VakıfBank

2011 ANNUAL REPORT

Contents

We stood by our clients, and they returned the favor.

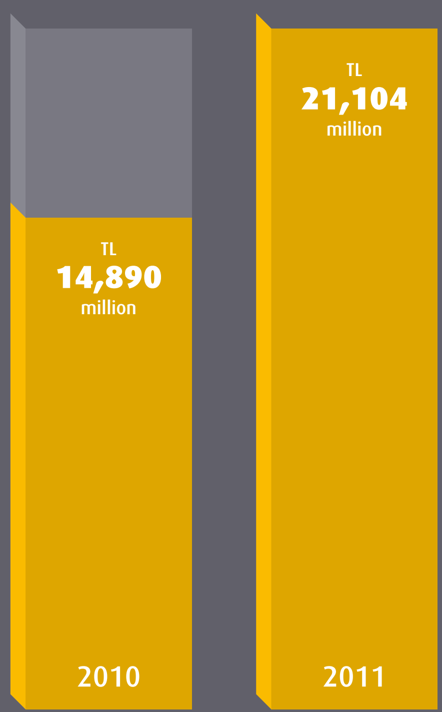
In 2011, we worked hard and achieved plenty.

We relocated our Head Office to Istanbul, we decoupled positively from the banking sector by increasing our profitability and total assets, we launched numerous new projects in corporate and retail banking, we laid out our plans for the future, and we hired 1,500 ambitious young bankers in the largest one-time recruitment campaign ever.

We have accomplished all this as an empathetica, productive, dynamic and innovative Bank; we stood by our clients and they returned the favor.

For us, the year 2011 was a milestone.

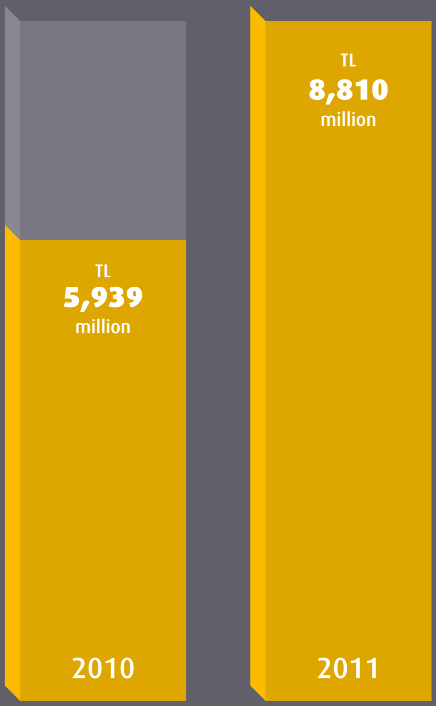
Retail loans grew 41.7%



Pioneer of the mortgage loan market, VakıfBank's retail loans reached TL 21.1 billion, up 41.7% from the prior year


VAKIFBANK
41.7
Increase in retail loans (%)
29.7
Increase in retail loans (%)
SECTOR AVERAGE

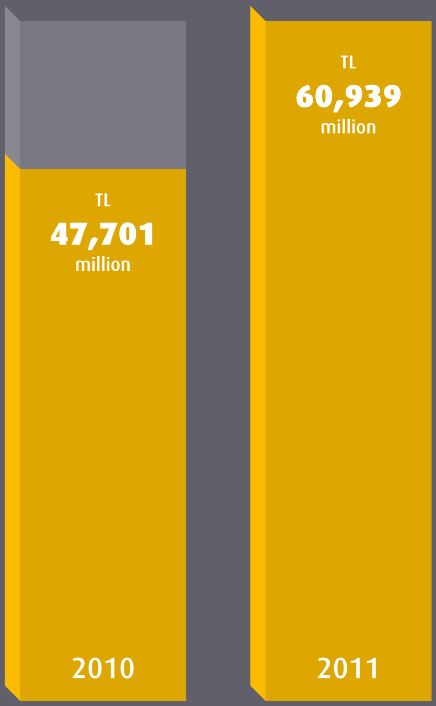
Mortgage loans increased 48.4%, far above the sector average



2011 was a year of great success in mortgage loans for VakıfBank, with a growth rate far above the sector average


VAKIFBANK
48.4
Increase in mortgage loans (%)
AKSİM - TÜNEL
SECTOR AVERAGE
22.7
Increase in mortgage loans (%)

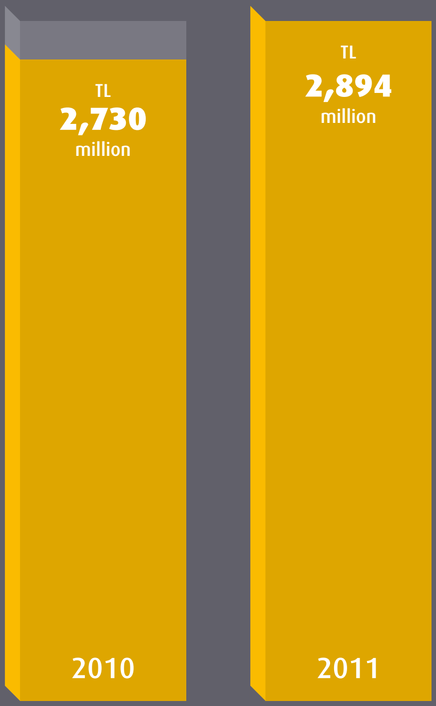
Total deposits grew 27.8%



VakıfBank increased total deposits 27.8% as the Bank continued to expand its deposit base


VAKIFBANK
27.8
Increase in total deposits (%)
SECTOR AVERAGE
12.7
Increase in total deposits (%)

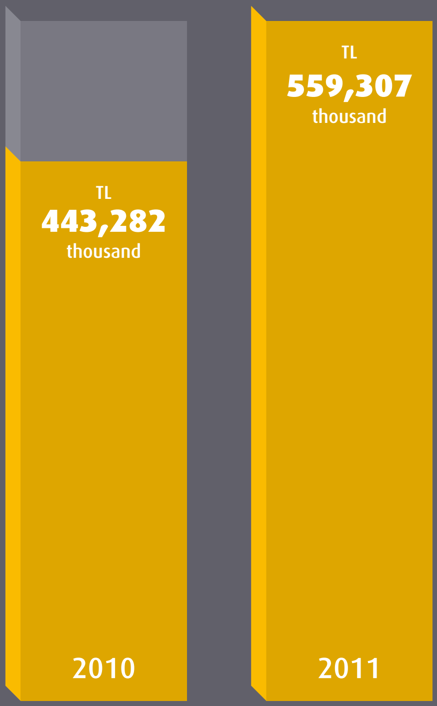
Net interest income rose 6%



In 2011, VakıfBank's net interest income rose 6%, an indicator that down trended for the banking sector as a whole


6
Increase in net interest income (%)
VAKIFBANK
1.7
Increase in net interest income (%)
SECTOR AVERAGE

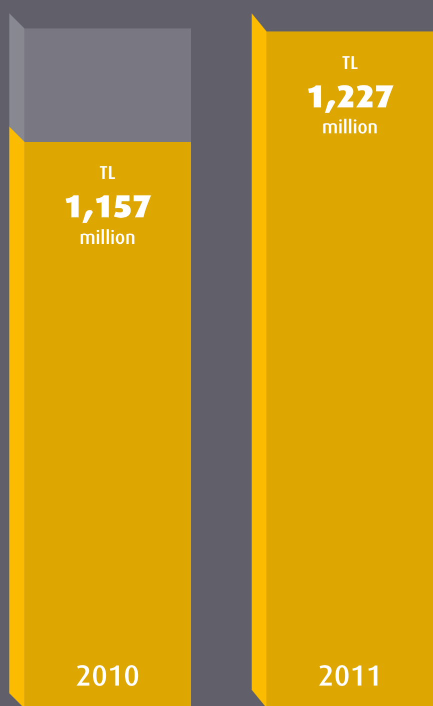
Net fees and commissions income ticked up 26.2%



VakıfBank increased its net fees and commissions income far above the sector average in 2011


26.2
Rise in net fees and commissions income (%)
VAKIFBANK
17.0
Rise in net fees and commissions income (%)
SECTOR AVERAGE

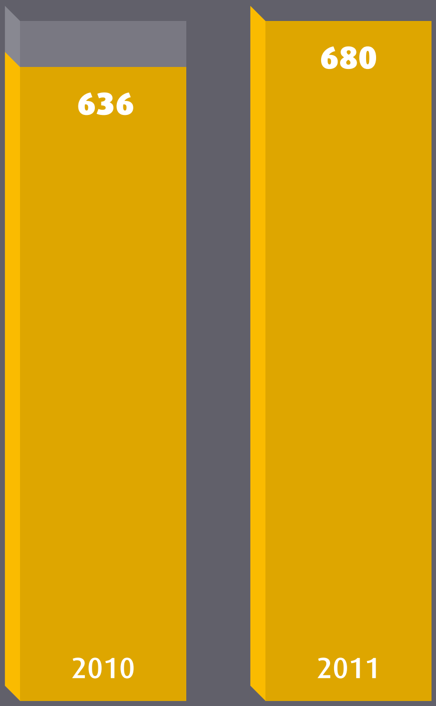
Net profit rose 6%



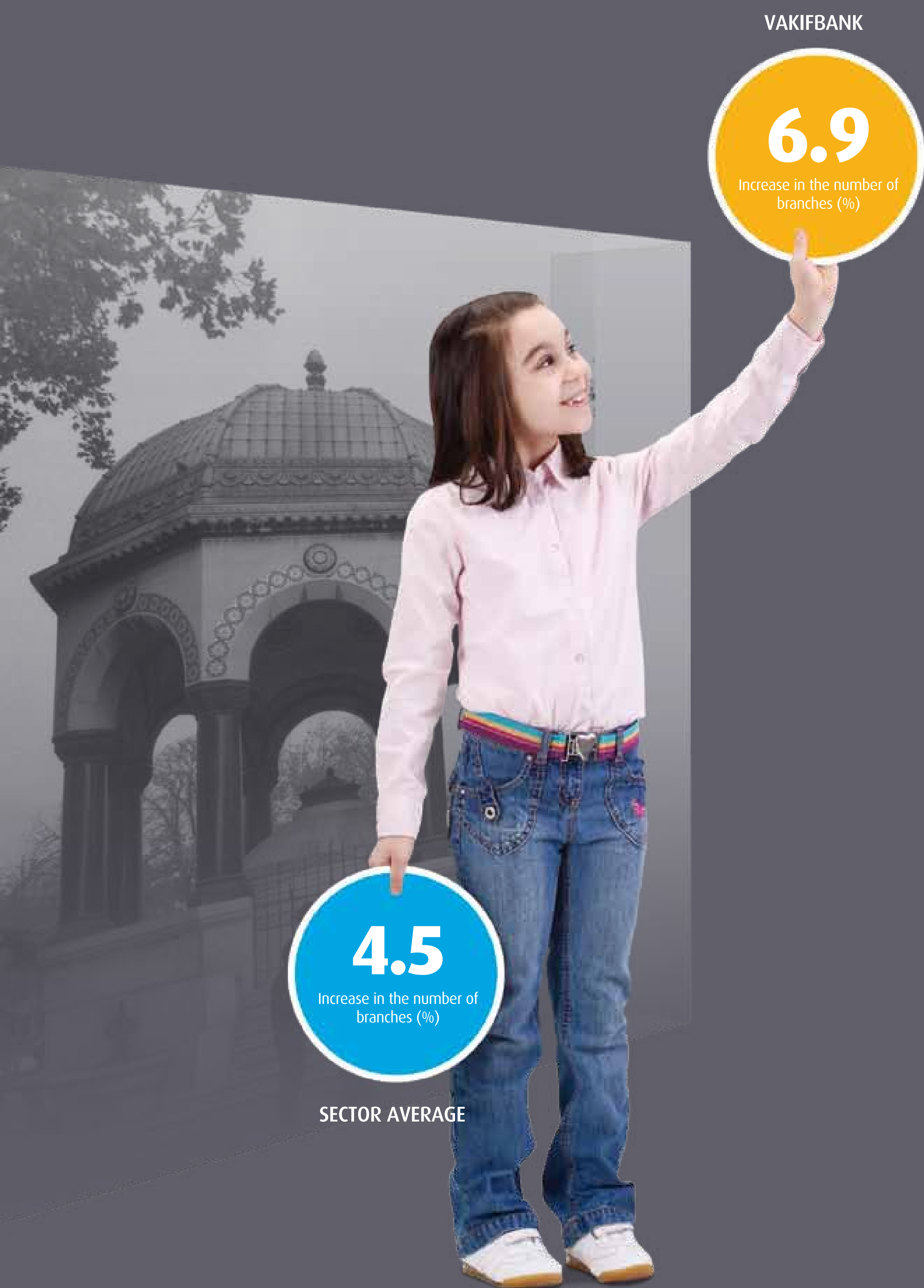
Notably, VakıfBank performed strongly and increased 2011 net profit 6% over the previous year; in contrast, the average profitability of the banking sector fell 10.3%


VAKIFBANK
6
Rise in net profit (%)
-10.3
Fall in net profit (%)
SECTOR AVERAGE

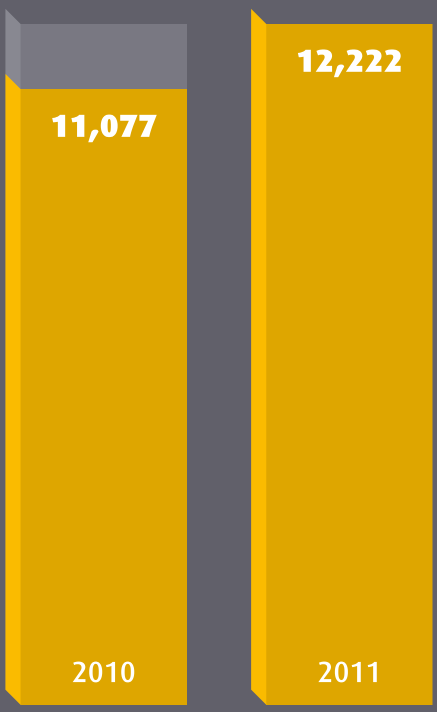
The branch network expanded 6.9%



In line with growth targets, VakıfBank increased the number of its branches 6.9% in 2011


VAKIFBANK
6.9
Increase in the number of branches (%)
4.5
Increase in the number of branches (%)
SECTOR AVERAGE

The workforce grew 10.3%



Seeing human resources as its greatest asset, VakıfBank expanded its workforce 10.3% in 2011

VAKIFBANK

10.3

Increase in the number of employees (%)

2.2

Increase in the number of employees (%)

SECTOR AVERAGE

Türkiye Vakıflar Bankası T.A.O.
Agenda of the 58th Ordinary General Assembly Meeting

1. Opening and election of the Presidential Board,

2. Authorization of the Chairman and the vote collectors to sign the meeting minutes of the General Assembly,

3. Reading and discussion of the Board of Directors' Report, the Auditors' Report and the Report of the Supreme Audit Board regarding the operations and accounts of 2011,

4. Reading, discussion and approval of independently audited Balance Sheet and Profit/Loss statements for 2011,

5. Releasing of members of the Board of Directors from liability with regard to the operations and activities in 2011,

6. Releasing Statutory Auditors from liability with regard to their operations and activities in 2011,

7. Submitting the Board of Directors' proposal for distribution of 2011 profit for the approval of the General Assembly,

8. Submitting the temporary appointment made to the seat on the Board of Directors vacated during the reporting year for the approval of the General Assembly,

9. Election of the member of the Board of Directors,

10. Election of the Statutory Auditors,

11. Determination of the remuneration of the Chairman, members of the Board of Directors, and Statutory Auditors,

12. Ratification of the independent audit firm in accordance with the relevant regulation of the Capital Markets Board (CMB),

13. Presenting information to shareholders about donations made during the year,

14. Wishes and requests,

15. Closing.

Summary Report of the Board of Directors

Dear Esteemed Shareholders,

The world economy entered 2011 with uncertainty stemming from worries in the Euro Area. The high government debt levels and acute banking sector difficulties in Euro Area countries loomed large throughout the year; even the possibility of a breakup of the European Monetary Union was frequently mentioned in the discussions that ensued. This situation raised borrowing costs significantly, which in turn fueled concerns about the manageability of sovereign debt in the most troubled economies, further aggravating the crisis. Even as European governments introduced a variety of measures to overcome the debt crisis, the solutions adopted by the European Central Bank and monetary and fiscal authorities fell short of calming the markets.

As a result of these developments, growth prospects in developed economies, the group most affected by the global crisis, deteriorated considerably and rising commodity prices further increased inflation worries. In the wake of the Euro Area sovereign debt crisis, international credit rating agencies downgraded the ratings of numerous countries and financial services corporations adversely impacted by the crisis.

Although developments in the world's largest economy, the US, were less disrupting to the markets than those in the Euro Area, the international credit rating agency Standard&Poor's (S&P) lowered the country's long-term credit rating from AAA to AA, for the first time in the nation's history. This downgrade had a very short-lived effect on the markets; however, US economic growth remained weaker than expected despite its relatively positive outlook. In contrast, and despite these rising risk factors and the worldwide slowdown, emerging markets continued their strong economic growth performance.

The IMF expects the world economy, which grew 5.2% the year earlier, to close 2011 with a growth rate of 3.8%. Economically advanced countries are expected to grow 1.6% while developing economies are forecast to grow 6.2% in 2011, down from their 2010 growth rates of 3.2% and 7.3%, respectively.

Even as the world economy grappled with the latest crisis, Turkey presented a rather positive outlook, with continued robust economic growth, a strengthening labor market and an improving budget deficit. After closing 2010 with 9% growth, Turkish economy grew 8.5% in 2011. Rapid economic growth led to an improvement in the labor market, with unemployment falling from 11.4% as of end-2010 to 9.8% at the close of 2011. However, the economy's high rate of growth, coupled with soaring domestic demand, resulted in a significant widening in the current account deficit. The rise in the current account deficit forced the Central Bank of Turkey (CBRT) and the Banking Regulation and Supervision Agency (BRSA) to introduce a number of countermeasures in 2011. Although the depreciation of the TL from July onwards did slow the expansion of the current account deficit on an annual basis, at year's end, the deficit reached USD 77.1 billion, up 66.3% from the prior year. In 2012, the evolution of oil prices and the TL, along with the level of economic activity, are expected to ultimately determine the level of the current account. The budget deficit, however, decreased 56.5% from a year earlier and totaled TL 17.4 billion in 2011.

One unfavorable development in 2011 was the rise in the consumer price index (CPI) to 10.45%; in the prior year, CPI had fallen to 6.4%. The global rise in commodity prices, the depreciation of the TL, and various tax adjustments all contributed to the increase in inflation. However, the dynamics that fueled inflation in 2011 are expected to lose steam in the coming year; Turkey is expected to reach its 2012 year-end inflation targets.

During the course of the year, the CBRT slashed its policy rate by a total of 75 basis points to 5.75% and continued the unconventional monetary policy it had adopted in 2010 in order to ensure financial stability and prevent a sharp depreciation of the TL. This policy environment contributed to a rise in both the current account deficit and the weakening the exchange rate. The CBRT is expected to maintain its policy stance in the coming period in the face of rising inflation, while global uncertainties will play a key role in determining monetary policy.

Summary Report of the Board of Directors

As in the prior year, the banking sector contributed to the strong performance of the Turkish economy in 2011 with its robust structure. The sector continued along its growth trajectory through 2011 and increased its total assets 20.96% over the prior year to TL 1,218 billion. The sector's loan volume rose 29.87%, a rate conducive to spurring economic growth, while collections of non-performing loans reduced the overall NPL ratio. Following the CBRT's interest rate cut in August, the securities portfolio trended upward, before starting to fall back late in the year due rising interest rates.

Deposits continued to be the primary funding source of the banking industry during the year: total deposits increased 12.72% in 2011. However, as the extraordinary measures taken by the CBRT increased the cost of deposits, the share of deposits in total funding sources fell to 57.1% at year-end 2011, down from 61.3% a year earlier. The volume of term deposit accounts, which make up 82.6% of the total, rose 10.7%, while demand deposits grew 23.3%. After deposits, funds borrowed were one of the largest sources of funding in 2011, with total funds borrowed taken out by the sector, mainly syndicated loans, growing 37.2% as of year-end. Since banks remained profitable, though at a lower rate than the prior year, the sector's total shareholders' equity ticked up 7.5%; additionally, the capital adequacy ratio for the sector reached 16.46%, well above the legal requirement.

The sector's profitability continued to downtrend in 2011 due to falling net interest margins. However, toward end-2011, interest margins started to increase in parallel with the rise in interest rates on loans, NPL provisions fell due to the improvement in asset quality, and the non-interest income/expense balance improved, all of which limited the fall in the sector's profitability. As a result, net profit for the sector was down 10.3% in 2011, and totaled TL 19.8 billion.

VakıfBank had a successful 2011, increasing its total assets 20.6% to TL 89.2 billion at year's end. Loans were the biggest driver of growth once again. In 2011, the loan portfolio rose 27.6% and reached TL 57.2 billion; retail loans, led by mortgage and consumer lending, expanded by 41.7%, while commercial loans increased 20.5%.

The Bank's securities portfolio reached TL 19.1 billion as of end-December 2011, recording a year-on -year increase of 5.8%; however, its share in total assets fell to 21.4%.

VakıfBank's total deposits increased to TL 60.9 billion, up 27.8% while shareholders' equity rose 8.7% to TL 9.3 billion. The Bank posted TL 1,227 million in net profit as of end-2011; additionally, the Bank recorded average return on equity of 13.7%, while the return on assets was 1.5%.

Respectfully yours,

TÜRKİYE VAKIFLAR BANKASI T.A.O.
BOARD OF DIRECTORS

Statutory Auditors' Report

To the General Assembly of Shareholders of Türkiye Vakıflar Bankası T.A.O.:

The activities of Türkiye Vakıflar Bankası T.A.O. for 2011 were audited in accordance with the provisions and practices of the Bank's Charter Act, Articles of Incorporation, the Banking Law and the Turkish Commercial Code.

There has not been any change in the shareholding structure of the Bank during 2011. The Bank's issued capital is TL 2,500,000,000 within its authorized capital limit of TL 5,000,000,000; VakıfBank's total shareholders' equity grew 8.65% over the previous year and reached TL 9,298,405,000.

The Bank's unconsolidated capital adequacy ratio was 13.38% at year-end 2011. The Bank's NPL ratio fell to 3.67%, down from the previous year's 4.85%.

