



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

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

As at and for the Year Ended

31 December 2012

With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ  
14 March 2013

*This report contains "Independent Auditors' Report"  
comprising 2 pages and; "Consolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 94 pages.*



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

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

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

We have audited the consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its financial subsidiaries as at 31 December 2012 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information. The financial statements of a consolidated subsidiary which constitutes 1.6 % of total assets and 1.1% of consolidated operating income for the year ended 31 December 2012, were audited by another auditor whose report has been furnished to us, and our audit report, insofar as it relates to the amounts included for this company is based solely on the report of the other auditor.

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

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

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


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

*Independent Auditors' Opinion:*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its financial subsidiaries as at 31 December 2012 and the result of its operations and cash flows for the year 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,  
14 March 2013

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 YEAR ENDED 31 DECEMBER 2012**

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The consolidated financial report as at and for the year ended 31 December 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' REPORT

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

<b>SUBSIDIARIES</b>	<b>ASSOCIATES</b>
Güneş Sigorta AŞ	Kıbrıs Vakıflar Bankası Ltd.
Vakıf Emeklilik AŞ	Türkiye Sınai Kalkınma Bankası AŞ
Vakıf Finans Factoring Hizmetleri AŞ	
Vakıf Finansal Kiralama AŞ	
Vakıf Portföy Yönetimi AŞ	
Vakıf Yatırım Menkul Değerler AŞ	
Vakıfbank International AG	
Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	
Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ	

The consolidated financial statements and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated financial statements are presented in thousands of Turkish Lira (“TL”).

14 March 2013

Halil AYDOĞAN  
Chairman of  
Board of Directors

Ramazan GÜNDÜZ  
Board Member and  
Audit Committee Member

Ali Fuat TAŞKESENLİOĞLU  
Board Member and  
Audit Committee Member

Süleyman KALKAN  
General Manager and  
Board Member

Metin Recep ZAFER  
Assistant General Manager

Murat KOYGUN  
Director of Accounting and  
Financial Affairs

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

Name-Surname/Title : S. Buğra SÜRÜEL / Manager  
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	Page No:
<b><u>SECTION ONE</u></b>	
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
Differences between the communicate 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
VI. 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
<b><u>SECTION TWO</u></b>	
Consolidated Financial Statements	
I. Consolidated balance sheet – Assets	5
II. Consolidated balance sheet - Liabilities and equity	6
III. Consolidated off-balance sheet items	7
VI. Consolidated statement of income	8
V. Consolidated statement of gains and losses recognized in shareholders' equity	9
VI. Consolidated statement of changes in shareholder's equity	10
VII. Consolidated statement of cash flows	11
VIII. Consolidated statement of profit distribution	12
<b><u>SECTION THREE</u></b>	
Accounting Policies	
I. Basis of presentation	13
II. Strategy for use of financial instruments and foreign currency transactions	13
III. Information on companies subject to consolidation	14
IV. Information on forwards, options and other derivative transactions	16
V. Information on interest income and expenses	16
VI. Information on fees and commissions	17
VII. Information on financial assets	17
VIII. Information on impairment of financial assets	18
IX. Information on netting of financial instruments	18
X. Information on repurchase and resale agreements and securities lending	18
XI. Information on assets and liabilities arising from assets held for sale and discontinued operations	18
XII. Information on goodwill and other intangible assets	19
XIII. Information on tangible assets	19
XIV. Information on investment properties	19
XV. Information on leasing activities	20
XVI. Information on provisions and contingent liabilities	20
XVII. Information on obligations of the Group concerning employee rights	20
XVIII. Information on taxation	21
XIX. Additional information on borrowings	23
XX. Information on issuance of equity securities	23
XXI. Information on confirmed bills of exchange and acceptances	23
XXII. Information on government incentives	23
XXIII. Information on segment reporting	23
XXIV. Other disclosures	24
<b><u>SECTION FOUR</u></b>	
Information Related to the Financial Position of the Group	
I. Consolidated capital adequacy ratio	26
II. Consolidated credit risk	30
III. Consolidated market risk	37
IV. Consolidated operational risk	39
V. Consolidated foreign currency exchange risk	39
VI. Consolidated interest rate risk	42
VII. Consolidated liquidity risk	46
VIII. Fair values of financial assets and liabilities	49
IX. Transactions carried out on behalf of customers, items held in trust	51
X. Consolidated segment reporting	51
<b><u>SECTION FIVE</u></b>	
Disclosures and Footnotes on Consolidated Financial Statements	
I. Information and disclosures related to consolidated assets	52
II. Information and disclosures related to consolidated liabilities	71
III. Information and disclosures related to consolidated off-balance sheet items	77
IV. Information and disclosures related to consolidated statement of income	81
V. Information and disclosures related to consolidated statement of changes in equity	86
VI. Information and disclosures related to consolidated statement of cash flows	87
VII. Information and disclosures related to the parent Bank's risk group	89
VIII. Domestic, foreign and off-shore branches or investments and foreign representative offices	91
<b><u>SECTION SIX</u></b>	
Other Disclosures and Footnotes	
I. Other disclosures on the Parent Bank's activity	92
II. Information on the parent Bank's rating given by international institutions	92
III. Significant events and matters subsequent to balance sheet date that are not resulted	93
IV. Significant foreign currency exchange rate fluctuations that are subsequent to balance sheet date	93
<b><u>SECTION SEVEN</u></b>	
Independent Auditors' Report	
I. Information on Independent Auditors' Report	94
II. Information and disclosures by Independent Auditors	94

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

Consolidated Financial Report as at and  
For the Year Ended 31 December 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 by the 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 year and information on Bank’s risk group**

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

As at 31 December 2012 and 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 Bank’s shareholders’ structure as at 31 December 2012 is stated below:

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

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

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Date of Appointment</b>	<b>Education</b>	<b>Experience in Banking and Business Administration</b>
<b><u>Board of Directors</u></b>				
Halil AYDOĞAN	Chairman	5 January 2012	University	36 years
Halim KANATCI	Deputy Chairman	28 April 2009	University	39 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	14 years
Ramazan GÜNDÜZ	Member	6 April 2009	University	34 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
<b><u>Audit Committee</u></b>				
Ramazan GÜNDÜZ	Member	3 January 2013	University	34 years
Ali Fuat TAŞKESEN LİOĞLU	Member	6 April 2012	University	24 years
<b><u>Auditors</u></b>				
Mehmet HALTAŞ	Auditor	19 March 2010	University	35 years
Yunus ARINCI	Auditor	19 March 2010	Master	15 years
<b><u>Executive Vice Presidents</u></b>				
Mehmet CANTEKİN (Senior Executive Vice President)	Loans Follow-up, Directorates of the Regions, Economic Research	28 December 2007	Master	21 years
Şahin UĞUR	Corporate Salary Payments	9 August 2004	University	27 years
Feyzi ÖZCAN	Retail Banking, Consumer Loans, Payment Systems, Payment System Operations, Insurance Banking	20 September 2005	University	23 years
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Alternative Distribution Channels	13 June 2006	PHD	17 years
Ömer ELMAS	Legal Services, Non-performing Loans	5 January 2009	Master	10 years
İbrahim BİLGİÇ	Corporate Banking, Corporate Centers, Corporate Loans, Cash Management Affairs	7 May 2010	University	21 years
Hasan ECESoy	Treasury, Investment Banking	18 June 2010	PHD	19 years
Serdar SATOĞLU	Private Banking, Subsidiaries	2 July 2010	PHD	17 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	16 years
Osman DEMREN	Commercial Banking, Support Services, SME Banking	6 April 2011	University	22 years
Mitat ŞAHİN	Human Resources, Planning and Performance	11 April 2011	Master	23 years
Yıldırım EROĞLU	Commercial Loans, Intelligence	6 December 2011	University	20 years
Numan BEK	International Relations and Investor Relations	18 July 2012	University	22 years



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

Consolidated Financial Report as at and  
For the Year Ended 31 December 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.

As per 3 January 2013 dated resolution of the Board of Directors, Ramazan Gündüz has been assigned as a Member of Audit Committee and Halim Kanatçı has resigned this duty.

İsmail Alptekin, Member of the Board, holds non-publicly traded share of the Bank amounting to TL 59 and Assistant General Manager Mıtat 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 Bank**

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

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

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

- Lending loans by obtaining securities and real estate as collateral,
- Establishing or participating in all kinds of insurance corporations,
- Trading real estates,
- Servicing all banking operations and services,
- Investing in various corporations handed over by the foundations and the General Directorate of the Foundations in accordance with conditions stipulated by agreements if signed.
- To render banking services to the foundations and carry out cashier transactions of the General Directorate of Foundations in compliance with the agreements signed by the General Directorate of the Foundations.

As at 31 December 2012, the Parent Bank has 741 domestic, 3 foreign, in total 744 branches (31 December 2011: 677 domestic, 3 foreign, in total 680 branches). As at 31 December 2012, the Parent Bank has 13,463 employees (31 December 2011: 12,222 employees).

**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 year ended 31 December 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, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

As at and for the year ended 31 December 2012, the financial statements of 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 Enternasyonel 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.

## SECTION TWO – CONSOLIDATED FINANCIAL STATEMENTS

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

Consolidated Balance Sheet (Statement of Financial Position)

Convenience Translation of the Consolidated Financial Statements

As at 31 December 2012

and Related Disclosures and Footnotes

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

Originally Issued in Turkish, See Section 3 Note I

ASSETS	Notes	Audited Current Year 31 December 2012			Audited Previous Year 31 December 2011		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	V-I-1	2,249,946	10,081,548	12,331,494	2,069,331	5,072,531	7,141,862
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	V-I-2	213,829	82,661	296,490	177,477	184,145	361,622
2.1 Financial assets held for trading purpose		213,829	82,661	296,490	177,477	184,145	361,622
2.1.1 Debt securities issued by the governments		121,695	14,820	136,515	137,725	14,189	151,914
2.1.2 Equity securities		2,709	-	2,709	2,096	-	2,096
2.1.3 Derivative financial assets held for trading purpose	V-I-2	21,584	67,841	89,425	4,182	169,956	174,138
2.1.4 Other securities		67,841	-	67,841	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		-	-	-	-	-	-
<b>III. BANKS</b>	V-I-3	740,354	1,916,136	2,656,490	408,679	2,132,656	2,541,335
<b>IV. RECEIVABLES FROM INTERBANK MONEY MARKETS</b>		6,645	-	6,645	190,467	-	190,467
4.1 Interbank money market placements		2,928	-	2,928	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	340	-	340
4.3 Receivables from reverse repurchase agreements		3,717	-	3,717	190,127	-	190,127
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	V-I-4	10,277,762	4,057,019	14,334,781	10,434,795	2,920,048	13,354,843
5.1 Equity securities		-	12,246	12,246	-	11,919	11,919
5.2 Debt securities issued by the governments		10,275,713	3,937,935	14,213,648	10,431,988	2,759,495	13,191,483
5.3 Other securities		2,049	106,838	108,887	2,807	148,634	151,441
<b>VI. LOANS AND RECEIVABLES</b>	V-I-5	51,358,116	17,958,583	69,316,699	38,871,737	19,297,116	58,168,853
6.1 Performing loans and receivables		51,052,492	17,956,408	69,008,900	38,763,115	19,294,387	58,057,502
6.1.1 Loans provided to the same risk group	V-VII-1	2,006	7,366	9,372	1,650	2,793	4,443
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		51,050,486	17,949,042	68,999,528	38,761,465	19,291,594	58,053,059
6.2 Loans under follow-up		2,803,919	12,908	2,816,827	2,195,075	16,208	2,211,283
6.3 Specific provisions (-)		2,498,295	10,733	2,509,028	2,086,453	13,479	2,099,932
<b>VII. FACTORING RECEIVABLES</b>		167,927	17,870	185,797	577,291	40,513	617,804
<b>VIII. HELD-TO-MATURITY INVESTMENTS (Net)</b>	V-I-6	4,198,301	62,759	4,261,060	4,343,224	1,636,014	5,979,238
8.1 Debt securities issued by the governments		4,198,301	9,312	4,207,613	4,343,224	1,581,438	5,924,662
8.2 Other securities		-	53,447	53,447	-	54,576	54,576
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	V-I-7	197,977	3	197,980	167,001	3	167,004
9.1 Associates, consolidated per equity method		170,692	-	170,692	140,112	-	140,112
9.2 Unconsolidated associates		27,285	3	27,288	26,889	3	26,892
9.2.1 Financial associates		14,952	-	14,952	17,546	-	17,546
9.2.2 Non-Financial associates		12,333	3	12,336	9,343	3	9,346
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	V-I-8	165,521	-	165,521	148,290	-	148,290
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		165,521	-	165,521	148,290	-	148,290
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial joint-ventures		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES</b>	V-I-10	95,702	581,217	676,919	69,712	433,729	503,441
12.1 Finance lease receivables		121,044	655,648	776,692	85,542	489,873	575,415
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		25,342	74,431	99,773	15,830	56,144	71,974
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	V-I-12	1,351,514	3,574	1,355,088	1,170,784	4,997	1,175,781
<b>XV. INTANGIBLE ASSETS (Net)</b>	V-I-13	99,837	199	100,036	79,782	206	79,988
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		99,837	199	100,036	79,782	206	79,988
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	V-I-14	19,646	-	19,646	159,204	-	159,204
<b>XVII. TAX ASSETS</b>		208,167	-	208,167	195,867	1,803	197,670
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets	V-I-15	208,167	-	208,167	195,867	1,803	197,670
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)</b>	V-I-16	2,093	-	2,093	2,159	-	2,159
18.1 Assets held for sale		2,093	-	2,093	2,159	-	2,159
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	V-I-17	1,595,908	328,598	1,924,506	2,427,064	243,919	2,670,983
<b>TOTAL ASSETS</b>		72,949,245	35,090,167	108,039,412	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)

Convenience Translation of the Consolidated Financial Statements

As at 31 December 2012

and Related Disclosures and Footnotes

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

Originally Issued in Turkish, See Section 3 Note I

LIABILITIES AND EQUITY		Notes	Audited Current Year 31 December 2012			Audited Previous Year 31 December 2011		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	V-II-1	<b>49,467,915</b>	<b>18,918,889</b>	<b>68,386,804</b>	<b>43,028,280</b>	<b>18,813,696</b>	<b>61,841,976</b>
1.1	Deposits of the same risk group	V-VII-1	746,250	590,694	1,336,944	1,061,432	608,796	1,670,228
1.2	Other deposits		48,721,665	18,328,195	67,049,860	41,966,848	18,204,900	60,171,748
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>							
	<b>PURPOSE</b>	V-II-2	<b>7,165</b>	<b>192,527</b>	<b>199,692</b>	<b>4,376</b>	<b>340,427</b>	<b>344,803</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	V-II-3	<b>271,385</b>	<b>7,829,596</b>	<b>8,100,981</b>	<b>350,774</b>	<b>8,561,523</b>	<b>8,912,297</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKET</b>		<b>2,298,496</b>	<b>6,384,324</b>	<b>8,682,820</b>	<b>3,031,108</b>	<b>3,000,144</b>	<b>6,031,252</b>
4.1	Interbank Money Market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		191,929	-	191,929	49,577	-	49,577
4.3	Obligations under repurchase agreements		2,106,567	6,384,324	8,490,891	2,981,531	3,000,144	5,981,675
<b>V.</b>	<b>SECURITIES ISSUED (Net)</b>		<b>1,481,611</b>	<b>891,137</b>	<b>2,372,748</b>	<b>493,000</b>	<b>-</b>	<b>493,000</b>
5.1	Bills		1,379,768	-	1,379,768	493,000	-	493,000
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		101,843	891,137	992,980	-	-	-
<b>VI.</b>	<b>FUNDS</b>		<b>31,368</b>	<b>-</b>	<b>31,368</b>	<b>40,699</b>	<b>-</b>	<b>40,699</b>
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		31,368	-	31,368	40,699	-	40,699
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>2,197,932</b>	<b>241,224</b>	<b>2,439,156</b>	<b>2,749,696</b>	<b>224,750</b>	<b>2,974,446</b>
<b>VIII.</b>	<b>OTHER EXTERNAL RESOURCES PAYABLE</b>	V-II-4	<b>472,082</b>	<b>546,845</b>	<b>1,018,927</b>	<b>181,463</b>	<b>460,709</b>	<b>642,172</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X.</b>	<b>LEASE PAYABLES (Net)</b>	V-II-5	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK</b>							
	<b>MANAGEMENT PURPOSE</b>	V-II-6	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	V-II-7	<b>2,953,305</b>	<b>44,197</b>	<b>2,997,502</b>	<b>2,348,817</b>	<b>79,325</b>	<b>2,428,142</b>
12.1	General provisions	V-II-7	953,052	3,007	956,059	668,297	2,883	671,180
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		473,619	719	474,338	402,990	578	403,568
12.4	Insurance technical provisions (Net)		1,261,803	10,344	1,272,147	1,078,213	46,573	1,124,786
12.5	Other provisions	V-II-7	264,831	30,127	294,958	199,317	29,291	228,608
<b>XIII.</b>	<b>TAX LIABILITIES</b>	V-II-8	<b>344,677</b>	<b>5,552</b>	<b>350,229</b>	<b>148,347</b>	<b>5,208</b>	<b>153,555</b>
13.1	Current tax liabilities	V-II-8	340,668	2,885	343,553	144,681	5,208	149,889
13.2	Deferred tax liabilities	V-I-15	4,009	2,667	6,676	3,666	-	3,666
<b>XIV.</b>	<b>PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS</b>							
	<b>RELATED TO DISCONTINUED OPERATIONS (Net)</b>	V-II-9	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	V-II-10	<b>-</b>	<b>1,630,188</b>	<b>1,630,188</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>EQUITY</b>		<b>11,107,708</b>	<b>721,289</b>	<b>11,828,997</b>	<b>9,335,716</b>	<b>262,486</b>	<b>9,598,202</b>
<b>16.1</b>	<b>Paid-in capital</b>	V-II-11	<b>2,500,000</b>	<b>-</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>-</b>	<b>2,500,000</b>
<b>16.2</b>	<b>Capital reserves</b>		<b>944,141</b>	<b>555,621</b>	<b>1,499,762</b>	<b>541,878</b>	<b>109,679</b>	<b>651,557</b>
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	165,190	555,621	720,811	(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		-	-	-	-	-	-
<b>16.3</b>	<b>Profit reserves</b>		<b>5,837,547</b>	<b>75,980</b>	<b>5,913,527</b>	<b>4,673,086</b>	<b>80,909</b>	<b>4,753,995</b>
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		285,130	67,063	352,193	259,607	73,050	332,657
<b>16.4</b>	<b>Profit or loss</b>		<b>1,452,150</b>	<b>65,939</b>	<b>1,518,089</b>	<b>1,282,952</b>	<b>50,648</b>	<b>1,333,600</b>
16.4.1	Previous years' profit/loss		45,047	49,591	94,638	(3,293)	32,579	29,286
16.4.2	Current year's profit/loss		1,407,103	16,348	1,423,451	1,286,245	18,069	1,304,314
<b>16.5</b>	<b>Non-controlling interest</b>		<b>373,870</b>	<b>23,749</b>	<b>397,619</b>	<b>337,800</b>	<b>21,250</b>	<b>359,050</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>70,633,644</b>	<b>37,405,768</b>	<b>108,039,412</b>	<b>61,712,276</b>	<b>31,748,268</b>	<b>93,460,544</b>

