



*(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 2011

With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ

20 March 2012

*This report contains "Independent Auditors' Report"  
comprising 2 pages and; "Consolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 88 pages.*



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**

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**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 2011 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 2011, which statements reflect total assets constituting 1.66%; and total operating income constituting 1.38% as at and for the period ended 31 December 2011 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 communiqués, circulars and statements published by the Banking Regulation and Supervision Agency 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 2011 and the result of its operations and cash flows for the period 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 communiqués, circulars and statements published by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Istanbul,  
20 March 2012

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 2011**

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The consolidated financial report as at and for the year ended 31 December 2011 prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS
- 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**

Güneş Sigorta AŞ  
Vakıf Emeklilik AŞ  
Vakıf Finans Factoring Hizmetleri AŞ  
Vakıf Finansal Kiralama AŞ  
Vakıf Portföy Yönetimi AŞ  
Vakıf Yatırım Menkul Değerler AŞ  
Vakıfbank International AG

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**ASSOCIATES**

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”).

20 March 2012

Halil AYDOĞAN  
Chairman of  
Board of Directors

Serdar TUNÇBİLEK  
Board Member  
Audit Committee Member

Halim KANATCI  
Board Member  
Audit Committee Member

Süleyman KALKAN  
General Manager and  
Executive Director  
of the Board

Metin Recep ZAFER  
Executive Vice President

Murat KOYGUN  
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  
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S. Buğra SÜRÜEL /Assistant Manager  
0312 455 75 70  
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**SECTION ONE**

## General Information

I.	History of the Parent Bank including its incorporation date, initial legal status, amendments to legal status	1
II.	The Parent Bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the year and information on Bank's risk group	1
III.	Information on the Parent Bank's board of director's chairman and members, audit committee members, chief executive officer, executive vice presidents and their shareholdings in the Bank	2
IV.	Information on the Parent Bank's qualified shareholders	3
V.	Information about the services and nature of activities of the Parent Bank	3

**SECTION TWO**

## Consolidated Financial Statements

I.	Consolidated balance sheet - Assets	4
II.	Consolidated balance sheet - Liabilities and equity	5
III.	Consolidated off-balance sheet items	6
VI.	Consolidated statement of income	7
V.	Consolidated statement of gains and losses recognized in shareholders' equity	8
VI.	Consolidated statement of changes in shareholder's equity	9
VII.	Consolidated statement of cash flows	10
VIII.	Consolidated statement of profit distribution	11

**SECTION THREE**

## Accounting Policies

I.	Basis of presentation	12
II.	Strategy for use of financial instruments and foreign currency transactions	12
III.	Information on companies subject to consolidation	13
IV.	Information on forwards, options and other derivative transactions	15
V.	Information on interest income and expenses	15
VI.	Information on fees and commissions	15
VII.	Information on financial assets	16
VIII.	Information on impairment of financial assets	17
IX.	Information on netting of financial instruments	17
X.	Information on repurchase and resale agreements and securities lending	17
XI.	Information on assets and liabilities arising from assets held for sale and discontinued operations	18
XII.	Information on goodwill and other intangible assets	18
XIII.	Information on tangible assets	18
XIV.	Information on investment properties	19
XV.	Information on leasing activities	19
XVI.	Information on provisions and contingent liabilities	19
XVII.	Information on obligations of the Group concerning employee rights	20
XVIII.	Information on taxation	21
XIX.	Additional information on borrowings	23
XX.	Information on issuance of equity securities	23
XXI.	Information on confirmed bills of exchange and acceptances	23
XXII.	Information on government incentives	23
XXIII.	Information on segment reporting	23
XXIV.	Other disclosures	23

**SECTION FOUR**

## Information Related to the Financial Position of the Group

I.	Consolidated capital adequacy ratio	26
II.	Consolidated credit risk	29
III.	Consolidated market risk	34
IV.	Consolidated operational risk	35
V.	Consolidated foreign currency exchange risk	36
VI.	Consolidated interest rate risk	39
VII.	Consolidated liquidity risk	43
VIII.	Fair values of financial assets and liabilities	45
IX.	Transactions carried out on behalf of customers, items held in trust	47
X.	Consolidated segment reporting	47

**SECTION FIVE**

## Disclosures and Footnotes on Consolidated Financial Statements

I.	Information and disclosures related to consolidated assets	48
II.	Information and disclosures related to consolidated liabilities	65
III.	Information and disclosures related to consolidated off-balance sheet items	71
IV.	Information and disclosures related to consolidated statement of income	75
V.	Information and disclosures related to consolidated statement of changes in equity	80
VI.	Information and disclosures related to consolidated statement of cash flows	81
VII.	Information and disclosures related to the parent Bank's risk group	83
VIII.	Domestic, foreign and off-shore branches or investments and foreign representative offices	84

**SECTION SIX**

## Other Disclosures and Footnotes

I.	Other disclosures on the Parent Bank's activity	85
II.	Information on the parent Bank's rating given by international institutions	86
III.	Significant events and matters subsequent to balance sheet date that are not resulted	87
IV.	Significant foreign currency exchange rate fluctuations that are subsequent to balance sheet date	87

**SECTION SEVEN**

## Independent Auditors' Report

I.	Information on Independent Auditors' Report	88
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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 2011

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

## **SECTION ONE**

### **General Information**

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

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

#### **II. The Parent Bank’s 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 2011 and 2010, The Bank’s paid-in capital is TL 2,500,000, divided into 250.000.000.000 shares with each has a nominal value of 1 Kuruş.

The Bank’s shareholders’ structure as at 31 December 2011 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)	3.162.359	3,162	0.13
Other registered foundations (Group B)	1.448.543	1,448	0.06
Other real persons and legal entities (Group C)	1.560.320	1,560	0.06
Publicly traded (Group D)	629.992.687	629,993	25.20
<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 2011

(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><u>Board of Directors</u></b>				
Halil AYDOĞAN	Chairman	5 January 2012	University	35 years
Süleyman KALKAN	Member – General Manager	19 March 2010	University	28 years
Ahmet CANDAN	Member	19 March 2010	University	24 years
Serdar TUNÇBİLEK	Member	24 July 2007	University	28 years
İsmail ALPTEKİN	Member	6 April 2009	University	13 years
Ramazan GÜNDÜZ	Member	6 April 2009	University	33 years
Halim KANATCI	Member	28 April 2009	University	38 years
Selahattin TORAMAN	Member	19 March 2010	University	34 years
Dr. Adnan ERTEM	Member	27 October 2010	PHD	23 years
<b><u>Audit Committee</u></b>				
Serdar TUNÇBİLEK	Member	1 April 2010	University	28 years
Halim KANATCI	Member	5 November 2010	University	38 years
<b><u>Auditors</u></b>				
Mehmet HALTAŞ	Auditor	19 March 2010	University	34 years
Yunus ARINCI	Auditor	19 March 2010	Master	14 years
<b><u>Executive Vice Presidents</u></b>				
Mehmet CANTEKİN (Senior Executive Vice President)	Loans Follow-up, Directorates of the Regions	28 December 2007	Master	20 years
Şahin UĞUR	Support Services	9 August 2004	University	26 years
Feyzi ÖZCAN	Retail Banking, Consumer Loans, Corporate Salary Payments, Credit Cards, Card and Merchants Operations	20 September 2005	University	22 years
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Alternative Distribution Channels	13 June 2006	PHD	16 years
Birgül DENLİ	Private Banking, International Relations and Investor Relations	15 June 2006	Master	18 years
Ömer ELMAS	Legal Services, Non-performing Loans	5 January 2009	Master	9 years
İbrahim BİLGİÇ	Commercial Banking, Corporate Banking, Corporate Centers, Corporate Loans	7 May 2010	University	20 years
Hasan ECESoy	Treasury, Investment Banking	18 June 2010	PHD	18 years
Serdar SATOĞLU	Private Banking, Subsidiaries	17 June 2010	PHD	16 years
Ali Engin EROĞLU	Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate	18 August 2010	Master	15 years
Osman DEMREN	Commercial Banking, Cash Management Affairs, SME Banking	6 April 2011	University	21 years
Mitat ŞAHİN	Human Resources, Planning and Performance	11 April 2011	Master	22 years
Yıldırım EROĞLU	Commercial Loans, Intelligence	6 December 2011	University	19 years



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

Consolidated Financial Report as at and

For the Year Ended 31 December 2011

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

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

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

As per 21 September 2011 dated resolution of Board of Directors, Remzi Altınok has resigned his position as Assistant General Manager on and has been appointed as the General Manager of Taksim Otelcilik AS.

As per 17 October 2011 dated resolution of the Board of Directors, Yıldırım Eroğlu has been appointed as Assistant General Manager and has come into Office on 6 December 2011.

As per 5 January 2012 dated resolution of the Board of Directors, Halil Aydoğan has been assigned as Chairman of the Board of Directors and Deputy Chairman Ahmet Candan has resigned this duty.

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

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

The shareholder holding control over the Bank is The General Directorate of the Foundations having 43.00% of the Bank's outstanding shares. Another organization holding qualified share in the Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, 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 2011, the Parent Bank has 677 domestic, 3 foreign, in total 680 branches (31 December 2010: 634 domestic, 2 foreign, in total 636 branches). As at 31 December 2011, the Parent Bank has 12,222 employees (31 December 2010: 11,077 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 2011

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 2011			Audited Previous Year 31 December 2010		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	V-I-1	2,069,331	5,072,531	7,141,862	2,609,792	2,041,241	4,651,033
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	V-I-2	177,477	184,145	361,622	181,921	36,140	218,061
2.1 Financial assets held for trading purpose		177,477	184,145	361,622	181,921	36,140	218,061
2.1.1 Debt securities issued by the governments		137,725	14,189	151,914	176,801	12,489	189,290
2.1.2 Equity securities		2,096	-	2,096	79	-	79
2.1.3 Derivative financial assets held for trading purpose	V-I-2	4,182	169,956	174,138	1,343	23,651	24,994
2.1.4 Other securities		33,474	-	33,474	3,698	-	3,698
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
<b>III. BANKS</b>	V-I-3	408,679	2,132,656	2,541,335	944,049	1,226,835	2,170,884
<b>IV. RECEIVABLES FROM INTERBANK MONEY MARKETS</b>		190,467	-	190,467	2,101,584	-	2,101,584
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		340	-	340	-	-	-
4.3 Receivables from reverse repurchase agreements		190,127	-	190,127	2,101,584	-	2,101,584
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	V-I-4	10,434,795	2,920,048	13,354,843	11,258,914	2,655,333	13,914,247
5.1 Equity securities		-	11,919	11,919	-	12,295	12,295
5.2 Debt securities issued by the governments		10,431,988	2,759,495	13,191,483	11,258,009	2,534,145	13,792,154
5.3 Other securities		2,807	148,634	151,441	905	108,893	109,798
<b>VI. LOANS AND RECEIVABLES</b>	V-I-5	38,871,737	19,297,116	58,168,853	30,864,839	13,751,403	44,616,242
6.1 Performing loans and receivables		38,763,115	19,294,387	58,057,502	30,840,214	13,748,757	44,588,971
6.1.1 Loans provided to the same risk group	V-VII-1	1,650	2,793	4,443	1,141	7,837	8,978
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		38,761,465	19,291,594	58,053,059	30,839,073	13,740,920	44,579,993
6.2 Loans under follow-up		2,195,075	16,208	2,211,283	2,328,805	14,172	2,342,977
6.3 Specific provisions (-)		2,086,453	13,479	2,099,932	2,304,180	11,526	2,315,706
<b>VII. FACTORING RECEIVABLES</b>		577,291	40,513	617,804	450,170	15,203	465,373
<b>VIII. HELD-TO-MATURITY INVESTMENTS (Net)</b>	V-I-6	4,343,224	1,636,014	5,979,238	2,911,012	1,451,233	4,362,245
8.1 Debt securities issued by the governments		4,343,224	1,581,438	5,924,662	2,911,012	1,412,065	4,323,077
8.2 Other securities		-	54,576	54,576	-	39,168	39,168
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	V-I-7	167,001	3	167,004	157,313	3	157,316
9.1 Associates, consolidated per equity method		140,112	-	140,112	127,072	-	127,072
9.2 Unconsolidated associates		26,889	3	26,892	30,241	3	30,244
9.2.1 Financial associates		17,546	-	17,546	15,786	-	15,786
9.2.2 Non-financial associates		9,343	3	9,346	14,455	3	14,458
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	V-I-8	148,290	-	148,290	147,436	-	147,436
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		148,290	-	148,290	147,436	-	147,436
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial joint-ventures		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES</b>	V-I-10	69,712	433,729	503,441	39,318	261,662	300,980
12.1 Finance lease receivables		85,542	489,873	575,415	46,857	291,966	338,823
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		15,830	56,144	71,974	7,539	30,304	37,843
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>	V-I-11	-	-	-	-	-	-
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	1,170,784	4,997	1,175,781	1,190,467	3,251	1,193,718
<b>XV. INTANGIBLE ASSETS (Net)</b>	V-I-13	79,782	206	79,988	57,225	28	57,253
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		79,782	206	79,988	57,225	28	57,253
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	V-I-14	159,204	-	159,204	53,659	-	53,659
<b>XVII. TAX ASSETS</b>		195,867	1,803	197,670	136,003	-	136,003
17.1 Current tax assets		-	-	-	4,860	-	4,860
17.2 Deferred tax assets	V-I-15	195,867	1,803	197,670	131,143	-	131,143
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)</b>	V-I-16	2,159	-	2,159	1,446	-	1,446
18.1 Assets held for sale		2,159	-	2,159	1,446	-	1,446
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	V-I-17	2,427,064	243,919	2,670,983	2,142,427	144,995	2,287,422
<b>TOTAL ASSETS</b>		61,492,864	31,967,680	93,460,544	55,247,575	21,587,327	76,834,902

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

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

Consolidated Balance Sheet (Statement of Financial Position)

Convenience Translation of the Consolidated Financial Statements

As at 31 December 2011

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 2011			Audited Previous Year 31 December 2010		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	V-II-1	<b>43,028,280</b>	<b>18,813,696</b>	<b>61,841,976</b>	<b>35,040,273</b>	<b>13,012,495</b>	<b>48,052,768</b>
1.1	Deposits of the same risk group	V-VII-1	1,061,432	608,796	1,670,228	993,748	54,475	1,048,223
1.2	Other deposits		41,966,848	18,204,900	60,171,748	34,046,525	12,958,020	47,004,545
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>	V-II-2	<b>4,376</b>	<b>340,427</b>	<b>344,803</b>	<b>21,237</b>	<b>82,130</b>	<b>103,367</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	V-II-3	<b>350,774</b>	<b>8,561,523</b>	<b>8,912,297</b>	<b>224,266</b>	<b>6,462,736</b>	<b>6,687,002</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKET</b>		<b>3,031,108</b>	<b>3,000,144</b>	<b>6,031,252</b>	<b>6,146,833</b>	<b>2,097,415</b>	<b>8,244,248</b>
4.1	Interbank Money Market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		49,577	-	49,577	30,616	-	30,616
4.3	Obligations under repurchase agreements		2,981,531	3,000,144	5,981,675	6,116,217	2,097,415	8,213,632
<b>V.</b>	<b>SECURITIES ISSUED (Net)</b>		<b>493,000</b>	<b>-</b>	<b>493,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
5.1	Bills		493,000	-	493,000	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
<b>VI.</b>	<b>FUNDS</b>		<b>40,699</b>	<b>-</b>	<b>40,699</b>	<b>61,203</b>	<b>-</b>	<b>61,203</b>
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		40,699	-	40,699	61,203	-	61,203
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>2,749,696</b>	<b>224,750</b>	<b>2,974,446</b>	<b>2,070,811</b>	<b>149,882</b>	<b>2,220,693</b>
<b>VIII.</b>	<b>OTHER EXTERNAL RESOURCES PAYABLE</b>	V-II-4	<b>181,463</b>	<b>460,709</b>	<b>642,172</b>	<b>163,586</b>	<b>375,212</b>	<b>538,798</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X.</b>	<b>LEASE PAYABLES</b>	V-II-5	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred finance leasing expenses ( - )		-	-	-	-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE</b>	V-II-6	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	V-II-7	<b>2,348,817</b>	<b>79,325</b>	<b>2,428,142</b>	<b>2,026,935</b>	<b>108,381</b>	<b>2,135,316</b>
12.1	General provisions	V-II-7	668,297	2,883	671,180	424,374	3,502	427,876
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		402,990	578	403,568	353,198	898	354,096
12.4	Insurance technical provisions (Net)		1,078,213	46,573	1,124,786	1,047,068	82,507	1,129,575
12.5	Other provisions	V-II-7	199,317	29,291	228,608	202,295	21,474	223,769
<b>XIII.</b>	<b>TAX LIABILITIES</b>	V-II-8	<b>148,347</b>	<b>5,208</b>	<b>153,555</b>	<b>208,341</b>	<b>4,083</b>	<b>212,424</b>
13.1	Current tax liabilities	V-II-8	144,681	5,208	149,889	204,993	3,941	208,934
13.2	Deferred tax liabilities	V-I-15	3,666	-	3,666	3,348	142	3,490
<b>XIV.</b>	<b>PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)</b>	V-II-9	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	V-II-10	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>EQUITY</b>		<b>9,335,716</b>	<b>262,486</b>	<b>9,598,202</b>	<b>8,286,879</b>	<b>292,204</b>	<b>8,579,083</b>
<b>16.1</b>	<b>Paid-in capital</b>	V-II-11	<b>2,500,000</b>	<b>-</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>-</b>	<b>2,500,000</b>
<b>16.2</b>	<b>Capital reserves</b>		<b>541,878</b>	<b>109,679</b>	<b>651,557</b>	<b>846,672</b>	<b>187,884</b>	<b>1,034,556</b>
16.2.1	Share premium		726,722	-	726,722	726,722	-	726,722
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-11	(200,633)	109,679	(90,954)	113,366	187,884	301,250
16.2.4	Revaluation surplus on tangible assets		14,010	-	14,010	5,033	-	5,033
16.2.5	Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6	Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures		1,779	-	1,779	1,551	-	1,551
16.2.8	Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		-	-	-	-	-	-
<b>16.3</b>	<b>Profit reserves</b>		<b>4,673,086</b>	<b>80,909</b>	<b>4,753,995</b>	<b>3,542,070</b>	<b>54,760</b>	<b>3,596,830</b>
16.3.1	Legal reserves		624,013	3,266	627,279	504,005	2,549	506,554
16.3.2	Status reserves		3,980	-	3,980	3,094	-	3,094
16.3.3	Extraordinary reserves		3,785,486	4,593	3,790,079	2,789,810	4,593	2,794,403
16.3.4	Other profit reserves		259,607	73,050	332,657	245,161	47,618	292,779
<b>16.4</b>	<b>Profit or loss</b>		<b>1,282,952</b>	<b>50,648</b>	<b>1,333,600</b>	<b>1,172,344</b>	<b>32,563</b>	<b>1,204,907</b>
16.4.1	Previous years' profit/loss		(3,293)	32,579	29,286	16,005	24,605	40,610
16.4.2	Current year's profit/loss		1,286,245	18,069	1,304,314	1,156,339	7,958	1,164,297
<b>16.5</b>	<b>Non-controlling interest</b>		<b>337,800</b>	<b>21,250</b>	<b>359,050</b>	<b>225,793</b>	<b>16,997</b>	<b>242,790</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>61,712,276</b>	<b>31,748,268</b>	<b>93,460,544</b>	<b>54,250,364</b>	<b>22,584,538</b>	<b>76,834,902</b>

