

(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 Statements

As at and for the Nine-Month Period Ended

30 September 2012

With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ
27 November 2012

This report contains "Independent Auditors' Review Report" comprising 1 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 73 pages.

**Convenience Translation of the Independent Auditors' Review Report
Originally Prepared and Issued in Turkish (See Section 3 Note I)**

To the Board of Directors of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı:

We have reviewed the consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its financial subsidiaries as at 30 September 2012 and the consolidated statements of income, changes in shareholders' equity and cash flows for the nine-month period then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility, as independent auditors, is to issue a report on these consolidated financial statements based on our review. We did not review the financial statements of a consolidated company as at 30 September 2012, which reflects total assets constituting 1.7%; and total operating income constituting 1.2% as at and for the period ended 30 September 2012 of the related consolidated totals. Those statements were reviewed by another auditor whose report has been furnished to us, and our report, insofar as it relates to the amounts included for that company is based solely on the report of another auditor.

We conducted our review in accordance with the regulations with the "Accounting and Recording Rules" and "Independent Auditing Standards" of (Turkish) Banking Law No 5411. These regulations require that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its financial subsidiaries as at 30 September 2012, and of the results of its operations and its cash flows for the nine-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 and Article 38 of the (Turkish) Banking Law No 5411; and other communiqués, disclosures and circulars on accounting and financial reporting principles issued by the Banking Regulation and Supervision Board and explanations by Banking Regulation and Supervision Agency.

Istanbul,
27 November 2012

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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The consolidated financial report as at and for the nine-month period ended 30 September 2012 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' REVIEW REPORT

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

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

ASSOCIATES

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

The consolidated interim financial statements and related disclosures and footnotes as at and for the nine-month period ended 30 September 2012 that were subject to independent limited review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated financial statements are presented in thousands of Turkish Lira (“TL”).

27 November 2012

Halil AYDOĞAN
Chairman of
Board of Directors

Halim KANATCI
Deputy Chairman and
Audit Committee Member

Ali Fuat TAŞKESENLİOĞLU
Board Member and
Audit Committee Member

Mehmet CANTEKİN
Deputy General Manager and
Board Member

Metin Recep ZAFER
Assistant General Manager

Murat KOYGUN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this consolidated financial report:

Name-Surname/Title : S. Buğra SÜRÜEL / Manager
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	Page No:
<u>SECTION ONE</u>	
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
VI. Differences between the communique on preparation of consolidated financial statements of banks and turkish accounting standards and short explanation about the institutions subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods	4
VII. The existing or potential, actual or legal obstacles on the transfer o shareholders' equity between the Parent Bank and its subsidiaries or the reimbursement of liabilities	4
<u>SECTION TWO</u>	
Consolidated Financial Statements	
I. Consolidated balance sheet – Assets	4
II. Consolidated balance sheet - Liabilities and equity	5
III. Consolidated off-balance sheet items	6
IV. Consolidated statement of income	7
V. Consolidated statement of gains and losses recognized in shareholders' equity	8
VI. Consolidated statement of changes in shareholder's equity	9
VII. Consolidated statement of cash flows	10
<u>SECTION THREE</u>	
Accounting Policies	
I. Basis of presentation	11
II. Strategy for use of financial instruments and foreign currency transactions	11
III. Information on companies subject to consolidation	12
IV. Information on forwards, options and other derivative transactions	14
V. Information on interest income and expenses	14
VI. Information on fees and commissions	14
VII. Information on financial assets	15
VIII. Information on impairment of financial assets	16
IX. Information on netting of financial instruments	16
X. Information on repurchase and resale agreements and securities lending	16
XI. Information on assets and liabilities arising from assets held for sale and discontinued operations	17
XII. Information on goodwill and other intangible assets	17
XIII. Information on tangible assets	17
XIV. Information on investment properties	18
XV. Information on leasing activities	18
XVI. Information on provisions and contingent liabilities	18
XVII. Information on obligations of the Group concerning employee rights	19
XVIII. Information on taxation	20
XIX. Additional information on borrowings	22
XX. Information on issuance of equity securities	22
XXI. Information on confirmed bills of exchange and acceptances	22
XXII. Information on government incentives	22
XXIII. Information on segment reporting	22
XXIV. Other disclosures	22
<u>SECTION FOUR</u>	
Information Related to the Financial Position of the Group	
I. Consolidated capital adequacy ratio	25
II. Consolidated market risk	28
III. Consolidated operational risk	29
IV. Consolidated foreign currency exchange risk	29
V. Consolidated interest rate risk	32
VI. Consolidated liquidity risk	35
VII. Consolidated segment reporting	37
<u>SECTION FIVE</u>	
Disclosures and Footnotes on Consolidated Financial Statements	
I. Information and disclosures related to consolidated assets	38
II. Information and disclosures related to consolidated liabilities	54
III. Information and disclosures related to consolidated off-balance sheet items	60
IV. Information and disclosures related to consolidated statement of income	62
V. Information and disclosures related to the parent Bank's risk group	65
<u>SECTION SIX</u>	
Other Disclosures and Footnotes	
I. Other disclosures on the Parent Bank's activity	66
II. Information on the parent Bank's rating given by international institutions	66
III. Significant events and matters subsequent to balance sheet date that are not resulted	67
IV. Significant foreign currency exchange rate fluctuations that are subsequent to balance sheet date	67
<u>SECTION SEVEN</u>	
Independent Auditors' Review Report	
I. Information on Independent Auditors' Review Report	68

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012

(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 30 September 2012 and 31 December 2011, 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 Parent Bank’s shareholders’ structure as at 30 September 2012 is stated below:

Shareholders	Number of Shares- 100 shares	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Foundations represented by the General Directorate of the Foundations (Group A)	1.075.058.640	1,075,059	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402.552.666	402,553	16.10
Appendant foundations (Group B)	386.224.785	386,225	15.45
Other appendant foundations (Group B)	3.157.818	3,157	0.13
Other registered foundations (Group B)	1.453.084	1,453	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
Total	2.500.000.000	2,500,000	100.00

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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Business Administration
Board of Directors				
Halil AYDOĞAN	Chairman	5 January 2012	University	35 years
Halim KANATCI	Deputy Chairman	28 April 2009	University	38 years
Süleyman KALKAN	Member – General Manager	19 March 2010	University	29 years
Ahmet CANDAN	Member	19 March 2010	University	25 years
İsmail ALPTEKİN	Member	6 April 2009	University	13 years
Ramazan GÜNDÜZ	Member	6 April 2009	University	33 years
Dr. Adnan ERTEM	Member	28 October 2010	PHD	24 years
Ali Fuat TAŞKESEN LİOĞLU	Member	30 March 2012	University	24 years
Sadık TILTAK	Member	30 March 2012	University	24 years
Audit Committee				
Halim KANATCI	Member	3 November 2010	University	38 years
Ali Fuat TAŞKESEN LİOĞLU	Member	6 April 2012	University	24 years
Auditors				
Mehmet HALTAŞ	Auditor	19 March 2010	University	35 years
Yunus ARINCI	Auditor	19 March 2010	Master	15 years
Executive Vice Presidents				
Mehmet CANTEKİN (<i>Deputy General Manager and Board Member</i>)	Loans Follow-up, Directorates of the Regions, Economic Research	28 December 2007	Master	20 years
Şahin UĞUR	Corporate Salary Payments	9 August 2004	University	26 years
Feyzi ÖZCAN	Retail Banking, Consumer Loans, Payment Systems, Payment System Operations, Insurance Banking	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
Ömer ELMAS	Legal Services, Non-performing Loans	5 January 2009	Master	9 years
İbrahim BİLGİÇ	Corporate Banking, Corporate Centers, Corporate Loans, Cash Management Affairs	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, Support Services, 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
Numan BEK	International Relations and Investor Relations	18 July 2012	University	21 years

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and

For the Nine-Month Period Ended 30 September 2012

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

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.

As per 30 March 2012 dated resolution of the Ordinary Meeting of the General Assembly, Serdar Tunçbilek and Selahattin Toraman have resigned from their duty and Ali Fuat Taşkesenlioğlu and Sadık Tiltak have been assigned as Board Members.

As per 6 April 2012 dated resolution of the Board of Directors, Halim Kanatçı has been assigned as Deputy Chairman of the Board of Directors. As at the same date, Ali Fuat Taşkesenlioğlu has been assigned as a Member of Audit Committee.

As per 28 June 2012 dated resolution of the Board of Directors, Birgül Denli has been assigned as Assistant General Manager of Güneş Sigorta AŞ, a subsidiary of the Bank, and has resigned her duty as Assistant General Manager of the Bank at 2 July 2012.

As per 4 July 2012 dated resolution of the Board of Directors, Numan Bek has been assigned as Assistant General Manager of the Bank and has come into office on 18 July 2012.

İsmail Alptekin, Member of the Board, holds non-publicly traded share of the Bank amounting to TL 59 and Assistant General Manager Mitat Şahin holds Group C traded share of the Bank amounting TL 24. 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 Parent Bank

The shareholder holding control over the Parent Bank is The General Directorate of the Foundations having 43.00% of the Bank’s outstanding shares. Another organization holding qualified share in the Parent 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 30 September 2012, the Parent Bank has 738 domestic, 3 foreign, in total 741 branches (31 December 2011: 677 domestic, 3 foreign, in total 680 branches). As at 30 September 2012, the Parent Bank has 13,223 employees (31 December 2011: 12,222 employees).

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and

For the Nine-Month Period Ended 30 September 2012

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

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institutions subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods

As at and for the nine-month period ended 30 September 2012, 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 Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ and Vakıf Gayrimenkul Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

As at and for the nine-month period ended 30 September 2012, the financial statements of Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ, Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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 Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

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.

VII. The existing or potential, actual or legal obstacles on the transfer of shareholders' equity between the Parent Bank and its subsidiaries or the reimbursement of liabilities

The transfer of equities between the Bank and its subsidiaries is not immediate. Distribution of profits within equity as dividends complies with respective regulations. There are not any actual or foreseen juristical obstacles against the Bank and its subsidiaries on repayments of debts in between.

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 30 September 2012

and Related Disclosures and Footnotes

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

Originally Issued in Turkish, See Section 3 Note 1

ASSETS	Notes	Reviewed Current Period 30 September 2012			Audited Previous Year 31 December 2011		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	1,265,636	8,730,397	9,996,033	2,069,331	5,072,531	7,141,862
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	190,191	116,082	306,273	177,477	184,145	361,622
2.1 Financial assets held for trading purpose		190,191	116,082	306,273	177,477	184,145	361,622
2.1.1 Debt securities issued by the governments		125,601	14,301	139,902	137,725	14,189	151,914
2.1.2 Equity securities		68	-	68	2,096	-	2,096
2.1.3 Derivative financial assets held for trading purpose	V-I-2	23,555	101,781	125,336	4,182	169,956	174,138
2.1.4 Other securities		40,967	-	40,967	33,474	-	33,474
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
III. BANKS	V-I-3	474,696	1,659,209	2,133,905	408,679	2,132,656	2,541,335
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		20,036	-	20,036	190,467	-	190,467
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	340	-	340
4.3 Receivables from reverse repurchase agreements		20,036	-	20,036	190,127	-	190,127
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	10,529,429	4,323,251	14,852,680	10,434,795	2,920,048	13,354,843
5.1 Equity securities		-	12,138	12,138	-	11,919	11,919
5.2 Debt securities issued by the governments		10,527,426	4,204,448	14,731,874	10,431,988	2,759,495	13,191,483
5.3 Other securities		2,003	106,665	108,668	2,807	148,634	151,441
VI. LOANS AND RECEIVABLES	V-I-5	47,840,750	17,548,471	65,389,221	38,871,737	19,297,116	58,168,853
6.1 Performing loans and receivables		47,559,909	17,545,809	65,105,718	38,763,115	19,294,387	58,057,502
6.1.1 Loans provided to the same risk group	V-V-1	2,323	14,310	16,633	1,650	2,793	4,443
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		47,557,586	17,531,499	65,089,085	38,761,465	19,291,594	58,053,059
6.2 Loans under follow-up		2,549,195	13,595	2,562,790	2,195,075	16,208	2,211,283
6.3 Specific provisions (-)		2,268,354	10,933	2,279,287	2,086,453	13,479	2,099,932
VII. FACTORING RECEIVABLES		210,290	17,384	227,674	577,291	40,513	617,804
VIII. HELD-TO-MATURITY INVESTMENTS (Net)	V-I-6	4,195,366	62,767	4,258,133	4,343,224	1,636,014	5,979,238
8.1 Debt securities issued by the governments		4,195,366	9,008	4,204,374	4,343,224	1,581,438	5,924,662
8.2 Other securities		-	53,759	53,759	-	54,576	54,576
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	190,968	3	190,971	167,001	3	167,004
9.1 Associates, consolidated per equity method		163,897	-	163,897	140,112	-	140,112
9.2 Unconsolidated associates		27,071	3	27,074	26,889	3	26,892
9.2.1 Financial associates		14,740	-	14,740	17,546	-	17,546
9.2.2 Non-Financial associates		12,331	3	12,334	9,343	3	9,346
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	148,247	-	148,247	148,290	-	148,290
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		148,247	-	148,247	148,290	-	148,290
XI. INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES	V-I-10	98,542	530,544	629,086	69,712	433,729	503,441
12.1 Finance lease receivables		124,772	598,684	723,456	85,542	489,873	575,415
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		26,230	68,140	94,370	15,830	56,144	71,974
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)		1,220,850	3,674	1,224,524	1,170,784	4,997	1,175,781
XV. INTANGIBLE ASSETS (Net)		97,836	194	98,030	79,782	206	79,988
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		97,836	194	98,030	79,782	206	79,988
XVI. INVESTMENT PROPERTIES (Net)	V-I-12	164,397	-	164,397	159,204	-	159,204
XVII. TAX ASSETS		159,497	-	159,497	195,867	1,803	197,670
17.1 Current tax assets		5,967	-	5,967	-	-	-
17.2 Deferred tax assets	V-I-13	153,530	-	153,530	195,867	1,803	197,670
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-14	2,168	-	2,168	2,159	-	2,159
18.1 Assets held for sale		2,168	-	2,168	2,159	-	2,159
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-15	2,587,004	253,365	2,840,369	2,427,064	243,919	2,670,983
TOTAL ASSETS		69,395,903	33,245,341	102,641,244	61,492,864	31,967,680	93,460,544

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Balance Sheet (Statement of Financial Position)

