on this consolidated 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  
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# **Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries**

## **Consolidated Financial Report as at and For the Year Ended 31 December 2010**

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

### **SECTION ONE**

#### **General Information**

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

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

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

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

As at 31 December 2010 and 2009, 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 December 2010 is stated below:

<b>Shareholders</b>	<b>Number of Shares- 100 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)	4.623.522	4,623	0.19
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 Financial Report as at and

For the Year Ended 31 December 2010

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

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

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Date of Appointment</b>	<b>Education</b>	<b>Experience in Banking and Business Administration</b>
<b>Board of Directors</b>				
Ahmet CANDAN	Deputy Chairman	19 March 2010	University	23 years
Süleyman KALKAN	Member – General Manager	19 March 2010	University	27 years
Serdar TUNÇBİLEK	Member	24 July 2007	University	27 years
İsmail ALPTEKİN	Member	6 April 2009	University	12 years
Ramazan GÜNDÜZ	Member	6 April 2009	University	32 years
Halim KANATCI	Member	28 April 2009	University	37 years
Selahattin TORAMAN	Member	19 March 2009	University	33 years
Dr. Adnan ERTEM	Member	27 October 2010	PHD	22 years
<b>Audit Committee</b>				
Serdar TUNÇBİLEK	Member	1 April 2010	University	27 years
Halim KANATCI	Member	5 November 2010	University	37 years
<b>Auditors</b>				
Mehmet HALTAŞ	Auditor	19 March 2010	University	33 years
Yunus ARINCI	Auditor	19 March 2010	Master	13 years
<b>Executive Vice Presidents</b>				
Mehmet CANTEKİN (Senior Executive Vice President)	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 ,Cards and Member Business Operations	20 September 2005	University	21 years
Metin Recep ZAFER	Accounting and Financial Affairs, Planning and Performance, Subsidiaries, Treasury and Foreign Operations, Banking Operations, Alternative Distribution Channels	13 June 2006	PHD	15 years
Birgül DENLİ	Private Banking, International Relations and Investor Relations	15 June 2006	Master	17 years
Ömer ELMAS	Legal Services, Loans Follow-up	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 Management, Information Technologies Businesses and Support, Information Services Planning	18 August 2010	Master	15 years



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

Consolidated Financial Report as at and

For the Year Ended 31 December 2010

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

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

As per the 19 March 2010 dated resolution of the Annual General Assembly of the shareholders, Hasan Sezer and Ahmet Candan representing Group (A), Sabahattin Birdal representing Group (B), Selahattin Toraman representing Group (C), and İsmail Alptekin, Ramazan Gündüz and Serdar Tunçbilek as independent members have been appointed as members of the Board of Directors of the Bank in accordance with the 48<sup>th</sup> article of the Articles of Association of T. Vakıflar Bankası T.A.O. Hasan Sezer has been appointed as Chairman and Ahmet Candan has been appointed as Deputy Chairman of the Board in accordance with the 52<sup>th</sup> article of Articles of Association of T. Vakıflar Bankası T.A.O. Hasan Sezer resigned on 21 February 2011.

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

Sabahattin Birdal, former Member of Board and Audit Committee resigned on 26 October 2010. Subsequently Dr. Adnan Ertem has been appointed as Member of Board on 27 October 2010, and on 5 November 2010 Halim Kanatçı has taken up the position of Member of Audit Committee besides being Member of Board.

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

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

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

The shareholder holding control over the Parent Bank is The General Directorate of the Foundations having 43.00% of the Bank's outstanding shares. Another organization holding shares 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 obtaining securities and real estate as collateral,
- Establishing or participating in all kinds of insurance corporations,
- Trading real estates,
- Servicing all banking operations and services,
- Investing in various corporations handed over by the foundations and the General Directorate of the Foundations in accordance with conditions stipulated by agreements if signed.
- To render banking services to the foundations and carry out cashier transactions of the General Directorate of Foundations in compliance with the agreements signed by the General Directorate of the Foundations.

As at 31 December 2010, the Parent Bank has 634 domestic, 2 foreign, in total 636 branches (31 December 2009: 543 domestic, 2 foreign, in total 545 branches). As at 31 December 2010, the Parent Bank has 11,077 employees (31 December 2009: 10,153 employees).

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

Consolidated Balance Sheet (Statement of Financial Position)

Convenience Translation of the Consolidated Financial Statements

As at 31 December 2010

and Related Disclosures and Footnotes

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

Originally Issued in Turkish, See Section 3 Note 1

ASSETS	Notes	Audited Current Year 31 December 2010			Audited Previous Year 31 December 2009		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	V-I-1	<b>2,609,792</b>	<b>2,041,241</b>	<b>4,651,033</b>	<b>1,657,012</b>	<b>1,396,356</b>	<b>3,053,368</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	V-I-2	<b>181,921</b>	<b>36,140</b>	<b>218,061</b>	<b>98,236</b>	<b>42,084</b>	<b>140,320</b>
2.1 Financial assets held for trading purpose		181,921	36,140	218,061	98,236	42,084	140,320
2.1.1 Debt securities issued by the governments		176,801	12,489	189,290	95,265	21,258	116,523
2.1.2 Equity securities		79	-	79	27	-	27
2.1.3 Derivative financial assets held for trading purpose	V-I-2	1,343	23,651	24,994	698	20,826	21,524
2.1.4 Other securities		3,698	-	3,698	2,246	-	2,246
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
<b>III. BANKS</b>	V-I-3	<b>944,049</b>	<b>1,226,835</b>	<b>2,170,884</b>	<b>668,611</b>	<b>2,625,436</b>	<b>3,294,047</b>
<b>IV. RECEIVABLES FROM INTERBANK MONEY MARKETS</b>		<b>2,101,584</b>	<b>-</b>	<b>2,101,584</b>	<b>3,401,294</b>	<b>-</b>	<b>3,401,294</b>
4.1 Interbank money market placements		-	-	-	3,400,614	-	3,400,614
4.2 Istanbul Stock Exchange money market placements		-	-	-	680	-	680
4.3 Receivables from reverse repurchase agreements		2,101,584	-	2,101,584	-	-	-
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	V-I-4	<b>11,258,914</b>	<b>2,655,333</b>	<b>13,914,247</b>	<b>12,978,890</b>	<b>2,286,436</b>	<b>15,265,326</b>
5.1 Equity securities		-	12,295	12,295	6,815	12,227	19,042
5.2 Debt securities issued by the governments		11,258,009	2,534,145	13,792,154	12,972,075	2,213,330	15,185,405
5.3 Other securities		905	108,893	109,798	-	60,879	60,879
<b>VI. LOANS AND RECEIVABLES</b>	V-I-5	<b>30,864,839</b>	<b>13,751,403</b>	<b>44,616,242</b>	<b>23,326,720</b>	<b>11,201,232</b>	<b>34,527,952</b>
6.1 Performing loans and receivables		30,840,214	13,748,757	44,588,971	23,192,802	11,198,101	34,390,903
6.1.1 Loans provided to the same risk group	V-VII-1	1,141	7,837	8,978	708	8,879	9,587
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		30,839,073	13,740,920	44,579,993	23,192,094	11,189,222	34,381,316
6.2 Loans under follow-up		2,328,805	14,172	2,342,977	2,190,679	75,791	2,266,470
6.3 Specific provisions (-)		2,304,180	11,526	2,315,706	2,056,761	72,660	2,129,421
<b>VII. FACTORING RECEIVABLES</b>		<b>450,170</b>	<b>15,203</b>	<b>465,373</b>	<b>351,438</b>	<b>2,370</b>	<b>353,808</b>
<b>VIII. HELD-TO-MATURITY INVESTMENTS (Net)</b>	V-I-6	<b>2,911,012</b>	<b>1,451,233</b>	<b>4,362,245</b>	<b>2,075,831</b>	<b>1,502,387</b>	<b>3,578,218</b>
8.1 Debt securities issued by the governments		2,911,012	1,412,065	4,323,077	2,075,831	1,455,711	3,531,542
8.2 Other securities		-	39,168	39,168	-	46,676	46,676
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	V-I-7	<b>157,313</b>	<b>3</b>	<b>157,316</b>	<b>136,014</b>	<b>3</b>	<b>136,017</b>
9.1 Associates, consolidated per equity method		127,072	-	127,072	106,209	-	106,209
9.2 Unconsolidated associates		30,241	3	30,244	29,805	3	29,808
9.2.1 Financial associates		15,786	-	15,786	15,786	-	15,786
9.2.2 Non-Financial associates		14,455	3	14,458	14,019	3	14,022
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	V-I-8	<b>147,436</b>	<b>-</b>	<b>147,436</b>	<b>144,722</b>	<b>-</b>	<b>144,722</b>
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		147,436	-	147,436	144,722	-	144,722
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>	V-I-9	<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>	V-I-10	<b>39,318</b>	<b>261,662</b>	<b>300,980</b>	<b>25,301</b>	<b>217,287</b>	<b>242,588</b>
12.1 Finance lease receivables		46,857	291,966	338,823	33,136	252,253	285,389
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		7,539	30,304	37,843	7,835	34,966	42,801
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>	V-I-11	<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>	V-I-12	<b>1,190,467</b>	<b>3,251</b>	<b>1,193,718</b>	<b>1,179,050</b>	<b>1,841</b>	<b>1,180,891</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	V-I-13	<b>57,225</b>	<b>28</b>	<b>57,253</b>	<b>47,293</b>	<b>29</b>	<b>47,322</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		57,225	28	57,253	47,293	29	47,322
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	V-I-14	<b>53,659</b>	<b>-</b>	<b>53,659</b>	<b>55,452</b>	<b>-</b>	<b>55,452</b>
<b>XVII. TAX ASSETS</b>		<b>136,003</b>	<b>-</b>	<b>136,003</b>	<b>124,493</b>	<b>29</b>	<b>124,522</b>
17.1 Current tax assets		4,860	-	4,860	7,534	-	7,534
17.2 Deferred tax assets	V-I-15	131,143	-	131,143	116,959	29	116,988
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)</b>	V-I-16	<b>1,446</b>	<b>-</b>	<b>1,446</b>	<b>3,023</b>	<b>-</b>	<b>3,023</b>
18.1 Assets held for sale		1,446	-	1,446	3,023	-	3,023
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	V-I-17	<b>2,142,427</b>	<b>144,995</b>	<b>2,287,422</b>	<b>1,564,685</b>	<b>242,820</b>	<b>1,807,505</b>
<b>TOTAL ASSETS</b>		<b>55,247,575</b>	<b>21,587,327</b>	<b>76,834,902</b>	<b>47,838,065</b>	<b>19,518,310</b>	<b>67,356,375</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)

Convenience Translation of the Consolidated Financial Statements

As at 31 December 2010

and Related Disclosures and Footnotes

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

Originally Issued in Turkish, See Section 3 Note I

LIABILITIES AND EQUITY		Notes	Audited Current Year 31 December 2010			Audited Previous Year 31 December 2009		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	V-II-1	<b>35,040,273</b>	<b>13,012,495</b>	<b>48,052,768</b>	<b>31,489,891</b>	<b>13,610,976</b>	<b>45,100,867</b>
1.1	Deposits of the same risk group	V-VII-1	993,748	54,475	1,048,223	1,330,837	98,627	1,429,464
1.2	Other deposits		34,046,525	12,958,020	47,004,545	30,159,054	13,512,349	43,671,403
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>	V-II-2	<b>21,237</b>	<b>82,130</b>	<b>103,367</b>	<b>9,549</b>	<b>32,998</b>	<b>42,547</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	V-II-3	<b>224,266</b>	<b>6,462,736</b>	<b>6,687,002</b>	<b>155,188</b>	<b>4,458,039</b>	<b>4,613,227</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKET</b>		<b>6,146,833</b>	<b>2,097,415</b>	<b>8,244,248</b>	<b>4,664,659</b>	<b>1,502,724</b>	<b>6,167,383</b>
4.1	Interbank Money Market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		30,616	-	30,616	22,031	-	22,031
4.3	Obligations under repurchase agreements		6,116,217	2,097,415	8,213,632	4,642,628	1,502,724	6,145,352
<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>61,203</b>	-	<b>61,203</b>	<b>83,383</b>	-	<b>83,383</b>
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		61,203	-	61,203	83,383	-	83,383
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>2,070,811</b>	<b>149,882</b>	<b>2,220,693</b>	<b>1,318,482</b>	<b>128,333</b>	<b>1,446,815</b>
<b>VIII.</b>	<b>OTHER EXTERNAL RESOURCES PAYABLE</b>	V-II-4	<b>163,586</b>	<b>375,212</b>	<b>538,798</b>	<b>180,914</b>	<b>152,521</b>	<b>333,435</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X.</b>	<b>LEASE PAYABLES</b>	V-II-5	-	-	-	-	-	-
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>	V-II-6	-	-	-	-	-	-
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>	V-II-7	<b>2,026,935</b>	<b>108,381</b>	<b>2,135,316</b>	<b>1,768,337</b>	<b>38,035</b>	<b>1,806,372</b>
12.1	General provisions	V-II-7	424,374	3,502	427,876	319,100	3,889	322,989
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		353,198	898	354,096	305,616	622	306,238
12.4	Insurance technical provisions (Net)		1,047,068	82,507	1,129,575	969,850	10,473	980,323
12.5	Other provisions	V-II-7	202,295	21,474	223,769	173,771	23,051	196,822
<b>XIII.</b>	<b>TAX LIABILITIES</b>	V-II-8	<b>208,341</b>	<b>4,083</b>	<b>212,424</b>	<b>179,930</b>	<b>3,837</b>	<b>183,767</b>
13.1	Current tax liabilities	V-II-8	204,993	3,941	208,934	176,146	3,837	179,983
13.2	Deferred tax liabilities	V-I-15	3,348	142	3,490	3,784	-	3,784
<b>XIV.</b>	<b>PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)</b>	V-II-9	-	-	-	-	-	-
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>	V-II-10	-	-	-	-	-	-
<b>XVI.</b>	<b>EQUITY</b>		<b>8,286,879</b>	<b>292,204</b>	<b>8,579,083</b>	<b>7,402,365</b>	<b>176,214</b>	<b>7,578,579</b>
<b>16.1</b>	<b>Paid-in capital</b>	V-II-11	<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>846,672</b>	<b>187,884</b>	<b>1,034,556</b>	<b>977,301</b>	<b>99,502</b>	<b>1,076,803</b>
16.2.1	Share premium		726,722	-	726,722	726,691	-	726,691
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-11	113,366	187,884	301,250	235,420	99,502	334,922
16.2.4	Revaluation surplus on tangible assets		5,033	-	5,033	13,639	-	13,639
16.2.5	Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6	Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures		1,551	-	1,551	1,551	-	1,551
16.2.8	Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		-	-	-	-	-	-
<b>16.3</b>	<b>Profit reserves</b>		<b>3,542,070</b>	<b>54,760</b>	<b>3,596,830</b>	<b>2,381,974</b>	<b>53,886</b>	<b>2,435,860</b>
16.3.1	Legal reserves		504,005	2,549	506,554	379,012	2,549	381,561
16.3.2	Status reserves		3,094	-	3,094	2,361	-	2,361
16.3.3	Extraordinary reserves		2,789,810	4,593	2,794,403	1,774,530	4,593	1,779,123
16.3.4	Other profit reserves		245,161	47,618	292,779	226,071	46,744	272,815
<b>16.4</b>	<b>Profit or loss</b>		<b>1,172,344</b>	<b>32,563</b>	<b>1,204,907</b>	<b>1,309,272</b>	<b>16,095</b>	<b>1,325,367</b>
16.4.1	Previous years' profit/loss		16,005	24,605	40,610	3,187	27,439	30,626
16.4.2	Current year's profit/loss		1,156,339	7,958	1,164,297	1,306,085	(11,344)	1,294,741
<b>16.5</b>	<b>Non-controlling interest</b>		<b>225,793</b>	<b>16,997</b>	<b>242,790</b>	<b>233,818</b>	<b>6,731</b>	<b>240,549</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>54,250,364</b>	<b>22,584,538</b>	<b>76,834,902</b>	<b>47,252,698</b>	<b>20,103,677</b>	<b>67,356,375</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

As at and For the Year Ended 31 December 2010

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

*Convenience Translation of the Consolidated Financial Statements*

*and Related Disclosures and Footnotes*

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

	Notes	Audited Current Year 31 December 2010	Audited Previous Year 31 December 2009
<b>I. INTEREST INCOME</b>		<b>6,027,885</b>	<b>6,552,695</b>
1.1 Interest income from loans	V-IV-1	4,105,417	4,487,910
1.2 Interest income from reserve deposits		68,446	112,716
1.3 Interest income from banks	V-IV-1	61,633	30,657
1.4 Interest income from money market transactions		60,005	92,515
1.5 Interest income from securities portfolio	V-IV-1	1,621,404	1,749,305
1.5.1 Trading financial assets	V-IV-1	33,371	11,320
1.5.2 Financial assets at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets	V-IV-1	1,222,506	1,282,809
1.5.4 Held-to-maturity investments	V-IV-1	365,527	455,176
1.6 Finance lease income		22,349	26,624
1.7 Other interest income		88,631	52,968
<b>II. INTEREST EXPENSE</b>		<b>3,172,750</b>	<b>3,366,519</b>
2.1 Interest expense on deposits	V-IV-2	2,627,930	2,916,306
2.2 Interest expense on funds borrowed	V-IV-2	106,186	157,493
2.3 Interest expense on money market transactions		387,372	263,835
2.4 Interest expense on securities issued	V-IV-2	-	-
2.5 Other interest expenses		51,262	28,885
<b>III. NET INTEREST INCOME (I -II)</b>		<b>2,855,135</b>	<b>3,186,176</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>447,099</b>	<b>432,710</b>
4.1 Fees and commissions received		556,821	641,865
4.1.1 Non-cash loans		62,811	70,856
4.1.2 Others		494,010	571,009
4.2 Fees and commissions paid		109,722	209,155
4.2.1 Non-cash loans		247	145
4.2.2 Others		109,475	209,010
<b>V. DIVIDEND INCOME</b>	V-IV-3	<b>3,535</b>	<b>12,384</b>
<b>VI. TRADING INCOME/LOSSES (Net)</b>	V-IV-4	<b>320,986</b>	<b>210,410</b>
6.1 Trading account income/losses	V-IV-4	367,536	155,617
6.2 Income/losses from derivative financial instruments	V-IV-4	(71,527)	(6,115)
6.3 Foreign exchange gains/losses	V-IV-4	24,977	60,908
<b>VII. OTHER OPERATING INCOME</b>	V-IV-5	<b>1,140,111</b>	<b>776,548</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>4,766,866</b>	<b>4,618,228</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	V-IV-6	<b>976,178</b>	<b>1,009,699</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	V-IV-7	<b>2,364,855</b>	<b>2,069,707</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>1,425,833</b>	<b>1,538,822</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>20,681</b>	<b>23,192</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>	V-IV-8	<b>1,446,514</b>	<b>1,562,014</b>
<b>XVI. CONTINUING OPERATIONS PROVISION FOR TAXES</b>	V-IV-9	<b>(313,152)</b>	<b>(267,280)</b>
16.1 Current tax charges		(325,272)	(321,025)
16.2 Deferred tax credits		12,120	53,745
<b>XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)</b>	V-IV-12	<b>1,133,362</b>	<b>1,294,734</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 (XVIII-XIX)</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 (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	V-IV-12	<b>1,133,362</b>	<b>1,294,734</b>
23.1 Equity holders of the Bank		1,164,297	1,294,741
23.2 Non-controlling interest	V-IV-13	(30,935)	(7)
Earnings per share (full TL)	III-XXII	0.4533	0.5179