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

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

Consolidated Off-Balance Sheet Items

Convenience Translation of the Consolidated Financial Statements

As at 31 December 2012

and Related Disclosures and Footnotes

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

Originally Issued in Turkish, See Section 3 Note I

	Notes	Reviewed Current Period 31 December 2012			Audited Previous Year 31 December 2011			
		TL	FC	TOTAL	TL	FC	TOTAL	
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>	<b>48,138,895</b>	<b>34,442,488</b>	<b>82,581,383</b>	<b>39,955,958</b>	<b>33,878,278</b>	<b>73,834,236</b>	
<b>I.</b>	<b>GUARANTEES AND SURETIES</b>							
1.1	Letters of guarantee	V-III-2-4	10,554,546	6,696,491	17,251,037	9,048,197	6,801,185	15,849,382
1.1.1	Guarantees subject to State Tender Law		1,556,195	1,172,213	2,728,408	1,421,940	735,091	2,157,031
1.1.2	Guarantees given for foreign trade operations		379,638	-	379,638	323,046	-	323,046
1.1.3	Other letters of guarantee		8,584,622	947,835	9,532,457	7,243,968	1,499,063	8,743,031
1.2	Bank acceptances		19,554	786,278	805,832	29,056	454,538	483,594
1.2.1	Import letter of acceptance		-	36,632	36,632	375	40,122	40,497
1.2.2	Other bank acceptances		19,554	749,646	769,200	28,681	414,416	443,097
1.3	Letters of credit		693	3,774,016	3,774,709	732	4,098,668	4,099,400
1.3.1	Documentary letters of credit		693	3,774,016	3,774,709	732	4,098,668	4,099,400
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Guaranteed pre-financings		-	2,705	2,705	-	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		13,844	11,910	25,754	29,455	5,546	35,001
1.8	Other guarantees		-	1,104	1,104	-	1,166	1,166
1.9	Other sureties		-	430	430	-	172	172
<b>II.</b>	<b>COMMITMENTS</b>		<b>34,404,641</b>	<b>16,294,339</b>	<b>50,698,980</b>	<b>26,651,228</b>	<b>18,132,775</b>	<b>44,784,003</b>
2.1	Irrevocable commitments		12,369,462	1,089,293	13,458,755	10,807,644	1,070,943	11,878,587
2.1.1	Asset purchase commitments	V-III-1	813,896	880,456	1,694,352	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	4,950,300	8,248	4,958,548	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	1,154,273	-	1,154,273	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	4,938,035	-	4,938,035	4,322,604	-	4,322,604
2.1.10	Commitments for credit card and banking operations promotions		306,109	-	306,109	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	V-III-1	206,849	200,589	407,438	65,103	207,509	272,612
2.2	Revocable commitments		22,035,179	15,205,046	37,240,225	15,843,584	17,061,832	32,905,416
2.2.1	Revocable loan granting commitments		22,035,179	15,205,046	37,240,225	15,843,584	17,061,832	32,905,416
2.2.2	Other revocable commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>V-III-5</b>	<b>3,179,708</b>	<b>11,451,658</b>	<b>14,631,366</b>	<b>4,256,533</b>	<b>8,944,318</b>	<b>13,200,851</b>
3.1	Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1	Fair value hedges		-	-	-	-	-	-
3.1.2	Cash flow hedges		-	-	-	-	-	-
3.1.3	Net foreign investment hedges		-	-	-	-	-	-
3.2	Trading derivatives		3,179,708	11,451,658	14,631,366	4,256,533	8,944,318	13,200,851
3.2.1	Forward foreign currency purchases/sales		335,127	580,218	915,345	241,499	730,482	971,981
3.2.1.1	Forward foreign currency purchases		167,612	290,134	457,746	120,798	365,252	486,050
3.2.2.2	Forward foreign currency sales		167,515	290,084	457,599	120,701	365,230	485,931
3.2.2	Currency and interest rate swaps		2,418,898	8,548,598	10,967,496	3,895,134	7,555,347	11,450,481
3.2.2.1	Currency swaps-purchases		939,499	3,966,967	4,906,466	2,939,954	2,250,643	5,190,597
3.2.2.2	Currency swaps-sales		1,479,399	1,654,769	3,134,168	955,180	3,642,588	4,597,768
3.2.2.3	Interest rate swaps-purchases		-	1,463,431	1,463,431	-	837,023	837,023
3.2.2.4	Interest rate swaps-sales		-	1,463,431	1,463,431	-	825,093	825,093
3.2.3	Currency, interest rate and security options		425,683	650,910	1,076,593	119,900	127,334	247,234
3.2.3.1	Currency call options		212,841	325,454	538,295	59,950	63,666	123,616
3.2.3.2	Currency put options		212,842	325,454	538,296	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		-	1,671,932	1,671,932	-	531,155	531,155
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>520,142,409</b>	<b>149,801,020</b>	<b>669,943,429</b>	<b>358,000,449</b>	<b>124,532,124</b>	<b>482,532,573</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>164,855,739</b>	<b>1,662,037</b>	<b>166,517,776</b>	<b>124,679,261</b>	<b>1,965,815</b>	<b>126,645,076</b>
4.1	Customers' securities held		33,686	17,314	51,000	655,668	18,287	673,955
4.2	Investment securities held in custody		157,929,261	373,569	158,302,830	119,737,183	8,216	119,745,399
4.3	Checks received for collection		5,334,631	606,676	5,941,307	3,209,909	488,732	3,698,641
4.4	Commercial notes received for collection		954,298	224,610	1,178,908	685,346	175,092	860,438
4.5	Other assets received for collection		2,152	71	2,223	2,152	75	2,227
4.6	Assets received through public offering		-	5,231	5,231	-	5,570	5,570
4.7	Other items under custody		309	202,904	203,213	309	919,351	919,660
4.8	Custodians		601,402	231,662	833,064	388,694	350,492	739,186
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>117,754,980</b>	<b>38,351,806</b>	<b>156,106,786</b>	<b>80,334,810</b>	<b>33,528,833</b>	<b>113,863,643</b>
5.1	Securities		334,204	26,537	360,741	153,809	36,226	190,035
5.2	Guarantee notes		668,146	98,231	766,377	524,250	153,762	678,012
5.3	Commodities		19,180,436	624,899	19,805,335	13,878,556	551,059	14,429,615
5.4	Warranties		-	-	-	-	-	-
5.5	Real estates		91,069,499	30,568,630	121,638,129	61,561,438	25,580,459	87,141,897
5.6	Other pledged items		5,723,364	6,887,220	12,610,584	3,823,085	7,144,193	10,967,278
5.7	Pledged items-depository		779,331	146,289	925,620	393,672	63,134	456,806
<b>VI.</b>	<b>CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>237,531,690</b>	<b>109,787,177</b>	<b>347,318,867</b>	<b>152,986,378</b>	<b>89,037,476</b>	<b>242,023,854</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>			<b>568,281,304</b>	<b>184,243,508</b>	<b>752,524,812</b>	<b>397,956,407</b>	<b>158,410,402</b>	<b>556,366,809</b>

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

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

Consolidated Statement of Gains and Losses Recognized in Equity

Convenience Translation of the Consolidated Financial Statements

As at and For the Year Ended 31 December 2012

and Related Disclosures and Footnotes

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

Originally Issued in Turkish, See Section 3 Note 1

	Notes	Audited Current Year 31 December 2012	Audited Previous Year 31 December 2011
<b>I. INTEREST INCOME</b>		<b>8,999,981</b>	<b>6,695,600</b>
1.1 Interest income from loans	V-IV-1	7,003,040	4,947,762
1.2 Interest income from reserve deposits		-	-
1.3 Interest income from banks	V-IV-1	60,537	61,752
1.4 Interest income from money market transactions		3,576	4,144
1.5 Interest income from securities portfolio	V-IV-1	1,807,144	1,542,170
1.5.1 Trading financial assets	V-IV-1	32,459	23,392
1.5.2 Financial assets at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets	V-IV-1	1,114,511	1,055,954
1.5.4 Held-to-maturity investments	V-IV-1	660,174	462,824
1.6 Finance lease income		47,303	25,590
1.7 Other interest income		78,381	114,182
<b>II. INTEREST EXPENSE</b>		<b>4,744,503</b>	<b>3,661,368</b>
2.1 Interest expense on deposits	V-IV-2	3,946,141	2,951,304
2.2 Interest expense on funds borrowed	V-IV-2	178,898	173,151
2.3 Interest expense on money market transactions		350,006	483,234
2.4 Interest expense on securities issued	V-IV-2	173,243	16,088
2.5 Other interest expenses		96,215	37,591
<b>III. NET INTEREST INCOME (I-II)</b>		<b>4,255,478</b>	<b>3,034,232</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>418,105</b>	<b>561,369</b>
4.1 Fees and commissions received		683,235	749,512
4.1.1 Non-cash loans		104,370	65,313
4.1.2 Others		578,865	684,199
4.2 Fees and commissions paid		265,130	188,143
4.2.1 Non-cash loans		131	318
4.2.2 Others		264,999	187,825
<b>V. DIVIDEND INCOME</b>	V-IV-3	<b>6,916</b>	<b>4,732</b>
<b>VI. TRADING INCOME/LOSSES (Net)</b>	V-IV-4	<b>339,391</b>	<b>51,384</b>
6.1 Trading account income/losses	V-IV-4	250,923	77,657
6.2 Income/losses from derivative financial instruments	V-IV-4	(23,660)	(13,547)
6.3 Foreign exchange gains/losses	V-IV-4	112,128	(12,726)
<b>VII. OTHER OPERATING INCOME</b>	V-IV-5	<b>1,298,661</b>	<b>1,473,505</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>6,318,551</b>	<b>5,125,222</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	V-IV-6	<b>1,451,568</b>	<b>938,214</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	V-IV-7	<b>3,032,355</b>	<b>2,506,087</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>1,834,628</b>	<b>1,680,921</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>26,953</b>	<b>21,624</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>		<b>1,861,581</b>	<b>1,702,545</b>
<b>XVI. CONTINUING OPERATIONS PROVISION FOR TAXES</b>	V-IV-9	<b>(437,961)</b>	<b>(341,536)</b>
16.1 Current tax charges	V-IV-11	(463,099)	(387,387)
16.2 Deferred tax credits	V-IV-11	25,138	45,851
<b>XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)</b>	V-IV-12	<b>1,423,620</b>	<b>1,361,009</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from investment properties		-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3 Other income from discontinued activities		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Investment property expenses		-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3 Other expenses from discontinued activities		-	-
<b>XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-
<b>XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES (±)</b>		-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge		-	-
<b>XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVII±XXII)</b>	V-IV-12	<b>1,423,620</b>	<b>1,361,009</b>
23.1 Equity holders of the Bank		1,423,451	1,304,314
23.2 Non-controlling interest	V-IV-13	169	56,695
Earnings per 100 share (full TL)	III-XXIV	0.5694	0.5444

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  
As at and For the Year Ended 31 December 2012*Convenience Translation of the Consolidated Financial Statements  
and Related Disclosures and Footnotes*

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

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

GAINS AND LOSSES RECOGNIZED IN EQUITY		Notes	Audited Current Year 31 December 2012	Audited Previous Year 31 December 2011
I.	VALUATION DIFFERENCES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF THE MARKETABLE SECURITIES	V-V-6	910,213	(478,270)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS		-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS		-	-
IV.	CURRENCY TRANSLATION DIFFERENCES		(6,641)	28,260
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		14,619	(290)
IX.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES	V-V-6	(81,821)	92,520
X.	NET GAINS/(LOSSES) RECOGNIZED DIRECTLY IN EQUITY		836,370	(357,780)
XI.	CURRENT YEAR'S PROFIT/(LOSS)		1,423,620	1,361,009
11.1	Change in fair value of marketable securities (transfers to the statement of income)	V-V-6	39,939	132,267
11.2	Gains/losses recognized in the consolidated statement of income due to reclassification of derivatives which have previously designated as hedging instrument in a cash flow hedge		-	-
11.3	Gains/losses recognized in the consolidated statement of income due to reclassification of net foreign investment hedges		-	-
11.4	Others		1,383,681	1,228,742
XII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE YEAR		2,259,990	1,003,229

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

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

Consolidated Statement of Changes in Equity  
As at and For the Year Ended 31 December 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	Discount Op.s	Revaluation on Surp. On Assets Held for Sale and Shareholders' Equity before Minority Shares	Non-controlling Interest	Total Equity
<b>CHANGES IN EQUITY</b>																			
Previous year – 31 December 2011																			
I.	Balances at the beginning of the year	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 year																			
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation differences of the marketable securities	-	-	-	-	-	-	-	-	-	-	(388,889)	-	-	-	-	(388,889)	5,937	(382,952)
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	-	-	-	-	-	-	-	-	-	-	-	-	228	-	-	228	-	228
VIII.	Translation differences	-	-	-	-	-	-	-	25,433	-	-	-	-	-	-	-	25,433	2,827	28,260
IX.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(417)	(417)
X.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Group's equity	-	-	-	-	-	-	(598)	-	21,624	-	(3,315)	-	-	-	-	17,711	(262)	17,449
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,335	51,335
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,843	53,843
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,508)	(2,508)
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	261	261
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current year's profit/loss	-	-	-	-	-	-	-	-	1,282,690	-	-	-	-	-	-	1,282,690	(51)	(51)
XVIII.	Profit distribution	-	-	-	-	120,725	886	996,274	14,445	(1,164,297)	(11,324)	-	8,977	-	-	-	(34,314)	56,695	1,339,385
18.1	Dividends	-	-	-	-	-	-	-	-	(34,314)	-	-	-	-	-	-	(34,314)	(65)	(34,379)
18.2	Transferred to reserves	-	-	-	-	120,725	886	996,274	14,445	(1,129,983)	(11,324)	-	8,977	-	-	-	-	(65)	(34,379)
18.3	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the end of the year</b>		<b>2,500,000</b>	<b>-</b>	<b>726,722</b>	<b>-</b>	<b>627,279</b>	<b>3,980</b>	<b>3,790,079</b>	<b>332,657</b>	<b>1,304,314</b>	<b>29,286</b>	<b>(90,954)</b>	<b>14,010</b>	<b>1,779</b>	<b>-</b>	<b>-</b>	<b>9,239,152</b>	<b>359,050</b>	<b>9,598,202</b>
Current year – 31 December 2012																			
I.	Balances at the beginning of the year	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 year																			
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation differences of marketable securities	-	-	-	-	-	-	-	-	-	-	801,997	-	-	-	-	801,997	32,369	834,366
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	-	-	-	-	-	-	-	(5,988)	-	-	-	-	-	-	-	(5,988)	(653)	(6,641)
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)	-	26,953	524	9,768	-	-	-	-	36,719	(1,123)	35,596
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,384	9,384
XVII.	Current year's profit/loss	-	-	-	-	-	-	-	-	1,396,498	-	-	-	-	-	-	1,396,498	169	1,396,667
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the end of the year</b>		<b>2,500,000</b>	<b>-</b>	<b>726,720</b>	<b>-</b>	<b>753,941</b>	<b>5,050</b>	<b>4,802,343</b>	<b>352,193</b>	<b>1,423,451</b>	<b>94,638</b>	<b>720,811</b>	<b>50,452</b>	<b>1,779</b>	<b>-</b>	<b>-</b>	<b>11,431,378</b>	<b>397,619</b>	<b>11,828,997</b>

<sup>(1)</sup>Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ, which were previously consolidated per equity method, has been consolidated by line-by-line method in the current period and non-controlling interests of the Company has been presented under "Other" row.

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



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

Statement of Profit Distribution

For the Year Ended 31 December 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	Audited Current Year 31 December 2012	Audited Previous Year 31 December 2011
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>3,334,357</b>	<b>1,565,039</b>
1.1.1 Interests received		8,972,650	6,324,323
1.1.2 Interests paid		(4,704,969)	(3,579,789)
1.1.3 Dividends received		4,916	4,185
1.1.4 Fee and commissions received		683,235	561,369
1.1.5 Other income		933,012	667,673
1.1.6 Collections from previously written-off loans and other receivables	V-I-5	430,467	574,443
1.1.7 Payments to personnel and service suppliers		(2,878,209)	(2,406,736)
1.1.8 Taxes paid		(390,459)	(404,330)
1.1.9 Others	V-VI-1	283,714	(176,099)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(7,663,603)</b>	<b>(3,388,521)</b>
1.2.1 Net (increase) decrease in financial assets held for trading purpose		611	(149,678)
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		(4,751,472)	(3,102,549)
1.2.4 Net (increase) decrease in loans		(11,907,485)	(14,318,393)
1.2.5 Net (increase) decrease in other assets		(526,755)	(377,457)
1.2.6 Net increase (decrease) in bank deposits		600,296	691,282
1.2.7 Net increase (decrease) in other deposits		5,949,518	13,040,004
1.2.8 Net increase (decrease) in funds borrowed		(824,226)	2,213,548
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	V-VI-1	3,795,910	(1,385,278)
<b>I. Net cash flow from banking operations</b>		<b>(4,329,246)</b>	<b>(1,823,482)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>		<b>1,265,690</b>	<b>(818,251)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	V-VI-2	(1,211)	(1,000)
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures		-	-
2.3 Cash paid for purchase of tangible assets		(99,100)	(289,377)
2.4 Proceeds from disposal of tangible assets		177,971	341,454
2.5 Cash paid for purchase of available-for-sale financial assets		(1,416,750)	(3,995,052)
2.6 Proceeds from disposal of available-for-sale financial assets		2,572,263	2,807,497
2.7 Cash paid for purchase of held-to-maturity investments		(210,825)	(1,337,879)
2.8 Proceeds from disposal of held-to-maturity investments		275,294	1,688,257
2.9 Others	V-VI-1	(31,952)	(32,151)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>3,434,911</b>	<b>495,957</b>
3.1 Cash obtained from funds borrowed and securities issued		6,093,384	476,493
3.2 Cash used for repayment of funds borrowed and securities issued		(2,620,966)	-
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(37,507)	(34,379)
3.5 Re-payments for finance leases		-	-
3.6 Others		-	53,843
<b>IV. Effect of change in foreign exchange rates on cash and cash equivalents</b>	V-VI-1	<b>(1,666)</b>	<b>3,796</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>369,689</b>	<b>(2,141,980)</b>
<b>VI. Cash and cash equivalents at the beginning of the year</b>	V-VI-4	<b>5,006,108</b>	<b>7,148,088</b>
<b>VII. Cash and cash equivalents at the end of the year</b>	V-VI-4	<b>5,375,797</b>	<b>5,006,108</b>

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

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

Consolidated Financial Report as at and

For the Year Ended 31 December 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*

	Notes	Current Year 31 December 2012	Previous Year 31 December 2011
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT<sup>(*)</sup></b>			
1.1		1,885,361	1,575,181
1.2		(425,281)	(348,396)
1.2.1	V-IV-11	(449,196)	(373,920)
1.2.2		-	-
1.2.3	V-IV-11	23,915	25,524
A.		1,460,080	1,226,785
1.3	V-IV-11	(23,915)	(25,524)
B.		1,436,165	1,201,261
1.4		-	-
1.5	V-V-5	-	(60,063)
1.6	V-V-5	-	(60,063)
C.		-	1,081,135
1.7		-	37,000
1.7.1		-	37,000
1.7.2		-	-
1.7.3		-	-
1.7.4		-	-
1.7.5		-	-
1.8		-	-
1.9		-	-
1.10		-	-
1.10.1		-	-
1.10.2		-	-
1.10.3		-	-
1.10.4		-	-
1.10.5		-	-
1.11		-	-
1.12		-	-
1.13	V-V-5	-	1,010,638
1.14		-	-
1.15	V-V-5	-	33,497
<b>II. DISTRIBUTION FROM RESERVES</b>			
2.1		-	-
2.2		-	-
2.3		-	-
2.3.1		-	-
2.3.2		-	-
2.3.3		-	-
2.3.4		-	-
2.3.5		-	-
2.4		-	-
2.5		-	-
<b>III. EARNINGS PER SHARE</b>			
3.1		0.5840	0.4907
3.2		58.40	49.07
3.3		-	-
3.4		-	-
<b>IV. DIVIDEND PER SHARE</b>			
4.1		-	0.0148
4.2		-	1.48
4.3		-	-
4.4		-	-

(\*) As at report date, no resolution has been decided regarding profit distribution. Accordingly, net profit available for distribution has not been presented.

(\*\*) Profit distribution table has been presented according to unconsolidated financial statements of the Parent Bank.