As at 30 September 2012

(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

LIABILITIES AND EQUITY		Notes	Reviewed Current Period 30 September 2012			Audited Previous Year 31 December 2011		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	45,564,297	19,525,147	65,089,444	43,028,280	18,813,696	61,841,976
1.1	Deposits of the same risk group	V-V-1	845,444	849,375	1,694,819	1,061,432	608,796	1,670,228
1.2	Other deposits		44,718,853	18,675,772	63,394,625	41,966,848	18,204,900	60,171,748
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	10,376	171,283	181,659	4,376	340,427	344,803
III.	FUNDS BORROWED	V-II-3	209,096	7,778,019	7,987,115	350,774	8,561,523	8,912,297
IV.	INTERBANK MONEY MARKET		2,755,896	5,039,090	7,794,986	3,031,108	3,000,144	6,031,252
4.1	Interbank Money Market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		34,869	-	34,869	49,577	-	49,577
4.3	Obligations under repurchase agreements		2,721,027	5,039,090	7,760,117	2,981,531	3,000,144	5,981,675
V.	SECURITIES ISSUED (Net)	V-II-3	2,122,499	908,705	3,031,204	493,000	-	493,000
5.1	Bills		2,019,863	-	2,019,863	493,000	-	493,000
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		102,636	908,705	1,011,341	-	-	-
VI.	FUNDS		34,565	-	34,565	40,699	-	40,699
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		34,565	-	34,565	40,699	-	40,699
VII.	MISCELLANEOUS PAYABLES		3,207,645	245,067	3,452,712	2,749,696	224,750	2,974,446
VIII.	OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	288,654	561,566	850,220	181,463	460,709	642,172
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	V-II-5	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	V-II-7	2,564,556	45,885	2,610,441	2,348,817	79,325	2,428,142
12.1	General provisions		863,288	2,867	866,155	668,297	2,883	671,180
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		394,605	597	395,202	402,990	578	403,568
12.4	Insurance technical provisions (Net)		1,136,270	12,885	1,149,155	1,078,213	46,573	1,124,786
12.5	Other provisions	V-II-7	170,393	29,536	199,929	199,317	29,291	228,608
XIII.	TAX LIABILITIES	V-II-8	286,810	5,912	292,722	148,347	5,208	153,555
13.1	Current tax liabilities		283,302	3,551	286,853	144,681	5,208	149,889
13.2	Deferred tax liabilities	V-I-13	3,508	2,361	5,869	3,666	-	3,666
XIV.	PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)	V-II-9	-	-	-	-	-	-
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	V-II-10	-	-	-	-	-	-
XVI.	EQUITY		10,580,301	735,875	11,316,176	9,335,716	262,486	9,598,202
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		841,690	579,098	1,420,788	541,878	109,679	651,557
16.2.1	Share premium		726,720	-	726,720	726,722	-	726,722
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-11	62,739	579,098	641,837	(200,633)	109,679	(90,954)
16.2.4	Revaluation surplus on tangible assets		50,452	-	50,452	14,010	-	14,010
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	1,779	-	1,779
16.2.8	Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		-	-	-	-	-	-
16.3	Profit reserves		5,837,548	71,936	5,909,484	4,673,086	80,909	4,753,995
16.3.1	Legal reserves		749,617	4,324	753,941	624,013	3,266	627,279
16.3.2	Status reserves		5,050	-	5,050	3,980	-	3,980
16.3.3	Extraordinary reserves		4,797,750	4,593	4,802,343	3,785,486	4,593	3,790,079
16.3.4	Other profit reserves		285,131	63,019	348,150	259,607	73,050	332,657
16.4	Profit or loss		1,057,070	62,070	1,119,140	1,282,952	50,648	1,333,600
16.4.1	Previous years' profit/loss		44,410	49,591	94,001	(3,293)	32,579	29,286
16.4.2	Current year's profit/loss		1,012,660	12,479	1,025,139	1,286,245	18,069	1,304,314
16.5	Non-controlling interest		343,993	22,771	366,764	337,800	21,250	359,050
TOTAL LIABILITIES AND EQUITY			67,624,695	35,016,549	102,641,244	61,712,276	31,748,268	93,460,544

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 30 September 2012

(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	Reviewed Current Period 30 September 2012			Audited Previous Year 31 December 2011		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		46,335,995	35,856,016	82,192,011	39,926,503	33,872,732	73,799,235
I. GUARANTEES AND SURETIES	V-III-2	9,890,415	6,632,490	16,522,905	9,018,742	6,795,639	15,814,381
1.1 Letters of guarantee	V-III-1	9,859,079	2,048,778	11,907,857	8,988,954	2,234,154	11,223,108
1.1.1 Guarantees subject to State Tender Law		1,435,265	897,580	2,332,845	1,421,940	735,091	2,157,031
1.1.2 Guarantees given for foreign trade operations		380,590	-	380,590	323,046	-	323,046
1.1.3 Other letters of guarantee		8,043,224	1,151,198	9,194,422	7,243,968	1,499,063	8,743,031
1.2 Bank acceptances		19,889	655,401	675,290	29,056	454,538	483,594
1.2.1 Import letter of acceptance		-	41,125	41,125	375	40,122	40,497
1.2.2 Other bank acceptances		19,889	614,276	634,165	28,681	414,416	443,097
1.3 Letters of credit		-	3,915,317	3,915,317	732	4,098,668	4,099,400
1.3.1 Documentary letters of credit		-	3,915,317	3,915,317	732	4,098,668	4,099,400
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	2,720	2,720	-	6,941	6,941
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		11,447	8,865	20,312	-	-	-
1.8 Other guarantees		-	1,110	1,110	-	1,166	1,166
1.9 Other sureties		-	299	299	-	172	172
II. COMMITMENTS		32,390,093	17,403,353	49,793,446	26,651,228	18,132,775	44,784,003
2.1 Irrevocable commitments		11,685,257	1,886,837	13,572,094	10,807,644	1,070,943	11,878,587
2.1.1 Asset purchase commitments	V-III-1	754,611	1,668,126	2,422,737	768,919	857,919	1,626,838
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
2.1.4 Loan granting commitments	V-III-1	4,672,405	6,319	4,678,724	4,574,348	5,515	4,579,863
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	1,108,502	-	1,108,502	829,640	-	829,640
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	4,758,678	-	4,758,678	4,322,604	-	4,322,604
2.1.10 Commitments for credit card and banking operations promotions		340,102	-	340,102	246,030	-	246,030
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		50,959	212,392	263,351	65,103	207,509	272,612
2.2 Revocable commitments		20,704,836	15,516,516	36,221,352	15,843,584	17,061,832	32,905,416
2.2.1 Revocable loan granting commitments		20,704,836	15,516,516	36,221,352	15,843,584	17,061,832	32,905,416
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		4,055,487	11,820,173	15,875,660	4,256,533	8,944,318	13,200,851
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		4,055,487	11,820,173	15,875,660	4,256,533	8,944,318	13,200,851
3.2.1 Forward foreign currency purchases/sales		371,688	428,803	800,491	241,499	730,482	971,981
3.2.1.1 Forward foreign currency purchases		185,905	214,412	400,317	120,798	365,252	486,050
3.2.2.2 Forward foreign currency sales		185,783	214,391	400,174	120,701	365,230	485,931
3.2.2 Currency and interest rate swaps		3,025,052	9,814,083	12,839,135	3,895,134	7,555,347	11,450,481
3.2.2.1 Currency swaps-purchases		1,463,856	4,124,708	5,588,564	2,939,954	2,250,643	5,190,597
3.2.2.2 Currency swaps-sales		1,561,196	2,987,861	4,549,057	955,180	3,642,588	4,597,768
3.2.2.3 Interest rate swaps-purchases		-	1,350,757	1,350,757	-	837,023	837,023
3.2.2.4 Interest rate swaps-sales		-	1,350,757	1,350,757	-	825,093	825,093
3.2.3 Currency, interest rate and security options		658,747	654,166	1,312,913	119,900	127,334	247,234
3.2.3.1 Currency call options		271,810	384,949	656,759	59,950	63,666	123,616
3.2.3.2 Currency put options		386,937	269,215	656,152	59,950	63,666	123,616
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		-	923,121	923,121	-	531,155	531,155
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		492,916,975	142,260,308	635,177,283	358,000,449	124,532,124	482,532,573
IV. ITEMS HELD IN CUSTODY		166,442,897	1,524,046	167,966,943	124,679,261	1,965,815	126,645,076
4.1 Customers' securities held		323,091	17,411	340,502	655,668	18,287	673,955
4.2 Investment securities held in custody		159,739,640	258,639	159,998,279	119,737,183	8,216	119,745,399
4.3 Checks received for collection		4,985,051	593,112	5,578,163	3,209,909	488,732	3,698,641
4.4 Commercial notes received for collection		944,276	169,752	1,114,028	685,346	175,092	860,438
4.5 Other assets received for collection		2,152	72	2,224	2,152	75	2,227
4.6 Assets received through public offering		-	5,260	5,260	-	5,570	5,570
4.7 Other items under custody		72,743	236,239	308,982	309	919,351	919,660
4.8 Custodians		375,944	243,561	619,505	388,694	350,492	739,186
V. PLEDGED ITEMS		109,221,254	37,448,008	146,669,262	80,334,810	33,528,833	113,863,643
5.1 Securities		198,242	35,291	233,533	153,809	36,226	190,035
5.2 Guarantee notes		591,177	127,506	718,683	524,250	153,762	678,012
5.3 Commodities		17,974,338	593,533	18,567,871	13,878,556	551,059	14,429,615
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		84,568,012	29,904,001	114,472,013	61,561,438	25,580,459	87,141,897
5.6 Other pledged items		5,198,012	6,702,263	11,900,275	3,823,085	7,144,193	10,967,278
5.7 Pledged items-depository		691,473	85,414	776,887	393,672	63,134	456,806
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		217,252,824	103,288,254	320,541,078	152,986,378	89,037,476	242,023,854
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		539,252,970	178,116,324	717,369,294	397,926,952	158,404,856	556,331,808

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Income
For the Nine-Month Period Ended 30 September 2012
(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	Reviewed Current Period 1 January 2012- 30 September 2012	Reviewed Prior Period 1 January 2011- 30 September 2011	Reviewed Current Period 1 July 2012- 30 September 2012	Reviewed Prior Period 1 July 2011- 30 September 2011
I. INTEREST INCOME		6,579,178	4,802,995	2,234,257	1,761,837
1.1 Interest income from loans	V-IV-1	5,132,758	3,547,690	1,822,065	1,329,915
1.2 Interest income from reserve deposits		-	-	-	-
1.3 Interest income from banks	V-IV-1	48,232	47,067	12,412	16,535
1.4 Interest income from money market transactions		2,772	3,629	1,502	69
1.5 Interest income from securities portfolio		1,295,667	1,098,780	381,883	384,374
1.5.1 Trading financial assets		26,134	24,763	8,126	5,382
1.5.2 Financial assets designated at fair value through profit or loss		-	-	-	-
1.5.3 Available-for-sale financial assets		823,658	754,312	235,638	257,771
1.5.4 Held-to-maturity investments		445,875	319,705	138,119	121,221
1.6 Finance lease income		33,123	19,568	13,029	7,304
1.7 Other interest income		66,626	86,261	3,366	23,640
II. INTEREST EXPENSE		3,687,383	2,608,840	1,155,154	1,002,216
2.1 Interest expense on deposits	V-IV-2	3,084,832	2,091,790	982,734	808,728
2.2 Interest expense on funds borrowed	V-IV-2	139,971	121,525	44,569	46,507
2.3 Interest expense on money market transactions		285,706	359,466	70,591	138,118
2.4 Interest expense on securities issued	V-IV-2	118,779	6,041	57,747	6,041
2.5 Other interest expenses		58,095	30,018	(487)	2,822
III. NET INTEREST INCOME (I – II)		2,891,795	2,194,155	1,079,103	759,621
IV. NET FEES AND COMMISSIONS INCOME		257,786	405,818	92,167	135,719
4.1 Fees and commissions received		458,055	538,466	160,908	182,991
4.1.1 Non-cash loans		75,516	47,007	28,312	16,444
4.1.2 Others	V-IV-10	382,539	491,459	132,596	166,547
4.2 Fees and commissions paid		200,269	132,648	68,741	47,272
4.2.1 Non-cash loans		361	21	223	(15)
4.2.2 Others	V-IV-10	199,908	132,627	68,518	47,287
V. DIVIDEND INCOME		6,772	4,833	151	38
VI. TRADING INCOME/LOSSES (Net)	V-IV-3	170,884	26,819	49,364	(21,098)
6.1 Trading account income/losses	V-IV-3	90,569	71,107	46,970	41,565
6.2 Income/losses from derivative financial instruments	V-IV-3	1,416	(6,950)	(10,371)	(28,387)
6.3 Foreign exchange gains/losses	V-IV-3	78,899	(37,338)	12,765	(34,276)
VII. OTHER OPERATING INCOME	V-IV-4	930,346	1,181,215	288,302	411,403
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		4,257,583	3,812,840	1,509,087	1,285,683
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5	873,912	637,732	348,286	204,873
X. OTHER OPERATING EXPENSES (-)	V-IV-6	2,074,164	1,863,247	722,568	631,715
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,309,507	1,311,861	438,233	449,095
XII. INCOME RESULTED FROM MERGERS		-	-	-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		20,728	14,205	6,004	4,338
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		1,330,235	1,326,066	444,237	453,433
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-7	(292,758)	(265,029)	(102,034)	(101,351)
16.1 Current tax charges	V-IV-7	(277,428)	(331,978)	(112,889)	(150,555)
16.2 Deferred tax credits	V-IV-7	(15,330)	66,949	10,855	49,204
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)	V-IV-8	1,037,477	1,061,037	342,203	352,082
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1 Income from investment properties		-	-	-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-	-	-
18.3 Other income from discontinued activities		-	-	-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS		-	-	-	-
19.1 Investment property expenses		-	-	-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-	-	-
19.3 Other expenses from discontinued activities		-	-	-	-
XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES		-	-	-	-
XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES		-	-	-	-
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge		-	-	-	-
XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS		-	-	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	V-IV-8	1,037,477	1,061,037	342,203	352,082
23.1. Equity holders of the Bank		1,025,139	1,016,809	329,006	341,509
23.2. Non-controlling interest	V-IV-9	12,338	44,228	13,197	10,573
Earnings per 100 Share (full TL)		0.4150	0.4244	0.1369	0.1408

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Gains and Losses Recognized in Equity
For the Nine-Month Period Ended 30 September 2012
(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*