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

*Convenience Translation of the Consolidated Financial Statements*

As at and For the Year Ended 31 December 2010

*and Related Disclosures and Footnotes*

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

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

<b>GAINS AND LOSSES RECOGNIZED IN EQUITY</b>		<b>Notes</b>	<b>Audited Current Year 31 December 2010</b>	<b>Audited Previous Year 31 December 2009</b>
<b>I.</b>	<b>VALUATION DIFFERENCES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF THE MARKETABLE SECURITIES</b>	V-V-1	(40,738)	421,851
<b>II.</b>	<b>REVALUATION SURPLUS ON TANGIBLE ASSETS</b>		(18,772)	-
<b>III.</b>	<b>REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>		-	-
<b>IV.</b>	<b>CURRENCY TRANSLATION DIFFERENCES</b>		912	1,253
<b>V.</b>	<b>GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)</b>			-
<b>VI.</b>	<b>GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)</b>			-
<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>		15,912	(7,705)
<b>IX.</b>	<b>DEFERRED TAXES DUE TO VALUATION DIFFERENCES</b>	V-V-1	21,647	(63,261)
<b>X.</b>	<b>NET GAINS/(LOSSES) RECOGNIZED DIRECTLY IN EQUITY</b>		(21,039)	352,138
<b>XI.</b>	<b>CURRENT YEAR'S PROFIT/(LOSS)</b>		1,133,362	1,294,734
11.1	Change in fair value of marketable securities (transfers to the statement of income)	V-V-1	101,747	(10,189)
11.2	Gains/losses recognized in the consolidated statement of income due to reclassification of derivatives which have previously designated as hedging instrument in a cash flow hedge			-
11.3	Gains/losses recognized in the consolidated statement of income due to reclassification of net foreign investment hedges			-
11.4	Others		1,031,615	1,304,923
<b>XII.</b>	<b>TOTAL GAINS AND LOSSES RECOGNIZED DURING THE YEAR</b>		<b>1,112,323</b>	<b>1,646,872</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 Year Ended 31 December 2010

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

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

	Notes	Audited Current Year 31 December 2010	Audited Previous Year 31 December 2009
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>2,843,618</b>	<b>3,000,770</b>
1.1.1 Interests received		6,128,774	6,889,353
1.1.2 Interests paid		(3,268,052)	(3,432,756)
1.1.3 Dividends received		3,535	12,384
1.1.4 Fee and commissions received		447,099	432,710
1.1.5 Other income		663,760	260,207
1.1.6 Collections from previously written-off loans and other receivables	V-I-5	542,244	450,795
1.1.7 Payments to personnel and service suppliers		(1,813,425)	(1,616,003)
1.1.8 Taxes paid		(272,401)	(324,416)
1.1.9 Others	V-VI-1	412,084	328,496
<b>1.2 Changes in operating assets and liabilities</b>		<b>(4,498,620)</b>	<b>5,347,316</b>
1.2.1 Net (increase) decrease in financial assets held for trading purpose		159,148	(27,512)
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		(784,710)	8,234
1.2.4 Net (increase) decrease in loans		(11,233,418)	(5,142,810)
1.2.5 Net (increase) decrease in other assets		(823,775)	(141,784)
1.2.6 Net increase (decrease) in bank deposits		622,287	1,382,550
1.2.7 Net increase (decrease) in other deposits		2,322,895	6,074,156
1.2.8 Net increase (decrease) in funds borrowed		2,074,766	(1,467,629)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	V-VI-1	3,164,187	4,662,111
<b>I. Net cash flow from banking operations</b>		<b>(1,655,002)</b>	<b>8,348,086</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>		<b>175,679</b>	<b>(6,716,325)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	V-VI-2	-	(2,000)
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	V-VI-3	-	2,150
2.3 Cash paid for purchase of tangible assets		(99,512)	(73,409)
2.4 Proceeds from disposal of tangible assets		71,849	53,694
2.5 Cash paid for purchase of available-for-sale financial assets		(10,511,253)	(12,057,180)
2.6 Proceeds from disposal of available-for-sale financial assets		9,308,261	4,742,295
2.7 Cash paid for purchase of held-to-maturity investments		(109,389)	(512,145)
2.8 Proceeds from disposal of held-to-maturity investments		1,532,959	1,151,688
2.9 Others		(17,236)	(21,418)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>(121,094)</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		(121,094)	-
3.5 Re-payments for finance leases		-	-
3.6 Others		-	-
<b>IV. Effect of change in foreign exchange rates on cash and cash equivalents</b>	V-VI-1	<b>1,202</b>	<b>7,961</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>(1,599,215)</b>	<b>1,639,722</b>
<b>VI. Cash and cash equivalents at the beginning of the year</b>	V-VI-4	<b>8,747,303</b>	<b>7,107,581</b>
<b>VII. Cash and cash equivalents at the end of the year</b>	V-VI-4	<b>7,148,088</b>	<b>8,747,303</b>

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



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

Statement of Profit Distribution

For the Year Ended 31 December 2010

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

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

	Notes	Current Year 31 December 2010	Previous Year 31 December 2009
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT<sup>(*)</sup></b>			
1.1 CURRENT YEAR'S PROFIT		1,462,774	1,542,174
1.2 TAXES AND LEGAL DUTIES PAYABLE		(305,634)	(290,968)
1.2.1 Corporate tax (income tax)	V-IV-11	(318,948)	(311,128)
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties	V-IV-11	13,314	20,160
<b>A. NET PROFIT FOR THE YEAR</b>		<b>1,157,140</b>	<b>1,251,206</b>
1.3 DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES	V-IV-11	(13,314)	(20,160)
<b>B. NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME</b>		<b>1,143,826</b>	<b>1,231,046</b>
1.4 ACCUMULATED LOSSES		-	-
1.5 FIRST LEGAL RESERVES	V-V-5	(57,192)	(61,552)
1.6 OTHER STATUTORY RESERVES	V-V-5	(57,191)	(61,552)
<b>C. NET PROFIT AVAILABLE FOR DISTRIBUTION</b>		<b>1,029,443</b>	<b>1,107,941</b>
1.7 FIRST DIVIDEND TO SHAREHOLDERS	V-V-5	-	120,765
1.7.1 To owners of ordinary shares		-	120,765
1.7.2 To owners of privileged shares		-	-
1.7.3 To owners of redeemed shares		-	-
1.7.4 To profit sharing bonds		-	-
1.7.5 To holders of profit and loss sharing certificates		-	-
1.8 DIVIDENDS TO PERSONNEL (*)		-	-
1.9 DIVIDENDS TO BOARD OF DIRECTORS		-	-
1.10 SECOND DIVIDEND TO SHAREHOLDERS		-	-
1.10.1 To owners of ordinary shares		-	-
1.10.2 To owners of privileged shares		-	-
1.10.3 To owners of redeemed shares		-	-
1.10.4 To profit sharing bonds		-	-
1.10.5 To holders of profit and loss sharing certificates		-	-
1.11 SECOND LEGAL RESERVES		-	-
1.12 STATUS RESERVES		-	-
1.13 EXTRAORDINARY RESERVES	V-V-5	-	983,282
1.14 OTHER RESERVES		-	-
1.15 SPECIAL FUNDS	V-V-5	-	3,895
<b>II. DISTRIBUTION FROM RESERVES</b>			
2.1 DISTRIBUTION OF RESERVES		-	-
2.2 SECOND LEGAL RESERVES		-	-
2.3 DIVIDENDS TO SHAREHOLDERS		-	-
2.3.1 To owners of ordinary shares		-	-
2.3.2 To owners of privileged shares		-	-
2.3.3 To owners of redeemed shares		-	-
2.3.4 To profit sharing bonds		-	-
2.3.5 To holders of profit and loss sharing certificates		-	-
2.4 DIVIDENDS TO PERSONNEL		-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS		-	-
<b>III. EARNINGS PER SHARE</b>			
3.1 TO OWNERS OF ORDINARY SHARES		0.4629	0.5005
3.2 TO OWNERS OF ORDINARY SHARES ( % )		46.29	50.05
3.3 TO OWNERS OF PRIVILEGED SHARES		-	-
3.4 TO OWNERS OF PRIVILEGED SHARES ( % )		-	-
<b>IV. DIVIDEND PER SHARE</b>			
4.1 TO OWNERS OF ORDINARY SHARES		-	-
4.2 TO OWNERS OF ORDINARY SHARES ( % )		-	-
4.3 TO OWNERS OF PRIVILEGED SHARES		-	-
4.4 TO OWNERS OF PRIVILEGED SHARES ( % )		-	-

(\*) As at and for the year ended 31 December 2010, dividends to be paid to the personnel amounting to TL 83,250 (31 December 2009: TL 79,200) has been accounted for in the consolidated statement of income through recording in the current year's profits/losses in accordance with TAS 19 – *Employee Benefits*.

(\*\*) Consolidated statement of profit distribution has been prepared in accordance with the unconsolidated financial statements of the Parent Bank.

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

## **SECTION THREE**

### **Accounting Policies**

#### **I. Basis of presentation**

As per the Articles 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 (collectively “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, interbank money market takings and medium and long-term borrowings obtained from foreign financial institutions. The Bank pursues an effective asset-liability management strategy by securing balance between funding resources and investments so as to reduce risks and increase returns. Accordingly, the Bank attaches great significance to long-term placements bearing higher interest rates.

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

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

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

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

### **Information on foreign currency transactions**

Transactions of the 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 equity.

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

As at and for the year ended 31 December 2010, the financial statements of T. Vakıflar Bankası TAO, Vakıf International AG, Vakıf Finansal Kiralama AŞ, Vakıf Pazarlama ve Ticaret AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik AŞ, Vakıf Finans Factoring Hizmetleri AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ, Kıbrıs Vakıflar Bankası Ltd, and Türkiye Sınai Kalkınma Bankası AŞ have been included in the consolidated financial statements of the Group.

Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd, a subsidiary which was subject to consolidation in previous periods, is abrogated due to non-compliance with the 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 December 2010, but its equity until the liquidation decision date has included in the accompanying consolidated financial statements.

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

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

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

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

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

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

#### **V. Information on interest income and expenses**

##### **Banking activities**

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

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

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

##### **Finance leasing activities**

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

##### **Factoring operations**

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

#### **VI. Information on fees and commissions**

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

## **VII. Information on financial assets**

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

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

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

### **Financial assets at fair value through profit or loss**

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

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

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

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

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

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

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

Purchase and sale transactions of securities are recognized at settlement dates.

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

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

### **Factoring receivables**

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

### **Associates and subsidiaries**

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

Associates have been reclassified as available-for-sale financial assets in the unconsolidated financial statements of the Bank and associates which are not traded in an active market and whose fair value cannot be reliably measured are reflected in the unconsolidated financial statements with their costs after deducting impairment losses, if any. In the accompanying consolidated financial statements financial associates of the Group, whose total assets, and net operating profit/(loss) individually or as a whole do not comprise a material portion within the consolidated assets and operation results, have not been subject to consolidation; remaining financial associates have been consolidated using the equity method. Non-financial associates are accounted for in accordance with TAS 39 in the accompanying consolidated financial statements.

### **VIII. Information on impairment of financial assets**

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

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

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

### **IX. Information on netting of financial instruments**

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

### **X. Information on repurchase and resale agreements and securities lending**

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

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

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

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

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

## XII. Information on goodwill and other intangible assets

The Group's intangible assets consist of software.

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

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

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

## XIII. Information on tangible assets

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

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

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

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

Depreciation rates and estimated useful lives are:

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

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

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



#### **XIV. Information on investment properties**

Investment property is a property held either to earn rental income or for capital appreciation or for both. The Group holds investment property 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 measures all investment property based on the cost model in accordance with the cost model for property and equipment (i.e. at cost less accumulated depreciation and less any accumulated impairment losses).

#### **XV. Information on leasing activities**

##### **Finance leasing activities as the lessee**

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

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

##### **Finance leasing activities as the lessor**

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

##### **Operational leases**

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

#### **XVI. Information on provisions and contingent liabilities**

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

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

**XVII. Information on obligations of the Group concerning employee rights**

In accordance with existing Turkish Labour Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2010 is TL 2,517 (full TL) (31 December 2009: TL 2,365 (full TL)).

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

As at 31 December 2010 and 2009, the major actuarial assumptions used in the calculation of the total liability are as follows:

	Current Year	Previous Year
Discount rate	4.66%	5.92%
Expected rate of salary/limit increase	5.10%	4.80%
Estimated employee turnover rate	1.13%	0.94%

**Other benefits to employees**

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

**Pension fund**

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

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

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

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

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

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

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

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 25<sup>th</sup> of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

### **Deferred taxes**

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

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

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

### **Transfer pricing**

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

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

### **Investment incentive**

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

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

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

## **XIX. Additional information on borrowings**

Financial liabilities at fair value through profit or loss 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 December 2010 and 2009, there are no convertible bonds or any other securities issued by the Group.

## **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. Confirmed bills of exchange and acceptances**

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

## **XXII. Government incentives**

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

## **XXIII. Segment reporting**

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

## **XXIV. Other disclosures**

### **Adjustments on the previous year consolidated financial statements**

The Group has presented insurance technical provisions in gross amounts, which were presented net of reinsurer shares in the previous periods. In accordance with this amendment, reinsurer share of reserve for unearned insurance premiums as at 31 December 2009 amounting to TL 171,086 has been added to the reserve for unearned insurance premiums balance; and reinsurer share of provision for outstanding claims as at 31 December 2009 amounting to TL 140,713 has been added to the provision for outstanding claims balance. Receivables from insurance activities which are presented under other assets in the accompanying consolidated financial statements have been increased by the total amount of the reinsurer shares of insurance technical provisions amounting to TL 311,799. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

The Group has presented deferred commission income and deferred commission expense in gross amounts, which were offsetted in the previous periods. In accordance with this amendment, deferred commission expense balance as at 31 December 2009 has been increased by TL 34,738 which is presented under other assets and the same amount is presented as deferred commission income under miscellaneous payables in the accompanying consolidated financial statements. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

### **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 year ended 31 December 2010, earning per share is TL 0.4533 (31 December 2009: TL 0.5179).

### **Related parties**

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

### **Cash and cash equivalents**

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

## **Insurance operations of the Group**

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

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

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

*Mathematical provisions:* Mathematical provisions are the provisions recorded against the liabilities of the Group to the beneficiaries of long-term life, 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 13.94 % (The Parent Bank: 14.35%).