In 2011, VakıfBank's total assets rose 20.58% over the prior year to TL 89,184,466,000; in addition, the Bank's loan book increased 27.58% and total deposits also were up 27.75% from a year earlier. The Bank renewed its syndicated loan facility in 2011, increasing total funds borrowed 30.18% over the previous year to TL 8,237,307,000. Additionally, thanks to its effective loan allocation and marketing policy that prioritized lending to SMEs, the Bank increased its SME loans 50.75% to TL 8,708,099,000. Despite falling profitability in the banking sector as a whole, VakıfBank posted TL 1,226,785,000 in profits in 2011, up 6.02% over the previous year.

The Bank continued to invest in improvements and enhancements to its IT infrastructure and launched an in-house based project to upgrade the main banking software.

In April 2011, VakıfBank relocated its Head Office to Istanbul. All of the Bank's units, except operational units, now conduct their operations in Istanbul. Additionally, 23 out of the 43 new branches that opened in 2011 are located in Istanbul. The new branches brought the total number of domestic branches up to 677. In parallel, the Bank recruited 1,145 new employees in assistant auditor, assistant financial analyst, assistant specialist and officer positions by way of examinations offered in the reporting period; as a result, the Bank increased its total workforce to 12,222. In line with the Bank's commitment to provide continuous training for its personnel, it has been observed that Bank employees attended internal on-the-job training sessions as well as external domestic and international training programs.

It has also been observed that the Bank's audit mechanisms function effectively and that maximum efforts are expended to keep in check any risky and fraudulent transactions. This is achieved by means of continuous on-site audits performed by the internal control unit as well as on-site and centralized audits performed by the Bank's internal auditors. In 2011, various issues identified by the internal control units have also been presented in the Management Statement, prepared in compliance with relevant BRSA regulations and approved by the Board of Directors.

VakıfBank's records and documents were kept in compliance with the laws and regulations; therefore, we kindly request that the independently audited balance sheet and the profit and loss accounts for 2011 are ratified, and that Board of Directors is released from liability.

Yours sincerely,

Mehmet HALTAŞ	**Yunus ARINCI**
Auditor for Class "A" Group	Auditor for Class "C" Group

Profit Distribution Proposal for 2011 and Profit Distribution Policy

At its meeting dated March 14, 2012, the Bank's Board of Directors reached the following resolution:

To submit the following actions for the approval of the General Assembly of Shareholders:
To distribute TL 1,201,261,846.84, calculated by subtracting TL 25,523,621.97 of non-distributable net income from deferred tax assets, from TL 1,226,785,468.81 of balance sheet profit from 2011 operations, in accordance with Article 9 of the Bank's Charter Act and with Article 84 of the Bank's Articles of Incorporation, as presented in the appended profit distribution table,

To transfer TL 97,000,000.00 that was booked as an expense and set aside to be paid to the employees in 2011, pursuant to Article 9/D of the Bank's Charter Act (Law No. 6219) and Article 84/C of VakıfBank's Articles of Incorporation, to the related account to be paid to the Bank's employees in dividends,

To transfer TL 33,496,869.39, which is 75% of the TL 44,662,492.52 in proceeds received from the sale of subsidiaries and real estate properties disposed of during 2011, to be tracked in a special liability-side reserve account pursuant to Article 5/1-e of Corporate Tax Law No. 5520.

At its meeting dated March 4, 2010, the Bank's Board of Directors made the following decision:

Our Profit Distribution Policy: "The profits remaining after the subtraction of deferred tax asset income, distribution of which is prohibited by laws and regulations, and after the application of Article 9 of the Bank's Charter Act (Law No. 6219) and of paragraphs (a), (b), and (c) of Article 84 of the Bank's Articles of Incorporation, shall be distributed according to the principles set forth in the proposal made by the office of the CEO and approved by the Board of Directors, and in accordance with regulations of the Capital Markets Board (CMB) and the Banking Regulation and Supervision Agency (BRSA) and other applicable laws and regulations, while also taking into account the Bank's capital adequacy ratio, overall economic environment and future outlook.

2011 PROFIT DISTRIBUTION TABLE

BALANCE SHEET PROFIT	1,226,785,468.81
Deferred Tax Assets (-)	25,523,621.97
Distributable Net Profit	1,201,261,846.84
I- Legal Reserves	120,126,184.68
1. First Legal Reserves (Turkish Commercial Code 466/1)	60,063,092.34
2. Legal Reserves set aside as per the Bank's Charter Act and Articles of Incorporation	60,063,092.34
II- Profit Distributable to Shareholders	1,081,135,662.16
III- Special Reserves	33,496,869.39
IV- Extraordinary Reserves (The Bank's Charter Act 9/E)	1,010,638,792.77
V- Dividend to be Paid to Shareholders	37,000,000.00

Compliance Opinion on the Annual Report

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

We have been authorized to audit the Annual Report of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı as of December 31, 2011. The Annual Report is under the responsibility of the Bank management. Our responsibility as the independent audit firm is to express an opinion on the compliance of the financial information presented in the Annual Report with the independently audited financial statements and explanatory notes.

The audit has been undertaken in accordance with the principles and standards governing the preparation and publication of Annual Reports as per Banking Law No. 5411, and with the regulations concerning the principles of independent audit. The regulations require the audit to be planned and implemented so as to provide reassurance that there is no material error in the conformity between the financial information in the Annual Report and the independently audited financial statements and explanatory notes. We believe that the audit presents a sufficient and reasonable basis to allow us to formulate an opinion.

In our opinion, the consolidated financial statements in the accompanying Annual Report present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its subsidiaries as of December 31, 2011 in accordance with the principles and standards described in Article 40 of the Turkish Banking Law No. 5411, and include the Summary Report of the Board of Directors and the independent audit opinion presented to us; all of which are in compliance with the information presented in the independently audited financial statements and explanatory notes.

Istanbul,
March 15, 2012

AKİS BAĞIMSIZ DENETİM VE
SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK
ANONİM ŞİRKETİ

Özkan GENÇ
Partner

Declaration of Responsibility

We have examined the Bank's "2011 Annual Report" and we accept and state that,

Based on the information we possess pursuant to our duties and responsibilities within the Bank, the report does not contain any misstatements in material aspects or omissions that may be construed as misleading;

As of the period the report is prepared for, financial statements and other information on financial matters contained in the report honestly and realistically reflect the financial position of the Bank as well as all major risks and uncertainties it is exposed to.

Halil AYDOĞAN
Chairman of the Board of Directors

Serdar TUNÇBİLEK
Audit Committee Member

Halim KANATCI
Audit Committee Member

Süleyman KALKAN
CEO

Mitat ŞAHİN
Deputy CEO

N. Ender İMAMOĞLU
Head of Planning and Performance

The Bank's Board of Directors decided to put into process the following item, which was discussed and resolved at the Board of Directors meeting No. 2582/11 dated March 8, 2012.

"We hereby resolve to present to the General Assembly the 2011 Annual Report that was prepared in regards to Fiscal Year 2011 operations of Türkiye Vakıflar Bankası T.A.O. in accordance with the "Regulation on the Principles and Procedures Regarding the Preparation and Publication of the Banks' Annual Reports" published in Official Gazette No. 26333 dated November 1, 2006 and was also approved by the Bank's Audit Committee."

TÜRKİYE VAKIFLAR BANKASI T.A.O.
BOARD OF DIRECTORS

VakıfBank in Brief

Date of Operation	:	April 13, 1954
Head Office	:	Istanbul
Paid-in Capital	:	TL 2,500,000,000
Number of Employees	:	12,222
Number of Domestic Branches	:	677 (581 branches, 96 satellite branches)
Number of Branches Abroad	:	3 (New York, Bahrain and Erbil branches)
Number of Regional Headquarters	:	16
Number of Subsidiaries and Affiliates	:	23
Independent Audit Company	:	Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Address	:	Türkiye Vakıflar Bankası T.A.O. Head Office Levent Mahallesi, Hacı Adil Yolu Çayır Çimen Sokak, No: 2, 1. Levent Beşiktaş/İstanbul
Telephone	:	(90 212) 316 70 00
Fax	:	(90 212) 316 72 32
Website	:	http://www.vakifbank.com.tr

VakıfBank's Cornerstones

VakıfBank's Vision

Becoming the best and the most preferred bank, while creating the most value within our geographic region.

VakıfBank's Mission

Continuously increasing the value we deliver to clients, employees, shareholders and society at large by managing the assets and values it has been entrusted with in an effective and efficient manner with the strength it gets from the Vakıf culture.

VakıfBank's Core Values

- Reliability
- Social responsibility
- Results orientation
- Customer orientation
- Innovative approach
- Team spirit
- Loyalty
- Leadership

VakıfBank's Shareholding Structure

Information about the Bank's shareholder structure and the identities and shareholding interests of real persons and legal entities that hold qualified shares:

As of December 31, 2011:

Group	Shareholders	Capital (TL)	Share Capital (%)	Number of Shareholders
A	Registered Foundations Represented by The General Directorate of Foundations	1,075,058,639,562	43.002346	1
B	Foundations	386,224,784,722	15.448991	1
B	Other Foundations	3,162,358,709	0.126494	273
B	Other Registered Foundations	1,448,543,460	0.057942	197
C	VakıfBank Mem. ve Hizm. Em. ve Sağ. Yard. San. Vakfı	402,552,666,422	16.102107	1
C	Other Individuals and Legal Entities	1,560,320,397	0.062413	440
D	Free Float	629,992,686,728	25.199707	-
	Total	**2,500,000,000.00**	**100.00**	**913**

Shares owned by the Chairman, Board Members, CEO and Executive Vice Presidents:
İsmail ALPTEKİN, a Member of the Bank's Board of Directors, holds one share of VakıfBank "Class C" stock representing TL 59.36 of share capital. (0.00000237)
Mitat ŞAHİN, Executive Vice President, holds one share of VakıfBank "Class C" stock representing TL 25.47 of share capital. (0.00000098)

History

Raising the national savings rate

VakıfBank was incorporated under a special charter act (Law No. 6219) dated January 11, 1954 with Law No. 6219 and commenced operations on April 13, 1954 with initial capital of TL 50 million. The Bank's founding mission was to manage and use the assets of foundations in the most efficient manner, to contribute to Turkey's savings rate based on modern banking principles, and to channel the deposits collected toward the country's economic development. Since its inception, the Bank has been subject to special legal provisions and has contributed significantly to the growth and development of the Turkish economy.

Leading the sector with robust growth and profit

Representing a well-established legacy with longstanding experience and know-how in the Turkish banking system, VakıfBank has not only succeeded in becoming one of the most profitable banks in the sector, but it has also helped the Turkish economy grow, develop and integrate with the world economy. The Bank has also managed to execute a rapid and sustainable growth strategy, and quickly catch up with large scale banks, strengthening its leading position in the sector.

In this development process, VakıfBank's initial public offering played a key role. The Bank's IPO created new shares via a capital increase; in turn, the new shares were offered for sale domestically and abroad. As a result, the IPO generated USD 1.2 billion for the Bank and the Turkish economy.

Moving to the heart of finance world – to Istanbul

The relocation of VakıfBank's headquarters to Istanbul was one of the more noteworthy steps taken by the Bank in 2011. Subsequent to the legal arrangements, the Bank moved to the heart of Turkey's finance world - Istanbul, following the resolution adopted by the Ordinary General Assembly meeting. The relocation of the headquarters is one of the most important steps taken to fortify the Bank's long-term growth policies.

During the Board of Directors meeting held on March 9, 2011, it was resolved to authorize the Head Office to issue bank bills and/or bonds of different classes and maturity dates with a nominal value of TRY 1,500,000,000.00. These were to be issued one or more times inside Turkey. To this end, the necessary applications were filed with the Banking Regulation and Supervision Agency, the Capital Market Board and other relevant authorities and by virtue of the authorization, the Bank actualized the public offering on August 2, 3 and 4, 2011. The second tranche of bank bond issuance for the amount of TRY 1 billion was made on January 25, 26 and 27, 2012 where the Bank enjoyed a demand volume twice the amount of bonds issued, thus only half of the demand generated could be satisfied.

Providing a complete range of modern banking products and services

Today, VakıfBank provides a complete range of modern banking products and services via its corporate, commercial and SME banking, as well as its retail and private banking businesses. In addition to basic banking products and services, VakıfBank is also active in investment banking and capital markets; the Bank provides a wide range of financial services including insurance, financial leasing and factoring through its financial subsidiaries, using an advanced technology platform and applications.

As of end-2011, VakıfBank operates through a robust and widespread distribution network that includes 680 branches (677 domestic, 3 overseas) and 12,222 employees.

Amendments to the Articles of Incorporation

The amendments to the Bank's Articles of Incorporation, adopted in 2011 at the 57th Ordinary General Assembly Meeting held on March 25, 2011, are stated below as Preceding Text – Amended Text.

Preceding Text

Bank's Head Office

Article: 5 - (As amended with the Extraordinary General Assembly Resolution dated October 9, 2000.) The Bank's head office is located in Ankara, at Atatürk Bulvarı No.: 207 Kavaklıdere/Ankara. Any change of address shall be registered in the Trade Registry, announced in the Turkish Trade Registry Gazette and further notified to the Ministry of Industry and Commerce. Any failure to register the new address within the statutory period, after having moved from the registered and announced address, shall be deemed as reason for dissolution of the Bank. The Bank may open branches both in and outside the country provided that the Ministry of Industry and Commerce is notified in accordance with the applicable provisions of the Banking Law. These branches, carrying out all banking transactions, serve as public bank branches and may also hold the deposits of public institutions.

Amended Text

Bank's Head Office

Article: 5 - (As amended with the Ordinary General Assembly Resolution dated March 3, 2011.) The Bank's Head Office is located in Istanbul, at Levent Mahallesi, Hacı Adil Yolu, Çayır Çimen Sokak, No.: 2, 1. Levent Beşiktaş/Istanbul. The Bank may open branches anywhere in and outside the country it would deem necessary, in accordance with the applicable provisions of the Banking Law numbered 5411. These branches, carrying out all banking transactions, serve as public bank branches and may also hold the deposits of public institutions.

Preceding Text

Capital

Article: 7 - (As amended with the Ordinary General Assembly Resolution dated March 31, 2006.) The Bank has accepted the registered capital system pursuant to the provisions of the Capital Market Law numbered 2499 and adopted the registered capital system upon the Capital Market Board's authorization dated September 15, 2005 numbered 37/1122. The Bank's registered capital has been set as TRY 5,000,000,000 (five billion TRY) upon the Board's authorization dated March 3, 2006 numbered 10/242.

The Bank's issued capital is 1,279,000,000 (one billion two hundred seventy-nine million) New Turkish Lira, divided into 127.9 billion shares with a nominal value of 1 New Kuruş each; of this total 550,000,000 (five hundred fifty million) New Turkish Lira comprises 55,000,000,000 (fifty-five billion) Class (A) group registered shares; 200,000,000 (two hundred million) New Turkish Lira of 20,000,000,000 (twenty billion) Class (B) group registered shares and 207,000,000 (two hundred seven million) New Turkish Lira of 20,700,000,000 (twenty billion seven hundred million) Class (C) group registered shares and 322,000,000 (three hundred twenty-two million) New Turkish Lira of 32,200,000,000 (thirty-two billion two hundred million) Class (D) group registered shares.

Amended Text

Capital

Article: 7 - (As amended with the Ordinary General Assembly Resolution dated March 31, 2011.)* The Bank has accepted the registered capital system pursuant to the provisions of the Capital Market Law numbered 2499, adopted the registered capital system upon the Capital Market Board's authorization dated September 15, 2005 numbered 37/1122 and the Bank's registered capital has been set as TL 5,000,000,000 (five billion Turkish Lira) upon the Board's authorization dated March 3, 2006 numbered 10/242.

The authorization of the Capital Market Board for the registered capital ceiling is valid for the period 2011–2015 (5 years). In order to adopt the resolution on capital increase after 2015, even if the authorized registered capital ceiling is not reached at the end of 2015, the Board of Directors is obliged to obtain authorization from the General Assembly for a further period of time, through receiving authorization from the Capital Market Board for the already authorized ceiling amount or a new ceiling amount. In case of failure to obtain the necessary authorization, the Bank shall be deemed to be out of the registered capital system.

The Bank's issued capital is TL 2,500,000,000.- (two billion five hundred million), divided into 250 billion shares with a nominal value of 1 Kuruş each; of this total TL 1,075,058,639.56 (one billion seventy-five million fifty-eight thousand six hundred thirty-nine Turkish Lira and fifty-six Kuruş) comprises 107,505,863,956 (one hundred seven billion five hundred five million eight hundred sixty-three thousand nine hundred fifty-six) Class (A) group registered shares; TL 390,848,306.75 (three hundred ninety million eight hundred forty-eight thousand three hundred six Turkish Lira and seventy-five Kuruş) 39,084,830,675 (thirty-nine billion eighty-four million eight hundred thirty thousand six hundred seventy-five) Class (B) group registered shares; TL 404,350,498.34 (four hundred four million three hundred fifty thousand four hundred ninety-eight Turkish Lira and thirty-four Kuruş) 40,435,049,834 (forty billion four hundred thirty-five million forty-nine thousand eight hundred thirty-four) Class (C) group registered shares; and TL 629,742,555.35 (six hundred twenty-nine million seven hundred forty-two thousand five hundred fifty-five Turkish Lira and thirty-five Kuruş) 62,974,255,535 (sixty-two billion nine hundred seventy-four million two hundred fifty-five thousand five hundred thirty-five) Class (D) group registered shares.

Amendments to the Articles of Incorporation

Preceding Text

Shares

Article: 8 - (As amended with the resolution adopted by the Ordinary General Assembly dated March 1, 2006.) Shares are divided into (A), (B), (C) and (D) group shares and they are all registered shares. Of the issued capital of TRY 1,279,000,000, 43.0023% consists of Class A, 15.6372% of Class B, 16.1845% of Class C and 25.1760% of Class D shares.

The Board of Directors is authorized to increase the issued capital through issuing registered shares up to the upper limit of the registered capital, if appropriate, in accordance with the provisions of the Capital Market Law and other applicable legislation.

However, no new shares shall be issued, unless all the issued shares are sold and the sale value is collected.

The Board of Directors is authorized to issue shares of value over the nominal value, to distribute the issued shares among the shareholders proportionate to their shares or to issue only Class D group shares by restricting the shareholders' right of first refusal, completely or partially, and to offer such shares to the public in compliance with the legislative provisions and if requested by the shareholders, to convert their respective shares into Class D group shares.

The Board of Directors is authorized to issue shares representing a definite number of shares without making any change in the nominal value of shares and to pool different classes, within the Capital Market Law. The shares shall contain the conditions as required by law. Dividend coupons shares shall be bearer coupons and payable to the presenting party.

The shares representing the capital shall be followed on records within the scope of dematerialization rules. The Board of Directors is authorized to carry out the transactions in this respect.

Provisions for the Foundations' and Persons' Share Values

Article: 11 - (As amended with the Ordinary General Assembly Resolution dated March 31, 2006.) The issued capital amounting to 1,279,000,000. - (one billion two hundred seventy-nine million) New Turkish Lira has been fully paid.

Events requiring the Replacement of Shares

Article: 20 - In case of the loss, theft or destruction of any share, the respective shareholder may apply to the Bank and request the replacement of the share lost, stolen or destroyed. In such case, the statutory legislation shall apply.

Amended Text

Shares

Article: 8 - (As amended with the resolution adopted by the Ordinary General Assembly dated March 25, 2011.)* Shares are divided into (A), (B), (C) and (D) group shares and they are all registered shares. Of the issued capital of TL 2,500,000,000, 43.0023% consists of Class A, 15.6340% of Class B, 16.1740% of Class C and 25.1897% of Class D shares.

The Board of Directors is authorized to increase the issued capital through issuing registered shares up to the upper limit of the registered capital, if appropriate, in accordance with the provisions of the Capital Market Law and applicable legislation.

However, no new shares shall be issued, unless all the issued shares are sold and the sale value is collected.

The Board of Directors is authorized to issue shares of value over the nominal value, to distribute the issued shares among the shareholders proportionate to their shares or to issue only Class D group shares by restricting the shareholders' right of first refusal, completely or partially, and to offer such shares to the public in compliance with the legislative provisions and if requested by the shareholders, to convert their respective shares into Class D group shares.

The Board of Directors is authorized to issue shares representing a definite number of shares without making any change in the nominal value of shares and to pool different classes, within the Capital Market Law. The shares shall include the conditions as required by legislation. Dividend coupons shares shall be bearer coupons and payable to the presenting party.

The shares representing the capital shall be followed on records within the scope of dematerialization rules. The Board of Directors is authorized to conduct the transactions in this respect.

Provisions for the Foundations' and Persons' Share Values

Article: 11 - (As amended with the Ordinary General Assembly Resolution dated March 25, 2011.) The issued capital amounting to TL 2,500,000,000. - (two billion five hundred million) has been fully paid.

Events requiring the Replacement of Shares

Article: 20 - Repealed with the Ordinary General Assembly Resolution dated March 25, 2011.

Preceding Text

Bond Issue

Article: 21 - (As amended with the Extraordinary General Assembly Resolution dated October 24, 2005.) The Bank may issue bonds for the amount up to double the amount of its paid-in capital, provided that at least 50% of the issued bonds will be used for mortgage loans, upon the General Assembly's resolution to be adopted with the quorum and by majority as stated in Article 423 of the Turkish Commercial Code and upon agreement by and under guarantee of the Ministry of Finance.

The form and conditions of bond issuance shall be designated by the Bank, by obtaining the consent of the Ministry of Finance, without prejudice to the provisions of the Capital Market Law.

The Bank's receivables under mortgage assurance shall constitute a collateral offering right of first refusal regarding the payment of interest to accrue on the issued bonds.

The rights vested on debenture holders pursuant to this Article shall not entitle the debenture holders to participate in the Bank's management and auditing or to intervene in its transactions and accounts. The debenture holders are obliged to accept the accounts prepared by the Board of Directors and approved by the General Assembly of Shareholders.

Amended Text

Issuance of Debt Instruments

Article: 21 - (As amended with the Ordinary General Assembly Resolution dated March 25, 2011.) The Board of Directors is authorized to issue bills, bonds or other debt instruments; to determine the amount, maturity, type and interest rate of the debt instrument to be issued; and to carry on the operations related with the bond issue, without prejudice to the regulations in the Capital Market Law, the Turkish Commercial Code, the Banking Law and other relevant legislation.