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

## **SECTION THREE**

### **Accounting Policies**

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

As per the 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”) keep 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”) promulgated 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 available for sale assets, 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, and medium and long-term borrowings obtained from foreign financial institutions. The Bank pursues an effective asset-liability management strategy by securing balance between funding resources and investments so as to reduce risks and increase returns. Accordingly, the Bank attaches great significance to long-term placements bearing higher interest rates.

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

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

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

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

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

Transactions of the 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 the year ended 31 December 2012, the financial statements of T. Vakıflar Bankası TAO, Vakıf International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik AŞ, Vakıf Finans Factoring Hizmetleri AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ve Vakıf B Tipi Menkul Kıymetler 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 Factoring Hizmetleri AŞ* was established in 1998 to perform factoring transactions and any kind of financing transactions. Factoring, the main operation of the Company, is a financing method that includes the trade receivables of production, distribution and service companies to be sold to intermediary institutions. Its head office is in Istanbul.

*Vakıf 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.

*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.

Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd, a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7<sup>th</sup> and 9<sup>th</sup> articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at 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 year ended 31 December 2012, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

*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; are accounted for in accordance with *TAS 39* together with non-financial associates 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:

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

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

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

**XIV. Information on investment properties**

Investment property is a property held either to earn rental income or for capital appreciation or for both. The Group holds investment property 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 lease activities**

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

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

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

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

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

In accordance with existing Turkish Labour Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2012 is TL 3,034 (full TL) (31 December 2011: TL 2,732 (full TL)).

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

As at 31 December 2012 and 2011, the major actuarial assumptions used by the Parent Bank in the calculation of the total liability are as follows:

	Current Year	Previous Year
Discount rate	1.91%	3.78%
Expected rate of salary/limit increase	5.00%	5.00%
Estimated employee turnover rate	1.93%	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,

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

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

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 for the period 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 are deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25<sup>th</sup> of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

### **Deferred taxes**

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

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

In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the consolidated statement of income, then the related current corporate 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 by Constitutional Court to first clause of the temporary 69<sup>th</sup> article of Law No: 193 with 5<sup>th</sup> article of 23 July 2010 dated 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 31 December 2012, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 272,445 (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 X.

## **XXIV. Other disclosures**

### **Earnings per shares**

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

As at and for the year ended 31 December 2012, earning per 100 shares is TL 0.5694 (31 December 2011: TL 0.5444).

### **Related parties**

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

### **Cash and cash equivalents**

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

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

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

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

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

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

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

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

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

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

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

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

### **Individual pension business**

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

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

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

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

## **SECTION FOUR**

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

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

The Bank’s consolidated capital adequacy ratio is 15.56% (The Parent Bank: 16.14%).

##### **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 “Communiqué 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 “Communiqué 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”.



**Information on consolidated capital adequacy ratio**

	Unconsolidated Risk Weights – 31 December 2012								
	0%	10%	20%	50%	75%	100%	150%	200%	1250%
<b>Surplus credit risk weighted</b>	<b>35,862,029</b>	-	<b>2,093,778</b>	<b>24,744,629</b>	<b>19,064,767</b>	<b>36,099,168</b>	<b>1,979,962</b>	<b>4,851,957</b>	-
Risk classifications:									
Contingent and non-contingent claims on sovereigns and Central Banks	28,558,222	-	-	3,969,804	-	-	-	-	-
Contingent and non-contingent claims on regional governments or local authorities	9,128	-	955,396	137,598	-	-	-	-	-
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	13,080	-	-	248	-	22,627	-	-	-
Contingent and non-contingent claims on multilateral development banks	82,169	-	-	-	-	-	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-	-	-	-	-	-
Contingent and non-contingent claims on banks and intermediary institutions	5,449,874	-	1,133,933	2,302,272	-	590,020	-	-	-
Contingent and non-contingent claims on corporate	541,951	-	-	-	-	30,050,423	-	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	87,961	-	-	-	19,064,767	-	-	-	-
Contingent and non-contingent claims secured by residential property	-	-	-	18,334,707	-	1,849,410	-	-	-
Past due loans	-	-	-	-	-	265,394	-	-	-
Higher risk categories decided by the Agency	-	-	-	-	-	-	1,979,962	4,851,957	-
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	1,119,644	-	4,449	-	-	3,321,294	-	-	-

**Summary information related to unconsolidated capital adequacy ratio**

	Current Period
Capital Obligation Required for credit risk (COCR) (Value at	6,069,014
Capital Obligation Required for market risk (COMR)	48,413
Capital Obligation Required for operational risk (COOR) <sup>(*)</sup>	587,602
Equity	13,527,730
<b>Equity/ ((COCR+COMR+COOR)*12,5*100)</b>	<b>16.14%</b>

<sup>(\*)</sup> 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 Year Ended 31 December 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 – 31 December 2012								
	0%	10%	20%	50%	75%	100%	150%	200%	1250%
<b>Surplus credit risk weighted</b>	<b>36,343,955</b>	-	<b>2,783,258</b>	<b>25,141,605</b>	<b>19,262,891</b>	<b>37,742,502</b>	<b>1,979,962</b>	<b>4,851,957</b>	-
Risk classifications:									
Contingent and non-contingent claims on sovereigns and Central Banks	28,941,391	-	-	4,029,976	-	1	-	-	-
Contingent and non-contingent claims on regional governments or local authorities	9,128	-	1,002,273	137,598	-	-	-	-	-
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	13,080	-	-	248	-	22,627	-	-	-
Contingent and non-contingent claims on multilateral development banks	82,169	-	-	-	-	-	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-	-	-	-	-	-
Contingent and non-contingent claims on banks and intermediary institutions	5,449,876	-	1,776,536	2,639,075	-	626,734	-	-	-
Contingent and non-contingent claims on corporate	548,476	-	-	-	-	32,189,359	-	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	88,035	-	-	-	19,262,891	-	-	-	-
Contingent and non-contingent claims secured by residential property	-	-	-	18,334,708	-	1,849,409	-	-	-
Past due loans	-	-	-	-	-	316,900	-	-	-
Higher risk categories decided by the Agency	-	-	-	-	-	-	1,979,962	4,851,957	-
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	1,211,800	-	4,449	-	-	2,737,472	-	-	-

**Summary information related to consolidated capital adequacy ratio**

	<b>Current Period</b>
Capital Obligation Required for credit risk (COCR) (Value at	6,239,279
Capital Obligation Required for market risk (COMR)	64,811
Capital Obligation Required for operational risk (COOR) (*)	685,147
Equity	13,595,507
<b>Equity/ ((COCR+COMR+COOR)*12,5*100)</b>	<b>15.56%</b>

(\*) 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.

**Information on consolidated equity**

	<b>Current Period</b>	<b>Prior Period</b>
<b>CORE CAPITAL</b>		
Paid-in Capital	2,500,000	2,500,000
Nominal Capital	2,500,000	2,500,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-
Share Premium	723,918	726,720
Share Cancellation Profits	-	-
Reserves	5,675,804	5,913,527
Reserves from Inflation Adjustments to Reserves	-	-
Profit	1,460,080	1,518,089
Current Period's Profit	1,460,080	1,423,451
Prior Years' Profit	-	94,638
Provision for Possible Losses up to 25% of Core Capital	92,887	92,887
Income on Sale of Equity Shares and Real Estates	41,061	50,452
Primary Subordinated Debt up to 15% of Core Capital	-	-
Minority shares	-	320,280
Loss excess of Reserves (-)	-	-
Current Year's Loss	-	-
Prior Years' Loss	-	-
Leasehold Improvements (-)	67,299	68,567
Intangible Assets (-)	81,747	100,036
Deferred Tax Asset excess of 10% of Core Capital (-)	-	-
Limit excesses as per the 3 <sup>rd</sup> Paragraph of the Article 56 of the Banking Law (-)	-	-
Goodwill (Net)	-	-
<b>Total Core Capital</b>	<b>10,344,704</b>	<b>10,953,352</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	956,059	956,059
45% of Revaluation Surplus on movables	-	-
45% of Revaluation Surplus on Immovables	-	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	67,318	1,779
Primary Subordinated Debt excluding the Portion included in Core Capital	-	-
Secondary Subordinated Debt	1,628,814	1,619,541
45% of value increase fund of financial assets available for sale and associates and subsidiaries	652,488	324,365
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves)	-	-
<b>Minority share</b>	-	34,849
<b>Total Supplementary Capital</b>	<b>3,304,679</b>	<b>2,936,593</b>
<b>CAPITAL</b>	<b>13,649,383</b>	<b>13,889,945</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>121,653</b>	<b>294,438</b>
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	-	170,692
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	121,435	123,528
Securitisation positions that is deducted -preferably- from the shareholders' equity	-	-
Others	218	218
<b>TOTAL EQUITY</b>	<b>13,527,730</b>	<b>13,595,507</b>

### **Approach adopted under internal capital adequacy assessment process for monitoring the adequacy of internal capital for current and future activities**

In order to identify the internal capital adequacy assessment process and capital adequacy policy “Document on Internal Capital Adequacy Assessment Process” has been constituted and approved by Board of Directors of the Parent Bank on September 2012. The document includes planning of the capital, procedures and principles on emergency capital and risk reducing plans. The underlying objective of the internal capital adequacy assessment is continuous monitoring and maintaining of the varieties, components and distribution of capital required for eliminating actual and potential risks the Bank faces or might face.

In this process, the effect of market conditions and probable changes in economic environment on capital is evaluated, additionally loan expansion expectations, funding resources, liquidity opportunities issues and risk profile and risk appetite of the Parent Bank are considered in accordance with the strategies and objectives of the Parent Bank. Capital adequacy is evaluated in terms of strategic plan and growth expectations of the Parent Bank for the year 2013 and accordingly capital increasing actions has taken in the current year.

In assessment process of internal capital requirement, credit risk, market risk, operational risk, interest rate risk arising from banking accounts, liquidity risk, reputation risk, residual risk, concentration risk, counterparty credit risk, sovereign risk and settlement risk are considered, and policies and implementing procedures for assessing and managing these risks are defined and approved by Board of Directors of the Parent Bank. Assessment process of internal capital requirement is handled as a developing process, action plans according to aforementioned policies and implementing procedures are formed and studies are in progress.

## **II. Consolidated credit risk**

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

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

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

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

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

For credit risk management purposes, Risk Management Department operates in

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

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

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

The Bank classifies its past due and impaired receivables as shown below in accordance with the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables and Provisions to be Set Aside".

- for which recovery of principal and interest or both delays from their terms or due dates are more than ninety days but not more than one hundred eighty days are classified as "Group Three- Loans and Other Receivables With Limited Recovery",
- for which recovery of principal and interest or both delays from their terms or due dates are more than one hundred and eighty days but not more one year are classified as "Group Four- Loans and Other Receivables With Suspicious Recovery",
- for which recovery of principal and interest or both delays from their terms or due dates are more than one year are classified as "Group Five - Loans and Other Receivables Having the Nature of Loss",

Regardless of the guarantees and pledges received, the Bank provides 20% provision for the Loans and Other Receivables classified in Group Three, and 100% provision for the Loans and Other Receivables classified in Group Four and Group Five. The provision amount is recognized in profit and loss statement of the period.

The Group's largest 100 cash loan customers compose 19.25% of the total cash loan portfolio.

The Group's largest 100 non-cash loan customers compose 59.22% of the total non-cash loan portfolio.

The Group's largest 100 cash loan customers compose 12.21% of total assets of the Group's and the Group's largest 100 non-cash loan customers compose 12.37% of total off-balance sheet items.

The Group's largest 200 cash loan customers compose 25.22% of the total cash loan portfolio.

The Group's largest 200 non-cash loan customers compose 69.57% of the total non-cash loan portfolio.

The Group's largest 200 cash loan customers compose 15.99% of total assets of the Group and the Group's largest 200 non-cash loan customers compose 14.53% of total off-balance sheet items.

The general provision for credit risk amounts to TL 956,059 (31 December 2011: TL 671,180).

<b>Risk Classification:</b>	<b>Current Year Risk Amount</b>	<b>Average Risk Amount<sup>(*)</sup></b>
Contingent and non-contingent claims on sovereigns and Central Banks	32,971,368	32,424,668
Contingent and non-contingent claims on regional governments or local authorities	1,148,999	1,013,781
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	35,955	69,093
Contingent and non-contingent claims on multilateral development banks	82,169	94,979
Contingent and non-contingent claims on international organizations	-	-
Contingent and non-contingent claims on banks and intermediary institutions	10,492,221	9,439,046
Contingent and non-contingent claims on corporate	32,737,835	32,083,542
Contingent and non-contingent claims included in the regulatory retail portfolios	19,350,926	17,850,500
Contingent and non-contingent claims secured by residential property	20,184,117	20,680,298
Past due loans	316,900	303,469
Higher risk categories decided by the Agency	6,831,919	6,421,998
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	3,953,721	3,769,132

<sup>(\*)</sup>Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for July-December 2012 period.

**Risk profile according to the geographical concentration (\*\*\*)**

<b>Current Period</b>	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Other receivables	<b>Total</b>
Domestic	32,757,262	1,148,374	35,955	-	-	3,118,232	32,356,783	19,337,744	20,183,040	316,896	6,610,588	-	-	-	-	3,953,721	<b>119,818,595</b>
EU countries (*)	155,752	625	-	82,169	-	5,474,815	140,079	11,239	276	-	-	-	-	-	-	-	<b>5,864,955</b>
OECD countries	-	-	-	-	-	89,341	43,484	1,029	416	-	-	-	-	-	-	-	<b>134,270</b>
Off-shore banking regions	-	-	-	-	-	100	5,332	225	-	-	-	-	-	-	-	-	<b>5,657</b>
USA, Canada	53,495	-	-	-	-	1,548,013	112,057	382	-	4	-	-	-	-	-	-	<b>1,713,951</b>
Other countries	4,859	-	-	-	-	261,720	80,100	307	385	-	221,331	-	-	-	-	-	<b>568,702</b>
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets/Liabilities(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Toplam</b>	<b>32,971,368</b>	<b>1,148,999</b>	<b>35,955</b>	<b>82,169</b>	<b>-</b>	<b>10,492,221</b>	<b>32,737,835</b>	<b>19,350,926</b>	<b>20,184,117</b>	<b>316,900</b>	<b>6,831,919</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,953,721</b>	<b>128,106,130</b>

(\*)EU countries, OECD countries except USA and Canada.

(\*\*) The assets and liabilities that can not be distributed according to a consistent base.

(\*\*\*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

**Risk profile according to sectors and counterparties (\*)**

Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total
Agricultural	-	179	16	-	-	-	1,219,057	134,706	377,581	3,566	-	-	-	-	-	-	1,268,661	466,444	<b>1,735,105</b>
<i>Farming and raising livestock</i>	-	179	16	-	-	-	916,216	104,909	314,245	3,225	-	-	-	-	-	-	1,166,113	172,677	<b>1,338,790</b>
<i>Forestry</i>	-	-	-	-	-	-	284,984	8,675	42,518	340	-	-	-	-	-	-	64,614	271,903	<b>336,517</b>
<i>Fishing</i>	-	-	-	-	-	-	17,857	21,122	20,818	1	-	-	-	-	-	-	37,934	21,864	<b>59,798</b>
Manufacturing	-	164	3,219	-	-	-	10,220,194	935,409	1,640,496	17,801	-	-	-	-	-	-	3,956,024	8,861,259	<b>12,817,283</b>
<i>Mining</i>	-	-	-	-	-	-	448,213	83,046	77,539	1,099	-	-	-	-	-	-	308,220	301,677	<b>609,897</b>
<i>Production</i>	-	55	3,209	-	-	-	6,655,506	544,322	1,518,414	16,111	-	-	-	-	-	-	2,707,049	6,030,568	<b>8,737,617</b>
<i>Electric, Gas, Water</i>	-	109	10	-	-	-	3,116,475	308,041	44,543	591	-	-	-	-	-	-	940,755	2,529,014	<b>3,469,769</b>
Construction	430	-	-	-	-	-	4,575,868	595,174	1,591,794	35,883	-	-	-	-	-	-	4,061,448	2,737,701	<b>6,799,149</b>
Services	11,459,584	6,126	27,966	82,169	-	10,449,504	11,849,519	2,592,679	9,417,685	106,401	-	-	-	-	-	-	21,411,383	24,580,250	<b>45,991,633</b>
<i>Wholesale and retail trade</i>	-	270	43	-	-	-	5,097,329	1,273,041	5,096,205	66,544	-	-	-	-	-	-	8,607,250	2,926,182	<b>11,533,432</b>
<i>Hotel, Food and Beverage Services</i>	75	26	-	-	-	-	708,437	452,424	325,802	3,014	-	-	-	-	-	-	631,341	858,437	<b>1,489,778</b>
<i>Transportation and Telecommunication</i>	-	-	3,398	-	-	-	2,988,529	272,258	2,590,243	18,134	-	-	-	-	-	-	3,760,708	2,111,854	<b>5,872,562</b>
<i>Financial Institutions</i>	11,426,007	-	4	82,169	-	10,449,504	205,443	201,606	31,046	56	-	-	-	-	-	-	5,565,797	16,830,038	<b>22,395,835</b>
<i>Real Estate and renting services</i>	-	-	17	-	-	-	1,439,856	94,959	160,280	2,183	-	-	-	-	-	-	614,411	1,082,884	<b>1,697,295</b>
<i>Self-employment services</i>	7,465	5,417	9,863	-	-	-	951,768	208,056	935,394	13,461	-	-	-	-	-	-	1,530,762	600,662	<b>2,131,424</b>
<i>Education services</i>	121	38	539	-	-	-	152,951	43,304	54,943	905	-	-	-	-	-	-	179,740	73,061	<b>252,801</b>
<i>Health and social services</i>	25,916	375	14,102	-	-	-	305,206	47,031	223,772	2,104	-	-	-	-	-	-	521,374	97,132	<b>618,506</b>
Other	21,511,354	1,142,530	4,754	-	-	42,717	4,873,197	15,092,958	7,156,561	153,249	6,831,919	-	-	-	-	3,953,721	54,290,277	6,472,683	<b>60,762,960</b>
<b>Total</b>	<b>32,971,368</b>	<b>1,148,999</b>	<b>35,955</b>	<b>82,169</b>	<b>-</b>	<b>10,492,221</b>	<b>32,737,835</b>	<b>19,350,926</b>	<b>20,184,117</b>	<b>316,900</b>	<b>6,831,919</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,953,721</b>	<b>84,987,793</b>	<b>43,118,337</b>	<b>128,106,130</b>

(\*)Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

- 1- Claims on sovereigns and Central Banks
- 2- Claims on regional governments or local authorities
- 3- Claims on administrative bodies and other non-commercial undertakings
- 4- Claims on multilateral development banks
- 5- Claims on international organizations
- 6- Claims on banks and intermediary institutions
- 7- Claims on corporates
- 8- Claims included in the regulatory retail portfolios
- 9- Claims secured by residential property
- 10- Past due loans
- 11- Higher risk categories decided by the Board
- 12- Secured by mortgages
- 13- Securitization positions
- 14- Short-term claims and short term corporate claims on banks and intermediary
- 15- Undertakings for collective investments in mutual funds
- 16- Other receivables



**Distribution of maturity risk factors according to their outstanding maturities (\*)**

Risk Classifications	According to their outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
Contingent and non-contingent claims on sovereigns and Central Banks	24,027	3,978	3,708	1,621	32,938,034
Contingent and non-contingent claims on regional governments or local authorities	95,535	8,684	11,845	60,612	972,323
Contingent and non-contingent claims on administrative bodies and other non-	11,207	1,093	1,711	4,392	17,552
Contingent and non-contingent claims on multilateral development banks	-	-	-	-	82,169
Contingent and non-contingent claims on international organizations	-	-	-	-	-
Contingent and non-contingent claims on banks and intermediary institutions	1,721,475	400,009	259,757	306,738	7,804,242
Contingent and non-contingent claims on corporate	7,299,526	2,656,805	3,120,158	5,703,630	13,957,716
Contingent and non-contingent claims included in the regulatory retail portfolios	590,155	302,671	378,554	770,836	17,308,710
Contingent and non-contingent claims secured by residential property	2,417,434	886,628	1,253,439	2,871,372	12,755,244
Past due loans	-	-	-	-	316,900
Higher risk categories decided by the Agency	-	-	-	-	6,831,919
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other claims	-	-	-	-	3,953,721
<b>Total</b>	<b>12,159,359</b>	<b>4,259,868</b>	<b>5,029,172</b>	<b>9,719,201</b>	<b>96,938,530</b>

(\*)Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

**Risk balances according to risk weights**

Risk Weights										Deductions from the shareholders' equity	
	0%	10%	20%	50%	75%	100%	150%	200%	1250%		
Pre-Amount of Credit Risk											
Mitigation	30,160,556	-	6,559,951	26,828,174	19,424,671	38,300,859	1,979,962	4,851,957	-	-	463,041
Amount after Credit Risk											
Mitigation	36,343,955	-	2,783,258	25,141,605	19,262,891	37,742,502	1,979,962	4,851,957	-	-	463,041

In determination of counterparty credit risk of the receivables from Banks operated abroad, ratings given by International Credit Rating Agency Fitch Rating are considered. Rating of the same company is also used in the assessment of risks from foreign currency investment securities issued by Turkish Treasury and other foreign currency risks associated with Central Administration of Turkish Republic.