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

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

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

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

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

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



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**Information on consolidated capital adequacy ratio**

	Unconsolidated – The Parent Bank’s Risk Weights – 31 December 2010								Consolidated – Group’s Risk Weights – 31 December 2010							
	0%	10%	20%	50%	100%	150%	200%		0%	10%	20%	50%	100%	150%	200%	
<b>Balance Sheet Items (Net)</b>	<b>11,762,805</b>	-	<b>995,242</b>	<b>12,449,212</b>	<b>34,320,227</b>	<b>61,533</b>	<b>1,875</b>		<b>12,071,279</b>	-	<b>2,126,836</b>	<b>12,449,212</b>	<b>35,274,057</b>	<b>61,533</b>	<b>1,875</b>	
Cash on hand	655,997	-	3	-	-	-	-		660,150	-	3	-	-	-	-	
Securities in redemption	-	-	-	-	-	-	-		-	-	-	-	-	-	-	
Balances with the Central Bank of Turkey	2,564,379	-	-	-	-	-	-		2,564,379	-	-	-	-	-	-	
Domestic and foreign banks, foreign head offices and branches	482,025	-	628,884	-	159,977	-	-		504,369	-	1,364,597	-	292,383	-	-	
Interbank money market placements	-	-	-	-	-	-	-		-	-	-	-	-	-	-	
Receivables from reverse repurchase agreements	2,101,000	-	-	-	-	-	-		2,101,000	-	-	-	-	-	-	
Reserve deposits	1,423,140	-	-	-	-	-	-		1,423,140	-	-	-	-	-	-	
Loans	168,770	-	275,019	12,357,646	31,642,237	61,533	1,875		179,580	-	454,412	12,357,646	31,205,717	61,533	1,875	
Loans under follow-up (Net)	-	-	-	-	24,625	-	-		-	-	-	-	27,271	-	-	
Lease Receivables	-	-	-	-	-	-	-		3,490	-	-	-	295,355	-	-	
Available-for-sale financial assets	-	-	-	-	-	-	-		-	-	-	-	-	-	-	
Held-to-maturity investments	4,125,495	-	37,080	-	-	-	-		4,175,161	-	39,151	-	-	-	-	
Receivables from term sale of assets	-	-	-	-	87,974	-	-		-	-	-	-	87,974	-	-	
Miscellaneous receivables	-	-	37,763	-	349,899	-	-		165,342	-	242,104	-	1,308,261	-	-	
Accrued interests and income	149,603	-	16,493	91,566	236,539	-	-		153,503	-	26,569	91,566	245,294	-	-	
Investments in associates, subsidiaries and joint-ventures (Net)	-	-	-	-	895,183	-	-		-	-	-	-	177,671	-	-	
Tangible assets	-	-	-	-	892,317	-	-		-	-	-	-	1,024,654	-	-	
Other assets	92,396	-	-	-	31,476	-	-		141,165	-	-	-	609,477	-	-	
<b>Off-Balance Sheet Items</b>	<b>223,407</b>	-	<b>774,002</b>	<b>433,976</b>	<b>7,397,016</b>	-	-		<b>223,407</b>	-	<b>774,870</b>	<b>433,976</b>	<b>7,450,448</b>	-	-	
Non-cash loans and commitments	223,407	-	630,793	433,976	7,393,977	-	-		223,407	-	630,793	433,976	7,447,409	-	-	
Derivative financial instruments	-	-	143,209	-	3,039	-	-		-	-	144,077	-	3,039	-	-	
<b>Non risk-weighted accounts</b>	-	-	-	-	-	-	-		-	-	-	-	-	-	-	
<b>Total Risk-Weighted Assets</b>	<b>11,986,212</b>	-	<b>1,769,244</b>	<b>12,883,188</b>	<b>41,717,243</b>	<b>61,533</b>	<b>1,875</b>		<b>12,294,686</b>	-	<b>2,901,706</b>	<b>12,883,188</b>	<b>42,724,505</b>	<b>61,533</b>	<b>1,875</b>	

**Summary information related to capital adequacy ratio**

	Unconsolidated		Consolidated	
	Current Year	Previous Year	Current Year	Previous Year
Value at Credit Risk (VaCR)	48,608,735	37,706,171	49,842,490	38,684,473
Value at Market Risk (VaMR)	1,781,375	1,889,513	1,853,063	1,914,000
Value at Operational Risk (VaOR) <sup>(*)</sup>	5,795,900	4,756,200	6,766,363	5,609,963
Equity	8,065,195	6,837,925	8,150,498	7,028,463
<b>Equity/ (VaCR+VaMR+VaOR)*100</b>	<b>%14.35</b>	<b>%15.42</b>	<b>%13.94</b>	<b>%15.21</b>

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

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**Information on consolidated equity**

	Current Year	Previous Year
<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	726,691
Share cancellation profits	-	-
Legal reserves	506,554	381,561
I. Legal reserve (Turkish Commercial Code 466/1)	268,496	205,055
II. Legal reserve (Turkish Commercial Code 466/2)	-	-
Reserves allocated as per special legislations	238,058	176,506
Status reserves	3,094	2,361
Extraordinary reserves	3,087,182	2,051,938
Reserve allocated as per the decision held by the General Assembly	2,794,403	1,779,123
Retained earnings	292,779	272,815
Accumulated losses	-	-
Exchange rate differences on foreign currency capital	-	-
Reserves from inflation adjustments to legal, status and extraordinary reserves	-	-
Profit	1,204,907	1,325,367
Current year's profit	1,164,297	1,294,741
Previous years' profit	40,610	30,626
Free provision for possible losses (up to 25% of Core Capital)	65,428	-
Income on sale of equity shares and real estates to be used up for capital increase	5,033	1,138
Primary subordinated loans (up to 15% of Core Capital)	-	-
Non-controlling interest	203,757	219,579
Loss excess of reserves (-)	-	-
Current year's loss	-	-
Previous years' loss	-	-
XLeasehold improvements (-) <sup>(*)</sup>	75,703	82,719
Prepaid expenses (-) <sup>(*)</sup>	326,278	256,478
Intangible assets (-) <sup>(*)</sup>	57,253	47,322
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>7,843,443</b>	<b>6,822,116</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General provisions	427,876	322,989
45% of revaluation surplus on movables	-	5,625
Bonus shares of associates, subsidiaries and joint-ventures	1,551	1,551
Primary subordinated loans excluding the portion included in core capital	-	-
Secondary subordinated loans	-	-
45% of valuation differences of marketable securities	135,563	150,715
Associates and subsidiaries	(5,797)	680
Available-for-sale financial assets	141,360	150,035
Inflation adjustment differences of capital reserves, profit reserves and previous years' profit/(loss)	-	-
Non-controlling interest	17,612	9,483
<b>Total supplementary capital</b>	<b>582,602</b>	<b>490,363</b>
<b>TIER III CAPITAL</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>8,426,045</b>	<b>7,312,479</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>275,547</b>	<b>284,016</b>
Unconsolidated investments in entities (domestic/foreign) operating in banking and financial sectors exceeding 10% of ownership	9	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	127,072	106,209
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated loans and debt instruments purchased from such parties qualified as primary or secondary subordinated debts	-	-
Loan granted to customer against the Articles 50 and 51 of the Banking Law	-	-
Net book values of immovables exceeding 50% of the capital and of assets acquired against overdue receivables and held for sale as per the Article 57 of the Banking Law but retained more than five years	148,466	177,798
Others	-	-
<b>TOTAL EQUITY</b>	<b>8,150,498</b>	<b>7,028,463</b>

## **II. Consolidated credit risk**

Credit risk is defined as the counterparty's possibility of failing to fulfil its obligations on the terms set by the agreement. Credit risk means risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. It covers the possible risks arising from futures and option agreements and other agreements alike and the credit risks arising from credit transactions that have been defined by the Banking Law.

In compliance with the articles 51 and 54 set forth in Banking Law and ancillary regulation, credit limits are set by the Parent Bank for the financial position and credit requirements of customers within the authorization limits assigned for branches, regional directorates, lending departments, assistant general manager responsible of lending, general manager, credit committee and board of directors and credits are given regarding these limits in order to limit credit risk in lending facilities.

Credit limits are determined separately for the individual customer, company, group of companies, risk groups on a product basis. In accordance with the related Lending Policy, several criteria are used in the course of determining these credit limits. Customers should have a long-standing and a successful business past, a high commercial morality, possess a good financial position and a high morality, the nature of their business should be appropriate to use the credit, possess their commercial operations in an affirmative and a balanced manner, have experience and specialization in their profession, be able to adopt themselves to the economic conditions, to be accredited on the market, have sufficient equity capital, possess the ability to create funds with their operations and finance their placement costs. Also the sector and the geographical position of customers, where they operate and other factors that may effect their operations are considered in the evaluation process of loans. Apart from ordinary intelligence operations, the financial position of the customer is mainly analysed based on the balance sheets and the income statements for the six-months periods (June and December) provided by the loan customer, the documents received in accordance with the related regulation for their state of accounts and other related documents. Credit limits are subject to revision regarding the overall economic developments and the changes in the financial information and operations of the customers.

Collaterals for the credit limits are determined on a customer basis in order to ensure bank placements and their liquidity. The amount and type of the collateral are determined regarding the creditworthiness of the credit users. The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

The Bank has risk control limits on positions arising from forwards, options and similar derivative transaction positions, which effect credit risk and market risk.

For credit risk management purposes, Risk Management Department operates in

- the determination of credit risk policies in coordination with the Bank's other units,
- the determination and monitoring of the distribution of concentration limits with respect to sector, geography and credit type,
- contribution to the formation of rating and scoring systems,
- submitting to the Board of Directors and the senior management of not only credit risk management reports about credit portfolio's distribution (borrower, sector, geographical region), credit quality (impaired loans, credit risk ratings) and credit concentration but also scenario analysis reports, stress tests and other analyses,
- studies regarding the formation of advanced credit risk measurement approaches.

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

Consolidated Financial Report as at and  
For the Year Ended 31 December 2010  
(Currency: Thousands of Turkish Lira ("TL"))

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Originally Issued in Turkish, See Section 3 Note 1

Credit risk is defined and managed for all cash and non-cash agreements and transactions, which carry counterparty risk. Loans with renegotiated terms are followed in accordance with Bank's credit risk management and follow-up principles. The financial position and trading operations of related customers are continuously analyzed and principal and interest payments, scheduled in renegotiation agreement, are strictly controlled by related departments. In the framework of Bank's risk management concept, long term commitments are accepted more risky than short term commitments. Consequently risk limits defined for long term commitments and collaterals that should be taken against long term commitments are handled in a wider range compared to short term commitments.

Banking operations and lending activities carried in foreign countries are not exposed to material credit risks, due to related countries' financial conditions, customers and their operations.

The Bank's largest 200 cash loan customers compose 40.84% of the total cash loan portfolio.

The Bank's largest 200 non-cash loan customers compose 75.19% of the total non-cash loan portfolio.

The Bank's largest 200 cash loan customers compose 23.70% of total assets of the Bank and the Bank's largest 200 non-cash loan customers compose 29.53% of total off-balance sheet items.

The general provision for credit risk amounts to TL 427,876 (31 December 2009: TL 322,989).

**Sectoral and geographical concentration of the credit risk**

	Personal and Commercial Loans		Banks and Other Financial Institutions		Marketable Securities <sup>(*)</sup>		Other Loans <sup>(**)</sup>	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Sectoral Concentration</b>								
Private Sector	26,458,843	21,219,105	2,654,575	1,859,935	22,355	17,341	4,155,596	3,261,390
Public Sector	1,176,903	1,775,779	5,650	-	18,304,521	18,833,470	1,541,305	686,290
Banks	-	-	8,445,368	9,169,556	130,309	92,460	329,311	225,653
Consumers	14,904,604	10,253,166	-	-	-	-	1,901	1,632
Equity Securities	-	-	-	-	12,374	19,069	304,752	280,739
<b>Total</b>	<b>42,540,350</b>	<b>33,248,050</b>	<b>11,105,593</b>	<b>11,029,491</b>	<b>18,469,559</b>	<b>18,962,340</b>	<b>6,332,865</b>	<b>4,455,704</b>
<b>Geographical Concentration</b>								
Domestic	42,381,884	33,118,663	9,831,008	8,393,624	18,245,183	18,831,021	4,438,031	3,424,608
EU Countries	82,452	67,374	541,091	1,358,139	142,886	84,803	967,562	486,401
OECD Countries <sup>(***)</sup>	-	-	58,106	4,178	-	-	365	163,668
Off-Shore Banking Regions	-	-	39	131,529	-	-	-	-
USA, Canada	60,683	42,968	629,779	1,129,911	47,842	46,516	219,765	34,551
Other Countries	15,331	19,045	45,570	12,110	33,648	-	707,142	346,476
<b>Total</b>	<b>42,540,350</b>	<b>33,248,050</b>	<b>11,105,593</b>	<b>11,029,491</b>	<b>18,469,559</b>	<b>18,962,340</b>	<b>6,332,865</b>	<b>4,455,704</b>

<sup>(\*)</sup> Includes marketable securities (debt securities and equity shares other than associates and subsidiaries) at fair value through profit or loss, marketable securities classified as available-for-sale, and investment securities held-to-maturity.

<sup>(\*\*)</sup> Includes transactions defined as loans according to the article 48 of Banking Law act no. 5411 and transactions classified other than first three columns in Uniform Chart of Accounts. Non-cash loans have been included in other loans column after they have been weighted with relevant rates for conversion to cash loans.

<sup>(\*\*\*)</sup> Includes OECD countries other than EU countries, USA and Canada.

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

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**Geographical Concentration**

<b>31 December 2010</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Non- Cash Loans</b>	<b>Capital Expenditures</b>	<b>Net Profit</b>
Domestic	74,602,424	67,521,512	7,418,272	116,672	1,124,545
EU Countries	762,281	7,757,485	2,126,706	76	9,301
OECD Countries (*)	54,403	74,582	731	-	-
Off-Shore	309,204	239,691	-	-	(484)
USA, Canada	738,304	967,285	426,733	-	-
Other Countries	63,534	274,347	1,387,386	-	-
Subsidiaries, Affiliates and Joint-Ventures	304,752	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
<b>Total</b>	<b>76,834,902</b>	<b>76,834,902</b>	<b>11,359,828</b>	<b>116,748</b>	<b>1,133,362</b>

  

<b>31 December 2009</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Non- Cash Loans</b>	<b>Capital Expenditures</b>	<b>Net Profit</b>
Domestic	64,101,919	58,866,333	7,597,693	96,743	1,307,457
EU Countries	1,586,812	7,384,416	615,374	84	(10,491)
OECD Countries (*)	4,178	54,464	163,688	-	-
Off-Shore	131,529	59,574	-	-	(2,232)
USA, Canada	1,220,043	260,445	47,343	-	-
Other Countries	31,155	731,143	685,941	-	-
Subsidiaries, Affiliates and Joint-Ventures	280,739	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
<b>Total</b>	<b>67,356,375</b>	<b>67,356,375</b>	<b>9,110,039</b>	<b>96,827</b>	<b>1,294,734</b>

(\*) Includes OECD countries other than EU countries, USA, and Canada.

**Sectoral distribution of cash loans**

	<b>31 December 2010</b>				<b>31 December 2009</b>			
	<b>TL</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>	<b>TL</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>
<b>Agriculture</b>	<b>283,333</b>	<b>0.92</b>	<b>106,840</b>	<b>0.78</b>	<b>153,682</b>	<b>0.66</b>	<b>128,696</b>	<b>1.15</b>
Farming and Stockbreeding	143,514	0.47	48,486	0.35	84,311	0.36	63,927	0.57
Forestry	130,669	0.42	738	0.01	60,720	0.26	780	0.01
Fishery	9,150	0.03	57,616	0.42	8,651	0.04	63,989	0.57
<b>Manufacturing</b>	<b>4,198,842</b>	<b>13.62</b>	<b>6,243,957</b>	<b>45.42</b>	<b>2,864,469</b>	<b>12.35</b>	<b>4,469,449</b>	<b>39.91</b>
Mining	121,942	0.40	135,093	0.98	218,766	0.94	230,699	2.06
Production	3,844,444	12.47	5,074,498	36.92	2,560,823	11.04	3,698,957	33.03
Electricity, Gas, Water	232,456	0.75	1,034,366	7.52	84,880	0.37	539,793	4.82
<b>Construction</b>	<b>1,178,181</b>	<b>3.82</b>	<b>1,113,586</b>	<b>8.10</b>	<b>935,361</b>	<b>4.03</b>	<b>905,431</b>	<b>8.09</b>
<b>Services</b>	<b>7,352,861</b>	<b>23.83</b>	<b>4,537,369</b>	<b>32.99</b>	<b>5,606,467</b>	<b>24.17</b>	<b>4,594,383</b>	<b>40.67</b>
Wholesale and Retail Trade Hotel, Food and Beverage Services	3,537,067	11.47	1,696,739	12.34	2,929,809	12.63	2,057,950	18.38
Transportation and Telecommunication	170,003	0.55	843,173	6.13	140,057	0.60	739,188	6.60
Financial Institutions	1,097,467	3.56	1,128,551	8.21	1,198,213	5.17	889,654	7.94
Real Estate and Renting	2,187,183	7.09	655,062	4.76	1,107,455	4.77	768,843	6.51
"Self-Employment" Type Services	71,942	0.23	130,828	0.95	32,712	0.14	69,843	0.62
Educational Services	-	-	-	-	-	-	-	-
Health and Social Services	62,527	0.20	8,615	0.06	57,087	0.25	14,133	0.13
	226,672	0.73	74,401	0.54	141,134	0.61	54,772	0.49
<b>Others</b>	<b>17,826,997</b>	<b>57.81</b>	<b>1,747,005</b>	<b>12.71</b>	<b>13,632,823</b>	<b>58.79</b>	<b>1,100,142</b>	<b>10.18</b>
<b>Total</b>	<b>30,840,214</b>	<b>100.00</b>	<b>13,748,757</b>	<b>100.00</b>	<b>23,192,802</b>	<b>100.00</b>	<b>11,198,101</b>	<b>100.00</b>

**Gross and net (after deducting allowances for impairment losses) amounts of individually impaired assets by risk grade**

31 December 2010	Loans		Other assets <sup>(*)</sup>	
	Gross	Net	Gross	Net
Grade 3 : Impaired	91,382	73,105	49,645	496
Grade 4 : Impaired	218,622	-	679	-
Grade 5 : Impaired	1,969,884	2646	61741	-
<b>Total</b>	<b>2,279,888</b>	<b>75,751</b>	<b>112,065</b>	<b>496</b>

31 December 2009	Loans		Other assets <sup>(*)</sup>	
	Gross	Net	Gross	Net
Grade 3 : Impaired	216,401	173,121	44,066	2,223
Grade 4 : Impaired	338,637	-	1,864	-
Grade 5 : Impaired	1,639,720	3,131	67,208	-
<b>Total</b>	<b>2,194,758</b>	<b>176,252</b>	<b>113,138</b>	<b>2,223</b>

(\*) Other assets include non-performing factoring receivables and leasing receivables amounting to TL 63,089 (31 December 2009: TL 71,712), and lawsuit and court expenses amounting to TL 48,976 (31 December 2009: TL 41,426) undertaken by the Parent Bank due to non-performing loans and receivables for which specific provision amounting to TL 48,480 (31 December 2009: TL 39,203) has been recorded.

**Performing cash and non-cash loans by type of collateral held by the Bank**

Cash loans <sup>(*)</sup>	31 December 2010	31 December 2009
Secured Loans:	29,231,568	23,557,596
Secured by cash collateral	79,628	88,423
Secured by mortgages	12,543,373	9,978,634
Secured by government institutions or government securities	100,028	123,870
Guarantees issued by financial institutions	326,086	344,992
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	16,182,453	13,021,677
Unsecured Loans	16,123,756	11,429,703
<b>Total performing loans</b>	<b>45,355,324</b>	<b>34,987,299</b>

(\*) Includes amounts presented as loans, factoring receivables and leasing receivables in the accompanying consolidated financial statements.

Non-cash loans	31 December 2010	31 December 2009
Secured Loans:	5,137,199	4,003,521
Secured by cash collateral	123,136	87,452
Secured by mortgages	868,285	965,319
Secured by government institutions or government securities	-	123
Guarantees issued by financial institutions	374,391	357,208
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	3,771,387	2,593,419
Unsecured Loans	6,222,629	5,106,518
<b>Total non-cash loans</b>	<b>11,359,828</b>	<b>9,110,039</b>

**Fair value of collateral held against impaired loans**

	31 December 2010	31 December 2009
Cash collateral <sup>(*)</sup>	-	-
Mortgage	800,755	973,611
Promissory note <sup>(*)</sup>	28,654	4,927
Others <sup>(**)</sup>	1,513,568	1,287,932
<b>Total</b>	<b>2,342,977</b>	<b>2,266,470</b>

(\*) As a policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral is shown as zero in the table above.