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

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

Consolidated Off-Balance Sheet Items

As at 31 December 2011

(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 2011			Audited Previous Year 31 December 2010		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>39,926,503</b>	<b>33,872,732</b>	<b>73,799,235</b>	<b>19,634,089</b>	<b>9,286,071</b>	<b>28,920,160</b>
<b>I. GUARANTEES AND SURETIES</b>	V-III-2-4	<b>9,018,742</b>	<b>6,795,639</b>	<b>15,814,381</b>	<b>6,477,511</b>	<b>4,882,317</b>	<b>11,359,828</b>
1.1 Letters of guarantee	V-III-1	8,988,954	2,234,154	11,223,108	6,450,635	1,776,292	8,226,927
1.1.1 Guarantees subject to State Tender Law		1,421,940	735,091	2,157,031	1,001,341	407,089	1,408,430
1.1.2 Guarantees given for foreign trade operations		323,046	-	323,046	215,578	-	215,578
1.1.3 Other letters of guarantee		7,243,968	1,499,063	8,743,031	5,233,716	1,369,203	6,602,919
1.2 Bank acceptances		29,056	454,538	483,594	8,587	188,036	196,623
1.2.1 Import letter of acceptance		375	40,122	40,497	-	27,800	27,800
1.2.2 Other bank acceptances		28,681	414,416	443,097	8,587	160,236	168,823
1.3 Letters of credit		732	4,098,668	4,099,400	3,750	2,908,250	2,912,000
1.3.1 Documentary letters of credit		732	4,098,668	4,099,400	3,750	2,908,250	2,912,000
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	6,941	6,941	-	6,823	6,823
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Marketable securities underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		-	-	-	14,539	2,143	16,682
1.8 Other guarantees		-	1,166	1,166	-	773	773
1.9 Other sureties		-	172	172	-	-	-
<b>II. COMMITMENTS</b>		<b>26,651,228</b>	<b>18,132,775</b>	<b>44,784,003</b>	<b>9,854,827</b>	<b>652,056</b>	<b>10,506,883</b>
2.1 Irrevocable commitments		10,807,644	1,070,943	11,878,587	9,854,682	652,056	10,506,738
2.1.1 Asset purchase commitments	V-III-1	768,919	857,919	1,626,838	412,537	492,288	904,825
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	1,000	-	1,000	2,000	-	2,000
2.1.4 Loan granting commitments	V-III-1	4,574,348	5,515	4,579,863	3,679,208	19,140	3,698,348
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments	V-III-1	829,640	-	829,640	655,194	-	655,194
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	4,322,604	-	4,322,604	4,880,798	-	4,880,798
2.1.10 Commitments for credit card and banking operations promotions		246,030	-	246,030	201,107	-	201,107
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments	V-III-1	65,103	207,509	272,612	23,838	140,628	164,466
2.2 Revocable commitments		15,843,584	17,061,832	32,905,416	145	-	145
2.2.1 Revocable loan granting commitments		15,843,584	17,061,832	32,905,416	145	-	145
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	V-III-5	<b>4,256,533</b>	<b>8,944,318</b>	<b>13,200,851</b>	<b>3,301,751</b>	<b>3,751,698</b>	<b>7,053,449</b>
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		4,256,533	8,944,318	13,200,851	3,301,751	3,751,698	7,053,449
3.2.1 Forward foreign currency purchases/sales		241,499	730,482	971,981	39,955	64,916	104,871
3.2.1.1 Forward foreign currency purchases		120,798	365,252	486,050	19,983	32,459	52,442
3.2.2.2 Forward foreign currency sales		120,701	365,230	485,931	19,972	32,457	52,429
3.2.2 Currency and interest rate swaps		3,895,134	7,555,347	11,450,481	3,135,142	3,557,743	6,692,885
3.2.2.1 Currency swaps-purchases		2,939,954	2,250,643	5,190,597	1,319,674	1,772,455	3,092,129
3.2.2.2 Currency swaps-sales		955,180	3,642,588	4,597,768	1,575,468	1,489,384	3,064,852
3.2.2.3 Interest rate swaps-purchases		-	837,023	837,023	120,000	154,367	274,367
3.2.2.4 Interest rate swaps-sales		-	825,093	825,093	120,000	141,537	261,537
3.2.3 Currency, interest rate and security options		119,900	127,334	247,234	126,654	129,039	255,693
3.2.3.1 Currency call options		59,950	63,666	123,616	63,327	64,518	127,845
3.2.3.2 Currency put options		59,950	63,666	123,616	63,327	64,519	127,846
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	2	2	-	2	2
3.2.3.6 Security put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-purchases		-	-	-	-	-	-
3.2.4.2 Currency futures-sales		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-	-	-	-
3.2.6 Others		-	531,155	531,155	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>358,000,449</b>	<b>124,532,124</b>	<b>482,532,573</b>	<b>89,266,330</b>	<b>26,456,146</b>	<b>115,722,476</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>124,679,261</b>	<b>1,965,815</b>	<b>126,645,076</b>	<b>21,004,663</b>	<b>722,012</b>	<b>21,726,675</b>
4.1 Customers' securities held		655,668	18,287	673,955	490,862	15,028	505,890
4.2 Investment securities held in custody		119,737,183	8,216	119,745,399	18,033,907	6,752	18,040,659
4.3 Checks received for collection		3,209,909	488,732	3,698,641	1,532,918	265,691	1,798,609
4.4 Commercial notes received for collection		685,346	175,092	860,438	407,287	128,834	536,121
4.5 Other assets received for collection		2,152	75	2,227	2,152	62	2,214
4.6 Assets received through public offering		-	5,570	5,570	-	4,860	4,860
4.7 Other items under custody		309	919,351	919,660	302,245	125,066	427,311
4.8 Custodians		388,694	350,492	739,186	235,292	175,719	411,011
<b>V. PLEDGED ITEMS</b>		<b>80,334,810</b>	<b>33,528,833</b>	<b>113,863,643</b>	<b>68,261,667</b>	<b>25,734,134</b>	<b>93,995,801</b>
5.1 Securities		153,809	36,226	190,035	838,790	61,103	899,893
5.2 Guarantee notes		524,250	153,762	678,012	266,934	110,761	377,695
5.3 Commodities		13,878,556	551,059	14,429,615	10,550,064	105,548	10,655,612
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		61,561,438	25,580,459	87,141,897	51,609,715	21,778,197	73,387,912
5.6 Other pledged items		3,823,085	7,144,193	10,967,278	4,235,061	3,497,190	7,732,251
5.7 Pledged items-depository		393,672	63,134	456,806	761,103	181,335	942,438
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>152,986,378</b>	<b>89,037,476</b>	<b>242,023,854</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>397,926,952</b>	<b>158,404,856</b>	<b>556,331,808</b>	<b>108,900,419</b>	<b>35,742,217</b>	<b>144,642,636</b>

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

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

Consolidated Statement of Income

As at and For the Year Ended 31 December 2011

(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 1*

	Notes	Audited Current Year 31 December 2011	Audited Previous Year 31 December 2010
<b>I. INTEREST INCOME</b>		<b>6,695,600</b>	<b>6,027,885</b>
1.1 Interest income from loans	V-IV-1	4,947,762	4,105,417
1.2 Interest income from reserve deposits		-	68,446
1.3 Interest income from banks	V-IV-1	61,752	61,633
1.4 Interest income from money market transactions		4,144	60,005
1.5 Interest income from securities portfolio	V-IV-1	1,542,170	1,621,404
1.5.1 Trading financial assets	V-IV-1	23,392	33,371
1.5.2 Financial assets at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets	V-IV-1	1,055,954	1,222,506
1.5.4 Held-to-maturity investments	V-IV-1	462,824	365,527
1.6 Finance lease income		25,590	22,349
1.7 Other interest income		114,182	88,631
<b>II. INTEREST EXPENSE</b>		<b>3,661,368</b>	<b>3,172,750</b>
2.1 Interest expense on deposits	V-IV-2	2,951,304	2,627,930
2.2 Interest expense on funds borrowed	V-IV-2	173,151	106,186
2.3 Interest expense on money market transactions		483,234	387,372
2.4 Interest expense on securities issued	V-IV-2	16,088	-
2.5 Other interest expenses		37,591	51,262
<b>III. NET INTEREST INCOME (I - II)</b>		<b>3,034,232</b>	<b>2,855,135</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>561,369</b>	<b>447,099</b>
4.1 Fees and commissions received		749,512	556,821
4.1.1 Non-cash loans		65,313	62,811
4.1.2 Others		684,199	494,010
4.2 Fees and commissions paid		188,143	109,722
4.2.1 Non-cash loans		318	247
4.2.2 Others		187,825	109,475
<b>V. DIVIDEND INCOME</b>	V-IV-3	<b>4,732</b>	<b>3,535</b>
<b>VI. TRADING INCOME/LOSSES (Net)</b>	V-IV-4	<b>51,384</b>	<b>320,986</b>
6.1 Trading account income/losses	V-IV-4	77,657	367,536
6.2 Income/losses from derivative financial instruments	V-IV-4	(13,547)	(71,527)
6.3 Foreign exchange gains/losses	V-IV-4	(12,726)	24,977
<b>VII. OTHER OPERATING INCOME</b>	V-IV-5	<b>1,473,505</b>	<b>1,140,111</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>5,125,222</b>	<b>4,766,866</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	V-IV-6	<b>938,214</b>	<b>976,178</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	V-IV-7	<b>2,506,087</b>	<b>2,364,855</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>1,680,921</b>	<b>1,425,833</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>21,624</b>	<b>20,681</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>		<b>1,702,545</b>	<b>1,446,514</b>
<b>XVI. CONTINUING OPERATIONS PROVISION FOR TAXES</b>	V-IV-8	<b>(341,536)</b>	<b>(313,152)</b>
16.1 Current tax charges	V-IV-11	(387,387)	(325,272)
16.2 Deferred tax credits	V-IV-11	45,851	12,120
<b>XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)</b>	V-IV-12	<b>1,361,009</b>	<b>1,133,362</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>1,361,009</b>	<b>1,133,362</b>
23.1 Equity holders of the Bank		1,304,314	1,164,297
23.2 Non-controlling interest	V-IV-13	56,695	(30,935)
Earnings per 100 share (full TL)	III-XXIV	0.5444	0.4533

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 2011

*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 2011</b>	<b>Audited Previous Year 31 December 2010</b>
<b>I.</b>	<b>VALUATION DIFFERENCES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF THE MARKETABLE SECURITIES</b>	V-V-6	(478,270)	(40,738)
<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>		28,260	912
<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>		(290)	15,912
<b>IX.</b>	<b>DEFERRED TAXES DUE TO VALUATION DIFFERENCES</b>			
<b>X.</b>	<b>NET GAINS/(LOSSES) RECOGNIZED DIRECTLY IN EQUITY</b>	V-V-6	(357,780)	(21,039)
<b>XI.</b>	<b>CURRENT YEAR'S PROFIT/(LOSS)</b>		1,361,009	1,133,362
11.1	Change in fair value of marketable securities (transfers to the statement of income)	V-V-6	132,267	101,747
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		1,228,742	1,031,615
<b>XII.</b>	<b>TOTAL GAINS AND LOSSES RECOGNIZED DURING THE YEAR</b>		1,003,229	1,112,323

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

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

Consolidated Statement of Changes in Equity  
As at and For the Year Ended 31 December 2011

(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	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Current Year's Net Profit/(Loss)	Previous Years' Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s	Shareholders' Equity before Minority Shares	Non-controlling Interest	Total Equity
<b>CHANGES IN EQUITY</b>																			
Previous year – 31 December 2010																			
I.		2,500,000	-	726,691	-	381,561	2,361	1,779,123	272,815	1,294,741	30,626	334,922	13,639	1,551	-	-	7,338,030	240,549	7,578,579
Balances at the beginning of the year																			
Changes during the year																			
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	V-V-6	-	-	-	-	-	-	-	-	-	-	(33,461)	-	-	-	-	(33,461)	24,334	(9,127)
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hedging reserves																			
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net investment hedges																			
V.		-	-	-	-	-	-	-	-	-	-	-	(12,501)	-	-	-	(12,501)	(6,271)	(18,772)
Revaluation surplus on tangible assets																			
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation surplus on intangible assets																			
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares of associates, subsidiaries and joint-ventures																			
VIII.		-	-	-	-	-	-	-	873	-	-	-	-	-	-	-	873	39	912
Translation differences																			
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes resulted from disposal of the assets																			
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes resulted from reclassifications of the assets																			
XI.		-	-	31	-	-	-	-	-	20,681	-	(211)	-	-	-	-	20,501	6,128	26,629
Effect of change in equities of associates on the Group's equity																			
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,702	4,702
Capital increase																			
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,702	4,702
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Internal sources																			
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issuance																			
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share cancellation profits																			
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reserves from inflation adjustments to paid-in capital																			
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others																			
XVII.		-	-	-	-	-	-	-	-	1,143,616	-	-	-	-	-	-	1,143,616	(30,935)	1,112,681
Current year's profit/loss																			
XVIII.		-	-	-	-	124,993	733	1,015,280	19,091	(1,294,741)	9,984	-	3,895	-	-	-	(120,765)	(329)	(121,094)
Profit distribution																			
18.1		-	-	-	-	-	-	-	-	(120,765)	-	-	-	-	-	-	(120,765)	(329)	(121,094)
18.2		-	-	-	-	124,993	733	1,015,280	19,091	(1,173,976)	9,984	-	3,895	-	-	-	-	-	-
Transferred to reserves																			
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others																			
<b>Balances at the end of the year</b>																			
Current year – 31 December 2011																			
I.		2,500,000	-	726,722	-	506,554	3,094	2,794,403	292,779	1,164,297	40,610	301,250	5,033	1,551	-	-	8,336,293	242,790	8,579,083
Balances at the beginning of the year																			
Changes during the year																			
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mergers																			
III.	V-V-6	-	-	-	-	-	-	-	-	-	-	(388,889)	-	-	-	-	(388,889)	5,937	(382,952)
Valuation differences of marketable securities																			
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hedging Reserves																			
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net investment hedges																			
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation surplus on tangible assets																			
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation surplus on intangible assets																			
VII.		-	-	-	-	-	-	-	-	-	-	-	-	228	-	-	228	-	228
Bonus shares of associates, subsidiaries and joint-ventures																			
VIII.		-	-	-	-	-	-	-	25,433	-	-	-	-	-	-	-	25,433	2,827	28,260
Translation differences																			
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(417)	(417)
Changes resulted from disposal of assets																			
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes resulted from reclassifications of assets																			
XI.		-	-	-	-	-	-	(598)	-	21,624	-	(3,315)	-	-	-	-	17,711	(262)	17,449
Effect of change in equities of associates on the Group's equity																			
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,335	51,335
Capital increase																			
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,843	53,843
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,508)	(2,508)
Internal sources																			
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	261	261
Share issuance																			
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share cancellation profits																			
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reserves from inflation adjustments to paid-in capital																			
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others																			
XVII.		-	-	-	-	-	-	-	-	1,282,690	-	-	-	-	-	-	1,282,690	56,695	1,339,385
Current year's profit/loss																			
XVIII.		-	-	-	-	120,725	886	996,274	14,445	(1,164,297)	(11,324)	-	8,977	-	-	-	(34,314)	(65)	(34,379)
Profit distribution																			
18.1		-	-	-	-	-	-	-	-	(34,314)	-	-	-	-	-	-	(34,314)	(65)	(34,379)
18.2	V-V-5	-	-	-	-	120,725	886	996,274	14,445	(1,129,983)	(11,324)	-	8,977	-	-	-	-	-	-
Transferred to reserves																			
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others																			
<b>Balances at the end of the year</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 2011

(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 2011	Audited Previous Year 31 December 2010
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>1,565,039</b>	<b>2,843,618</b>
1.1.1 Interests received		6,324,323	6,128,774
1.1.2 Interests paid		(3,579,789)	(3,268,052)
1.1.3 Dividends received		4,185	3,535
1.1.4 Fee and commissions received		561,369	447,099
1.1.5 Other income		667,673	663,760
1.1.6 Collections from previously written-off loans and other receivables	V-I-5	574,443	542,244
1.1.7 Payments to personnel and service suppliers		(2,406,736)	(1,813,425)
1.1.8 Taxes paid		(404,330)	(272,401)
1.1.9 Others	V-VI-1	(176,099)	412,084
<b>1.2 Changes in operating assets and liabilities</b>		<b>(3,388,521)</b>	<b>(4,498,620)</b>
1.2.1 Net (increase) decrease in financial assets held for trading purpose		(149,678)	159,148
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		(3,102,549)	(784,710)
1.2.4 Net (increase) decrease in loans		(14,318,393)	(11,233,418)
1.2.5 Net (increase) decrease in other assets		(377,457)	(823,775)
1.2.6 Net increase (decrease) in bank deposits		691,282	622,287
1.2.7 Net increase (decrease) in other deposits		13,040,004	2,322,895
1.2.8 Net increase (decrease) in funds borrowed		2,213,548	2,074,766
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	V-VI-1	(1,385,278)	3,164,187
<b>I. Net cash flow from banking operations</b>		<b>(1,823,482)</b>	<b>(1,655,002)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>		<b>(818,251)</b>	<b>175,679</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	V-VI-2	(1,000)	-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	V-VI-3	-	-
2.3 Cash paid for purchase of tangible assets		(289,377)	(99,512)
2.4 Proceeds from disposal of tangible assets		341,454	71,849
2.5 Cash paid for purchase of available-for-sale financial assets		(3,995,052)	(10,511,253)
2.6 Proceeds from disposal of available-for-sale financial assets		2,807,497	9,308,261
2.7 Cash paid for purchase of held-to-maturity investments		(1,337,879)	(109,389)
2.8 Proceeds from disposal of held-to-maturity investments		1,688,257	1,532,959
2.9 Others		(32,151)	(17,236)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>495,957</b>	<b>(121,094)</b>
3.1 Cash obtained from funds borrowed and securities issued		476,493	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(34,379)	(121,094)
3.5 Re-payments for finance leases		-	-
3.6 Others		53,843	-
<b>IV. Effect of change in foreign exchange rates on cash and cash equivalents</b>	V-VI-1	<b>3,796</b>	<b>1,202</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>(2,141,980)</b>	<b>(1,599,215)</b>
<b>VI. Cash and cash equivalents at the beginning of the year</b>	V-VI-4	<b>7,148,088</b>	<b>8,747,303</b>
<b>VII. Cash and cash equivalents at the end of the year</b>	V-VI-4	<b>5,006,108</b>	<b>7,148,088</b>