Ratings Matched	Credit Quality Rank	Fitch
Long Term Credit Ratings	1	AAA between AA-
	2	A+ between A-
	3	BBB+ between BBB-
	4	BB+ between BB-
	5	B+ between B-
	6	CCC+ and below
Short Term Credit Ratings	1	F1+ between F1
	2	F2
	3	F3
	4	F3 and below
	5	-
	6	-

**Information According to Sectors and Counterparties**

<b>Loans</b>				
	<b>Impaired <sup>(*)</sup></b>	<b>Past Due <sup>(**)</sup></b>	<b>Value Adjustments</b>	<b>Provisions</b>
Agricultural	44,092	13,495	135	40,459
<i>Farming and raising livestock</i>	34,396	10,963	110	31,104
<i>Forestry</i>	4,768	1,153	11	4,428
<i>Fishing</i>	4,928	1,379	14	4,927
Manufacturing	703,438	70,474	812	659,806
<i>Mining</i>	30,811	2,443	15	29,712
<i>Production</i>	669,305	65,002	767	627,363
<i>Electric, Gas, Water</i>	3,322	3,029	30	2,731
Construction	305,311	159,375	5,097	262,780
Services	872,606	630,635	9,071	765,686
<i>Wholesale and retail trade</i>	492,256	295,029	4,725	425,712
<i>Hotel, Food and Beverage Services</i>	22,857	25,970	483	19,843
<i>Transportation and telecommunication</i>	190,775	188,733	2,027	172,641
<i>Financial Institutions</i>	9,100	1,195	12	9,044
<i>Real estate and renting services</i>	37,401	23,402	813	35,218
<i>Self-employment services</i>	103,276	71,842	767	89,815
<i>Education services</i>	4,612	6,562	66	3,707
<i>Health and social services</i>	12,329	17,902	178	9,706
Other	891,380	3,977,859	163,656	780,297
<b>Total</b>	<b>2,816,827</b>	<b>4,851,838</b>	<b>178,771</b>	<b>2,509,028</b>

(\*) Impaired loans are composed of group three, four and five loans.

(\*\*) Past due loans and other receivables consist of loans and other receivables that are past due up to ninety days.

	<b>The opening Balance</b>	<b>Provisions amounts set aside during the period</b>	<b>The cancelation of the provisions</b>	<b>Other Adjustments <sup>(*)</sup></b>	<b>Close out Balance</b>
Specific Provisions	2,099,932	749,678	(362,560)	21,978	2,509,028
General Provisions	671,180	284,755	-	124	956,059

(\*) Determined according to exchange rate differences, business combinations, acquisitions and disposals of subsidiaries.

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

	<b>31 December 2012</b>	<b>31 December 2011</b>
Cash collateral <sup>(*)</sup>	-	-
Mortgage	758,704	650,387
Promissory note <sup>(*)</sup>	172	26,479
Others <sup>(**)</sup>	2,057,951	1,534,417
<b>Total</b>	<b>2,816,827</b>	<b>2,211,283</b>

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

(\*\*) Sureties obtained for impaired loans are presented in this row to the extent that the amount does not not exceed the amount of impaired loans.

**The detail of collateral held against performing cash and non-cash loans by the Bank**

<b>Cash loans</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
Secured Loans:	50,544,148	41,046,672
Secured by mortgages	19,751,313	19,723,627
Secured by cash collateral	587,270	467,184
Guarantees issued by financial institutions	273,443	386,275
Secured by government institutions or government securities	172,801	219,080
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	29,759,321	20,250,506
Unsecured Loans	19,327,468	18,132,075
<b>Total performing loans</b>	<b>69,871,616</b>	<b>59,178,747</b>
<b>Non-cash loans</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
Secured Loans:	7,669,050	6,492,300
Secured by mortgages	669,759	1,063,506
Secured by cash collateral	123,436	106,879
Guarantees issued by financial institutions	7,901	7,079
Secured by government institutions or government securities	-	566
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	6,867,954	5,314,270
Unsecured Loans	9,581,987	9,357,082
<b>Total non-cash loans</b>	<b>17,251,037</b>	<b>15,849,382</b>

**III. 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 Parent Bank also uses internal models like Historical and Monte Carlo Simulations in measuring market risk. The Parent Bank also performs daily back-testing in order to measure the reliability of the models. Besides, scenario analyses are implemented in order to support the Standard Method and internal models. In order to monitor the maturity structure of the asset and liability accounts, liquidity analysis are performed and the duration of the Bank’s assets and liabilities is calculated.

The market risk analysis of the Parent Bank is reported monthly and sent to the related regulatory institutions.

**Value at market risk**

	<b>Amount</b>
(I) Capital Obligation against General Market Risk - Standard Method	14,179
(II) Capital Obligation against Specific Risks - Standard Method	7,959
Capital to be employed for specific risk in securitisation positions- Standard Method	-
(III) Capital Obligation against Currency Risk - Standard Method	40,208
(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	-
(VII) Capital Obligation Calculated for Counterparty Credit Risk - Standard Method	2,465
(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)	64,811
<b>(X) Value-At-Market Risk (12.5xVIII) or (12.5xIX)</b>	<b>810,138</b>

**Average values at market risk**

	Current Year			Prior Year		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	89,337	134,503	20,406	145,713	160,160	138,107
Common Share Risk	1,989	2,512	1,284	3,079	3,930	2,143
Currency Risk	43,272	56,347	36,504	21,190	31,594	15,366
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	266	669	-	690	1,707	40
Counterparty Credit Risk	2,637	2,808	2,465	-	-	-
<b>Total Value at Risk</b>	<b>1,702,270</b>	<b>2,171,075</b>	<b>810,137</b>	<b>2,133,397</b>	<b>2,250,413</b>	<b>2,041,100</b>

**Information on Counterparty Credit Risk**

Counterparty credit risk is the probability of an economic loss that Bank could face because the counterparty to a transaction bringing liabilities to both parties could default before the final settlement of the transaction.

In calculation of the counterparty credit risk “Valuation Method on the Basis of Fair Value” is implemented in the scope of “Regulation on Calculation and Assessment of Capital Adequacy of the Banks”. The counterparty credit risk of the derivatives includes current replacement cost and potential future credit exposure. Replacement cost is calculated on fair value of the contracts, whilst potential future credit risk exposure is calculated by multiplication of contract amounts with the credit conversion rates stated in the appendices of the regulation.

**Information about counterparty risk**

	<b>Amount<sup>(*)</sup></b>
Contracts based on Interest rate	11,853
Contracts based on currency	35,772
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	47,625
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	-
The net position of derivatives	47,625

<sup>(\*)</sup>Counterparty risk related on held for trading accounts is presented.

#### IV. Operational risk

The Parent 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 15% of last three years' actual gross income with 12.5, in line with the effective legislation practices in the country.

	31 December 2009	31 December 2010	31 December 2011	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	4,414,478	4,371,279	4,917,176	3	15	685,147
<b>Amount subject to operational risk (Total*12,5)</b>						<b>8,564,338</b>

#### V. Consolidated foreign currency exchange risk

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

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

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

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

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

**Foreign exchange risk management policy**

Risk policy of the Bank is based on the transactions within the limits and keeping the currency position well-balanced. In the light of the national legislations and international applications, the Parent Bank has established a foreign currency risk management policy that enables the Group to take a position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the Bank. The effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Parent Bank in TL are as follows:

	US Dollar	Euro
<b>The Bank's foreign currency purchase rate at the balance sheet date</b>	1.7800	2.3514
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	1.7400	2.3043
Day 2	1.7700	2.3438
Day 3	1.7500	2.3072
Day 4	1.7500	2.3070
Day 5	1.7700	2.3339
<b>Last 30-days arithmetical average rate</b>	1.7492	2.2829

**Information on currency risk**

<b>Current Year</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FCs</b>	<b>Total</b>
<b>Assets:</b>				
Cash and balances with the Central Bank of Turkey	3,110,658	4,546,522	2,424,368	<b>10,081,548</b>
Banks	208,823	1,623,945	83,368	<b>1,916,136</b>
Financial assets at fair value through profit or loss <sup>(1)</sup>	5,218	54,074	-	<b>59,292</b>
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	994,976	3,062,043	-	<b>4,057,019</b>
Loans and receivables <sup>(2)</sup>	7,624,206	12,014,804	56,031	<b>19,695,041</b>
Associates, subsidiaries and joint-ventures	3	-	-	<b>3</b>
Held-to-maturity investments	7,454	55,305	-	<b>62,759</b>
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,437	2,137	-	<b>3,574</b>
Intangible assets	66	133	-	<b>199</b>
Other assets <sup>(3) (4)</sup>	440,846	474,750	8,664	<b>924,260</b>
<b>Total assets</b>	<b>12,393,687</b>	<b>21,833,713</b>	<b>2,572,431</b>	<b>36,799,831</b>
<b>Liabilities:</b>				
Bank deposits	518,050	1,453,817	2,177	<b>1,974,044</b>
Foreign currency deposits	6,922,353	9,162,650	859,842	<b>16,944,845</b>
Interbank money market takings	545,611	5,838,713	-	<b>6,384,324</b>
Funds borrowed <sup>(5)</sup>	3,813,045	3,990,731	25,820	<b>7,829,596</b>
Securities issued	-	891,137	-	<b>891,137</b>
Miscellaneous payables	95,835	139,338	6,051	<b>241,224</b>
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities <sup>(1) (6)</sup>	64,101	2,317,700	4,593	<b>2,386,394</b>
<b>Total liabilities</b>	<b>11,958,995</b>	<b>23,794,086</b>	<b>898,483</b>	<b>36,651,564</b>
<b>Net 'on balance sheet' position</b>	<b>434,692</b>	<b>(1,960,373)</b>	<b>1,673,948</b>	<b>148,267</b>
<b>Net 'off-balance sheet' position</b>	<b>(333,160)</b>	<b>2,344,524</b>	<b>(1,676,440)</b>	<b>334,924</b>
Derivative assets <sup>(7)</sup>	744,260	5,427,272	161,987	<b>6,333,519</b>
Derivative liabilities <sup>(7)</sup>	1,077,420	3,082,748	1,838,427	<b>5,998,595</b>
Non-cash loans <sup>(8)</sup>	1,357,615	5,040,781	298,095	<b>6,696,491</b>
<b>Previous Year</b>				
	<b>Euro</b>	<b>US Dollar</b>	<b>Other FCs</b>	<b>Total</b>
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
<b>Net 'on balance sheet' position</b>	<b>(604,624)</b>	<b>2,047,528</b>	<b>532,889</b>	<b>1,975,793</b>
<b>Net 'off-balance sheet' position</b>	<b>559,790</b>	<b>(2,087,169)</b>	<b>147</b>	<b>(1,527,232)</b>
Derivative assets	910,626	2,921,104	40,195	<b>3,871,925</b>
Derivative liabilities	350,836	5,008,273	40,048	<b>5,399,157</b>
Non-cash loans <sup>(8)</sup>	1,449,366	4,962,322	238,729	<b>6,650,417</b>

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

<sup>(2)</sup> Foreign currency indexed loans amounting to TL 1,736,458 (31 December 2011: TL 1,204,076) presented in TL in the financial statements are included in the above table.

<sup>(3)</sup> Foreign currency indexed factoring receivables amounted to TL 21,726 (31 December 2011: 100,611) presented in TL column in the accompanying consolidated balance sheet are included.

<sup>(4)</sup> Prepaid expenses amounting to TL 25,151 (31 December 2011: TL 16,647) are not included.

<sup>(5)</sup> Unearned income amounting to TL 22,900 (31 December 2011: TL 25,460) and deferred tax liability amounting to 2,667 are not included.

<sup>(6)</sup> Asset purchase commitments amounting to TL 287,531 (31 December 2011: TL 355,339) and asset sales commitments amounting to TL 592,925 (31 December 2011: TL 502,580) are included.

<sup>(7)</sup> Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

**Exposure to currency risk**

10 percent devaluation of the TL against the following currencies as at and for the years ended 31 December 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.

	31 December 2012		31 December 2011	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	(8,959)	38,188	(17,061)	(6,310)
EUR	(8,351)	20,816	(24,279)	(12,291)
Other currencies	(249)	(249)	53,207	53,207
<b>Total, net</b>	<b>(17,559)</b>	<b>58,755</b>	<b>11,867</b>	<b>34,606</b>

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

10 percent revaluation of the TL against the following currencies as at and for the years ended 31 December 2012 and 2011 would effect consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	31 December 2012		31 December 2011	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	10,594	(36,553)	19,129	8,378
Euro	8,351	(20,816)	24,279	12,291
Other currencies	1,003	1,003	(52,453)	(52,453)
<b>Total, net</b>	<b>19,948</b>	<b>(56,366)</b>	<b>(9,045)</b>	<b>(31,784)</b>

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

## VI. Consolidated interest rate risk

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

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

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

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

<b>Current Year</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<i>Assets:</i>							
Cash and balances with CBT	-	-	-	-	-	12,331,494	12,331,494
Banks	1,840,727	294,710	146	-	-	520,907	2,656,490
Financial assets at fair value through profit/loss	34,048	37,319	41,966	168,898	11,550	2,709	296,490
Interbank money market placements	6,645	-	-	-	-	-	6,645
Available-for-sale financial assets	4,765,314	2,098,405	1,900,238	3,088,839	2,469,739	12,246	14,334,781
Loans and receivables	21,944,720	15,107,662	11,994,426	12,926,108	7,035,984	307,799	69,316,699
Held-to-maturity investments	368,474	776,415	640,988	1,254,479	1,220,704	-	4,261,060
Other assets <sup>(*)</sup>	26,051	127,048	193,088	513,453	43,208	3,932,905	4,835,753
<b>Total assets</b>	<b>28,985,979</b>	<b>18,441,559</b>	<b>14,770,852</b>	<b>17,951,777</b>	<b>10,781,185</b>	<b>17,108,060</b>	<b>108,039,412</b>
<i>Liabilities:</i>							
Bank deposits	2,792,890	880,011	364,596	-	-	15,263	4,052,760
Other deposits	33,991,113	15,098,710	3,634,010	550,332	12,928	11,046,951	64,334,044
Interbank money market takings	6,769,186	233,673	1,679,961	-	-	-	8,682,820
Miscellaneous payables	353	-	-	-	-	2,438,803	2,439,156
Securities issued	608,070	161,954	711,587	891,137	-	-	2,372,748
Funds borrowed	1,961,676	3,629,530	2,295,949	116,193	97,633	-	8,100,981
Other liabilities <sup>(**)</sup>	39,071	4,629	3,842	107,809	1,705,898	16,195,654	18,056,903
<b>Total liabilities</b>	<b>46,162,359</b>	<b>20,008,507</b>	<b>8,689,945</b>	<b>1,665,471</b>	<b>1,816,459</b>	<b>29,696,671</b>	<b>108,039,412</b>
On balance sheet long position	-	-	6,080,907	16,286,306	8,964,726	-	<b>31,331,939</b>
On balance sheet short position	(17,176,380)	(1,566,948)	-	-	-	(12,588,611)	<b>(31,331,939)</b>
Off-balance sheet long position	490,457	1,637,600	331,215	294,353	36,863	-	<b>2,790,488</b>
Off-balance sheet short position	(37,380)	(90,990)	(369,465)	(1,566,532)	(659,863)	-	<b>(2,724,230)</b>
<b>Position, Net</b>	<b>(16,723,303)</b>	<b>(20,338)</b>	<b>6,042,657</b>	<b>15,014,127</b>	<b>8,341,726</b>	<b>(12,588,611)</b>	<b>66,258</b>

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

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



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

Consolidated Financial Report as at and

For the Year Ended 31 December 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 <sup>(*)</sup>	13,126	70,436	602,015	544,910	888,715	3,603,122	5,722,324
<b>Total assets</b>	<b>22,744,213</b>	<b>12,035,902</b>	<b>18,455,277</b>	<b>16,855,131</b>	<b>11,687,185</b>	<b>11,682,836</b>	<b>93,460,544</b>
<i>Liabilities:</i>							
Bank deposits	2,806,127	581,887	32,739	-	-	34,116	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 <sup>(**)</sup>	88,308	79,296	139,996	11,790	65,433	12,822,750	13,207,573
<b>Total liabilities</b>	<b>40,723,196</b>	<b>20,958,641</b>	<b>6,118,379</b>	<b>596,940</b>	<b>91,380</b>	<b>24,972,008</b>	<b>93,460,544</b>
On balance sheet long position	-	-	12,336,898	16,258,191	11,595,805	-	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)
<b>Position, Net</b>	<b>(17,901,497)</b>	<b>(7,608,639)</b>	<b>12,295,998</b>	<b>15,584,953</b>	<b>11,078,805</b>	<b>(13,289,172)</b>	<b>160,448</b>

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

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

Average interest rates applied to monetary financial instruments:

Current Year	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBT	-	-	-	-
Banks	1.62	2.38	-	10.38
Financial assets at fair value through profit/loss	7.54	1.84	-	6.32
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	5.34	7.13	-	7.53
Loans and receivables	4.67	5.46	-	15.36
Held-to-maturity investments	6.50	1.16	-	10.05
<i>Liabilities:</i>				
Bank deposits	1.79	1.40	-	6.69
Other deposits	3.26	3.15	-	8.79
Interbank money market takings	0.43	1.31	-	5.57
Miscellaneous payables	-	-	-	-
Securities issued	-	5.75	-	7.64
Funds borrowed	1.45	2.09	-	9.37

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

Consolidated Financial Report as at and

For the Year Ended 31 December 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*

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

**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 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:

<b>Currency Unit</b>	<b>Applied Shock (+/- x base point)</b>	<b>Gain/ Loss</b>	<b>Gain/ Equity-Loss/ Equity</b>
1. TRY	500 / -400	(2,133,853) / 2,169,218	(15.8%) / 16.0%
2. EURO	200 / -200	(28,821) / 22,552	(0.2%) / 0.2%
3. USD	200 / -200	227,439 / (174,372)	1.7% / (1.3%)
<b>Total (For Negative Shocks)</b>	<b>-</b>	<b>2,017,398</b>	<b>14.90%</b>
<b>Total (For Positive Shocks)</b>	<b>-</b>	<b>(1,935,335)</b>	<b>(14.30%)</b>

**Stock position risks arising from banking book items:**

**Information on separations of risks according to objectives including their relation with gains presented under equity and strategical reasons, 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 (*)
<b>Stocks quoted in exchange</b>			
1.Stocks Investments Group A	1,496	1,496	1,496
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
<b>Stocks unquoted in exchange</b>	<b>213,486</b>	<b>213,486 (**)</b>	-

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

(\*\*) Includes equity securities investments amounting to TL 47,069 whose fair value can not be measured reliably and are recognized at cost accordingly in the accompanying financial statements.