Preceding Text

Announcements

Article: 25 - (As amended with the Extraordinary General Assembly Resolution dated August 21, 2000.) The meeting date, time and place of the General Assembly meetings are published in the newspaper stipulated in Article 37 of the Turkish Commercial Code and in other newspapers published in the location where the Bank Head Office is located and as determined by the Board of Directors no later than 15 days prior to the date of meeting, excluding the dates of announcement and the meeting.

The agenda of the meeting shall be disclosed with the announcements to be published in the newspapers.

The Capital Market Board's regulations on announcements legally guaranteed.

Amended Text

Announcements

Article: 25 - (As amended with the Ordinary General Assembly Resolution dated March 25, 2011.) The meeting date, time and place of the General Assembly meetings are published in the newspaper as stipulated in Article 37 of the Turkish Commercial Code and in other newspapers published in the location where the Bank Head Office is located and as determined by the Board of Directors no later than 15 days prior to the date of meeting, excluding the dates of announcement and the meeting.

The agenda of the meeting shall be disclosed with the announcements to be published in the above-referenced newspapers.

The Capital Market Board's regulations on announcements are kept reserved.

Amendments to the Articles of Incorporation

Preceding Text

Agenda

Article: 26 - (As amended with the Extraordinary General Assembly Resolution dated August 21, 2000.) The agenda contains the reading of the Report of the Board of Directors, the Report of the Auditors and the Report of the Prime Ministry Supreme Audit Board, the review of balance sheet and profit/loss accounts, the proposals for distribution of profit, appointments to the vacated seats on the Board of Directors and auditors and other issues to be discussed. Issues not included in the agenda shall not be discussed. If, during the discussion of any issue, any matter related with such issue under discussion requires a resolution to be adopted, such matter shall be voted on by the shareholders. Any issue which the shareholders, representing at least one-twentieth (1/20) of the Bank's capital, request to be discussed, in written and stating the grounds for such request, shall be included in the General Assembly Meeting's agenda.

Powers of the General Assembly

Article: 37 - paragraph (C)

C - (As amended with the Extraordinary General Assembly Resolution dated March 31, 1969.) To discuss and to accept or reject the Report of the Board of Directors and the Report of the Auditors on the Bank operations and the balance sheet and profit/loss accounts, considering also the Report of the Prime Ministry Supreme Audit Board, or to resolve on the re-adjustment of such reports; to resolve on releasing the Board of Directors from liability or on holding the Board liable for its operations and activities; to determine the profit share to be distributed among shareholders; to appoint members of the Board of Directors and Auditors and dismiss them, if necessary and to replace them

(The remuneration or attendance fee payable to the Chairman and Members of the Board of Directors and to the Auditors until the next General Assembly Meeting shall be determined by the Board of Directors and the remuneration and attendance fees payable shall be recorded under the Bank's overhead expenses.)

Amended Text

Agenda

Article: 26 - (As amended with the Ordinary General Assembly Resolution dated March 25, 2011.) The agenda contains the reading of the Report of the Board of Directors and the Report of the Auditors, the review of balance sheet and profit/loss accounts, the proposals for distribution of profit, appointments to the vacated seats on the Board of Directors and Auditors and other issues to be discussed. Issues not included in the agenda shall not be discussed. If, during the discussion of any issue, any matter related with such issue under discussion requires a resolution to be adopted, such matter shall be voted on by the shareholders. Any issue which the shareholders, representing at least one-twentieth (1/20) of the Bank's capital, request to be discussed, in written and stating the ground for such request, shall be included in the General Assembly Meeting's agenda.

Powers of the General Assembly

Article: 37 - paragraph (C)

C - (As amended with the Ordinary General Assembly Resolution dated March 25, 2011.) To discuss and to accept or reject the Report of the Board of Directors and the Report of the Auditors on the Bank operations and the balance sheet and profit/loss accounts, or to resolve on the restatement of such reports; to resolve on releasing the Board of Directors from liability or on holding the Board liable for its operations and activities; to determine the profit share to be distributed among shareholders, to appoint members of the Board of Directors and Auditors and dismiss them, if necessary and to replace them.

(The remuneration or attendance fee payable to the Chairman and Members of the Board of Directors and to the Auditors until the next General Assembly Meeting shall be determined by the Board of Directors and the remuneration and attendance fees payable shall be recorded under the Bank's overhead expenses.)

Preceding Text	Amended Text
Extent of Powers Article: 38 - (As amended with the Extraordinary General Assembly Resolution dated October 9, 2000.) The powers listed in the preceding Article are not of a restraining nature. The General Assembly is authorized to adopt resolutions within the provisions of the Banking Law, the Turkish Commercial Code and the Capital Market Law.	**Extent of Powers** Article: 38 - (As amended with the Ordinary General Assembly Resolution dated March 25, 2011.) The powers listed in the preceding Article are not of a restraining nature and the General Assembly is also authorized to adopt resolutions within the provisions of the Banking Law, the Turkish Commercial Code and the Capital Market Law.
Report of the Prime Ministry Supreme Audit Board Article: 47 - The Bank's annual operations and accounts are also audited by the Prime Ministry Supreme Audit Board and the Board conducts a report regularly. Such report is presented to the General Assembly together with the Report of the Auditors and a copy is submitted to the General Directorate for Foundations.	**Report of the Prime Ministry Supreme Audit Board** Article: 47 - Repealed with the Ordinary General Assembly Resolution dated March 25, 2011.
Duties and Powers of the Board of Directors Article: 56 - paragraph (h) h) To determine the form and conditions of the bonds to be issued, in accordance with the Capital Market legislation, subject to the consent of and guarantee by the Ministry of Finance;	**Duties and Powers of the Board of Directors** Article: 56 - paragraph (h) h) (As amended with the Ordinary General Assembly Resolution dated March 25, 2011.) To determine the form and conditions of the bonds to be issued, in accordance with the Capital Market Law;
Credit Committee Duties, Effectiveness of its Resolutions, Audit Article: 62 - (As amended with the Extraordinary General Assembly Resolution dated October 24, 2005.) The Credit Committee performs the tasks stipulated in the Banking Law in accordance with the principles set by the Board of Directors. Resolutions taken unanimously shall become effective immediately and resolutions taken by majority shall come into effect upon the approval by the Board of Directors. The operations of the Credit Committee are supervised by the Board of Directors.	**Credit Committee** Duties, Resolutions Going into Effect, Audit Article: 62 - (As amended with the Ordinary General Assembly Resolution dated March 25, 2011.) The Credit Committee performs the tasks stipulated in the Banking Law in accordance with the principles set by the Board of Directors. Resolutions taken unanimously shall go into effect immediately and resolutions taken by majority shall come into effect upon approval by the Board of Directors. The operations of the Credit Committee are supervised by the Board of Directors.

Amendments to the Articles of Incorporation

Preceding Text

PROVISIONAL ARTICLE: 1 - (Added as per the Extraordinary General Assembly Resolution dated March 31, 1987.) Some of the expressions contained herein are changed as follows: Chief Minister – Prime Minister; Ministry of Finance – Ministry of Finance and Customs; Ministry of Commerce – Ministry of Industry and Commerce; General Audit Committee – Prime Ministry Supreme Audit Board; General Assembly – Ordinary General Assembly – Ordinary General Assembly; Extraordinary General Assembly – Extraordinary General Assembly; Ministry of Commerce Commissioner – Ministry of Industry and Commerce Commissioner; Chairman – President; Chairmanship – Presidency; Managing Director – General Manager; General Directorate – Head Office; Deputy Managing Director – Deputy General Manager; Order – Agenda; Partner – Shareholder; Managing Committee – Credit Committee; Legal Reserve – Retained Earnings; Vote – Vote; Associate – Member; Recording – Minutes.

Amended Text

PROVISIONAL ARTICLE: 1 - (As amended with the Ordinary General Assembly Resolution dated March 25, 2011.) Some of the expressions contained herein are changed as follows: Chief Minister – Prime Minister; Ministry of Finance – Ministry of Finance and Customs; Ministry of Commerce – Ministry of Industry and Commerce; General Audit Committee – Prime Ministry Supreme Audit Board; General Assembly –Ordinary General Assembly – Ordinary General Assembly; Extraordinary General Assembly – Extraordinary General Assembly; Ministry of Commerce Commissioner – Ministry of Industry and Commerce Commissioner; Chairman – President; Chairmanship – Presidency; Managing Director – General Manager; General Directorate – Head Office; Deputy Managing Director – Deputy General Manager; Order – Agenda; Partner – Shareholder; Managing Committee – Credit Committee; Legal Reserve – Retained Earnings; Vote – Vote; Associate – Member; Recording – Minutes.

PROVISIONAL ARTICLE: 5 - (As amended with the Ordinary General Assembly Resolution dated March 25, 2011.) The nominal value of the shares was TL 10,000., which was amended as 1 New Kuruş pursuant to the Law on Making Amendments to the Turkish Commercial Code numbered 5274 and later as 1 Kuruş following the deletion of the term "Yeni (New)" from the New Turkish Lira and New Turkish Kuruş on January 1, 2009 pursuant to the Council of Ministries' Decision dated April 4, 2007 numbered 2007/11963. As result of the amendment, each share with nominal value of TL 10,000. - is replaced with one share with nominal value of 1 (New) Kuruş.

The expressions "Turkish Lira" used in these Articles of Incorporation are the expressions as amended as per the prior mentioned Council of Ministries' Decision.

* Reflects the participation shares as of the date of amendment to the Articles of Incorporation.

Number of Statements delivered to the Istanbul Stock Exchange (ISE) as part of disclosure to shareholders and material information;

As per the Communiqué Series: VIII No.: 39 "Principles for Material Disclosures to Public" issued by the Capital Market Board, in 2011, a total of 54 Material Case Disclosures were issued and the texts were concurrently published on the ISE Public Disclosure Platform (www.kap.gov.tr) and on the Bank's website (www.vakifbank.com.tr).

Credit Ratings

December 2011(*)	Standard & Poor's(**)
FC Credit Rating	BB/Positive/B
LC Credit Rating	BB/Positive/B
National	trAA/--/trA-1
Sustainability Rating	BBB-/--/--

October 2010(*)	Moody's Investors' Service
Financial Strength Rating	D+
LC Deposit Rating	Baa3/P-3
LC Outlook	Stable
FC Deposit Rating	Ba3/NP
FC Outlook	Positive

November 2011(*)	Fitch Ratings
Long-Term FC	BB+
Short-Term FC	B
FC Outlook	Stable
Long-Term LC	BB+
Short-Term LC	B
LC Outlook	Stable
National Long-Term Rating	AA+ (tur)
National Outlook	Stable
Individual Rating	C/D
Support Rating	3
Baseline Support Rating	BB+

November 2010(*)	Capital Intelligence
Financial Strength Rating	BBB-
Long-Term FC	B
Short-Term FC	BB
Support Rating	2
Outlook	Stable

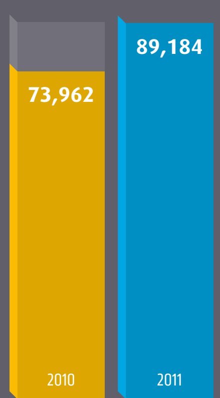
(*) The latest dates of changes in credit rating or outlook.

(**) In its latest report on the Bank, dated January 31, 2012, Standard&Poor's affirmed its previous ratings.

Key Financial Indicators

VakıfBank completed a successful 2011, and implemented its strategic priorities

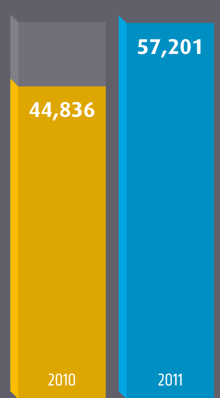
TOTAL ASSETS
(TL MILLION)



20.58

VakıfBank increased its assets **20.58%** to **TL 89,184 million**

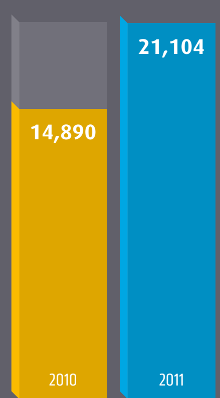
LOANS
(TL MILLION)



27.58

Cash loans expanded **27.58%** to reach **TL 57,201 million**

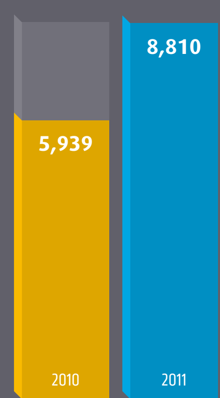
RETAIL LOANS
(TL MILLION)



41.73

Retail loans grew **41.73%** to **TL 21,104 million**

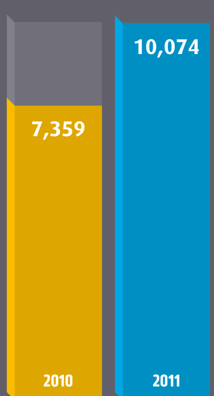
MORTGAGE LOANS
(TL MILLION)



48.35

Mortgage loans outperformed all other loan types, growing **48.35%**

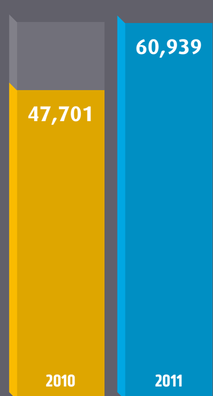
GENERAL PURPOSE CONSUMER LOANS (TL MILLION)



36.90

In 2011, general purpose loans increased **36.90%** to reach **TL 10,074 million**

DEPOSITS (TL MILLION)



27.75

VakıfBank increased total deposits **27.75%** to **TL 60,939 million**

SHAREHOLDERS' EQUITY (TL MILLION)

8.65

The Bank's shareholders' equity increased **8.65%** to **TL 9,298 million**

NON-PERFORMING LOANS (GROSS) (TL MILLION)

-4.80

VakıfBank's non-performing loans decreased **4.80%** to **TL 2,157 million**

Key Ratios

In 2011, VakıfBank increased net profits 6% to TL 1,227 million

13.4

Capital Adequacy Ratio

As of end-2011, VakıfBank has a capital adequacy ratio of **13.4%**, making it one of the most reliable players in the financial services sector

1.5

Average Return on Assets

Despite ongoing uncertainties in the global economy, VakıfBank's average return on assets reached **1.5%** in 2011

13.7

Average Return on Equity

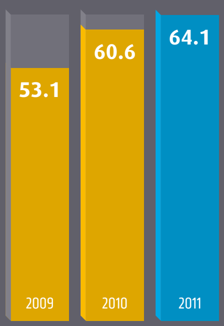
VakıfBank has established itself as one of the most profitable banks in the sector by recording an average return on equity of **13.7%** as of end-2011

14.9

Demand Deposits/Total Deposits

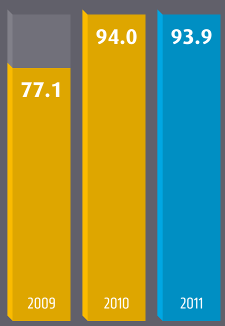
VakıfBank effectively met the expectations of deposit holders with a demand deposits/total deposits ratio of **14.9%** as of end-2011

LOANS/TOTAL ASSETS
(%)



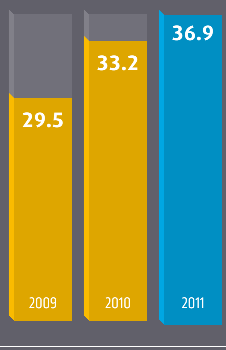
VakıfBank raised its ratio of loans to assets to **64.1%** in 2011

LOANS/DEPOSITS
(%)



As of-end 2011, VakıfBank had a loans to deposits ratio of **93.9%**, funding its customers in an effective manner

RETAIL LOANS/TOTAL LOANS
(%)

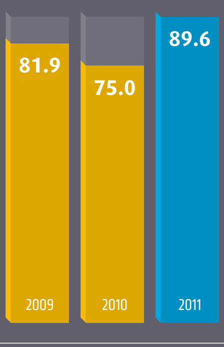


VakıfBank's ratio of retail loans to total loans stood at **36.9%** as of end-2011, a clear indication of the Bank's healthy loan portfolio

LOANS OUTSTANDING/ TOTAL ASSETS (%)

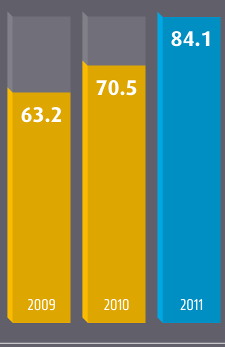
VakıfBank's ratio of loans outstanding to total assets was **9.2%** as of end-2011

DEPOSIT PER BRANCH
(TL MILLION)



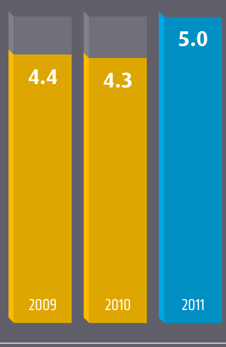
VakıfBank, a standout with its efficient nationwide branch network, had **TL 89.6 million** in deposits per branch as of end-2011

LOANS PER BRANCH
(TL MILLION)



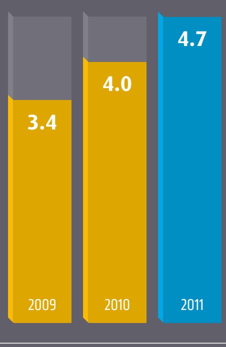
VakıfBank's loan volume per branch increased **19.29%** over the previous year to reach **TL 84.1 million**

DEPOSITS PER EMPLOYEE
(TL MILLION)



VakıfBank achieved yet another performance breakthrough by increasing deposits per employee **16.28%** from the prior year to **TL 5 million**

LOANS PER EMPLOYEE
(TL MILLION)



In recent years, VakıfBank has worked to boost its lending to clients; as of end-2011, the Bank had raised its loan volume per employee to **TL 4.7 million**

Message from the Chairman

As VakıfBank, we continued to achieve organic growth in 2011 by opening new branches

Dear Esteemed Shareholders,

Our nation has stood firm in the face of global risks
Last year, the world economy experienced significant difficulties originating from the most developed countries. In particular, sovereign debt turmoil in the Euro Area and lackluster growth rates in developed economies had an adverse impact on global markets. In fact, the exclusion of certain countries from the Euro Area, and even the dissolution of the European Monetary Union itself have become hot topics of discussion. In this environment, the US and numerous other nations have seen their national credit ratings downgraded.

Turkey, however, has managed to positively decouple itself from other problem-plagued economies thanks to its low level of government debt, tight fiscal policy and, in particular, banking sector reforms instituted. Indeed, Turkish GDP was grown by 8.5% in 2011. In addition, in the same period, the unemployment rate has dropped to its lowest level in recent years. Nevertheless, the widening current account deficit, and rising inflation in the final quarter, stood out as significant risk factors during the last year. We believe that policymakers and regulatory and supervisory authorities will continue to take proactive measures to address these issues, and that consequently the national economy will maintain its robust position in the face of global risks.

Banking sector holds its ground
The banking sector performed robustly in 2011, as in the prior year. The sector's total assets grew 21.0% to reach TL 1,218 billion as of year-end, and loans increased 29.9% to TL 682.9 billion. The sector's NPL ratio dropped to 2.7% as asset quality continued to improve.

Even as the banking sector's profitability has dropped compared to 2010, the sector has managed to maintain a relatively high level of profit. As of end-2011, the sector's total profit amounted to TL 19.8 billion, while shareholders' equity totaled TL 144.6 billion. The banking sector's capital adequacy ratio stood at 16.5% by year's end.

The growth momentum in Turkey's banking sector inspires confidence toward the national economy among both domestic and international observers. In 2012, the banking sector will continue to fulfill its responsibilities in shaping a bright future for Turkey.

Boosting our energy with Istanbul's dynamism
We marked a historic milestone for the Bank in 2011, as we relocated our Head Office to Istanbul, the financial hub of the future. Under the Istanbul Finance Center initiative, VakıfBank became the first public bank to relocate its headquarters from Ankara to the city, setting a striking example for other institutions. Following the relocation, we can now extend our energy, further boosted with Istanbul's unique dynamism, to each of our service locations across the country more efficiently, and reach out to every single customer more effectively.

VakıfBank completed a year of many achievements
2011 was a year of success for VakıfBank, thanks to the effective implementation of our strategic priorities. For example, we expanded the customer base and focused on the most productive areas, which resulted in increased profit for us despite an overall drop in the sector's profitability. VakıfBank is committed to boosting our sustainable profitability and brand value through long-term planning and a strategic management approach, in the coming years.

While maintaining our clout in retail banking during the year, we made ground breaking advances in SME banking. In addition, we outperformed the sector in the collection of delayed liabilities, without having to resort to any sales or haircuts.

VakıfBank maintained its growth momentum in 2011. In addition to the opening of new branches, the Bank hired 1,500 young bankers, fully recognizing that our workforce is our most important asset. In the period ahead, we plan to continue growing, contributing to the national economy, and providing career opportunities to talented young individuals in the banking sector.

We will keep up the great work in 2012
We expect that the global economic challenges experienced in 2011 will continue to be felt throughout the coming year, especially in the first half. We believe that the measures introduced by the relevant authorities will start to yield real results in 2012, and that an overheating of the Turkish economy will be prevented. In such a scenario, the banking sector's profitability can be adversely impacted by the expected slowdown in the sector's growth and intensifying competition. Nevertheless, I firmly believe that we at VakıfBank will once again obtain brilliant results in 2012, through effective management based on our strategic objectives.

On this occasion, I would like to extend my gratitude to our customers, employees, shareholders, investors and other stakeholders, who each made an immense contribution to our achievements in 2011, on behalf of VakıfBank.

Best regards,

Halil AYDOĞAN
Chairman

Message from the CEO

In 2011, VakıfBank relocated to Istanbul, the country's financial capital. A milestone in the Bank's history, this key development is also the first step toward a major change in our vision

Dear Distinguished Shareholders,
Despite the severe economic turmoil in the world, and particularly in the most developed countries, VakıfBank and Turkey have completed a successful year 2011, thanks in part to the proactive measures introduced by economic policymakers.

During this reporting period, the Bank boosted total assets by 20.6% to TL 89.2 billion while net profit rose 6% to TL 1,226.8 million. We are especially proud to have increased our net profit in a year when the banking sector's profitability dropped. Despite of all the adversities and uncertainties of 2011, we stood by our customers and increased lending to them; consequently, we expanded our loan book by 27.6% to TL 57.2 billion.