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



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

Consolidated Financial Report as at and

For the Year Ended 31 December 2011

(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 2011	Previous Year 31 December 2010
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT<sup>(*)</sup></b>			
<b>1.1 CURRENT YEAR'S PROFIT</b>		<b>1,575,181</b>	<b>1,462,774</b>
<b>1.2 TAXES AND LEGAL DUTIES PAYABLE</b>		<b>(348,396)</b>	<b>(305,634)</b>
1.2.1 Corporate tax (income tax)	V-IV-11	(373,920)	(318,948)
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties	V-IV-11	25,524	13,314
<b>A. NET PROFIT FOR THE YEAR</b>		<b>1,226,785</b>	<b>1,157,140</b>
<b>1.3 DEFERRED TAX INCOME TRANSFERRED TO OTHER RESERVES</b>	V-IV-11	<b>(25,524)</b>	<b>(13,314)</b>
<b>B. NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME</b>		<b>1,201,261</b>	<b>1,143,826</b>
<b>1.4 ACCUMULATED LOSSES</b>		<b>-</b>	<b>-</b>
<b>1.5 FIRST LEGAL RESERVES</b>	V-V-5	<b>(60,063)</b>	<b>(57,192)</b>
<b>1.6 OTHER STATUTORY RESERVES</b>	V-V-5	<b>(60,063)</b>	<b>(57,191)</b>
<b>C. NET PROFIT AVAILABLE FOR DISTRIBUTION</b>		<b>1,081,135</b>	<b>1,029,443</b>
<b>1.7 FIRST DIVIDEND TO SHAREHOLDERS</b>	V-V-5	<b>37,000</b>	<b>34,314</b>
1.7.1 To owners of ordinary shares		37,000	34,314
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		-	-
<b>1.8 DIVIDENDS TO PERSONNEL (*)</b>		<b>-</b>	<b>-</b>
<b>1.9 DIVIDENDS TO BOARD OF DIRECTORS</b>		<b>-</b>	<b>-</b>
<b>1.10 SECOND DIVIDEND TO SHAREHOLDERS</b>		<b>-</b>	<b>-</b>
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		-	-
<b>1.11 SECOND LEGAL RESERVES</b>		<b>-</b>	<b>-</b>
<b>1.12 STATUS RESERVES</b>		<b>-</b>	<b>-</b>
<b>1.13 EXTRAORDINARY RESERVES</b>	V-V-5	<b>1,010,638</b>	<b>992,598</b>
<b>1.14 OTHER RESERVES</b>		<b>-</b>	<b>-</b>
<b>1.15 SPECIAL FUNDS</b>	V-V-5	<b>33,497</b>	<b>2,531</b>
<b>II. DISTRIBUTION FROM RESERVES</b>			
<b>2.1 DISTRIBUTION OF RESERVES</b>		<b>-</b>	<b>-</b>
<b>2.2 SECOND LEGAL RESERVES</b>		<b>-</b>	<b>-</b>
<b>2.3 DIVIDENDS TO SHAREHOLDERS</b>		<b>-</b>	<b>-</b>
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		-	-
<b>2.4 DIVIDENDS TO PERSONNEL</b>		<b>-</b>	<b>-</b>
<b>2.5 DIVIDENDS TO BOARD OF DIRECTORS</b>		<b>-</b>	<b>-</b>
<b>III. EARNINGS PER SHARE</b>			
<b>3.1 TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)</b>		<b>0.4907</b>	<b>0.4629</b>
<b>3.2 TO OWNERS OF ORDINARY SHARES ( % )</b>		<b>49.07</b>	<b>46.29</b>
<b>3.3 TO OWNERS OF PRIVILEGED SHARES</b>		<b>-</b>	<b>-</b>
<b>3.4 TO OWNERS OF PRIVILEGED SHARES ( % )</b>		<b>-</b>	<b>-</b>
<b>IV. DIVIDEND PER SHARE</b>			
<b>4.1 TO OWNERS OF ORDINARY SHARES</b>		<b>0.0148</b>	<b>0.0137</b>
<b>4.2 TO OWNERS OF ORDINARY SHARES ( % )</b>		<b>1.48</b>	<b>1.37</b>
<b>4.3 TO OWNERS OF PRIVILEGED SHARES</b>		<b>-</b>	<b>-</b>
<b>4.4 TO OWNERS OF PRIVILEGED SHARES ( % )</b>		<b>-</b>	<b>-</b>

(\*) As at and for the year ended 31 December 2011, dividends to be paid to the personnel amounting to TL 97,000 (31 December 2010: TL 83,250) 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. Since the General Assembly meeting of the Parent has not been held as at the report date, profit distribution decision has been taken by the Board of Directors to be submitted to the General Assembly. The figures above have been shown for presentation purposes.

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

## **SECTION THREE**

### **Accounting Policies**

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

As per the Article 37 of “Accounting and Recording Rules” of the Turkish Banking Law no. 5411 published on the Official Gazette no. 25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its unconsolidated 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 effective since 1 November 2006, Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the related statements and guidance (collectively “Reporting Standards”) issued by Turkish Accounting Standards Board (“TASB”).

Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no:1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association (“Board”) has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board become effective.

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 and IFRS.

#### **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 2011, the financial statements of T. Vakıflar Bankası TAO, Vakıf International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik AŞ, Vakıf Finans Faktoring Hizmetleri AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ, Kıbrıs Vakıflar Bankası Ltd, and Türkiye Sınai Kalkınma Bankası AŞ have been included in the consolidated financial statements of the Group.

Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd, a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 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 2011, but its equity until the liquidation decision date has included in the accompanying consolidated financial statements.

As per the resolution of the Board of Directors of the Bank held on 8 September 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at 31 December 2011, but its equity until the merger date has been 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.

*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 Faktoring 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 through 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 2011 is TL 2,732 (full TL) (31 December 2010: TL 2,517 (full TL)).

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

As at 31 December 2011 and 2010, the major actuarial assumptions used in the calculation of the total liability are as follows:

	Current Year	Previous Year
Discount rate	3.78%	4.66%
Expected rate of salary/limit increase	5.00%	5.10%
Estimated employee turnover rate	1.61%	1.13%

**Other benefits to employees**

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

**Pension fund**

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

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

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,

a) The technical interest rate to be used for the actuarial calculation is 9.80%

b) Income and expenditures in respect to fund’s insurance division are considered in the calculation of discounted liability.

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

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

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

The technical financial statements of the Fund are audited by the certified actuary according to the the "Actuaries Regulation" which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 2012 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.

The clause "The amount which to be deducted as investment incentive to estimate tax base can not exceed 25% of related income" which has been added to first clause of the temporary 69<sup>th</sup> article of Law No: 193 with the 5<sup>th</sup> article of Law No: 6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the 9 February 2012 dated decisions no: E.2010/93 and K.2012/20. The decision has been put into stay of execution until the date of publishment in the official gazette in order to avoid the abrogation decision become inconclusive and to prevent the situations and losses which are impossible or difficult to compensate later and occurring due to putting the abrogation into effect. If the Group makes adjustment in accordance with the abrogation decision of Tax Administration, net profit for the year remains same but current tax charge and deferred tax income need to be reclassified. As at issue date of financial statements no adjustments has been risen due to abrogation decision of tax administration.

**XIX. Additional information on borrowings**

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

On 8 August 2011, the Bank has issued discount bonds with a nominal value of thousand TL 500,000 and 176 days maturity. As at 31 December 2011 the related bonds are measured at amortized cost using effective interest method.

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

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

**XXI. 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 2011 and 2010, 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**

**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 2011, earning per 100 shares is TL 0.5444 (31 December 2010: TL 0.4533).

**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 annulay renewed long-term insurance contracts. Reserve for unearned premiums is presented under “insurance technical provisions” in the accompanying consolidated financial statements.

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

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

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

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

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

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

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

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

### **Individual pension business**

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

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

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

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

## **SECTION FOUR**

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

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

The Bank's consolidated capital adequacy ratio is 13.22% (The Parent Bank: 13.38%).

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

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

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

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

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

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



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

Consolidated Financial Report as at and  
For the Year Ended 31 December 2011  
(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*

**Information on consolidated capital adequacy ratio**

	Unconsolidated – The Parent Bank’s Risk Weights – 31 December 2011							Consolidated – Group’s Risk Weights – 31 December 2011						
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
<b>Balance Sheet Items (Net)</b>	<b>15,026,543</b>	-	<b>1,317,627</b>	<b>18,930,588</b>	<b>37,138,268</b>	<b>872,179</b>	<b>2,368,430</b>	<b>16,227,787</b>	-	<b>2,187,201</b>	<b>19,015,834</b>	<b>38,694,864</b>	<b>872,179</b>	<b>2,368,430</b>
Cash on hand	712,293	-	-	-	-	-	-	717,002	-	33	-	-	-	-
Securities in redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	2,155,100	-	-	-	-	-	-	2,155,100	-	-	-	-	-	-
Domestic and foreign banks, foreign head offices and branches	963,247	-	884,145	-	281,958	-	-	979,481	-	1,268,169	-	283,967	-	-
Interbank money market placements	-	-	-	-	-	-	-	340	-	-	-	-	-	-
Receivables from reverse repurchase agreements	190,000	-	-	-	-	-	-	190,000	-	-	-	-	-	-
Reserve deposits	4,269,727	-	-	-	-	-	-	4,269,727	-	-	-	-	-	-
Loans	673,284	-	321,572	18,714,550	33,634,344	872,179	2,368,430	684,433	-	583,576	18,745,011	34,183,881	872,179	2,368,430
Loans under follow-up (Net)	-	-	-	-	108,622	-	-	-	-	-	-	111,351	-	-
Lease Receivables	-	-	-	-	-	-	-	5,920	-	-	54,785	440,159	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Held-to-maturity investments	5,777,886	-	54,520	-	-	-	-	5,785,176	-	54,520	-	-	-	-
Receivables from term sale of assets	-	-	-	-	103,778	-	-	-	-	-	-	103,778	-	-
Miscellaneous receivables	-	-	20,177	-	399,301	-	-	1,088,620	-	230,877	-	689,994	-	-
Accrued interests and income	147,073	-	32,184	216,038	407,995	-	-	147,538	-	44,997	216,038	429,301	-	-
Investments in associates, subsidiaries and joint-ventures (Net)	-	-	-	-	864,525	-	-	-	-	-	-	175,182	-	-
Tangible assets	-	-	-	-	890,502	-	-	-	-	-	-	1,131,910	-	-
Other assets	137,933	-	5,029	-	447,243	-	-	204,450	-	5,029	-	1,145,341	-	-
<b>Off-Balance Sheet Items</b>	<b>116,654</b>	-	<b>1,367,131</b>	<b>572,436</b>	<b>9,905,621</b>	-	-	<b>116,654</b>	-	<b>1,369,617</b>	<b>572,436</b>	<b>9,944,415</b>	-	-
Non-cash loans and commitments	116,654	-	1,042,425	572,436	9,887,628	-	-	116,654	-	1,042,425	572,436	9,926,422	-	-
Derivative financial instruments	-	-	324,706	-	17,993	-	-	-	-	327,192	-	17,993	-	-
<b>Non risk-weighted accounts</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Risk-Weighted Assets</b>	<b>15,143,197</b>	-	<b>2,684,758</b>	<b>19,503,024</b>	<b>47,043,889</b>	<b>872,179</b>	<b>2,368,430</b>	<b>16,344,441</b>	-	<b>3,556,818</b>	<b>19,588,270</b>	<b>48,639,279</b>	<b>872,179</b>	<b>2,368,430</b>

**Summary information related to capital adequacy ratio**

	Unconsolidated		Consolidated	
	Current Year	Previous Year	Current Year	Previous Year
Value at Credit Risk (VaCR)	63,377,481	48,608,735	65,189,906	49,842,490
Value at Market Risk (VaMR)	1,952,688	1,781,375	2,041,100	1,853,063
Value at Operational Risk (VaOR) <sup>(*)</sup>	6,531,375	5,795,900	7,608,913	6,766,363
Equity	9,616,230	8,065,195	9,895,265	8,150,498
<b>Equity/ (VaCR+VaMR+VaOR)*100</b>	<b>13.38%</b>	<b>14.35%</b>	<b>13.22%</b>	<b>13.94%</b>

<sup>(\*)</sup> In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio as at 31 December 2009 was measured by taking value at operational risk calculated based on average of gross incomes for the years ended 31 December 2009, 2008 and 2007 into consideration. For the year 2011, value at operational risk is being calculated based on average of gross incomes for the years ended 31 December 2010, 2009 and 2008.

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

Consolidated Financial Report as at and

For the Year Ended 31 December 2011

(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

**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	726,722
Share cancellation profits	-	-
Legal reserves	627,279	506,554
I. Legal reserve (Turkish Commercial Code 466/1)	332,030	268,496
II. Legal reserve (Turkish Commercial Code 466/2)	-	-
Reserves allocated as per special legislations	295,249	238,058
Status reserves	3,980	3,094
Extraordinary reserves	4,122,736	3,087,182
Reserve allocated as per the decision held by the General Assembly	3,790,079	2,794,403
Retained earnings	332,657	292,779
Accumulated losses	-	-
Exchange rate differences on foreign currency capital	-	-
Reserves from inflation adjustments to legal, status and extraordinary reserves	-	-
Profit	1,333,600	1,204,907
Current year's profit	1,304,314	1,164,297
Previous years' profit	29,286	40,610
Free provision for possible losses (up to 25% of Core Capital)	51,676	65,428
Income on sale of equity shares and real estates to be used up for capital increase	14,010	5,033
Primary subordinated loans (up to 15% of Core Capital)	-	-
Non-controlling interest	314,080	203,757
Loss excess of reserves (-)	-	-
Current year's loss	-	-
Previous years' loss	-	-
XLeasehold improvements (-)	71,969	75,703
Prepaid expenses (-)	-	326,278
Intangible assets (-)	79,988	57,253
Deferred tax asset excess of 10% of core capital (-)	-	-
Limit excesses as per the 3 <sup>rd</sup> paragraph of the Article 56 of the Banking Law (-)	-	-
Goodwill (net) (-)	-	-
<b>Total core capital</b>	<b>9,542,126</b>	<b>7,843,443</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General provisions	671,180	427,876
45% of revaluation surplus on movables	-	-
Bonus shares of associates, subsidiaries and joint-ventures	1,779	1,551
Primary subordinated loans excluding the portion included in core capital	-	-
Secondary subordinated loans	-	-
45% of valuation differences of marketable securities	(90,954)	135,563
Associates and subsidiaries	(19,393)	(5,797)
Available-for-sale financial assets	(71,561)	141,360
Inflation adjustment differences of capital reserves, profit reserves and previous years' profit/(loss)	-	-
Non-controlling interest	44,970	17,612
<b>Total supplementary capital</b>	<b>626,975</b>	<b>582,602</b>
<b>TIER III CAPITAL</b>		
<b>CAPITAL</b>	<b>10,169,101</b>	<b>8,426,045</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>273,836</b>	<b>275,547</b>
Unconsolidated investments in entities (domestic/foreign) operating in banking and financial sectors exceeding 10% of ownership	-	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	140,112	127,072
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated loans and debt instruments purchased from such parties qualified as primary or secondary subordinated debts	-	-
Loan granted to customer against the Articles 50 and 51 of the Banking Law	-	-
Net book values of immovables exceeding 50% of the capital and of assets acquired against overdue receivables and held for sale as per the Article 57 of the Banking Law but retained more than five years	133,265	148,466
Others	459	-
<b>TOTAL EQUITY</b>	<b>9,895,265</b>	<b>8,150,498</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.

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 29.42% of the total cash loan portfolio.

The Bank's largest 200 non-cash loan customers compose 74.14% of the total non-cash loan portfolio.

The Bank's largest 200 cash loan customers compose 12.35% of total assets of the Bank and the Bank's largest 200 non-cash loan customers compose 15.67% of total off-balance sheet items.

The general provision for credit risk amounts to TL 671,180 (31 December 2010: TL 427,876).

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

	<b>Personal and Commercial Loans</b>		<b>Banks and Other Financial Institutions</b>		<b>Marketable Securities<sup>(*)</sup></b>		<b>Other Loans<sup>(**)</sup></b>	
	<b>Current Year</b>	<b>Previous Year</b>	<b>Current Year</b>	<b>Previous Year</b>	<b>Current Year</b>	<b>Previous Year</b>	<b>Current Year</b>	<b>Previous Year</b>
<b>Sectoral Concentration</b>								
Private Sector	35,975,007	26,458,843	708,004	2,654,575	32,593	22,355	10,176,910	4,155,596
Public Sector	961,577	1,176,903	-	5,650	19,268,059	18,304,521	136,082	1,541,305
Banks	-	-	9,681,089	8,445,368	206,898	130,309	301,928	329,311
Consumers	21,121,050	14,904,604	-	-	-	-	108	1,901
Equity Securities	-	-	-	-	14,015	12,374	-	304,752
<b>Total</b>	<b>58,057,634</b>	<b>42,540,350</b>	<b>10,389,093</b>	<b>11,105,593</b>	<b>19,521,565</b>	<b>18,469,559</b>	<b>10,615,028</b>	<b>6,332,865</b>
<b>Geographical Concentration</b>								
Domestic	57,850,224	42,381,884	8,194,017	9,831,008	19,299,403	18,245,183	9,593,426	4,438,031
EU Countries	99,599	82,452	808,864	541,091	156,697	142,886	429,218	967,562
OECD Countries <sup>(***)</sup>	-	-	27,320	58,106	-	-	972	365
Off-Shore Banking Regions	-	-	2,090	39	-	-	-	-
USA, Canada	103,740	60,683	1,268,462	629,779	65,326	47,842	78,677	219,765
Other Countries	4,071	15,331	88,340	45,570	139	33,648	512,735	707,142
<b>Total</b>	<b>58,057,634</b>	<b>42,540,350</b>	<b>10,389,093</b>	<b>11,105,593</b>	<b>19,521,565</b>	<b>18,469,559</b>	<b>10,615,028</b>	<b>6,332,865</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**

Consolidated Financial Report as at and

For the Year Ended 31 December 2011

(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*
**Geographical Concentration**

<b>31 December 2011</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Non- Cash Loans</b>	<b>Capital Expenditures</b>	<b>Net Profit</b>
Domestic	90,179,387	80,676,598	14,203,736	321,747	1,340,932
EU Countries	1,356,264	12,038,021	572,348	638	20,077
OECD Countries (*)	27,320	301,924	1,862	-	-
Off-Shore	2,090	54,969	-	-	-
USA, Canada	1,487,638	224,624	54,698	-	-
Other Countries	92,551	164,408	981,737	-	-
Subsidiaries, Affiliates and Joint-Ventures	315,294	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
<b>Total</b>	<b>93,460,544</b>	<b>93,460,544</b>	<b>15,814,381</b>	<b>322,385</b>	<b>1,361,009</b>

  