**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	-	(36,590)	-	-	-	-
<b>4. Total</b>	-	<b>(36,590)</b>	-	-	-	-

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

**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 fair value effect of a 10% increase/decrease in price of equity securities (all other variables held constant) which are recognized at market value and are presented under available for sale assets in the accompanying financial statements as at 31 December 2012, makes an effect of TL 150 on equity of the Group (31 Aralık 2011: 117 TL).

## VII. Consolidated liquidity risk

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

<b>Current Year</b>	<b>Demand</b>	<b>Upto 1Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years And Over</b>	<b>Undistributed<sup>(*)</sup></b>	<b>Total</b>
<b>Assets:</b>								
Cash and balance with CBT	12,331,494	-	-	-	-	-	-	<b>12,331,494</b>
Banks	1,429,952	931,682	294,710	146	-	-	-	<b>2,656,490</b>
Financial assets at fair value through profit/loss	4,057	29,164	16,151	45,125	187,733	11,551	2,709	<b>296,490</b>
Interbank money market placements	-	6,645	-	-	-	-	-	<b>6,645</b>
Available-for-sale financial assets	-	76,242	157,191	1,264,769	9,017,231	3,807,102	12,246	<b>14,334,781</b>
Loans and receivables	-	6,013,553	531,273	13,110,633	32,202,425	17,151,016	307,799	<b>69,316,699</b>
Held-to-maturity investments	-	-	35,600	1,281,298	1,685,376	1,258,786	-	<b>4,261,060</b>
Other assets	-	617,338	185,237	236,973	648,180	43,207	3,104,818	<b>4,835,753</b>
<b>Total assets</b>	<b>13,765,503</b>	<b>7,674,624</b>	<b>1,220,162</b>	<b>15,938,944</b>	<b>43,740,945</b>	<b>22,271,662</b>	<b>3,427,572</b>	<b>108,039,412</b>
<b>Liabilities:</b>								
Bank deposits	15,263	2,792,890	880,011	364,596	-	-	-	<b>4,052,760</b>
Other deposits	11,046,951	33,991,113	15,098,710	3,634,010	550,332	12,928	-	<b>64,334,044</b>
Funds borrowed	-	287,959	377,626	4,254,119	2,041,181	1,140,096	-	<b>8,100,981</b>
Interbank money market takings	-	6,769,186	233,673	1,679,961	-	-	-	<b>8,682,820</b>
Securities issued	-	608,070	161,954	711,587	891,137	-	-	<b>2,372,748</b>
Miscellaneous payables	-	2,124,680	85,174	93,109	985	-	135,208	<b>2,439,156</b>
Other liabilities	-	423,698	182,596	8,635	124,791	1,724,934	15,592,249	<b>18,056,903</b>
<b>Total liabilities</b>	<b>11,062,214</b>	<b>46,997,596</b>	<b>17,019,744</b>	<b>10,746,017</b>	<b>3,608,426</b>	<b>2,877,958</b>	<b>15,727,457</b>	<b>108,039,412</b>
<b>Net Liquidity Gap</b>	<b>2,703,289</b>	<b>(39,322,972)</b>	<b>(15,799,582)</b>	<b>5,192,927</b>	<b>40,132,519</b>	<b>19,393,704</b>	<b>(12,299,885)</b>	<b>-</b>
<b>Previous Year</b>								
Total assets	8,905,390	5,464,615	3,773,670	14,407,187	41,518,542	16,762,906	2,628,234	<b>93,460,544</b>
Total liabilities	9,183,515	42,519,194	17,063,787	6,727,464	2,628,943	2,624,084	12,713,557	<b>93,460,544</b>
<b>Net Liquidity Gap</b>	<b>(278,125)</b>	<b>(37,054,579)</b>	<b>(13,290,117)</b>	<b>7,679,723</b>	<b>38,889,599</b>	<b>14,138,822</b>	<b>(10,085,323)</b>	<b>-</b>

(\*) 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.

*Residual contractual maturities of monetary liabilities*

<b>Current year</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Bank deposits	4,052,760	4,063,583	15,263	2,794,719	886,791	366,810	-	-
Other deposits	64,334,044	64,723,597	11,046,951	34,067,776	15,251,225	3,730,789	611,031	15,825
Funds borrowed	8,100,981	8,556,970	-	288,586	381,136	4,313,607	2,230,115	1,343,526
Money market takings	8,682,820	8,706,596	-	6,773,608	234,179	1,698,809	-	-
Issued Securities (Net)	2,372,748	2,623,486	-	610,517	164,324	728,357	1,120,288	-
Miscellaneous payables	2,439,156	2,439,156	135,208	2,124,680	85,174	93,109	985	-
Other liabilities	2,646,534	2,646,534	532,109	252,953	9,788	8,635	118,115	1,724,934
<b>Total</b>	<b>92,629,043</b>	<b>93,759,922</b>	<b>11,729,531</b>	<b>46,912,839</b>	<b>17,012,617</b>	<b>10,940,116</b>	<b>4,080,534</b>	<b>3,084,285</b>
<b>Non-Cash Loans</b>	<b>17,251,037</b>	<b>17,251,037</b>	<b>7,631,920</b>	<b>1,136,877</b>	<b>1,567,553</b>	<b>4,183,700</b>	<b>2,047,339</b>	<b>683,648</b>
<b>Prior year</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Bank deposits	3,454,869	3,464,812	34,116	2,808,512	588,099	33,863	222	-
Other deposits	58,387,107	58,815,936	9,149,399	33,573,979	12,679,537	2,964,571	444,217	4,233
Funds borrowed	8,912,297	9,621,929	-	368,812	2,109,076	2,807,422	2,375,159	1,961,460
Money market takings	6,031,252	6,046,235	-	3,990,490	1,216,863	838,882	-	-
Issued Securities (Net)	493,000	496,581	-	-	496,581	-	-	-
Miscellaneous payables	2,974,446	2,974,446	133,580	1,683,573	149,540	104,294	35,396	868,063
Other liabilities	951,238	951,238	477,197	112,907	86,435	144,583	44,586	85,530
<b>Total</b>	<b>81,204,209</b>	<b>82,371,177</b>	<b>9,794,292</b>	<b>42,538,273</b>	<b>17,326,131</b>	<b>6,893,615</b>	<b>2,899,580</b>	<b>2,919,286</b>
<b>Non-Cash Loans</b>	<b>15,849,382</b>	<b>15,849,382</b>	<b>9,724,999</b>	<b>1,062,360</b>	<b>770,703</b>	<b>2,442,300</b>	<b>1,189,150</b>	<b>659,870</b>

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

**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:

<b>Risk Classification</b>	<b>Amount</b>	<b>Financial Guarantees</b>	<b>Other/Physical Guarantees</b>	<b>Guarantees and credit derivatives</b>
Contingent and non-contingent claims on sovereigns and Central Banks	32,996,603	2,089,145	-	-
Contingent and non-contingent claims on regional governments or local authorities	1,247,548	2,088	-	-
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	58,899	11,622	-	-
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	11,244,450	5,439,356	-	-
Contingent and non-contingent claims on corporate	78,154,379	9,710	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	26,514,718	116	-	-
Contingent and non-contingent claims secured by residential property	20,738,887	-	-	-
Past due loans	316,900	-	-	-
Higher risk categories decided by the Agency	6,831,919	-	-	-
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	3,953,721	-	-	-
<b>Total</b>	<b>182,058,02</b>	<b>7,552,037</b>	-	-

### *Risk management strategies and policies*

Risk management strategies are determined so as to support the Bank’s objectives and goals and maintain 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 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.

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 on Internal Systems.

### III. Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Year	Prior Year	Current Year	Prior Year
<b>Financial Assets</b>				
Receivables from Interbank Money Markets	6,645	190,467	6,645	190,467
Banks	2,656,490	2,541,335	2,656,490	2,541,335
Available-for-Sale Financial Assets	14,334,781	13,354,843	14,334,781	13,354,843
Held-to-Maturity Investments	4,261,060	5,979,238	4,476,252	6,101,707
Loans	69,316,699	58,168,853	69,384,754	58,203,583
Lease Receivables	676,919	503,441	679,664	486,797
Factoring Receivables	185,797	617,804	185,797	617,804
<b>Financial Liabilities</b>				
Bank Deposits	4,052,760	3,454,869	4,052,760	3,454,869
Other Deposits	64,334,044	58,387,107	64,334,044	58,387,107
Funds Borrowed	8,100,981	8,912,297	8,100,981	8,912,297
Securities Issued	2,372,748	493,000	2,372,748	493,000
Subordinated Loans	1,630,188	-	1,630,188	-
Miscellaneous Payables	2,439,156	2,974,446	2,439,156	2,974,446

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

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

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

Fair value and carrying value of the borrowings is estimated to be same since most of loans have floating rates.

Fair value and carrying value of the subordinated loan is estimated to be same since the loans has obtained in a recent date compared to balance sheet date.

#### *Classification of Fair Value Measurement*

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

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

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

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

Classification requires using observable market data if possible.

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

Consolidated Financial Report as at and

For the Year Ended 31 December 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*

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

<b>31 December 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	148,155	52,144	-	<b>200,299</b>
Derivative financial assets held for trading purpose	-	89,425	-	<b>89,425</b>
Investment funds	4,057	-	-	<b>4,057</b>
Equity securities	2,682	-	27	<b>2,709</b>
Available-for-sale financial assets				
Equity securities	1,496	-	-	<b>1,496</b>
Debt securities	14,320,383	2,152	-	<b>14,322,535</b>
Investments in associates and subsidiaries	160,765	-	166,417 <sup>(*)</sup>	<b>327,182</b>
<b>Total Financial Assets</b>	<b>14,637,538</b>	<b>143,721</b>	<b>166,444</b>	<b>14,947,703</b>

Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(199,692)	-	(199,692)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(199,692)</b>	<b>-</b>	<b>(199,692)</b>

<b>31 December 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	151,914	28,336	-	<b>180,250</b>
Derivative financial assets held for trading purpose	-	174,138	-	<b>174,138</b>
Investment funds	-	5,138	-	<b>5,138</b>
Equity securities	2,069	-	27	<b>2,096</b>
Available-for-sale financial assets				
Equity securities	1,169	-	-	<b>1,169</b>
Debt securities	12,061,831	1,281,093	-	<b>13,342,924</b>
Investments in associates and subsidiaries	-	-	150,005 <sup>(*)</sup>	<b>150,005</b>
<b>Total Financial Assets</b>	<b>12,216,983</b>	<b>1,488,705</b>	<b>150,032</b>	<b>13,855,720</b>

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

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

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended 31 December 2012 is as follows:

	<b>Level 3 Amount</b>
Balance at the beginning of the year	150,032
Total gains or losses for the year recognised in profit or loss	-
Total gains or losses for the year recognised under equity	16,412
<b>Balance at the end of the year</b>	<b>166,444</b>



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

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

**X. Consolidated segment reporting**

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

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

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

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

Major financial statement items according to business lines:

<b>Current Year</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Operating profit	1,207,336	1,482,957	1,283,972	1,516,365	5,490,630
Undistributed expenses	-	-	-	(3,662,918)	(3,662,918)
<b>Operating profit</b>	<b>1,207,336</b>	<b>1,482,957</b>	<b>1,283,972</b>	<b>(2,146,553)</b>	<b>1,827,712</b>
Income from associates	-	-	-	-	33,869
Income before taxes	-	-	-	-	1,861,581
Provision for taxes	-	-	-	-	(437,961)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,423,620</b>
Segment assets	24,370,526	44,896,307	32,130,389	1,842,746	103,239,968
Investment in associates and subsidiaries	-	-	363,501	-	363,501
Undistributed assets	-	-	-	4,435,943	4,435,943
<b>Total assets</b>	<b>24,370,526</b>	<b>44,896,307</b>	<b>32,493,890</b>	<b>6,278,689</b>	<b>108,039,412</b>
Segment liabilities	26,343,287	42,043,517	18,590,206	818,382	87,795,392
Equity	-	-	-	11,828,997	11,828,997
Undistributed liabilities	-	-	-	8,415,023	8,415,023
<b>Total liabilities and equity</b>	<b>26,343,287</b>	<b>42,043,517</b>	<b>18,590,206</b>	<b>21,062,402</b>	<b>108,039,412</b>

(\*) Undistributed expenses consist of other interest income, short term employee benefit provisions, general loan loss provisions and other operating expenses

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

	Current Year		Previous Year	
	TL	FC	TL	FC
Cash	793,004	190,016	604,234	111,770
Central Bank of Turkey <sup>(*)</sup>	1,452,478	9,870,679	1,465,064	4,959,763
Others	4,464	20,853	33	998
<b>Total</b>	<b>2,249,946</b>	<b>10,081,548</b>	<b>2,069,331</b>	<b>5,072,531</b>

<sup>(\*)</sup> TL 8,108,813 (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 11.5% 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 Year		Previous Year	
	TL	FC	TL	FC
Unrestricted demand deposits	1,449,530	693,866	1,465,064	690,036
Unrestricted time deposits	-	-	-	-
Restricted time deposits	2,948	1,068,000	-	-
Reserve Deposits	-	8,108,813	-	4,269,727
<b>Total</b>	<b>1,452,478</b>	<b>9,870,679</b>	<b>1,465,064</b>	<b>4,959,763</b>

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 15<sup>th</sup> Administrative Court for the suspension of execution and cancellation of the decision. As at 15 June 2011, the court decided on refusal of the claim with the right to appeal on State Council. CBT requested the 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 begun 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 Year		Previous Year	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	53,119	10,022	95,711	11,466
Others	-	-	-	-
<b>Total</b>	<b>53,119</b>	<b>10,022</b>	<b>95,711</b>	<b>11,466</b>

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

	Current Year		Previous Year	
	TL	FC	TL	FC
Government bonds	983	-	3,098	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	-
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>983</b>	<b>-</b>	<b>3,098</b>	<b>-</b>

***Trading purpose derivative financial assets***

	Current Year		Previous Year	
	TL	FC	TL	FC
Forward transactions	2,063	2,047	3,141	4,720
Swap transactions	19,313	65,521	1,038	165,143
Futures	-	-	-	-
Options	208	273	3	93
Others	-	-	-	-
<b>Total</b>	<b>21,584</b>	<b>67,841</b>	<b>4,182</b>	<b>169,956</b>

**3. Information on banks**

	Current Year		Previous Year	
	TL	FC	TL	FC
Banks	740,354	1,916,136	408,679	2,132,656
Domestic	739,761	300,982	406,875	60,978
Foreign	593	1,615,154	1,804	2,071,678
Foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>740,354</b>	<b>1,916,136</b>	<b>408,679</b>	<b>2,132,656</b>

***Due from foreign banks***

	Unrestricted Balance		Restricted Balances	
	Current Year	Previous Year	Current Year	Previous Year
EU Countries	228,516	678,632	-	63,976
USA, Canada	1,047,031	1,087,132	102,389	181,327
OECD Countries <sup>(*)</sup>	14,052	23,786	-	3,534
Off-shore Banking Regions	724	1,797	121	293
Others	222,914	33,005	-	-
<b>Total</b>	<b>1,513,237</b>	<b>1,824,352</b>	<b>102,510</b>	<b>249,130</b>

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

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

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

	Current Year		Previous Year	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	6,226	184,493	661,402	387,393
Others	-	-	-	-
<b>Total</b>	<b>6,226</b>	<b>184,493</b>	<b>661,402</b>	<b>387,393</b>

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

	Current Year		Previous Year	
	TL	FC	TL	FC
Government bonds	4,504,521	53,640	1,506,673	61,442
Treasury bills	-	-	-	-
Other debt securities	-	3,292,531	-	1,930,563
Bonds issued or guaranteed by banks	-	42,563	-	54,748
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>4,504,521</b>	<b>3,388,734</b>	<b>1,506,673</b>	<b>2,046,753</b>

*Information on available-for-sale financial assets*

	Current Year	Previous Year
	<b>Debt securities</b>	<b>14,418,802</b>
Quoted	14,418,802	13,513,369
Unquoted	-	-
<b>Equity securities</b>	<b>12,246</b>	<b>14,438</b>
Quoted	1,496	1,169
Unquoted	10,750	13,269
<b>Provisions for impairment losses (-)</b>	<b>96,267</b>	<b>172,964</b>
<b>Total</b>	<b>14,334,781</b>	<b>13,354,843</b>

**5. Information on loans**

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

	Current Year		Previous Year	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct loans provided to the shareholders</b>	-	37,919	-	6,572
Legal entities	-	37,919	-	6,572
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>	-	-	-	-
<b>Loans provided to the employees</b>	<b>68,881</b>	<b>34</b>	<b>55,917</b>	<b>31</b>
<b>Total</b>	<b>68,881</b>	<b>37,953</b>	<b>55,917</b>	<b>6,603</b>

**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
<b>Non-specialized loans</b>	<b>64,859,258</b>	<b>175,833</b>	-	<b>3,273,582</b>	<b>673,939</b>	-
Loans given to enterprises	17,310,720	151,154	-	915,364	247,730	-
Export loans	3,100,951	21,089	-	190,180	16,884	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1,667,368	-	-	689	-	-
Consumer loans	20,141,102	-	-	1,161,940	327,756	-
Credit cards	3,042,652	-	-	163,074	9,041	-
Other	19,596,465	3,590	-	842,335	72,528	-
<b>Specialized lending</b>	<b>16,652</b>	-	-	-	-	-
<b>Other receivables</b>	<b>9,636</b>	-	-	-	-	-
<b>Total</b>	<b>64,885,546</b>	<b>175,833</b>	-	<b>3,273,582</b>	<b>673,939</b>	-

**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 (*)
<b>Number of modifications to extend payment plans</b>		
Extended for 1 or 2 times	175,833	332,761
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-
<b>Extended period of time</b>	<b>Standard Loans and Other Receivables (*)</b>	<b>Loans and other receivables under close monitoring (*)</b>
0-6 Months	24,615	2,550
6 Ay- 12 Months	5,782	3,494
1-2 Years	32,879	18,448
2-5 Years	111,852	139,963
5 Years and Over	705	168,306

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

**Maturity analysis of cash loans**

Cash loans	Performing Loans and Other Receivables		Loans and Other Receivables under Follow-Up	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
<b>Short-term Loans and Other Receivables</b>	<b>19,393,691</b>	<b>26,972</b>	<b>879,627</b>	<b>109,928</b>
Loans	19,384,055	26,972	879,627	109,928
Specialization loans	-	-	-	-
Other Receivables	9,636	-	-	-
<b>Medium, Long-term Loans and Other Receivables</b>	<b>45,491,855</b>	<b>148,861</b>	<b>2,393,955</b>	<b>564,011</b>
Loans	45,475,203	148,861	2,393,955	564,011
Specialization loans	16,652	-	-	-
Other Receivables	-	-	-	-

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

	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>276,570</b>	<b>20,410,276</b>	<b>20,686,846</b>
Housing loans	6,357	10,277,032	10,283,389
Automobile loans	5,202	487,901	493,103
General purpose loans	116,481	5,312,662	5,429,143
Others	148,530	4,332,681	4,481,211
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
<b>Consumer loans – FC</b>	<b>936</b>	<b>7,462</b>	<b>8,398</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	936	7,462	8,398
Others	-	-	-
<b>Retail credit cards – TL</b>	<b>2,597,632</b>	<b>2,319</b>	<b>2,599,951</b>
With installment	1,403,002	2,319	1,405,321
Without installment	1,194,630	-	1,194,630
<b>Retail credit cards – FC</b>	<b>634</b>	-	<b>634</b>
With installment	-	-	-
Without installment	634	-	634
<b>Personnel loans – TL</b>	<b>1,742</b>	<b>28,563</b>	<b>30,305</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,713	28,563	30,276
Others	29	-	29
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
<b>Personnel loans – FC</b>	<b>322</b>	-	<b>322</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	322	-	322
Others	-	-	-
<b>Personnel credit cards – TL</b>	<b>38,192</b>	-	<b>38,192</b>
With installment	17,780	-	17,780
Without installment	20,412	-	20,412
<b>Personnel credit cards – FC</b>	<b>62</b>	-	<b>62</b>
With installment	-	-	-
Without installment	62	-	62
<b>Overdraft Checking Accounts – TL (Real persons)</b>	<b>904,838</b>	-	<b>904,838</b>
<b>Overdraft Checking Accounts – FC (Real persons)</b>	<b>89</b>	-	<b>89</b>
<b>Total</b>	<b>3,821,017</b>	<b>20,448,620</b>	<b>24,269,637</b>