I strongly believe that VakıfBank will continue to stride toward the future by taking confident steps, thanks to the support of our shareholders and the strong performance of Turkey's economy.

We left behind a year of global economic turmoil
The year 2011 started out with moderate global economic growth forecasts; however, from the second half onward, growth in individual economies lagged general expectations. The most critical issue that left its mark on the year was the soaring budget deficits of developed countries, and the financial fragility that ensued due to their increased borrowing needs. Credit rating agencies eventually downgraded the credit rating of numerous countries including the US. In addition, since talks for alleviating the financial risks of various Euro Area countries failed to yield concrete results, the possibility of the exclusion of these nations from the Euro Area or the complete dissolution of the European Monetary Union were brought to the table.

In the first half of the year, emerging economies grew strongly thanks to capital inflows. Even so, their leading growth indicators down trended in the final quarter of the year, due to ongoing woes in more developed economies.

In Turkey, the current account deficit loomed large in the first half of 2011; however, various measures introduced by the CBRT and the BRSA managed to slow its expansion in the final quarter. Nevertheless, by the end of the year, the current account deficit was up 65% from the prior year. Still, the national economy maintained a high rate of growth in 2011. Consequently, the unemployment level dropped significantly from the previous year.

Another important phenomenon in the year 2011 was the CBRT's unconventional monetary policy and its impact on the banking sector. The CBRT's measures, designed to create price and financial stability, increased the sector's funding costs.

In this scenario, the Turkish banking sector managed to maintain a robust performance through 2011.

We expect that global economic troubles will continue to impact the global and the national economy for some time. However, we believe that Turkey will start to decouple in a positive direction from the second half of 2012 onward. VakıfBank plans to closely monitor economic developments, maintain our robust market position and stand by our customers under any circumstances.

I would like to share with you a more detailed account of our achievements in 2011, as well as our outlook for the years to come.

20.6%

In 2011, we increased our total assets 20.6% to TL 89.2 billion

We relocated our Head Office to Istanbul
VakıfBank took a historic step in 2011 and relocated its Head Office from Ankara to Istanbul, the country's financial hub. This relocation represents a milestone in the Bank's history, and is a harbinger of a major shift in our vision. By raising our profile not only in Istanbul, but across all of Turkey, VakıfBank has already started to pass the favorable results of this relocation on to its clients. By relocating to Istanbul, the Bank has embraced its ever changing, growing and developing organizational structure and will continue to embrace the whole nation.

The relocation operation was completed so smoothly that we served as a model for other publicly traded banks. Leaving aside the affirmative action taken for married female employees, we ensured the equal and full participation of all the Bank's workforce in this process. In return, VakıfBank received the support of its highly committed employees.

Message from the General Manager

We identified and focused on our strategic priorities
In 2011, the Bank took a long-term perspective, formulating and focusing on its strategic objectives based on the primary goals of increasing sustainable profitability and brand value. To this end, VakıfBank initiated its strategic five-year plan and started to develop its long-term roadmap accordingly.

During the year, we made progress toward achieving our strategic objectives and attained a more efficient balance sheet structure and a more robust customer base.

We increased our profit despite declining sector profitability
2011 was remarkable due to declining profit for the banking sector as a whole. VakıfBank, however, stood apart from the sector, thanks to a change we effected in our balance sheet structure which allowed the Bank to grow and become more profitable at the same time. As since our inception, we plan to put this increased profitability to the service of our nation.

The high rates of growth in our retail banking and SME banking businesses played a key role in VakıfBank outperforming the sector.

We reached out to SMEs with "KOBİDOST"
One clear indicator of the importance the Bank places on SMEs was the establishment of our SME Banking business line in 2011, completely independent from our Commercial and Corporate Banking businesses. Last year our most important innovation in this area was the rollout of the KOBİDOST ("Friend of the SME") brand. We implemented wide scale advertising campaigns through a vast number of media channels, highlighting both the financial support we provide for and the friendship we enjoy with SMEs, the true driving force of Turkey's economy. Our initiatives started to yield results in terms of SME customer numbers and on the Bank's balance sheet. During this period, we increased our SME customer base 30.8%, while SME lending jumped 95.9%. Our objective through 2015 is to focus on reaching out to all SMEs with loan products, as well as with cash management, treasury and foreign trade products and services. We are confident that with our strong focus on this segment, VakıfBank will soon become the closest friend of SMEs and one of the sector leaders in this business line.

95.9%

In 2011, we expanded our SME customer base 30.8% and increased SME lending 95.9% with the help of KOBIDOST project.

We led the sector in mortgage loans
Another area of strategic importance for VakıfBank is undoubtedly retail banking. As the bank most attuned to the concerns of its customers, VakıfBank in recent years has grown strongly in retail loans. The Bank sustained its growth trajectory through 2011 and increased total retail loans 41.7%. Especially in mortgage loans, we captured additional market share and helped a rising number of clients become home owners. VakıfBank plans to continue prioritizing Retail Banking in the coming years and increase the share of retail loans in the Bank's loan book by 2015.

In private banking, VakıfBank continued to invest in this business line in 2011 and opened two Private Banking branches, in Istanbul and in Ankara, to better serve its customers.

We became a solution partner in projects that add value to the national economy
Although the Bank's balance sheet shows an increase in the overall weight of retail and SME banking, VakıfBank also expanded its customer base, placement volume and profitability in corporate and commercial banking. Driving this expansion was a renewed focus on efficiency. During 2011, the Bank adopted an increasingly selective approach, and experienced the great satisfaction of becoming a solution partner in highly profitable projects that add value to the national economy. In addition, VakıfBank's innovative product in this area, GÜMKART, was deemed worthy of the "Turkey's Most Creative Public Payment Solution" award, given by VISA Europe in recognition of banks' contribution to international competition and their support to the development of imports and exports.

We supported clients in every aspect of commercial and financial life
In line with the Bank's objective of providing SME, commercial and corporate banking clients not only loan financing, but comprehensive banking solutions, VakıfBank expanded its cash management offerings in 2011 and started to provide customized solutions. As a result, the Bank started to stand by its clients in every area of commercial and financial life.

We improved our asset quality
VakıfBank significantly lowered its NPL ratio in 2011, by bolstering debt collection, without resorting to sales or write off, in its non-performing loans portfolio. Effective management of the NPL portfolio had a positive impact on our asset quality.

We diversified our funding structure and obtained the largest syndicated loan in our history
In March 2011, the Bank obtained a syndicated loan of USD 1 billion, with the participation of 34 banks from 16 countries. The loan is the largest single syndicated loan taken out by the Bank in its history. In addition, VakıfBank diversified its funding structure by issuing TL 500 million in bonds during the year.

We expanded our branch network and recruited 1,500 new bankers
VakıfBank continued to expand its branch network in 2011 in line with its growth strategy. The Bank plans to further extend its branch network in the coming years, to reach 1,000 branches by 2015.

The key to implementing the branch network expansion strategy is the creation a highly skilled workforce. To this end, the Bank recruited 1,500 new employees in 2011, in the single largest recruitment campaign in its history. VakıfBank will continue to providing employment opportunities to Turkey's highly qualified young workers in the years ahead. In 2012, we have plans to recruit 1,000 more young professionals.

Our technology investments have started to yield impressive results
During 2011, we boosted our investments in technology infrastructure to enhance the quality of the services we provide to our clients. VakıfBank's Call Center received EN15838:2009 Customer Contact Center Certification from the European Committee for Standardization; the Bank is the first Turkish financial services company to receive this certification. In the years ahead, we will continue our efforts to further improve customer satisfaction.

Our top priority objectives for 2012
VakıfBank remains committed to enhancing its brand value and to achieving sustainable organizational and profit growth. The Bank's objective for 2012 is to sustain its growth and exceed its 2011 profit performance.

We crowned our strong financial results with support to Turkish volleyball
VakıfBank crowned our previously noted financial achievements with support to Turkish volleyball, specifically, to the National Team and individual clubs. We continued to support the "Sultans of the Net" National Team in 2011 as their main sponsor. Our women's volleyball team, VakıfBank TT, became our pride and joy by winning the Women's European Volleyball Championship and placing second in the World Cup.

We did not forget to show compassion
We have never forgotten that VakıfBank is synonymous with compassion. In 2011 we stood with our customers, fellow citizens and even greater humanity, as they faced many diverse challenges. In the aftermath of the devastating earthquake in the province of Van during the year, we did our best to provide solutions to our clients impacted by the disaster; in addition, the Bank provided assistance to the victims. We also organized a campaign to help the Somali people suffering from famine.

1,500
In the largest recruitment campaign in VakıfBank history, we hired 1,500 young bankers

I would like to express my most heartfelt gratitude to our customers and shareholders, who never denied us their trust, to our employees who worked diligently for the Bank's success, to our Board of Directors for their unwavering support and to all our stakeholders for their immense contributions in 2011. I deeply believe that thanks to the trust and contributions of our shareholders, Vakıfbank will always remain one of the leading players in the Turkish economy.

Best regards,

Süleyman KALKAN
CEO

2011 in the World and in Turkey

2011 started out with expectations for moderate global economic growth; however, the USA's leading indicators and growth rate caused disappointment

10.45%

Turkey's Consumer Price Index (CPI) closed 2011 at 10.45%

The world economy left behind a year of increased uncertainty
In 2011, the world economy continued to grapple with the previous year's legacy of high sovereign debt levels in the Euro Area and the deteriorating growth rates of developed economies, the group most impacted by the crisis. At the beginning of 2012, global economic growth is expected to slow further and the Euro Area's troubles will continue to aggravate the current uncertainties.

2011 started out with expectations for moderate global economic growth; however, the USA's leading indicators and growth rate caused disappointment.

The Euro Area's growth was anemic in 2011, as expected. In March, Japan suffered the most devastating earthquake in its history and teetered on the brink of nuclear catastrophe.

However, the phenomenon that most clearly left its mark on 2011 was the economic fragility caused by the widening budget deficits and soaring borrowing requirements of developed countries. Euro Area nations Greece, Spain, Portugal, Ireland and Italy, whose borrowing costs had already been rising since late 2009 due to high budget deficits and government debt levels, saw their country risks climb further; as a result, their borrowing costs reached record heights in 2011. The credit ratings of these countries were downgraded one after the other. The possibility of contagion, spreading their problems to the relatively more sound nations of the Euro Area through the financial system and wreaking economic and financial turmoil, became a real risk. Talks were held throughout the year to discuss the measures to be introduced by EU and IMF to alleviate the systemic risk. However, the discussions failed to yield clear results; in fact, such undesirable possibilities included an eventual exclusion of the troubled economies from the Euro Area or even the dissolution of European Monetary Union was put on the table. As a result, concerns about the possible impacts of Euro Area-related problems on the world economy continue to loom large in the outlook for 2012.

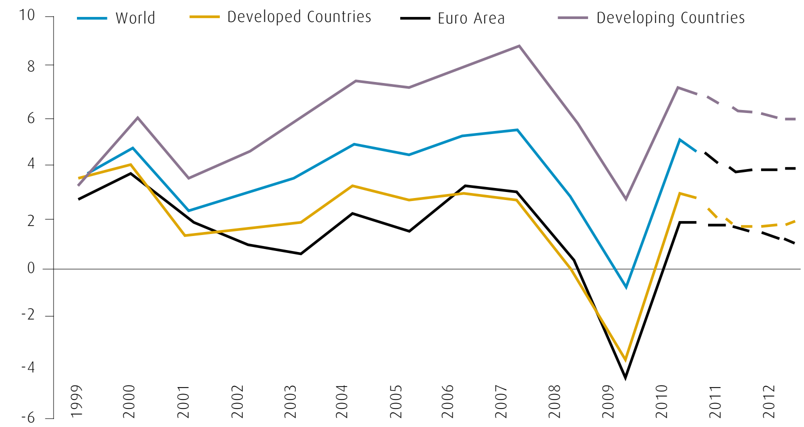
In the final months of 2011, the US economy started to show mildly encouraging signs. However, one of the hottest topics of discussion regarding the world's largest economy was the sharp rise in its budget deficit due to the global crisis, and the country's high level of government debt. Based on these concerns, the credit rating agency S&P downgraded the USA's long-term credit rating from AAA to AA in August. The US, which lost the ability to use fiscal policy to stimulate the economy, maintained its loose monetary policy. The FED's quantitative easing policy that was adopted in the last months of 2008 was followed by a second round in the final quarter of 2010. In QE2, the FED swapped the short-term bonds on its balance sheet with long-term bonds in order to influence long-term borrowing rates in the market.

Emerging market economies, the driving force of the world economy in 2009 and 2010, experienced high rates of growth and rising inflationary pressures due to increased foreign capital inflow in the second half of 2011. Still, as global business sentiment soured due to uncertainties in Europe in the final quarter of the year, foreign capital started to flee these countries and their leading growth indicators lost momentum.

In this economic environment, uncertainties related to the Euro Area's sovereign debt woes are expected to persist in 2012, though a new round of financial crises should be avoided. Overall, global growth for the coming year will be weaker than in 2011. The Euro Area economy is expected to experience a brief period of contraction in 2012. Meanwhile, the USA's economic performance is forecast to fall short of a full-fledged recovery despite ongoing loose monetary policy and the accompanying low interest rate and excessive liquidity environment in developed nations. Emerging economies are also expected to slow compared to their performance in 2011. As a result, they are positioned to assume a more expansionary monetary policy stance and use fiscal policy instruments to spur economic growth.

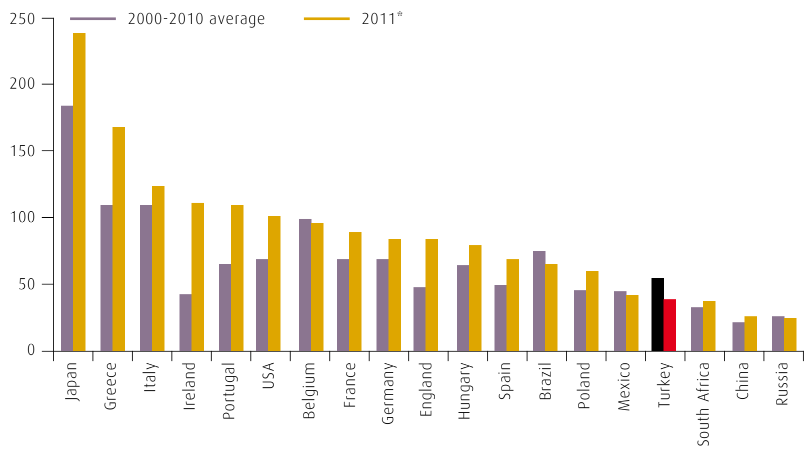
In the coming year, worldwide inflation rates might fall below their 2011 levels, due to expectations of weak growth and to the base effect. Nevertheless, geopolitical risks and possible fluctuations in food prices pose a risk to the upside on inflationary expectations. Although some emerging economies, which had tried to contain inflation pressures throughout 2011, did increase liquidity in the last months of 2011, encouraged by falling interest rates, lower inflation is

Growth (annual average, %)



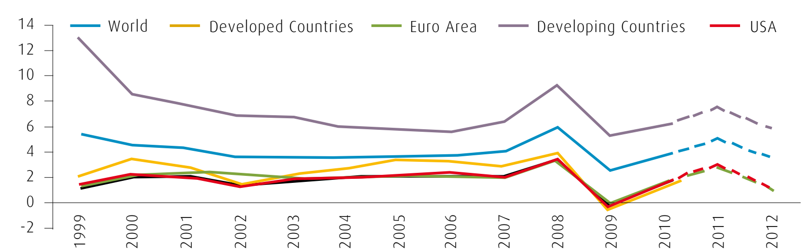
Source: IMF
* Data is based on IMF estimates for 2011 and beyond.

Debt Stock/GDP (%)



Source: IMF
* Data is based on IMF 2011 estimates and the Turkish Medium-Term Programme

Inflation Rate (annual average, %)



Source: IMF
* Data is based on IMF estimates for 2011 and beyond.

2011 in the World and in Turkey

In 2011, the unemployment rate fell to 9.8%, down 2.1 percentage points from the prior year

8.2%

The Turkish economy grew 8.2% in the first three quarters of the year 2011, exceeding expectations

not expected in 2012. This will limit the capacity of emerging market economies to maintain their expansionary monetary stance to spur growth.

The current account imbalances between the world's developed and developing economies are expected to continue into 2012. At present, there is no reason to expect more developed nations to change course and step up their efforts to reduce government debt.

Turkish economy grew 8.2% in Q3 2011, exceeding expectations

In 2011, the Turkish economy continued its robust growth performance from the prior year; the country's GDP increased 12%, 8.8% and 8.2% in the first three quarters of the year, respectively. As a result, Turkey became the fastest-growing economy in the world, with a cumulative 9.6% growth in the first nine months of the year. This high growth performance was closely tied to government spending and investment, and the uptrend in exports. The strong performance in industrial production also helped push growth rates above expectations.

Leading growth indicators from the final quarter of 2011 paint a rosy picture, but also suggest that growth could slow to a degree. In the event that Turkey's 2011 economic growth rate turns out to be 7.5% as expected, growth of 4% is likely in 2012 due to the strong base effect as well as to the bleak global economic prospects caused by the lagging performance of developed economies. Although the current environment has both upside and downside risks to this growth rate expectation, Turkey's 2012 outlook is much more positive than that of most developed and developing economies. In all likelihood, the country's economy will overshoot the estimates of 2.5% growth.

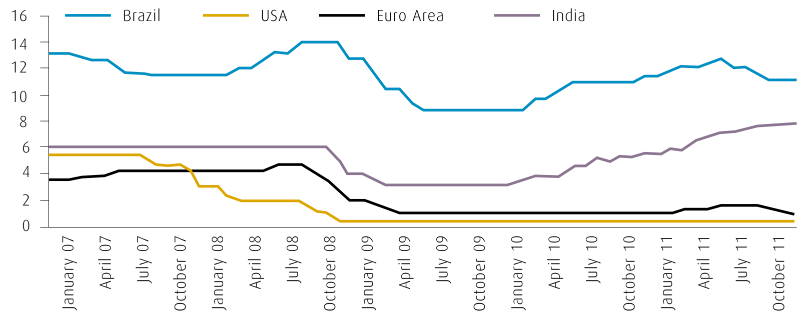
Turkey's unemployment rate fell to 9.8% in 2011, down 2.1 percentage points from a year earlier. The non-agricultural unemployment rate decreased 2.4 percentage points from 2010 to 12.4%. This drop in unemployment is closely tied to the country's strong economic growth in 2011: the vibrant economy added 1,516 thousand jobs during the year. Agriculture accounted for 25.5% of total employment, manufacturing for 19.5% construction for 7%, and services for 48.1% for the year. The service sector stood out as the obvious leader in job creation. Employment in the construction sector grew by double-digits in the first three quarters of 2011, and played a key role in lowering the unemployment rate so rapidly. That the Turkish unemployment rate has fallen back to its pre-crisis level, even as many countries, particularly developed nations, see their unemployment rates continuing to rise, is a clear indicator of the strong recovery of the country's labor market during the year. In parallel with the forecasts of a gradual deceleration of economic growth in 2012, the unemployment rate is expected to rise back to around 10.7%

2011 inflation rate exceeded 10%, largely overshooting the CBRT's 5.5% target

The consumer price index closed 2011 at 10.45%, above the CBRT's target of 5.5%. Headline inflation mostly trended upward during the year, with early price hikes in alcoholic beverages, tobacco products, furniture and transportation leading the way. After falling back to historic lows in the last month of 2010, the CPI Core I Index (which excludes food, non-alcoholic beverages, alcoholic beverages, tobacco products and gold) started on an uptrend from the beginning of 2011 and reached 8.12% in December.

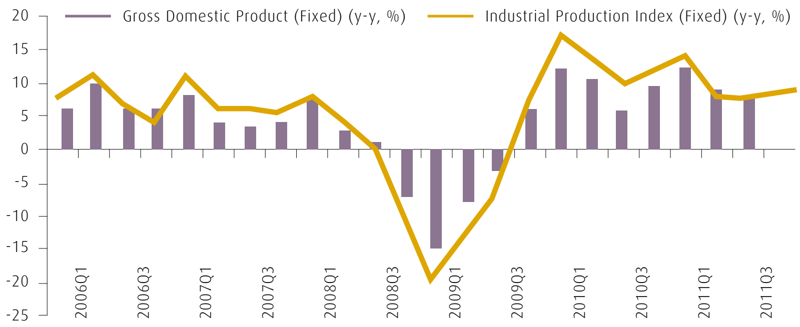
At its last Monetary Policy Committee meeting, the CBRT indicated that the upward pressure caused by the foreign exchange rate and commodity prices (which added around 5 percentage points to the 2011 inflation rate) and of tax adjustments (which added a further 1.6 percentage points) would gradually ease in 2012. The CBRT forecasts inflation to fall back to the year-end 2012 target of 5%. Headline inflation is expected to fluctuate through the first half of the coming year, before heading down in the summer months. The expected annual inflation rate for 2012 is 5.2%.

Central Bank Interest Rates (%)



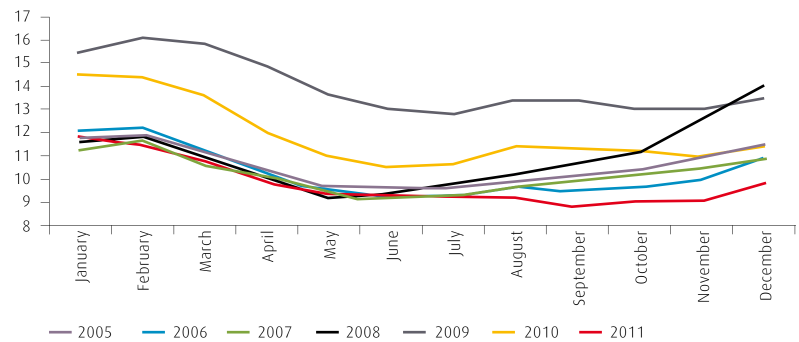
Source: Bloomberg

Gross Domestic Product



Source: CBRT

Unemployment Rate (%)



Source: CBRT

2011 in the World and in Turkey

As in the prior year, the CBRT embraced an unconventional monetary policy throughout 2011

18.5%

In 2011, total exports grew 18.5% over the previous year to reach USD 135 billion

The rise in the foreign trade and current account deficits slowed

Turkey's foreign trade deficit widened 47.7% in 2011 over the prior year to reach USD 105.9 billion. Total exports were up 18.5% from 2010 at USD 135 billion, while total imports grew even faster at 29.8% to reach USD 240.8 billion. This performance reflected strong domestic demand in 2011, a positive differentiator for Turkey compared to the rest of the world. The year-on-year change in the foreign trade deficit peaked at 83.9% in June 2011, before dipping to 47.7% in December. Exports increased due to the depreciation of the Turkish Lira. Additionally, imports were down due to the declining exchange rate and slackening domestic demand, both of which helped reduce the foreign trade deficit. In 2012, the foreign trade deficit is expected to continue its downtrend due to a gradual cooling of domestic demand. A year earlier, strong exports and an improvement of the foreign trade deficit translated into a more favorable result, with the current account deficit slowing. As of end-2011, the current account deficit stood at USD 77.1 billion. To fund the deficit, there was a rise in portfolio investments and FDI, in contrast with a drop in other investment items. The cool down suggested by leading growth indicators for 2012 has started to materialize, indicating that the decrease in the current account deficit will continue.