<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>

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

**Sectoral distribution of cash loans**

	<b>31 December 2011</b>				<b>31 December 2010</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>394,177</b>	<b>1.01</b>	<b>437,275</b>	<b>2.27</b>	<b>283,333</b>	<b>0.92</b>	<b>106,840</b>	<b>0.78</b>
Farming and Stockbreeding	332,356	0.86	92,460	0.48	143,514	0.47	48,486	0.35
Forestry	40,573	0.10	291,739	1.51	130,669	0.42	738	0.01
Fishery	21,248	0.05	53,076	0.28	9,150	0.03	57,616	0.42
<b>Manufacturing</b>	<b>4,047,214</b>	<b>10.45</b>	<b>9,153,219</b>	<b>47.45</b>	<b>4,198,842</b>	<b>13.62</b>	<b>6,243,957</b>	<b>45.42</b>
Mining	158,594	0.41	296,393	1.54	121,942	0.40	135,093	0.98
Production	3,665,628	9.46	6,841,039	35.46	3,844,444	12.47	5,074,498	36.92
Electricity, Gas, Water	222,992	0.58	2,015,787	10.45	232,456	0.75	1,034,366	7.52
<b>Construction</b>	<b>2,141,709</b>	<b>5.53</b>	<b>1,497,774</b>	<b>7.76</b>	<b>1,178,181</b>	<b>3.82</b>	<b>1,113,586</b>	<b>8.10</b>
<b>Services</b>	<b>7,523,923</b>	<b>19.40</b>	<b>6,111,639</b>	<b>31.66</b>	<b>7,352,861</b>	<b>23.83</b>	<b>4,537,369</b>	<b>32.99</b>
Wholesale and Retail Trade	4,702,111	12.12	2,164,477	11.21	3,537,067	11.47	1,696,739	12.34
Hotel, Food and Beverage Services	342,347	0.88	976,429	5.06	170,003	0.55	843,173	6.13
Transportation and Telecommunication	1,829,968	4.72	1,690,604	8.76	1,097,467	3.56	1,128,551	8.21
Financial Institutions	257,177	0.66	975,287	5.05	2,187,183	7.09	655,062	4.76
Real Estate and Renting	95,502	0.25	187,375	0.97	71,942	0.23	130,828	0.95
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Educational Services	77,085	0.20	28,012	0.15	62,527	0.20	8,615	0.06
Health and Social Services	219,733	0.57	89,455	0.46	226,672	0.73	74,401	0.54
<b>Others</b>	<b>24,656,092</b>	<b>63.61</b>	<b>2,094,480</b>	<b>10.86</b>	<b>17,826,997</b>	<b>57.81</b>	<b>1,747,005</b>	<b>12.71</b>
<b>Total</b>	<b>38,763,115</b>	<b>100.00</b>	<b>19,294,387</b>	<b>100.00</b>	<b>30,840,214</b>	<b>100.00</b>	<b>13,748,757</b>	<b>100.00</b>

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

31 December 2011	Loans		Other assets <sup>(*)</sup>	
	Gross	Net	Gross	Net
Grade 3 : Impaired	155,822	108,622	1,791	-
Grade 4 : Impaired	175,923	-	515	-
Grade 5 : Impaired	1,841,342	2,729	35,890	-
<b>Total</b>	<b>2,173,087</b>	<b>111,351</b>	<b>38,196</b>	<b>-</b>

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	2,646	61,741	-
<b>Total</b>	<b>2,279,888</b>	<b>75,751</b>	<b>112,065</b>	<b>496</b>

<sup>(\*)</sup> Other assets include non-performing factoring receivables and leasing receivables amounting to TL 38,196 (31 December 2010: TL 63,089). In addition, as at 31 December 2010 other assets include lawsuit and court expenses amounting to TL 48,976 undertaken by the Parent Bank due to non-performing loans and receivables for which specific provision amounting to TL 48,480 has been recorded.

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

Cash loans <sup>(*)</sup>	31 December 2011	31 December 2010
Secured Loans:	41,046,672	29,231,568
Secured by cash collateral	467,184	79,628
Secured by mortgages	19,723,627	12,543,373
Secured by government institutions or government securities	219,080	100,028
Guarantees issued by financial institutions	386,275	326,086
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	20,250,506	16,182,453
Unsecured Loans	18,132,075	16,123,756
<b>Total performing loans</b>	<b>59,178,747</b>	<b>45,355,324</b>

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

Non-cash loans	31 December 2011	31 December 2010
Secured Loans:	6,492,300	5,137,199
Secured by cash collateral	106,879	123,136
Secured by mortgages	1,063,506	868,285
Secured by government institutions or government securities	566	-
Guarantees issued by financial institutions	7,079	374,391
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	5,314,270	3,771,387
Unsecured Loans	9,322,081	6,222,629
<b>Total non-cash loans</b>	<b>15,814,381</b>	<b>11,359,828</b>

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

	31 December 2011	31 December 2010
Cash collateral <sup>(*)</sup>	-	-
Mortgage	650,387	800,755
Promissory note <sup>(*)</sup>	26,479	28,654
Others <sup>(**)</sup>	1,534,417	1,513,568
<b>Total</b>	<b>2,211,283</b>	<b>2,342,977</b>

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

<sup>(\*\*)</sup> 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 2011</b>	<b>31 December 2010</b>
Consumer loans	429,401	403,412
Construction	274,988	366,455
Textile	270,657	305,916
Food	214,453	238,153
Agriculture and stockbreeding	47,727	46,768
Service sector	40,802	43,195
Metal and metal products	33,771	43,476
Financial institutions	11,581	11,206
Durable consumer goods	10,554	95,544
Others	877,349	788,852
<b>Total impaired loans and receivables</b>	<b>2,211,283</b>	<b>2,342,977</b>

<b>Geographical</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Turkey	2,194,931	2,328,805
Austria	16,208	14,172
USA	144	-
<b>Total non-performing loans</b>	<b>2,211,283</b>	<b>2,342,977</b>

### Past due but not impaired loans and receivables

	<b>31 December 2011<sup>(*)</sup></b>	<b>31 December 2010<sup>(*)</sup></b>
Grade 1 : Low risk loans and receivables	38,525	191,913
Grade 2 : Loans and receivables under follow-up	65,205	99,670
<b>Total</b>	<b>103,730</b>	<b>291,583</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 2011<sup>(*)</sup></b>	<b>31 December 2010<sup>(*)</sup></b>
0-30 days	19,313	202,726
30-60 days	6,283	38,128
60-90 days	57,254	38,874
90 days and over <sup>(**)</sup>	20,880	11,855
<b>Total</b>	<b>103,730</b>	<b>291,583</b>

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

<sup>(\*\*)</sup>Includes loans that are in collection and restructuring processes.

### Undue and not impaired loans and receivables

	<b>31 December 2011<sup>(*)</sup></b>	<b>31 December 2010<sup>(*)</sup></b>
Grade 1 : Low risk loans and receivables	57,203,049	42,962,925
Grade 2 : Loans and receivables under follow-up	1,344,389	1,473,294
<b>Total</b>	<b>58,547,438</b>	<b>44,436,219</b>
Restructured loans	527,579	627,522
<b>Total</b>	<b>59,075,017</b>	<b>45,063,741</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	130,874
(II) Capital obligation against specific risks - standard method	10,093
(III) Capital obligation against currency risk - standard method	22,023
(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	298
(VII) Capital obligation against market risks of banks applying risk measurement models	-
(VIII) Total capital obligations against market risk (I+II+III+IV+V+VI)	163,288
<b>(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))</b>	<b>2,041,100</b>

#### Monthly average value at market risk

	<b>Current Year</b>			<b>Previous Year</b>		
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Interest Rate Risk	145,713	160,160	138,107	136,443	151,077	122,119
Common Share Risk	3,079	3,930	2,143	4,222	6,956	3,201
Currency Risk	21,190	31,594	15,366	15,482	24,322	6,847
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	690	1,707	40	510	1,259	144
<b>Total Value at Risk</b>	<b>2,133,397</b>	<b>2,250,413</b>	<b>2,041,100</b>	<b>1,958,216</b>	<b>2,113,213</b>	<b>1,853,063</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 2010: 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 608,713 (31 December 2010: TL 541,309 from gross income for the years ended 31 December 2010, 2009 and 2008 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 7,608,913 (31 December 2010: TL 6,766,363) presented in the table included in Note I of this section is calculated as 12.5 times of the operational risk.

	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
(I) Net Interest Income	3,034,232	2,855,135	3,186,176	2,080,146
(II) Net Fees and Commission Income	561,369	447,099	432,710	468,475
(III) Dividends Income	4,732	3,535	12,384	6,508
(IV) Net Trading Income/(Loss)	51,384	320,986	210,410	149,507
(V) Other Operating Income	1,473,505	1,140,111	799,740	733,812
(VI) Income/(Loss) from sale of AFS and HTM Marketable Securities	74,700	358,200	146,468	98,412
(VII) Extraordinary Income	110,445	24,172	42,347	2,883
<b>(VIII) Gross Income (I+II+III+IV+V-VI-VII)</b>	<b>4,940,077</b>	<b>4,384,494</b>	<b>4,452,605</b>	<b>3,337,153</b>
<b>(IX) Capital Requirement (Gross Income x15 %)</b>	<b>741,012</b>	<b>657,674</b>	<b>667,891</b>	<b>500,573</b>
<b>(X) Average Operational Risk Capital Requirement</b>	<b>688,859</b>	<b>608,713</b>	<b>541,309</b>	-
<b>(XI) Value at Operational Risk (X x 12.5)</b>	<b>8,610,738</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 2011 and 2010, the Group does not have derivate financial instruments held for risk management purpose.

**Foreign exchange risk management policy**

Risk policy of the Bank is based on the transactions within the limits and keeping the currency position well-balanced. In the light of the national legislations and international applications, the Parent Bank has established a foreign currency risk management policy that enables the 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:

	US Dollar	Euro
<b>The Bank's foreign currency purchase rate at the balance sheet date</b>	1.8800	2.4346
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	1.8800	2.4305
Day 2	1.8600	2.4293
Day 3	1.8500	2.4181
Day 4	1.8500	2.4148
Day 5	1.8600	2.4333
<b>Last 30-days arithmetical average rate</b>	1.8253	2.4155

**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	807,592	3,728,271	210	536,458	<b>5,072,531</b>
Banks	658,395	1,401,208	1,432	71,621	<b>2,132,656</b>
Financial assets at fair value through profit or loss <sup>(1)</sup>	5,286	125,882	422	101	<b>131,691</b>
Interbank money market placements	-	-	-	-	-
Available-for-sale financial assets	835,411	2,084,637	-	-	<b>2,920,048</b>
Loans and receivables <sup>(2)</sup>	8,087,345	12,368,233	-	45,614	<b>20,501,192</b>
Associates, subsidiaries and joint-ventures	3	-	-	-	<b>3</b>
Held-to-maturity investments	178,772	1,457,242	-	-	<b>1,636,014</b>
Derivative financial assets held for risk management purpose	-	-	-	-	-
Tangible assets	2,103	2,894	-	-	<b>4,997</b>
Intangible assets	30	176	-	-	<b>206</b>
Other assets <sup>(3) (4)</sup>	252,931	546,231	3	2,960	<b>802,125</b>
<b>Total assets</b>	<b>10,827,868</b>	<b>21,714,774</b>	<b>2,067</b>	<b>656,754</b>	<b>33,201,463</b>
<b>Liabilities:</b>					
Bank deposits	516,348	2,269,308	-	2,834	<b>2,788,490</b>
Foreign currency deposits	6,178,733	9,785,584	1,537	59,352	<b>16,025,206</b>
Interbank money market takings	584,650	2,415,494	-	-	<b>3,000,144</b>
Funds borrowed <sup>(5)</sup>	3,980,969	4,556,536	-	36,809	<b>8,574,314</b>
Securities issued	-	-	-	-	-
Miscellaneous payables	43,065	181,543	-	142	<b>224,750</b>
Derivative financial liabilities held for risk management purpose	-	-	-	-	-
Other liabilities <sup>(1) (6)</sup>	128,727	458,781	2,742	22,516	<b>612,766</b>
<b>Total liabilities</b>	<b>11,432,492</b>	<b>19,667,246</b>	<b>4,279</b>	<b>121,653</b>	<b>31,225,670</b>
<b>Net 'on balance sheet' position</b>	<b>(604,624)</b>	<b>2,047,528</b>	<b>(2,212)</b>	<b>535,101</b>	<b>1,975,793</b>
<b>Net 'off-balance sheet' position</b>	<b>559,790</b>	<b>(2,087,169)</b>	<b>2,354</b>	<b>(2,207)</b>	<b>(1,527,232)</b>
Derivative assets <sup>(7)</sup>	910,626	2,921,104	12,331	27,864	<b>3,871,925</b>
Derivative liabilities <sup>(7)</sup>	350,836	5,008,273	9,977	30,071	<b>5,399,157</b>
Non-cash loans <sup>(8)</sup>	1,449,366	4,962,322	69,748	168,981	<b>6,650,417</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	8,096,103	13,924,015	21,669	116,110	<b>22,157,897</b>
Total liabilities	8,131,220	14,151,812	5,055	106,931	<b>22,395,018</b>
<b>Net 'on balance sheet' position</b>	<b>(35,117)</b>	<b>(227,797)</b>	<b>16,614</b>	<b>9,179</b>	<b>(237,121)</b>
<b>Net 'off-balance sheet' position</b>	<b>122,293</b>	<b>126,228</b>	<b>453</b>	<b>(4,218)</b>	<b>244,756</b>
Derivative assets	369,060	1,863,759	551	11,001	<b>2,244,371</b>
Derivative liabilities	246,767	1,737,531	98	15,219	<b>1,999,615</b>
Non-cash loans <sup>(8)</sup>	1,506,310	3,155,668	90,106	130,233	<b>4,882,317</b>

<sup>(1)</sup> Foreign exchange rates based accruals of derivative financial assets and liabilities which respectively amount to TL 52,454 and TL 247,443 are not included.

<sup>(2)</sup> Foreign currency indexed loans amounting to TL 1,204,076 (31 December 2010: TL 443,516) presented in TL in the financial statements are included in the above table.

<sup>(3)</sup> Foreign currency indexed factoring receivables amounted to TL 100,611 (31 December 2010: 155,611) presented in TL column in the accompanying consolidated balance sheet are included.

<sup>(4)</sup> Prepaid expenses amounting to TL 16,647 (31 December 2010: TL 14,278) and deferred tax assets amounting to TL 1,803 are not included.

<sup>(5)</sup> Foreign currency indexed funds borrowed amounted to TL 12,791 (31 December 2010: 124,169) presented in TL column in the accompanying consolidated balance sheet are included.

<sup>(6)</sup> Unearned income amounting to TL 25,460 (31 December 2010: TL 19,581) is not included.

<sup>(7)</sup> Asset purchase commitments amounting to TL 355,339 and asset sales commitments amounting to TL 502,580 are included.

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

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

Consolidated Financial Report as at and

For the Year Ended 31 December 2011

(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 1***Exposure to currency risk**

10 percent devaluation of the TL against the following currencies as at and for the years ended 31 December 2011 and 2010 would effect consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

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

	31 December 2011		31 December 2010	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	(17,061)	(6,310)	(16,881)	(193)
EUR	(24,279)	(12,291)	(8,577)	9,054
Other currencies	53,207	53,207	424	424
<b>Total, net</b>	<b>11,867</b>	<b>34,606</b>	<b>(25,034)</b>	<b>9,285</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 2011 and 2010 would effect consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	31 December 2011		31 December 2010	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	19,129	8,378	(12,749)	3,939
Euro	24,279	12,291	4,449	(9,054)
Other currencies	(52,453)	(52,453)	330	330
<b>Total, net</b>	<b>(9,045)</b>	<b>(31,784)</b>	<b>(7,970)</b>	<b>(4,785)</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)

<b>Current 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	-	-	-	-	-	7,141,862	<b>7,141,862</b>
Banks	1,440,909	285,832	2,108	-	-	812,486	<b>2,541,335</b>
Financial assets at fair value through profit/loss	90,885	126,566	13,828	108,150	20,097	2,096	<b>361,622</b>
Interbank money market placements	190,467	-	-	-	-	-	<b>190,467</b>
Available-for-sale financial assets	4,216,825	2,207,753	1,968,148	2,615,781	2,334,417	11,919	<b>13,354,843</b>
Loans and receivables	16,398,510	8,534,741	15,123,875	11,951,813	6,048,563	111,351	<b>58,168,853</b>
Held-to-maturity investments	393,491	810,574	745,303	1,634,477	2,395,393	-	<b>5,979,238</b>
Other assets (*)	13,126	70,436	602,015	544,910	888,715	3,603,122	<b>5,722,324</b>
<b>Total assets</b>	<b>22,744,213</b>	<b>12,035,902</b>	<b>18,455,277</b>	<b>16,855,131</b>	<b>11,687,185</b>	<b>11,682,836</b>	<b>93,460,544</b>
<i>Liabilities:</i>							
Bank deposits	2,806,127	581,887	32,739	-	-	34,116	<b>3,454,869</b>
Other deposits	33,481,477	12,490,392	2,866,843	395,629	3,367	9,149,399	<b>58,387,107</b>
Interbank money market takings	3,985,979	1,269,469	775,804	-	-	-	<b>6,031,252</b>
Miscellaneous payables	-	1,789	6,914	-	-	2,965,743	<b>2,974,446</b>
Securities issued	-	493,000	-	-	-	-	<b>493,000</b>
Funds borrowed	361,305	6,042,808	2,296,083	189,521	22,580	-	<b>8,912,297</b>
Other liabilities (**)	88,308	79,296	139,996	11,790	65,433	12,822,750	<b>13,207,573</b>
<b>Total liabilities</b>	<b>40,723,196</b>	<b>20,958,641</b>	<b>6,118,379</b>	<b>596,940</b>	<b>91,380</b>	<b>24,972,008</b>	<b>93,460,544</b>
On balance sheet long position	-	-	12,336,898	16,258,191	11,595,805	-	<b>40,190,894</b>
On balance sheet short position	(17,978,983)	(8,922,739)	-	-	-	(13,289,172)	<b>(40,190,894)</b>
Off-balance sheet long position	132,758	1,391,200	99,600	-	79,423	-	<b>1,702,981</b>
Off-balance sheet short position	(55,272)	(77,100)	(140,500)	(673,238)	(596,423)	-	<b>(1,542,533)</b>
<b>Position, Net</b>	<b>(17,901,497)</b>	<b>(7,608,639)</b>	<b>12,295,998</b>	<b>15,584,953</b>	<b>11,078,805</b>	<b>(13,289,172)</b>	<b>160,448</b>

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

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

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

Consolidated Financial Report as at and

For the Year Ended 31 December 2011

(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

Previous 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 stated in non-interest bearing column.