(\*\*) Sureties obtained for impaired loans are presented in this row in the amount not exceeding total of impaired loans.

**Sectoral and geographical concentration of impaired loans**

<b>Sectoral</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
Consumer loans	403,412	205,972
Textile	305,916	210,709
Food	238,153	147,300
Construction	366,455	201,277
Durable consumer goods	95,544	135,511
Agriculture and stockbreeding	46,768	73,567
Metal and metal products	43,476	28,336
Service sector	43,195	46,798
Financial institutions	11,206	12,132
Others	788,852	1,204,868
<b>Total impaired loans and receivables</b>	<b>2,342,977</b>	<b>2,266,470</b>

<b>Geographical</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
Turkey	2,328,805	2,250,019
Austria	14,172	16,451
<b>Total non-performing loans</b>	<b>2,342,977</b>	<b>2,266,470</b>

**Past due but not impaired loans and receivables**

	<b>31 December 2010<sup>(*)</sup></b>	<b>31 December 2009<sup>(*)</sup></b>
Grade 1 : Low risk loans and receivables	191,913	194,132
Grade 2 : Loans and receivables under follow-up	99,670	166,672
<b>Total</b>	<b>291,583</b>	<b>360,804</b>

<sup>(\*)</sup>Includes amounts presented as loans, factoring receivables and leasing receivables in the accompanying consolidated financial statements.

**Aging of past due but not impaired loans and receivables**

	<b>31 December 2010<sup>(*)</sup></b>	<b>31 December 2009<sup>(*)</sup></b>
0-30 days	202,726	200,802
30-60 days	38,128	133,556
60-90 days	50,729	26,446
<b>Total</b>	<b>291,583</b>	<b>360,804</b>

<sup>(\*)</sup>Includes amounts presented as loans, factoring receivables and leasing receivables in the accompanying consolidated financial statements.

**Undue and not impaired loans and receivables**

	<b>31 December 2010<sup>(*)</sup></b>	<b>31 December 2009<sup>(*)</sup></b>
Grade 1 : Low risk loans and receivables	42,962,925	31,715,174
Grade 2 : Loans and receivables under follow-up	1,473,294	2,626,220
<b>Total</b>	<b>44,436,219</b>	<b>34,341,394</b>
Restructured loans	627,522	285,101
<b>Total</b>	<b>45,063,741</b>	<b>34,626,495</b>

<sup>(\*)</sup>Includes amounts presented as loans, factoring receivables and leasing receivables in the accompanying consolidated financial statements.

### III. 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	125,711
(II) Capital obligation against specific risks - standard method	15,543
(III) Capital obligation against currency risk - standard method	6,847
(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	144
(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)	148,245
<b>(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))</b>	<b>1,853,063</b>

#### Monthly average value at market risk

	Current Year			Previous Year		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	136,443	151,077	122,119	99,814	126,144	62,973
Common Share Risk	4,222	6,956	3,201	1,652	3,320	36
Currency Risk	15,482	24,322	6,847	15,334	24,175	9,319
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	510	1,259	144	7,022	15,950	2,594
<b>Total Value at Risk</b>	<b>1,958,216</b>	<b>2,113,213</b>	<b>1,853,063</b>	<b>1,547,779</b>	<b>2,118,538</b>	<b>937,688</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 (except for tax effect) as a result of change in the fair value of equity instruments quoted to Istanbul Stock Exchange (“ISE”) held as associates and subsidiaries in the accompanying financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, is nil (31 December 2009: nil).



#### **IV. Consolidated operational risk**

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

The amount calculated as TL 541,309 (31 December 2009: TL 448,797 from gross income for the years ended 31 December 2009, 2008 and 2007 and used for the calculation of capital adequacy ratio as at 31 December 2010, represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk. Value at operational risk amounting to TL 6,766,363 (31 December 2009: TL 5,609,963) presented in the table included in Note I of this section is calculated as 12.5 times of the operational risk.

	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
(I) Net Interest Income	2,855,135	3,186,176	2,080,146	1,765,252
(II) Net Fees and Commission Income	447,099	432,710	468,475	360,414
(III) Dividends Income	3,535	12,384	6,508	33,306
(IV) Net Trading Income/(Loss)	320,986	210,410	149,507	242,144
(V) Other Operating Income	1,140,111	799,740	733,812	742,144
(VI) Income/(Loss) from sale of AFS and HTM				
Marketable Securities	358,200	146,468	98,412	93,445
(VII) Extraordinary Income	24,172	42,347	2,883	13,392
<b>(VIII) Gross Income (I+II+III+IV+V-VI-VII)</b>	<b>4,384,494</b>	<b>4,452,605</b>	<b>3,337,153</b>	<b>3,036,423</b>
<b>(IX) Capital Requirement (Gross Income x %15)</b>	<b>657,674</b>	<b>667,891</b>	<b>500,573</b>	<b>455,463</b>
<b>(X) Average Operational Risk Capital Requirement</b>	<b>608,713</b>	<b>541,309</b>	-	-
<b>(XI) Value at Operational Risk (X x 12.5)</b>	<b>7,608,913</b>	<b>6,766,363</b>	-	-

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

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

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

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

As at 31 December 2010 and 2009, the Group does not have derivate financial instruments held for risk management purpose.

**Foreign exchange risk management policy**

Risk policy of the Bank is based on the transactions within the limits and keeping the currency position well-balanced. In the light of the national legislations and international applications, the Parent Bank has established a foreign currency risk management policy that enables the Group to take a position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the 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>	1.5450	2.0703
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	1.5200	2.0105
Day 2	1.5100	1.9817
Day 3	1.5000	1.9841
Day 4	1.5000	1.9752
Day 5	1.5000	1.9688
<b>Last 30-days arithmetical average rate</b>	1.4720	1.9511

**Information on currency risk**

<b>Current Year</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	906,085	1,128,937	28	6,191	<b>2,041,241</b>
Banks	297,939	881,705	1,260	45,931	<b>1,226,835</b>
Financial assets at fair value through profit or loss <sup>(1)</sup>	6,280	15,581	-	-	<b>21,861</b>
Interbank money market placements	-	-	-	-	<b>-</b>
Available-for-sale financial assets	736,858	1,918,475	-	-	<b>2,655,333</b>
Loans and receivables <sup>(2)</sup>	5,690,865	8,439,045	3,294	61,715	<b>14,194,919</b>
Associates, subsidiaries and joint-ventures	3	-	-	-	<b>3</b>
Held-to-maturity investments	256,442	1,194,791	-	-	<b>1,451,233</b>
Derivative financial assets held for risk management purpose	-	-	-	-	<b>-</b>
Tangible assets	1,487	1,764	-	-	<b>3,251</b>
Intangible assets	28	-	-	-	<b>28</b>
Other assets <sup>(3) (4)</sup>	200,116	343,717	17,087	2,273	<b>563,193</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>Liabilities:</b>					
Bank deposits	150,434	510,094	-	15	<b>660,543</b>
Foreign currency deposits	4,339,261	7,968,956	1,683	42,052	<b>12,351,952</b>
Interbank money market takings	245,649	1,851,766	-	-	<b>2,097,415</b>
Funds borrowed <sup>(5)</sup>	3,236,623	3,305,851	3,287	41,144	<b>6,586,905</b>
Securities issued	-	-	-	-	<b>-</b>
Miscellaneous payables	51,278	98,481	-	123	<b>149,882</b>
Derivative financial liabilities held for risk management purpose	-	-	-	-	<b>-</b>
Other liabilities <sup>(1) (6)</sup>	107,975	416,664	85	23,597	<b>548,321</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 <sup>(7)</sup>	369,060	1,863,759	551	11,001	<b>2,244,371</b>
Derivative liabilities <sup>(7)</sup>	246,767	1,737,531	98	15,219	<b>1,999,615</b>
Non-cash loans <sup>(8)</sup>	1,506,310	3,155,668	90,106	130,233	<b>4,882,317</b>
<b>Previous Year</b>					
	<b>Euro</b>	<b>US Dollar</b>	<b>Japanese Yen</b>	<b>Other FCs</b>	<b>Total</b>
Total assets	<b>6,806,275</b>	<b>12,665,618</b>	<b>6,059</b>	<b>97,787</b>	<b>19,575,739</b>
Total liabilities	<b>7,055,348</b>	<b>12,765,732</b>	<b>1,764</b>	<b>89,428</b>	<b>19,912,272</b>
<b>Net 'on balance sheet' position</b>	<b>(249,073)</b>	<b>(100,114)</b>	<b>4,295</b>	<b>8,359</b>	<b>(336,533)</b>
<b>Net 'off-balance sheet' position</b>	<b>359,143</b>	<b>208,333</b>	<b>(3,063)</b>	<b>33</b>	<b>564,446</b>
Derivative assets	419,475	797,226	-	31,085	<b>1,247,786</b>
Derivative liabilities	60,332	588,893	3,063	31,052	<b>683,340</b>
Non-cash loans <sup>(8)</sup>	1,958,583	2,731,973	11,538	130,729	<b>4,832,823</b>

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

<sup>(2)</sup> Foreign currency indexed loans amounting to TL 443,516 (31 December 2009: TL 77,011) presented in TL in the financial statements are included in the above table.

<sup>(3)</sup> Foreign currency indexed factoring receivables amounted to TL 155,611 (31 December 2009: nil) presented in TL column in the accompanying consolidated balance sheet are included.

<sup>(4)</sup> Prepaid expenses amounting to TL 14,278 (31 December 2009: TL 18,579) are not included.

<sup>(5)</sup> Foreign currency indexed funds borrowed amounted to TL 124,169 (31 December 2009: 9,464) presented in TL column in the accompanying consolidated balance sheet are included.

<sup>(6)</sup> Unearned income amounting to TL 19,581 (31 December 2009: TL 23,733) and deferred tax liabilities amounting to TL 142 are not included.

<sup>(7)</sup> Asset purchase commitments amounting to TL 220,570 and asset sales commitments amounting to 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.

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10 percent devaluation of the TL against the following currencies as at and for the years ended 31 December 2010 and 2009 would effect consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

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

	31 December 2010		31 December 2009	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	(16,881)	(193)	2,754	10,742
EUR	(8,577)	9,054	1,541	3,514
Other currencies	424	424	962	962
<b>Total, net</b>	<b>(25,034)</b>	<b>9,285</b>	<b>5,257</b>	<b>15,218</b>

<sup>(\*)</sup> 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 years ended 31 December 2010 and 2009 would effect consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	31 December 2010		31 December 2009	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	(12,749)	3,939	1,365	(6,623)
Euro	4,449	(9,054)	(1,393)	(3,366)
Other currencies	330	330	(204)	(204)
<b>Total, net</b>	<b>(7,970)</b>	<b>(4,785)</b>	<b>(232)</b>	<b>(10,193)</b>

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

## VI. Consolidated interest rate risk

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

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

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

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

Current Year	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBT	-	-	-	-	-	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 (*)	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>
<i>Liabilities:</i>							
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	-	-	-	-	-	-	-
Funds borrowed	205,976	4,864,117	1,397,873	219,036	-	-	<b>6,687,002</b>
Other liabilities (**)	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>

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

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

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<b>Previous Year</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>
<i>Assets:</i>							
Cash and balances with CBT	1,148,099	-	-	-	-	1,905,269	<b>3,053,368</b>
Banks	3,091,172	52,448	895	-	-	149,532	<b>3,294,047</b>
Financial assets at fair value through profit/loss	6,351	14,899	52,085	46,439	20,519	27	<b>140,320</b>
Interbank money market placements	3,401,294	-	-	-	-	-	<b>3,401,294</b>
Available-for-sale financial assets	3,063,598	3,428,083	4,298,973	3,094,475	1,361,155	19,042	<b>15,265,326</b>
Loans and receivables	9,765,350	9,835,578	6,361,204	6,204,795	2,223,976	137,049	<b>34,527,952</b>
Held-to-maturity investments	527,451	652,383	746,959	426,038	1,225,387	-	<b>3,578,218</b>
Other assets <sup>(*)</sup>	13,981	374,671	92,339	276,140	1,706	3,337,013	<b>4,095,850</b>
<b>Total assets</b>	<b>21,017,296</b>	<b>14,358,062</b>	<b>11,552,455</b>	<b>10,047,887</b>	<b>4,832,743</b>	<b>5,547,932</b>	<b>67,356,375</b>
<i>Liabilities:</i>							
Bank deposits	1,618,275	450,325	56,144	-	-	9,372	<b>2,134,116</b>
Other deposits	25,822,329	9,150,222	1,888,579	199,820	28	5,905,773	<b>42,966,751</b>
Interbank money market takings	754,768	3,934,522	1,403,218	74,875	-	-	<b>6,167,383</b>
Miscellaneous payables	-	9,497	32,677	-	-	1,404,641	<b>1,446,815</b>
Securities issued	-	-	-	-	-	-	<b>-</b>
Funds borrowed	255,471	3,642,212	708,778	6,766	-	-	<b>4,613,227</b>
Other liabilities <sup>(**)</sup>	24,146	15,369	26,144	29,096	11,561	9,921,767	<b>10,028,083</b>
<b>Total liabilities</b>	<b>28,474,989</b>	<b>17,202,147</b>	<b>4,115,540</b>	<b>310,557</b>	<b>11,589</b>	<b>17,241,553</b>	<b>67,356,375</b>
On balance sheet long position	-	-	7,436,915	9,737,330	4,821,154	-	<b>21,995,399</b>
On balance sheet short position	(7,457,693)	(2,844,085)	-	-	-	(11,693,621)	<b>(21,995,399)</b>
Off-balance sheet long position	180,959	184,045	-	54,345	-	-	<b>419,349</b>
Off-balance sheet short position	(68,838)	(9,496)	(40,453)	(292,101)	-	-	<b>(410,888)</b>
<b>Position, Net</b>	<b>(7,345,572)</b>	<b>(2,669,536)</b>	<b>7,396,462</b>	<b>9,499,574</b>	<b>4,821,154</b>	<b>(11,693,621)</b>	<b>8,461</b>

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

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

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## Average interest rates applied to monetary financial instruments:

	<b>Euro</b>	<b>US Dollar</b>	<b>Japanese Yen</b>	<b>TL</b>
<b>Current Year</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
<b>Previous Year</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	-	-	-	5.20
Banks	0.28	0.34	-	8.51
Financial assets at fair value through profit/loss	6.12	11.68	-	10.65
Interbank money market placements	-	-	-	6.50
Available-for-sale financial assets	5.09	6.70	-	9.85
Loans and receivables	4.73	4.91	6.79	15.62
Held-to-maturity investments	7.08	7.44	-	11.93
<b>Liabilities:</b>				
Bank deposits	2.25	0.81	-	8.69
Other deposits	2.80	2.74	-	8.73
Interbank money market takings	1.00	1.30	-	8.99
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds borrowed	1.86	1.56	-	10.85

### Interest rate sensitivity

Interest rate sensitivity of the consolidated statement of income is the effect of the changes in interest rates assumed as follows on the fair values of financial assets at fair value through profit or loss and on net interest income without tax effect of floating rate non-trading financial assets and liabilities held as at 31 December 2010.

Interest rate sensitivity of equity is calculated by considering the effects of the assumed changes in interest rates on the fair values of fixed rate available-for-sale financial assets as at 31 December 2010.

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

This analysis is performed on the same basis for 31 December 2009.

	Profit or loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2010</b>				
Financial assets at fair value through profit or loss	20,448	(19,586)	20,448	(19,586)
Available-for-sale financial assets	137	(138)	(206,959)	225,245
Floating rate financial assets	258,224	(258,224)	258,224	(258,224)
Floating rate financial liabilities	(64,739)	64,739	(64,739)	64,739
<b>Total, net</b>	<b>214,070</b>	<b>(213,209)</b>	<b>6,974</b>	<b>12,174</b>

	Profit or loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2009</b>				
Financial assets at fair value through profit or loss	(7,742)	8,541	(7,742)	8,541
Available-for-sale financial assets	22,204	(22,287)	(191,672)	203,417
Floating rate financial assets	224,650	(224,650)	224,650	(224,650)
Floating rate financial liabilities	(59,307)	59,307	(59,307)	59,307
<b>Total, net</b>	<b>179,805</b>	<b>(179,089)</b>	<b>(34,071)</b>	<b>46,615</b>

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



## VII. Consolidated liquidity risk

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Year	Demand	Upto 1Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Undistributed <sup>(*)</sup>	Total
<b>Assets:</b>								
Cash and balance with CBT	4,651,033	-	-	-	-	-	-	4,651,033
Banks	795,200	932,798	395,857	47,029	-	-	-	2,170,884
Financial assets at fair value through profit/loss	983	16,139	24,333	37,635	128,579	10,313	79	218,061
Interbank money market placements	-	2,101,584	-	-	-	-	-	2,101,584
Available-for-sale financial assets	-	703,082	61,378	2,200,850	6,002,816	4,933,826	12,295	13,914,247
Loans and receivables Held-to-maturity investments	-	7,201,532	2,175,036	8,542,575	21,024,583	5,645,245	27,271	44,616,242
Other assets	-	217,132	590,274	816,733	1,161,081	1,577,025	-	4,362,245
	-	402,208	264,031	369,900	522,674	17,547	3,224,246	4,800,606
<b>Total assets</b>	<b>5,447,216</b>	<b>11,574,475</b>	<b>3,510,909</b>	<b>12,014,722</b>	<b>28,839,733</b>	<b>12,183,956</b>	<b>3,263,891</b>	<b>76,834,902</b>
<b>Liabilities:</b>								
Bank deposits	12,578	1,382,792	142,796	421,561	-	-	-	1,959,727
Other deposits	7,253,791	25,473,441	10,368,525	2,633,710	363,335	239	-	46,093,041
Funds borrowed	-	194,728	1,634,973	1,890,886	1,886,609	1,079,806	-	6,687,002
Interbank money market takings	-	5,722,507	1,129,166	1,228,184	164,391	-	-	8,244,248
Securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	1,241,034	59,551	26,868	33,856	-	859,384	2,220,693
Other liabilities	-	186,078	534,233	299,911	208,544	17,926	10,383,499	11,630,191
<b>Total liabilities</b>	<b>7,266,369</b>	<b>34,200,580</b>	<b>13,869,244</b>	<b>6,501,120</b>	<b>2,656,735</b>	<b>1,097,971</b>	<b>11,242,883</b>	<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>
<b>Previous Year</b>								
Total assets	4,299,733	12,197,714	3,795,723	11,965,865	25,800,528	6,303,209	2,993,603	67,356,375
Total liabilities	5,915,145	29,294,430	13,786,895	4,916,180	1,911,371	1,295,416	10,236,938	67,356,375
<b>Net Liquidity Gap</b>	<b>(1,615,412)</b>	<b>(17,096,716)</b>	<b>(9,991,172)</b>	<b>7,049,685</b>	<b>23,889,157</b>	<b>5,007,793</b>	<b>(7,243,335)</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.