	Reviewed Current Period 1 January 2012- 30 September 2012	Reviewed Prior Period 1 January 2011- 30 September 2011	Reviewed CurrentPeriod 1 July 2012- 30 September 2012	Reviewed Prior Period 1 July 2011- 30 September 2011
GAINS AND LOSSES RECOGNIZED IN EQUITY				
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	823,913	(294,818)	534,818	(103,787)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-	-	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-	-	-
IV. CURRENCY TRANSLATION DIFFERENCES	(11,146)	32,246	1,865	11,084
V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)	-	-	-	-
VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)	-	-	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS	-	-	-	-
VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS	(2,817)	146	(719)	718
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(90,237)	45,219	(6,847)	10,650
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	719,713	(217,207)	529,117	(81,335)
XI. CURRENT PERIOD'S PROFIT/(LOSS)	1,037,477	1,061,037	342,203	352,082
11.1 Change in fair value of securities (transfers to the statement of income)	(46,651)	138,502	(35,870)	51,262
11.2 Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges	-	-	-	-
11.3 Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges	-	-	-	-
11.4 Others	1,084,128	922,535	378,073	300,820
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	1,757,190	843,830	871,320	270,747

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Changes in Equity
For the Nine-Month Period Ended 30 September 2012

(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	
CHANGES IN EQUITY																				
Prior period – 30 September 2011																				
I.	Balances at the beginning of the period	2,500,000	-	726,722	-	506,554	3,094	2,794,403	292,779	1,164,297	40,610	301,250	5,033	1,551	-	-	8,336,293	242,790	8,579,083	
Changes during the period																				
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation differences of the marketable securities	-	-	-	-	-	-	-	-	-	-	(251,767)	-	-	-	-	(251,767)	4,939	(246,828)	
IV.	Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	84	-	-	84	(47)	37	
VIII.	Translation differences	-	-	-	-	-	-	-	29,023	-	-	-	-	-	-	-	29,023	3,223	32,246	
IX.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Group's equity	-	-	-	-	-	-	-	-	14,205	-	(1,983)	-	-	-	-	12,222	(679)	11,543	
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,508)	(2,508)	
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(75)	(75)
XVII.	Current period's profit/loss	-	-	-	-	-	-	-	-	1,002,604	-	-	-	-	-	-	1,002,604	44,228	1,046,832	
XVIII.	Profit distribution	-	-	-	-	120,693	886	996,274	14,447	(1,164,297)	(11,294)	-	8,977	-	-	-	(34,314)	(65)	(34,379)	
18.1	Dividends	-	-	-	-	-	-	-	-	(34,314)	-	-	-	-	-	-	(34,314)	(65)	(34,379)	
18.2	Transferred to reserves	-	-	-	-	120,693	886	996,274	14,447	(1,129,983)	(11,294)	-	8,977	-	-	-	-	-	-	
18.3	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at the end of the period		2,500,000	-	726,722	-	627,247	3,980	3,790,677	336,249	1,016,809	29,316	47,500	14,010	1,635	-	-	9,094,145	291,806	9,385,951	
Current period – 30 September 2012																				
I.	Balances at the beginning of the period	2,500,000	-	726,722	-	627,279	3,980	3,790,079	332,657	1,304,314	29,286	(90,954)	14,010	1,779	-	-	9,239,152	359,050	9,598,202	
Changes during the period																				
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation differences of marketable securities	-	-	-	-	-	-	-	-	-	-	726,495	-	-	-	-	726,495	(608)	725,887	
IV.	Hedging Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Translation differences	-	-	-	-	-	-	-	(10,031)	-	-	-	-	-	-	-	(10,031)	(1,115)	(11,146)	
IX.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Group's equity	-	-	(2)	-	(72)	-	(452)	-	20,728	(113)	6,296	-	-	-	-	26,385	(1,324)	25,061	
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,070)	(1,070)	
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,070)	(1,070)	
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current period's profit/loss	-	-	-	-	-	-	-	-	1,004,411	-	-	-	-	-	-	1,004,411	12,338	1,016,749	
XVIII.	Profit distribution	-	-	-	-	126,734	1,070	1,012,716	25,524	(1,304,314)	64,828	-	36,442	-	-	-	(37,000)	(507)	(37,507)	
18.1	Dividends	-	-	-	-	-	-	-	-	(37,000)	-	-	-	-	-	-	(37,000)	(507)	(37,507)	
18.2	Transferred to reserves	-	-	-	-	126,734	1,070	1,012,716	25,524	(1,267,314)	64,828	-	36,442	-	-	-	-	-	-	
18.3	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at the end of the period		2,500,000	-	726,720	-	753,941	5,050	4,802,343	348,150	1,025,139	94,001	641,837	50,452	1,779	-	-	10,949,412	366,764	11,316,176	

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Cash Flows

For the Nine-Month Period Ended 30 September 2012

(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

	Reviewed Current Period 30 September 2012	Reviewed Previous Period 30 September 2011
A. CASH FLOWS FROM BANKING OPERATIONS		
I.1 Operating profit before changes in operating assets and liabilities	2,310,747	962,926
1.1.1 Interests received	6,728,238	4,599,867
1.1.2 Interests paid	(3,586,946)	(2,512,682)
1.1.3 Dividends received	4,772	4,286
1.1.4 Fee and commissions received	458,055	405,818
1.1.5 Other income	530,552	543,248
1.1.6 Collections from previously written-off loans and other receivables	288,198	453,785
1.1.7 Payments to personnel and service suppliers	(2,028,203)	(1,946,142)
1.1.8 Taxes paid	(250,480)	(239,701)
1.1.9 Others	166,561	(345,553)
I.2 Changes in operating assets and liabilities	(6,422,567)	1,054,004
1.2.1 Net (increase) decrease in financial assets held for trading purpose	15,501	44,285
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	(3,508,439)	(1,655,365)
1.2.4 Net (increase) decrease in loans	(7,479,492)	(11,365,745)
1.2.5 Net (increase) decrease in other assets	(171,870)	(519,506)
1.2.6 Net increase (decrease) in bank deposits	(516,528)	1,394,039
1.2.7 Net increase (decrease) in other deposits	3,724,931	6,936,233
1.2.8 Net increase (decrease) in funds borrowed	(942,190)	2,347,738
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	2,455,520	3,872,325
I. Net cash flow from banking operations	(4,111,820)	2,016,930
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	425,690	(569,349)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	(1,000)	(1,000)
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	-	-
2.3 Cash paid for purchase of tangible assets	(50,852)	(245,851)
2.4 Proceeds from disposal of tangible assets	62,875	273,036
2.5 Cash paid for purchase of available-for-sale financial assets	(1,710,332)	(3,506,429)
2.6 Proceeds from disposal of available-for-sale financial assets	2,071,071	2,587,802
2.7 Cash paid for purchase of held-to-maturity investments	(157,375)	(1,283,359)
2.8 Proceeds from disposal of held-to-maturity investments	239,594	1,634,837
2.9 Others	(28,291)	(28,385)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	2,452,236	440,816
3.1 Cash obtained from funds borrowed and securities issued	3,926,268	-
3.2 Cash used for repayment of funds borrowed and securities issued	(1,436,525)	-
3.3 Equity instruments issued	-	475,195
3.4 Dividends paid	(37,507)	(34,379)
3.5 Re-payments for finance leases	-	-
3.6 Others	-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents	(748)	2,771
V. Net increase in cash and cash equivalents	(1,234,642)	1,891,168
VI. Cash and cash equivalents at the beginning of the year	5,006,075	7,148,088
VII. Cash and cash equivalents at the end of the period	3,771,433	9,039,256

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

SECTION THREE

Accounting Policies

I. Basis of presentation

As per the Article 37 and 38 of “Accounting and Recording Rules” of the Turkish Banking Law no. 5411 published on the Official Gazette no. 25983 dated 1 November 2005 and became effective, Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (“Bank” or “Parent Bank”) and its Financial Subsidiaries (“Group”) keeps its accounting records and prepares its unconsolidated and consolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published by the Banking Regulation and Supervision Agency (“BRSA”) and 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.

Lending loans and investments in marketable securities 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 Parent Bank and its consolidated subsidiaries located in Turkey are recorded in TL, the functional currency of the Parent 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

Investments in consolidated companies

As at and for the nine-month period ended 30 September 2012, 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 Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ and Vakıf Gayrimenkul Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

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 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 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.

Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd, a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at 30 September 2012 and 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 30 September 2012 and 31 December 2011, but its equity until the merger date has been included in the accompanying consolidated financial statements.

Investments in associates consolidated per equity method

As at and for the nine-month period ended 30 September 2012, the financial statements of Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ, Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

Vakıf B Tipi 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 sales of investment securities are recognized at the date of delivery. The changes in fair value of assets during the period between trade date and settlement date are accounted for in financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets held for trading in the settlement date-accounting policy.

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.

Associates and subsidiaries

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.

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 Parent Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 30 September 2012 is TL 3,034 (full TL) (31 December 2011: TL 2,732 (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 30 September 2012 and 31 December 2011, the major actuarial assumptions used in the calculation of the total liability are as follows:

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

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

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

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

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

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

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

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

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

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

Deferred taxes

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

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

In case where gains/losses resulting from the subsequent measurement of the 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 69th article of Law No: 193 with the 5th 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. Accordingly, the Group’s subsidiary operating in finance lease sector have taken these effects into account while arranging corporate tax declaration for the year 2011.

XIX. Additional information on borrowings

Group obtains funding resources such as syndication and securitization transactions in case of need. In the current period, the Parent Bank obtained funds through issuance of bonds and bills domestically and internationally.

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.

XX. Information on issuance of equity securities

The shares of the Parent Bank having nominal value of TL 322,000,000 (full TL), 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 30 September 2012, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 265,718 (31 December 2011: TL 274,080).

XXIII. Segment reporting

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

XXIV. Other disclosures

Earnings per shares

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

As at and for the nine-month period 30 September 2012, earning per 100 shares is TL 0.4150 (30 September 2011: TL 0.4244).

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 V.

Cash and cash equivalents

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

‘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 13.39% (The Parent Bank: 13.66%).

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 (Regulation)”, “Regulation on Credit Risk Mitigation Techniques” and “Communiqué on Risk Weighted Amounts for Securitization Exposures” published in Official Gazette no. 28337 dated 28 June 2012 and “Regulation on the Equity of Banks” published in Official Gazette no. 26333 dated 1 November 2006.

The data used in calculation of consolidated capital adequacy ratio is organized in accordance with the accounting records prepared in compliance with the current legislation. Besides, the Bank classifies these data as “Trading Book” and “Banking Book”; and takes into account in the calculation of market risk and credit risk accordingly. Operational risks are also included in the calculation of capital adequacy ratio.

In the calculation of risk-based amounts, the Group classifies its receivables into risk groups described in 6th article of the Regulation and considers the ratings and risk mitigating elements. The amounts are evaluated in the related risk weight group, accordingly. The Bank applies “basic financial guarantee method” in the consideration of risk mitigating elements for banking book accounts.

Trading book accounts and the items deducted from the capital base are not included in the calculation of credit risk. 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 multiplied by the rates stated in the Article 5 of “Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks”, subjected to risk mitigation in accordance with the “Communique on Credit Risk Mitigation Techniques”, classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the Regulation.

In the calculation of their risk-based values, Derivative Financial Instruments and Credit Derivative Contracts which are accounted in banking book, the receivable amounts due to counter parties are multiplied by the rates stated in the Appendix 2 of the Regulation, subjected to risk mitigation in accordance with the “Communique on Credit Risk Mitigation Techniques”, classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the same Regulation. In compliance with Article 5 of the Regulation, repo transactions, investment securities and commodity lending transactions are accounted for “Counterparty Credit Risk”. The Bank applies “Fair Value Measurement” in the calculation of “Counterparty Credit Risk”.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period 30 September 2012
(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

Information on consolidated capital adequacy ratio

	Unconsolidated Risk Weights – 30 September 2012								
	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Surplus credit risk weighted									
Risk classifications:	32,401,758	-	1,891,801	21,114,970	16,016,967	38,434,938	1,653,478	4,358,598	-
Contingent and non-contingent claims on sovereigns and Central Banks	26,658,101	-	-	-	-	3,593,426	-	-	-
Contingent and non-contingent claims on regional governments or local authorities	5,449	-	735,589	-	-	137,526	-	-	-
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	47,257	-	-	48	-	54,926	-	-	-
Contingent and non-contingent claims on multilateral development banks	107,788	-	-	-	-	-	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-	-	-	-	-	-
Contingent and non-contingent claims on banks and intermediary institutions	4,116,268	-	1,151,040	1,851,724	-	758,230	-	-	-
Contingent and non-contingent claims on corporate	526,105	-	-	10,749	-	28,778,811	-	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	79,503	-	-	-	16,016,967	-	-	-	-
Contingent and non-contingent claims secured by residential property	-	-	-	19,252,449	-	1,924,030	-	-	-
Past due loans	-	-	-	-	-	257,003	-	-	-
Higher risk categories decided by the Agency	-	-	-	-	-	-	1,653,478	4,358,598	-
Marketable securities secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other claims	861,287	-	5,172	-	-	2,930,986	-	-	-

Summary information related to unconsolidated capital adequacy ratio

	Current Period
Capital Obligation Required for credit risk (COCR) (Value at Risk*0.08)	5,806,474
Capital Obligation Required for market risk (COMR)	145,716
Capital Obligation Required for operational risk (COOR) ^(*)	587,602
Equity	11,170,499
Equity/ ((COCR+COMR+COOR)*12.5*100)	13.66 %

^(*) In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRS circular, capital adequacy ratio for the year 2011 was measured by taking value at operational risk calculated based on average of gross incomes for the years ended 31 December 2010, 2009 and 2008 into consideration. For the year 2012, value at operational risk is being calculated based on average of gross incomes for the years ended 31 December 2011, 2010 and 2009.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period 30 September 2012
(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