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

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

Consolidated Financial Report as at and

For the Year Ended 31 December 2011

(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

## 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	0.90	0.52	-	11.37
Financial assets at fair value through profit/loss	5.47	8.50	-	10.91
Interbank money market placements	-	-	-	12.16
Available-for-sale financial assets	5.27	6.93	-	8.41
Loans and receivables	5.15	4.98	-	14.92
Held-to-maturity investments	5.62	7.34	-	9.96
<b>Liabilities:</b>				
Bank deposits	2.56	1.93	-	11.00
Other deposits	3.76	4.21	-	9.62
Interbank money market takings	1.91	1.98	-	8.80
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	8.70
Funds borrowed	2.12	1.75	-	10.67
<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	-	-	-	-
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

### 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 2011.

Interest rate sensitivity of equity is calculated by considering the effects of the assumed changes in interest rates on the fair values of fixed rate available-for-sale financial assets as at 31 December 2011.

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 2010.

	Profit or loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2011</b>				
Financial assets at fair value through profit or loss	60,195	(71,846)	60,195	(71,846)
Available-for-sale financial assets	21,964	(22,202)	(207,874)	222,010
Floating rate financial assets	353,352	(353,352)	353,352	(353,352)
Floating rate financial liabilities	(79,957)	79,957	(79,957)	79,957
<b>Total, net</b>	<b>355,554</b>	<b>(367,443)</b>	<b>125,716</b>	<b>(123,231)</b>

	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	(19,590)	20,448	(19,590)
Available-for-sale financial assets	23,182	(23,253)	(229,908)	248,365
Floating rate financial assets	258,203	(258,203)	258,203	(258,203)
Floating rate financial liabilities	(64,194)	64,194	(64,194)	64,194
<b>Total, net</b>	<b>237,639</b>	<b>(236,852)</b>	<b>(15,451)</b>	<b>34,766</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	7,141,862	-	-	-	-	-	-	7,141,862
Banks	1,758,390	495,005	285,832	2,108	-	-	-	2,541,335
Financial assets at fair value through profit/loss	5,138	77,967	30,432	32,212	193,680	20,097	2,096	361,622
Interbank money market placements	-	190,467	-	-	-	-	-	190,467
Available-for-sale financial assets	-	105,447	197,031	721,301	7,291,843	5,027,302	11,919	13,354,843
Loans and receivables	-	3,970,654	2,997,299	12,865,734	28,960,052	9,263,763	111,351	58,168,853
Held-to-maturity investments	-	20,078	61,955	114,584	3,351,740	2,430,881	-	5,979,238
Other assets	-	604,997	201,121	671,248	1,721,227	20,863	2,502,868	5,722,324
<b>Total assets</b>	<b>8,905,390</b>	<b>5,464,615</b>	<b>3,773,670</b>	<b>14,407,187</b>	<b>41,518,542</b>	<b>16,762,906</b>	<b>2,628,234</b>	<b>93,460,544</b>
<b>Liabilities:</b>								
Bank deposits	34,116	2,806,127	581,887	32,739	-	-	-	3,454,869
Other deposits	9,149,399	33,481,477	12,490,392	2,866,843	395,629	3,367	-	58,387,107
Funds borrowed	-	321,744	2,050,091	2,723,672	2,149,666	1,667,124	-	8,912,297
Interbank money market takings	-	3,985,979	1,212,442	832,831	-	-	-	6,031,252
Securities issued	-	-	493,000	-	-	-	-	493,000
Miscellaneous payables	-	1,683,573	149,540	104,294	35,396	868,063	133,580	2,974,446
Other liabilities	-	240,294	86,435	167,085	48,252	85,530	12,579,977	13,207,573
<b>Total liabilities</b>	<b>9,183,515</b>	<b>42,519,194</b>	<b>17,063,787</b>	<b>6,727,464</b>	<b>2,628,943</b>	<b>2,624,084</b>	<b>12,713,557</b>	<b>93,460,544</b>
<b>Net Liquidity Gap</b>	<b>(278,125)</b>	<b>(37,054,579)</b>	<b>(13,290,117)</b>	<b>7,679,723</b>	<b>38,889,599</b>	<b>14,138,822</b>	<b>(10,085,323)</b>	<b>-</b>
<b>Previous Year</b>								
Total assets	5,447,216	11,574,475	3,510,909	12,014,722	28,839,733	12,183,956	3,263,891	76,834,902
Total liabilities	7,266,369	34,200,580	13,869,244	6,501,120	2,656,735	1,097,971	11,242,883	76,834,902
<b>Net Liquidity Gap</b>	<b>(1,819,153)</b>	<b>(22,626,105)</b>	<b>(10,358,335)</b>	<b>5,513,602</b>	<b>26,182,998</b>	<b>11,085,985</b>	<b>(7,978,992)</b>	<b>-</b>

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

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

Consolidated Financial Report as at and

For the Year Ended 31 December 2011

(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 1*

*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	3,454,869	3,464,812	34,116	2,808,512	588,099	33,863	222	-
Other deposits	58,387,107	58,815,936	9,149,399	33,573,979	12,679,537	2,964,571	444,217	4,233
Funds borrowed	8,912,297	9,621,929	-	368,812	2,109,076	2,807,422	2,375,159	1,961,460
Money market takings	6,031,252	6,046,235	-	3,990,490	1,216,863	838,882	-	-
Issued Securities (Net)	493,000	496,581	-	-	496,581	-	-	-
Miscellaneous payables	2,974,446	2,974,446	133,580	1,683,573	149,540	104,294	35,396	868,063
Other liabilities	951,238	951,238	477,197	112,907	86,435	144,583	44,586	85,530
<b>Total</b>	<b>81,204,209</b>	<b>82,371,177</b>	<b>9,794,292</b>	<b>42,538,273</b>	<b>17,326,131</b>	<b>6,893,615</b>	<b>2,899,580</b>	<b>2,919,286</b>
<b>Non-Cash Loans</b>	<b>15,814,381</b>	<b>15,814,381</b>	<b>9,724,999</b>	<b>1,027,359</b>	<b>770,703</b>	<b>2,442,300</b>	<b>1,189,150</b>	<b>659,870</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	1,959,727	1,977,922	12,578	1,384,621	144,416	436,307	-	-
Other deposits	46,093,041	46,406,276	7,253,791	25,655,301	10,443,763	2,662,113	390,976	332
Funds borrowed	6,687,002	6,993,036	-	201,407	1,663,595	1,923,383	1,967,336	1,237,315
Money market takings	8,244,248	11,442,208	-	8,359,164	1,677,663	1,235,014	170,367	-
Miscellaneous payables	2,220,693	2,220,693	859,384	1,241,034	59,551	26,868	33,856	-
Other liabilities	622,901	622,901	377,596	89,770	5,925	21,850	109,834	17,926
<b>Total</b>	<b>65,827,612</b>	<b>69,663,036</b>	<b>8,503,349</b>	<b>36,931,297</b>	<b>13,994,913</b>	<b>6,305,535</b>	<b>2,672,369</b>	<b>1,255,573</b>
<b>Non-Cash Loans</b>	<b>11,359,828</b>	<b>11,359,828</b>	<b>6,993,322</b>	<b>598,232</b>	<b>820,728</b>	<b>1,699,003</b>	<b>1,168,428</b>	<b>80,115</b>

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

## 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	190,467	2,101,584	190,467	2,101,584
Banks	2,541,335	2,170,884	2,541,335	2,170,884
Available-for-Sale Financial Assets	13,354,843	13,914,247	13,354,843	13,914,247
Held-to-Maturity Investments	5,979,238	4,362,245	6,101,707	4,454,786
Loans	58,168,853	44,616,242	58,203,583	44,663,673
<b>Financial Liabilities</b>				
Bank Deposits	3,454,869	1,959,727	3,454,869	1,959,727
Other Deposits	58,387,107	46,093,041	58,387,107	46,093,041
Funds Borrowed	8,912,297	6,687,002	8,912,297	6,687,002
Securities Issued	493,000	-	493,000	-
Miscellaneous Payables	2,974,446	2,220,693	2,974,446	2,220,693

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 are 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. 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.

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

Consolidated Financial Report as at and

For the Year Ended 31 December 2011

(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*

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

<b>31 December 2011</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	151,914	28,336	-	<b>180,250</b>
Derivative financial assets held for trading purpose	-	174,138	-	<b>174,138</b>
Investment funds	-	5,138	-	<b>5,138</b>
Equity securities	2,069	-	27	<b>2,096</b>
Available-for-sale financial assets				
Debt securities	12,061,831	1,281,093	-	<b>13,342,924</b>
Investments in associates and subsidiaries	-	-	150,005 <sup>(*)</sup>	<b>150,005</b>
<b>Total Financial Assets</b>	<b>12,215,814</b>	<b>1,488,705</b>	<b>150,032</b>	<b>13,854,551</b>

Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(344,803)	-	(344,803)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(344,803)</b>	<b>-</b>	<b>(344,803)</b>

<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 <sup>(*)</sup>	<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)	-	(103,367)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(103,367)</b>	<b>-</b>	<b>(103,367)</b>

<sup>(\*)</sup> These amounts consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

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 2011 is as follows:

	<b>Level 3 Amount</b>
Balance at the beginning of the year	154,290
Total gains or losses for the year recognised in profit or loss	(3,867)
Total gains or losses for the year recognised under equity	(391)
<b>Balance at the end of the year</b>	<b>150,032</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	1,332,838	752,866	851,846	1,718,773	4,656,323
Undistributed expenses	-	-	-	(2,980,134)	(2,980,134)
<b>Operating profit</b>	<b>1,332,838</b>	<b>752,866</b>	<b>851,846</b>	<b>(1,261,361)</b>	<b>1,676,189</b>
Income from associates	-	-	-	-	26,356
Income before taxes	-	-	-	-	1,702,545
Provision for taxes	-	-	-	-	(341,536)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,361,009</b>
Segment assets	21,163,413	36,995,606	28,363,038	1,744,328	88,266,385
Investment in associates and subsidiaries	-	-	-	315,294	315,294
Undistributed assets	-	-	-	4,878,865	4,878,865
<b>Total assets</b>	<b>21,163,413</b>	<b>36,995,606</b>	<b>28,363,038</b>	<b>6,938,487</b>	<b>93,460,544</b>
Segment liabilities	21,747,862	40,094,114	15,154,242	727,565	77,723,783
Equity	-	-	-	9,598,202	9,598,202
Undistributed liabilities	-	-	-	6,138,559	6,138,559
<b>Total liabilities and equity</b>	<b>21,747,862</b>	<b>40,094,114</b>	<b>15,154,242</b>	<b>16,464,326</b>	<b>93,460,544</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	604,234	111,770	571,665	87,505
Central Bank of Turkey <sup>(*)</sup>	1,465,064	4,959,763	2,037,805	1,953,075
Others	33	998	322	661
<b>Total</b>	<b>2,069,331</b>	<b>5,072,531</b>	<b>2,609,792</b>	<b>2,041,241</b>

<sup>(\*)</sup> TL 4,269,727 (31 December 2010: TL 1,423,140) of the foreign currency deposit at Central Bank of Turkey is comprised of foreign currency reserve deposits and related interest income accruals.

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

**Balances with the Central Bank of Turkey**

	Current Year		Previous Year	
	TL	FC	TL	FC
Unrestricted demand deposits	1,465,064	690,036	2,034,444	529,935
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Reserve Deposits	-	4,269,727	3,361	1,423,140
<b>Total</b>	<b>1,465,064</b>	<b>4,959,763</b>	<b>2,037,805</b>	<b>1,953,075</b>

**2. Further information on financial assets at fair value through profit/loss****Financial assets at fair value through profit/loss given as collateral or blocked**

	Current Year		Previous Year	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	95,711	11,466	-	10,795
Others	-	-	-	-
<b>Total</b>	<b>95,711</b>	<b>11,466</b>	<b>125,996</b>	<b>10,795</b>

**Trading securities subject to repurchase agreements**

	Current Year		Previous Year	
	TL	FC	TL	FC
Government bonds	3,098	-	2,533	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	-
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>3,098</b>	<b>-</b>	<b>2,533</b>	<b>-</b>

**Trading purpose derivative financial assets**

	Current Year		Previous Year	
	TL	FC	TL	FC
Forward transactions	3,141	4,720	907	99
Swap transactions	1,038	165,143	356	22,194
Futures	-	-	-	-
Options	3	93	80	1,358
Others	-	-	-	-
<b>Total</b>	<b>4,182</b>	<b>169,956</b>	<b>1,343</b>	<b>23,651</b>

**3. Information on banks**

	Current Year		Previous Year	
	TL	FC	TL	FC
Banks	408,679	2,132,656	944,049	1,226,835
Domestic	406,875	60,978	902,831	82,925
Foreign	1,804	2,071,678	41,218	1,143,910
Foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>408,679</b>	<b>2,132,656</b>	<b>944,049</b>	<b>1,226,835</b>

**Due from foreign banks**

	Unrestricted Balance		Restricted Balances	
	Current Year	Previous Year	Current Year	Previous Year
EU Countries	678,632	348,435	63,976	138,392
USA, Canada	1,087,132	619,722	181,327	9,254
OECD Countries (*)	23,786	54,402	3,534	-
Off-shore Banking Regions	1,797	39	293	-
Others	33,005	3,327	-	11,557
<b>Total</b>	<b>1,824,352</b>	<b>1,025,925</b>	<b>249,130</b>	<b>159,203</b>

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

**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	661,402	387,393	1,660,529	68,530
Others	-	-	-	-
<b>Total</b>	<b>661,402</b>	<b>387,393</b>	<b>1,660,529</b>	<b>68,530</b>

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

	Current Year		Previous Year	
	TL	FC	TL	FC
Government bonds	1,506,673	61,442	5,074,766	-
Treasury bills	-	-	-	-
Other debt securities	-	1,930,563	-	1,527,078
Bonds issued or guaranteed by banks	-	54,748	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1,506,673</b>	<b>2,046,753</b>	<b>5,074,766</b>	<b>1,527,078</b>

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

	Current Year	Previous Year
<b>Debt securities</b>	<b>13,513,369</b>	<b>13,912,962</b>
Quoted	13,513,369	13,912,962
Unquoted	-	-
<b>Equity securities</b>	<b>14,438</b>	<b>12,462</b>
Quoted	1,169	1,545
Unquoted	13,269	10,917
<b>Provisions for impairment losses (-)</b>	<b>172,964</b>	<b>11,177</b>
<b>Total</b>	<b>13,354,843</b>	<b>13,914,247</b>

**5. Information on loans**

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

	Current Year		Previous Year	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct loans provided to the shareholders</b>	-	6,572	-	563
Legal entities	-	6,572	-	563
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>	-	-	-	-
<b>Loans provided to the employees</b>	55,917	31	45,918	31
<b>Total</b>	55,917	6,603	45,918	594

**Information about loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled**

	Performing Loans and Other Receivables		Loans 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>56,083,849</b>	<b>51,193</b>	<b>1,409,594</b>	<b>476,386</b>
Discounted bills	41,710	-	1,497	-
Export loans	4,164,903	533	67,108	51,099
Import loans	-	-	-	-
Loans to the financial sectors	1,232,370	-	9	85
Overseas loans	170,756	-	26,567	-
Consumer loans	18,588,613	-	537,702	134,858
Credit cards	1,930,589	-	78,202	7,137
Precious metal loans	-	-	-	-
Others	29,954,908	50,660	698,509	283,207
<b>Specialization loans</b>	<b>26,646</b>	-	-	-
<b>Other receivables</b>	<b>9,834</b>	-	-	-
<b>Total</b>	<b>56,120,329</b>	<b>51,193</b>	<b>1,409,594</b>	<b>476,386</b>



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

<b>Performing Loans and Other Receivables <sup>(*)</sup></b>						
<b>Number of Restructuring</b>	<b>Number of Loans</b>	<b>Up to 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More Than 5 Years</b>	<b>Total</b>
1	15	39,911	-	-	-	<b>39,911</b>
1	44	-	6,632	-	-	<b>6,632</b>
1	27	-	-	4,650	-	<b>4,650</b>
	<b>86</b>	<b>39,911</b>	<b>6,632</b>	<b>4,650</b>	-	<b>51,193</b>

<b>Loans under Follow-up and Other Receivables <sup>(*)</sup></b>						
<b>Number of Restructuring</b>	<b>Number of Loans</b>	<b>Up to 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More Than 5 Years</b>	<b>Total</b>
1	263	1,210	-	-	-	<b>1,210</b>
1	1,104	-	11,060	-	-	<b>11,060</b>
1	804	-	-	62,012	-	<b>62,012</b>
	<b>2,171</b>	<b>1,210</b>	<b>11,060</b>	<b>62,012</b>	-	<b>74,282</b>

<sup>(\*)</sup> Performing loans and other receivables whose payment schedules are restructured or rescheduled after the date 28 May 2011 are included.

**Maturity analysis of cash loans**

	<b>Performing Loans and Other Receivables</b>		<b>Loans and Other Receivables under Follow-Up</b>	
	<b>Loans and Other Receivables</b>	<b>Restructured or Rescheduled Loans and Other Receivables</b>	<b>Loans and Other Receivables</b>	<b>Restructured or Rescheduled Loans and Other Receivables</b>
<b>Cash loans</b>				
<b>Short-term Loans and Other Receivables</b>				
Loans	13,583,465	1,398	296,358	135,998
Specialization loans	-	-	-	-
Other Receivables	9,834	-	-	-
<b>Medium, Long-term Loans and Other Receivables</b>				
Loans	42,536,864	49,795	1,113,236	340,388
Specialization loans	26,646	-	-	-
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>278,746</b>	<b>18,178,330</b>	<b>18,457,076</b>
Housing loans	5,595	8,804,392	8,809,987
Automobile loans	3,728	365,969	369,697
General purpose loans	87,628	4,460,920	4,548,548
Others	181,795	4,547,049	4,728,844
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
<b>Consumer loans – FC</b>	<b>1,401</b>	<b>5,298</b>	<b>6,699</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,401	5,298	6,699
Others	-	-	-
<b>Retail credit cards – TL</b>	<b>1,818,044</b>	<b>1,868</b>	<b>1,819,912</b>
With installment	784,411	1,868	786,279
Without installment	1,033,633	-	1,033,633
<b>Retail credit cards – FC</b>	<b>1,035</b>	-	<b>1,035</b>
With installment	-	-	-
Without installment	1,035	-	1,035
<b>Personnel loans – TL</b>	<b>1,433</b>	<b>25,282</b>	<b>26,715</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,396	25,281	26,677
Others	37	1	38
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
<b>Personnel loans – FC</b>	<b>388</b>	-	<b>388</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	388	-	388
Others	-	-	-
<b>Personnel credit cards – TL</b>	<b>28,792</b>	-	<b>28,792</b>
With installment	11,441	-	11,441
Without installment	17,351	-	17,351
<b>Personnel credit cards – FC</b>	<b>22</b>	-	<b>22</b>
With installment	-	-	-
Without installment	22	-	22
<b>Overdraft Checking Accounts – TL (Real persons)</b>	<b>770,221</b>	-	<b>770,221</b>
<b>Overdraft Checking Accounts – FC (Real persons)</b>	<b>74</b>	-	<b>74</b>
<b>Total</b>	<b>2,900,156</b>	<b>18,210,778</b>	<b>21,110,934</b>

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

	Short-Term	Medium and Long-Term	Total
<b>Installment-based commercial loans – TL</b>	<b>662,019</b>	<b>8,183,588</b>	<b>8,845,607</b>
Real estate loans	3,238	129,266	132,504
Automobile loans	28,897	803,621	832,518
General purpose loans	629,884	7,250,701	7,880,585
Others	-	-	-
<b>Installment-based commercial loans – FC indexed</b>	<b>19,380</b>	<b>503,135</b>	<b>522,515</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	19,380	503,135	522,515
Others	-	-	-
<b>Installment-based commercial loans – FC</b>	<b>467,479</b>	<b>1,315,065</b>	<b>1,782,544</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	467,129	462,304	929,433
Others	350	852,761	853,111
<b>Corporate credit cards – TL</b>	<b>166,055</b>	<b>48</b>	<b>166,103</b>
With installment	37,925	48	37,973
Without installment	128,130	-	128,130
<b>Corporate credit cards – FC</b>	<b>64</b>	<b>-</b>	<b>64</b>
With installment	-	-	-
Without installment	64	-	64
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>261,059</b>	<b>-</b>	<b>261,059</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,576,056</b>	<b>10,001,836</b>	<b>11,577,892</b>

**Allocation of loan customers**

	Current Year	Previous Year
Public Sector	961,577	1,140,703
Private Sector	57,095,925	43,448,268
<b>Total</b>	<b>58,057,502</b>	<b>44,588,971</b>

**Allocation of domestic and overseas loans**

	Current Year	Previous Year
Domestic loans	57,754,229	44,346,489
Overseas loans	303,273	242,482
<b>Total</b>	<b>58,057,502</b>	<b>44,588,971</b>

**Loans to associates and subsidiaries**

As at 31 December 2011 and 2010, there are no loans given to associates and subsidiaries by the Group.