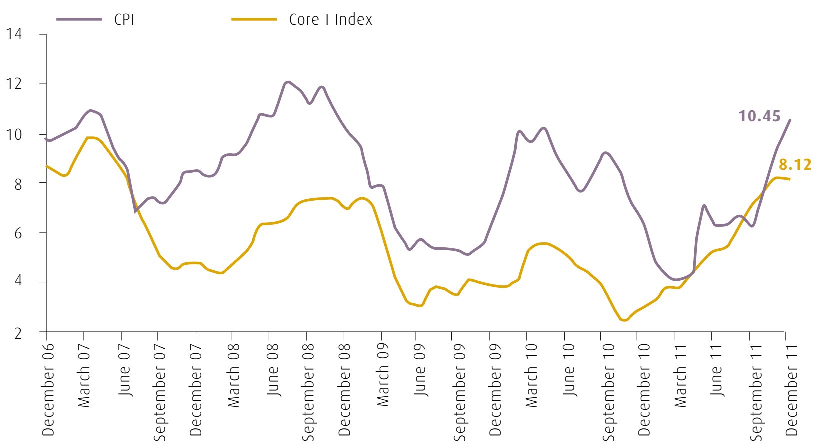
Turkey's foreign trade deficit and current account deficit are expected to rise at a slower pace in 2012. By year's end, the foreign trade deficit is expected to reach USD 100.2 billion while the current account deficit is forecast to total USD 65.4 billion.

The CBRT continued its unconventional policies

During 2011, the CBRT continued to implement the unconventional monetary policy mix it had begun a year earlier. The Central Bank started to cut interest rates in the last quarter of 2010, and continued doing so in 2011. In total, the CBRT slashed interest rates by 75 basis points and pulled the policy rate down to 5.75%. In the first half of the year, the CBRT raised reserve requirements, which it had differentiated by maturities in 2010. The CBRT also raised foreign currency reserve requirements, differentiated by maturities. However, in the second half of the year, in order to increase the foreign currency liquidity in the market, the Central Bank revised foreign currency reserve requirements downward and ended its foreign exchange buying auctions. Shortly afterwards, the CBRT restarted these auctions to eliminate the negative impact of the excessive volatility of foreign exchange rates on economic and financial stability; in addition, it also lowered US dollar and Euro borrowing rates in financial transactions in which it participates. Finally, in the last quarter of the year the CBRT raised the borrowing rate from 9% to 12.5%, and the repo rate for market maker banks from 8% to 12%. Subsequently, the CBRT raised the Late Liquidity Window interest rates, for overnight borrowing transactions undertaken 4-5 p.m. in the Interbank Money Market, from 12% to 15.5%. As a result, the Central Bank expanded the interest rate corridor to offset the depreciating Turkish Lira and rising inflation. In the last days of the year, the CBRT intervened directly in the market to counter the possible inflationary effects of the USD/TL exchange rate which had reached record highs.

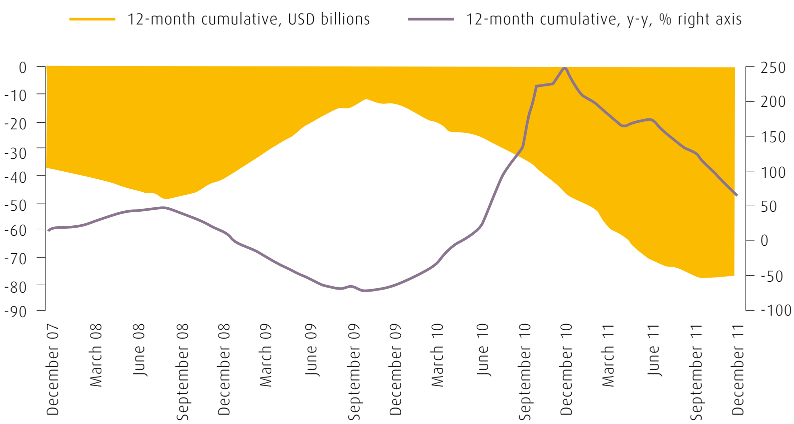
In the coming year, the CBRT is expected to continue its unconventional monetary policy based on the joint manipulation of interest rates and other monetary policy instruments. Following its December meeting, the Central Bank clearly emphasized the need to maintain a tight monetary policy due to the sharp rise in inflation, although international economic developments seem to harbor uncertainties that might require a more flexible monetary policy. Since the depreciation of the Turkish Lira continues to push inflation upward, the timing and scale of a future slowdown in economic activity might change the CBRT's present policy stance. Annual inflation reached double-digits in December and is expected to remain at this elevated level in the first half of 2012; accordingly, the CBRT is expected to maintain its tight monetary policy until the end of the second quarter. If inflationary pressures subside, the Central Bank is expected to begin lowering interest rates from the end of the second quarter of 2012 onward in order to alleviate any adverse impact of global economic turmoil on Turkish growth. Overall,

Inflation Rates (y-y,%)



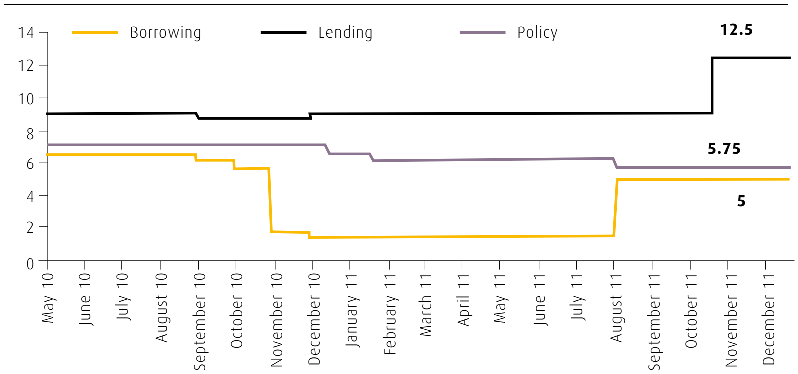
Source: Turkish Statistical Institute

Current Account Balance



Source: CBRT

Central Bank Interest Rates (%)



Source: CBRT, Reuters

2011 in the World and in Turkey

The central government's gross debt stock rose from TL 473.6 billion as of end-2010 to 518.3 billion as of end-2011

the CBRT is forecast to cut interest rates by a total of 75 basis points, bringing its policy rate down to 5.0%.

In the Central Bank's 2012 monetary policy and foreign exchange policy outlook released in the last week of the year, the CBRT emphasized measures to assist banks in their long-term liquidity plans. For 2012, the CBRT has indicated that it will introduce new measures such as one-month repo auctions or increasing the maturity of foreign exchange auctions from one week to one month. Additionally, CBRT stated that foreign exchange selling auctions, which were frequently held in the second half of 2011 due to the depreciation of the TL, will decrease in number. The Central Bank has also indicated that it will closely monitor not only price stability but also financial stability in 2012.

Real Change(*) (%)

	Total Domestic Debt Stock	Total External Debt Stock
2007	-6.33	-22.9
2008	-2.19	22.6
2009	12.7	-0.8
2010	0.48	1.75
2011	-9.05	12.08

Source: Undersecretariat of the Treasury, VakıfBank
* Real change calculated with the Fisher equation.

Central government's budget deficit fell 56.5% in 2011
The central government's budget posted a strong performance in 2011 due to increasing tax revenues and falling interest payments; as a result, the budget deficit fell 56.5% from the prior year, to TL 17.4 billion. The primary surplus nearly tripled from its 2010 level, and reached TL 24.8 billion.

The central government's budget expenses increased 6.4% from a year earlier to reach TL 313.3 billion. Interest payments fell 12.6% over the prior year to TL 42.2 billion, which in turn played a key role in holding budgetary spending down in contrast to prior years. Despite this slowing of the annual increase in interest payments however, non-interest expenses went up 10.2% from the previous year. The central government's budget revenues were up 16.4% over 2010 to TL 295.9 billion, buoyed by the 20.5% rise in tax revenues.

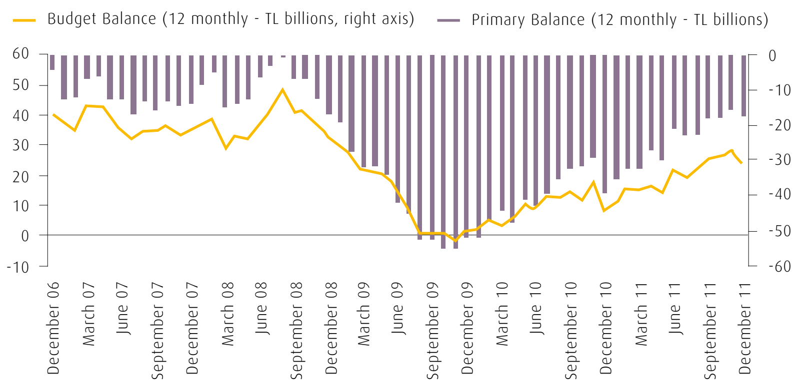
Central government's domestic debt dropped in real terms in 2011

The central government gross debt stock, which totaled TL 473.6 billion at end-2010, rose to TL 518.3 billion at the end of 2011. Government bonds made up TL 456.7 billion of the debt stock, with the remaining TL 61.6 billion consisting of loans. In 2011, the average maturity term of the debt stock increased to 4.5 years.

The central government's gross debt stock is composed of TL 368.8 billion in domestic debt (71.2%) and TL 149.5 billion in external debt (28.8%). Some TL 307.7 billion of the domestic debt is held by the market, and the remaining TL 60.9 billion by public bodies. As of third quarter 2011, the net public debt stock stood at TL 293.1 billion, down TL 24.5 billion from the prior year.

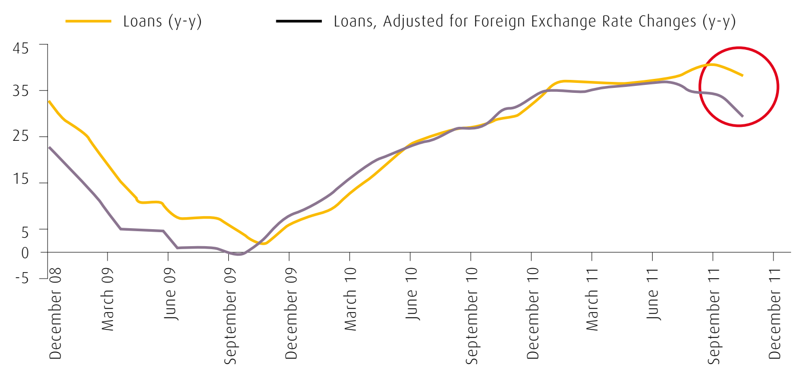
Turkey's domestic debt decreased in real terms in 2011. After increasing 12.7% in 2009 and by 0.48% in 2010, the domestic debt stock fell 9.05% in real terms during the year. Despite this drop in domestic debt, however, the external debt stock up trended in real terms in 2010 and 2011. The 12.08% increase in real terms in the external debt stock is closely associated with the low interest rate environment and favorable borrowing conditions in international markets.

Budget Deficit (%)



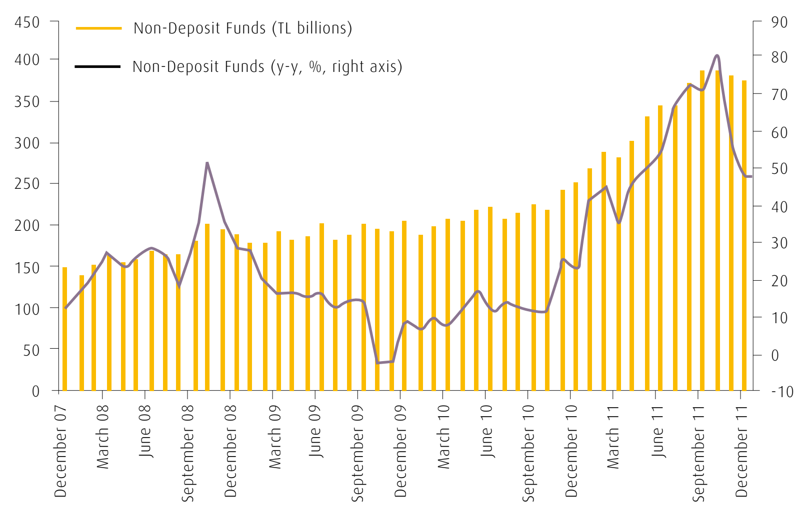
Source: Undersecretariat of the Treasury, VakıfBank

Loans (%)



Source: BRSA

Non-Deposit Funds



Source: BRSA

2011 in the World and in Turkey

The Turkish banking sector continued its robust and healthy performance in 2011, despite the Euro Area crisis that had repercussions across the region

21%
The Turkish banking sector's total assets increased 21% from the previous year to TL 1.218 trillion in 2011.

THE BANKING SECTOR

The Turkish banking sector continued its robust and healthy performance in 2011, despite the Euro Area crisis that had repercussions across the region. The total assets of the Turkish banking sector increased 21% from the prior year to reach TL 1.218 trillion in 2011.

Loans continued to grow apace during the year, with the ratio of loans to total assets remaining high. The annual growth rate of total loans was on an uptrend from October 2009 until August 2011, before starting to lose momentum from that point. As of December 2011, total loans stood at TL 682.9 billion, up 29.9% year-over-year. Adjusted for the exchange rate, the loan expansion rate was 22.6%, a figure in compliance with CBRT's year-end loan growth expectation of 20-25%.

The sector's securities portfolio was down 1% from the prior year, and its share in total assets dropped to a historic low of 23.4% in December 2011. Although the securities portfolio contracted until June, following the CBRT's surprise August decision to cut rates, it started to rise once again. However, as the CBRT embraced a tight monetary policy to slow the depreciation of the TL, the markets came to expect an increase in interest rates. In the last quarter of the year, these expectations gained further ground and the sector's securities portfolio fell sharply.

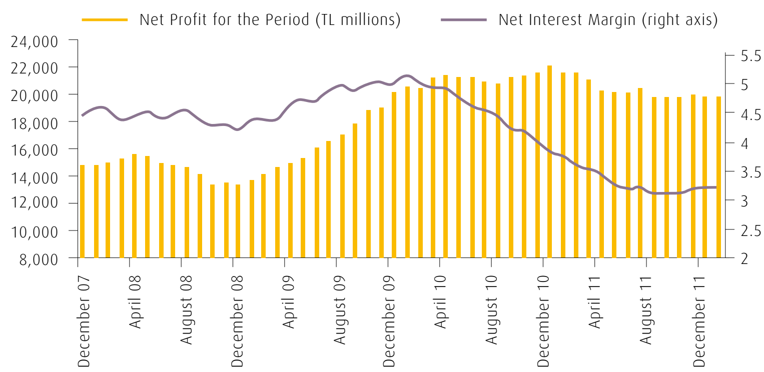
Non-deposit funds grew by 48% in 2011
The share of deposits in the sector's total funds continued to fall until November 2011, when this down trend finally stopped. The share of deposits in total liabilities was 57.1% as of December 2011. The CBRT's decision to raise the reserve requirements caused an increase in the cost of deposits and a rapid drop of their share in the sector's overall funds, which encouraged banks to turn to non-deposit funding resources. The year-on-year growth rate of non-deposit funds peaked at 81.6% in October, before falling to 48% in December. The decline in non-deposit funds from November to December can be traced to the slowdown in funds generated through repo auctions.

After following an erratic course throughout the year, the annual growth rate of deposits fell sharply in December to close the year at 12.7%. When adjusted for changes in the foreign exchange rate, annual deposits growth was a very modest 5.6%. Since April, the loan-to-deposit ratio has remained above 90%, a level very conducive to economic growth. In December 2010, the CBRT increased reserve requirements differentiated by maturities in order to maintain financial stability and to eliminate the maturity mismatch between the sector's assets and liabilities. The CBRT continued this policy in 2011, further emphasizing the differentiation of reserve requirements by maturity. Most deposits in Turkey have a maturity of one to three months. The share of one to three month term deposits in total deposits rose from 49.7% a year prior to 53.2% in 2011. In 2010, the share of deposits with a maturity longer than one year continued to decrease to 2.7%; however, in 2011 this share bounced back to 4.6%.

Uptrend in external borrowing continued

Syndicated loan volume had dropped in 2008 due to the liquidity crunch in international markets; it then followed a volatile course through 2009 in parallel with the economic recovery. As in the prior year, syndicated loans largely up trended during 2011 and in the end increased 35.3% to TL 29.6 billion. Securitized loans also increased in 2011, by 10.5% over a year earlier to reach TL 15.7 billion.

Sector Profitability



Source: BRSA

Sector's profitability dropped in 2011

The Turkish banking sector's net profit for the year was down 10.3% from 2010 at TL 19.8 billion. The drop in net profit for the period was caused by a fall in net interest margins, despite a rapid rise in loans and a decline in provisions for non-performing loans. The net interest margin rose to 5.17% in January 2010, and then started on a downward trend, reaching a low of 3.11% in September 2011. The sector's net interest income was down until the second quarter 2011, and played a key role in the fall in net interest margins. However, net interest income started to increase in March 2011, and its annual growth rate turned positive in November and December.

Total shareholders' equity for the sector increased 7.5% over the previous year to TL 144.6 billion. The slowing in its annual rate of growth played a key role in the fall of the sector's net profit for the period. The capital adequacy ratio started to downtrend in 2011 and fell to 16.5% from 18.9% a year earlier.

Loans, the greatest contributor to the asset volume of the banking sector in 2011, are expected to further increase in the coming year. However, the loss in growth momentum caused by measures introduced by the CBRT and BRSA in the prior year is expected to continue in 2012, in parallel with the slowdown in Turkish economic growth. As the loan book stagnates, growth of the sector's total assets is expected to be limited in the coming year.

2011 at a Glance

Paralleling the stability of the Turkish economy, VakıfBank achieved major successes across all segments in 2011

Tailor-Made Loans for Diverse Customer Groups

VakıfBank further diversified its retail loan offering and increased retail loan placements in 2011 with new products that included "Corporate Anniversary Loan," "Holiday Loan" and "New Year Loan." The Bank also launched customized loans such as "Installment General Purpose Loans for Lawyers" and the "Military Service Loan" to meet the varied borrowing needs of its clients.

The Compassionate Pension Package

Vakıfbank's retired customers who receive their pensions from the retirement funds of Emekli Sandığı, SSK and Bağ-Kur can benefit from the "Banking Package for Pensioners," which provides general purpose and "Overdraft Bankomat" loans at exceptional interest rates.

Yellow Shutter Mortgage Loan

Launched in 2011, the Bank's "Yellow Shutter" mortgage package consists of 12 different loans customized to meet the needs of different customer types. Each Yellow Shutter loan type offers customers a range of benefits. These features include: increasing installment, decreasing installment, intermittent, postponing, deferred principal amount, deferred installments, periodic, early, fixed principal amount, interim payment, no-expense and advantageous.

VISA Europe Grants Award to VakıfBank

In 2011, VakıfBank was highly selective in taking on Corporate Banking business customers and the Bank chose to be a solution partner in only those projects that add significant value to the national economy. The Bank's most innovative product in this area, Gümkart, received the designation "Turkey's Most Creative Public Payment Product" from VISA Europe.

VakıfBank Head Office Relocated to Istanbul

In 2011, VakıfBank took a historic step and successfully relocated its Head Office to Istanbul, the financial hub of the future. The Bank became the first publicly traded bank to relocate its head office to Turkey's largest city under the Istanbul Finance Center initiative, setting an example for its peers.

VakıfBank Branch Network Continued to Expand

Committed to providing efficient and high quality services with a vast domestic branch network, VakıfBank opened 43 new branches - 41 regular and two satellite - during 2011. In addition, the Bank transformed three of its satellite branches to full-size branches, increasing the total number of its domestic branches to 677. VakıfBank also has 14 "Practical" branches, which extend loans quickly and provide high quality, customer-oriented services in order to meet the financial needs of retail customers in the quickest and most convenient manner possible.

VakıfBank, Friend of SMEs

In the clearest indication of its commitment to SMEs, VakıfBank established the SME Banking business line in 2011. The new business line is completely independent from the Bank's Commercial and Corporate banking businesses. During the launch of SME Banking, VakıfBank conducted large scale advertising campaigns through a number of media channels. The key message communicated in these promotional campaigns was that the Bank not only provides SMEs funding for growth, but also views them as its close friends.

2011 Operations

VakıfBank's corporate banking customer base increased nearly 18% in 2011

CORPORATE BANKING

VakıfBank meets all the corporate banking product and service needs of its customers with its specialized sales and operations personnel, broad product portfolio, extensive branch network, advanced technology infrastructure and efficient business processes.

In 2011, VakıfBank adopted the strategy of restructuring its balance sheet along business lines. To this end, Corporate Banking developed a strategy and action plan that emphasized improving asset quality and profitability, selecting customers and transactions judiciously, and in particular focusing on clients who use a large number of products. With this approach, Corporate Banking significantly increased the number of its clients, its cross-selling volume, and its profitability as a business line. VakıfBank's corporate banking customer base increased nearly 18% in 2011.

Acquisition of new customers

One of the Bank's strategic targets is to grow and acquire market share in the SME and medium-size enterprise segments. VakıfBank used a wide variety of offerings to achieve this objective, including direct debit system, card-based collection systems, dealership letter of guarantee agreements covering the dealer and supplier networks of corporate customers, and wholesale payment systems. The Bank is striving to become the primary bank of corporate customers, their affiliates and subsidiaries. In addition, VakıfBank acquired numerous new customers among supplier and dealer firms, and companies in other areas of the financial value chain.