	Consolidated Risk Weights – 30 September 2012								
	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Surplus credit risk weighted									
Risk classifications:	34,038,404	-	2,281,401	21,167,854	16,270,535	40,424,611	1,653,478	4,358,598	-
Contingent and non-contingent claims on sovereigns and Central Banks	28,232,423	-	-	4,819	-	3,640,727	-	-	-
Contingent and non-contingent claims on regional governments or local authorities	5,449	-	735,589	-	-	137,525	-	-	-
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	47,258	-	-	48	-	54,925	-	-	-
Contingent and non-contingent claims on multilateral development banks	107,788	-	-	-	-	-	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-	-	-	-	-	-
Contingent and non-contingent claims on banks and intermediary institutions	4,116,269	-	1,540,640	1,899,787	-	829,175	-	-	-
Contingent and non-contingent claims on corporate	533,138	-	-	10,749	-	30,885,362	-	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	79,539	-	-	-	16,270,535	-	-	-	-
Contingent and non-contingent claims secured by residential property	-	-	-	19,252,451	-	1,924,028	-	-	-
Past due loans	-	-	-	-	-	290,038	-	-	-
Higher risk categories decided by the Agency	-	-	-	-	-	-	1,653,478	4,358,598	-
Marketable securities secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other claims	916,540	-	5,172	-	-	2,662,831	-	-	-

Summary information related to consolidated capital adequacy ratio

	Current Period
Capital Obligation Required for credit risk (COCR) (Value at Risk*0.08)	5,989,211
Capital Obligation Required for market risk (COMR)	161,718
Capital Obligation Required for operational risk (COOR) (*)	685,147
Equity	11,444,486
Equity/ ((COCR+COMR+COOR)*12,5*100)	13.39%

(*) In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio for the year 2011 was measured by taking value at operational risk calculated based on average of gross incomes for the years ended 31 December 2010, 2009 and 2008 into consideration. For the year 2012, value at operational risk is being calculated based on average of gross incomes for the years ended 31 December 2011, 2010 and 2009.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

Information on consolidated equity

	Current Period	Prior Period
CORE CAPITAL		
Paid-in Capital	2,500,000	2,500,000
Nominal Capital	2,500,000	2,500,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-
Share Premium	726,720	726,722
Share Cancellation Profits	-	-
Reserves	5,909,484	4,753,995
Reserves from Inflation Adjustments to Reserves	-	-
Profit	1,119,140	1,333,600
Current Period's Profit	1,025,139	1,304,314
Prior Years' Profit	94,001	29,286
Provision for Possible Losses up to 25% of Core Capital	89,071	51,676
Income on Sale of Equity Shares and Real Estates	50,452	14,010
Primary Subordinated Debt up to 15% of Core Capital	-	-
Minority shares	322,402	314,080
Loss excess of Reserves (-)	-	-
Current Year's Loss	-	-
Prior Years' Loss	-	-
Leasehold Improvements (-)	57,801	71,969
Intangible Assets (-)	98,030	79,988
Deferred Tax Asset excess of 10% of Core Capital (-)	-	-
Limit excesses as per the 3 rd Paragraph of the Article 56 of the Banking Law (-)	-	-
Goodwill (Net)	-	-
Total Core Capital	10,561,438	9,542,126
SUPPLEMENTARY CAPITAL		
General Provisions	866,155	671,180
45% of Revaluation Surplus on movables	-	-
45% of Revaluation Surplus on Immovables	-	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	1,779	1,779
Primary Subordinated Debt excluding the Portion included in Core Capital	-	-
Secondary Subordinated Debt	-	-
45% of value increase fund of financial assets available for sale and associates and subsidiaries	288,827	(90,954)
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves)	-	-
Minority share	20,010	44,970
Total Supplementary Capital	1,176,771	626,975
CAPITAL	11,738,209	10,169,101
DEDUCTIONS FROM CAPITAL	293,723	273,836
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors exceeding 10% of ownership	-	-
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	-	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	163,897	140,112
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	129,714	133,265
Securitisation positions that is deducted -preferably- from the shareholders' equity	-	-
Others	112	459
TOTAL EQUITY	11,444,486	9,895,265

II. Consolidated market risk

The Parent Bank calculates market risk using standard method and allocates legal capital in compliance with “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in 28 June dated 2012 Official Gazette no. 28337.

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 needed 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 Bank is reported monthly and sent to the related regulatory institutions

Value at market risk

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	44,677
(II) Capital Obligation against Specific Risks - Standard Method	57,217
Capital to be employed for specific risk in securitisation positions- Standard Method	-
(III) Capital Obligation against Currency Risk - Standard Method	56,347
(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	669
(VII) Capital Obligation Calculated for Counterparty Credit Risk - Standard Method	2,808
(VIII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(IX) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI+VII)	161,718
(X) Value-At-Market Risk (12.5xVIII) or (12.5xIX)	2,021,475

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 quoted equity instruments which are presented as available for sale financial instruments in the accompanying financial statements, due to a 10% increase/decrease in equity prices, with all other variables held constant, is TL 139 (30 September 2011: TL 144).

III. Consolidated operational risk

The Bank calculated the value at operational risk in accordance with the third section of “Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks” that is “Computation of Value of Operational Risk” published in 28 June 2012 dated Official Gazette no. 28337. The operational risk which the Bank is exposed to is calculated according to the "Basic Indicator Method" hence by multiplying the average of the last three years’ actual gross income with 12.5, in line with the effective legislation practices in the country.

IV. 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 Parent Bank.

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

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

As at 30 September 2012 and 31 December 2011, the Group does not have derivate financial instruments held for risk management purpose.

Foreign exchange risk management policy

Risk policy of the Parent 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 Parent Bank. The effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Parent Bank in TL are as follows:

	US Dollar	Euro
The Bank’s foreign currency purchase rate at the balance sheet date	1.7900	2.3019
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	1.7700	2.2822
Day 2	1.7600	2.2651
Day 3	1.7600	2.2704
Day 4	1.7700	2.2922
Day 5	1.7700	2.2994
Last 30-days arithmetical average rate	1.7702	2.2526

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

Information on currency risk

Current Period	Euro	US Dollar	Other FCs	Total
Assets:				
Cash and balances with the Central Bank of Turkey	4,309,841	2,792,151	1,628,405	8,730,397
Banks	370,473	1,216,334	72,402	1,659,209
Financial assets at fair value through profit or loss ⁽¹⁾	4,959	72,541	-	77,500
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	963,775	3,359,476	-	4,323,251
Loans and receivables ⁽²⁾	7,440,157	11,690,319	50,455	19,180,931
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	7,183	55,584	-	62,767
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,337	2,337	-	3,674
Intangible assets	26	168	-	194
Other assets ^{(3) (4)}	357,784	435,322	9,737	802,843
Total assets	13,455,538	19,624,232	1,760,999	34,840,769
Liabilities:				
Bank deposits	454,237	1,200,447	20,050	1,674,734
Foreign currency deposits	7,270,684	9,810,902	768,827	17,850,413
Interbank money market takings	512,600	4,526,490	-	5,039,090
Funds borrowed	3,724,978	4,024,758	28,283	7,778,019
Securities issued	15,644	893,061	-	908,705
Miscellaneous payables	129,629	111,537	3,901	245,067
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities ^{(1) (5)}	83,976	656,146	3,401	743,523
Total liabilities	12,191,748	21,223,341	824,462	34,239,551
Net ‘on balance sheet’ position	1,263,790	(1,599,109)	936,537	601,218
Net ‘off-balance sheet’ position	(1,003,562)	2,187,890	(930,767)	253,561
Derivative assets ⁽⁶⁾	760,149	5,954,950	155,831	6,870,930
Derivative liabilities ⁽⁶⁾	1,763,711	3,767,060	1,086,598	6,617,369
Non-cash loans ⁽⁷⁾	1,271,580	5,092,806	271,269	6,635,655
Previous Year				
Total assets	10,827,868	21,714,774	658,821	33,201,463
Total liabilities	11,432,492	19,667,246	125,932	31,225,670
Net on balance sheet position	(604,624)	2,047,528	532,889	1,975,793
Net off-balance sheet position	559,790	(2,087,169)	147	(1,527,232)
Derivative assets	910,626	2,921,104	40,195	3,871,925
Derivative liabilities	350,836	5,008,273	40,048	5,399,157
Non-cash loans ⁽⁷⁾	1,449,366	4,962,322	238,729	6,650,417

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

⁽²⁾ Foreign currency indexed loans amounting to TL 1,632,460 (31 December 2011: TL 1,204,076) presented in TL in the financial statements are included in the above table.

⁽³⁾ Foreign currency indexed factoring receivables amounted to TL 22,471 (31 December 2011: TL 100,611) presented in TL column in the accompanying consolidated balance sheet are included.

⁽⁴⁾ Prepaid expenses amounting to TL 20,921 (31 December 2011: TL 16,647) are not included.

⁽⁵⁾ Unearned income amounting to TL 20,013 (31 December 2011: TL 25,460) and deferred tax liabilities amounted to TL 2,361 are not included.

⁽⁶⁾ Asset purchase commitments amounting to TL 796,102 (31 December 2011: TL 355,339) and asset sales commitments amounting to TL 872,024 (31 December 2011: TL 502,580) are included.

⁽⁷⁾ 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 Nine-Month Period Ended 30 September 2012
(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 nine-month periods ended 30 September 2012 and 2011 would effect consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

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

	30 September 2012		30 September 2011	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	7,511	58,628	(4,449)	5,479
EUR	8,388	33,911	(29,051)	(10,329)
Other currencies	577	577	(180)	(180)
Total, net	16,476	93,116	(33,680)	(5,030)

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

10 percent revaluation of the TL against the following currencies as at and for the nine-month periods ended 30 September 2012 and 2011 would effect consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	30 September 2012		30 September 2011	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	(5,198)	(56,315)	7,242	(2,686)
Euro	(8,388)	(33,911)	29,051	10,329
Other currencies	319	319	1,068	1,068
Total, net	(13,267)	(89,907)	37,361	8,711

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

V. Consolidated interest rate risk

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

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

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

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

Current Period	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	-	-	-	-	-	9,996,033	9,996,033
Banks	1,187,921	208,805	165,916	-	-	571,263	2,133,905
Financial assets at fair value through profit/loss	72,048	54,315	17,295	136,002	24,712	1,901	306,273
Interbank money market placements	20,036	-	-	-	-	-	20,036
Available-for-sale financial assets	3,509,279	1,770,684	3,246,360	3,535,524	2,778,695	12,138	14,852,680
Loans and receivables	21,993,389	7,285,505	16,937,278	12,315,019	6,574,527	283,503	65,389,221
Held-to-maturity investments	1,034,004	698,231	86,096	1,245,577	1,194,225	-	4,258,133
Other assets (*)	33,856	52,750	340,087	471,065	8,139	4,779,066	5,684,963
Total assets	27,850,533	10,070,290	20,793,032	17,703,187	10,580,298	15,643,904	102,641,244
<i>Liabilities:</i>							
Bank deposits	2,442,525	435,963	40,278	-	-	22,557	2,941,323
Other deposits	32,827,767	14,925,458	3,421,585	560,032	11,609	10,401,670	62,148,121
Interbank money market takings	5,335,660	1,297,173	1,162,153	-	-	-	7,794,986
Miscellaneous payables	79,626	-	-	-	-	3,373,086	3,452,712
Securities issued	-	1,106,885	1,015,614	908,705	-	-	3,031,204
Funds borrowed	2,335,952	2,622,407	2,783,735	132,389	112,632	-	7,987,115
Other liabilities (**)	13,872	11,679	39,618	64,183	86,945	15,069,486	15,285,783
Total liabilities	43,035,402	20,399,565	8,462,983	1,665,309	211,186	28,866,799	102,641,244
On balance sheet long position	-	-	12,330,049	16,037,878	10,369,112	-	38,737,039
On balance sheet short position	(15,184,869)	(10,329,275)	-	-	-	(13,222,895)	(38,737,039)
Off-balance sheet long position	580,044	1,645,750	186,692	132,185	140,443	-	2,685,114
Off-balance sheet short position	(114,644)	(25,800)	(299,015)	(1,405,363)	(766,944)	-	(2,611,766)
Position, Net	(14,719,469)	(8,709,325)	12,217,726	14,764,700	9,742,611	(13,222,895)	73,348

(*) 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 Nine-Month Period Ended 30 September 2012
(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

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

^(*) 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.

Average interest rates applied to monetary financial instruments:

Current Period	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBT	-	-	-	-
Banks	1.07	0.63	-	9.08
Financial assets at fair value through profit/loss	5.47	1.12	-	5.15
Interbank money market placements	-	-	-	8.72
Available-for-sale financial assets	5.68	7.33	-	8.63
Loans and receivables	5.00	5.57	-	15.50
Held-to-maturity investments	-	1.35	-	10.00
<i>Liabilities:</i>				
Bank deposits	1.55	1.31	-	7.67
Other deposits	3.23	3.07	-	8.30
Interbank money market takings	0.68	1.35	-	5.78
Miscellaneous payables	-	-	-	-
Securities issued	-	5.75	-	9.08
Funds borrowed	1.73	2.15	-	8.21

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

Previous Year	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
Assets:				
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
Liabilities:				
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

The interest rate risk of the banking book items:**Measurement Rate of Interest Rate Risk**

Interest rate risk arising from banking book accounts is calculated in accordance with “Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standart Shock Technique” published in the 23 August 2011 dated Official Gazette no. 28034. Legal limit is monthly monitored and reported accordingly.

The unconsolidated economic value changes arising from the interest rate fluctuations which are measured according to “Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standart Shock Technique” are presented in the below table:

Currency Unit	Applied Shock (+/- x base point)	Gain/ Loss	Gain/ Equity-Loss/ Equity
1. TL	500 / -400	(1,965,911) / 1,992,812	(17.6%) / 17.9%
2. EURO	200 / -200	(22,874) / 23,499	(0.2%) / 0.2 %
3. USD	200 / -200	(92,902) / 150,555	(0.8%) / 1.3 %
Total (For Negative Shocks)	-	2,166,866	19.40%
Total (For Positive Shocks)	-	(2,081,687)	(18.60%)

Stock position risks arising from banking book items:

Information on separations of risks according to objectives including their relation with dains presente din equity and strategrical reasons, accounting accounting techniques and general information about valuation methods with the related assumptions and factors that affect the valuation and significant changes

If carrying value is substantially different from fair value and for publicly traded shares if market value is substantially different from fair value, the comparison with the market prices are shown in the table below:

Stock Investments	Comparison		
	Carrying Value	Fair Value (*)	Market Value (*)
1. Available For Sale Financial Assets	12,138	-	-
<i>Publicly Traded</i>	-	-	-
2. Associates	190,971	153,869	153,869
<i>Publicly Traded</i>	153,869	153,869	153,869
3. Subsidiaries	148,247	148,247	148,247
<i>Publicly Traded</i>	-	-	-

(*) The values of stocks traded in Stock Exchange are included to both columns assuming the market value is approximate to fair value.