**Specific provisions for loans**

Specific Provisions	Current Year	Previous Year
Loans and receivables with limited collectibility	48,991	67,426
Loans and receivables with doubtful collectibility	176,438	219,301
Uncollectible loans and receivables	1,874,503	2,028,979
<b>Total</b>	<b>2,099,932</b>	<b>2,315,706</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>18,471</b>	<b>26,240</b>	<b>81,771</b>
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	18,471	26,240	81,771
<b>Previous 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

*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>92,051</b>	<b>219,301</b>	<b>2,031,625</b>
Additions (+)	377,052	76,834	118,624
Transfers from other categories of loans under follow-up (+) <sup>(*)</sup>	-	262,893	277,511
Transfers to other categories of loans under follow-up (-) <sup>(*)</sup>	263,143	315,098	90,022
Collections (-)	48,347	67,492	458,604
Write-offs (-)	-	-	4,377
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Others</i>	-	-	4,377
Currency differences	-	-	2,475
<b>Balance at the end of the year</b>	<b>157,613</b>	<b>176,438</b>	<b>1,877,232</b>
Specific provisions (-)	48,991	176,438	1,874,503
<b>Net balance on balance sheet</b>	<b>108,622</b>	<b>-</b>	<b>2,729</b>

<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.

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current Year</b>			
Balance at the end of the year	1,414	315	309,702
Specific provisions (-)	672	315	306,973
<b>Net balance on balance sheet</b>	<b>742</b>	<b>-</b>	<b>2,729</b>
<b>Previous 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>

Non performing loans due to foreign currency denominated loans provided by the Parent Bank or domestic financial subsidiaries are followed in TL accounts, while non-performing loans provided by subsidiaries in abroad are followed in foreign currency 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>	<b>108,622</b>	<b>-</b>	<b>2,729</b>
Consumer and commercial loans (Gross)	155,483	174,471	1,796,258
Specific provisions (-)	47,132	174,471	1,793,529
Consumer and commercial loans (Net)	108,351	-	2,729
Banks (Gross)	-	-	9,565
Specific provisions (-)	-	-	9,565
Banks (Net)	-	-	-
Other loans and receivables (Gross)	2,130	1,967	71,409
Specific provisions (-)	1,859	1,967	71,409
Other loans and receivables (Net)	271	-	-
<b>Previous Year (Net)</b>	<b>24,625</b>	<b>-</b>	<b>2,646</b>
Consumer and commercial loans (Gross)	91,167	214,723	1,927,927
Specific 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	-	-

**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	4,343,224	-	2,911,012	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	1,581,438	-	1,412,065
<b>Total</b>	<b>4,343,224</b>	<b>1,581,438</b>	<b>2,911,012</b>	<b>1,412,065</b>

*Information on held-to-maturity investment securities*

	Current Year	Previous Year
<b>Debt Securities</b>	<b>6,021,368</b>	<b>4,392,223</b>
Quoted at stock exchanges	5,966,792	4,355,131
Unquoted at stock exchanges	54,576	37,092
<b>Impairment losses (-)</b>	<b>42,130</b>	<b>29,978</b>
<b>Total</b>	<b>5,979,238</b>	<b>4,362,245</b>

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

	Current Year	Previous Year
<b>Balances at the beginning of the year</b>	<b>4,362,245</b>	<b>3,578,218</b>
Foreign currency differences on monetary assets	223,839	41,486
Acquisitions during the year	3,102,225	2,276,240
Disposals through sales/redemptions	(1,688,257)	(1,532,959)
Impairment losses	(12,039)	(17,166)
Change in amortized costs of the securities (*)	(8,775)	16,426
<b>Balances at the end of the year</b>	<b>5,979,238</b>	<b>4,362,245</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 1,690,000 to its held-to-maturity investment securities portfolio at their fair values of TL 1,764,346 as at their reclassification dates 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 (2,497) 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 2,205,476 to its held-to-maturity investment securities portfolio at their fair values of TL 2,166,451 as at their reclassification dates, in 2010. These reclassifications are presented in "purchases during the period" line in the movement table of held-to-maturity investment securities. The 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.

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

Current Year	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	-	54,520	-	54,576
Investments subject to repurchase agreements	2,328,425	940,202	2,370,567	962,317
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others <sup>(*)</sup>	1,938,751	619,877	1,972,657	619,121
<b>Total</b>	<b>4,267,176</b>	<b>1,614,599</b>	<b>4,343,224</b>	<b>1,636,014</b>

Previous 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>

<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 <sup>(*)</sup>	Ankara/Turkey	10.00	10.00
2 Bankalararası Kart Merkezi AŞ	İstanbul/Turkey	9.70	9.70
3 Kredi Kayıt Bürosu AŞ	İstanbul/Turkey	9.09	9.09
4 Güçbirliği Holding AŞ	İzmir/Turkey	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ	İstanbul/Turkey	5.00	5.00
6 İMKB Takas ve Saklama Bankası AŞ	İstanbul/Turkey	4.86	5.28
7 Kredi Garanti Fonu AŞ <sup>(*)</sup>	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 Securities Portfolio	Current Year's Profit/(Loss)	Prior Year's Profit/Loss	Fair Value
1 1,257,018	241,111	260,852	220,846	-	46,861	41,658	-
2 25,225	18,484	10,345	1,116	-	2,619	1,465	-
3 40,326	34,266	3,101	2,526	-	18,566	13,630	-
4 121,273	10,930	141	314	-	13,948	(9,203)	-
5 105,387	35,029	100,307	45	-	11,703	(2,620)	-
6 2,355,782	307,516	11,386	42,236	3,932	34,844	28,048	-
7 207,899	201,048	2,904	3,979	-	7,672	4,321	-
8 3,246	32,657	-	5	-	3,094	(2,428)	-

<sup>(\*)</sup> Financial information as at and for the nine-month period ended 30 September 2011 has been presented for these associates.

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

Consolidated Financial Report as at and

For the Year Ended 31 December 2011

(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

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

As per the resolution of the Board of Directors of the Bank on 3 April 2008, it was decided to work on disposal process of Roketsan Roket Sanayi AŞ ("Roketsan"), that the Bank owns 10% shares representing TL 14,600 nominal shares of its capital of TL 146,000 to the third parties or other shareholders of Roketsan.

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

Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, IMKB Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ have not been consolidated since their total assets and net operating profit/(loss) individually or as a whole, do not comprise a material portion within the consolidated totals. Since Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal AŞ are not financial associates; these associates have not been consolidated. Associates whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values; the ones whose fair values cannot be reliably measured are reflected at their costs.

***Consolidated investments in associates***

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 <sup>(*)</sup>	İstanbul/Turkey	11.75	21.77
3 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ <sup>(*)</sup>	İstanbul/Turkey	27.63	29.47
4 Türkiye Sınai Kalkınma Bankası AŞ <sup>(*)</sup>	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	Fair Value
1 762,905	60,494	7,738	56,487	9,826	5,337	11,793	-
2 13,881	13,747	88	314	(592)	(1,760)	1,187	14,709
3 189,197	186,817	140,605	1,755	798	25,791	4,960	238,697
4 10,133,634	1,557,101	26,094	326,148	203,526	258,620	227,755	1,457,613

<sup>(\*)</sup>These figures are obtained from audited 31 December 2011 financial statements announced at Public Disclosure Platform.

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

	Current Year	Previous Year
<b>Balance at the beginning of the year</b>	<b>184,877</b>	<b>120,202</b>
<b>Movements during the year</b>	<b>11,070</b>	<b>64,675</b>
Acquisitions and capital increases	21,553	-
Bonus shares received	9,591	10,477
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	(20,074)	54,198
Impairment losses	-	-
<b>Balance at the end of the year</b>	<b>195,947</b>	<b>184,877</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	128,267	162,870
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	67,680	22,007
<b>Total</b>	<b>195,947</b>	<b>184,877</b>

***Quoted associates***

	<b>Current Year</b>	<b>Previous Year</b>
Quoted at domestic stock exchanges	189,827	178,758
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>189,827</b>	<b>178,758</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***

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Bank subject to consolidation, has increased its paid-in capital by TL 78,000 from TL 22,000 to TL 100,000. The paid amount TL 21,553 which corresponds to the share of the Parent Bank is presented as acquisitions in movement table of consolidated investments in associates.

Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Bank subject to consolidation, increased its paid-in capital from TL 700,000 to TL 800,000 in the current period. The share of the Parent Bank amounting to TL 8,377 is presented in the movement table of consolidated investments in associates as bonus shares received.

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

In the current period the capital of Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ, an associate of the Bank has been increased by TL 7,500 from TL 7,500 to TL 15,000. The share of the Bank amounting to TL 882 is presented in the movement table of consolidated investments in associates as bonus shares received.

In the current period, the Bank has paid TL 1,000 of its TL 2,000 amounting capital commitment to Kredi Garanti Fonu AŞ, a non consolidated associate of the Bank. The paid amount is presented as acquisitions in movement table of investments in associates.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Bankalararası Kart AŞ ("BKM"), an unconsolidated associate of the Bank, from TL 6,000 to TL 14,000, by the General Assembly of BKM, the share of the Bank amounting to TL 776 has been received as bonus shares received.

In 2010, Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Bank subject to consolidation, increased its paid-in capital from TL 600,000 to TL 700,000 in the current period. 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 2010, Kıbrıs Vakıflar Bankası Ltd, an associate of the Bank subject to consolidation, increased its paid-in capital from TL 26,000 to TL 40,000 in the current period. The share of the Bank amounting to TL 2,100 is presented in the movement table of consolidated investments in associates as bonus shares received.

## 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 Pazarlama Sanayi ve Ticaret AŞ	Istanbul/ Turkey	69.33	74.98
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>Fair Value</b>
1	8,208	8,087	1,062	316	-	588	(51)	12,500
2	212,273	208,039	44,149	10,479	-	7,460	(6,102)	212,968
3	31,353	21,361	6,489	367	-	2,791	-	-
4	22,314	18,912	730	1,142	170	7,185	5,147	28,488

As per the resolution of the Board of Directors of the Bank held on 8 September 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with article 451 of Turkish Commercial Code. The merger has been realized on 30 December 2011.

Legal entity of Vakıf Sistem Pazarlama Yazılım AŞ has ended with the merger. The title of the Company has been amended as Vakıf Pazarlama Sanayi ve Ticaret AŞ and new capital has amounted to TL 30,241. The share of the Parent Bank in Vakıf Pazarlama Sanayi ve Ticaret AŞ has been 69.33% that amounts to TL 20,966 after the merger.

Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at 31 December 2011, but its equity until the merger date has been included in the accompanying consolidated financial statements.

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

Vakıf Enerji ve Madencilik AŞ, Taksim Otelcilik AŞ, Vakıf Pazarlama Sanayi ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme AŞ have not been consolidated since they are not among the financial subsidiaries of the 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.

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

Consolidated Financial Report as at and

For the Year Ended 31 December 2011

(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

**Investments in consolidated subsidiaries**

Title	Address(City / Country)	Bank's Share –If Different Voting Rights (%)	Bank's Risk Group Share (%)
1- Güneş Sigorta AŞ <sup>(*)</sup>	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 <sup>(*)</sup>	Istanbul/Turkey	58.71	64.40
5- Vakıf Yatırım Menkul Değerler AŞ <sup>(*)</sup>	Istanbul/Turkey	99.00	99.44
6- Vakıfbank International AG	Vienna/Austria	90.00	90.00
7- Vakıf Portföy Yönetimi AŞ <sup>(*)</sup>	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)	Fair Value
1	864,775	278,322	163,224	14,345	144	22,226	(29,092)	272,394
2	1,385,773	124,870	35,189	30,197	22,698	14,494	4,053	194,500
3	624,130	84,763	389	63,207	-	13,243	12,664	70,000
4	600,731	100,410	4,222	30,113	437	14,390	17,393	92,114
5	112,199	56,302	318	4,772	309	3,995	5,761	55,298
6	639,066	81,901	876	10,205	3,295	8,545	4,666	166,683
7	6,398	6,161	5	552	54	1,561	1,376	19,621

(\*) These figures are obtained from audited 31 December 2011 financial statements announced at Public Disclosure Platform.

**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>547,961</b>	<b>401,528</b>
<b>Movements during the year</b>	<b>(43,298)</b>	<b>146,433</b>
Acquisitions and capital increases	-	42,320
Bonus shares received	14,678	-
Share of current year profit	(13,038)	-
Sales and liquidations	-	-
Fair value changes	(44,938)	104,113
Impairment losses	-	-
<b>Balance at the end of the year</b>	<b>504,663</b>	<b>547,961</b>
<b>Capital commitments</b>	<b>-</b>	<b>-</b>
<b>Share percentage at the end of the year (%)</b>	<b>-</b>	<b>-</b>

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. The Board of Directors decided to terminate the block sales of Taksim Otelcilik AŞ to be realized in the next periods.

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

	Current Year	Previous Year
Measured at cost	-	-
Measured at fair value	504,663	547,961
Equity method of accounting	-	-
<b>Total</b>	<b>504,663</b>	<b>547,961</b>

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

	<b>Current Year</b>	<b>Previous Year</b>
Banks	150,015	150,015
Insurance companies	193,303	214,617
Factoring companies	50,368	50,368
Leasing companies	54,080	64,965
Financing companies	-	-
Other financial subsidiaries	56,897	67,996
<b>Total</b>	<b>504,663</b>	<b>547,961</b>

***Quoted consolidated subsidiaries***

	<b>Current Year</b>	<b>Previous Year</b>
Quoted at domestic stock exchanges	152,804	183,064
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>152,804</b>	<b>183,064</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 current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ, a subsidiary of the Bank subject to consolidation, from TL 25,000 to TL 50,000, by the General Assembly of the Company, the share of the Bank amounting to TL 14,678 is presented in the movement table of investments in consolidated subsidiaries as bonus shares received.

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

**9. Investments in joint-ventures**

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

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

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

	<b>Current Year</b>		<b>Previous Year</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 year	195,121	162,102	37,066	36,058
Between 1-4 years	359,054	320,643	223,923	197,661
Longer than 4 years	21,240	20,696	77,834	67,261
<b>Total</b>	<b>575,415</b>	<b>503,441</b>	<b>338,823</b>	<b>300,980</b>

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

	<b>Current Year</b>	<b>Previous Year</b>
Gross finance lease receivables	575,415	338,823
Unearned income on finance lease receivables (-)	(71,974)	(37,843)
Terminated lease contracts (-)	-	-
<b>Net finance lease receivables</b>	<b>503,441</b>	<b>300,980</b>

### ***Finance lease agreements***

Sum of the minimum lease payments including interest and principal amounts are stated under the “finance lease receivables” as gross. The difference between the total of rent payments and the cost of the related fixed assets is reflected to the “unearned income” account. If the lease payments are made, the lease principal amount is deducted from the “finance lease receivables” as the interest component of the payment is reflected to interest income on the consolidated statement of income.

## **11. Information on derivative financial instruments held for risk management purposes**

### ***Positive differences on derivative financial instruments held for risk management purposes***

None.

## **12. Information on tangible assets**

	<b>Real Estates</b>	<b>Leased Tangible Assets</b>	<b>Vehicles</b>	<b>Other Tangible Assets</b>	<b>Total</b>
<b>Balance at the end of the Previous year:</b>					
Cost	1,405,898	189,081	34,063	344,443	1,973,485
Accumulated depreciation(-)	276,761	152,319	23,899	313,907	766,886
Impairment losses (-) <sup>(*)</sup>	12,881	-	-	-	12,881
Net book value	<b>1,116,256</b>	<b>36,762</b>	<b>10,164</b>	<b>30,536</b>	<b>1,193,718</b>
<b>Balance at the end of the current year:</b>					
Net book value at the beginning of the current year	1,116,256	36,762	10,164	30,536	1,193,718
Additions	184,914	1,905	24,072	54,054	264,945
Cost of Disposals (-)	195,706	10,559	2,204	10,841	219,310
Accumulated Depreciation of Disposals (-)	34,904	9,978	2,010	8,160	55,052
Impairment losses (-) <sup>(*)</sup>	14,606	-	-	-	14,606
Depreciation for the current year (-)	30,111	11,296	6,806	68,948	117,161
Currency translation difference on foreign operations	262	-	-	-	262
Cost at the end of the current year	1,380,762	180,427	55,931	387,656	2,004,776
Accumulated depreciation at the end of the year (-)	271,968	153,637	28,695	374,695	828,995
<b>Net book value at the end of the current year</b>	<b>1,108,794</b>	<b>26,790</b>	<b>27,236</b>	<b>12,961</b>	<b>1,175,781</b>

<sup>(\*)</sup> 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 14,606 provision as at 31 December 2011 (31 December 2010: 12,881) 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 through the estimated useful lives over their costs adjusted for inflation for the items purchased before 31 December 2004, over their initial costs for the items purchased after 31 December 2004.