As a result of this strategy, the Bank's reference customer acquisition rose 244%. Reference customers are those firms which are either suppliers/dealers of existing corporate customers, or which operate in other areas of the financial value chain.

Efficient corporate banking operations and becoming the primary bank of customers

VakıfBank provides corporate banking products with a customer, marketing and sales orientation, offering tailor-made services for each firm while viewing customers as long-term business partners.

During the year, VakıfBank worked to realize its vision of becoming the primary banking partner of its corporate customers and captured a larger share of their transaction volume.

Despite fluctuations in the global economy in 2011, the Bank maintained its high asset quality and continued to provide loans to efficient, healthy real economy companies.

VakıfBank pursued a proactive policy in financing the high value added projects of its corporate customers that increase production and employment for the country. The Bank also created funding facilities, long-term cash and non-cash loans, to meet the investment needs of its clients, particularly in the areas of energy and privatization.

VakıfBank efficiently services its corporate clients who are responsible for Turkey's foreign trade volume with a rich portfolio of high quality products. The Bank's competitive advantages in foreign trade include an extensive international correspondent network, specialized sales and operations staff, the latest foreign trade business flow processes and an advanced technology infrastructure. As a result, the Bank increased the number of its foreign trade customers and business volume significantly in 2011.

As in the prior year, VakıfBank strived to decrease its funding costs and made use of non-deposit resources to generate funds in 2011. This in turn enabled the Bank to extend the average maturity term of the liabilities in the balance sheet and to reduce its costs. The reduced-cost funding increased 46% over the year 2010.

As a result of its strategy to boost cross loans, the Bank increased the cheque transactions of its corporate customers that it intermediates by 20%; their import transaction volume by 100%; the number of transactions by 19%; export volume by 47%; and Gümkart transaction volume by 30%.

Seeing strong customer relations as the foundation for long-term partnerships and vowing to stand by clients under any circumstances, VakıfBank aims to offer innovative products and cash/ non-cash loan facilities to its existing customer base in 2012. Additionally, the Bank plans to broaden the reach of its corporate segment activities through new customer acquisitions.

Cash Management

In June 2011, VakıfBank restructured its Cash Management Transactions, creating a stronger, more dynamic and innovative structure; the reorganized structure will focus on the development, marketing and sales of market leading products. In addition, the Bank focused on the demands and needs of its customers in cash management and in the supply chain, and strived to further increase customer satisfaction with new and high quality products and services.

In 2011, the VakıfBank extensively marketed **Gümkart**, the product that enables customers to make required payments within the customs area. As a result of this marketing initiative, the Bank acquired a large number of new customers and facilitated 50% of all such transactions undertaken across the country. In short, the Bank maintained its market leadership position by a large margin.

VakıfBank also experienced success in marketing its **Direct Debit System (DDS)** during the year. The Bank doubled the number of primary firms and dealers participating in DDS in 2011 from a year earlier. Thanks to new DDS agreements, the Bank facilitated the cash flows of a number of commercial and corporate firms with extensive supplier/customer networks, and continued to earn commission and interest income from supplier firms.

During the year, VakıfBank's volume of customer tax payment transactions increased 31%, while Social Security Institution (SGK) payments grew 40%; the latter is also an important source of demand deposits for the Bank. In addition, the number of utility firms whose bills the Bank collects from clients rose 23%.

The Bank's **Wholesale Cheque Collection System** and **Wholesale Payment System**, which allow commercial and corporate firms to execute multiple transactions digitally, attracted a large number of new customers in 2011. The number of customers and the transaction volume increased over 50%. The growth in wholesale systems, which help VakıfBank become the primary bank of its customers, has both decreased the operational workload and boosted the payment and cheque collection volume.

In order to deliver customers more rapid and better quality services, VakıfBank plans to continue enhancing its cash management products and develop new and customized products and integration solutions in 2012.

Project Finance

VakıfBank provides high value-added solutions and high quality service in project finance to its diverse client base which is comprised of public and private sector companies. In addition to using its own loans, the Bank extended credit facilities from foreign banks. These facilities included SME Loans from the European Investment Bank (EIB); MidSEFF (medium-sized energy project) loans from the European Bank for Reconstruction and Development (EBRD) and the EIB; and TurSEFF (renewable energy and energy conservation project) loans by EBRD.

VakıfBank participates in syndicated loans for the project financing of dam, highway, railroad, energy and airport investments in large scale government tenders or privatizations. The Bank's role is either as a mandated lead arranger or as a consortium member under the mandate of other banks. During the year, VakıfBank participated in syndicated loans totaling USD 5,181,000,000; in addition, the Bank entered into syndication agreements that totaled USD 1,078,000,000. Including the syndicated loan agreements, VakıfBank secured and extended some USD 3,300,000,000 in loans to the real economy in 2011, from its own resources or from international funding.

The Bank not only participates in the funding of strategic projects for Turkey, but also helps finance the overseas projects of Turkish firms, assisting the country's rise to worldwide prominence as an investor country.

Corporate Payroll Operations

Corporate payroll operations is an intensely competitive area, since it provides banks with a large number of low-risk customers. VakıfBank intermediates the salary payments of around 33.5% of government employees and 13% of pensioners across Turkey. The total market of personnel of all firms that have more than 10 employees and that are required by law to make salary payments via banks cannot be

2011 Operations

calculated exactly; however, VakıfBank is estimated to have about a 4% market share in total private sector corporate payroll operations.

As of end-2011, VakıfBank intermediated the salary payments of 996,019 public and private sector employees, a rise of 11.5% over the prior year. The Bank provides corporate payroll services to a total of 2,172,298 employees and pensioners. At year's end, the Bank's monthly salary payments increased 16.3% from 2010 to reach TL 1,799,044,110. The cumulative annual salary payment volume rose 14.4% over the previous year and totaled TL 32,850,643,946 as of end-2011.

During the year, VakıfBank renewed existing corporate payroll agreements with 379 firms and signed on 447 new firms. At end-2011, the Banks delivered corporate payroll services to 4,324 companies in total.

Public sector institutions account for 81% of the corporate payroll operations undertaken by the Bank. This not only facilitates the marketing of retail banking products and services, but also unleashes the potential of an efficient and low-risk customer group and sharpens VakıfBank's competitive edge in the sector.

VakıfBank's primary objectives for 2012 in this highly competitive market include retaining the high margin existing clients; acquiring new firms that are market leaders; and increasing the number of pensioner payment customers. Additionally, the Bank plans to acquire more private sector salary payment customers to increase its share in this market and raise the Bank's profitability.

Banking Operations

In 2011, the Bank's Document Management System digitized, a total of
- 2,523,600 client photographs, and
- 2,130,800 client signatures for use in confirming branch transactions.

Additionally, the Bank's DMS scanned and digitized a total of 32,130,000 client documents.

In order to decrease the operational workload in branches and serve customers more quickly, VakıfBank has enabled the payment of Motor Vehicle Tax and ÖSYM/MEB exam fees via ATMs, at both Bankomats and Para Bankomats.

Corporate Centers

Through three corporate centers in Ankara and Istanbul, VakıfBank serves corporate conglomerates, their affiliate companies, and multinational concerns operating in Turkey.

The Bank extended its corporate center customers TL 5,549,376,511 in loans as of end-2011, comprised of TL 2,918,862,324 in cash loans and TL 2,260,514,187 in non-cash loans.

At year's end, VakıfBank's corporate centers had a loan exposure of TL 18,823,920,501, with TL 10,098,272,326 in cash loans and TL 8,725,648,175 in non-cash loans.

Cash Loans by Sector (TL million)	Current Period	Share (%)	Previous Period	Share (%)
Agriculture	**830**	**1.5**	**380**	**0.8**
Farming and Husbandry	424	0.7	192	0.4
Forestry	332	0.6	131	0.3
Fishery	74	0,1	56	0,1
Industry	**12,979**	**22.7**	**10,295**	**23.0**
Mining and Quarrying	455	0.8	254	0.6
Manufacturing	10,366	18.1	8,832	19.7
Utilities	2,159	3.8	1,209	2.7
Construction	**3,636**	**6.4**	**2,289**	**5.1**
Services	**13,221**	**23.1**	**12,449**	**27.8**
Wholesale and Retail Trade	6,805	11.9	5,193	11.6
Hotel and Restaurant Services	1,316	2.3	1,011	2.3
Transportation and Telecommunication	3,409	6.0	2,188	4.9
Financial Institutions	1,018	1.8	3,488	7.8
Real Estate and Rental Services	259	0.5	199	0.4
Self-Employment Services	-	-	-	-
Educational Services	103	0.2	69	0.2
Health and Social Services	309	0.5	301	0.7
Other	**26,534**	**46.4**	**19,424**	**43.3**
Total	57,201	100.0	44,836	100.0

The Commercial Banking business line's total foreign trade volume in US dollars increased 69% while the number of foreign trade customers rose 51%

COMMERCIAL BANKING

The Commercial Banking business line expanded its customer base and strengthened its relationships with existing clients in 2011, in line with its strategic objectives for the year.

Commercial Banking serves clients with annual turnover above TL 7.5 million, through a staff of 697 employees spread across 16 regional and 580 branches.

In line with its target of establishing lasting relationships with customers, VakıfBank strives to increase the use of loans, as well as foreign trade, cash management, treasury and other banking products. The business line attained its operating results targets for 2011.

Commercial Banking's customer base increased 16%, while the total number of loan customers grew 32% in 2011.

Commercial cash loans and non-cash loans rose 42% and 38%, respectively.

Commercial Banking has done its utmost to increase product penetration among all groups of customers to achieve sustainable profitability. In foreign trade transactions, it has focused on new customer acquisition with enhanced service quality, expert staff, and innovative foreign trade products and services, in addition to its conventional product and service offerings. As a result, Commercial Banking's foreign trade volume expanded 69% in 2011 in US dollar terms, while its client base grew 51%.

VakıfBank has capitalized on its strong relationships with international institutions and has extended credit facilities to real economy customers under favorable conditions. These lending facilities are provided from the European Investment Bank (EIB), the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD) and the World Bank.

Always standing by its customers under any circumstances while developing customized solutions, VakıfBank plans to continue its efforts to become the primary banking partner of its clients in 2012; specifically, the Bank will expand its customer base with new acquisitions and further strengthen relationships with existing customers.

42%

The Bank's commercial cash loans and non-cash loans rose 42% and 38%, respectively

2011 Operations

In 2011, VakıfBank positioned 1,215 SME Portfolio Managers as "KOBİDOST", friends of SMEs

SME BANKING

After restructuring its SME Banking operations in 2009, VakıfBank increased the number of its dedicated SME Portfolio Managers to 1,215 in 2011 and further enhanced its service quality.

VakıfBank's SME Banking business line serves enterprises with annual turnover below TL 7,500,000 and primarily targets expanding its SME customer base. The Bank initiated a radical restructuring of SME Banking in 2011 by establishing units with the following strategic objectives:

- To expand the product and service offering with solutions that address issues specific to the SME segment, and to strive to increase VakıfBank's market share and profitability in a highly competitive environment by implementing rapid pricing analysis and marketing techniques,
- To identify the specific needs of SMEs via sector and market surveys in the segment, and to develop products and services accordingly,
- To support and boost the performance of SME Portfolio Managers, who take into consideration the priorities and demands of SMEs, and formulate customized financial solutions and consultancy services for these enterprises.

SME-Friendly KOBİDOST programme from VakıfBank

As a bank always sensitive to the needs of SMEs, VakıfBank established itself as a brand in the SME segment in 2011. Within the context of KOBİDOST programme VakıfBank specially trained **1,215** SME Portfolio Managers to become **"KOBİDOST"s**, friends of SMEs.

In order to increase the synergy of KOBİDOSTs, SME Banking organized 370 branch visits in 2011; in total, nearly 1,000 KOBİDOSTs participated in face-to-face sales and marketing meetings. Additionally, all Regional SME Marketing Managers participated in weekly videoconferences on SMEs, with a special focus on the Bank's strategies and policies.

SME Banking's success is seen in increased customer numbers and loan volume

In 2011, VakıfBank set ambitious targets for SME Banking. The Bank well exceeded its strategic objectives, increasing the number of its SME customers by 30.8% and expanding cash loans by 95.9% over the course of the year.

Greater speed and efficiency in the loan allocation process

Thanks to changes made in SME Banking in 2011, VakıfBank has increased the speed and efficiency in its loan allocation process. The Bank's infrastructure can now respond to the financial demands of SMEs within the same day. As a result, VakıfBank positioned itself as a leading player in the sector.

"Getting Acquainted with SMEs" campaign won over new customers

Keen to expand its SME customer base, VakıfBank launched the **"Getting Acquainted with SMEs"** campaign to win over new enterprises in 2011. More than 70,000 SMEs recently became acquainted with VakıfBank and received special and attractive product and service offers.

Large-scale agreement with organized industrial zones, the lifeline of the economy

VakıfBank signed its first banking agreement package with the **"Supreme Council for Organized Industrial Zones (OSBÜK)"**, the umbrella group for Turkey's 264 organized industrial zones. Under the terms of the agreement, organized industrial zones and the companies which operate in them can now enjoy exclusive banking services from VakıfBank.

Cooperation with development agencies and professional chambers

VakıfBank continues to establish new joint projects with development agencies, key players in Turkey's regional development plans. The Bank funds the projects of development agencies to support SMEs. To date, the Bank has signed cooperation agreements with 12 development agencies.

Sector-specific solutions with SME segment packages

VakıfBank renewed its sector-specific solution packages that are designed to correspond to the cash flow needs of SMEs in their growth and development phase. In particular, the seasonal payment package developed for SMEs active in the tourism sector is highly popular.

Sector-specific support packages for SMEs

- KOBİDOST Shopkeeper Support Package
- KOBİDOST Service Sector Support Package
- KOBİDOST Exports Support Package
- KOBİDOST Tourism Sector Support Package
- KOBİDOST Furniture Sector Support Package
- KOBİDOST Logistics Sector Support Package
- KOBİDOST Automotive Auxiliary Industry Support Package
- KOBİDOST Manufacturing Support Package
- KOBİDOST Food Wholesaler Support Package
- KOBİDOST Gas Station Support Package
- KOBİDOST Stationery Sector Support Package
- KOBİDOST White Goods Dealers Support Package

Flexible loan products specially designed for SMEs

To boost the **"KOBİDOST"** brand, SME Banking developed a variety of loan types, including **"expense-free, interest-free, low interest and standard"**, to answer the specific needs of small and medium-size enterprises. Thanks to this campaign, VakıfBank provided TL 825 million in funding to over 9,000 SMEs in only three months.

TL 825 MILLION

The KOBİDOST Campaign extended TL 825 million in loans to over 9,000 SMEs in just three months

2011 Operations

Consultancy on KOSGEB support at each VakıfBank branch
VakıfBank was the first bank to initiate a large scale cooperation with KOSGEB, Turkey's SME Support Organization, to better serve these enterprises. The Bank continued its joint efforts with KOSGEB in 2011. With KOSGEB specialists and an extensive branch network, the Bank has become a center where SMEs can easily access KOSGEB support.

In 2011, VakıfBank provided loans to SMEs at favorable interest rates through its Preparatory Loan Prior to KOSGEB Support Program, extended to meet their financial needs before they join KOSGEB's Loan Support Programs.

Cooperation with TKDK and TMO
VakıfBank joined forces with the Agriculture and Rural Development Support Agency (TKDK) to provide Bank customers with funds from the European Union's Pre-Accession Support for Rural Development (IPARD) program. This cooperation allows SMEs access to one of the EU's key assistance programs.

Under an agreement with the Turkish Grain Board (TMO), VakıfBank can now offer its customers the product TMO Loan Against Receipt.

Vakıf Emeklilik and VakıfBank join forces to launch "SME Vesting" campaign
VakıfBank and Vakıf Emeklilik jointly organized a "Vesting" campaign to provide a valuable benefit to SMEs who want to help their employees join the Private Pension System. With this initiative, VakıfBank has laid the foundation of building long-term relationships with SME employees.

VakıfBank's KOBİDOST Overdraft Bankomat provides rapid and simple solutions to meet the short-term financial needs of SMEs
In 2011, VakıfBank developed the KOBİDOST Overdraft Bankomat in order to provide quick and simple solutions to meet the short-term financial demands of SMEs, and especially urgent cash needs.

Continued support to investments in energy efficiency
Within the framework of the Turkey Sustainable Energy Financing Facility (TurSEFF) of the European Bank for Reconstruction and Development, VakıfBank generated USD 60,000,000 to fund the energy efficiency projects of SMEs. The facility allows the Bank to provide long-term funding, complete with extended grace periods, for energy conservation projects. VakıfBank has not only become the first Turkish bank to extend these loans to SME customers, but the Bank also provides the most rapid funding to energy efficiency projects among all 16 nations participating in the SEFF initiative.

International funding provided to SMEs
For SMEs with operations in top priority development regions, VakıfBank provided EUR 100,000,000 under its Credit Facilities to Emerging Anatolia (BAKK) program. Half of this amount was generated from EIB and EIF funds, and the other half from the Bank's own resources. Around 2,200 SMEs active in 43 top priority development provinces were supported by VakıfBank with very favorable interest rates.

To provide SMEs with medium and long-term financing, VakıfBank has also secured USD 200,000,000 in funding from the World Bank; the Bank is currently extending this facility to customers at attractive interest rates.

VakıfBank completed a very successful year in mortgage loans, and outperformed the sector in 2011, increasing its placements by 48.4%

RETAIL BANKING

VakıfBank's retail loans rose 41.7% in 2011, to TL 21,104 million up from TL 14,890 million a year earlier.
VakıfBank diversified its retail loan products in 2011, by rolling out custom-made loans for specific client segments. The Bank's retail loans rose 41.7% in 2011, to TL 21,104 million up from TL 14,890 million a year earlier. As a result, VakıfBank also increased its market share to 9.43%, up from 8.62% in 2010.

VakıfBank outperforms the sector in retail loan placement growth
The global economic crisis which acutely impacted the banking sector began in the last quarter of 2008 and started to subside in 2011. In the first quarter of the year, interest rates started to drop and the sector's growth rate picked up. However, the BRSA's "Regulation on the Standards and Principles of Banks' Determination of the Specifications of Loans, Other Liabilities and Provisions," dated June 18, 2011, increased general provision requirements for consumer loan growth (other than mortgage and auto loans) in excess of 20% and increased the risk-weighting for certain consumer loans in calculating capital adequacy ratios. This new policy increased interest rates in the sector. The hike in interest rates caused stagnation in loan allocations by banks in the sector. In this challenging environment, VakıfBank's retail loan placement volume expanded 41.7%, well above the sector average of 29.7%.

Special loans for diverse customer groups
VakıfBank diversified its retail loan offering in 2011 and expanded retail loan placements with new products that included "Corporate Anniversary Loan," "Holiday Loan" and "New Year Loan." The Bank also launched customized loans such as "Installment General Purpose Loans for Lawyers" and the "Military Service Loan" to meet the diverse borrowing needs of its clients. The Bank worked to increase cross-selling with customer loyalty campaigns, and also sharpened its competitive edge by offering its customers loans with different repayment options.

9.43%
VakıfBank increased its retail loans market share to 9.43% in 2011, up from 8.62% a year earlier

2011 Operations

Consumer Loans (TL million)		
Loan Type	**2010**	**2011**
General Purpose	7,359	10,074
Car	206	370
Mortgage	5,908	8,810
Total	**13,503**	**19,254**

VakıfBank completed a very successful year in mortgage loans, and outperformed the sector in 2011, increasing its placements by 48.4%. Innovative new products, campaigns targeting various institutions, effective marketing in housing development projects and the successful exploitation of the real estate agency channel helped raise the Bank's market share to 11.8% during the year, up from 9.8% in 2010.

The Bank also rolled out new car loan products and diversified its loan portfolio, while expanding and enhancing the branch network. As a result, the Bank's car loan placements climbed 79.8%, and its market share rose to 5%, up from 3.6% a year earlier.

VakıfBank's consumer loans increased 42.6% in 2011, rising to TL 19,254 million up from TL 13,503 million the previous year. Installment General Purpose Loans (TİK) accounted for 52.3% of the Bank's total consumer loans, with mortgage loans making up 45.8% and car loans accounting for 1.9%.

TİK: Installment General Purpose Loans

During the reporting period, Installment General Purpose Loans grew 36.9% to TL 10,074 million; this performance helped the Bank capture 11.65% share in the segment in 2011.

Car Loans

VakıfBank's car loans market share increased to 5.02% in 2011, up from 3.63% in 2010. While car loans for the banking sector as a whole grew 30.0% during the year, VakıfBank achieved a striking 79.8% growth rate in its car loan placements over the previous year.

Mortgage Loans

In line with the interest rate cuts in the first quarter of 2011, mortgage rates continued to decline and fell below the 1% per month level, causing demand for mortgage loans to surge. The sector's mortgage loans increased 22.7% in 2011, while VakıfBank's mortgage loan portfolio grew 48.4%. As a result, the Bank's mortgages market share rose to 11.81% in 2011, up from 9.77% in the previous year.

Diversifying the product range with innovations

VakıfBank continued to meet the needs and expectations of its customers with the School Collection System and Monthly Dues Collection System, which help increase Overdraft Bankomat-7/24 Placements and enable cross-selling.

As gold has become a popular investment instrument among customers due to recent economic developments, VakıfBank launched a demand gold deposit account: “The Golden Age Account.” Rolled out in late December, the account allows for the purchase and sale of gold in grams.

The Bank offered a range of repayment options to address the needs of all consumers with the Holiday Loan, New Year Loan, Combined Installment General Purpose Loan and Military Service Loan.

The Yellow Shutter suite launched in 2010 and currently offers 12 mortgage loan products. During the year, the Bank rolled out new loan campaigns such as “Yellow Shutter – Home Sweet Home,” “Home Sweet Home” for real estate agencies and “Easy-to-Use Yellow Shutter.”

Thanks to a significant rise in the number of affiliated dealers within the Auto-matic Loans initiative, VakıfBank increased the amount of loan placements originating in the dealers channel. The Bank targeted meeting different customer needs through Special Car Loan for Civil Servants and Buy Now Pay Next Year Car Loan.

New consumer loans in 2011

Military Service Loan: With the enactment of a law allowing for the completion of military service by monetary means, VakıfBank offered customers who wanted to benefit from the law the Military Service Loan on November 22, 2011 to provide them the necessary financial support.

Installment General Purpose Loan for Lawyers: The Special Product Package for Lawyers was launched on December 30, 2011 to provide attorneys the financial support they might need and to develop a lifelong relationship with them.