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

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based commercial loans – TL</b>	<b>719,680</b>	<b>11,888,654</b>	<b>12,608,334</b>
Real estate loans	535	175,026	175,561
Automobile loans	24,015	1,320,563	1,344,578
General purpose loans	695,130	10,393,065	11,088,195
Others	-	-	-
<b>Installment-based commercial loans – FC indexed</b>	<b>11,846</b>	<b>686,590</b>	<b>698,436</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	11,846	686,590	698,436
Others	-	-	-
<b>Installment-based commercial loans – FC</b>	<b>406,899</b>	<b>1,872,819</b>	<b>2,279,718</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	402,142	628,131	1,030,273
Others	4,757	1,244,688	1,249,445
<b>Corporate credit cards – TL</b>	<b>575,803</b>	<b>31</b>	<b>575,834</b>
With installment	268,522	31	268,553
Without installment	307,281	-	307,281
<b>Corporate credit cards – FC</b>	<b>94</b>	<b>-</b>	<b>94</b>
With installment	-	-	-
Without installment	94	-	94
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>497,147</b>	<b>-</b>	<b>497,147</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,211,469</b>	<b>14,448,094</b>	<b>16,659,563</b>

***Allocation of loan customers***

	<b>Current Year</b>	<b>Previous Year</b>
Public Sector	857,590	961,577
Private Sector	68,151,310	57,095,925
<b>Total</b>	<b>69,008,900</b>	<b>58,057,502</b>

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

	<b>Current Year</b>	<b>Previous Year</b>
Domestic loans	68,698,671	57,754,229
Overseas loans	310,229	303,273
<b>Total</b>	<b>69,008,900</b>	<b>58,057,502</b>

***Loans to associates and subsidiaries***

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

***Specific provisions for loans***

<b>Specific Provisions</b>	<b>Current Year</b>	<b>Previous Year</b>
Loans and receivables with limited collectibility	76,679	48,991
Loans and receivables with doubtful collectibility	519,895	176,438
Uncollectible loans and receivables	1,912,454	1,874,503
<b>Total</b>	<b>2,509,028</b>	<b>2,099,932</b>

**Information on non-performing loans (Net)**

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current year</b>	<b>37,448</b>	<b>55,374</b>	<b>67,590</b>
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	37,448	55,374	67,590
<b>Previous year</b>	<b>18,471</b>	<b>26,240</b>	<b>81,771</b>
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	18,471	26,240	81,771

*Movements in non-performing loan groups*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Balance at the beginning of the year</b>	<b>157,613</b>	<b>176,438</b>	<b>1,877,232</b>
Additions (+)	1,028,685	33,880	73,650
Transfers from other categories of loans under follow-up (+) <sup>(*)</sup>	-	714,477	288,307
Transfers to other categories of loans under follow-up (-) <sup>(*)</sup>	717,890	308,727	63,503
Collections (-)	98,006	95,619	236,842
Write-offs (-)	-	-	12,130
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Others</i>	-	-	12,130
Currency differences	-	-	(738)
<b>Balance at the end of the year</b>	<b>370,402</b>	<b>520,449</b>	<b>1,925,976</b>
Specific provisions (-)	76,679	519,895	1,912,454
<b>Net balance on balance sheet</b>	<b>293,723</b>	<b>554</b>	<b>13,522</b>

<sup>(\*)</sup>Loans that are transferred from restructured loans to non-performing loans and from non-performing loans to restructured loans are presented in the transfers from and to other categories of loans under follow-up lines.

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



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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current Year</b>			
Balance at the end of the year	18,304	13,775	301,918
Specific provisions (-)	3,487	13,754	290,607
<b>Net balance on balance sheet</b>	<b>14,817</b>	<b>21</b>	<b>11,311</b>
<b>Previous Year</b>			
Balance at the end of the year	1,414	315	309,702
Specific provisions (-)	672	315	306,973
<b>Net balance on balance sheet</b>	<b>742</b>	<b>-</b>	<b>2,729</b>

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 Parent Bank does not have a write-off policy for loan receivables and any related allowances set aside for impairment losses on for related loan receivables.

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current Year (Net)</b>	<b>293,723</b>	<b>554</b>	<b>13,522</b>
Consumer and commercial loans (Gross)	328,992	514,666	1,842,173
Specific provisions (-)	65,798	514,666	1,839,998
Consumer and commercial loans (Net)	263,194	-	2,175
Banks (Gross)	-	-	7,181
Specific provisions (-)	-	-	7,181
Banks (Net)	-	-	-
Other loans and receivables (Gross)	41,410	5,783	76,622
Specific provisions (-)	10,881	5,229	65,275
Other loans and receivables (Net)	30,529	554	11,347
<b>Previous Year (Net)</b>	<b>108,622</b>	<b>-</b>	<b>2,729</b>
Consumer and commercial loans (Gross)	155,483	174,471	1,796,258
Specific provisions (-)	47,132	174,471	1,793,529
Consumer and commercial loans (Net)	108,351	-	2,729
Banks (Gross)	-	-	9,565
Specific provisions (-)	-	-	9,565
Banks (Net)	-	-	-
Other loans and receivables (Gross)	2,130	1,967	71,409
Specific provisions (-)	1,859	1,967	71,409
Other loans and receivables (Net)	271	-	-

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

	Current Year		Previous Year	
	TL	FC	TL	FC
Government bonds	4,198,301	-	4,343,224	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	9,312	-	1,581,438
<b>Total</b>	<b>4,198,301</b>	<b>9,312</b>	<b>4,343,224</b>	<b>1,581,438</b>

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

	Current Year	Previous Year
<b>Debt Securities</b>	<b>4,332,399</b>	<b>6,021,368</b>
Quoted at stock exchanges	4,278,952	5,966,792
Unquoted at stock exchanges	53,447	54,576
<b>Impairment losses (-)</b>	<b>71,339</b>	<b>42,130</b>
<b>Total</b>	<b>4,261,060</b>	<b>5,979,238</b>

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

	Current Period	Prior Period
<b>Balances at the beginning of the period</b>	<b>5,979,238</b>	<b>4,362,245</b>
Foreign currency differences on monetary assets	(114,339)	223,839
Purchases during the period	210,825	3,102,225
Transfers to available for sale portfolio <sup>(*)</sup>	(1,474,294)	-
Disposals through sales/redemptions	(275,294)	(1,688,257)
Impairment losses	(29,209)	(12,039)
Change in amortized costs of the securities <sup>(**)</sup>	(35,867)	(8,775)
<b>Balances at the end of the period</b>	<b>4,261,060</b>	<b>5,979,238</b>

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

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

The Parent Bank reclassified certain investment securities that were previously classified in held-to-maturity portfolio with total face value of USD 706,011,000 (full U.S. dollar) ve EUR 60,002,000 (full EURO) to its available-for-sale investment securities portfolio. The securities reclassified from held-to-maturity portfolio with amortized cost of TL 1,422,452 and fair value of TL 1,733,819 in total to available-for-sale investment securities portfolio as at the reclassification date.

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. These reclassifications are presented in “purchases during the period” line in the movement table of held-to-maturity investment securities. The valuation differences of such securities amounting to TL (2,497) are recorded under equity and will be amortized through the statement of income until their maturities.

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

Current Year	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	730,596	53,400	733,880	53,447
Investments subject to repurchase agreements	2,148,261	-	2,184,752	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others <sup>(*)</sup>	1,287,654	8,762	1,279,669	9,312
<b>Total</b>	<b>4,166,511</b>	<b>62,162</b>	<b>4,198,301</b>	<b>62,759</b>

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 <sup>(*)</sup>	1,938,751	619,877	1,972,657	619,121
<b>Total</b>	<b>4,267,176</b>	<b>1,614,599</b>	<b>4,343,224</b>	<b>1,636,014</b>

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

**7. Investments in associates**

**Unconsolidated investments in associates**

Title	Address (City/ Country)	Bank’s Share – If Different, Voting Rights (%)	Bank Risk
			Group’s Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ <sup>(*)</sup>	Ankara/Turkey	9.93	9.93
2 Bankalararası Kart Merkezi AŞ	İstanbul/Turkey	9.70	9.70
3 Kredi Kayıt Bürosu AŞ	İstanbul/Turkey	9.09	9.09
4 Güçbirliği Holding AŞ	İzmir/Turkey	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ	İstanbul/Turkey	5.00	5.00
6 İMKB Takas ve Saklama Bankası AŞ <sup>(*)</sup>	İstanbul/Turkey	4.86	5.28
7 Kredi Garanti Fonu AŞ <sup>(*)</sup>	Ankara/Turkey	1.75	1.75
8 World Vakıf UBB Ltd.	Lefkoşa/NCTR	82.00	85.24

	Total Assets	Equity	Tangible Assets	Interest Income	Income on	Current Year’s Profit/(Loss)	Prior Year’s Profit/Loss	Fair Value
					Securities Portfolio			
1	1,827,527	283,583	224,016	27,644	-	58,556	5,410	-
2	32,354	19,628	15,161	858	217	1,144	2,619	-
3	79,837	67,450	45,452	2,164	-	33,184	18,566	-
4	127,711	7,175	89,474	364	-	(3,706)	(13,948)	-
5	101,052	36,862	96,935	44	-	1,833	(11,703)	-
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	1,529	(34,546)	-	4	-	(3,639)	3,094	-

<sup>(\*)</sup> Financial information as at and for the nine-month period ended 30 September 2012 has been presented for these associates.

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

Consolidated Financial Report as at and

For the Year Ended 31 December 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

Roketsan Roket Sanayi ve Ticaret AŞ, a subsidiary of the Parent 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 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 that is in the partnership structure 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 subsidiaries. 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 31 December 2012 and 31 December 2011, but its equity until the liquidation decision date has been included in the accompanying consolidated financial statements.

***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)	Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1	Kıbrıs Vakıflar Bankası Ltd.	Lefkosa/NCTR	15.00	15.00
2	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	960,979	66,190	8,883	71,055	6,793	5,794	5,337	-
2	10,857,318	1,919,002	238,235	364,261	251,594	325,151	258,620	2,523,138

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

	<b>Current Year</b>	<b>Previous Year</b>
<b>Balance at the beginning of the year</b>	<b>128,267</b>	<b>162,870</b>
<b>Movements during the year</b>	<b>89,296</b>	<b>(34,603)</b>
Acquisitions and capital increases	-	-
Bonus shares received	25,132	8,378
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	64,164	(42,981)
Impairment losses	-	-
<b>Balance at the end of the year</b>	<b>217,563</b>	<b>128,267</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of year (%)</b>	-	-

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

	<b>Current Year</b>	<b>Previous Year</b>
Banks	217,563	128,267
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	-	-
<b>Total</b>	<b>217,563</b>	<b>128,267</b>

***Quoted associates***

	<b>Current Year</b>	<b>Previous Year</b>
Quoted at domestic stock exchanges	211,444	122,148
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>211,444</b>	<b>122,148</b>

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

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

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

There is not any associate acquired in the current year.

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 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.

**8. Investments in subsidiaries**

***Information on financial subsidiaries***

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Finans Factoring Hizm. AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf B Tipi Menkul Kıyetler Yat. Ort. AŞ
Paid in Capital	57,121	60,000	35,000	22,400	150,000	26,500	3,000	105,000	15,000
Share Premium	-	-	-	-	-	-	-	9,759	19
Adjustment to paid-in capital	-	353	137	28,831	-	20,103	16	21,599	93
Valuation changes in marketable securities	8,062	2,553	20,450	-	-	-	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	-	-	-	17,794	20,780	-	-	-
Free shares from investment and associates, subsidiaries and joint ventures (business)	-	-	-	-	-	-	-	-	-
Legal Reserves	4,804	3,479	4,712	4,987	4,949	10,382	662	3,144	395
Extraordinary Reserves	-	35,542	3,788	21,999	-	30,836	2,030	47,315	-
Other Profit Reserves	69,693	-	2,308	-	172,831	833	-	-	-
Profit/Loss	84,702	5,402	2,615	10,281	(37,943)	50,506	2,141	6,218	(1,084)
<i>Prior Years' Profit/Loss</i>	66,537	-	670	-	(17,957)	17,891	6	-	(1,760)
<i>Current Years' Profit/Loss</i>	18,165	5,402	1,945	10,281	(19,986)	32,615	2,135	6,218	676
Minority Rights	-	71	-	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>224,382</b>	<b>107,400</b>	<b>69,010</b>	<b>88,498</b>	<b>307,631</b>	<b>159,940</b>	<b>7,849</b>	<b>193,035</b>	<b>14,423</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>224,382</b>	<b>107,400</b>	<b>69,010</b>	<b>88,498</b>	<b>307,631</b>	<b>159,940</b>	<b>7,849</b>	<b>193,035</b>	<b>14,423</b>
<b>NET AVAILABLE EQUITY</b>	<b>224,382</b>	<b>107,400</b>	<b>69,010</b>	<b>88,498</b>	<b>307,631</b>	<b>159,940</b>	<b>7,849</b>	<b>193,035</b>	<b>14,423</b>

Vakıf Yatırım Menkul Değerler AŞ, a 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 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 31 December 2012, there is no capital requirement for the subsidiaries mentioned.

**Unconsolidated investments in subsidiaries**

	<b>Title</b>	<b>Address (City / Country)</b>	<b>Bank’s Share –If Different, Voting Rights (%)</b>	<b>Bank’s Risk Group Share (%)</b>
1	Vakıf Enerji ve Madencilik AŞ	Ankara/ Turkey	65.50	84.92
2	Taksim Otelcilik AŞ	Istanbul/ Turkey	51.00	51.52
3	Vakıf Pazarlama Sanayi ve Ticaret AŞ	Istanbul/ Turkey	69.33	74.98
4	Vakıf Gayrimenkul Değerleme AŞ	Ankara/ Turkey	54.29	58.54

	<b>Total Assets</b>	<b>Equity</b>	<b>Tangible Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Year’s Profit/(Loss)</b>	<b>Prior Years’ Profit/(Loss)</b>	<b>Fair Value</b>
1	8,208	8,087	1,065	316	-	588	(51)	12,500
2	228,676	225,756	97,588	8,716	521	8,439	8,176	218,159
3	44,851	35,695	682	2,228	154	7,871	2,745	26,000
4	22,889	18,965	671	1,464	82	1,847	7,185	33,567

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.

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

Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at 31 December 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.

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

Consolidated Financial Report as at and

For the Year Ended 31 December 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***Investments in consolidated subsidiaries**

Title	Address(City / Country)	Bank's Share –If Different Voting Rights (%)	Bank's Risk Group Share (%)
1 Güneş Sigorta AŞ	İstanbul/Turkey	36.35	36.35
2 Vakıf Emeklilik AŞ	İstanbul/Turkey	53.90	75.30
3 Vakıf Finans Factoring Hizmetleri AŞ	İstanbul/Turkey	78.39	86.97
4 Vakıf Finansal Kiralama AŞ	İstanbul/Turkey	58.71	64.40
5 Vakıf Yatırım Menkul Değerler AŞ	İstanbul/Turkey	99.00	99.44
6 Vakıfbank International AG	Vienna/Austria	90.00	90.00
7 Vakıf Portföy Yönetimi AŞ	İstanbul/Turkey	99.99	99.99
8 Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ	İstanbul/Turkey	11.75	21.77
9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/Turkey	27.63	29.47

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit / (Loss)	Prior Year's Profit / (Loss)	Fair Value
1	927,519	242,569	267,710	16,226	399	(12,581)	26,260	338,996
2	1,866,672	159,913	60,183	24,581	3,360	29,955	14,494	349,100
3	274,803	88,498	2,627	49,675	-	10,281	13,243	97,907
4	806,909	107,400	6,077	48,810	127	5,402	14,390	98,404
5	265,491	69,010	318	6,670	427	1,946	3,995	84,367
6	1,750,097	224,382	1,506	53,113	8,064	18,165	17,865	228,200
7	8,197	7,850	5	687	29	2,135	1,561	21,698
8	14,656	14,423	66	616	1,591	676	(1,760)	16,357
9	195,349	193,035	141,714	1,963	3,068	6,218	25,791	556,605

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 table of consolidated investments in subsidiaries in unconsolidated financial statements**

	Current Year	Previous Year
<b>Balance at the beginning of the year</b>	<b>572,343</b>	<b>569,968</b>
<b>Movements during the year</b>	<b>359,148</b>	<b>2,375</b>
Acquisitions and capital increases	-	21,553
Bonus shares received	7,253	15,889
Share of current year profit	(14,389)	(13,038)
Sales and liquidations	-	-
Fair value changes	366,284	(22,029)
Impairment losses	-	-
<b>Balance at the end of the year</b>	<b>931,491</b>	<b>572,343</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of the year (%)</b>	-	-



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

	<b>Current Year</b>	<b>Previous Year</b>
Measured at cost	-	-
Measured at fair value	931,491	572,343
Equity method of accounting	-	-
<b>Total</b>	<b>931,491</b>	<b>572,343</b>

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

	<b>Current Year</b>	<b>Previous Year</b>
Banks	224,648	150,015
Insurance companies	311,390	193,303
Factoring companies	76,752	50,368
Leasing companies	57,773	54,080
Financing companies	-	-
Other financial subsidiaries	260,928	124,577
<b>Total</b>	<b>931,491</b>	<b>572,343</b>

***Quoted consolidated subsidiaries***

	<b>Current Year</b>	<b>Previous Year</b>
Quoted at domestic stock exchanges	336,706	220,484
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>336,706</b>	<b>220,484</b>

***Consolidated subsidiaries disposed during the year***

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

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

There are not any acquired consolidated subsidiaries in the current year.

In the current period, 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 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 GYO, 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, 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 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.

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 Year		Previous Year	
	Gross	Net	Gross	Net
Less than 1 year	323,945	277,830	195,121	162,102
Between 1-4 years	410,051	359,094	359,054	320,643
Longer than 4 years	42,696	39,995	21,240	20,696
<b>Total</b>	<b>776,692</b>	<b>676,919</b>	<b>575,415</b>	<b>503,441</b>

### *Net investments in finance lease receivables*

	Current Year	Previous Year
Gross finance lease receivables	776,692	575,415
Unearned income on finance lease receivables (-)	(99,773)	(71,974)
Terminated lease contracts (-)	-	-
<b>Net finance lease receivables</b>	<b>676,919</b>	<b>503,441</b>

### *Finance lease agreements*

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

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

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

None.

## 12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
<b>Balance at the end of the Previous year:</b>					
Cost	1,197,379	180,427	55,931	585,645	2,019,382
Accumulated depreciation(-)	(270,651)	(153,637)	(28,694)	(376,013)	(828,995)
Impairment losses (-) <sup>(*)</sup>	(14,606)	-	-	-	(14,606)
Net book value	<b>912,122</b>	<b>26,790</b>	<b>27,237</b>	<b>209,632</b>	<b>1,175,781</b>
<b>Balance at the end of the current year:</b>					
Net book value at the beginning of the current year	912,122	26,790	27,237	209,632	1,175,781
Additions	197,687	-	2,925	93,904	294,516
Transfers from Investment Properties (Cost)	143,420	-	-	-	143,420
Transfers from Investment Properties (Accumulated Depreciation)	(1,895)	-	-	-	(1,895)
Transfers to Investment Properties	(843)	-	-	-	(843)
Cost of Disposals (-)	(125,073)	(25,284)	(4,803)	(10,710)	(165,870)
Accumulated Depreciation of Disposals (-)	5,293	24,422	4,136	5,197	39,048
Impairment losses (-) <sup>(*)</sup>	(31,579)	(9,007)	(7,629)	(75,436)	(123,651)
Depreciation for the current year (-)	(5,341)	-	-	-	(5,341)
Currency translation difference on foreign operations	(41)	-	(4)	(32)	(77)
Cost at the end of the current year	1,412,529	155,143	54,049	668,807	2,290,528
Accumulated depreciation at the end of the year (-)	(298,832)	(138,222)	(32,187)	(446,252)	(915,493)
Impairment (-) <sup>(*)</sup>	(19,947)	-	-	-	(19,947)
<b>Net book value at the end of the current year</b>	<b>1,093,750</b>	<b>16,921</b>	<b>21,862</b>	<b>222,555</b>	<b>1,355,088</b>

<sup>(\*)</sup> In conjunction with the 5th subclause of “Regulation on the procedures and principles for sales and purchase of precious metal and disposal of tangible assets that have been acquired due to receivables by Banks” of BRSA which has been published in the Official Gazette no. 26333 on 1 November 2006, in case assets that are not subject to amortization are not disposed within three years following the acquisition date, they shall be amortized through recording provisions at a rate of 5% for each year after the acquisition date. In this frame, the Parent Bank has booked TL 19,947 provision as at 31 December 2012 (31 December 2011: 14,606) taking the temporary clause of the regulation defining the acquisition date into account.