Total unrealized gain or loss, total revaluation surplus and values included to principal and supplementary capital

Total unrealized gain or loss, total appraisal surplus and values included to principal and supplementary capital are given in the below table:

Portfolio	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss		
		Total (*)	Included in Supplementary Capital	Total (*)	Included in Core Capital	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-	-
3. Other Stocks	-	22,566	10,155	-	-	-
4. Total	-	22,566	10,155	-	-	-

(*) Amounts are presented including the effect of deferred tax.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

VI. Consolidated liquidity risk

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period	Demand	Upto 1Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Undistributed^(*)	Total
Assets:								
Cash and balance with CBT	9,996,033	-	-	-	-	-	-	9,996,033
Banks	1,303,416	455,768	208,805	165,916	-	-	-	2,133,905
Financial assets at fair value through profit/loss	4,243	68,060	15,930	23,125	170,134	24,713	68	306,273
Interbank money market placements	-	20,036	-	-	-	-	-	20,036
Available-for-sale financial assets	-	-	87,633	1,372,874	9,276,778	4,103,257	12,138	14,852,680
Loans and receivables	-	6,043,291	355,576	12,128,624	30,218,048	16,360,179	283,503	65,389,221
Held-to-maturity investments	-	17,910	17,915	998,350	1,992,577	1,231,381	-	4,258,133
Other assets	-	461,023	106,305	352,098	656,185	8,138	4,101,214	5,684,963
Total assets	11,303,692	7,066,088	792,164	15,040,987	42,313,722	21,727,668	4,396,923	102,641,244
Liabilities:								
Bank deposits	22,557	2,442,525	435,963	40,278	-	-	-	2,941,323
Other deposits	10,401,670	32,827,767	14,925,458	3,421,585	560,032	11,609	-	62,148,121
Funds borrowed	-	315,564	468,893	3,903,282	2,087,499	1,211,877	-	7,987,115
Interbank money market takings	-	5,335,660	1,297,173	1,162,153	-	-	-	7,794,986
Securities issued	-	-	1,106,885	1,015,614	908,705	-	-	3,031,204
Miscellaneous payables	256	1,983,193	74,597	40,428	10,687	-	1,343,551	3,452,712
Other liabilities	-	218,925	153,808	19,065	85,137	106,787	14,702,061	15,285,783
Total liabilities	10,424,483	43,123,634	18,462,777	9,602,405	3,652,060	1,330,273	16,045,612	102,641,244
Liquidity (Gap)/Surplus	879,209	(36,057,546)	(17,670,613)	5,438,582	38,661,662	20,397,395	(11,648,689)	-
Previous Year								
Previous Year	Demand	Upto 1Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Undistributed^(*)	Total
Total assets	8,905,390	5,464,615	3,773,670	14,407,187	41,518,542	16,762,906	2,628,234	93,460,544
Total liabilities	9,183,515	42,519,194	17,063,787	6,727,464	2,628,943	2,624,084	12,713,557	93,460,544
Liquidity (Gap)/Surplus	(278,125)	(37,054,579)	(13,290,117)	7,679,723	38,889,599	14,138,822	(10,085,323)	-

^(*) 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 Nine-Month Period Ended 30 September 2012
(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*

Securitisation Positions

None.

Credit risk mitigation techniques

“Basic Financial Guarantee” method is used for the financial guarantees in accordance with “Communique on Credit Risk Mitigation”. Cash or cash equivalent, treasury bill, government bond and guarantees are used in credit risk mitigation.

Applications on guarantees’ valuation and method

Policies on the valuation of financial guarantees and their evaluation and valuation of immovables that are received as mortgage for loans have been formed. These policies and procedures are prepared in accordance with “Communique on Credit Risk Mitigation” and include minimum conditions regarding guarantee valuation and management.

Types of main guarantees received

Main types of the guarantees that Bank receives for loans provided are mortgages, guarantees/sureties and financial guarantees.

Main guarantors, credit derivatives’ counterparties and their credit worthiness

Assessment of credit worthiness of main guarantors is determined and monitored in accordance with the lending and intelligence procedures of the Bank.

Information about market and credit risk concentration in credit risk mitigation

Market risk and credit risk concentrations are carefully avoided.

Information about guarantees according to risk classifications

Information about guarantees according to risk classifications is shown in the table below:

Risk Classification	Amount	Financial Guarantees	Other/Physical Guarantees	Guarantees and credit derivatives
Contingent and non-contingent claims on sovereigns and Central Banks	31,860,092	2,585,021	-	-
Contingent and non-contingent claims on regional governments or local authorities	920,154	399	-	-
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	128,439	43,390	-	-
Contingent and non-contingent claims on multilateral development banks	-	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-
Contingent and non-contingent claims on banks and intermediary institutions	9,034,273	4,133,164	-	-
Contingent and non-contingent claims on corporate	75,034,570	19,103	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	23,819,201	80	-	-
Contingent and non-contingent claims secured by residential property	21,837,856	-	-	-
Past due loans	290,038	-	-	-
Higher risk categories decided by the Agency	6,012,076	-	-	-
Marketable securities secured by mortgages	-	-	-	-
Securitization exposures	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other claims	3,584,543	-	-	-
Total	172,521,242	6,781,157	-	-

Risk management strategies and policies

Risk management strategies are determined so as to support the Parent Bank’s objectives and goals and maintain Parent Bank’s presence by developing the present risk management strategies and corporate wide risk culture in parallel with the changing business and risk environment and by applying the well accepted national and international risk management practices.

The mission of Parent Bank is to continuously increase the values added to the customers, employees, shareholders and society by managing the entrusted assets and values effectively and productively. In this scope, it is fundamental to adopt forward looking risk based approaches through forming high quality assets and good management of liabilities in all activities aiming high quality gains.

The Parent Bank’s risk management strategy is mainly based on avoiding high risks and legal risks with high impacts even if the probability of happening is low, taking measures for the risks that may occur due to ordinary banking activities, procuring protection, transferring risks to third parties through techniques like insurance or credit derivatives and accepting risks that have low impact and probability of occurrence.

Risks are defined, measured, reported and managed in compliance with the policies and national and international standards. In this respect, not only legal limits but also in-bank limits are considered. Up-to-dateness and compliance of the limits are monitored regularly. Credit risk mitigation policies are determined and approved by the Board of Directors. Besides, possible risks are considered by following the changes in the market and economic conditions.

Risk management system and organization have been formed in compliance with the Regulation of Internal Systems.

Residual contractual maturities of monetary liabilities

Current period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	2,941,323	2,949,981	22,557	2,443,704	442,055	41,665	-	-
Other deposits	62,148,121	62,570,517	10,401,670	32,913,410	15,084,641	3,534,321	622,190	14,285
Funds borrowed	7,987,115	8,531,993	-	320,267	474,364	3,969,153	2,289,318	1,478,891
Money market takings	7,794,986	7,816,928	-	5,339,782	1,298,843	1,178,303	-	-
Issued Securities (Net)	3,031,204	3,327,075	-	-	1,124,251	1,050,511	1,152,313	-
Miscellaneous payables	3,452,712	3,452,712	1,343,551	1,983,193	74,597	40,684	10,687	-
Other liabilities	870,750	870,750	579,750	64,259	21,621	19,065	79,268	106,787
Total	88,226,211	89,519,956	12,347,528	43,064,615	18,520,372	9,833,702	4,153,776	1,599,963

Non-Cash Loans	16,522,905	16,522,905	7,050,532	513,193	938,114	5,018,199	2,278,485	724,382
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Prior year	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	3,454,869	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
Total	81,204,209	82,371,177	9,794,292	42,538,273	17,326,131	6,893,615	2,899,580	2,919,286

Non-Cash Loans	15,814,381	15,814,381	9,724,999	1,027,359	770,703	2,442,300	1,189,150	659,870
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This table shows the undiscounted cash flows on the Group’s financial liabilities on the basis of their earliest possible contractual maturities. Therefore, the gross nominal outflows in the table above vary from the carrying amounts of the relevant financial liabilities reflected in the consolidated financial statements.

VII. Consolidated segment reporting

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

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

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

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

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Operating profit	820,133	1,032,344	859,125	1,106,207	3,817,809
Undistributed expenses	-	-	-	(2,515,074)	(2,515,074)
Operating profit	820,133	1,032,344	859,125	(1,408,867)	1,302,735
Income from associates	-	-	-	-	27,500
Income before taxes	-	-	-	-	1,330,235
Provision for taxes	-	-	-	-	(292,758)
Net profit	-	-	-	-	1,037,477
Segment assets	23,190,520	42,168,886	30,278,335	1,554,859	97,192,600
Investment in associates and subsidiaries	-	-	339,218	-	339,218
Undistributed assets	-	-	-	5,109,426	5,109,426
Total assets	23,190,520	42,168,886	30,617,553	6,664,285	102,641,244
Segment liabilities	25,925,306	39,164,138	18,465,341	621,992	84,176,777
Equity	-	-	-	11,316,176	11,316,176
Undistributed liabilities	-	-	-	7,148,291	7,148,291
Total liabilities and equity	25,925,306	39,164,138	18,465,341	19,086,459	102,641,244

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 Period		Previous Year	
	TL	FC	TL	FC
Cash	611,970	149,421	604,234	111,770
Central Bank of Turkey ^(*)	648,480	8,564,654	1,465,064	4,959,763
Others	5,186	16,322	33	998
Total	1,265,636	8,730,397	2,069,331	5,072,531

^(*) TL 6,975,060 (31 December 2011: TL 4,269,727) 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 2011: 11% for demand deposits, and the rates decrease to 5% as maturities get longer). 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 2011: 11% in US Dollar or Euro for demand and upto 1 year maturity deposits and rates decrease to 6% as maturities get longer).

Balances with the Central Bank of Turkey

	Current Period		Previous Year	
	TL	FC	TL	FC
Unrestricted demand deposits	648,480	694,594	1,465,064	690,036
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	895,000	-	-
Reserve Deposits	-	6,975,060	-	4,269,727
Total	648,480	8,564,654	1,465,064	4,959,763

The Parent Bank and CBT had disagreement about the reserve requirements deposited at CBT regarding the syndication loans obtained by foreign branches of the Parent Bank. Subsequent to the decision, CBT required the Parent Bank to provide reserve requirement for loans obtained by foreign branches, the Parent Bank filed a claim in Ankara 15th Administrative Court for the suspension of execution and cancellation of the decision. As at 15 June 2011, the court decided on refusal of the claim with the right to appeal on State Council. CBT requested the Parent 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 Parent Bank has began to provide additional reserve requirements at 27 May 2011.

2. Further information on financial assets at fair value through profit/loss

Financial assets at fair value through profit/loss given as collateral or blocked

	Current Period		Previous Year	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	63,175	10,590	95,711	11,466
Others	-	-	-	-
Total	63,175	10,590	95,711	11,466

Trading securities subject to repurchase agreements

	Current Period		Previous Year	
	TL	FC	TL	FC
Government bonds	1,944	-	3,098	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	-
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Others	-	-	-	-
Total	1,944	-	3,098	-

Trading purpose derivative financial assets

	Current Period		Previous Year	
	TL	FC	TL	FC
Forward transactions	3,011	331	3,141	4,720
Swap transactions	20,489	100,806	1,038	165,143
Futures	-	-	-	-
Options	55	644	3	93
Others	-	-	-	-
Total	23,555	101,781	4,182	169,956

3. Information on banks

	Current Period		Previous Year	
	TL	FC	TL	FC
Banks	474,696	1,659,209	408,679	2,132,656
Domestic	474,140	198,538	406,875	60,978
Foreign	556	1,460,671	1,804	2,071,678
Foreign head offices and branches	-	-	-	-
Total	474,696	1,659,209	408,679	2,132,656

4. Information on available-for-sale financial assets*Available-for-sale financial assets given as collateral or blocked*

	Current Period		Previous Year	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	6,225	172,662	661,402	387,393
Others	-	-	-	-
Total	6,225	172,662	661,402	387,393

Available-for-sale financial assets subject to repurchase agreements

	Current Period		Previous Year	
	TL	FC	TL	FC
Government bonds	3,046,299	-	1,506,673	61,442
Treasury bills	-	-	-	-
Other debt securities	-	3,243,974	-	1,930,563
Bonds issued or guaranteed by banks	-	-	-	54,748
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	3,046,299	3,243,974	1,506,673	2,046,753

Information on available-for-sale financial assets

	Current Period		Previous Year	
	TL	FC	TL	FC
Debt securities		14,895,273		13,513,369
Quoted		14,895,273		13,513,369
Unquoted		-		-
Equity securities		12,138		14,438
Quoted		1,388		1,169
Unquoted		10,750		13,269
Provisions for impairment losses (-)		54,731		172,964
Total		14,852,680		13,354,843

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

	Current Period		Previous Year	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	37,925	-	6,572
Legal entities	-	37,925	-	6,572
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	66,690	25	55,917	31
Total	66,690	37,950	55,917	6,603

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

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

Cash Loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Agreement conditions modified		Loans and other receivables	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
Non-specialized loans	61,253,978	182,937	-	3,019,325	623,679	-
Loans given to enterprises	16,354,421	149,920	-	779,459	225,511	-
Export loans	3,301,648	22,387	-	230,614	35,142	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1,541,253	-	-	86	-	-
Consumer loans	19,123,507	-	-	1,163,886	270,270	-
Credit cards	2,751,881	-	-	163,454	8,696	-
Other	18,181,268	10,630	-	681,826	84,060	-
Specialized lending	19,822	-	-	-	-	-
Other receivables	5,977	-	-	-	-	-
Total	61,279,777	182,937	-	3,019,325	623,679	-

Information related to the changes in the payment plans of loans and other receivables:

	Standard Loans and Other Receivables ^(*)	Loans and other receivables under close monitoring ^(*)
Number of modifications to extend payment plans		
Extended for 1 or 2 times	546	11,384
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-
Extended period of time		
0-6 Months	7,410	868
6 Ay- 12 Months	8,793	4,458
1-2 Years	29,049	15,156
2-5 Years	136,973	231,847
5 Years and Over	712	7,655

^(*)The above tables include the change in the payment plans of loans and other receivables after 28 May 2011.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

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

	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	263,523	19,389,084	19,652,607
Housing loans	5,448	9,474,715	9,480,163
Automobile loans	4,682	441,103	445,785
General purpose loans	119,316	5,144,292	5,263,608
Others	134,077	4,328,974	4,463,051
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Consumer loans – FC	1,033	7,291	8,324
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,033	7,291	8,324
Others	-	-	-
Retail credit cards – TL	2,434,780	2,123	2,436,903
With installment	1,262,556	2,123	1,264,679
Without installment	1,172,224	-	1,172,224
Retail credit cards – FC	1,047	-	1,047
With installment	-	-	-
Without installment	1,047	-	1,047
Personnel loans – TL	1,731	29,091	30,822
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,700	29,091	30,791
Others	31	-	31
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Personnel loans – FC	310	-	310
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	310	-	310
Others	-	-	-
Personnel credit cards – TL	35,507	-	35,507
With installment	16,651	-	16,651
Without installment	18,856	-	18,856
Personnel credit cards – FC	51	-	51
With installment	-	-	-
Without installment	51	-	51
Overdraft Checking Accounts – TL (Real persons)	943,697	-	943,697
Overdraft Checking Accounts – FC (Real persons)	79	-	79
Total	3,681,758	19,427,589	23,109,347

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based commercial loans – TL	649,071	10,612,718	11,261,789
Real estate loans	617	161,111	161,728
Automobile loans	26,532	1,238,973	1,265,505
General purpose loans	621,922	9,212,634	9,834,556
Others	-	-	-
Installment-based commercial loans – FC indexed	13,559	651,259	664,818
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	13,559	651,259	664,818
Others	-	-	-
Installment-based commercial loans – FC	398,722	1,665,741	2,064,463
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	393,676	614,908	1,008,584
Others	5,046	1,050,833	1,055,879
Corporate credit cards – TL	450,394	30	450,424
With installment	183,808	30	183,838
Without installment	266,586	-	266,586
Corporate credit cards – FC	99	-	99
With installment	-	-	-
Without installment	99	-	99
Overdraft Checking Accounts – TL (Corporate)	364,574	-	364,574
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	1,876,419	12,929,748	14,806,167

Allocation of domestic and overseas loans

	Current Period	Previous Year
Domestic loans	64,871,622	57,754,229
Overseas loans	234,096	303,273
Total	65,105,718	58,057,502

Loans to associates and subsidiaries

As at 30 September 2012 and 31 December 2011, there are no loans given to associates and subsidiaries by the Group.