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*Residual contractual maturities of monetary liabilities*

<b>Current year</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>

  

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

## VIII. Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Year	Prior Year	Current Year	Prior Year
<b>Financial Assets</b>				
Receivables from Interbank Money Markets	2,101,584	3,401,294	2,101,584	3,401,294
Banks	2,170,884	3,294,047	2,170,884	3,294,047
Available-for-Sale Financial Assets	13,914,247	15,265,326	13,914,247	15,265,326
Held-to-Maturity Investments	4,362,245	3,578,218	4,454,786	3,783,271
Loans	44,616,242	34,527,952	44,663,673	34,526,368
<b>Financial Liabilities</b>				
Bank Deposits	1,959,727	2,134,116	1,959,727	2,134,116
Other Deposits	46,093,041	42,966,751	46,093,041	42,966,751
Funds Borrowed	6,687,002	4,613,227	6,687,002	4,613,227
Securities Issued	-	-	-	-
Miscellaneous Payables	2,220,693	1,446,815	2,220,693	1,446,815

Fair values of available-for-sale financial assets and held-to-maturity investments are derived from market prices or in case of absence of such prices they are derived from prices of other marketable securities, whose interest rate, maturity date and other conditions are similar to securities held.

Fair values of fixed-interest loans are calculated by discounting contractual cashflows of the loans with current market interest rates. For the loans with floating interest rate carrying values of these loans also represents fair values.

Fair values of other assets and liabilities is calculated by adding accumulated interest to initial price.

### Classification of Fair Value Measurement

IFRS 7 – *Financial Instruments: Disclosures* requires the measurements of fair value of financial instruments to be classified in a hierarchy that reflects the significance of the valuation inputs used. This classification prioritises observable data, using market data obtained from independent sources, in preference to unobservable data that relies, for example on the use of predictions and assumptions about market prices by the Group. This sort of categorization generally results in the classifications below:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (i.e. unobservable inputs)

Classification requires using observable market data if possible.

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The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

<b>31 December 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	176,484	15,521	-	<b>192,005</b>
Derivative financial assets held for trading purpose		24,994	-	<b>24,994</b>
Investment funds		983	-	<b>983</b>
Equity securities	52		27	<b>79</b>
Available-for-sale financial assets				
Debt securities	13,679,072	222,880	-	<b>13,901,952</b>
Investments in associates and subsidiaries	-	-	154,263	<b>154,263</b>
<b>Total Financial Assets</b>	<b>13,855,608</b>	<b>264,378</b>	<b>154,290</b>	<b>14,274,276</b>

Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(103,367)	-	<b>(103,367)</b>
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(103,367)</b>	<b>-</b>	<b>(103,367)</b>

<b>31 December 2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	100,539	15,984	-	<b>116,523</b>
Derivative financial assets held for trading purpose	-	21,524	-	<b>21,524</b>
Investment funds	-	2,246	-	<b>2,246</b>
Equity securities	-	-	27	<b>27</b>
Available-for-sale financial assets				
Debt securities	14,850,870	395,414	-	<b>15,246,284</b>
Equity securities	1,477	-	6,814	<b>8,291</b>
Investments in associates and subsidiaries	-	-	48,744	<b>48,744</b>
<b>Total Financial Assets</b>	<b>14,748,854</b>	<b>435,168</b>	<b>55,585</b>	<b>15,443,639</b>

Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(42,547)	-	<b>(42,547)</b>
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(42,547)</b>	<b>-</b>	<b>(42,547)</b>

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended 31 December 2010 is as follows:

	<b>Level 3 Amount</b>
Balance at the beginning of the year	55,585
Total gains or losses for the year recognised in profit or loss	(13,535)
Total gains or losses for the year recognised under equity	112,240
<b>Balance at the end of the year</b>	<b>154,290</b>

## **IX. Transactions carried out on behalf of customers, items held in trust**

The Parent Bank provides buying, selling and custody services and management and advisory services in financial matters for its customers. The Bank is not involved in trust activities.

## **X. 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 Year</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Operating profit	1,009,588	155,671	1,507,042	1,374,976	4,047,277
Undistributed expenses	-	-	-	(2,624,979)	(2,624,979)
<b>Operating profit</b>	<b>1,009,588</b>	<b>155,671</b>	<b>1,507,042</b>	<b>(1,250,003)</b>	<b>1,422,298</b>
Income from associates					24,216
Income before taxes					1,446,514
Provision for taxes					(313,152)
<b>Net profit</b>					<b>1,133,362</b>
Segment assets	14,914,096	29,693,707	25,814,603	1,843,827	72,266,233
Investment in associates and subsidiaries	-	-	-	304,752	304,752
Undistributed assets	-	-	-	4,263,917	4,263,917
<b>Total assets</b>	<b>14,914,096</b>	<b>29,693,707</b>	<b>25,814,603</b>	<b>6,412,496</b>	<b>76,834,902</b>
Segment liabilities	17,187,779	30,864,989	14,769,454	351,299	63,173,521
Equity	-	-	-	8,579,083	8,579,083
Undistributed liabilities	-	-	-	5,082,298	5,082,298
<b>Total liabilities and equity</b>	<b>17,187,779</b>	<b>30,864,989</b>	<b>14,769,454</b>	<b>14,012,680</b>	<b>76,834,902</b>

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

	Current Year		Previous Year	
	TL	FC	TL	FC
Cash	571,665	87,505	508,880	85,901
Central Bank of Turkey <sup>(*)</sup>	2,037,805	1,953,075	1,148,099	1,309,753
Others	322	661	33	702
<b>Total</b>	<b>2,609,792</b>	<b>2,041,241</b>	<b>1,657,012</b>	<b>1,396,356</b>

<sup>(\*)</sup> TL 1,423,140 (31 December 2009: TL 872,785) of the foreign currency deposit at Central Bank of Turkey is comprised of foreign currency reserve deposits and related interest accruals; TL 3,361 (31 December 2009: TL 21,013) of Turkish Lira balances is comprised of interest income accruals from unrestricted portion of the deposit at Central Bank of Turkey held as reserve requirement.

In accordance with "Announcement on Reserve Deposits" of CBT numbered 2005/1, all banks operating in Turkey should provide a reserve amounting to 6% (31 December 2009: 5%) of liabilities in Turkish Lira and 11% (31 December 2009: 9%) of liabilities in foreign currencies.

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

**Balances with the Central Bank of Turkey**

	Current Year		Previous Year	
	TL	FC	TL	FC
Unrestricted demand deposits	2,034,444	529,935	1,127,086	436,968
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Reserve Deposits	3,361	1,423,140	21,013	872,785
<b>Total</b>	<b>2,037,805</b>	<b>1,953,075</b>	<b>1,148,099</b>	<b>1,309,753</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 Year		Previous Year	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	125,996	10,795	97	-
Others	-	-	-	-
<b>Total</b>	<b>125,996</b>	<b>10,795</b>	<b>97</b>	<b>-</b>

**Trading securities subject to repurchase agreements**

	Current Year		Previous Year	
	TL	FC	TL	FC
Government bonds	2,533	-	2,080	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	-
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>2,533</b>	<b>-</b>	<b>2,080</b>	<b>-</b>

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**Trading purpose derivative financial assets**

	Current Year		Previous Year	
	TL	FC	TL	FC
Forward transactions	907	99	456	920
Swap transactions	356	22,194	-	19,205
Futures	-	-	-	-
Options	80	1,358	242	701
Others	-	-	-	-
<b>Total</b>	<b>1,343</b>	<b>23,651</b>	<b>698</b>	<b>20,826</b>

**3. Information on banks**

	Current Year		Previous Year	
	TL	FC	TL	FC
Banks	944,049	1,226,835	668,611	2,625,436
Domestic	902,831	82,925	556,799	209,606
Foreign	41,218	1,143,910	111,812	2,415,830
Foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>944,049</b>	<b>1,226,835</b>	<b>668,611</b>	<b>2,625,436</b>

**Due from foreign banks**

	Unrestricted Balance		Restricted Balances	
	Current Year	Previous Year	Current Year	Previous Year
EU Countries	348,435	1,247,648	138,392	34,187
USA, Canada	619,722	1,053,375	9,254	68,526
OECD Countries (*)	54,402	4,178	-	-
Off-shore Banking Regions	39	110,157	-	-
Others	3,327	8,783	11,557	788
<b>Total</b>	<b>1,025,925</b>	<b>2,424,141</b>	<b>159,203</b>	<b>103,501</b>

(\*) Includes OECD countries other than EU countries, USA, and Canada.

Bank deposits of the Group amounting to TL 292,054 (31 December 2009: TL 103,501) is restricted due to securitization loans of the Parent Bank and other ordinary operations and is comprised of TL 159,203 in foreign banks and TL132,851 in domestic banks.

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

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

	Current Year		Previous Year	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	1,660,529	68,530	3,124,343	300,450
Others	-	-	-	-
<b>Total</b>	<b>1,660,529</b>	<b>68,530</b>	<b>3,124,343</b>	<b>300,450</b>

##### *Available-for-sale financial assets subject to repurchase agreements*

	Current Year		Previous Year	
	TL	FC	TL	FC
Government bonds	5,074,766	-	3,958,401	-
Treasury bills	-	-	205,312	-
Other debt securities	-	1,527,078	-	823,038
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
<b>Total</b>	<b>5,074,766</b>	<b>1,527,078</b>	<b>4,163,713</b>	<b>823,038</b>

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

	Current Year	Previous Year
<b>Debt securities</b>	<b>13,912,962</b>	<b>15,270,722</b>
Quoted	13,912,962	15,270,722
Unquoted	-	-
<b>Equity securities</b>	<b>12,462</b>	<b>71,377</b>
Quoted	1,545	1,477
Unquoted	10,917	69,900
<b>Provisions for impairment losses (-)</b>	<b>11,177</b>	<b>76,773</b>
<b>Total</b>	<b>13,914,247</b>	<b>15,265,326</b>

#### 5. Information on loans

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

	Current Year		Previous Year	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct loans provided to the shareholders</b>	-	<b>563</b>	-	<b>549</b>
Legal entities	-	563	-	549
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>	-	-	-	-
<b>Loans provided to the employees</b>	<b>45,918</b>	<b>31</b>	<b>40,120</b>	<b>32</b>
<b>Total</b>	<b>45,918</b>	<b>594</b>	<b>40,120</b>	<b>581</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 and Other Receivables under Follow-Up	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
<b>Cash Loans</b>				
<b>Loans</b>	<b>42,363,672</b>	-	<b>1,541,563</b>	<b>627,522</b>
Discounted bills	23,274	-	-	1
Export loans	3,085,643	-	121,751	78,262
Import loans	-	-	-	12
Loans to the financial sectors	2,841,918	-	327	-
Overseas loans	135,645	-	10,870	-
Consumer loans	12,851,968	-	525,722	130,493
Credit cards	1,340,056	-	89,534	7,193
Precious metal loans	-	-	-	-
Others	22,085,168	-	793,359	411,561
<b>Specialization loans</b>	<b>47,774</b>	-	-	-
<b>Other receivables</b>	<b>8,440</b>	-	-	-
<b>Total</b>	<b>42,419,886</b>	-	<b>1,541,563</b>	<b>627,522</b>

**Maturity analysis of cash loans**

	Performing Loans and Other Receivables		Loans and Other Receivables under Follow-Up	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
<b>Cash loans</b>				
<b>Short-term Loans and Other Receivables</b>	<b>13,351,796</b>	-	<b>531,149</b>	<b>208,092</b>
Loans	13,343,356	-	531,149	208,092
Specialization loans	-	-	-	-
Other Receivables	8,440	-	-	-
<b>Medium, Long-term Loans and Other Receivables</b>	<b>29,068,090</b>	-	<b>1,010,414</b>	<b>419,430</b>
Loans	29,020,316	-	1,010,414	419,430
Specialization loans	47,774	-	-	-
Other Receivables	-	-	-	-

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

	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>259,514</b>	<b>12,632,569</b>	<b>12,892,083</b>
Housing loans	5,265	5,933,287	5,938,552
Automobile loans	3,722	201,897	205,619
General purpose loans	72,083	3,174,136	3,246,219
Others	178,444	3,323,249	3,501,693
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
<b>Consumer loans – FC</b>	<b>614</b>	<b>4,073</b>	<b>4,687</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	614	4,073	4,687
Others	-	-	-
<b>Retail credit cards – TL</b>	<b>1,360,706</b>	<b>1,793</b>	<b>1,362,499</b>
With installment	484,065	1,793	485,858
Without installment	876,641	-	876,641
<b>Retail credit cards – FC</b>	<b>856</b>	-	<b>856</b>
With installment	-	-	-
Without installment	856	-	856
<b>Personnel loans – TL</b>	<b>538</b>	<b>21,955</b>	<b>22,493</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	492	21,955	22,447
Others	46	-	46
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
<b>Personnel loans – FC</b>	<b>264</b>	-	<b>264</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	264	-	264
Others	-	-	-
<b>Personnel credit cards – TL</b>	<b>23,120</b>	-	<b>23,120</b>
With installment	8,094	-	8,094
Without installment	15,026	-	15,026
<b>Personnel credit cards – FC</b>	<b>41</b>	-	<b>41</b>
With installment	-	-	-
Without installment	41	-	41
<b>Overdraft Checking Accounts – TL (Real persons)</b>	<b>588,656</b>	-	<b>588,656</b>
<b>Overdraft Checking Accounts – FC (Real persons)</b>	-	-	-
<b>Total</b>	<b>2,234,309</b>	<b>12,660,390</b>	<b>14,894,699</b>

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

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based commercial loans – TL</b>	<b>220,059</b>	<b>5,155,836</b>	<b>5,375,895</b>
Real estate loans	485	92,825	93,310
Automobile loans	16,707	359,347	376,054
General purpose loans	202,867	4,703,664	4,906,531
Others	-	-	-
<b>Installment-based commercial loans – FC indexed</b>	<b>726</b>	<b>171,682</b>	<b>172,408</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	726	171,682	172,408
Others	-	-	-
<b>Installment-based commercial loans – FC</b>	<b>169,655</b>	<b>243,222</b>	<b>412,877</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	169,586	-	169,586
Others	69	243,222	243,291
<b>Corporate credit cards – TL</b>	<b>49,956</b>	<b>82</b>	<b>50,038</b>
With installment	7,736	82	7,818
Without installment	42,220	-	42,220
<b>Corporate credit cards – FC</b>	<b>229</b>	<b>-</b>	<b>229</b>
With installment	-	-	-
Without installment	229	-	229
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>206,348</b>	<b>-</b>	<b>206,348</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>646,973</b>	<b>5,570,822</b>	<b>6,217,795</b>

***Allocation of loan customers***

	<b>Current Year</b>	<b>Previous Year</b>
Public Sector	1,140,703	1,772,596
Private Sector	43,448,268	32,618,307
<b>Total</b>	<b>44,588,971</b>	<b>34,390,903</b>

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

	<b>Current Year</b>	<b>Previous Year</b>
Domestic loans	44,346,489	34,225,967
Overseas loans	242,482	164,936
<b>Total</b>	<b>44,588,971</b>	<b>34,390,903</b>

***Loans to associates and subsidiaries***

As at 31 December 2010 and 2009 there are not loans given to the associates and subsidiaries by the Group.

***Specific provisions for loans***

<b>Specific Provisions</b>	<b>Current Year</b>	<b>Previous Year</b>
Loans and receivables with limited collectibility	67,426	85,123
Loans and receivables with doubtful collectibility	219,301	340,501
Uncollectible loans and receivables	2,028,979	1,703,797
<b>Total</b>	<b>2,315,706</b>	<b>2,129,421</b>

**Information on non-performing loans (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 year</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
<b>Previous year</b>	<b>7,438</b>	<b>46,766</b>	<b>115,357</b>
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	7,438	46,766	115,357

*Movements in non-performing loan groups*

	<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 year</b>	<b>219,041</b>	<b>340,501</b>	<b>1,706,928</b>
Additions (+)	759,409	11,501	30,361
Transfers from other categories of loans under follow-up (+) <sup>(*)</sup>	-	1,029,844	661,307
Transfers to other categories of loans under follow-up (-) <sup>(*)</sup>	766,904	1,011,147	28,952
Collections (-)	119,495	151,398	271,351
Write-offs (-)	-	-	66,156
<i>Corporate and commercial loans</i>	-	-	59,341
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Others</i>	-	-	6,815
Currency differences	-	-	(512)
<b>Balance at the end of the year</b>	<b>92,051</b>	<b>219,301</b>	<b>2,031,625</b>
Specific provisions (-)	67,426	219,301	2,028,979
<b>Net balance on balance sheet</b>	<b>24,625</b>	<b>-</b>	<b>2,646</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.