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 2011, the Group has investment property amounting to TL 159,204 (31 December 2010: TL 53,659) in total which consists of the net book value amounting to TL 140,354 (31 December 2010: TL 36,126) for the subsidiaries operating in the field of real estate investment sector and the net book value amounting to TL 18,850 (31 December 2010: TL 17,533) 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 2011 and 2010:

	<b>Current Year</b>	<b>Previous Year</b>
Valuation differences of financial assets and liabilities	62,824	13,582
Provision for employee termination benefits and unused vacations	50,125	44,055
Other provisions	40,736	29,447
Valuation difference for associates and subsidiaries	31,382	18,733
Investment incentives	28,436	25,342
Reporting Standarts - Tax Code depreciation differences	16,030	16,999
Tax losses carried forward	7,029	567
Other differences	1,606	1,582
<b>Deferred tax assets</b>	<b>238,168</b>	<b>150,307</b>
Net-off of the deferred tax assets and liabilities from the same entity	(40,498)	(19,164)
<b>Deferred tax assets, (net)</b>	<b>197,670</b>	<b>131,143</b>
	<b>Current Year</b>	<b>Previous Year</b>
Valuation differences of financial assets and liabilities	32,898	21,250
Valuation difference for associates and subsidiaries	3,227	758
Other differences	8,039	646
<b>Deferred tax liabilities</b>	<b>44,164</b>	<b>22,654</b>
Net-off of the deferred tax assets and liabilities from the same entity	(40,498)	(19,164)
<b>Deferred tax liabilities, (net)</b>	<b>3,666</b>	<b>3,490</b>

As further detailed in the accounting policies (see Section Three Note XVIII), temporary Article no. 69, added to Income Tax Law by Law no. 5479, stating that investment incentive calculated in accordance with the legislative provisions effective as at 31 December 2005 could only be deducted from the profits of 2006, 2007 and 2008, has been amended following a decision taken by the Turkish Constitutional Court on 15 October 2009 since the clause restricting the deduction to 2006, 2007 and 2008 ... was in contradiction of Constitutional Law. The Turkish Constitutional Court's decision was published in the 8 January 2010 Official Gazette number 27456. Based on this decision the Group's subsidiary operating in the finance lease business will be able to deduct investment incentives from future taxable profit without any time limitation. Hence, the Group has recognised deferred tax assets amounting to TL 28,436 as at 31 December 2011 (31 December 2010: TL 25,342).

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

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

**17. Information on other assets**

As at 31 December 2011 and 2010, the details of other assets are as follows:

	<b>Current Year</b>	<b>Previous Year</b>
Receivables from private pension business	868,063	701,303
Receivables from reinsurance companies	446,440	371,213
Prepaid expenses	398,979	326,278
Receivables from credit cards	392,479	292,504
Receivables from insurance operations	266,178	256,240
Receivables from term sale of assets	103,778	87,974
Deferred acquisition costs	79,501	79,402
Receivables from derivative financial instruments	20,177	37,763
Others	95,388	134,745
<b>Total</b>	<b>2,670,983</b>	<b>2,287,422</b>

(\*)In the current year, The Parent Bank has recorded provision amounting to TL 27,400 for the receivables from term sale of assets; the related amount has been recognized under other provisions.

## 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	1,671,682	-	362,643	11,508,016	1,195,391	216,923	75,894	-	15,030,549
Foreign currency deposits	1,593,247	-	1,713,252	8,198,861	1,827,824	435,120	2,256,902	-	16,025,206
Residents in Turkey	1,393,685	-	1,711,511	8,140,988	1,805,721	352,134	1,147,847	-	14,551,886
Residents in abroad	199,562	-	1,741	57,873	22,103	82,986	1,109,055	-	1,473,320
Public sector deposits	2,766,392	-	1,885,113	4,837,879	835,509	38,441	32,799	-	10,396,133
Commercial deposits	1,187,064	-	2,457,318	5,169,390	954,209	336,589	1,718	-	10,106,288
Others	1,931,014	-	681,617	2,936,530	966,888	294,692	18,190	-	6,828,931
Precious metal deposits	-	-	-	-	-	-	-	-	-
Bank deposits	34,116	-	1,666,239	833,548	916,823	2,069	2,074	-	3,454,869
Central Bank	116	-	-	-	-	-	-	-	116
Domestic banks	3,185	-	1,599,705	302,618	481,791	2,069	2,074	-	2,391,442
Foreign banks	19,066	-	66,534	530,930	435,032	-	-	-	1,051,562
Participation banks	11,749	-	-	-	-	-	-	-	11,749
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9,183,515</b>	<b>-</b>	<b>8,766,182</b>	<b>33,484,224</b>	<b>6,696,644</b>	<b>1,323,834</b>	<b>2,387,577</b>	<b>-</b>	<b>61,841,976</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	1,460,236	-	1,235,236	9,402,828	245,339	25,332	44,923	-	12,413,894
Foreign currency deposits	1,077,084	-	1,824,133	6,768,853	681,869	228,177	1,771,836	-	12,351,952
Residents in Turkey	1,040,000	-	1,759,213	6,683,137	653,594	120,414	1,253,338	-	11,509,696
Residents in abroad	37,084	-	64,920	85,716	28,275	107,763	518,498	-	842,256
Public sector deposits	2,100,660	-	971,257	3,174,130	635,535	10,981	8,260	-	6,900,823
Commercial deposits	1,094,317	-	2,467,484	5,907,425	453,906	471	1,589	-	9,925,192
Others	1,521,494	-	758,990	1,898,088	293,835	9,048	19,725	-	4,501,180
Precious metal deposits	-	-	-	-	-	-	-	-	-
Bank deposits	12,578	-	603,026	889,135	33,427	421,561	-	-	1,959,727
Central Bank	123	-	-	-	-	-	-	-	123
Domestic banks	5,432	-	578,270	384,135	33,427	150,133	-	-	1,151,397
Foreign banks	1,837	-	24,756	505,000	-	271,428	-	-	803,021
Participation banks	5,128	-	-	-	-	-	-	-	5,128
Others	58	-	-	-	-	-	-	-	58
<b>Total</b>	<b>7,266,369</b>	<b>-</b>	<b>7,860,126</b>	<b>28,040,459</b>	<b>2,343,911</b>	<b>695,570</b>	<b>1,846,333</b>	<b>-</b>	<b>48,052,768</b>

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Year	Previous Year	Current Year	Previous Year
Saving deposits	6,344,011	5,664,532	8,678,865	6,749,362
Foreign currency saving deposits	1,485,189	1,378,766	4,116,656	2,759,321
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
<b>Total</b>	<b>7,829,200</b>	<b>7,043,298</b>	<b>12,795,521</b>	<b>9,508,683</b>

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

	<b>Current Year</b>	<b>Previous Year</b>
Deposits and other accounts at foreign branches	7,231	6,604
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	1,859	3,486
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

**2. Information on derivative financial liabilities held for trading purpose**

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

	<b>Current Year</b>		<b>Previous Year</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forwards	3,399	4,574	845	94
Swaps	973	335,760	20,297	80,716
Futures	-	-	-	-
Options	4	93	95	1,320
Others	-	-	-	-
<b>Total</b>	<b>4,376</b>	<b>340,427</b>	<b>21,237</b>	<b>82,130</b>

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

	<b>Current Year</b>		<b>Previous Year</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	238,436	551,187	139,492	323,562
Foreign banks, institutions and funds	112,338	8,010,336	84,774	6,139,174
<b>Total</b>	<b>350,774</b>	<b>8,561,523</b>	<b>224,266</b>	<b>6,462,736</b>

***Maturity information of funds borrowed***

	<b>Current Year</b>		<b>Previous Year</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Short-term <sup>(*)</sup>	330,858	2,902,663	187,802	3,488,644
Medium and Long-term <sup>(*)</sup>	19,916	5,658,860	36,464	2,974,092
<b>Total</b>	<b>350,774</b>	<b>8,561,523</b>	<b>224,266</b>	<b>6,462,736</b>

<sup>(\*)</sup> Maturity profile of funds borrowed has been prepared in accordance with their original maturities.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 10.6% (31 December 2010: 9.8%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On 1 September 2010, the Parent Bank obtained a syndication loan at the amount of US Dollar 135 million and Euro 408 million with interest rates of Libor + 0.75% and Euribor + 0.75% at 1 year maturity and syndication loan at the amount of US Dollar 10 million and Euro 45 million with interest rates of Libor + 1.15% and Euribor + 1.15% at 2 years maturity with the participation of 32 banks under the coordination of West LB AG, and the Bank has repaid the part of the loan with one year maturity on 6 September 2011. This loan has been renewed with a syndication loan at the amount of US Dollar 145 million and Euro 433 million with interest rates of US Libor+ 1.00% and Euribor + 1.00% at a maturity of one year, with the participation of 26 banks under the coordination of ING Bank N.V.



On 24 March 2010, the 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, the the loan was repaid on 29 March 2011. On 28 March 2011, this loan has been renewed with a syndicated loan at the amount of US Dollar 192.5 million and Euro 573.5 million with interest rates of US Libor+1.10% and Euribor + 1.10% at a maturity of one year, with the participation of 34 banks under the coordination of West LB AG and the agency of ING Bank NV.

***Information on securities issued***

On 8 August 2011, the Parent Bank has issued bonds with a nominal value of TL 500,000 and 176 days maturity. As at 31 December 2011, the Bank has purchased its bonds with a nominal of TL 1,637 thousand and netted from its bonds payable. The carrying value of these bonds amounts to TL 493,000 as at 31 December 2011 (31 December 2010: None).

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

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

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

***Obligations under finance leases***

None.

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

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

None.

**7. Information on provisions**

***Information on general provisions***

	Current Year	Previous Year
Provisions for loans and receivables in Group I	583,470	350,017
Provisions for loans and receivables in Group II	38,615	40,852
Provisions for non-cash loans	46,189	35,922
Others	2,906	1,085
<b>Total</b>	<b>671,180</b>	<b>427,876</b>

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

	Balance sheet items		Off balance sheet items	
	Carrying value	Provision	Carrying value	Provision
<b>31 December 2011</b>				
Grade 1 : Low risk loans and receivables	54,683,265	578,513	27,810,822	46,016
Grade 2 : Loans under follow-up	1,754,684	35,530	43,237	173
Restructured loans	154,275	3,085	-	-
Other not graded assets	1,406,792	4,957	6,471,790	2,906
<b>Total</b>	<b>57,999,016</b>	<b>622,085</b>	<b>34,325,849</b>	<b>49,095</b>

	Balance sheet items		Off balance sheet items	
	Carrying value	Provision	Carrying value	Provision
<b>31 December 2010</b>				
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>

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

	<b>Current Year</b>	<b>Previous Year</b>
Provision for currency exchange gain/loss on foreign currency indexed loans	2,419	715

The Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 2,419 (31 December 2010: 715) 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	417	233
Non-cash Loans with Doubtful Collectibility	7,484	3,636
Uncollectible Non-cash Loans	60,036	88,379
<b>Total</b>	<b>67,937</b>	<b>92,248</b>

***Information on other provisions***

As at 31 December 2011, the Parent Bank has recorded provision amounting to 5% of loans under follow up. Part of that amount has been recognized under general provisions and the remaining TL 51,676 (31 December 2010: 65,428) has been recognized 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	67,937	92,248
Provision for loans under follow-up	51,676	65,428
Provision for World Vakıf UBB Ltd with regard to its negative equity	27,105	19,920
Provision for cheques	17,736	16,251
Provisions for lawsuits against the Group	17,056	15,486
Provisions for credit card promotions	7,923	7,873
Other provisions <sup>(*)</sup>	39,175	6,563
<b>Total</b>	<b>228,608</b>	<b>223,769</b>

<sup>(\*)</sup>Other provisions include TL 27,400 provision which Parent Bank recorded for the receivables from term sale of assets with limited collectability.

**8. Taxation**

***Current Taxes***

***Tax provision***

As at and for the year ended 31 December 2011, the tax liability of the Group is amounting to TL 22,502 (31 December 2010: TL 115,123).

***Information on taxes payable***

	<b>Current Year</b>	<b>Previous Year</b>
Corporate taxes payable	22,502	115,123
Taxation on securities	62,943	38,770
Capital gains tax on property	1216	1,047
Banking and Insurance Transaction Tax (BITT)	28,855	22,863
Taxes on foreign exchange transactions	-	-
Value added tax payable	1417	1,540
Others	28,394	23,890
<b>Total</b>	<b>145,327</b>	<b>203,233</b>

*Information on premiums payable*

	<b>Current Year</b>	<b>Previous Year</b>
Social security premiums- employee share	789	446
Social security premiums- employer share	1,930	2,839
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	3
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	429	375
Unemployment insurance- employer share	958	781
Others	456	1,257
<b>Total</b>	<b>4,562</b>	<b>5,701</b>

*Information on deferred tax liabilities*

Disclosed in Note 13 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	(19,393)	-	(12,882)	-
Fair value differences of available-for-sale securities	(181,240)	109,679	126,248	187,884
Foreign exchange differences	-	-	-	-
<b>Total</b>	<b>(200,633)</b>	<b>109,679</b>	<b>113,366</b>	<b>187,884</b>

**III. Information and disclosures related to consolidated off-balance sheet items****1. Disclosures related to other contingent liabilities***Type and amount of irrevocable commitments*

	<b>Current Year</b>	<b>Previous Year</b>
Commitments for credit card limits	4,579,863	3,698,348
Loan granting commitments	4,322,604	4,880,798
Asset purchase commitments	1,626,838	904,825
Commitments for cheque payments	829,640	655,194
Other	519,642	367,573
<b>Toplam</b>	<b>11,878,587</b>	<b>10,506,738</b>

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

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

The Parent Bank provided specific provision amounting to TL 67,937 (31 December 2010: TL 92,248) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 69,605 (31 December 2010: TL 93,180).

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

	<b>Current Year</b>	<b>Previous Year</b>
Provisional letters of guarantee	489,911	627,236
Final letters of guarantee	4,493,718	3,480,369
Letters of guarantee for advances	1,946,721	1,215,050
Letters of guarantee given to custom offices	323,046	215,578
Other letters of guarantee	3,969,712	2,688,694
<b>Total</b>	<b>11,223,108</b>	<b>8,226,927</b>

**2. Non-cash loans**

	<b>Current Year</b>	<b>Previous Year</b>
Non-cash loans given for cash loan risks	591,334	309,128
With original maturity of 1 year or less	353,374	197,708
With original maturity of more than 1 year	237,960	111,420
Other non-cash loans	15,223,047	11,050,700
<b>Total</b>	<b>15,814,381</b>	<b>11,359,828</b>

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

	Current Year				Previous Year			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>44,778</b>	<b>0.49</b>	<b>189,336</b>	<b>2.79</b>	<b>34,489</b>	<b>0.53</b>	<b>168,629</b>	<b>3.46</b>
Farming and cattle	39,146	0.43	176,234	2.59	30,764	0.47	154,865	3.17
Forestry	4,610	0.05	7,949	0.12	3,252	0.05	3,250	0.07
Fishing	1,022	0.01	5,153	0.08	473	0.01	10,514	0.22
<b>Manufacturing</b>	<b>3,990,192</b>	<b>44.24</b>	<b>3,237,435</b>	<b>47.63</b>	<b>2,913,650</b>	<b>45.00</b>	<b>2,585,483</b>	<b>52.96</b>
Mining	49,592	0.55	53,415	0.79	37,315	0.58	177,128	3.63
Production	2,889,888	32.04	2,816,140	41.43	1,974,922	30.50	1,762,739	36.11
Electric, gas and water	1,050,712	11.65	367,880	5.41	901,413	13.92	645,616	13.22
<b>Construction</b>	<b>1,509,054</b>	<b>16.73</b>	<b>1,021,201</b>	<b>15.03</b>	<b>1,082,641</b>	<b>16.71</b>	<b>730,552</b>	<b>14.96</b>
<b>Services</b>	<b>2,843,974</b>	<b>31.54</b>	<b>1,385,717</b>	<b>20.39</b>	<b>1,871,905</b>	<b>28.89</b>	<b>405,121</b>	<b>8.29</b>
Wholesale and retail trade	1,093,274	12.12	380,986	5.61	721,816	11.14	179,191	3.67
Hotel, food and beverage								
Services	57,270	0.64	1,931	0.03	42,105	0.65	7,510	0.15
Transportation and								
Telecommunication	463,721	5.14	781,092	11.48	204,053	3.15	186,231	3.81
Financial institutions	1,166,857	12.94	202,866	2.99	866,234	13.37	18,590	0.38
Real estate and renting								
Services	15,604	0.17	43	-	2,008	0.03	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	6,817	0.08	-	-	4,925	0.08	-	-
Health and social services	40,431	0.45	18,799	0.28	30,764	0.47	13,599	0.28
<b>Others</b>	<b>630,744</b>	<b>7.00</b>	<b>961,950</b>	<b>14.16</b>	<b>574,826</b>	<b>8.87</b>	<b>992,532</b>	<b>20.33</b>
<b>Total</b>	<b>9,018,742</b>	<b>100.00</b>	<b>6,795,639</b>	<b>100.00</b>	<b>6,477,511</b>	<b>100.00</b>	<b>4,882,317</b>	<b>100.00</b>

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

Current Year	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	8,914,681	2,199,461	40,559	297
Confirmed bills of exchange and acceptances	29,056	454,538	-	-
Letters of credit	732	4,098,201	-	467
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	-	-	-	-
Other guarantees and sureties	-	6,784	-	-
<b>Total Non-Cash Loans</b>	<b>8,944,469</b>	<b>6,758,984</b>	<b>40,559</b>	<b>764</b>

Previous 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>

**5. Information on derivative transactions**

	Current Year	Previous Year
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>11,007,578</b>	<b>6,517,543</b>
Currency Forwards	971,981	104,871
Currency Swaps	9,788,365	6,156,981
Currency Futures	-	-
Currency Options	247,232	255,691
<b>Interest Rate Derivative Transactions (II)</b>	<b>1,662,118</b>	<b>535,906</b>
Interest Rate Forwards	-	-
Interest Rate Swaps	1,662,116	535,904
Interest Rate Options	-	-
Investment Security Options	2	2
Interest Rate Futures	-	-
<b>Other Trading Derivatives (III)</b>	<b>531,155</b>	<b>-</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>13,200,851</b>	<b>7,053,449</b>
<b>Hedging Derivatives</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
<b>B. Total Hedging Derivatives</b>	<b>-</b>	<b>-</b>
<b>Derivative Transactions (A+B)</b>	<b>13,200,851</b>	<b>7,053,449</b>

	31 December 2011					Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	
<b>Currency swaps:</b>						
Purchase	1,643,418	1,024,415	1,656,806	-	-	4,324,639
Sale	1,102,384	1,085,944	1,692,000	-	-	3,880,328
<b>Currency forwards:</b>						
Purchase	96,217	112,920	276,913	-	-	486,050
Sale	96,177	112,889	276,865	-	-	485,931
<b>Cross currency interest rate swaps:</b>						
Purchase	-	94,000	75,200	696,758	-	865,958
Sale	-	77,100	52,830	587,510	-	717,440
<b>Interest rate swaps:</b>						
Purchase	-	-	20,176	141,000	675,847	837,023
Sale	-	-	8,246	141,000	675,847	825,093
<b>Options:</b>						
Purchase	123,616	-	-	-	-	123,616
Sale	123,616	-	-	-	-	123,616
<b>Others:</b>						
Purchase	-	-	-	-	2	2
Sale	531,155	-	-	-	-	531,155
<b>Total purchases</b>	<b>1,863,251</b>	<b>1,231,335</b>	<b>2,029,095</b>	<b>837,758</b>	<b>675,849</b>	<b>6,637,288</b>
<b>Total sales</b>	<b>1,853,332</b>	<b>1,275,933</b>	<b>2,029,941</b>	<b>728,510</b>	<b>675,847</b>	<b>6,563,563</b>
<b>Total</b>	<b>3,716,583</b>	<b>2,507,268</b>	<b>4,059,036</b>	<b>1,566,268</b>	<b>1,351,696</b>	<b>13,200,851</b>