Specific provisions for loans

Specific Provisions	Current Period	Previous Year
Loans and receivables with limited collectibility	70,785	48,991
Loans and receivables with doubtful collectibility	313,148	176,438
Uncollectible loans and receivables	1,895,354	1,874,503
Total	2,279,287	2,099,932

Information on non-performing loans (Net)

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period	26,659	41,086	72,360
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	26,659	41,086	72,360
Previous year	18,471	26,240	81,771
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	18,471	26,240	81,771

Movements in non-performing loan groups

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Balance at the beginning of the period	157,613	176,438	1,877,232
Additions (+)	649,793	35,167	48,224
Transfers from other categories of loans under follow-up (+) ^(*)	-	407,475	211,926
Transfers to other categories of loans under follow-up (-) ^(*)	407,490	223,616	55,801
Collections (-)	58,735	72,863	170,098
Write-offs (-)	-	-	11,592
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Others</i>	-	-	11,592
Currency differences	-	-	(883)
Balance at the end of the period	341,181	322,601	1,899,008
Specific provisions (-)	70,785	313,148	1,895,354
Net balance on balance sheet	270,396	9,453	3,654

^(*)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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Period			
Balance at the end of the year	11,596	17,028	292,222
Specific provisions (-)	2,327	7,138	289,560
Net balance on balance sheet	9,269	9,890	2,662
Previous Year			
Balance at the end of the year	1,414	315	309,702
Specific provisions (-)	672	315	306,973
Net balance on balance sheet	742	-	2,729

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Period (Net)	270,396	9,453	3,654
Consumer and commercial loans (Gross)	320,234	306,635	1,828,029
Specific provisions (-)	64,046	306,635	1,825,367
Consumer and commercial loans (Net)	256,188	-	2,662
Banks (Gross)	-	-	7,360
Specific provisions (-)	-	-	7,360
Banks (Net)	-	-	-
Other loans and receivables (Gross)	20,947	15,966	63,619
Specific provisions (-)	6,739	6,513	62,627
Other loans and receivables (Net)	14,208	9,453	992
Previous Year (Net)	108,622	-	2,729
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	-	-

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Previous Year	
	TL	FC	TL	FC
Government bonds	4,195,366	-	4,343,224	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	9,008	-	1,581,438
Total	4,195,366	9,008	4,343,224	1,581,438

Information on held-to-maturity investment securities

	Current Period	Previous Year
Debt Securities	4,279,500	6,021,368
Quoted at stock exchanges	4,225,741	5,966,792
Unquoted at stock exchanges	53,759	54,576
Impairment losses (-)	21,367	42,130
Total	4,258,133	5,979,238

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

The movement table of the held-to-maturity investments

	Current Period	Prior Period
Balances at the beginning of the period	5,979,238	4,362,245
Foreign currency differences on monetary assets	(96,442)	223,839
Purchases during the period	157,375	3,102,225
Transfers to available for sale portfolio ^(*)	(1,474,294)	-
Disposals through sales/redemptions	(239,594)	
Impairment losses	20,763	(12,039)
Change in amortized costs of the securities ^(**)	(88,913)	(8,775)
Balances at the end of the period	4,258,133	5,979,238

^(*) In the scope of “Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks” which is effective from 1 July 2012, the credit risk weight of foreign currency denominated debt securities has changed and therefore these securities have been reclassified according to the related standard.

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

The Bank reclassified certain investment securities that were previously classified in held-to-maturity portfolio with total face value of USD 607,000 ve EUR 60,002 to its available-for-sale investment securities portfolio, at their fair values of TL 1,426,552 in total as at their reclassification dates.

In year 2011 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.

Information about held-to-maturity investments

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	827,454	53,700	829,197	53,759
Investments subject to repurchase agreements	2,827,126	-	2,855,251	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others ^(*)	511,931	8,609	510,918	9,008
Total	4,166,511	62,309	4,195,366	62,767

Previous 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 ^(*)	1,938,751	619,877	1,972,657	619,121
Total	4,267,176	1,614,599	4,343,224	1,636,014

^(*) The securities held as free that are not subject to collateral/blockage or other transactions are presented in the “Others” line.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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

7. Investments in associates**Unconsolidated investments in associates**

	Title	Address (City/ Country)	Parent Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1	Roketsan Roket Sanayi ve Ticaret AŞ	Ankara/Türkiye	9.93	9.93
2	Bankalararası Kart Merkezi AŞ	İstanbul/Türkiye	9.70	9.70
3	Kredi Kayıt Bürosu AŞ	İstanbul/Türkiye	9.09	9.09
4	Güçbirliği Holding AŞ	İzmir/Türkiye	0.07	0.07
5	İzmir Enternasyonel Otelcilik AŞ	İstanbul/Türkiye	5.00	5.00
6	İMKB Takas ve Saklama Bankası AŞ	İstanbul/Türkiye	4.86	5.28
7	Kredi Garanti Fonu AŞ	Ankara/Türkiye	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	1,827,527	283,583	224,016	27,644	-	58,556	5,410	-
2	28,465	22,672	13,462	680	155	4,189	3,179	-
3	65,251	58,310	4,769	1,517	-	24,044	12,969	-
4	126,488	9,232	765	273	-	(1,649)	(8,178)	-
5	101,229	37,401	324,632	-	-	2,373	(11,618)	-
6	3,586,501	321,866	13,751	65,646	2,084	45,429	24,411	-
7	247,800	242,307	3,113	8,322	1	6,695	7,665	-
8	1,726	(33,756)	-	3	-	(2,658)	(2,347)	-

Roketsan Roket Sanayi ve Ticaret AŞ, an associate of the Bank, has merged with its subsidiary Tapasan-Hassas Mekanik ve Elektronik Sanayi ve Ticaret AŞ, with dissolution of Tapasan-Hassas Mekanik ve Elektronik Sanayi ve Ticaret AŞ without liquidation. The merge has been registered in trade registry gazette on 29 June 2012. With the merger, the share of the Bank has increased by TL 4 from TL 14,600 to TL 14,604 and the ownership ratio of the Parent Bank has decreased from 10.00% to 9.93% due to two new shareholders from Tapasan-Hassas Mekanik ve Elektronik Sanayi ve Ticaret AŞ.

As per the resolution of the Board of Directors of the Bank held on 1 December 2011, it has been decided to start working on selling the stocks of Roketsan Roket Sanayi AŞ (“Roketsan”), an associate of the Bank.

As per 5 April 2012 dated and 4686 numbered decision of the BRSA, Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ has been classified as non-financial associates. Based on this decision, Kredi Kayıt Bürosu AŞ ve Bankalararası Kart Merkezi have been transferred to "Other Business Enterprises" account from “Other financial investments” account.

The name of World Vakıf Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakıf UBB. Ltd. on 4 February 2009. Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to 24 May 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. Due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified “Investments in associates”. The financial statements of the Company have not been consolidated as at 30 September 2012 and 31 December 2011, but its equity until the liquidation decision date has been included in the accompanying consolidated financial statements.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

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

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 Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

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 B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ ^(*)	İstanbul/Turkey	11.75	21.77
3 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ^(*)	İstanbul/Turkey	27.63	29.47
4 Türkiye Sınai Kalkınma Bankası AŞ ^(*)	İstanbul/Turkey	8.38	8.38

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Years’ Profit/Loss	Fair Value
1	778,386	66,858	7,674	58,699	5,544	6,462	1,448	-
2	14,497	14,193	71	516	(52)	446	(1,226)	17,140
3	192,847	190,506	140,282	1,551	2,333	3,688	25,494	390,822
4	9,929,275	1,628,391	8,924	256,623	180,410	239,621	183,006	2,188,343

^(*) These figures are obtained from reviewed 30 September 2012 financial statements announced at Public Disclosure Platform.

The name of Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ, a consolidated associate of the Bank, has been changed as Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ on 3 April 2012. Amendment of association regarding this change has been discussed and decided on 28 March 2012 dated General Assembly meeting upon 2 March 2012 dated and 2354 numbered permission by Capital Market Board and 12 March 2012 dated 1814 numbered permission by General Directorate of Domestic Trade in Trade Ministry of Custom and Trade. The name has been registered on 3 March 2012 by İstanbul Trade Registry Office and has been announced on 9 April 2012 and 8044 numbered Turkish Trade Registry Gazette.

Movement of consolidated investments in associates

	Current Period	Previous Year
Balance at the beginning of the period	195,947	184,877
Movements during the period	103,555	11,070
Acquisitions and capital increases	-	21,553
Bonus shares received	26,514	9,591
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	77,041	(20,074)
Impairment losses	-	-
Balance at the end of the period	299,502	195,947
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

Sectoral distribution of consolidated investments and associates

	Current Period	Previous Year
Banks	189,503	128,267
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	109,999	67,680
Total	299,502	195,947

Quoted associates

	Current Period	Previous Year
Quoted at domestic stock exchanges	293,381	189,827
Quoted at international stock exchanges	-	-
Total	293,381	189,827

Investments in associates disposed during the period

None.

Investments in associates acquired during the period

There is not any associate acquired in the current period.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Parent Bank, from TL 800,000 to TL 1,100,000, by the General Assembly of the Company, the share of the Parent Bank amounting to TL 25,132 is presented in the movement table of investments in associates as bonus shares received.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Parent Bank, by TL 5,000 from TL 100,000 to TL 105,000, by the General Assembly of the Company, the share of the Parent Bank amounting to TL 1,382 is presented in the movement table of investments in associates as shares received.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Parent Bank, by TL 78,000 from TL 22,000 to TL 100,000, by the General Assembly of the Company, the share of the Parent Bank amounting to TL 21,553 is presented in the movement table of investments in associates as shares received.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ (“TSKB”), an associate of the Parent Bank, from TL 700,000 to TL 800,000, by the General Assembly of TSKB, the share of the Parent Bank amounting to TL 8,378 is presented in the movement table of investments in associates as bonus shares received.

In year 2011, the capital of Vakıf B Tipi 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 investments in associates as bonus shares received.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ (“Vakıf GYO”), an associate of the Bank, from TL 20,800 to TL 22,000, by the General Assembly of Vakıf GYO, the share of the Bank amounting to TL 332 is presented in the movement table of investments in associates as bonus shares received.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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

8. Investments in subsidiaries

Information on significant subsidiaries

	Güneş Sigorta AŞ	Vakıf Emeklilik AŞ	Vakıf Finans Factoring Hizmetleri AŞ	Vakıf Finansal Kiralama AŞ	Vakıfbank International AG
CORE CAPITAL					
Paid-in Capital	150,000	26,500	22,400	60,000	57,121
Share Premiums	1,448	10,424	28,831	353	
Valuation Differences of the marketable	-	-	-	-	
Legal reserves	8,791	10,382	4,988	3,479	4,804
Extraordinary reserves	11,409	30,836	21,999	35,542	
Other Profit Reserves	51,565	-	-	-	65,199
Profit/Loss	(26,230)	62,951	8,444	4,155	80,403
Prior Years' Profit/Loss	(17,412)	34,522	-	-	13,866
Current Years' Profit/Loss	(8,818)	28,429	8,444	4,155	66,537
Total Core Capital	196,983	141,093	86,662	103,529	207,527
Supplementary Capital	30,537	278	-	243	3,185
Capital	227,520	141,371	86,662	103,772	210,712
NET USABLE EQUITY	227,520	141,371	86,662	103,772	210,712

Vakıf Yatırım Menkul Değerler AŞ, a consolidated subsidiary of the Bank, calculates capital adequacy in accordance with “Comminique on Capital and Capital Adequacy of Intermediary Firms” of CMB every six months. Güneş Sigorta AŞ ve Vakıf Emeklilik AŞ, consolidated subsidiaries of the Bank, that operate in insurance business calculate capital adequacy in accordance with “Comminique on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms” published by Undersecretariat of Treasury every six month. According to the calculations at 30 June 2012, there is no capital requirement for the subsidiaries mentioned

Unconsolidated investments in subsidiaries

Title	Address (City / Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Vakıf Enerji ve Madencilik AŞ (*)	Ankara/ Turkey	65.50	84.92
2 Taksim Otelcilik AŞ	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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Years' Profit/(Loss)	Fair Value
1	8,208	8,087	1,062	316	-	588	(51)	12,500
2	228,676	225,756	97,588	8,716	521	8,439	8,176	212,968
3	40,185	33,828	868	1,136	124	6,942	-	-
4	20,623	17,315	671	1,210	67	197	6,546	26,987

(*) Financial information as at and for the six month period ended 30 June 2012 has been presented for these subsidiaries.