Compassionate Pension Package: The Banking Package for Pensioners offer pensioners special discounts and exemptions, and up to TL 50 in Worldpoints, which triple in value when used for travel purposes.

VIP Car Loan: This loan provides financial support to customers who want to purchase new cars worth TL 20,000 and above. The interest rate on the loan decreases as the loan amount increases. The VIP Car Loan offers customers repayment options such as equal monthly installments, three-monthly equal installments, repayment with grace periods or a balloon payment.

Holiday Car Loan: Rolled out on August 16, 2011, this product offers clients loans at low interest rates and with limited allocation fees during holidays, for the purchase of new light commercial and passenger vehicles.

Buy Now Pay Next Year Car Loan: Launched on September 28, 2011, the Buy Now Pay Next Year Car Loan campaign aims to meet the needs of customers for car loans at lower interest rates and fees than the market, while offering the option to start installment repayments in 2012.

48.4%

In 2011, VakıfBank’s mortgage loan book grew 48.4%

2011 Operations

Mortgage rates below 1% per month boost loan demand
During 2011, while the banking sector's mortgage loan book increased 22.7%, VakıfBank's mortgage loan book expanded 48.4%.

Mortgage loan campaigns organized in 2011

Yellow Shutter Mortgage Loan Products: Launched on January 13, 2010, the Yellow Shutter Mortgage Loan suite is comprised of 12 different products designed to meet a wide range of customer needs. These products include options and features such as: increasing installment, decreasing installment, intermittent, postponing, deferred principal amount, deferred installments, periodic, early, fixed principal amount, interim payment, no-expense and advantageous.

Corporate Anniversary Mortgage Loan Campaign: Launched on April 6, 2011, on the occasion of the Bank's 57th anniversary, this special campaign ran until June 10, 2011.

Yellow Shutter Summer Mortgage Loan and Yellow Shutter Summer Mortgage Debt Transfer: The Corporate Anniversary Mortgage Loan Campaign which ended on June 10, 2011, was replaced with Yellow Shutter Summer Mortgage Loan Campaign which in turn lasted until October 27, 2011.

Yellow Shutter "Home Sweet Home" Mortgage Loan: The Yellow Shutter Summer Mortgage Loan Campaign which ended on October 27, 2011 was replaced with the "Yellow Shutter Home Sweet Home Mortgage Loan".

Special Yellow Shutter for the Public Sector: Launched on March 8, 2010, this product was designed to meet the specific mortgage loan needs of employees working in the public sector. On November 1, 2011, the interest rates and expense amounts featured in this campaign were updated. Subsequently, the mortgage loan campaign for İLKSAN members, the campaign for POLSAN members, and the campaign for employees of the Istanbul Metropolitan Municipality ended on October 27, 2011 and were combined under the umbrella of the "Special Yellow Shutter for the Public Sector".

Special Yellow Shutter for İLKSAN Members: Launched on July 2, 2010, this loan was specially designed to meet the specific mortgage loan needs of the members and pensioners of İLKSAN (Primary School Teachers Health and Social Assistance Fund). On October 27, 2011, the loan merged with the campaign Special Yellow Shutter for the Public Sector.

Special Yellow Shutter for POLSAN Members: Launched on January 13, 2011, this loan was specially designed to meet the mortgage loan needs of POLSAN (Police Solidarity and Assistance Fund) members. On October 27, 2011, the loan merged with the campaign Special Yellow Shutter for the Public Sector.

Special Yellow Shutter for Istanbul Metropolitan Municipality Employees: Launched on January 11, 2011, this campaign targeted employees working at the Istanbul Metropolitan Municipality and its affiliates (e.g. İDO, İGDAŞ, İSKİ, İETT, et al.). On October 27, 2011, it was merged with the campaign Special Yellow Shutter for the Public Sector.

Special Mortgage Loan for the Real Estate Agency Program and Easy-to-Use Yellow Shutter Loan: This campaign launched on October 26, 2011 and was designed to meet the mortgage loan needs of customers referred to VakıfBank by real estate agencies.

Special Mortgage Loan for OYAK Members: The campaign launched on August 3, 2009 to serve all OYAK members and Turkish Armed Forces (TSK) personnel. Its interest rates were updated on December 2, 2011.

Playing an active role in secondary bill and bond market operations, VakıfBank maintained its leading position in the fixed income securities market

TREASURY OPERATIONS

During 2011, VakıfBank's Treasury Operations pursued effective and flexible treasury policies based on the principles of prudence and profitability. This strategy helped the Bank maintain its profitability level despite falling interest rate margins and shrinking profit in the sector as a whole.

The global financial crisis reached a scope and impact not seen to date in 2011. Rising country risks in European countries affected the whole continent, and spilled over to the banking sectors due to the interconnectedness of financial markets; as a result, the global risk appetite suffered significantly. In Turkey, however, foreign capital inflow continued in the first half of the year 2011 and overall market conditions were favorable, which in turn translated into high economic growth. Due to measures introduced to curb credit expansion, the country's growth rate began to slow from the second quarter onward. In the third quarter of the year, international capital started to outflow from Turkey, and most other emerging economies, due to rising global economic uncertainties and falling risk appetites.

In this environment, the CBRT adopted an "unconventional" macro monetary policy, making use of reserve requirements, interest corridor and other liquidity instruments to limit liquidity in the economy.

VakıfBank's efficient management of the securities portfolio

As a market maker bank, and an active player in the secondary bill and bond market, VakıfBank maintained its leading position in the fixed income securities market. The responsive securities portfolio management strategies put in place helped minimize the adverse effects of CBRT's tight monetary policy in recent months. The Bank's securities portfolio formation strategies will prioritize possible fluctuations in interest rates of securities in the coming period.

VakıfBank's total deposits reach TL 60.9 billion in 2011

In 2011, total deposits entrusted to VakıfBank amounted to TL 60.9 billion, comprised of Turkish lira deposits of TL 43.2 billion and foreign currency deposits equivalent to TL 17.7 billion. Total deposits were up 27.8% from the previous year.

Deposits by retail increased 24.6% to TL 20.6 billion. This strong performance was thanks to the Bank's rapidly expanding branch network across Turkey, deposit products designed to expand the deposit base, effectively managed promotional campaigns and the ability to generate trust among deposit holders. Retail deposits rose as fast as in 2010, fueled by a 35% increase in savings deposits to TL 15.0 billion and 35% growth in foreign currency deposits to TL 5.6 billion. Similarly, as a result of policies to boost demand deposits, the Bank's total demand deposit volume went up 24.6% from the prior year, to TL 9.1 billion from TL 7.3 billion in 2010. The share of demand deposits in total deposits was 14.9%. In 2012, VakıfBank plans to continue its products and promotional campaigns targeting retail investors and prioritize special deposit products to extend the average maturity of deposits.

In the coming year, the Bank will also continue its cost-focused fund management policy which it had successfully implemented in 2011.

2011 Operations

VakıfBank to prioritize derivative products in 2012

In 2011, VakıfBank added over-the-counter derivative instruments to its product portfolio for customers from all segments. The Bank launched a range of derivative products that included options, foreign currency swaps, forwards, conditional options, interest swaps, interest ceilings, interest floors, swap options and forward rate agreements (FRA). The Bank runs its marketing operations in coordination with branches, regions and Head Office departments while working to expand its product offering, cross-selling opportunities, customer base and transaction volume. With the introduction of the above-referenced products, VakıfBank customers now have access to all the most extensively used instruments available in the sector. VakıfBank has already captured a significant market share in derivative products, which make up an integral part of project loans in particular, and help loan customers manage their foreign currency and interest rate risks.

In 2012, VakıfBank plans to continue to enhance its product development and marketing operations in derivatives, in line with customer needs.

Treasury and International Operations

VakıfBank's Treasury and International Operations runs treasury operations, and facilitates all types of deposit, foreign trade, cash and payments systems transactions.

The Department undertakes treasury, deposit, foreign trade, payment systems and cash operations in the most rapid, reliable and precise manner. Precise and rapid operations allow VakıfBank to provide more competitive and effective services to corporate and retail customers. This operational support also enables marketing units to offer high quality services to a much larger number of clients. Thanks to the implementation of innovative projects to improve operational efficiency in 2011, the Bank's domestic and overseas money and capital market transaction volume continues to grow. Additionally, the rise in operational quality boosts treasury and foreign trade volume.

In 2012, the Bank plans to implement new initiatives to further reduce operational costs and increase profitability.

VakıfBank plays a crucial role in international markets and in Turkish foreign trade

FOREIGN TRADE AND CORRESPONDENT RELATIONS

VakıfBank continued to expand its international banking operations in 2011, completing a year of success in foreign trade and finance, despite persistent global economic problems. In generating international funding, the Bank diversified its resources and signed long-term financing agreements under favorable conditions. In 2011, the Bank maintained its sector leading position and built up its presence in international markets thanks to its long standing experience and deep relationships.

VakıfBank's strength in foreign trade is due to its vast correspondent network coupled with the reputation and mutual trust it has fostered in international markets and its solutions-oriented workforce specialized in relationship management. The Bank maintains its robust position in the sector by enhancing its service quality according to rapidly changing market conditions and developing long-term solutions to meet its funding needs. As a result, VakıfBank plays a key role in international markets and in Turkish foreign trade.

Alternative financing solutions in foreign trade

One of Turkey's leading companies in foreign trade transactions, VakıfBank was again able to gain additional market share in 2011 with its innovative operations, customized solutions approach and alternative financing solutions. The Bank continued to support its foreign trade clients by offering a range of financial instruments.

Responding to all customer needs regarding foreign trade transactions via its extensive correspondent banking network, VakıfBank has access to the entire global market thanks to its participation in the risk sharing programs of the IFC and EBRD.

VakıfBank offers its clients financing in different currencies via various foreign trade instruments, and in particular post-financing. The Bank's pioneering role in corporate and commercial banking, and its success in the SME business line, contributed to the increase of its foreign trade volume. In 2011, the volume of exports and imports, as well as other transactions by clients, expanded significantly from the prior year.

Well-established and extensive correspondent network based on mutual trust and cooperation

VakıfBank has a robust correspondent banking network that includes 1,702 banks across 112 countries. The network is managed by a team specialized in relationship management based on the principles of mutual trust, cooperation and transparency. The Bank strives to provide fast and alternative solutions to clients with the network's dynamic structure. The extensive correspondent banking network continues to expand day by day with new connections. Capitalizing on its vast correspondent network and ample credit lines, VakıfBank is one of the most preferred foreign trade banking partners of its customers.

Thanks to its long-standing, deeply rooted and extensive correspondent relations, VakıfBank maintains close relationships in international financial markets and develops innovative, efficient and secure solutions that meet the needs of its foreign trade clients. In 2011, VakıfBank expanded its transaction volume by further strengthening its existing correspondent relations and establishing new relationships on a firm basis.

2011 Operations

Structured Finance

In March 2011, VakıfBank secured a one-year syndicated loan of USD 1 billion with two tranches of USD 192.5 million and EUR 573.5 million. With the participation of 34 banks, the facility was the largest syndicated loan in the Bank's history. Secured for use in financing foreign trade, the loan was priced at Libor + 1.10% and Euribor + 1.10%, respectively. In the second half of 2011, the Bank secured another one-year syndicated loan of USD 760 million, with two tranches of USD 145 million and EUR 433 million; a total of 26 banks participated in the loan. This syndicated was priced at Libor + 1% and Euribor + 1%. In total, the Bank secured around **USD 1.8 billion** in syndicated loans in 2011.

In 2011, VakıfBank also successfully executed its first securitization transaction since 2007. In March, the Bank completed a new securitization transaction of **USD 215 million**, in two tranches and with a maturity of up to 12 months. The credit was extended by European Bank for Reconstruction and Development (EBRD), Wells Fargo and West LB. In addition, the insurance of the third tranche of USD 131.5 million securitization loan which was placed in 2007 is cancelled and the credit is restructured, reducing the transaction cost significantly. As of end-2011, VakıfBank's total securitization loan book amounted to USD 1 billion. The Bank uses securitization loans with a maturity of up to 12 months in the long-term financing of the real economy, and as a result contributes to the sustainable growth of the Turkish economy.

To further support the real sector with long-term, low-cost funding, VakıfBank cooperates with the European Bank for Reconstruction and Development, European Investment Bank and the World Bank. MidSEFF project loans from the EBRD are used to finance medium-size renewable energy projects; BAKK project loans from the EIB are channeled to small and medium-size enterprises in top priority development regions; and Enhancing SME Access to Finance Project II of the World Bank is efficiently allocated to SMEs that meet the necessary requirements. VakıfBank ensures that the above-referenced funds are allocated across an wide customer base.

VakıfBank's international organization comprises

- Vakıf International AG,
- New York Branch,
- Bahrain Branch, and
- Erbil Branch.

Vakıf International AG

Headquartered in Vienna, Vakıf International AG was established in 1999 in line with VakıfBank's plans to expand overseas and conduct international banking operations. Vakıf International AG has branches in Vienna, Frankfurt and Cologne.

New York Branch

The New York Branch was founded in 1995 to better exploit opportunities in international financial markets and to provide more comprehensive solutions to customers in foreign trade.

Bahrain Branch

The Bahrain Branch was established in 2005 to finance foreign trade transactions which continue to expand due to the soaring business volume between Turkey and the Gulf Region, and to fund projects planned in this region.

Erbil Branch

In order to contribute to the commercial and economic cooperation between Turkey and Iraq and to support Turkish entrepreneurs who invest in the region, VakıfBank became one of the first Turkish banks to open a branch in Northern Iraq. The Erbil Branch commenced operations in February 2011.

Effective communications with investors

During 2011, VakıfBank regularly provided information to investors or intermediary institutions via meetings.

VakıfBank executives met with investors in both one-on-one and group meetings and provided information about the Bank's financial and management structure as well as its forecasts and strategies for the short-, medium- and long-term. The Bank's financial results were presented simultaneously to domestic and overseas investors via quarterly teleconferences; The Bank also responded to all inquiries concerning financial results. In addition to providing information to investors via conferences, roadshows and meetings at the Istanbul Head Office, the Bank kept its communications channels open throughout the year. Additionally, VakıfBank assessed all inquiries, comments and requests to the Bank and met all information requests, except those concerning confidential information about the Bank and its customers.

The Bank maintained close contact with all analysts covering and reporting on VakıfBank; the Bank also provided analysts accurate and sound information during the preparatory stages of their reports. In addition, the analysts received comments and opinions regarding the reports that they prepared.

VakıfBank continued to increase its market share in credit cards, with new products and features; installment, Worldpoint and discount shopping campaigns; and effective cooperation with brands

CREDIT CARDS

VakıfBank increased its credit cards market share consistently throughout 2011 with a customer-oriented service approach.

VakıfBank continued to increase its market share in credit cards, with new products and features; installment, Worldpoint and discount shopping campaigns; and effective cooperation with brands.

VakıfBank's rich credit card portfolio includes the following products:

- **VakıfBank Platinum**, equipped with special services designed for high-income individuals;
- **Rail&Miles**, for those who prefer to travel by train,
- **Beşiktaş, Fenerbahçe, Galatasaray, Trabzonspor, Antalyaspor, Gaziantepspor** and **Diyarbakırspor Team Credit Cards**, for sports fans who want to support their favorite teams;
- **Öğretmenim, ASES** and **Kamusen** credit cards, designed to meet the needs of specific professional groups;
- **VakıfBank BusinessCard**, geared toward the needs of commercial enterprises; and
- **VakıfBank Classic** and **Gold** credit cards, for customers who are not in any of the segments above.
- VakıfBank credit card holders are eligible to take advantage of all opportunities offered by VakıfBank member merchants as well as World member merchants.

The Bank equipped eight credit card products, starting with Rail&Miles, with contactless payment functionality; currently, all of the credit card portfolio boasts contactless payment capability. Thanks to the contactless payment feature, credit card holders now can make fast payments in transactions totaling TL 35 and under.

Prepaid Social Assistance Cards

In 2011, VakıfBank added prepaid cards to its product portfolio with the launch of the "Social Assistance Card" Project, and became the sector's pioneer in this segment. The Bank's prepaid cards facilitate payments by municipalities, governorships and social assistance institutions to individuals in need. Kocaeli Metropolitan, Sarıyer, Samsun İlkadım, Konya Karatay and Kadirli municipalities joined forces with the Bank and launched

2011 Operations

Credit Cards	2008	Market Share	2009	Market Share	2010	Market Share	2011	Market Share
Total Credit Card Receivables (TL million)	737	2.17%	982	2.68%	1,387	3.18%	1,850	3.33%
Credit Cards Turnover (TL million)	3,800	2.05%	4,960	2.45%	7,096	3.03%	9,671	3.33%
Number of Credit Cards	2,026,96	24.67%	2,245,011	5.06%	2,398,943	5.11%	2,626,880	5.11%

a number of initiatives. The transparent and accountable nature of the system makes the project more attractive in the eyes of government bodies.

Installment and discount offers in tax payments with municipal cards
VakıfBank joined with the municipalities of Istanbul's Şişli and Üsküdar districts, to launch the "Şişli Card" and the "Üsküdar Card." Card holders enjoy special discounts and campaigns in VakıfBank's member merchants in the these districts, and can also divide their real estate/office tax and fee payments into three installments.

The Şişli Card and the Üsküdar Card can also be regarded as social responsibility projects. A specified percentage of card holder charges is transferred to the social assistance funds of each respective municipality, without any extra cost to the card holders.

With VakıfBank Express, no need for cash to use public transportation
VakıfBank Express combines unique credit card exclusive shopping advantages and transport card features in the city of Trabzon. As a result, card holders no longer need to refill their cards at transport stations. As an alternative to the use of cash on public transportation, VakıfBank Express makes life easier for its customers and also provides discounted transportation fees for students of Karadeniz Technical University.

Foundations and funds grow stronger with the ASES Card
The ASES credit card platform initially launched with POLSAN (Police Solidarity and Assistance Fund) and later was extended to include many other foundations and funds. In 2011, the platform came to include İLKSAN and the Turkish State Railways Employees and Pensioners Social Assistance Foundation. As of year's end, the program reached a potential of 350,000 foundation and fund members with over 25,000 ASES credit cards issued.

VakıfBank Campus Card for universities
VakıfBank's Campus Card solutions targeting universities expanded its portfolio in 2011 to include Ağrı İbrahim Çeçen and Ordu universities. Students can use their credit cards as an ID and payment card to enter the university campus, and at cafeterias, parking lots and libraries.

Steady rise in commercial cards
Designed for customers in the corporate, commercial and especially SME segments, VakıfBank BusinessCards maximized customer satisfaction with their brand new products and services.

In 2011, BusinessCard's turnover increased 206%, the number of cards rose 151% and total receivables were up 230%. BusinessCard's market share in total turnover stood at 4.79% in December, up from 2.27% in the prior year.

VakıfBank Worldcard's new feature: "Installment for Cash"

"Installment for Cash" is a new credit card feature which allows card holders to make hassle-free repayments for their cash withdrawals from branches and ATMs, with options such as low interest rates and installments. The Installment for Cash feature allows card holders to withdraw cash upon request at interest rates lower than the current rates on cash withdrawals and with repayment installments of up to 12 months, within their credit card limits.

A 6% discount at ALPET and TP gas stations

In 2011, VakıfBank cooperated with ALPET and Türkiye Petrolleri (TP) to offer all VakıfBank credit card holders a 6% discount for their gas purchases from participating ALPET and TP service stations across Turkey.

VakıfBank has raised the bar in the highly competitive gas station market, in which similar promotional campaigns are held by banks periodically, in order to maximize customer satisfaction.

New products and developments in member merchants

As of end-2011, VakıfBank had a total of 75,285 member merchants. The Bank increased its member merchant turnover by 46% over the previous year. With a market share of 4.11%, VakıfBank is ranked eighth among institutions with member merchants. The total member merchant market was up 24% from the prior year and reached TL 293 billion.

VakıfBank introduced the following measures in 2011 to improve member merchant services:

- Within the framework of Law No. 6111 on the Restructuring of Certain Debts, the Bank reached an agreement with the Revenue Administration to allow for installment payment of overdue debts via the Administration's website using the Bank's credit cards. The Bank launched the application during the year.
- The Bank introduced the Installment with Interest Cost (VFT – Vade Farklı Taksit) in virtual POS devices. As a result, the funding cost originating from the installment in the case of installment payments is borne by card holders.
- In accordance with legal changes governing the use of domestic credit cards, VakıfBank launched the surcharge application. This application charges a commission fee to card holders in case they use their credit or debit cards to make payments at specified government agencies.
- VakıfBank upgraded its current infrastructure to allow regular utility bill payments via credit cards. From 2012 onward, the Bank will accelerate its efforts to integrate with participating institutions to allow customers to use their credit cards to make regular payments.
- The Bank made its POS terminals used in the Türk Telekom Bill Collection System EMV-compatible and rolled them out across the market. In addition, as the POS terminal owner in this program, VakıfBank started to cooperate with other banks in POS applications.

75,285

As of end-2011, VakıfBank had 75,285 member merchants

- VakıfBank launched the POSPara (Cashback) application, which allows card holders to withdraw up to TL 100 in cash from the member merchants during transactions using debit cards.
- To enable the use of debit cards in e-commerce transactions, the Bank completed the technical modifications required. Now, card holders can conduct 3D secure transactions from the Bank's virtual POS with their debit cards.
- VakıfBank became the pilot bank in the BKM Express initiative, which makes online shopping with cards more secure. The Bank completed the upgrades required in cooperation with E-bebek and BKM (Interbank Card Center). Sales are scheduled to start BKM Express in the first quarter of 2012 through the Bank's virtual POS.

2011 Operations

VakıfBank launched its "Mobile Banking" application at the end of 2011. The Bank expects that channel will become increasingly popular with customers throughout 2012

140 million

In 2011, about 140 million financial transactions were completed via VakıfBank ATMs

ALTERNATIVE DELIVERY CHANNELS

To reduce operating costs and workload, VakıfBank continues efforts to shift its operational workload from the branches to Alternative Delivery Channels. Providing a wide variety of products via these channels will also further enhance customer satisfaction. In 2012, the Bank will introduce additional initiatives to meet these targets.

ATM

About 140 million financial transactions were carried out via VakıfBank ATMs in 2011.

VakıfBank continued efforts to renew and extend the ATM network.