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

Consolidated Financial Report as at and

For the Year Ended 31 December 2011

(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 1*

	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	-	-	2,362,471
Sale	1,457,371	423,412	463,500	-	-	2,344,283
<b>Currency forwards:</b>						
Purchase	33,796	17,447	1,199	-	-	52,442
Sale	33,787	17,443	1,199	-	-	52,429
<b>Cross currency interest rate swaps:</b>						
Purchase	-	-	-	729,658	-	729,658
Sale	-	-	-	720,569	-	720,569
<b>Interest rate swaps:</b>						
Purchase	-	731	127,538	30,223	115,875	274,367
Sale	-	731	124,600	20,331	115,875	261,537
<b>Options:</b>						
Purchase	86,554	41,291	-	-	-	127,845
Sale	86,555	41,291	-	-	-	127,846
<b>Investment security options:</b>						
Alım	-	-	-	-	2	2
Satım	-	-	-	-	-	-
<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>

**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	1,293,890	179,265	1,251,208	147,288
Medium and long-term loans	2,758,760	574,120	2,207,400	388,707
Loans under follow-up	141,727	-	110,814	-
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>4,194,377</b>	<b>753,385</b>	<b>3,569,422</b>	<b>535,995</b>

###### *Information on interest income received from banks*

	Current Year		Previous Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	47,904	2,158	55,025	1,292
Foreign banks	43	11,647	382	4,934
Foreign head office and branches	-	-	-	-
<b>Total</b>	<b>47,947</b>	<b>13,805</b>	<b>55,407</b>	<b>6,226</b>

###### *Information on interest income received from securities portfolio*

	Current Year		Previous Year	
	TL	FC	TL	FC
Trading financial assets	21,643	1,749	30,185	3,186
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	891,753	164,201	1,079,138	143,368
Held-to-maturity investments	352,635	110,189	262,106	103,421
<b>Total</b>	<b>1,266,031</b>	<b>276,139</b>	<b>1,371,429</b>	<b>249,975</b>

###### *Information on interest income received from associates and subsidiaries*

	Current Year	Previous Year
Interests received from the associates and subsidiaries	1,020	221

## 2. Interest Expense

### *Interest expenses on funds borrowed*

	Current Year		Previous Year	
	TL	FC	TL	FC
<b>Banks</b>	<b>33,026</b>	<b>133,535</b>	<b>15,448</b>	<b>86,411</b>
Central Bank of Turkey	-	-	-	-
Domestic banks	11,409	8,265	6,995	6,048
Foreign banks	21,617	125,270	8,453	80,363
Foreign head offices and branches	-	-	-	-
<b>Other institutions</b>	<b>-</b>	<b>6,590</b>	<b>-</b>	<b>4,327</b>
<b>Total</b>	<b>33,026</b>	<b>140,125</b>	<b>15,448</b>	<b>90,738</b>

### *Interest expenses paid to associates and subsidiaries*

	Current Year	Previous Year
Interests paid to the associates and subsidiaries	22,503	20,346

### *Interest expense on securities issued*

Interest expense on securities issued amounts to 16,088 TL as at and for the year ended 31 December 2011 (31 December 2010: 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				
<i>Turkish Lira:</i>									
Bank Deposits	-	135,262	-	-	-	-	-	-	135,262
Saving Deposits	124	43,455	891,038	67,623	13,490	5,029	-	-	1,020,759
Public Sector Deposits	430	80,621	313,742	50,492	4,501	1,089	-	-	450,875
Commercial Deposits	484	112,843	379,331	64,000	12,134	101	-	-	568,893
Other Deposits	6	51,412	206,120	65,086	19,085	833	-	-	342,542
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,044</b>	<b>423,593</b>	<b>1,790,231</b>	<b>247,201</b>	<b>49,210</b>	<b>7,052</b>	<b>-</b>	<b>-</b>	<b>2,518,331</b>
<i>Foreign Currency:</i>									
Foreign Currency Deposits	2,583	37,689	237,130	42,912	22,634	60,655	-	-	403,603
Bank Deposits	-	29,370	-	-	-	-	-	-	29,370
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	-
Precious Metals Deposits	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,583</b>	<b>67,059</b>	<b>237,130</b>	<b>42,912</b>	<b>22,634</b>	<b>60,655</b>	<b>-</b>	<b>-</b>	<b>432,973</b>
<b>Grand Total</b>	<b>3,627</b>	<b>490,652</b>	<b>2,027,361</b>	<b>290,113</b>	<b>71,844</b>	<b>67,707</b>	<b>-</b>	<b>-</b>	<b>2,951,304</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	112	195
Others	4,620	3,340
<b>Total</b>	<b>4,732</b>	<b>3,535</b>

**4. Trading income/losses**

	<b>Current Year</b>	<b>Previous Year</b>
<b>Income</b>	<b>2,169,924</b>	<b>1,371,317</b>
Income from capital market transactions	82,997	368,300
Income from derivative financial instruments	626,679	118,013
Foreign exchange gains	1,460,248	885,004
<b>Losses</b>	<b>(2,118,540)</b>	<b>(1,050,331)</b>
Losses from capital market transactions	(5,340)	(764)
Losses from derivative financial instruments	(640,226)	(189,540)
Foreign exchange losses	(1,472,974)	(860,027)
<b>Trading income/losses, net</b>	<b>51,384</b>	<b>320,986</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 60,442 as at and for the year ended 31 December 2011 (31 December 2010: net loss of TL 72,483).

**5. Other operating income**

	<b>Current Year</b>	<b>Previous Year</b>
Earned insurance premiums (net of reinsurance share)	533,703	487,599
Income from reversal of the impairment losses	658,310	436,793
Gain on sale of assets	109,945	22,315
Communication income	80,627	76,836
Income from private pension business	25,574	19,951
Rent income	2,328	30,540
Other income	63,018	66,077
<b>Total</b>	<b>1,473,505</b>	<b>1,140,111</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	415,381	666,476
<i>Loans and receivables in Group III</i>	94,246	52,253
<i>Loans and receivables in Group IV</i>	204,183	214,607
<i>Loans and receivables in Group V</i>	116,952	399,616
Non-performing commissions and other receivables	-	-
General provision expenses	243,923	105,274
Provision for possible losses	-	65,428
Impairment losses on securities	89,438	10,688
<i>Trading securities</i>	22,800	-
<i>Investment securities available-for-sale</i>	66,638	10,688
Other impairment losses	30,372	30,701
<i>Associates</i>	-	-
<i>Subsidiaries</i>	3,867	13,535
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	26,505	17,166
Others <sup>(*)</sup>	159,100	97,611
<b>Total</b>	<b>938,214</b>	<b>976,178</b>

(\*) Other provision expenses amounting to TL 159,100 (31 December 2010: TL 97,611) is comprised of provision expenses for dividends to the personnel amounting to TL 97,000 (31 December 2010: TL 78,358), provision for non-cash loans that are not indemnified or converted to cash and provisions for cheques amounting to TL 58,294 (31 December 2010: TL 16,324) and other provision expenses amounting to TL 3,806 (31 December 2010: TL 2,929).

**7. Other operating expenses**

	<b>Current Year</b>	<b>Previous Year</b>
Personnel costs	931,076	762,833
Reserve for employee termination benefits	23,407	35,391
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	106,372	98,055
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	9,523	8,427
Impairment losses on assets to be disposed	2,934	3,471
Depreciation expenses on assets to be disposed	10,789	9,574
Impairment losses on assets held for sale	-	110
Other operating expenses	840,220	719,729
<i>Operational lease related expenses</i>	<i>112,101</i>	<i>90,751</i>
<i>Repair and maintenance expenses</i>	<i>15,694</i>	<i>15,257</i>
<i>Advertisement expenses</i>	<i>50,758</i>	<i>46,528</i>
<i>Other expenses</i>	<i>661,667</i>	<i>567,193</i>
Loss on sale of assets	1,150	5,160
Others	580,616	722,105
<b>Total</b>	<b>2,506,087</b>	<b>2,364,855</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 387,387 (31 December 2010: TL 325,272) 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	81,940	13,486
Arising from origination (-)/ reversal (+) of taxable temporary differences	(36,089)	(1,366)
Arising from origination (+)/ reversal (-) of tax losses	-	-
Arising from tax rate change	-	-
<b>Total</b>	<b>45,851</b>	<b>12,120</b>

**12. Net profit and loss**

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

Group has earned TL 6,695,600 interest income and TL 561,369 net fee and commission income also incurred TL 3,661,368 amount of interest expense from its ordinary banking operations (31 December 2010: TL 6,027,885 interest income, TL 3,172,750 interest expense, TL 447,099 net fee and commission income).

*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**

	<b>Current Year</b>	<b>Previous Year</b>
Income/(losses) related to non-controlling interest	56,695	(30,935)

**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 2011, foreign currency translation differences amounting of TL 71,432 (31 December 2010: TL 43,173), 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 57<sup>th</sup> Annual General Assembly held on 25 March 2011, it was decided to distribute the net profit of the year 2010 after the deduction of deferred tax income amounting to TL 1,143,825 as legal reserves amounting to TL 114,382, dividends to equity holders of the Bank amounting to TL 34,314, extraordinary reserves amounting to TL 992,598 and special funds amounting to TL 2,531.

**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	314,132	333,412
Fair value changes in the current year	(322,035)	80,477
Effect of deferred and corporate taxes	68,609	1,990
Valuation differences transferred to the statement of income	(156,235)	(121,215)
Effect of deferred and corporate taxes	23,968	19,468
<b>Valuation differences at the end of the year</b>	<b>(71,561)</b>	<b>314,132</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	(12,882)	1,510
Fair value changes in the current year	(6,454)	(14,581)
Effect of deferred and corporate taxes	(57)	189
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	-	-
<b>Valuation differences at the end of the year</b>	<b>(19,393)</b>	<b>(12,882)</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 (176,099) (31 December 2010: TL 412,084) 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 (1,385,278) (31 December 2010: TL 3,164,187) under “Changes in operating assets and liabilities” is mainly comprised of cash outflows from repurchase agreements.

“Other” balance under the “Net cash flow from investing activities” amounting to TL 32,151 (31 December 2010: 17,236 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 3,796 (31 December 2010: TL 1,202) 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**

In the current period, the Parent Bank has paid TL 1,000 of its TL 2,000 amounted capital commitment to Kredi Garanti Fonu AŞ. The paid amount is presented as acquisitions in movement table of investments in associates. The related amount has been presented in “Cash paid for purchase of associates, subsidiaries and joint-ventures” under “Cash flows from investing activities”.

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

There is not any associate, subsidiary or joint-venture disposed in the current and prior year.

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

##### *Information on cash and cash equivalents at the beginning 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>

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

	Current Year 31 December 2011	Previous Year 31 December 2010
<b>Cash on hand</b>	<b>716,004</b>	<b>659,170</b>
Cash in TL	604,234	571,665
Cash in Foreign Currency	111,770	87,505
<b>Cash equivalents</b>	<b>4,290,104</b>	<b>6,488,918</b>
CBT	6,424,827	3,990,880
Bank deposits	2,541,335	2,170,884
Interbank money market placements	190,467	2,101,584
Others	1,031	983
Loans and advances to banks having maturity of more than 3 months	(303,391)	(46,350)
Restricted cash and cash equivalents	(4,560,702)	(1,715,194)
Income accruals on cash equivalents	(3,463)	(13,869)
<b>Total</b>	<b>5,006,108</b>	<b>7,148,088</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 4,269,727 as at 31 December 2011 (31 December 2010: TL 1,423,140) has not been included in cash and cash equivalents.

Deposits amounting to TL 290,975 (31 December 2010: TL 292,054) 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	-	316,196	-	563	8,978	2,371
Balance at the end of the year	-	591,730	-	6,572	4,443	1,385
Interest and commission income	1,020	278	-	30	382	46

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	-	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

**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	411,915	456,031	581,885	917,223	54,423	56,210
Balance at the end of the year	855,959	411,915	728,474	581,885	85,795	54,423
Interest on deposits	22,992	20,346	42,610	60,887	-	445

**Information on forward and option 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**

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 0.01% (31 December 2010: 0.02%) and 3.83% (31 December 2010: 2.81%).

Current Year	Amount	Compared with the Financial Statement
		Amount %
Cash Loans	4,443	0.01
Non-Cash Loans	599,687	3.83
Deposits	1,670,228	2.70

Previous Year	Amount	Compared with the Financial Statement
		Amount %
Cash Loans	8,978	0.02
Non-Cash Loans	319,130	2.81
Deposits	1,048,223	2.18

## 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>	677	12,188			
			<b>Country</b>		
Foreign Representative Offices	-	-			
				<b>Total Assets</b>	<b>Legal Capital</b>
Foreign Branches	1	16	USA	1,805,195	31,020
	1	14	Iraq	37,341	13,160
Off-shore Branches	1	4	Bahrain	10,145,948	-

<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 2011, 43 domestic and 1 in abroad, in total 44 (during 2010: 100) new branches have been opened and no branches have been closed (during 2010: 9).

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

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

<b>Profit Distribution Table of Year 2010</b>	
<b>Current year's profit of the Parent Bank's unconsolidated financial statements</b>	<b>1,157,140</b>
Deferred tax income	(13,315)
<b>Net profit of the year subject to distribution</b>	<b>1,143,825</b>
Legal reserves	114,382
<i>First legal reserves</i>	57,191
<i>Reserves allocated, according to banking law and articles of association.</i>	57,191
<b>Net profit of the year subject to distribution</b>	<b>1,029,443</b>
Other reserves	2,531
Extraordinary reserves	992,598
<b>Dividends to the shareholders</b>	<b>34,314</b>

- The Bank and CBT had disagreement about the reserve requirements deposited at CBT regarding the syndication loans obtained by foreign branches of the Bank. Subsequent to the decision, CBT required the Bank to provide reserve requirement for loans obtained by foreign branches, the Bank filed a claim in Ankara 15<sup>th</sup> Administrative Court for the suspension of execution and cancellation of the decision. As at 15 June 2011, the court decided on refusal of the claim with the right to appeal on State Council. CBT requested the Bank to provide additional reserves amounting to USD 384 million in average for 3.5 years period with the 4 May 2011 dated communique. In this context, the Bank has began to provide additional reserve requirements at 27 May 2011.
- Small and Medium Industry Development Organization ("KOSGEB") claimed that the Bank had subscription fee liabilities for the years 2004, 2005 and 2006 based on the clause c of 14<sup>th</sup> article of the KOSGEB Law No: 3624 which states that the organization's budget comprise the subscription fees from banks whose equities are held by state institutions and organizations by more than 50%, amounting to 2% of their annual profits subject to corporate tax. First stage of the court decided the Bank to pay TL 50,252 thousands. Following the notice of the court decision the Bank appealed for correction in the scope of 97<sup>th</sup> and 98<sup>th</sup> articles of the Law No: 6111 which became effective as at 25 February 2011. With respect to 97<sup>th</sup> article of Law No: 6111 the subscription fee liability is abrogated in favor of Bank and 98<sup>th</sup> article states that this practice will be effective starting from 1 January 2004. Therefore, subscription fee liability and compensation decided by the court lost their basis. Main opposition party applied to the Constitutional Court for the cancellation of 98<sup>th</sup> article of Law No: 6111. Since 97<sup>th</sup> and 98<sup>th</sup> articles of Law No: 6111 are currently effective and are in favour of the Bank, the Bank has not booked provision for the related lawsuit in the accompanying financial statements.
- The public offering of the Bank's bond with TL 500,000,000 nominal value and 176 days maturity in accordance with the communiqué approved by CMB on 22 July 2011, has been published on Official Gazette dated 22 July 2011. The bond has started to be traded on Istanbul Stock Exchange with the ISIN code "TRQVKFB11218" on 10 August 2011.

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

<b>December 2011</b> (*)	<b>Standard &amp; 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>November 2011</b> (*)	<b>Fitch Rating</b>
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long Term Local Currency	BB+
Short Term Local Currency	B
Local Currency Outlook	Stable
National Long Term	AA+ (tur)
National Outlook	Stable
Individual	C/D
Support	3
Base Support Rating	BB+

<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.

(\*\*) Standard & Poors, has confirmed its previous ratings for Bank with the report issued on 31 January 2012.

**III. Significant events and matters subsequent to balance sheet date that are not resulted**

- The public offering of the Bank's bond with TL 500,000,000 (Full TL) nominal value and 176 days maturity in accordance with the communiqué approved by CMB on 22 July 2011, has been published on Official Gazette dated 22 July 2011. The bond has started to be traded on Istanbul Stock Exchange with the ISIN code "TRQVKFB11218" on 10 August 2011. The bond has matured at 31 January 2012.
- The public offering of the Bank's bill with TL 1,000,000,000 (Full TL) nominal value and 178 days maturity in accordance with the communiqué approved by CMB on 12 January 2011, has been realized. The bill has started to be traded on Istanbul Stock Exchange with the ISIN code "TRQVKFB71212" on 1 February 2012. The compound and simple yields of the bill are 10.87% and 10.58% respectively. Issuance price has been TL 95.094. The interest of the bill is to be paid with the principal at maturity.
- Per the resolution of Board of Directors of Parent Bank dated 9 February 2012, the application works will be started in order to have necessary permissions from BRSA and CMB for the Parent Bank to issue different types of bill and/or bond with different maturities which in total has a nominal value of TL 3,000,000,000 (Full TL).
- Per the resolution of Board of Directors of Parent Bank dated 14 March 2012, it has been decided to submit to the attention of General Assembly the distribution of profit of the year 2011 as shown in the table below and the dividend to be paid until 31 May 2012.

<b>Profit Distribution Table of Year 2011</b>	
<b>Current year's profit of the Parent Bank's unconsolidated financial statements</b>	<b>1,226,785</b>
Deferred tax income	(25,524)
<b>Net profit of the year subject to distribution</b>	<b>1,201,261</b>
Legal reserves	120,126
<i>First legal reserves</i>	60,063
<i>Reserves allocated, according to banking law and articles of association.</i>	60,063
<b>Net profit of the year subject to distribution</b>	<b>1,081,135</b>
Gain on sale of immovables and shares of associates and subsidiaries	33,497
Extraordinary reserves	1,010,638
<b>Dividends to the shareholders</b>	<b>37,000</b>

**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 2011, 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 20 March 2012.