As per the resolution of the Board of Directors of the Parent 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.

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.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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*

Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at 30 September 2012 and 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.

Investments in consolidated subsidiaries

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

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit / (Loss)	Prior Year's Profit / (Loss)	Fair Value
1 836,171	233,180	162,989	13,385	4,823	(8,818)	15,042	307,417
2 1,698,804	137,339	36,134	17,512	148	22,300	13,163	165,471
3 288,445	86,662	354	42,618	-	8,445	10,039	57,708
4 746,915	104,139	4,078	34,297	124	4,168	12,955	93,964
5 93,999	54,042	333	3,853	338	1,956	3,449	36,766
6 1,761,448	214,767	1,363	31,783	6,217	14,027	12,988	166,683
7 7,556	7,252	6	523	24	1,538	1,139	16,633

(*) These figures are obtained from reviewed 30 September 2012 financial statements announced at Public Disclosure Platform.

Movement table of consolidated investments in subsidiaries in unconsolidated financial statements

	Current Period	Previous Year
Balance at the beginning of the period	504,664	547,961
Movements during the period	(282)	(43,298)
Acquisitions and capital increases	-	-
Bonus shares received	5,871	14,678
Share of current year profit	(14,390)	(13,038)
Sales and liquidations	-	-
Fair value changes	8,237	(44,938)
Impairment losses	-	-
Balance at the end of the period	504,382	504,663
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period	Previous Year
Measured at cost	-	-
Measured at fair value	504,382	504,663
Equity method of accounting	-	-
Total	504,382	504,663

Sectoral distribution of consolidated investments in subsidiaries

	Current Period	Previous Year
Banks	150,015	150,015
Insurance companies	200,936	193,303
Factoring companies	45,237	50,368
Leasing companies	55,166	54,080
Financing companies	-	-
Other financial subsidiaries	53,028	56,897
Total	504,382	504,663

Quoted consolidated subsidiaries

	Current Period	Previous Year
Quoted at domestic stock exchanges	166,913	152,804
Quoted at international stock exchanges	-	-
Total	166,913	152,804

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 consolidated subsidiary of the Parent Bank, from TL 50,000 to TL 60,000, by the General Assembly of Vakıf Leasing, the share of the Bank amounting to TL 5,871 is presented as bonus shares received in the movement table of investments in subsidiaries.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Bank, from TL 25,000 to TL 50,000, by the General Assembly of Vakıf Finansal Kiralama AŞ, the share of the Bank amounting to TL 14,678 is presented as bonus shares received in the movement table of investments in 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

	Current Period		Previous Year	
	Gross	Net	Gross	Net
Less than 1 year	5,868	5,667	195,121	162,102
Between 1-4 years	505,323	449,149	359,054	320,643
Longer than 4 years	212,265	174,270	21,240	20,696
Total	723,456	629,086	575,415	503,441

Net investments in finance lease receivables

	Current Period	Previous Year
Gross finance lease receivables	723,456	575,415
Unearned income on finance lease receivables (-)	(94,370)	(71,974)
Terminated lease contracts (-)	-	-
Net finance lease receivables	629,086	503,441

Finance lease agreements

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

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

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on investment properties

As at 30 September 2012, the Group has investment property amounting to TL 164,397 (31 December 2011: TL 159,204) in total which consists of the net book value amounting to TL 140,047 (31 December 2011: TL 140,354) for the associate operating in the field of real estate investment sector and the net book value amounting to TL 24,350 (31 December 2011: TL 18,850) for the subsidiaries operating in the insurance business.

13. Information on deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at 30 September 2012 and 31 December 2011:

	Current Period	Previous Year
Provision for employee termination benefits and unused vacations	53,873	50,125
Other provisions	40,988	40,736
Valuation difference for associates and subsidiaries	28,843	31,382
Investment incentives	25,964	28,436
Reporting Standarts - Tax Code depreciation differences	17,154	16,030
Valuation differences of financial assets and liabilities	22,654	62,824
Tax losses carried forward	11,439	7,029
Other differences	1,958	1,606
Deferred tax assets	202,873	238,168
Net-off of the deferred tax assets and liabilities from the same entity	(49,343)	(40,498)
Deferred tax assets, (net)	153,530	197,670

	Current Period	Previous Year
Valuation differences of financial assets and liabilities	44,007	32,898
Valuation difference for associates and subsidiaries	908	3,227
Other differences	10,297	8,039
Deferred tax liabilities	55,212	44,164
Net-off of the deferred tax assets and liabilities from the same entity	(49,343)	(40,498)
Deferred tax liabilities, (net)	5,869	3,666

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

As at 30 September 2012, net book value of assets held for sale of the Group is amounting to TL 2,168 (31 December 2011: TL 2,159).

15. Information on other assets

As at 30 September 2012 and 31 December 2011, the details of other assets are as follows:

	Current Period	Previous Year
Receivables from private pension business	1,142,524	868,063
Prepaid expenses	418,631	398,979
Receivables from reinsurance companies	386,498	446,440
Receivables from credit cards	318,907	392,479
Receivables from insurance operations	202,010	266,178
Receivables from derivative financial instruments	113,322	79,501
Deferred insurance premium acquisition costs	86,471	20,177
Receivables from term sale of assets	49,136	103,778
Others	122,869	95,388
Total	2,840,368	2,670,983

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(Currency: Thousands of Turkish Lira (“TL”))

*Convenience Translation of the Consolidated Financial Statements
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II. Information and disclosures related to consolidated liabilities

1. Information on maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	2,102,797	-	301,623	12,493,747	1,766,445	90,553	115,207	-	16,870,372
Foreign currency deposits	1,768,036	-	1,091,200	9,531,161	1,568,572	557,947	2,640,822	-	17,157,738
Residents in Turkey	1,531,111	-	1,079,932	9,447,784	1,485,051	358,040	751,311	-	14,653,229
Residents in abroad	236,925	-	11,268	83,377	83,521	199,907	1,889,511	-	2,504,509
Public sector deposits	2,389,940	-	1,219,739	5,759,010	805,488	8,126	35,768	-	10,218,071
Commercial deposits	1,171,628	-	2,521,635	4,709,097	2,222,230	375,818	3,702	-	11,004,110
Others	2,276,594	-	669,742	1,964,331	1,169,286	111,402	13,800	-	6,205,155
Precious metal deposits	692,675	-	-	-	-	-	-	-	692,675
Bank deposits	22,557	-	1,791,158	670,711	343,027	105,623	8,247	-	2,941,323
Central Bank	174	-	-	-	-	-	-	-	174
Domestic banks	3,909	-	1,636,983	96,946	37,125	105,623	8,247	-	1,888,833
Foreign banks	5,811	-	154,175	573,765	305,902	-	-	-	1,039,653
Participation banks	12,663	-	-	-	-	-	-	-	12,663
Others	-	-	-	-	-	-	-	-	-
Total	10,424,227	-	7,595,097	35,128,057	7,875,048	1,249,469	2,817,546	-	65,089,444

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	1,671,682	-	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	-	-	-	-	-	-	-	-	-
Total	9,183,515	-	8,766,182	33,484,224	6,696,644	1,323,834	2,387,577	-	61,841,976

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Previous Year	Current Period	Previous Year
Saving deposits	7,251,733	6,344,011	9,618,639	8,678,865
Foreign currency saving deposits	2,045,270	1,485,189	5,636,346	4,116,656
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	9,297,003	7,829,200	15,254,985	12,795,521

Saving deposits out of insurance coverage limits

	Current Period	Previous Year
Deposits and other accounts at foreign branches	9,624	7,231
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	2,288	1,859
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

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

	Current Period		Previous Year	
	TL	FC	TL	FC
Forwards	3,024	281	3,399	4,574
Swaps	7,298	170,576	973	335,760
Futures	-	-	-	-
Options	54	426	4	93
Others	-	-	-	-
Total	10,376	171,283	4,376	340,427

3. Information on banks and other financial institutions

	Current Period		Previous Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	117,698	470,897	238,436	551,187
Foreign banks, institutions and funds	91,398	7,307,122	112,338	8,010,336
Total	209,096	7,778,019	350,774	8,561,523

Maturity information of funds borrowed

	Current Period		Previous Year	
	TL	FC	TL	FC
Short-term ^(*)	151,285	3,971,182	330,858	2,902,663
Medium and Long-term ^(*)	57,811	3,806,837	19,916	5,658,860
Total	209,096	7,778,019	350,774	8,561,523

^(*) 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 8.7% (31 December 2011: 10.6%) 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 with interest rate of Libor + 1.30% and Euro 408 million with interest rate of Euribor + 1.30% at 1 year maturity; and syndication loan at the amount of US Dollar 10 million with interest rate of Libor + 1.75% and Euro 45 million with interest rates of Euribor + 1.75% at 2 years maturity with the participation of 32 banks under the coordination of West LB AG. The Bank has repaid the part of the loan with one year maturity on 6 September 2011. On 6 September 2011, repayment of loan's one year maturity segments was realized. On 31 August 2012, two years maturity segments were paid off.

This loan has been renewed with a syndicated 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 NV on 7 September 2011. The syndicated loan was payed on 10 September 2012. This loan has been renewed with a syndicated loan at the amount of USD 151 million and EURO 444.5 million with the interest rate of US Libor + 1.35% and Euribor + 1.35% at a maturity of one year, with the participation of 24 banks with the coordination and agency of INGBank N.V. on 18 September 2012.

On 28 March 2011, the Parent Bank has obtained syndication loan of USD 192.5 million and Euro 573.5 million with one year maturity at the cost Libor + 1.10% for USD and Euribor + 1.10% for EUR, with the participation of 34 banks under the coordination of West LB AG, the the loan was repaid on 29 March 2011. This loan has been renewed with a syndicated loan at the amount of US Dollar 152 million and Euro 586.7 million with interest rates of US Libor + 1.45 % and Euribor + 1.45 % at a maturity of one year, with the participation of 41 banks under the coordination of Wells Fargo Bank NA on 10 April 2012.

Information on securities issued

On 8 August 2011, the Parent Bank has issued discounted bonds with a nominal value of TL 500,000 and 176 days maturity. The bond has matured as at 31 January 2012.

On 31 January 2012, the Parent Bank has issued discounted bonds with a nominal value of TL 1,000,000 and 178 days maturity. The bond has matured as at 27 July 2012.

On 1 June 2012, the Parent Bank has issued discounted bonds with a nominal value of TL 500,000 and 179 days maturity. The nominal value of the bond is determined as TL 926,838 with respect to the book-building process. As at 30 September 2012, the carrying amount of the related bonds is TL 911,374.

On 1 June 2012, the Parent Bank has issued floating-rate bonds with monthly coupon payment with a nominal value of TL 200,000 and 374 days maturity. The nominal value of the bond is determined as TL 105,055 with respect to book-building process. As at 30 September 2012, the carrying amount of the related bonds is TL 103,099.

On 27 July 2012, the Parent Bank has issued discounted bonds with a nominal values of TL 500,000 and 175 days maturity and TL 200,000 and 318 days maturity. The nominal values of the bonds are determined as TL 724,565 and TL 98,070 with respect to book-building process. As at 30 September 2012, the carrying amounts of the related bonds are TL 704,535 and TL 90,977 respectively.

On 21 September 2012, the Parent Bank has issued discounted bonds with a nominal values of TL 100,000 and 91 days maturity and TL 200,000 and 175 days maturity. The nominal values of the bonds are determined as TL 204,276 and TL 181,606 with respect to book-building process. As at 30 September 2012, the carrying amounts of the related bonds are TL 195,511 and TL 173,160 respectively.

On 24 April 2012, the Parent Bank has issued the bond with a nominal value of USD 500 million and with the maturity date of 24 April 2017. 36% of the bond has been sold in Europe, 27% in the United States, 27% in England, 10% in Asia and the Middle East. Furthermore, with respect to purchaser parties 64% of the bond was purchased by fund managers, 18% was purchased by banks, 14% by private banks and 4% by insurance and pension funds. As of 30 September 2012, the carrying amount of the bond is TL 908,705.

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

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

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

Obligations under finance leases

None.

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

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

None.

7. Information on provisions

Information on general provisions

	Current Period	Prior period
Provisions for loans and receivables in Group I	712,084	583,470
-Additional provision for loans with extended payment plans	7,317	2,048
Provisions for loans and receivables in Group II	99,675	38,615
-Additional provision for loans with extended payment plans	7,632	1,778
Provisions for non-cash loans	51,241	46,189
Others	3,155	2,906
Total	866,155	671,180

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

	Current Period	Previous Year
Provision for currency exchange gain/loss on foreign currency indexed loans	44,415	2,419

As at 30 September 2012 the Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 44,415 (31 December 2011: 2,419) 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

As of 30 September 2012, Bank has recorded TL 38,086 (31 December 2011: TL 67,937) as specific provisions for non-cash loans that are not indemnified or converted into cash.

Information on other provisions

As at 30 September 2012, the Parent Bank has recorded provision amounting to 5% of loans under follow up (31 December 2011: 5%). Part of that amount has been recognized under general provisions and the remaining TL 89,071 (31 December 2011: TL 51,676) 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

	Current Period	Previous Year
Provision for loans under follow-up	89,071	51,676
Specific provisions for non-cash loans	38,086	67,937
Provision for World Vakıf UBB Ltd with regard to its negative equity	27,990	27,105
Provisions for lawsuits against the Group	17,451	17,056
Provision for cheques	9,190	17,736
Provisions for credit card promotions	7,889	7,923
Other provisions	10,252	39,175
Total	199,929	228,608

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

As at and for the nine-month period ended 30 September 2012, the tax liability of the Group is amounting to TL 132,187 (31 December 2011: TL 22,502).

Information on taxes payable

	Current Period	Previous Year
Corporate taxes payable	132,187	22,502
Taxation on securities	127,104	62,943
Capital gains tax on property	1,803	1,216
Banking and Insurance Transaction Tax (BITT)	247	28,855
Taxes on foreign exchange transactions	-	-
Value added tax payable	2,378	1,417
Others	18,081	28,394
Total	281,800	145,327

Information on premiums payable

	Current Period	Previous Year
Social security premiums- employee share	900	789
Social security premiums- employer share	2,374	1,930
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	504	429
Unemployment insurance- employer share	1,132	958
Others	143	456
Total	5,053	4,562

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

	Current Period	Previous Year
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

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered capital system	2,500,000	5,000,000

The registered capital ceiling was increased from TL 1,300,000 to TL 5,000,000 as per the resolution no. 74202 dated 16 February 2006 by the Board of Directors.