*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 collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Year</b>			
Balance at the end of the year	3,356	9,852	369,112
Specific provisions (-)	1,206	9,852	366,466
<b>Net balance on balance sheet</b>	<b>2,150</b>	<b>-</b>	<b>2,646</b>
<b>Previous Year</b>			
Balance at the end of the year	10,693	11,933	401,845
Specific provisions (-)	2,139	11,933	398,714
<b>Net balance on balance sheet</b>	<b>8,554</b>	<b>-</b>	<b>3,131</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 Year (Net)</b>			
Consumer and commercial loans (Gross)	91,167	214,723	1,927,927
Specific provisions (-)	66,714	214,723	1,925,281
Consumer and commercial loans (Net)	24,453	-	2,646
Banks (Gross)	-	-	8,794
Specific provisions (-)	-	-	8,794
Banks (Net)	-	-	-
Other loans and receivables (Gross)	884	4,578	94,904
Specific provisions (-)	712	4,578	94,904
Other loans and receivables (Net)	172	-	-
<b>Previous Year (Net)</b>			
Consumer and commercial loans (Gross)	214,619	336,847	1,601,765
Specific provisions (-)	82,127	336,847	1,598,634
Consumer and commercial loans (Net)	132,492	-	3,131
Banks (Gross)	-	-	10,637
Specific provisions (-)	-	-	10,637
Banks (Net)	-	-	-
Other loans and receivables (Gross)	4,422	3,654	94,526
Specific provisions (-)	2,996	3,654	94,526
Other loans and receivables (Net)	1,426	-	-

**6. Information on held-to-maturity investments*****Held-to-maturity debt securities issued by the governments***

	Current Year		Previous Year	
	TL	FC	TL	FC
Government bonds	2,911,012	-	2,075,831	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	1,412,065	-	1,455,711
<b>Total</b>	<b>2,911,012</b>	<b>1,412,065</b>	<b>2,075,831</b>	<b>1,455,711</b>

***Information on held-to-maturity investment securities***

	Current Year	Previous Year
<b>Debt Securities</b>	<b>4,392,223</b>	<b>3,601,256</b>
Quoted at stock exchanges	4,355,131	3,565,490
Unquoted at stock exchanges	37,092	35,766
<b>Impairment losses (-)</b>	<b>29,978</b>	<b>23,038</b>
<b>Total</b>	<b>4,362,245</b>	<b>3,578,218</b>

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

	Current Year	Previous Year
<b>Balances at the beginning of the year</b>	<b>3,578,218</b>	<b>3,683,920</b>
Foreign currency differences on monetary assets	41,486	(19,011)
Acquisitions during the year	2,276,240	1,519,383
Disposals through sales/redemptions	(1,532,959)	(1,543,275)
Impairment losses	(17,166)	(20,419)
Change in amortized costs of the securities (*)	16,426	(42,380)
<b>Balances at the end of the year</b>	<b>4,362,245</b>	<b>3,578,218</b>

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

The Parent Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 2,205,476 to its held-to-maturity investment securities portfolio at their fair values of TL 2,166,451 as at their reclassification dates in the current year. These reclassifications are presented in "purchases during the period" line in the movement table of held-to-maturity investment securities. The value increases of such securities amounting to TL 4,842 are recorded under equity and will be amortized through the statement of income until their maturities.

Additionally, the Parent Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 675,000 to its held-to-maturity investment securities portfolio at their fair values of TL 610,161 as at their reclassification dates, in 2009. These reclassifications are presented in "purchases during the period" line in the movement table of held-to-maturity investment securities. The value increases of such securities amounting to TL 1,118 are recorded under equity and will be amortized through the statement of income until their maturities.

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

Current Year	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 <sup>(*)</sup>	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>

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

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

**7. Investments in associates**

**Unconsolidated investments in associates**

Title	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ	Ankara/Turkey	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	Lefkosa/NCTR	82.00	85.24

	Total Assets	Equity	Tangible Assets	Interest Income	Income on			Company's Fair Value
					Securities Portfolio	Current Year's Profit/(Loss)	Prior Year's Profit/Loss	
1	1,057,634	201,550	167,191	16,033	-	41,658	14,153	-
2	21,011	15,865	6,737	912	-	1,465	1,067	-
3	41,622	36,856	2,476	2,558	-	13,630	9,289	-
4	116,426	24,879	146	294	-	(9,203)	(8,289)	-
5	107,314	46,732	101,281	45	-	(2,620)	(830)	-
6	1,504,735	297,695	10,750	31,641	7,624	28,048	37,528	-
7	138,176	132,761	2,953	5,908	-	4,321	3,713	-
8	2,670	(24,000)	-	10	-	(2,428)	(2,200)	-

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

The shares on İşkur İşçi İşadamı Kimya Kuruluşları AŞ which have a carrying value of TL 0 are classified to "Uncollectible Loans and Receivables", which were previously presented as "Investment in associates".

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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 30 September 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, the Bank is working on disposal process for Roketsan Roket Sanayi AŞ (“Roketsan”), in which the Bank currently owns 10% of the shares representing TL 14,600 nominal shares out of the capital of TL 146,000.

***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***

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

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Years’ Profit/Loss	Company’s Fair Value
1 649,284	59,411	8,075	58,847	10,506	11,793	10,261	-
2 16,381	15,507	27	378	2,085	1,187	2,773	19,515
3 83,245	82,653	54	920	2,454	4,960	6,879	71,350
4 8,362,560	1,398,521	26,758	230,193	232,036	227,755	260,898	1,870,537

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

	Current Year	Previous Year
<b>Balance at the beginning of the year</b>	<b>120,202</b>	<b>46,155</b>
<b>Movements during the year</b>	<b>64,675</b>	<b>74,047</b>
Acquisitions and capital increases	-	-
Bonus shares received	10,477	9,691
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	54,198	64,356
Impairment losses	-	-
<b>Balance at the end of the year</b>	<b>184,877</b>	<b>120,202</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of year (%)</b>	-	-



***Sectoral distribution of consolidated investments and associates***

	<b>Current Year</b>	<b>Previous Year</b>
Banks	162,870	94,446
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	22,007	25,756
<b>Total</b>	<b>184,877</b>	<b>120,202</b>

***Quoted associates***

	<b>Current Year</b>	<b>Previous Year</b>
Quoted at domestic stock exchanges	178,758	116,183
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>178,758</b>	<b>116,183</b>

***Investments in associates disposed during the year***

There is not any consolidated associate disposed in the current year.

***Investments in associates acquired during the year***

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

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

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

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

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

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

## 8. Investments in subsidiaries

### *Unconsolidated investments in subsidiaries*

	<b>Title</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	Istanbul/ 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 Year's Profit/(Loss)</b>	<b>Prior Years' Profit/(Loss)</b>	<b>Company's Fair Value</b>
1	8,806	8,679	1,062	317	1	(51)	(351)	12,500
2	210,771	205,294	90,755	7,904	(17)	(2,441)	(1,916)	212,968
3	14,686	7,826	421	867	38	862	869	12,000
4	16,079	11,902	410	788	65	5,147	3,884	32,000

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

As per the 4 September 2009 dated resolution of the Board of Directors, it has been decided to sale the shares of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ owned by the Group, comprising 31.15% of the company's share capital to Rhea Gayrimenkul Proje Geliştirme İnşaat Sanayi ve Ticaret AŞ in accordance with sales agreement signed on 25 August 2009. The application to Capital Market Board ("CMB") dated 7 September 2009 regarding the sale of the shares has been approved and stated at the CMB Bulletin dated 13 November 2009 and numbered 2009/49. In order for the Bank and the counter party to obtain economic benefits expected from the transfer of the shares it has been decided to apply to the CMB for the permission for operations of the Company as a venture-capital trust to be extended for one- year starting from 31 December 2009. Following the approval of the sale of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ by CMB, the shares have been transferred on 10 December 2009 and the Bank's portion from the sales amounting to TL 2,150 has been received in cash. As a result of this sales transaction, the Group has recorded gain on sale of subsidiaries amounting to TL 1,592.

The shares of Ataköy Mağazacılık Ticaret AŞ, previously presented as "Investment in subsidiaries", that is in liquidation process and has a carrying value of TL 0, have been written off as at 30 April 2009.

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

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

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**Investments in consolidated subsidiaries**

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit / (Loss)	Prior Year's Profit / (Loss)	Company's Fair Value
1	1,091,652	170,263	53,823	11,513	-	(65,520)	(34,640)	324,894
2	1,190,918	107,994	24,319	19,941	31,177	7,483	17,690	194,500
3	823,018	74,613	480	68,195	-	12,665	13,878	70,000
4	575,589	86,127	3,512	36,242	56	17,442	30,395	110,654
5	55,579	8,508	205	4,294	-	3,450	5,792	-
6	97,294	62,581	369	6,942	669	5,761	5,818	55,298
7	1,093,660	156,884	1,515	31,075	8,133	9,301	(10,491)	166,683
8	5,976	5,799	10	523	9	1,376	1,536	19,621

As per the resolution of the Board of Directors of the Bank on 22 August 2006, it is decided to merge Vakıf Deniz Finansal Kiralama AŞ and Vakıf Finansal Kiralama AŞ. In accordance with the “Regulation on Establishment and Operations of Leasing, Factoring and Finance Companies”, temporary 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 in unconsolidated financial statements**

	Current Year	Previous Year
<b>Balance at the beginning of the year</b>	<b>401,528</b>	<b>333,977</b>
<b>Movements during the year</b>	<b>146,433</b>	<b>67,551</b>
Acquisitions and capital increases	42,320	-
Bonus shares received	-	4,436
Share of current year profit	-	-
Sales and liquidations	-	-
Fair value changes	104,113	63,115
Impairment losses	-	-
<b>Balance at the end of the year</b>	<b>547,961</b>	<b>401,528</b>
<b>Capital commitments</b>	<b>-</b>	<b>-</b>
<b>Share percentage at the end of the year (%)</b>	<b>-</b>	<b>-</b>

**Valuation of consolidated subsidiaries in unconsolidated financial statements**

	Current Year	Previous Year
Measured at cost	-	40,334
Measured at fair value	547,961	361,194
Equity method of accounting	-	-
<b>Total</b>	<b>547,961</b>	<b>401,528</b>

**Sectoral distribution of consolidated investments in subsidiaries**

	Current Year	Previous Year
Banks	150,015	100,158
Insurance companies	214,617	188,268
Factoring companies	50,368	33,708
Leasing companies	64,965	39,058
Financing companies	-	-
Other financial subsidiaries	67,996	40,336
<b>Total</b>	<b>547,961</b>	<b>401,528</b>

**Quoted consolidated subsidiaries**

	Current Year	Previous Year
Quoted at domestic stock exchanges	183,064	154,104
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>183,064</b>	<b>154,104</b>

**Consolidated subsidiaries disposed during the year**

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

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

In the current period, Vakıf International AG, a consolidated subsidiary of the 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 consolidated investments in subsidiaries.

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

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

**9. Investments in joint-ventures**

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

**10. Information on finance lease receivables (net)**

**Finance lease receivables disclosed according to remaining maturities**

	Current Year		Previous Year	
	Gross	Net	Gross	Net
Less than 1 year	37,066	36,058	93,221	76,640
Between 1-4 years	223,923	197,661	172,000	147,528
Longer than 4 years	77,834	67,261	20,168	18,420
<b>Total</b>	<b>338,823</b>	<b>300,980</b>	<b>285,389</b>	<b>242,588</b>

**Net investments in finance lease receivables**

	Current Year	Previous Year
Gross finance lease receivables	338,823	285,389
Unearned income on finance lease receivables (-)	(37,843)	(42,801)
Terminated lease contracts (-)	-	-
<b>Net finance lease receivables</b>	<b>300,980</b>	<b>242,588</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 tangible assets**

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
<b>Balance at the end of the Previous year:</b>					
Cost	1,208,962	224,316	39,409	507,927	1,980,614
Accumulated depreciation(-)	259,906	176,220	27,686	335,911	799,723
Net book value	<b>949,056</b>	<b>48,096</b>	<b>11,723</b>	<b>172,016</b>	<b>1,180,891</b>
<b>Balance at the end of the current year:</b>					
Net book value at the beginning of the current year	949,056	48,096	11,723	172,016	1,180,891
Additions	111,079	1,271	2,757	92,780	207,887
Disposals (-)	78,515	36	98	5,319	83,968
Impairment losses (-) (*)	3,472	-	-	-	3,472
Depreciation of the current year (-)	31,104	12,570	4,167	59,788	107,629
Currency translation diff. on foreign operations	7	-	-	2	9
Cost at the end of the current year	1,238,061	225,551	42,068	595,390	2,101,070
Accumulated depreciation at the end of the year (-)	291,010	188,790	31,853	395,699	907,352
<b>Net book value at the end of the current year</b>	<b>947,051</b>	<b>36,761</b>	<b>10,215</b>	<b>199,691</b>	<b>1,193,718</b>

(\*) In conjunction with the 5th subclause of “Regulation on the procedures and principles for sales and purchase of precious metal and disposal of tangible assets that have been acquired due to receivables by Banks” of BRSA which has been published in the Official Gazette no. 26333 on 1 November 2006, in case assets that are not subject to amortization are not disposed within three years following the acquisition date, they shall be amortized through recording provisions at a rate of 5% for each year after the acquisition date. In this frame, the Parent Bank has booked TL 12,881 provision as at 31 December 2010 (31 December 2009: 9,409) taking the temporary clause of the regulation defining the acquisition date into account.

**13. Information on intangible assets**

Bank’s intangible assets consist of computer softwares. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis over the estimated useful lives.

In the current year an intangible asset that presents severity for the financial statements does not exist.

Additionally Bank does not have intangible assets, which are obtained by government incentives, recorded at fair value, have utilisation restrictions or have been pledged.

The Group has not declared a commitment to purchase intangible assets.

In the current year the Group has not capitalised research and development expense.

**14. Information on investment properties**

As at 31 December 2010, the Group has investment property amounting to TL 53,659 (31 December 2009: TL 55,452) in total which consists of the net book value amounting to TL 36,126 (31 December 2009: TL 36,763) for the subsidiaries operating in the field of real estate investment sector and the net book value amounting to TL 17,533 (31 December 2009: TL 18,689) for the subsidiaries operating in the insurance business.

**15. Information on deferred tax assets**

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

	<b>Current Year</b>	<b>Previous Year</b>
Provision for employee termination benefits and unused vacations	44,055	38,284
Other provisions	29,447	21,698
Investment incentives	25,342	21,384
Valuation difference for associates and subsidiaries	18,733	16,453
Reporting Standarts - Tax Code depreciation differences	16,999	18,706
Valuation differences of financial assets and liabilities	13,582	16,491
Tax losses carried forward	567	3,797
Other differences	1,582	2,567
<b>Deferred tax assets</b>	<b>150,307</b>	<b>139,380</b>
Net-off of the deferred tax assets and liabilities from the same entity	(19,164)	(22,392)
<b>Deferred tax assets, (net)</b>	<b>131,143</b>	<b>116,988</b>
	<b>Current Year</b>	<b>Previous Year</b>
Valuation differences of financial assets and liabilities	21,250	17,678
Valuation difference for associates and subsidiaries	758	951
Reporting Standarts - Tax Code depreciation differences	201	2,274
Adjustment for leased tangible assets	-	3,342
Other differences	445	1,931
<b>Deferred tax liabilities</b>	<b>22,654</b>	<b>26,176</b>
Net-off of the deferred tax assets and liabilities from the same entity	(19,164)	(22,392)
<b>Deferred tax liabilities, (net)</b>	<b>3,490</b>	<b>3,784</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 25,342 as at 31 December 2010 (31 December 2009: TL 21,384).

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

As at 31 December 2010, net book value of assets held for sale of the Group is amounting to TL 1,446 (31 December 2009: TL 3,023).

**17. Information on other assets**

As at 31 December 2010 and 2009, the details of other assets are as follows:

	<b>Current Year</b>	<b>Previous Year</b>
Receivables from private pension business	701,303	534,122
Receivables from insurance operations	627,453	567,433
Prepaid expenses	326,278	256,478
Receivables from credit cards	292,504	113,010
Receivables from term sale of assets	87,974	125,323
Deferred acquisition costs	79,402	79,860
Receivables from lawsuit and court expenses	52,062	41,796
Receivables from derivative financial instruments	37,763	56,006
Others	82,683	33,477
<b>Total</b>	<b>2,287,422</b>	<b>1,807,505</b>

The Parent Bank has recorded specific provision amounting to TL 48,480 (31 December 2009: TL 39,203) for TL 48,976 (31 December 2009: TL 41,426) lawsuit and court expenses undertaken due to loans and advances under follow-up loans of total TL 52,062 lawsuit and court expenses.

## II. Information and disclosures related to consolidated liabilities

### 1. Information on maturity profile of deposits

Current Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	1,460,236	-	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>

Previous Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	1,044,253	-	799,491	6,689,074	177,812	21,785	32,249	-	8,764,664
Foreign currency deposits	1,034,270	-	2,286,296	7,606,146	624,510	313,891	1,325,028	-	13,190,141
Residents in Turkey	1,001,988	-	2,227,986	7,478,873	618,457	135,487	784,674	-	12,247,465
Residents in abroad	32,282	-	58,310	127,273	6,053	178,404	540,354	-	942,676
Public sector deposits	1,431,736	-	1,238,093	2,915,113	123,913	249	3,217	-	5,712,321
Commercial deposits	955,588	-	1,938,012	6,568,624	646,249	227	1,315	-	10,110,015
Others	1,439,926	-	800,571	2,696,795	238,527	2,171	11,620	-	5,189,610
Precious metal deposits	-	-	-	-	-	-	-	-	-
Bank deposits	9,372	-	817,312	1,037,591	194,955	56,144	18,742	-	2,134,116
Central Bank	49	-	-	-	-	-	-	-	49
Domestic banks	1,133	-	758,936	497,421	82,411	4	-	-	1,339,905
Foreign banks	4,733	-	58,376	540,170	112,544	56,140	18,742	-	790,705
Participation banks	3,457	-	-	-	-	-	-	-	3,457
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,915,145</b>	<b>-</b>	<b>7,879,775</b>	<b>27,513,343</b>	<b>2,005,966</b>	<b>394,467</b>	<b>1,392,171</b>	<b>-</b>	<b>45,100,867</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 Year	Previous Year	Current Year	Previous Year
Saving deposits	5,664,532	4,726,338	6,749,362	4,038,326
Foreign currency saving deposits	1,378,766	1,397,224	2,759,321	3,006,765
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
<b>Total</b>	<b>7,043,298</b>	<b>6,123,562</b>	<b>9,508,683</b>	<b>7,045,091</b>

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

	Current Year	Previous Year
Deposits and other accounts at foreign branches	6,604	1,715
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	3,486	3,852
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	4,808

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

	Current Year		Previous Year	
	TL	FC	TL	FC
Forwards	845	94	424	882
Swaps	20,297	80,716	8,868	31,367
Futures	-	-	-	-
Options	95	1,320	257	749
Others	-	-	-	-
<b>Total</b>	<b>21,237</b>	<b>82,130</b>	<b>9,549</b>	<b>32,998</b>

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

	Current Year		Previous Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	139,492	323,562	74,746	314,092
Foreign banks, institutions and funds	84,774	6,139,174	80,442	4,143,947
<b>Total</b>	<b>224,266</b>	<b>6,462,736</b>	<b>155,188</b>	<b>4,458,039</b>

***Maturity information of funds borrowed***

	Current Year		Previous Year	
	TL	FC	TL	FC
Short-term <sup>(*)</sup>	187,802	3,488,644	154,675	1,403,643
Medium and Long-term <sup>(*)</sup>	36,464	2,974,092	513	3,054,396
<b>Total</b>	<b>224,266</b>	<b>6,462,736</b>	<b>155,188</b>	<b>4,458,039</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 9.8% (31 December 2009: 7.8%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On 24 March 2010, the Parent Bank has obtained syndication loan of USD 170 million and Euro 566.5 million with cost of Libor + 1.50% and Euribor + 1.50%, with the participation of 33 banks under the coordination of West LB AG.