## 13. Information on intangible assets

Bank’s intangible assets consist of computer softwares. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis through the estimated useful lives over their costs adjusted for inflation for the items purchased before 31 December 2004, over their initial costs for the items purchased after 31 December 2004.

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

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

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

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

## 14. Information on investment properties

As at 31 December 2012, the Group has investment property amounting to the net book value amounting to TL 19,646 for the subsidiaries operating in the insurance business.

**15. Information on deferred tax assets**

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

	<b>Current Year</b>	<b>Previous Year</b>
Provision for employee termination benefits and unused vacations	61,564	50,125
Other provisions	47,237	40,736
Valuation differences of financial assets and liabilities	45,149	62,824
Valuation difference for associates and subsidiaries	28,531	31,382
Investment incentives	26,052	28,436
Tax losses carried forward	13,479	7,029
Reporting Standarts - Tax Code depreciation differences	13,005	16,030
Other differences	2,165	1,606
<b>Deferred tax assets</b>	<b>237,182</b>	<b>238,168</b>
Net-off of the deferred tax assets and liabilities from the same entity	(29,015)	(40,498)
<b>Deferred tax assets, (net)</b>	<b>208,167</b>	<b>197,670</b>

	<b>Current Year</b>	<b>Previous Year</b>
Valuation differences of financial assets and liabilities	28,908	32,898
Valuation difference for associates and subsidiaries	1,389	3,227
Other differences	5,394	8,039
<b>Deferred tax liabilities</b>	<b>35,691</b>	<b>44,164</b>
Net-off of the deferred tax assets and liabilities from the same entity	(29,015)	(40,498)
<b>Deferred tax liabilities, (net)</b>	<b>6,676</b>	<b>3,666</b>

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

As at 31 December 2012 net book value of assets held for sale of the Group is amounting to TL 2,093(31 December 2011: TL 2,159).

**17. Information on other assets**

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

	<b>Current Year</b>	<b>Previous Year</b>
Receivables from reinsurance companies	482,067	446,440
Prepaid expenses	412,879	398,979
Receivables from credit cards	387,146	392,479
Receivables from insurance operations	272,070	266,178
Receivables from derivative financial instruments	134,520	20,177
Deferred insurance premium acquisition costs	77,015	79,501
Receivables from term sale of assets	47,410	103,778
Others	111,399	963,451
<b>Total</b>	<b>1,924,506</b>	<b>2,670,983</b>

**II. Information and disclosures related to consolidated liabilities****1. Information on maturity profile of deposits**

<b>Current Year</b>	<b>Demand</b>	<b>7 Days Notice</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Accumulating Deposit Accounts</b>	<b>Total</b>
<b>Saving deposits</b>	2,046,323	-	280,169	12,493,455	2,056,054	99,207	115,769	-	17,090,977
<b>Foreign currency deposits</b>	1,900,860	-	1,514,141	8,111,572	1,391,423	656,744	2,567,856	-	16,142,596
Residents in Turkey	1,524,472	-	1,401,368	8,008,775	1,295,488	408,496	714,272	-	13,352,871
Residents in abroad	376,388	-	112,773	102,797	95,935	248,248	1,853,584	-	2,789,725
<b>Public sector deposits</b>	2,706,233	-	2,065,023	6,205,313	709,706	19,216	14,654	-	11,720,145
<b>Commercial deposits</b>	1,297,597	-	2,737,007	4,185,386	2,462,054	463,272	4,181	-	11,149,497
<b>Others</b>	2,293,689	-	2,211,287	1,894,945	953,617	60,847	14,195	-	7,428,580
<b>Precious metal deposits</b>	802,249	-	-	-	-	-	-	-	802,249
<b>Bank deposits</b>	15,263	-	2,608,713	676,526	385,456	356,339	10,463	-	4,052,760
Central Bank	402	-	-	-	-	-	-	-	402
Domestic banks	689	-	2,459,111	491,591	149,017	-	10,463	-	3,110,871
Foreign banks	7,547	-	149,602	184,935	236,439	356,339	-	-	934,862
Participation banks	6,625	-	-	-	-	-	-	-	6,625
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11,062,21</b>	<b>-</b>	<b>11,416,34</b>	<b>33,567,197</b>	<b>7,958,310</b>	<b>1,655,625</b>	<b>2,727,118</b>	<b>-</b>	<b>68,386,804</b>

<b>Previous Year</b>	<b>Demand</b>	<b>7 Days Notice</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Accumulating Deposit Accounts</b>	<b>Total</b>
<b>Saving deposits</b>	1,671,682	-	362,643	11,508,016	1,195,391	216,923	75,894	-	15,030,549
<b>Foreign currency deposits</b>	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
<b>Public sector deposits</b>	2,766,392	-	1,885,113	4,837,879	835,509	38,441	32,799	-	10,396,133
<b>Commercial deposits</b>	1,187,064	-	2,457,318	5,169,390	954,209	336,589	1,718	-	10,106,288
<b>Others</b>	1,931,014	-	681,617	2,936,530	966,888	294,692	18,190	-	6,828,931
<b>Precious metal deposits</b>	-	-	-	-	-	-	-	-	-
<b>Bank deposits</b>	34,116	-	1,666,239	833,548	916,823	2,069	2,074	-	3,454,869
Central Bank	116	-	-	-	-	-	-	-	116
Domestic banks	3,185	-	1,599,705	302,618	481,791	2,069	2,074	-	2,391,442
Foreign banks	19,066	-	66,534	530,930	435,032	-	-	-	1,051,562
Participation banks	11,749	-	-	-	-	-	-	-	11,749
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9,183,515</b>	<b>-</b>	<b>8,766,182</b>	<b>33,484,224</b>	<b>6,696,644</b>	<b>1,323,834</b>	<b>2,387,577</b>	<b>-</b>	<b>61,841,976</b>

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Year	Previous Year	Current Year	Previous Year
Saving deposits	7,156,786	6,344,011	9,934,191	8,678,865
Foreign currency saving deposits	2,158,935	1,485,189	5,755,729	4,116,656
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
<b>Total</b>	<b>9,315,721</b>	<b>7,829,200</b>	<b>15,689,920</b>	<b>12,795,521</b>

**Saving deposits out of insurance coverage limits**

	Current Year	Previous Year
Deposits and other accounts at foreign branches	14,724	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	2,352	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 Year		Previous Year	
	TL	FC	TL	FC
Forwards	2,134	2,063	3,399	4,574
Swaps	4,853	190,187	973	335,760
Futures	-	-	-	-
Options	178	277	4	93
Others	-	-	-	-
<b>Total</b>	<b>7,165</b>	<b>192,527</b>	<b>4,376</b>	<b>340,427</b>

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

	Current Year		Previous Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	238,899	319,996	238,436	551,187
Foreign banks, institutions and funds	32,486	7,509,600	112,338	8,010,336
<b>Total</b>	<b>271,385</b>	<b>7,829,596</b>	<b>350,774</b>	<b>8,561,523</b>

*Maturity information of funds borrowed*

	Current Year		Previous Year	
	TL	FC	TL	FC
Short-term <sup>(*)</sup>	209,631	4,258,071	330,858	2,902,663
Medium and Long-term <sup>(*)</sup>	61,754	3,571,525	19,916	5,658,860
<b>Total</b>	<b>271,385</b>	<b>7,829,596</b>	<b>350,774</b>	<b>8,561,523</b>

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

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 8.4% (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 repaid 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 ING Bank 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 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 bond has matured as at 27 November 2012.

On 21 September 2012, the Parent Bank has issued bond with a nominal value of TL 100,000 and 91 days maturity. The bond has matured as at 21 December 2012.

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 31 December 2012, the carrying amount of the related bonds is TL 101,843.

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 31 Aralık 2012, the carrying amounts of the related bonds are TL 608,070 and TL 62,026 respectively.

On 21 September 2012, the Parent Bank has issued discounted bonds with a nominal value of TL 200,000 and 175 days maturity. The nominal value of the bond is determined as TL 181,606 with respect to book-building process. As at 31 December 2012, the carrying amount of the related bond is TL 161,954.

On 27 November 2012, the Parent Bank has issued discounted bonds with a nominal values of TL 400,000 and 171 days maturity and TL 150,000 and 346 days maturity. The nominal values of the bonds are determined as TL 615,375 and TL 53,373 with respect to book-building process. As at 31 Aralık 2012, the carrying amounts of the related bonds are TL 499,318 and TL 48,400 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 31 December 2012, the carrying amount of the bond is TL 891,137.

**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	786,341	583,470
-Additional provision for loans with extended payment plans	7,033	2,048
Provisions for loans and receivables in Group II	112,769	38,615
-Additional provision for loans with extended payment plans	9,331	1,778
Provisions for non-cash loans	53,713	46,189
Others	3,236	2,906
<b>Total</b>	<b>956,059</b>	<b>671,180</b>

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

The Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 16,623 (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 31 December 2012, Bank has recorded TL 36,173 (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 31 December 2012, the Parent Bank has recorded provision amounting to 5% of loans under follow up. Part of that amount has been recognized under general provisions and the remaining TL 92,887 (31 December 2011: 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	Prior period
Provision for loans under follow-up	92,887	51,676
Provision for Competition Authority penalty	61,630	-
Specific provisions for non-cash loans	36,173	67,937
Provision for World Vakıf UBB Ltd with regard to its negative equity	28,639	27,105
Provisions for lawsuits against the Group	16,581	17,056
Provisions for credit card promotions	8,571	7,923
Provision for cheques	8,185	17,736
Other provisions <sup>(*)</sup>	42,292	39,175
<b>Total</b>	<b>294,958</b>	<b>228,608</b>

<sup>(\*)</sup>There has been an investigation to determine whether there has been a breach of 4054 numbered Competition Protection Law through performing concerted actions about deposits, loans and credit card services and it has been decided to impose a penalty amounting to TL 82,173 to the Bank. The related penalty shall be paid at a rate of ¾ amounting to TL 61,630 in 30 days following the notification, in accordance with the prevailing laws and regulations. As at 31 December 2012, the Bank has set aside provision for the mentioned penalty amounting to TL 61,630 in the accompanying consolidated financial statements.



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

As at and for the year ended 31 December 2012, the tax liability of the Group is amounting to TL 172,808 (31 December 2011: TL 22,502).

**Information on taxes payable**

	<b>Current Year</b>	<b>Previous Year</b>
Corporate taxes payable	172,808	22,502
Taxation on securities	94,433	62,943
Capital gains tax on property	1,579	1,216
Banking and Insurance Transaction Tax (BITT)	39,530	28,855
Taxes on foreign exchange transactions	-	-
Value added tax payable	3,220	1,417
Others	28,421	28,394
<b>Total</b>	<b>339,991</b>	<b>145,327</b>

**Information on premiums payable**

	<b>Current Year</b>	<b>Previous Year</b>
Social security premiums- employee share	526	789
Social security premiums- employer share	1,349	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	497	429
Unemployment insurance- employer share	1,060	958
Others	130	456
<b>Total</b>	<b>3,562</b>	<b>4,562</b>

**Information on deferred tax liabilities**

Disclosed in Note 13 of information and disclosures for consolidated assets.

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

None.

**10. Information on subordinated loans**

The Parent Bank has issued bond having the secondary subordinated debt quality to be sold non-resident natural and legal persons. The bond has been issued at the nominal value of USD 500 million, with maturity of 10 years and 6.0% coupon rate.

In addition to the issuance of the bond having the secondary subordinated debt realized on 1 November 2012, the Parent Bank has realized second tranche in issuance of the bond having the secondary subordinated debt quality to be sold in foreign bond markets. The bond has been issued at nominal value of USD 400 million, has the same maturity with previous bond and 5.5% coupon rate.

The Parent Bank has obtained written permission of the BRSA for accounting these bonds as secondary subordinated debt and accordingly considering in the calculation of supplementary capital in compliance with the “Regulation on Capitals of the Banks” published on “ November 2006 dated and 26333 numbered Official Gazette.

## 11. Information on shareholders’ equity

### *Paid-in capital*

	Current Year	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 Year		Previous Year	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	(36,590)	-	(19,393)	-
Fair value differences of available-for-sale securities	201,780	555,621	(181,240)	109,679
Foreign exchange differences	-	-	-	-
<b>Total</b>	<b>165,190</b>	<b>555,621</b>	<b>(200,633)</b>	<b>109,679</b>

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

	<b>Current Year</b>	<b>Previous Year</b>
Commitments for credit card limits	4,938,035	4,322,604
Loan granting commitments	4,958,548	4,579,863
Commitments for cheque payments	1,154,273	829,640
Asset purchase commitments	1,694,352	1,626,838
Share capital commitments to associates and subsidiaries	-	1,000
Other	713,547	519,642
<b>Toplam</b>	<b>13,458,755</b>	<b>11,879,587</b>

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

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

The Parent Bank provided specific provision amounting to TL 36,173 (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 82,825 (31 December 2011: TL 69,605).

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

	<b>Current Year</b>	<b>Previous Year</b>
Provisional letters of guarantee	563,770	489,911
Final letters of guarantee	4,468,018	4,493,718
Letters of guarantee for advances	2,269,159	1,946,721
Letters of guarantee given to custom offices	379,638	323,046
Other letters of guarantee	4,959,918	3,969,712
<b>Total</b>	<b>12,640,503</b>	<b>11,223,108</b>

**2. Non-cash loans**

	<b>Current Year</b>	<b>Previous Year</b>
Non-cash loans given for cash loan risks	1,061,650	591,334
With original maturity of 1 year or less	582,779	353,374
With original maturity of more than 1 year	478,871	237,960
Other non-cash loans	16,189,387	15,258,048
<b>Total</b>	<b>17,251,037</b>	<b>15,849,382</b>

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

Consolidated Financial Report as at and

For the Year Ended 31 December 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 Year				Previous Year			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>92,687</b>	<b>0.87</b>	<b>84,946</b>	<b>1.27</b>	<b>44,778</b>	<b>0.49</b>	<b>189,336</b>	<b>2.79</b>
Farming and cattle	81,708	0.77	82,841	1.24	39,146	0.43	176,234	2.59
Forestry	9,635	0.09	72	0.00	4,610	0.05	7,949	0.12
Fishing	1,344	0.01	2,033	0.03	1,022	0.01	5,153	0.08
<b>Manufacturing</b>	<b>4,280,981</b>	<b>40.56</b>	<b>3,512,758</b>	<b>52.45</b>	<b>3,990,192</b>	<b>44.09</b>	<b>3,237,435</b>	<b>47.59</b>
Mining	77,796	0.74	36,845	0.55	49,592	0.55	53,415	0.79
Production	2,844,747	26.95	3,313,737	49.48	2,889,888	31.94	2,816,140	41.39
Electric, gas and water	1,358,438	12.87	162,176	2.42	1,050,712	11.60	367,880	5.41
<b>Construction</b>	<b>1,723,297</b>	<b>16.33</b>	<b>1,180,504</b>	<b>17.63</b>	<b>1,509,054</b>	<b>16.68</b>	<b>1,021,201</b>	<b>15.02</b>
<b>Services</b>	<b>4,039,704</b>	<b>38.28</b>	<b>1,573,323</b>	<b>23.50</b>	<b>2,843,974</b>	<b>31.44</b>	<b>1,385,717</b>	<b>20.37</b>
Wholesale and retail trade	1,683,751	15.95	616,199	9.20	1,093,274	12.08	380,986	5.60
Hotel, food and beverage								
Services	60,022	0.57	10,776	0.16	57,270	0.63	1,931	0.03
Transportation and								
Telecommunication	506,082	4.79	667,048	9.96	463,721	5.13	781,092	11.48
Financial institutions	1,219,537	11.56	47,245	0.71	1,166,857	12.90	202,866	2.98
Real estate and renting								
Services	106,847	1.01	154,104	2.30	15,604	0.17	43	-
Self-employment services	326,272	3.10	65,459	0.98	-	-	-	-
Education services	11,853	0.11	-	-	6,817	0.08	-	-
Health and social services	125,340	1.19	12,492	0.19	40,431	0.45	18,799	0.28
<b>Others</b>	<b>417,877</b>	<b>3.96</b>	<b>344,960</b>	<b>5.15</b>	<b>660,199</b>	<b>7.30</b>	<b>967,496</b>	<b>14.23</b>
<b>Total</b>	<b>10,554,546</b>	<b>100.00</b>	<b>6,696,491</b>	<b>100.00</b>	<b>9,048,197</b>	<b>100.00</b>	<b>6,801,185</b>	<b>100.00</b>

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

Current Year	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	10,339,576	2,079,226	129,963	10,329
Confirmed bills of exchange and acceptances	19,554	784,313	-	1,965
Letters of credit	693	3,771,913	-	2,103
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	13,844	11,910	-	-
Other guarantees and sureties	-	2,823	-	-
<b>Total Non-Cash Loans</b>	<b>10,373,667</b>	<b>6,650,185</b>	<b>129,963</b>	<b>14,397</b>

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	29,455	5,546	-	-
Other guarantees and sureties	-	6,784	-	-
<b>Total Non-Cash Loans</b>	<b>8,973,924</b>	<b>6,764,530</b>	<b>40,559</b>	<b>764</b>

**5. Information on derivative transactions**

	<b>Current Year</b>	<b>Previous Year</b>
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>10,032,570</b>	<b>11,007,578</b>
Currency Forwards	915,345	971,981
Currency Swaps	8,040,634	9,788,365
Currency Futures	-	-
Currency Options	1,076,591	247,232
<b>Interest Rate Derivative Transactions (II)</b>	<b>2,926,864</b>	<b>1,662,118</b>
Interest Rate Forwards	-	-
Interest Rate Swaps	2,926,862	1,662,116
Interest Rate Options	-	-
Investment Security Options	2	2
Interest Rate Futures	-	-
<b>Other Trading Derivatives (III)</b>	<b>1,671,932</b>	<b>531,155</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>14,631,366</b>	<b>13,200,851</b>
<b>Hedging Derivatives</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
<b>B. Total Hedging Derivatives</b>	<b>-</b>	<b>-</b>
<b>Derivative Transactions (A+B)</b>	<b>14,631,366</b>	<b>13,200,851</b>

	<b>31 December 2012</b>					<b>Total</b>
	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	
<b>Currency swaps:</b>						
Purchase	2,905,537	175,123	397,452	101,297	-	<b>3,579,409</b>
Sale	1,207,110	175,022	390,123	101,114	-	<b>1,873,369</b>
<b>Currency forwards:</b>						
Purchase	188,955	144,204	124,587	-	-	<b>457,746</b>
Sale	188,895	144,156	124,548	-	-	<b>457,599</b>
<b>Cross currency interest rate swaps:</b>						
Purchase	-	106,800	44,500	1,175,757	-	<b>1,327,057</b>
Sale	-	90,990	38,250	1,131,559	-	<b>1,260,799</b>
<b>Interest rate swaps:</b>						
Purchase	-	-	-	766,705	696,726	<b>1,463,431</b>
Sale	-	-	-	766,705	696,726	<b>1,463,431</b>
<b>Options:</b>						
Purchase	444,751	61,477	32,067	-	-	<b>538,295</b>
Sale	444,746	61,483	32,067	-	-	<b>538,296</b>
<b>Others:</b>						
Purchase	-	-	-	-	2	<b>2</b>
Sale	1,671,932	-	-	-	-	<b>1,671,932</b>
<b>Total purchases</b>	<b>3,539,243</b>	<b>487,604</b>	<b>598,606</b>	<b>2,043,759</b>	<b>696,728</b>	<b>7,365,940</b>
<b>Total sales</b>	<b>3,512,683</b>	<b>471,651</b>	<b>584,988</b>	<b>1,999,378</b>	<b>696,726</b>	<b>7,265,426</b>
<b>Total</b>	<b>7,051,926</b>	<b>959,255</b>	<b>1,183,594</b>	<b>4,043,137</b>	<b>1,393,454</b>	<b>14,631,366</b>

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

## 6. Contingent assets and liabilities

The Grup has set aside provision amounting to TL 16,581 for the lawsuits filed by real and legal entities having conflict (31 December 2011: TL 17,056).