Information on share capital increases and their sources; other information on any increase in capital shares during the current 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

	Current Period		Previous Year	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	(20,136)	-	(19,393)	-
Fair value differences of available-for-sale securities	82,875	579,098	(181,240)	109,679
Foreign exchange differences	-	-	-	-
Total	62,739	579,098	(200,633)	109,679

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

	Current Period	Previous Year
Commitments for credit card limits	4,758,678	4,322,604
Loan granting commitments	4,678,724	4,579,863
Commitments for cheque payments	1,108,502	829,640
Asset purchase commitments	2,422,737	1,626,838
Other	603,453	519,642
Toplam	13,572,094	11,878,587

Type and amount of possible losses from off-balance sheet items

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 38,086 (31 December 2011: TL 67,937) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 74,575 (31 December 2011: TL 69,605).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Previous Year
Final letters of guarantee	4,288,586	4,493,718
Letters of guarantee for advances	2,118,143	1,946,721
Letters of guarantee given to custom offices	380,590	323,046
Provisional letters of guarantee	354,872	489,911
Other letters of guarantee	4,765,666	3,969,712
Total	11,907,857	11,223,108

2. Non-cash loans

	Current Period	Previous Year
Non-cash loans given for cash loan risks	941,461	591,334
With original maturity of 1 year or less	474,102	353,374
With original maturity of more than 1 year	467,359	237,960
Other non-cash loans	15,581,444	15,223,047
Total	16,522,905	15,814,381

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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

3. Sectoral risk concentrations of non-cash loans

	Current Period				Previous Year			
	TL	%	FC	%	TL	%	FC	%
Agricultural	68,122	0.68	153,935	2.32	44,778	0.49	189,336	2.79
Farming and cattle	56,647	0.57	136,381	2.06	39,146	0.43	176,234	2.59
Forestry	10,130	0.10	13,274	0.20	4,610	0.05	7,949	0.12
Fishing	1,345	0.01	4,280	0.06	1,022	0.01	5,153	0.08
Manufacturing	4,078,016	41.23	3,557,117	53.63	3,990,192	44.24	3,237,435	47.63
Mining	67,062	0.68	55,644	0.84	49,592	0.55	53,415	0.79
Production	2,775,657	28.06	3,233,536	48.75	2,889,888	32.04	2,816,140	41.43
Electric, gas and water	1,235,297	12.49	267,937	4.04	1,050,712	11.65	367,880	5.41
Construction	1,684,795	17.03	1,047,509	15.79	1,509,054	16.73	1,021,201	15.03
Services	3,784,808	38.28	1,601,392	24.15	2,843,974	31.54	1,385,717	20.39
Wholesale and retail trade	1,549,482	15.67	632,492	9.54	1,093,274	12.12	380,986	5.61
Hotel, food and beverage services	66,490	0.67	10,943	0.16	57,270	0.64	1,931	0.03
Transportation and	479,754	4.85	786,214	11.86	463,721	5.14	781,092	11.48
Financial institutions	1,205,130	12.19	29,597	0.45	1,166,857	12.94	202,866	2.99
Real estate and renting services	104,144	1.05	54,563	0.82	15,604	0.17	43	-
Self-employment services	263,229	2.67	70,922	1.07	-	-	-	-
Education services	6,645	0.07	-	-	6,817	0.08	-	-
Health and social services	109,934	1.11	16,661	0.25	40,431	0.45	18,799	0.28
Others	274,674	2.78	272,537	4.11	630,744	7.00	961,950	14.16
Total	9,890,415	100.00	6,632,490	100.00	9,018,742	100.00	6,795,639	100.00

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	9,701,789	1,971,372	119,438	44,682
Confirmed bills of exchange and acceptances	19,716	655,208	-	193
Letters of credit	-	3,909,914	-	3,002
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	11,447	8,865	-	-
Other guarantees and sureties	-	2,704	-	-
Total Non-Cash Loans	9,732,952	6,548,063	119,438	47,877

Previous 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	-	-
Total Non-Cash Loans	8,944,469	6,758,984	40,559	764

5. Information on credit derivatives and related imposed risks

None

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 Period		Previous Period	
	TL	FC	TL	FC
Short-term loans	1,466,256	159,002	932,113	123,432
Medium and long-term loans	2,871,937	545,363	1,959,045	421,612
Loans under follow-up	90,200	-	111,488	-
Premiums received from resource utilization support fund	-	-	-	-
Total	4,428,393	704,365	3,002,646	545,044

Information on interest income received from banks

	Current Period		Previous Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	41,182	2,684	35,855	1,616
Foreign banks	32	4,334	824	8,772
Foreign head office and branches	-	-	-	-
Total	41,214	7,018	36,679	10,388

Information on interest income received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	23,474	2,660	24,763	-
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	682,392	141,266	633,573	120,739
Investments held to maturity	382,290	63,585	238,819	80,886
Total	1,088,156	207,511	897,155	201,625

Information on interest income received from associates and subsidiaries

	Current Period	Previous Period
Interests received from the associates and subsidiaries	38	47

2. Interest Expense

Interest expenses on funds borrowed

	Current Period		Previous Period	
	TL	FC	TL	FC
Banks	22,061	111,159	19,317	97,883
Central Bank of Turkey	-	-	-	-
Domestic banks	10,725	13,563	4,227	8,831
Foreign banks	11,336	97,596	15,090	89,052
Foreign head offices and branches	-	-	-	-
Other institutions	-	6,751	-	4,325
Total	22,061	117,910	19,317	102,208

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and
For the Nine-Month Period Ended 30 September 2012
(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

Interest expenses paid to associates and subsidiaries

	Current Period	Previous Period
Interests paid to the associates and subsidiaries	20,845	16,669

Interest expense on securities issued

Interest paid to securities issued as at for the nine-month period ending at 30 September 2012 is TL 118,779 (30 September 2011: TL 6,041).

Maturity structure of the interest expense on deposits

Account Name	Demand Deposits	Time Deposits					More than 1 Year	Cumulative deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year				
TL									
Interbank deposits	-	56,556	-	-	-	-	-	-	56,556
Saving deposits	29	19,536	939,505	121,411	11,062	6,812	-	1,098,355	
Public sector deposits	18	62,177	341,744	67,509	4,456	1,828	-	477,732	
Commercial deposits	1	116,662	421,167	162,323	29,189	208	-	729,550	
Other deposits	-	25,450	157,379	78,348	6,960	688	-	268,825	
Deposits with 7 days	-	-	-	-	-	-	-	-	
Total	48	280,381	1,859,795	429,591	51,667	9,536	-	2,631,018	
FC									
Foreign Currency Deposits	3,101	26,013	268,056	52,565	22,187	53,280	-	425,202	
Interbank deposits	-	28,612	-	-	-	-	-	28,612	
Deposits with 7 days	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
Total	3,101	54,625	268,056	52,565	22,187	53,280	-	453,814	
Total	3,149	335,006	2,127,851	482,156	73,854	62,816	-	3,084,832	

3. Trading income/losses

	Current Period	Previous Period
Income	1,578,649	1,737,279
Income from capital market transactions	95,488	81,924
Income from derivative financial instruments	349,450	651,273
Foreign exchange gains	1,133,711	1,004,082
Losses	(1,407,765)	(1,710,460)
Losses from capital market transactions	(4,919)	(10,817)
Losses from derivative financial instruments	(348,034)	(658,223)
Foreign exchange losses	(1,054,812)	(1,041,420)
Trading income/losses, net	170,884	26,819

Net gain arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is TL 38,720 as at and for the nine-month period ended 30 September 2012 (30 September 2011: net gain of TL 61,766).

4. Other operating income

	Current Period	Previous Period
Earned insurance premiums (net of reinsurance share)	380,769	401,122
Income from reversal of the impairment losses	343,165	537,079
Communication income	58,640	60,096
Gain on sale of assets	21,710	94,647
Income from private pension business	24,636	18,985
Rent income	7,795	3,353
Other income	93,631	65,933
Total	930,346	1,181,215

5. Provision expenses for losses on loans and other receivables

	Current Period	Previous Period
Specific provisions on loans and other receivables	445,218	277,416
<i>Loans and receivables in Group III</i>	115,334	51,799
<i>Loans and receivables in Group IV</i>	311,374	173,398
<i>Loans and receivables in Group V</i>	18,510	52,219
Non-performing commissions and other receivables	-	-
General provision expenses	194,991	187,029
Provision for possible losses	39,189	-
Impairment losses on securities	83,142	55,876
<i>Trading securities</i>	24,987	22,654
<i>Investment securities available-for-sale</i>	58,155	33,222
Other impairment losses	15,318	21,114
<i>Associates</i>	-	63
<i>Subsidiaries</i>	-	3,867
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	15,318	17,184
Others ^(*)	96,054	96,297
Total	873,912	637,732

^(*) Other provision expenses amounting to TL 96,054 (30 September 2011: TL 96,297) is comprised of provision expenses for dividends to the personnel amounting to TL 77,460 (30 September 2011: TL 69,879), provision for non-cash loans that are not indemnified or converted to cash and provisions for cheques amounting to TL 16,411 (30 September 2011: TL 24,427) and other provision expenses amounting to TL 2,183 (30 September 2011: TL 1,991).

6. Other operating expenses

	Current Period	Previous Period
Personnel costs	762,095	702,484
Reserve for employee termination benefits	22,988	11,371
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	83,013	79,488
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	8,690	6,926
Impairment losses on assets to be disposed	6,842	2,263
Depreciation expenses on assets to be disposed	9,631	8,248
Impairment losses on assets held for sale	111	-
Other operating expenses	657,634	595,842
<i>Operational lease related expenses</i>	99,410	81,807
<i>Repair and maintenance expenses</i>	12,909	11,064
<i>Advertisement expenses</i>	53,410	20,713
<i>Other expenses</i>	491,905	482,258
Loss on sale of assets	94	713
Others	523,066	455,912
Total	2,074,164	1,863,247

7. 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 277,428 (30 September 2011: TL 331,978) 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

Sources of deferred tax benefit/charge	Current Period	Previous Period
Arising from origination (+)/ reversal (-) of deductible temporary differences	(29,603)	69,047
Arising from origination (-)/ reversal (+) of taxable temporary differences	14,273	(2,098)
Arising from origination (+)/ reversal (-) of tax losses	-	-
Arising from tax rate change	-	-
Total	(15,330)	66,949

8. Net profit and loss

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

Group has earned TL 6,579,178 interest income and TL 257,786 net fee and commission income also incurred TL 3,687,383 amount of interest expense from its ordinary banking operations (30 September 2011: TL 4,802,995 interest income, TL 2,608,840 interest expense, TL 405,818 net fee and commission income).

Any changes in estimations that might have a material effect on current and subsequent year results

None.

9. Income/loss related to non-controlling interest

	Current Period	Previous Period
Income/(losses) related to non-controlling interest	12,338	44,228

10. 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 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 Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	-	591,730	-	6,572	4,443	1,385
Balance at the end of the year	-	550,659	-	37,925	16,633	12,558
Interest and commission income	38	255	-	28	492	13

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	-	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	47	182	-	27	292	45

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 Period	Previous Year	Current Period	Previous Year	Current Period	Previous Year
Deposits						
Balance at the beginning of the year	855,959	411,915	728,474	581,885	85,795	54,423
Balance at the end of the year	1,096,666	855,959	525,281	728,474	72,872	85,795
Interest on deposits	20,845	16,669	40,726	30,756	3	355

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 0.03% (31 December 2011: 0.01%) and 3.64% (31 December 2011: 3.83%).

Current Period	Amount	Compared with the Financial Statement Amount %
Cash Loans	16,633	0.03
Non-Cash Loans	601,142	3.64
Deposits	1,694,819	2.60

Previous 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

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

As per the resolution of 58th Annual General Assembly held on 30 March 2012, the net profit of year 2011 is decided to be distributed as follows:

Profit Distribution Table of Year 2011	
Current year’s profit of the Parent Bank’s unconsolidated financial statements	1,226,785
Deferred tax income	(25,524)
Net profit of the year subject to distribution	1,201,261
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
Net profit of the year subject to distribution	1,081,135
Other reserves	33,497
Extraordinary reserves	1,010,638
Dividends to the shareholders	37,000

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

June 2012^(*)	Standard & Poors
Foreign Currency Credit Rating	BB / Stable / B
Foreign Currency Deposit Rating	BB / Stable / B
National	trAA / -- / trA-1
July 2012^(*)	Moody’s Investors’ Service
Financial Strength Rating	D+
Local Currency Deposit Rating	Baa2 / P-2
Local Currency Outlook	Stable
Foreign Currency Deposit Rating	Ba2 / NP
Foreign Currency Outlook	Stable
December 2011^(*)	Fitch Ratings
Long Term Foreign Currency	BBB-
Short Term Foreign Currency	F3
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB
Short Term Local Currency	F3
Local Currency Outlook	Stable
National Long Term	AAA (tur)
National Outlook	Stable
Individual	WD
Support Rating	2
Base Support Rating	BBB-
February 2012^(*)	Capital Intelligence
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB
Support Rating	2
Outlook Foreign Currency	Stable

(*) Dates represent the last change dates of credit ratings and outlook.

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

- On 1 November 2012, the Parent Bank has issued its first subordinated bond with the amount of USD 500 million, and 10 years maturity. It has been planned to sell this bond, meeting the provisions of secondary subordinated bonds denominated in USD, to real persons and legal entities outside Turkey. The book-building process has been completed and the bond’s coupon rate is 6.00%, nominal value is USD 500 million and maturity date is 1 November 2022.
- The Parent Bank has applied for the register by Capital Market Bond and Istanbul Stock Exchange to issue two Bank bills on 21-22-23 November 2012,; the first with the nominal value of TL 400 million, and 171 days maturity between 27 November 2012 and 17 November 2013; the second with the nominal of TL 150 million and 346 days maturity between 27 November 2012 and 8 November 2013.
- As per the resolution of the Board of Directors of the Parent Bank dated 22 November 2012, it has been decided to start the application procedures to have necessary permissions from BRSA and CMB for issuance of different types of bill and/or bond with different maturities with a nominal value of TL 3,000,000 in total.

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

None.

SECTION SEVEN

I. Independent Auditors’ Review Report

1. Information on the independent auditors’ review report

The consolidated financial statements and footnotes of the Bank and its financial subsidiaries as at and for the nine-month period ended 30 September 2012, have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity). It was noted in their review report dated 27 November 2012 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group’s financial position and results of its operations as at and for the nine-month period ended 30 September 2012.