On 19 August 2009, the Parent Bank has obtained a syndication loan having an amount of USD 203.5 million and Euro 372.5 million and interest rates of Libor + 2.50% and Euribor + 2.50%, with the participation of 29 banks and with a maturity of one year. The loan was repaid on 24 August 2010. On 7 September 2010, the Bank has obtained and renewed a syndication loan having an amount of USD 135 million and Euro 408 million and interest rates of Libor + 1.30% and Euribor + 1.30%, and the second tranche at the amount of US Dollar 10 million and Euro 45 million with the interest rates of US Libor + 1.75% and Euribor + 1.75% respectively.



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

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

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

*Obligations under finance leases*

None.

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

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

None.

**7. Information on provisions**

*Information on general provisions*

	Current Year	Previous Year
Provisions for loans and receivables in Group I	350,017	238,772
Provisions for loans and receivables in Group II	40,852	56,869
Provisions for non-cash loans	35,922	27,151
Others	1,085	197
<b>Total</b>	<b>427,876</b>	<b>322,989</b>

*Assets subject to general provision and related provision amounts as per their risk grading*

31 December 2010	Balance sheet items		Off balance sheet items	
	Carrying value	Provision	Carrying value	Provision
Grade 1 : Low risk loans and receivables	42,351,507	343,569	21,423,951	35,411
Grade 2 : Loans under follow-up	1,949,034	38,979	127,780	511
Restructured loans	232,360	1,873	-	-
Other not graded assets	721,345	6,448	3,438,853	1,085
<b>Total</b>	<b>45,254,246</b>	<b>390,869</b>	<b>24,990,584</b>	<b>37,007</b>

31 December 2009	Balance sheet items		Off balance sheet items	
	Carrying value	Provision	Carrying value	Provision
Grade 1 : Low risk loans and receivables	30,999,103	233,873	16,717,082	25,770
Grade 2 : Loans under follow-up	2,886,339	55,586	352,974	1,381
Restructured loans	180,043	1,283	-	-
Other not graded assets	1,247,501	4,899	1,372,048	197
<b>Total</b>	<b>35,312,986</b>	<b>295,641</b>	<b>18,442,104</b>	<b>27,348</b>

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

	Current Year	Previous Year
Provision for currency exchange gain/loss on foreign currency indexed loans	715	209

The Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 715 (31 December 2009: 209) and has reflected the related foreign exchange loss amount in the consolidated financial statements by offsetting from related loans.

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

	<b>Current Year</b>	<b>Previous Year</b>
Non-cash Loans with Limited Collectibility	233	1,215
Non-cash Loans with Doubtful Collectibility	3,636	7,646
Uncollectible Non-cash Loans	88,379	93,868
<b>Total</b>	<b>92,248</b>	<b>102,729</b>

***Information on other provisions***

As at 31 December 2010, Parent Bank has recorded provision for possible loan losses amounting to TL 65,428 which corresponds to %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.

***Information on other provisions exceeding 10% of total provisions***

	<b>Current Period</b>	<b>Prior period</b>
Specific provisions for non-cash loans	92,248	102,729
Provision for loans under follow-up	65,428	-
Provision for World Vakıf UBB Ltd with regard to its negative equity	19,920	-
Provision for cheques	16,251	12,000
Provisions for lawsuits against the Group	15,486	37,496
Provisions for credit card promotions	7,873	8,246
Other provisions	6,563	36,351
<b>Total</b>	<b>223,769</b>	<b>196,822</b>

**8. Taxation**

***Current Taxes***

*Tax provision*

As at and for the year ended 31 December 2010, the tax liability of the Group is amounting to TL 115,123 (31 December 2009: TL 84,360).

*Information on taxes payable*

	<b>Current Year</b>	<b>Previous Year</b>
Corporate taxes payable	115,123	84,360
Taxation on securities	38,770	44,597
Capital gains tax on property	1,047	717
Banking and Insurance Transaction Tax (BITT)	22,863	27,729
Taxes on foreign exchange transactions	-	-
Value added tax payable	1,540	1,222
Others	23,890	18,975
<b>Total</b>	<b>203,233</b>	<b>177,600</b>

*Information on premiums payable*

	<b>Current Year</b>	<b>Previous Year</b>
Social security premiums- employee share	446	723
Social security premiums- employer share	2,839	637
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	375	335
Unemployment insurance- employer share	781	679
Others	1,257	9
<b>Total</b>	<b>5,701</b>	<b>2,383</b>

*Information on deferred tax liabilities*

Disclosed in Note 15 of information and disclosures for consolidated assets.

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

None.

**10. Information on subordinated loans**

None.

**11. Information on shareholders' equity**

*Paid-in capital*

	<b>Current Year</b>	<b>Previous Year</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 is appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members are appointed representing Group (A), one member is appointed representing Group (B), and two members are appointed representing Group (C), and one member is appointed among the nominees offered by the shareholders at the General Assembly. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

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

<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 year*

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

***Information on share capital increases from revaluation funds***

None.

***Capital commitments for current financial year and following year***

None.

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

None.

***Information on the privileges given to stocks representing the capital***

None.

***Valuation differences of the securities***

	<b>Current Year</b>		<b>Previous Year</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Associates, subsidiaries and joint ventures	(12,882)	-	1,510	-
Fair value differences of available-for-sale securities	126,248	187,884	233,910	99,502
Foreign exchange differences	-	-	-	-
<b>Total</b>	<b>113,366</b>	<b>187,884</b>	<b>235,420</b>	<b>99,502</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 Year</b>	<b>Previous Year</b>
Commitments for credit card limits	4,880,798	4,043,910
Loan granting commitments	3,698,348	2,841,941
Asset purchase commitments	904,825	298,677
Commitments for cheque payments	655,194	735,839
Share capital commitments to associates and subsidiaries	2,000	2,000
<b>Toplam</b>	<b>10,141,165</b>	<b>7,922,367</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 Bank provided specific provision amounting to TL 92,248 (31 December 2009: TL 102,729) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 93,180 (31 December 2009: TL 106,264).

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

	<b>Current Year</b>	<b>Previous Year</b>
Provisional letters of guarantee	627,236	186,588
Final letters of guarantee	3,480,369	3,317,010
Letters of guarantee for advances	1,215,050	1,186,749
Letters of guarantee given to custom offices	215,578	161,158
Other letters of guarantee	2,688,694	1,343,675
<b>Total</b>	<b>8,226,927</b>	<b>6,195,180</b>

**2. Non-cash loans**

	<b>Current Year</b>	<b>Previous Year</b>
Non-cash loans given for cash loan risks	309,128	461,812
With original maturity of 1 year or less	197,708	287,978
With original maturity of more than 1 year	111,420	173,834
Other non-cash loans	11,050,700	8,648,227
<b>Total</b>	<b>11,359,828</b>	<b>9,110,039</b>

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

	Current Year				Previous Year			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>34,489</b>	<b>0.53</b>	<b>168,629</b>	<b>3.46</b>	<b>30,798</b>	<b>0.72</b>	<b>100,974</b>	<b>2.09</b>
Farming and cattle	30,764	0.47	154,865	3.17	25,451	0.60	87,111	1.80
Forestry	3,252	0.05	3,250	0.07	3,995	0.09	-	-
Fishing	473	0.01	10,514	0.22	1,352	0.03	13,863	0.29
<b>Manufacturing</b>	<b>2,913,650</b>	<b>45.00</b>	<b>2,585,483</b>	<b>52.96</b>	<b>1,944,249</b>	<b>45.46</b>	<b>2,190,049</b>	<b>45.30</b>
Mining	37,315	0.58	177,128	3.63	35,457	0.83	129,519	2.68
Production	1,974,922	30.50	1,762,739	36.11	1,614,210	37.74	1,537,794	31.80
Electric, gas and water	901,413	13.92	645,616	13.22	294,582	6.89	522,736	10.82
<b>Construction</b>	<b>1,082,641</b>	<b>16.71</b>	<b>730,552</b>	<b>14.96</b>	<b>570,644</b>	<b>13.34</b>	<b>851,475</b>	<b>17.62</b>
<b>Services</b>	<b>1,871,905</b>	<b>28.89</b>	<b>405,121</b>	<b>8.29</b>	<b>1,520,561</b>	<b>35.55</b>	<b>943,101</b>	<b>19.53</b>
Wholesale and retail trade	721,816	11.14	179,191	3.67	618,790	14.47	457,975	9.48
Hotel, food and beverage services	42,105	0.65	7,510	0.15	43,000	1.01	10,486	0.22
Transportation and telecommunication	204,053	3.15	186,231	3.81	229,508	5.37	399,433	8.27
Financial institutions	866,234	13.37	18,590	0.38	595,009	13.89	60,754	1.26
Real estate and renting services	2,008	0.03	-	-	2,101	0.05	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	4,925	0.08	-	-	2,398	0.06	-	-
Health and social services	30,764	0.47	13,599	0.28	29,755	0.70	14,453	0.30
<b>Others</b>	<b>574,826</b>	<b>8.87</b>	<b>992,532</b>	<b>20.33</b>	<b>210,964</b>	<b>4.93</b>	<b>747,224</b>	<b>15.46</b>
<b>Total</b>	<b>6,477,511</b>	<b>100.00</b>	<b>4,882,317</b>	<b>100.00</b>	<b>4,277,216</b>	<b>100.00</b>	<b>4,832,823</b>	<b>100.00</b>

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

Current Year	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	8587	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>

Previous Year	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	4,122,541	1,857,623	106,714	9,687
Confirmed bills of exchange and acceptances	-	339,719	-	11,306
Letters of credit	4,130	2,505,291	-	21,172
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	64	1,051	-	-
Other guarantees and sureties	3,078	21,399	-	-
<b>Total Non-Cash Loans</b>	<b>4,129,813</b>	<b>4,725,083</b>	<b>106,714</b>	<b>42,165</b>

**5. Information on derivative transactions**

	Current Year	Previous Year
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>6,517,543</b>	<b>2,287,473</b>
Currency Forwards	104,871	263,831
Currency Swaps	6,156,981	1,615,175
Currency Futures	-	-
Currency Options	255,691	408,467
<b>Interest Rate Derivative Transactions (II)</b>	<b>535,906</b>	<b>830,239</b>
Interest Rate Forwards	-	-
Interest Rate Swaps	535,904	830,237
Interest Rate Options	-	-
Investment Security Options	2	2
Interest Rate Futures	-	-
<b>Other Trading Derivatives (III)</b>	-	<b>14,900</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>7,053,449</b>	<b>3,132,612</b>
<b>Hedging Derivatives</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
<b>B. Total Hedging Derivatives</b>	-	-
<b>Derivative Transactions (A+B)</b>	<b>7,053,449</b>	<b>3,132,612</b>

	31 December 2010					Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	
<b>Currency swaps:</b>						
Purchase	1,469,388	427,978	465,105	-	-	<b>2,362,471</b>
Sale	1,457,371	423,412	463,500	-	-	<b>2,344,283</b>
<b>Currency forwards:</b>						
Purchase	33,796	17,447	1,199	-	-	<b>52,442</b>
Sale	33,787	17,443	1,199	-	-	<b>52,429</b>
<b>Cross currency interest rate swaps:</b>						
Purchase	-	-	-	729,658	-	<b>729,658</b>
Sale	-	-	-	720,569	-	<b>720,569</b>
<b>Interest rate swaps:</b>						
Purchase	-	731	127,538	30,223	115,875	<b>274,367</b>
Sale	-	731	124,600	20,331	115,875	<b>261,537</b>
<b>Options:</b>						
Purchase	86,554	41,291	-	-	-	<b>127,845</b>
Sale	86,555	41,291	-	-	-	<b>127,846</b>
<b>Investment security options:</b>						
Purchase	-	-	-	-	2	<b>2</b>
Sale	-	-	-	-	-	-
<b>Total purchases</b>	<b>1,589,738</b>	<b>487,447</b>	<b>593,842</b>	<b>759,881</b>	<b>115,877</b>	<b>3,546,785</b>
<b>Total sales</b>	<b>1,577,713</b>	<b>482,877</b>	<b>589,299</b>	<b>740,900</b>	<b>115,875</b>	<b>3,506,664</b>
<b>Total</b>	<b>3,167,451</b>	<b>970,324</b>	<b>1,183,141</b>	<b>1,500,781</b>	<b>231,752</b>	<b>7,053,449</b>

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	31 December 2009					Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	
<b>Currency swaps:</b>						
Purchase	766,057	38,432	-	-	-	<b>804,489</b>
Sale	771,379	39,307	-	-	-	<b>810,686</b>
<b>Currency forwards:</b>						
Purchase	32,719	51,323	47,897	-	-	<b>131,939</b>
Sale	32,713	51,313	47,866	-	-	<b>131,892</b>
<b>Cross currency interest rate swaps:</b>						
Purchase	-	-	8,924	291,350	60,959	<b>361,233</b>
Sale	-	-	7,774	288,330	68,838	<b>364,942</b>
<b>Interest rate swaps:</b>						
Purchase	-	-	-	58,116	-	<b>58,116</b>
Sale	-	-	-	45,946	-	<b>45,946</b>
<b>Options:</b>						
Purchase	160,602	43,631	-	-	-	<b>204,233</b>
Sale	160,722	43,512	-	-	-	<b>204,234</b>
<b>Investment security options:</b>						
Alım	-	-	-	-	2	<b>2</b>
Satım	-	-	-	-	-	<b>-</b>
<b>Other trading derivatives:</b>						
Purchase	-	14,900	-	-	-	<b>14,900</b>
Sale	-	-	-	-	-	<b>-</b>
<b>Total purchases</b>	<b>959,378</b>	<b>148,286</b>	<b>56,821</b>	<b>349,466</b>	<b>60,961</b>	<b>1,574,912</b>
<b>Total sales</b>	<b>964,814</b>	<b>134,132</b>	<b>55,640</b>	<b>334,276</b>	<b>68,838</b>	<b>1,557,700</b>
<b>Total</b>	<b>1,924,192</b>	<b>282,418</b>	<b>112,461</b>	<b>683,742</b>	<b>129,799</b>	<b>3,132,612</b>

**6. Contingent assets and liabilities**

None.

**7. 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 Year		Previous Year	
	TL	FC	TL	FC
Short-term loans	1,251,208	147,288	1,564,187	275,612
Medium and long-term loans	2,207,400	388,707	2,228,877	350,269
Loans under follow-up	110,814	-	68,965	-
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>3,569,422</b>	<b>535,995</b>	<b>3,862,029</b>	<b>625,881</b>

*Information on interest income received from banks*

	Current Year		Previous Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	55,025	1,292	15,361	1,870
Foreign banks	382	4,934	1,325	12,101
Foreign head office and branches	-	-	-	-
<b>Total</b>	<b>55,407</b>	<b>6,226</b>	<b>16,686</b>	<b>13,971</b>

*Information on interest income received from securities portfolio*

	Current Year		Previous Year	
	TL	FC	TL	FC
Trading financial assets	30,185	3,186	7,366	3,954
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	1,079,138	143,368	1,165,524	117,285
Held-to-maturity investments	262,106	103,421	341,356	113,820
<b>Total</b>	<b>1,371,429</b>	<b>249,975</b>	<b>1,514,246</b>	<b>235,059</b>

*Information on interest income received from associates and subsidiaries*

	Current Year	Previous Year
Interests received from the associates and subsidiaries	221	86

**2. Interest Expense***Interest expenses on funds borrowed*

	Current Year		Previous Year	
	TL	FC	TL	FC
<b>Banks</b>	<b>15,448</b>	<b>86,411</b>	<b>12,170</b>	<b>144,652</b>
Central Bank of Turkey	-	-	-	-
Domestic banks	6,995	6,048	12,170	5,627
Foreign banks	8,453	80,363	-	139,025
Foreign head offices and branches	-	-	-	-
<b>Other institutions</b>	<b>-</b>	<b>4,327</b>	<b>90</b>	<b>581</b>
<b>Total</b>	<b>15,448</b>	<b>90,738</b>	<b>12,260</b>	<b>145,233</b>

*Interest expenses paid to associates and subsidiaries*

	Current Year	Previous Year
Interests paid to the associates and subsidiaries	20,346	16,286

**Interest expense on securities issued**

None.

**Maturity structure of interest expense on deposits**

Account Description	Demand Deposits	Time Deposit					1 Year and Over	Accumulating Deposit Accounts	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year				
<b>Turkish Lira:</b>									
Bank Deposits	-	92,715	-	-	-	-	-	-	92,715
Saving Deposits	1,444	105,492	653,395	17,843	1,844	3,311	-	-	783,329
Public Sector Deposits	563	71,879	253,790	21,532	72	462	-	-	348,298
Commercial Deposits	788	95,418	419,338	25,480	36	103	-	-	541,163
Other Deposits	2,044	136,984	342,734	37,265	340	804	-	-	520,171
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,839</b>	<b>502,488</b>	<b>1,669,257</b>	<b>102,120</b>	<b>2,292</b>	<b>4,680</b>	-	-	<b>2,285,676</b>
<b>Foreign Currency:</b>									
Foreign Currency Deposits	105	55,031	202,001	31,380	11,498	36,272	-	-	336,287
Bank Deposits	-	5,967	-	-	-	-	-	-	5,967
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	-
Precious Metals Deposits	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>105</b>	<b>60,998</b>	<b>202,001</b>	<b>31,380</b>	<b>11,498</b>	<b>36,272</b>	-	-	<b>342,254</b>
<b>Grand Total</b>	<b>4,944</b>	<b>563,486</b>	<b>1,871,258</b>	<b>133,500</b>	<b>13,790</b>	<b>40,952</b>	-	-	<b>2,627,930</b>

**3. Dividend income**

	Current Year	Previous Year
Trading financial assets	-	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	195	382
Others	3,340	12,002
<b>Total</b>	<b>3,535</b>	<b>12,384</b>

**4. Trading income/losses**

	Current Year	Previous Year
<b>Income</b>	<b>1,371,317</b>	<b>2,099,717</b>
Income from capital market transactions	368,300	159,431
Income from derivative financial instruments	118,013	67,438
Foreign exchange gains	885,004	1,872,848
<b>Losses</b>	<b>(1,050,331)</b>	<b>(1,889,307)</b>
Losses from capital market transactions	(764)	(3,814)
Losses from derivative financial instruments	(189,540)	(73,553)
Foreign exchange losses	(860,027)	(1,811,940)
<b>Trading income/losses, net</b>	<b>320,986</b>	<b>210,410</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 72,483 as at and for the year ended 31 December 2010 (31 December 2009: net loss of TL 4,189).