There has been an investigation to determine whether there has been a breach of 4054 numbered Competition Protection Law through performing concerted actions about deposits, loans and credit card services and it has been decided to impose a penalty amounting to TL 82,173 to the Bank. The related penalty shall be paid at a rate of  $\frac{3}{4}$  amounting to TL 61,630 in 30 days following the notification, in accordance with the prevailing laws and regulations. As at 31 December 2012, the Bank has set aside provision for the mentioned penalty amounting to TL 61,630 in the accompanying consolidated financial statements.

## 7. Services rendered on behalf of third parties

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

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

**IV. Information on disclosures related to the consolidated statement of income****1. Interest income***Information on interest income received from loans*

	Current Year		Previous Year	
	TL	FC	TL	FC
Short-term loans	2,022,926	204,060	1,293,890	179,265
Medium and long-term loans	3,923,621	728,273	2,758,760	574,120
Loans under follow-up	124,160	-	141,727	-
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>6,070,707</b>	<b>932,333</b>	<b>4,194,377</b>	<b>753,385</b>

*Information on interest income received from banks*

	Current Year		Previous Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	52,764	3,287	47,904	2,158
Foreign banks	32	4,454	43	11,647
Foreign head office and branches	-	-	-	-
<b>Total</b>	<b>52,796</b>	<b>7,741</b>	<b>47,947</b>	<b>13,805</b>

*Information on interest income received from securities portfolio*

	Current Year		Previous Year	
	TL	FC	TL	FC
Trading financial assets	29,799	2,660	21,643	1,749
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	910,376	204,135	891,753	164,201
Held-to-maturity investments	595,970	64,204	352,635	110,189
<b>Total</b>	<b>1,536,145</b>	<b>270,999</b>	<b>1,266,031</b>	<b>276,139</b>

*Information on interest income received from associates and subsidiaries*

	Current Year	Previous Year
	Interests received from the associates and subsidiaries	38

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

	Current Year		Previous Year	
	TL	FC	TL	FC
<b>Banks</b>	<b>26,046</b>	<b>143,852</b>	<b>33,026</b>	<b>133,535</b>
Central Bank of Turkey	-	-	-	-
Domestic banks	12,939	17,150	11,409	8,265
Foreign banks	13,107	126,702	21,617	125,270
Foreign head offices and branches	-	-	-	-
<b>Other institutions</b>	-	<b>9,000</b>	-	<b>6,590</b>
<b>Total</b>	<b>26,046</b>	<b>152,852</b>	<b>33,026</b>	<b>140,125</b>

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

	Current Year	Previous Year
Interests paid to the associates and subsidiaries	25,821	22,992

***Interest expense on securities issued***

	Current Year		Previous Year	
	TL	FC	TL	FC
Interest expense on securities issued	136,873	36,370	16,088	-

***Maturity structure of interest expense on deposits***

Account Description	Time Deposit							Total
	Demand Deposits	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	1 Year and Over	Accumulating Deposit Accounts	
<b>Turkish Lira:</b>								
Bank Deposits	-	70,907	-	-	-	-	-	70,907
Saving Deposits	39	23,879	1,215,201	161,458	12,914	9,484	-	1,422,975
Public Sector Deposits	380	86,230	451,591	83,202	4,794	2,243	-	628,440
Commercial Deposits	177	150,464	511,986	206,331	39,254	290	-	908,502
Other Deposits	3	41,089	188,838	101,340	7,807	997	-	340,074
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>599</b>	<b>372,569</b>	<b>2,367,61</b>	<b>552,331</b>	<b>64,769</b>	<b>13,014</b>	-	<b>3,370,898</b>
<b>Foreign Currency:</b>								
Foreign Currency Deposits	4,262	30,544	338,205	62,929	29,711	74,087	-	539,738
Bank Deposits	-	35,505	-	-	-	-	-	35,505
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metals Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,262</b>	<b>66,049</b>	<b>338,205</b>	<b>62,929</b>	<b>29,711</b>	<b>74,087</b>	-	<b>575,243</b>
<b>Grand Total</b>	<b>4,861</b>	<b>438,618</b>	<b>2,705,82</b>	<b>615,260</b>	<b>94,480</b>	<b>87,101</b>	-	<b>3,946,141</b>

**3. Dividend income**

	Current Year	Previous Year
Trading financial assets	62	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	322	112
Others	6,532	4,620
<b>Total</b>	<b>6,916</b>	<b>4,732</b>



**4. Trading income/losses**

	<b>Current Year</b>	<b>Previous Year</b>
<b>Income</b>	<b>1,948,308</b>	<b>2,169,924</b>
Income from capital market transactions	256,145	82,997
Income from derivative financial instruments	370,543	626,679
Foreign exchange gains	1,321,620	1,460,248
<b>Losses</b>	<b>(1,608,917)</b>	<b>(2,118,540)</b>
Losses from capital market transactions	(5,222)	(5,340)
Losses from derivative financial instruments	(394,203)	(640,226)
Foreign exchange losses	(1,209,492)	(1,472,974)
<b>Trading income/losses, net</b>	<b>339,391</b>	<b>51,384</b>

Net loss arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is 13,330 TL as at and for the year ended 31 December 2012 (31 December 2011 net loss of TL 60,442).

**5. Other operating income**

	<b>Current Year</b>	<b>Previous Year</b>
Earned insurance premiums (net of reinsurance share)	583,351	533,703
Income from reversal of the impairment losses	426,842	658,310
Gain on sale of assets	28,023	109,945
Communication income	81,146	80,627
Income from private pension business	34,068	25,574
Rent income	8,358	2,328
Other income	136,873	63,018
<b>Total</b>	<b>1,298,661</b>	<b>1,473,505</b>

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

	<b>Current Year</b>	<b>Previous Year</b>
Specific provisions on loans and other receivables	749,678	415,381
<i>Loans and receivables in Group III</i>	181,193	94,246
<i>Loans and receivables in Group IV</i>	535,664	204,183
<i>Loans and receivables in Group V</i>	32,821	116,952
Non-performing commissions and other receivables	-	-
General provision expenses	284,755	243,923
Provision for possible losses	43,006	-
Impairment losses on securities	128,226	89,438
<i>Trading securities</i>	14,827	22,800
<i>Investment securities available-for-sale</i>	113,399	66,638
Other impairment losses	64,111	30,372
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	3,867
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	64,111	26,505
Others (*)	181,792	159,100
<b>Total</b>	<b>1,451,568</b>	<b>938,214</b>

(\*) Other provision expenses amounting to TL 181,792 (31 December 2011: TL 159,100) is comprised of provision expenses for dividends to the personnel amounting to TL 105,300 (31 December 2011: TL 97,000), provision for non-cash loans that are not indemnified or converted to cash and provisions for cheques amounting to TL 52,391 (31 December 2011: 58,294 TL ) and other provision expenses amounting to TL 24,101 (31 December 2011: TL 3,806).

**7. Other operating expenses**

	<b>Current Year</b>	<b>Previous Year</b>
Personnel costs	1,030,983	931,076
Reserve for employee termination benefits	58,502	23,407
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	110,852	106,372
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	11,915	9,523
Impairment losses on assets to be disposed	5,341	2,934
Depreciation expenses on assets to be disposed	12,799	10,789
Impairment losses on assets held for sale	-	-
Other operating expenses	978,952	840,220
<i>Operational lease related expenses</i>	<i>137,506</i>	<i>112,101</i>
<i>Repair and maintenance expenses</i>	<i>20,249</i>	<i>15,694</i>
<i>Advertisement expenses</i>	<i>77,923</i>	<i>50,758</i>
<i>Other expenses</i>	<i>743,274</i>	<i>661,667</i>
Loss on sale of assets	664	1,150
Others	822,347	580,616
<b>Total</b>	<b>3,032,355</b>	<b>2,506,087</b>

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

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

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

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

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

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

**11. Provision for taxes on income**

***Current year taxation benefit or charge and deferred tax benefit or charge***

In the current year, the Group recorded a tax provision of TL 463,099 (31 December 2011: TL 387,387) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

***Deferred tax charge arising from temporary differences, tax losses and unused tax credits***

<b>Sources of deferred tax benefit/charge</b>	<b>Current Year</b>	<b>Previous Year</b>
Arising from origination (+)/ reversal (-) of deductible temporary differences	5,701	83,711
Arising from origination (-)/ reversal (+) of taxable temporary differences	12,987	(36,089)
Arising from origination (+)/ reversal (-) of tax losses	6,450	(1,771)
Arising from tax rate change	-	-
<b>Total</b>	<b>25,138</b>	<b>45,851</b>

**12. Net profit and loss**

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

Group has earned TL 8,999,981 interest income and TL 418,105 net fee and commission income also incurred TL 4,744,503 amount of interest expense from its ordinary banking operations (31 December 2011: TL 6,695,600 interest income, TL 3,661,368 interest expense, TL 561,369 net fee and commission income).

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

None.

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

	<u>Current Year</u>	<u>Previous Year</u>
Income/(losses) related to non-controlling interest	169	56,695

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

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

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

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

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

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

<b>Valuation differences of marketable securities</b>	<b>Current Year</b>	<b>Previous Year</b>
Valuation differences at the beginning of the year	(71,561)	314,132
Fair value changes in the current year	943,955	(322,035)
Effect of deferred and corporate taxes	(75,054)	68,609
Valuation differences transferred to the statement of income	(33,742)	(156,235)
Effect of deferred and corporate taxes	(6,197)	23,968
<b>Valuation differences at the end of the year</b>	<b>757,401</b>	<b>(71,561)</b>

<b>Valuation difference of the subsidiaries and affiliates</b>	<b>Current Year</b>	<b>Previous Year</b>
Valuation differences at the beginning of the year	(19,393)	(12,882)
Fair value changes in the current year	(16,627)	(6,454)
Effect of deferred and corporate taxes	(570)	(57)
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	-	-
<b>Valuation differences at the end of the year</b>	<b>(36,590)</b>	<b>(19,393)</b>

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

None.

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

As at 31 December 2012, foreign currency translation differences amounting of TL 64,780 (31 December 2011: TL 71,432), arising as a result of the conversion of the financial statements of the foreign subsidiaries into TL, have been booked under other reserves in the consolidated financial statements.

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

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

**5. Information on profit distribution**

As per the resolution of 58<sup>th</sup> Annual General Assembly held on 30 March 2012, it was decided to distribute the net profit of the year 2011 after the deduction of deferred tax income amounting to TL 1,201,261 as legal reserves amounting to TL 114,382, dividends to equity holders of the Bank amounting to TL 37,000, extraordinary reserves amounting to TL 1,010,638 and special funds amounting to TL 33,497.

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

Valuation differences of available-for-sale financial assets has increased in the current year. Detailed information about the increase is explained below in Note 1.

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

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

“Other” balance under the “Operating profit before changes in operating assets and liabilities” amounting to TL 283,714 (31 December 2011: TL (176,099)) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

“Net increase/decrease in other liabilities” amounting to TL 3,795,410 (31 December 2011: TL (1,385,278)) under “Changes in operating assets and liabilities” is mainly comprised of cash inflows from repurchase agreements.

“Other” balance under the “Net cash flow from investing activities” amounting to TL 31,952 (31 December 2011: 32,151 TL) is compromised of intangibles asset purchases.

Since unrealized gains and losses arising from foreign exchange rate changes are not regarded as cash flows, the effect of changes in foreign exchange rate on cash and cash equivalents in foreign currency has been calculated as TL 1,666 (31 December 2011: TL 3,796) and presented in the statement of cash flows in order to reconcile cash and cash equivalents balances at the beginning and end of the year.

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

The Parent Bank has paid TL 1,000 of amount capital commitment to its associate Kredi Garanti Fonu AŞ with respect to funding requirement of the associate in the current year. Per General Assembly of the Kredi Garanti Fonu a subsidiary of the Bank held on 30 May 2012, the decision for merger of Türk Ekonomi Bankası AŞ and Fortisbank AŞ has taken. Due to this merger, the shares of the Fortisbank have been transferred to Türk Ekonomi Bankası AŞ hence the principle of equality in partnership between banks has been invalidated. In result, the shares are decided to be distributed equally between banks. The TL 211 which is the amount corresponding to Bank share has been paid in the current year. The related amount has been presented in “Cash paid for purchase of associates, subsidiaries and joint-ventures” line of “Net cash flow from investing activities” section of the Cash flow statement.

In year 2011, the Bank has paid TL 1,000 of TL 2,000 capital commitment to its associate Kredi Garanti Fonu AŞ with respect to funding requirement of the associate. The amount has been presented under “Net cash flow from Investment Operations” line of “Cash paid for purchase of associates, subsidiaries and joint-ventures” section.

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

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

**4. Information on cash and cash equivalents***Information on cash and cash equivalents at the beginning of the year*

	Current Year 31 December 2011	Previous Year 31 December 2010
<b>Cash on hand</b>	<b>716,004</b>	<b>659,170</b>
Cash in TL	604,234	571,665
Cash in Foreign Currency	111,770	87,505
<b>Cash equivalents</b>	<b>4,290,104</b>	<b>6,488,918</b>
CBT	6,424,827	3,990,880
Bank deposits	2,541,335	2,170,884
Interbank money market placements	190,467	2,101,584
Others	1,031	983
Loans and advances to banks having maturity of more than 3 months	(303,391)	(46,350)
Restricted cash and cash equivalents	(4,560,702)	(1,715,194)
Income accruals on cash equivalents	(3,463)	(13,869)
<b>Total</b>	<b>5,006,108</b>	<b>7,148,088</b>

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

	Current Year 31 December 2012	Previous Year 31 December 2011
<b>Cash on hand</b>	<b>983,020</b>	<b>716,004</b>
Cash in TL	793,004	604,234
Cash in Foreign Currency	190,016	111,770
<b>Cash equivalents</b>	<b>4,392,777</b>	<b>4,290,104</b>
CBT	11,323,157	6,424,827
Bank deposits	2,656,490	2,541,335
Interbank money market placements	6,645	190,467
Others	25,317	1,031
Loans and advances to banks having maturity of more than 3 months	(191,913)	(303,391)
Restricted cash and cash equivalents	(9,423,459)	(4,560,702)
Income accruals on cash equivalents	(3,460)	(3,463)
<b>Total</b>	<b>5,375,797</b>	<b>5,006,108</b>

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

Reserve requirements at CBT amounting to TL 9,179,761 as at 31 December 2012 (31 December 2011: TL 4,269,727) has not been included in cash and cash equivalents.

Deposits amounting to TL 243,698 (31 December 2011: TL 290,975) are restricted due to securitization loans of the Parent Bank and other ordinary banking operations.

## VII. Information and disclosures related to the Parent Bank’s risk group

### 1. Information on the volume of transactions with the Parent Bank’s risk group, lending and deposits outstanding at year end and income and expenses in the current year

#### *Information on loans borrowed by the Bank’s risk group*

Current Year	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	-	591,730	-	6,572	4,443	1,385
Balance at the end of the year	-	552,273	-	37,919	9,372	13,136
Interest and commission income	38	341	-	37	570	11

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	1,020	278	-	30	382	46

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

The Parent Bank’s Risk Group	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Deposits						
Balance at the beginning of the year	855,959	411,915	728,474	581,885	85,795	54,423
Balance at the end of the year	817,244	855,959	443,103	728,474	76,597	85,795
Interest on deposits	25,821	22,992	47,919	42,610	2	-

#### *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.

The branches of the Bank engage with insurance agency activities in relation with the operations of Güneş Sigorta AŞ and Vakıf Emeklilik AŞ, subsidiaries operating in the insurance sector. Vakıf Yatırım Menkul Değerler AŞ engages with the management of the funds established by the Bank.

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the the risk group to the overall cash and non-cash loans are 0.01% (31 December 2011: 0.01%) and 3.50% (31 December 2011: 3.83%).

<b>Current Year</b>	<b>Amount</b>	<b>Compared with the Financial Statement Amount %</b>
Cash Loans	9,372	0.01
Non-Cash Loans	603,328	3.50
Deposits	1,336,944	1.95

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



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

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

	Number of Branches	Number of Employees			
<b>Domestic Branches <sup>(*)</sup></b>	741	13,427			
			<b>Country</b>		
<b>Foreign Representative Offices</b>	-	-	-		
				<b>Total Assets</b>	<b>Legal Capital</b>
<b>Foreign Branches</b>	1	19	USA	1,885,434	29,370
	1	13	Iraq	238,984	12,460
<b>Off-shore Branches</b>	1	4	Bahrain	16,424,437	-

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

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

During 2012, 64 domestic (during 2011: 43 domestic, 1 foreign) new branches have been opened and no branches have been closed (during 2011: None).

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

None.

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

<b>January 2013 <sup>(*)</sup></b>	<b>Standard &amp; Poors</b>
Foreign Currency Credit Rating	BB / Stable / B
Foreign Currency Deposit Rating	BB / Stable / B
National	trAA / -- / trA-1
<b>July 2012 <sup>(*)</sup></b>	<b>Moody’s Investors’ Service</b>
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
<b>November 2012 <sup>(*)</sup></b>	<b>Fitch Ratings</b>
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-
<b>December 2012 <sup>(*)</sup></b>	<b>Capital Intelligence</b>
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB
Support Rating	2
Outlook Foreign Currency	Stable

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

- Board of Directors has authorized headquarter of the Bank for the establishment of GMTN (“Global Medium Term Notes”) program which will enable the issuance of utmost USD 3 billion amount equivalent bond. The program addresses resident and non-resident qualified corporate investors for issues in TL, and only non-resident qualified corporate investors for issues in USD, Euro, CHF and/or other currencies having high liquidity in international bonds and money markets.

In this concept the Bank has applied to CMB and BRSA on February 2013 for establishment of USD 3 billion equivalent amount GMTN program and issuance of utmost 3 billion USD equivalent bond in different currencies within the scope of this program.

- Per 11 January 2013 dated and 29833736-105.03.01-55-239 numbered approval of Capital Market Board, the Bank has completed book building process on 14-15-16 January 2013. The issuance of the bills has realized on 18 January 2013 with nominal values of TL 115,686, TL 734,314, and TL 150,000. Maturity terms and the dates are 143 days, 10 June 2013, 168 days 5 July 2013 and 364 days 17 January 2014 respectively.
- There has been an investigation to determine whether there has been a breach of 4054 numbered Competition Protection Law through performing concerted actions about deposits, loans and credit card services and it has been decided to impose a penalty amounting to TL 82,173 to the Bank. The related penalty shall be paid at a rate of  $\frac{3}{4}$  amounting to TL 61,630 in 30 days following the notification, in accordance with the prevailing laws and regulations. As at 31 December 2012, the Bank has set aside provision for the mentioned penalty amounting to TL 61,630 in the accompanying consolidated financial statements.

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

None.

## **SECTION SEVEN**

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

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

The Bank’s and its financial subsidiaries’ consolidated financial statements and footnotes as at 31 December 2012, have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and an unqualified opinion has been issued in their independent auditors’ report dated 14 March 2013.

#### **2. Information and disclosures prepared by Independent Auditors**

None.