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**5. Other operating income**

	<b>Current Year</b>	<b>Previous Year</b>
Earned insurance premiums (net of reinsurance share)	487,599	422,020
Income from reversal of the impairment losses	436,793	155,073
Communication income	76,836	85,553
Rent income	30,540	4,602
Gain on sale of assets	22,315	43,211
Income from private pension business	19,951	15,863
Change in life mathematical provisions	-	13,932
Other income	66,077	36,294
<b>Total</b>	<b>1,140,111</b>	<b>776,548</b>

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

	<b>Current Year</b>	<b>Previous Year</b>
Specific provisions on loans and other receivables	666,476	768,143
<i>Loans and receivables in Group III</i>	52,253	88,567
<i>Loans and receivables in Group IV</i>	214,607	173,290
<i>Loans and receivables in Group V</i>	399,616	506,286
Non-performing commissions and other receivables	-	-
General provision expenses	105,274	65,358
Provision for possible losses	65,428	-
Impairment losses on securities	10,688	17,101
<i>Trading securities</i>	-	5,210
<i>Investment securities available-for-sale</i>	10,688	11,891
Other impairment losses	30,701	20,419
<i>Associates</i>	-	-
<i>Subsidiaries</i>	13,535	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	17,166	20,419
Others (*)	97,611	138,678
<b>Total</b>	<b>976,178</b>	<b>1,009,699</b>

(\*) Other provision expenses amounting to TL 97,611 (31 December 2009: TL 138,678) is comprised of provision expenses for dividends to the personnel amounting to TL 78,358 (31 December 2009: TL 79,200), provision for non-cash loans that are not indemnified or converted to cash amounting to TL 16,324 (31 December 2009: TL 29,980) and other provision expenses amounting to TL 2,929 (31 December 2009: TL 24,229).

**7. Other operating expenses**

	<b>Current Year</b>	<b>Previous Year</b>
Personnel costs	762,833	697,180
Reserve for employee termination benefits	35,391	18,547
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	98,055	100,147
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	8,427	5,891
Impairment losses on assets to be disposed	3,471	9,409
Depreciation expenses on assets to be disposed	9,574	8,975
Impairment losses on assets held for sale	110	-
Other operating expenses	719,729	664,036
<i>Operational lease related expenses</i>	90,751	72,078
<i>Repair and maintenance expenses</i>	15,257	17,110
<i>Advertisement expenses</i>	46,528	49,045
<i>Other expenses</i>	567,193	525,803
Loss on sale of assets	5,160	1,256
Others	722,105	564,266
<b>Total</b>	<b>2,364,855</b>	<b>2,069,707</b>

**8. Information on income/loss from continuing and discontinued operations**

The Group has no discontinued operations. Detailed tables and information on profit before tax from continuing operations are presented in disclosures 1-7 in this section.

**9. Information on tax provision from continuing and discontinued operations**

The Group has no discontinued operations. Information on provision for taxes on income from continuing operations is presented in disclosure 11 in this section.

**10. Information on net profit/loss from continuing and discontinued operations**

The Group has no discontinued operations. Information on net profit/loss from continuing operations is presented in disclosures 1-14 in this section.

**11. Provision for taxes on income*****Current year taxation benefit or charge and deferred tax benefit or charge***

In the current year, the Group recorded a tax provision of TL 325,272 (31 December 2009: TL 321,025) 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>Sources of deferred tax benefit/charge</b>	<b>Current Year</b>	<b>Previous Year</b>
Arising from origination (+)/ reversal (-) of deductible temporary differences	13,486	51,376
Arising from origination (-)/ reversal (+) of taxable temporary differences	(1,366)	(1,428)
Arising from origination (+)/ reversal (-) of tax losses	-	3,797
Arising from tax rate change	-	-
<b>Total</b>	<b>12,120</b>	<b>53,745</b>

**12. 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 year results*

None.

**13. Income/loss related to non-controlling interest**

	<u>Current Year</u>	<u>Previous Year</u>
Income/(losses) related to non-controlling interest	(30,935)	(7)

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

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

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

**V. Information and disclosures related to consolidated statement of changes in equity**

**1. Information on increases of valuation differences of available-for-sale investments**

Valuation differences of available-for-sale financial assets has decreased in the current year. Detailed information about the increase is explained below in Note 6.

**2. Information on increases in cash flow hedges**

None.

**3. Reconciliation of the beginning and end of the year balances of foreign exchange differences**

As at 31 December 2010, foreign currency translation differences amounting of TL 43,173 (31 December 2009: TL 42,264), arising as a result of the conversion of the financial statements of the foreign subsidiaries into TL, have been booked under other reserves in the consolidated financial statements.

**4. Information on differences in equity accounts due to inflation accounting**

In compliance with BRSA's Circular on 28 April 2005 on ceasing the inflation accounting application, the balances resulted from the inflation accounting application as at 31 December 2004 and booked according to the Uniform Chart of Accounts and the related Articles, are transferred to the main accounts that were subject to the inflation accounting adjustments except for "capital reserves from inflation adjustments". The balance of "capital reserves from inflation adjustments" account is transferred to "other capital reserves" account. In 2006, the Parent Bank has increased its paid in capital through "other capital reserves" by TL 605,763.

**5. Information on profit distribution**

As per the resolution of 56<sup>th</sup> Annual General Assembly held on 19 March 2010, it was decided to distribute the net profit of the year 2009 after the deduction of deferred tax income amounting to TL 1,231,046 as legal reserves amounting to TL 123,104, dividends to equity holders of the Bank amounting to TL 120,765, extraordinary reserves amounting to TL 983,282 and special funds amounting to TL 3,895.

**6. Information on decreases of valuation differences of available-for-sale investments**

Movement tables related to valuation differences of available-for-sale investments where valuation differences arising from the fair value measurement of available-for-sale assets, subsidiaries and affiliates are recorded are as follows:

<b>Valuation differences of marketable securities</b>	<b>Current Year</b>	<b>Previous Year</b>
Valuation differences at the beginning of the year	333,412	(19,723)
Fair value changes in the current year	80,477	406,397
Effect of deferred and corporate taxes	1,990	(65,043)
Valuation differences transferred to the statement of income	(121,215)	10,129
Effect of deferred and corporate taxes	19,468	1,652
<b>Valuation differences at the end of the year</b>	<b>314,132</b>	<b>333,412</b>

<b>Valuation difference of the subsidiaries and affiliates</b>	<b>Current Year</b>	<b>Previous Year</b>
Valuation differences at the beginning of the year	1,510	9,715
Fair value changes in the current year	(14,581)	(6,743)
Effect of deferred and corporate taxes	189	130
Valuation differences transferred to the statement of income	-	(1,592)
Effect of deferred and corporate taxes	-	-
<b>Valuation differences at the end of the year</b>	<b>(12,882)</b>	<b>1,510</b>

## **VI. Information and disclosures on consolidated statement of cash flows**

### **1. Disclosures for "other" items in the consolidated statement of cash flows and effect of change in foreign currency rates cash and cash equivalents**

"Other" balance under the "Operating profit before changes in operating assets and liabilities" amounting to TL 412,084 (31 December 2009: TL 328,496) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

"Net increase/decrease in other liabilities" amounting to TL 3,164,187 (31 December 2009: TL 4,662,111) under "Changes in operating assets and liabilities" is mainly comprised of cash inflows from repurchase agreements.

"Other" balance under the "Net cash flow from investing activities" amounting to TL 17,236 (31 December 2009: 21,418 TL) is compromised of intangibles asset purchases.

Since unrealized gains and losses arising from foreign exchange rate changes are not regarded as cash flows, the effect of changes in foreign exchange rate on cash and cash equivalents in foreign currency has been calculated as TL 1,202 (31 December 2009: TL 7,961) and presented in the statement of cash flows in order to reconcile cash and cash equivalents balances at the beginning and end of the year.

### **2. Cash outflows from acquisition of associates, subsidiaries and joint-ventures**

The Group has not acquired any subsidiary, associate or other investment in the current year. However, As per the 11 June 2009 dated resolution of the Board of Directors of the Parent Bank, it has been decided to invest in Kredi Garanti Fonu AŞ which has been established in order to provide guarantee and ease credit conditions for small and medium size entities. Based on this resolution, the Bank has purchased one share of Kredi Garanti Fonu AŞ at a nominal value of TL 50 (full TL) from Turkish Union of Chambers and Commodity Exchanges on 9 September 2009. As per the 9 September 2009 dated resolution of the Extraordinary General Assembly of Kredi Garanti Fonu AŞ, it has been decided to increase share capital of Kredi Garanti Fonu AŞ from TL 60,000 to TL 240,000 by TL 180,000 through TL 19,110 from internal sources and TL 160,890 by cash injection of the shareholders. Accordingly, the Bank has made a commitment of TL 4,000 of which TL 2,000 was paid on 15 October 2009. The relevant amount is presented as "Cash paid for purchase of associates, subsidiaries and joint-ventures" under "Net cash flow from investing activities" of the prior year statement of cash flows.

### **3. Cash flows from the disposal of associates, subsidiaries and joint-ventures**

There is not an associate, subsidiary or joint-venture disposed in the current year. In year 2009, following the approval of the sale of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ by CMB, the shares were transferred on 10 December 2009 and the Bank's portion from the sales amounting to TL 2,150 was received in cash. The related amount is presented as "Proceeds from disposal of associates, subsidiaries and joint-ventures" under "Net cash flow from investing activities" in the prior year statement of cash flows.

#### 4. Information on cash and cash equivalents

##### *Information on cash and cash equivalents at the beginning of the year*

	Current Year 31 December 2009	Previous Year 31 December 2008
<b>Cash on hand</b>	<b>594,781</b>	<b>443,387</b>
Cash in TL	508,880	375,956
Cash in Foreign Currency	85,901	67,431
<b>Cash equivalents</b>	<b>8,152,522</b>	<b>6,664,194</b>
CBT	2,457,852	1,665,139
Bank deposits	3,294,047	2,835,614
Interbank money market placements	3,401,294	3,201,833
Others	735	576
Loans and advances to banks having maturity of more than 3 months	(548)	(22,937)
Restricted cash and cash equivalents	(976,286)	(964,920)
Income accruals on cash equivalents	(24,572)	(51,111)
<b>Total</b>	<b>8,747,303</b>	<b>7,107,581</b>

##### *Information on cash and cash equivalents at the end of the year*

	Current Year 31 December 2010	Previous Year 31 December 2009
<b>Cash on hand</b>	<b>659,170</b>	<b>594,781</b>
Cash in TL	571,665	508,880
Cash in Foreign Currency	87,505	85,901
<b>Cash equivalents</b>	<b>6,488,918</b>	<b>8,152,522</b>
CBT	3,990,880	2,457,852
Bank deposits	2,170,884	3,294,047
Interbank money market placements	2,101,584	3,401,294
Others	983	735
Loans and advances to banks having maturity of more than 3 months	(46,350)	(548)
Restricted cash and cash equivalents	(1,715,194)	(976,286)
Income accruals on cash equivalents	(13,869)	(24,572)
<b>Total</b>	<b>7,148,088</b>	<b>8,747,303</b>

#### 5. Management comment on restricted cash and cash equivalents due to legal requirements or other reasons taking materiality principle into account

Reserve requirements at CBT amounting to TL 1,423,140 as at 31 December 2010 (31 December 2009: TL 872,785) has not been included in cash and cash equivalents.

Deposits amounting to TL 292,054 (31 December 2009: TL 103,501) are restricted due to securitization loans of the Parent Bank and other ordinary banking operations.



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

Current Year	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	-	300,094	-	549	9,587	4,122
Balance at the end of the year	-	316,196	-	563	8,978	2,371
Interest and commission income	221	243	-	-	521	69

Previous Year	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	-	9,098	-	668	8,437	5,881
Balance at the end of the year	-	300,094	-	549	9,587	4,122
Interest and commission income	86	92	-	-	829	121

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

The Parent Bank's Risk Group	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Deposits						
Balance at the beginning of the year	456,031	176,458	917,223	977,811	56,210	208,027
Balance at the end of the year	411,915	456,031	581,885	917,223	54,423	56,210
Interest on deposits	20,346	16,286	60,887	93,391	445	705

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

None.

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

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

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the the risk group to the overall cash and non-cash loans are 0.02% (31 December 2009: 0.03%) and 2.81% (31 December 2009: 3.35%).

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

Consolidated Financial Report as at and  
For the Year Ended 31 December 2010  
(Currency: Thousands of Turkish Lira ("TL"))

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

<b>Current Year</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

  

<b>Previous Year</b>	<b>Amount</b>	<b>Compared with the Financial Statement Amount %</b>
Cash Loans	9,587	0.03
Non-Cash Loans	304,765	3.35
Deposits	1,429,464	3.17

*Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts*

None.

**VIII. Information on domestic, foreign and off-shore branches or investments and foreign representative offices of the Parent Bank**

*Domestic and foreign branches and representative offices of the Parent Bank*

	Number of Branches	Number of Employees			
Domestic Branches <sup>(*)</sup>	634	11,057			
			<b>Country</b>		
Foreign Representative Offices	-		-		
Foreign Branches	1	15	USA	<b>Total Assets</b>	<b>Legal Capital</b>
Off-shore Branches	1	5	Bahrain	1,129,679	25,493
				9,195,461	-

<sup>(\*)</sup> Free zone branches in Turkey is included to domestic branches.

*Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure of the Parent Bank*

During 2010, 100 (during 2009: 27) new domestic branches have been opened and 9 (during 2009: 7) branches have been closed.

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

- There were monetary losses amounting 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 5<sup>th</sup> Tax court decided in favor of the Bank and TL 125,187 was transferred to the Bank's accounts on 5 September 2007.

"The Law on the Collection of Some of the Public Receivables by Reconciliation" no. 5736 was passed on 20 February 2008 in the 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 will withdraw its counter claims and will not appeal to the High Court for 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 5<sup>th</sup> Tax Court and the related case was partly revoked and partly declined. Consequently, the Parent Bank has filed an appeal against the decision of the Ankara 5<sup>th</sup> Tax Court which is still in process at the State Council as at the report date. In accordance with the decision of Ankara 5<sup>th</sup> Tax Court, the Bank paid TL 20,484 accrued by the tax office on 3 December 2009.

- As per the resolution of 56th Annual General Assembly of the Parent Bank held on 19 March 2010, it is decided to distribute the net profit of year 2009 as follows, and the distribution has been completed in the current period:

<b>Profit Distribution Table of Year 2009</b>	
<b>Current year's profit of the Bank's unconsolidated financial statements</b>	<b>1,251,206</b>
Deferred tax income not subject to dividend distribution	(20,160)
<b>Net profit of the year subject to distribution before legal reserves</b>	<b>1,231,046</b>
Legal reserves	123,104
<i>First Legal Reserves</i>	61,552
<i>Reserves allocated, according to banking law and articles of association.</i>	61,552
<b>Net profit of the year subject to distribution</b>	<b>1,107,942</b>
Gain on sale of immovables and shares of associates and subsidiaries	3,895
Extraordinary reserves	983,282
<b>Dividends to the equity holders of the Bank</b>	<b>120,765</b>

- In the Extraordinary General Assembly dated 22 October 2010, in order to diminish the maturity mismatch in financial statements resulting from the increase in demand for long term loans in banking sector and particular importance of use of funds other than deposits, it has been decided to issue, if needed, bonds or other debt instruments upto TL 3,000,000 TL (or equivalent foreign currency equivalent to this amount) within 3 years following General Assembly in accordance with the frame of regulations imposed by BRSA and CMB, limitations, form and scope conditions in Turkish Commercial Law and other relevant legislation.

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

<b>February 2010</b> (*)	<b>Standard Poors</b>
Foreign Currency Credit Rating	BB / Positive / B
Foreign Currency Deposit Rating	BB / Positive / 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	Positive

<b>December 2010</b> (*)	<b>Fitch Rating</b>
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Positive
Long Term Local Currency	BB+
Short Term Local Currency	B
Local Currency Outlook	Positive
National Long Term	AA+ (tur)
National Outlook	Stable
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**

- Pursuant to the 24 January 2011 dated and 2011-03 numbered “Press release related to reserve requirement” by CMBT reserve requirement rates are amended as follows: from 8% to 12% for demand, call and private current accounts, from 8% to 10% for time deposits/participation accounts maturing up to 1 month (1 month included), from 7% to 9% for time deposits, participation accounts and private fund pools maturing up to 3 months (3-month included), from 8% to 9% for liabilities other than deposits and participation funds, 7% for time deposits and participation funds maturing upto 6 months (6-moths included), 5% for time deposits, participation funds and accumulating deposits maturing within and more than 1 year, and for the private time fund pools with maturity longer than 6 months (6 months included) the rates are determined constant as the rate corresponding to its maturity. Announced rates shall be effective beginning from the liability schedule dated 4 February 2011 and the reserve requirements calculated at the new rates shall be set starting from 18 February 2011.
- In order to assess banking opportunities in Iraq Republic, Erbil Branch of the Parent Bank has started its operations at 16 February 2011.

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

None.

## **SECTION SEVEN**

### **I. Independent Auditors’ Report**

#### **1. Information on the independent auditors’ report**

The Bank’s and its financial subsidiaries’ consolidated financial statements and footnotes as at 31 December 2010, have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and an unqualified opinion has been issued in their independent auditors’ report dated 23 March 2011.