To better serve clients, VakıfBank **replaced 283 ATMs across the country with newer models and installed 362 new ATMs in front of branches and in central locations.**

The Bank placed new ATMs in 33 shopping malls across Turkey; currently, VakıfBank **ATMs are installed in 101 shopping centers in the country.**

As of end-2011, VakıfBank provides service via 2,533 ATMs, of which 2,527 are across Turkey, with six in the Turkish Republic of Northern Cyprus.

The number of new Diebold Para Bankomats (advanced ATMs) rose dramatically from 11 at year-end 2010 to 459 as of end-2011, with 448 new ATMs put into service for customers, up nearly 4,000%. The total number of Para Bankomats went up from 708 in 2010 to 1,181 in 2011.

In 2011, about 88 million cash withdrawal transactions were made via ATMs, with a total monetary volume of TL 30 billion.

In addition, profit from Ortak Nokta ("Shared Kiosk" – an initiative for the joint use of ATMs by banks) increased from TL 1,884,766 in 2010 to TL 2,197,676 in 2011, up 17%.

In 2011, VakıfBank introduced numerous new applications to customers via ATMs. These applications were designed to shift a number of frequently conducted transactions from branches to the ATM channel and to expand the ATM product range. The Bank implemented the following projects and initiatives for this purpose:

- A project to ensure that ÖSYM/MEB exam fee collection, which is often conducted in branches prior to exam dates, can now be performed via ATMs.
- Customers can now open and close term deposit accounts via ATMs without having to visit a branch and at more favorable conditions.
- VakıfBank launched the Cash Advances via Credit Card at Equal Installment initiative to enable credit card holders meet their urgent cash needs immediately via ATMs and with convenient repayment terms.
- The Bank rolled out the Transaction Explication Entry with Recourse to Turkish Republic Identity Number and Telephone Number application to diversify ATM transactions and improve their security.
- The Motor Vehicle Tax Payment via ATMs application allows customers to conduct transactions without waiting in line at a physical branch, and reduces the operational workload of branches.
- Buying and Selling Gold via ATMs is another application that expands the range of investment transactions carried out through ATMs.

Internet Banking

The number of registered users of Internet Banking, which launched in 2000, rose 17% over the prior year and reached 1,723,905 at year-end 2011; the number of active customers increased 31% to 691,125.

As of end-2011, customers performed more than 17 million financial transactions on Internet Banking for a total transaction volume of nearly TL 41 billion. The total number of Internet Banking transactions for the year was 500 million, with 17 million financial transactions and 483 million non-financial transactions.

Mobile Banking

VakıfBank launched its Mobile Banking application at year-end 2011. This channel is expected become more and more popular among customers in the coming year.

CepŞifre (Single-use PIN)

In 2011, VakıfBank launched a new one-time PIN application Mobile Password (CepŞifre), in addition to its existing feature VakıfAnahtar. The new application will help customers perform transactions more securely, by allowing them to choose their own single-use PINs.

As of year-end, telephone banking had received 8 million calls during 2011. The number of calls received by customer representatives totaled 4,734,562; the response-to-call ratio for these calls was 93%.

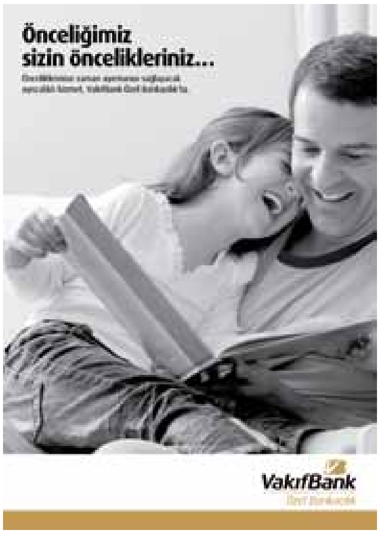
In addition to the calls made by Telephone Banking's call center staff, the Bank retained an outsourcing company to increase outbound call volume; as a result, 1,271,000 customers had been called on behalf of the Bank as of year's end.

In 2011, VakıfBank implemented technical infrastructure upgrades and hired new personnel to enhance Telephone Banking customer satisfaction and service quality, as well as to maintain call quality amid increasing call traffic.

The Bank enhanced the technical infrastructure and functional capacity of all Call Centers and its Interactive Voice Response system.

2011 Operations

Well-known for its strong and trustworthy corporate brand, VakıfBank strives to make a difference in private banking with its exclusive customer service



Branches

Committed to providing efficient and high quality services through an extensive domestic branch network, VakıfBank opened 43 new branches - 41 regular and two satellites - during 2011. The Bank also transformed three of its satellite branches to full-size branches; as a result, the Bank now has 677 domestic branches. As of end-2011, VakıfBank has 581 branches and 96 satellite branches in its network.

In addition, VakıfBank has 14 "Practical" branches that extend loans quickly and deliver high quality and customer-oriented services. These branches are designed to meet the financial needs of retail customers in the most rapid and practical manner possible.

Branching operations will continue through 2012.

In order to better serve customers via alternative delivery channels, the Bank installed 89 Internet kiosks in branches; further expansion of the kiosk network is currently under way. Kiosks allow customers to access their daily financial data and the VakıfBank website, to complete loan and credit card applications and to make loan calculations.

PRIVATE BANKING

The Private Banking business line is committed to managing the assets of customers in accordance with their risk tolerance and expectations, with an emphasis on high service quality delivered in a confidential manner. Private Banking strives to increase customer acquisition, foster client loyalty, decrease interest rate sensitivity, raise non-interest income and boost the productivity of each customer.

VakıfBank has a deeply rooted legacy and long-term experience that has led the Turkish banking sector as a corporate brand since 1954. The Bank has now started to channel its rich know-how and deep experience into private banking, one of the most efficient and important business lines of contemporary banking.

Focused on becoming a leader in private banking services, VakıfBank opened its first Private Banking Branch in Ankara on January 7, 2011. The branch opening followed careful development and adoption of private banking best practices, implementation of the required systems infrastructure and completion of the product development process. VakıfBank went on to establish its Ankara Çayyolu Private Banking Corner on February 28, 2011 and the Istanbul European Side Private Banking Branch on October 5, 2011. In the coming period, the Bank plans to extend its private banking branch network in Istanbul and open private banking branches in other major Turkish cities including Izmir.

VakıfBank is the first public sector corporation to offer a comprehensive range of private banking products and services. The Bank's exclusive service approach goes far beyond conventional banking services and targets high net worth individuals with assets of TL 300,000 or more.

With comfortable, well-appointed offices designed along the principles of mutual trust and confidentiality, VakıfBank Private Banking develops personalized financial solutions by providing customers the options most suitable to their needs, lifestyle and risk tolerance, with specially trained, well-experienced personnel.

VakıfBank Private Banking not only provides traditional banking products and services with exclusive pricing options, but also goes well beyond conventional banking by offering investment instruments, derivatives and structured products.

Well-known for its strong and trustworthy corporate brand, VakıfBank strives to make a difference in private banking with its exclusive customer service.

INVESTMENT BANKING

Capital markets play an active role in the economic development of countries. They help accelerate capital accumulation, the driving force of development, and make effective use of this force. Additionally, they can closely monitor the rapid developments in global capital markets.

Today, it is more important than ever for capital markets to maintain a competitive edge in the global market, which evolves and changes rapidly due to its structural dynamics.

With its important market leading position in the banking sector, VakıfBank is an active player in money and capital markets. The Bank's business strategies focus on investing customer assets to generate optimum results, developing customized solutions, and attaining greater expertise in the use of advanced investment techniques. As a result, VakıfBank is a preferred business partner in money and capital markets for retail and corporate customers.

VakıfBank invests the funds of customers to generate optimum results by making alternative investment instruments available to account owners. The Bank also aims to increase its market share by intermediating the capital markets transactions of companies.

The VakıfBank Investment Banking Team, which offers capital market instruments to corporate and retail investors in the most rapid manner, was reorganized into two separate departments: Sales Coordination & Product Management and Investment Operations. The reorganization will help the Bank to better monitor developments and innovations in the banking sector and provide services more efficiently. The Bank also planned to establish Investment Centers in Ankara, Istanbul and Izmir; the Ankara Investment Center commenced operations in 2011.

680

VakıfBank has 680 branches: 581 domestic branches, 96 satellite branches and three overseas branches

2011 Operations

Intermediation in Marketable Securities Trading

In 2011, VakıfBank made the system modifications required to achieve alignment with new products and practices introduced by the Istanbul Stock Exchange (ISE). The changes facilitate stock trading, an important component within the intermediation of marketable securities trading. Marketable securities trading can be performed at all VakıfBank branches and the Ankara Investment Center and via Internet and Telephone Banking. The use of alternative delivery channels has grown, and the transaction volume of this channel has increased significantly.

VakıfBank acts as an intermediary in public offerings and stock trading on the ISE, thanks to an agency agreement with its subsidiary, Vakıf Yatırım Menkul Değerler A.Ş. (Vakıf Investment Inc.). With the remote access system, 24 orders per second can be processed during trading sessions. This level of functionality results in direct and faster trading from head offices, increased markets use capacity, and reduced trading costs.

Developments in the national economy and in technological innovations also bring about significant changes in capital markets. Companies with growth potential are moving rapidly to tap capital markets for their financing needs. This trend in particular gained momentum in 2011, in parallel with the number of initial public offerings completed. In these IPOs, book-building and sales transactions are efficiently processed through all of VakıfBank branches, the Ankara Investment Center and via alternative delivery channels such as Internet Banking and Telephone Banking.

Mutual Funds

VakıfBank continues to set up mutual funds that meet the diverse risk and return preferences of investors. The Bank has two Type A (equity) and eight Type B (money market) mutual funds. The mutual funds can be traded without any volume limitation via all branches, as well as through such alternative delivery channels as Internet Banking, Telephone Banking and ATMs.

In parallel with falling interest rates, the profitability of fixed income investment instruments return has started to decline, which has prompted investors to opt for alternative instruments. In this environment, the principal protected funds set up in recent periods have become a much-preferred instrument of investment.

In order to meet customer expectations and acquire new customers, VakıfBank established the Principal Protected Umbrella Fund. Two sub-funds were set up under its umbrella: the 100% Principal Protected Sub-Fund No. 1 (based on an increase in the USD/TL exchange rate) and the 100% Principal Protected Sub-Fund No. 2 (based on a decrease in the USD/TL exchange rate). Both sub-funds were offered to the public.

Work is under way to set up Principal Protected Sub-Fund No. 3 (increase in the price of gold) 2012; Sub-Fund No. 4 (increase in the USD/TL exchange rate); and Short-Term Bill and Bond Fund in 2012.

VakıfBank holds a 5.36% market share in mutual funds; the Bank expends great effort to optimally manage its mutual funds in line with the needs of its customers.

Shareholder Relations

The Bank manages shareholder relations by maintaining its records in a robust, secure and up-to-date manner, and by ensuring that written information requests of shareholders that pertain to the Bank are fulfilled in accordance with applicable legislation.

The Bank convenes and holds General Assembly meetings as required, prepares documents to be presented to shareholders at General Assembly meetings, and ensures that meeting minutes are recorded. Additionally, the Bank closely observes and monitors that its public disclosures in accordance with all legal requirements.

VakıfBank also strives to actively use electronic communications and the Bank's website in all its shareholder relations activities.

Precious Metals

The Bank intensively marketed gold trading, while acquiring new customers and capitalizing on cross-selling opportunities. The Bank's target is to further increase the customer trading volume achieved in 2011 both in terms of volume and profitability in the coming year.

A key investment instrument in the current market environment, gold has attracted increasing attention in recent years in Turkey. VakıfBank is a member of the Istanbul Gold Exchange, which was created to provide a secure, stable and convenient platform offering free competition to trade precious metals and precious metals based capital markets instruments.

VakıfBank issues gold bars (in 2-, 5-, 10-, 50-, and 100-gram weights) in 995 and 999 purities; the Bank also issues one-ounce GAP and Osmanlı commemorative coins, and 20-gram Sinan commemorative coins. These products are available to investors at all VakıfBank branches.

VakıfBank also engages in the daily trading of registered gold in 995 purity under the code İAB1 on the Istanbul Gold Exchange and the sale of Vakıf-brand gold bars and coins. Gold bars with the code İAB1 are purchased on the Istanbul Gold Exchange, where they are kept under custody in VakıfBank's name. The Bank makes sales of İAB1 registered gold bars to customers from this pool as well.

Dematerialization of Marketable Securities

The Bank made significant progress in its ongoing initiative to merge all customer accounts under a single VakıfBank Customer Number and to match identities with relevant accounts. When compared with the total number of investment accounts, the number of those for which identity verification could not be made is now insignificant. Accounts without adequate ID information on the account owner and which are inactive have been moved to the archive and cleared from the system.

VakıfBank is a member of the Central Registry Agency as an intermediary and issuer to intermediate the dematerialization of capital markets instruments.

Since the introduction of the dematerialization process, VakıfBank's mutual funds consist of Type A and Type B, and all of the shares representing the Bank's capital have been dematerialized.

Bank Bonds

VakıfBank was authorized by the Capital Markets Board to issue up to TL 1.5 billion in TL denominated domestic bank bonds and/or bills with various maturity terms. The Bank offered the first tranche of TL 500 million to the public in 2011 and the second tranche of TL 1 billion in bank bonds on January 25-27, 2012.

Turkish Derivatives Exchange

At VakıfBank, work is under way to intermediate in customer trading in futures on the Turkish Derivatives Exchange; transactions will commence in 2012.

2011 Operations

VakıfBank does its utmost to raise public awareness of and contribute to women's volleyball in Turkey

1.
VakıfBank Türk Telekom Women's Volleyball Team became Turkey's pride and joy by winning the European Champions League title

COMMUNICATIONS AND MEDIA RELATIONS

In 2011, VakıfBank unveiled its "compassionate bank" concept and significantly enhanced its public perception and image, according to the results of various customer and advertisement surveys.
The results of a customer survey conducted in 2010 revealed that VakıfBank lagged its peers in corporate reputation, customer awareness of the bank, and being the primary or frequent banking partner of its clients. As a result, VakıfBank embraced a new vision based on the concept of "compassion", which is deeply rooted in the Vakıf culture and historically central to the Bank's operations. As the Vakıf culture functions like a protective umbrella over Turkish society, this fundamental concept has always been a central, although unstated tenet of the Bank and its customers. The concept of compassion goes well beyond simple understanding and includes the underlying philosophy, perspective and motivation that differentiates VakıfBank from all other banks, drive its achievements and shapes its services.

In line with the compassion concept developed jointly with its business partners, VakıfBank launched a number of promotional campaigns via broadcast, print, online, outdoor and other media to emphasize the message "This is where you belong" and the image of a "compassionate bank" among the public. Commercials featuring public figures such as Mustafa Denizli and Türkan Şoray, who are very popular in Turkey, have reached out to the public and communicated the key messages effectively.

VakıfBank has expanded its services to a larger customer base and has greatly enhanced its perception by the general public. According to customer and advertisement surveys conducted following the Bank's promotional campaigns, the public's perception and image of VakıfBank has improved considerably. The improvement is largely thanks to commercials featuring Mustafa Denizli and Türkan Şoray that center around the concept of "the compassionate bank", as well as others that focus on the "shopping gurus" concept or that feature KOBİDOST, VakıfBank's new brand in SME Banking.

The "compassionate bank" concept launched in 2011 and will be further developed in the coming year. The Bank plans to extend the concept to all its business lines and products while public awareness will be raised in parallel.

VakıfBank does its utmost to raise public awareness of and contribute to women's volleyball in Turkey. The Bank provides support to all levels of women's volleyball, and does much more than simply sponsor teams. VakıfBank has undertaken major initiatives to help volleyball become more popular and appreciated within society at large. VakıfBank sees its support for volleyball as a way to contribute to sports in Turkey, and the Bank is extremely pleased and proud to see that its efforts have resulted in numerous national and international championships.

VakıfBank's volleyball sponsorships are a long-term initiative, confirmed by the fact that its women's volleyball team continues to make progress, become stronger and is set to make even larger achievements in the years ahead. In turn, the team's success makes a significant contribution to the public's perception and image of VakıfBank. As the most dedicated supporter of Turkish volleyball, VakıfBank plans to provide increasing support in order to achieve its objectives of training successful athletes for Turkish sports and good citizens for Turkish society.

SOCIAL RESPONSIBILITY

VakıfBank continued to provide significant support to education, culture, and sports, as well as to advance the fields of finance and technology in 2011.
The Bank stood out among its competitors with its social responsibility projects in 2011. VakıfBank provided financial assistance to the people of Somalia suffering from severe famine and also gave significant aid to victims of the earthquake which hit Van and its environs. The Bank offered earthquake victims not only commercial benefits, but also financial assistance. In addition, the Bank accommodated 75 families in its recreational facilities in Ayvalık and attended to their needs.

In keeping with time-honored VakıfBank tradition, art galleries continued to host artists and art lovers in 2011. Numerous exhibitions in the galleries in Ankara and Istanbul brought together valuable artworks with art enthusiasts throughout the year. By supporting the Turkish Folk Music and Turkish Classical Music choruses formed by Bank personnel, and sponsoring such international arts events as the "Turks in German Caricatures" exhibition, VakıfBank once again illustrated that it has a stake in every discipline of the arts.

Other events supported by VakıfBank in 2011 included, "Press Photo of the Year" and "Photo Album" events held by the Turkish Photojournalists Association (TFMD). A TFMD exhibition comprising the photographs featured at these events reached photo lovers across Turkey during its nationwide tour of 26 cities.

Making up an essential part of its social responsibility commitments, VakıfBank's support to volleyball grew to even greater dimensions in 2011. The Bank increased its ongoing support to VakıfBank Türk Telekom's Little, Youth and Junior Girls' Volleyball Teams and to the Women's Volleyball Team that has achieved great success for years in Turkey and Europe. VakıfBank also assumed the main sponsorship of Turkey's Youth and Junior Women's National Volleyball Teams. After the beginning of VakıfBank's sponsorship, the National Women's Youth Volleyball Team first won the European Championship and then went on to win the World Championship. Meanwhile, the National Women's Volleyball Team ranked third in the European Championship, making all of Turkey and the Bank extremely proud. Additionally, VakıfBank Türk Telekom Women's Volleyball Team made history by winning the European Champions' League. Thank to these exceptional accomplishments, a number of media outfits designated VakıfBank as one of the outstanding sponsors of sports in 2011.

VakıfBank crowned its sports sponsorships with educational support, by donating 100 computers and two overhead projectors to the Turkish Volleyball Federation's High School for Fine Arts and Sports.

The Bank mediated a lottery organized by the Turkish Confederation for the Disabled and sold lottery tickets via its branches. The Bank also joined forces with a Professional Rehabilitation and Training Workshop held by the Association for the Physically Disabled to provide wheelchairs for disabled citizens in need in the Western Black Sea region of Anatolia.

VakıfBank continued to foster the financial development of Turkey by supporting various national and international initiatives in 2011. The Bank ranked among the main sponsors of the Istanbul Finance Summit which hosted numerous domestic and international investors. The Bank also sponsored the 3rd edition of the "Golden Pen - Business Media Awards for Peace" organized by the Association of Business Journalists.

In 2011, VakıfBank also sponsored the New York premiere of the film "Turkish Passport" screened as part of the United Nations Least Developed Nations Conference, held at Harvard University in Boston by the Ministry of Foreign Affairs. In addition, the Bank sponsored the Conference on Change and Women's Role in Muslim Societies organized jointly by the Organization of the Islamic Conference and the Turkish Ministry of Family and Social Policy.

In Turkey, the Bank provided financial support to the International Anatolian Conference of Economics organized by Anatolian University's Faculty of Economic and Administrative Sciences; the National Congress 2011 organized by Ege University's Science and Technology Research and Application Centers; and the 11th edition of Turkish Justice Academy's Judges and District Attorneys Conference.

VakıfBank continued to be a strong and proud supporter of social responsibility initiatives in education, sports, arts & culture, and finance in 2011. The Bank plans to increase the level of its support to such projects in the years ahead.

2011 Operations

SUBSIDIARIES

VakıfBank further contributes to the Turkish economy through the operations of its subsidiaries that span a diverse range of sectors and business lines. The number of VakıfBank subsidiaries and affiliates, which was 24 in 2010, fell to 23 as of year-end 2011, as a result of a merger of two subsidiaries (Vakıf Sistem Pazarlama Yazılım A.Ş. and Vakıf Pazarlama ve Ticaret A.Ş.).

Sixteen of VakıfBank's subsidiaries operate in the financial services sector (five in banking, two in insurance and nine in other financial lines of business) while seven are non-financial companies (one in energy, two in tourism, one in manufacturing and three in other commercial lines of business).

The value of the Bank's subsidiary and affiliate portfolio decreased by 3.4% in 2011 to TL 865 million from TL 895 million in 2010.

VakıfBank Financial Services Group

VakıfBank International AG
VakıfBank International AG was established in 1999 to increase VakıfBank's international operations in line with its strategy to expand abroad. VakıfBank controls a 90% stake in the Company's capital of EUR 45 million.

World Vakıf UBB Ltd.
World Vakıf UBB Ltd. was established in 1993 in the Turkish Republic of Northern Cyprus with capital of USD 500,000 and serves as an international banking unit. VakıfBank owns an 82% stake in World Vakıf UBB Ltd.

Kıbrıs Vakıflar Bankası Ltd.
VakıfBank participated in Kıbrıs Vakıflar Bankası Ltd. to promote the use of Visa and MasterCard/Eurocard credit cards issued by the Bank and to increase foreign currency revenues. VakıfBank owns a 15% stake in Kıbrıs Vakıflar Bankası Ltd., which has a capital of TL 40 million.

Türkiye Sınai Kalkınma Bankası A.Ş.
Established in 1950, Türkiye Sınai Kalkınma Bankası A.Ş. provides long-term funds for medium and large-scale investment projects, engages in investment banking activities, and offers corporate finance services. VakıfBank owns an 8.38% stake in the Bank's share capital of TL 800 million.

Takasbank İMKB Takas ve Saklama Bankası A.Ş.
Takasbank is engaged in clearing and custody services as well as investment banking services. VakıfBank owns a 4.86% stake in the Bank's share capital of TL 60 million.

Güneş Sigorta A.Ş.
Güneş Sigorta is a general (non-life) insurer originally established in 1957 under VakıfBank's direction. VakıfBank owns a 36.35% stake in the Company's share capital of TL 150 million.

Vakıf Emeklilik A.Ş.
Vakıf Emeklilik A.Ş. was established in 1991 as a life insurer. The Company acquired a license to sell private pensions on August 1, 2003 pursuant to the Private Pension Savings and Investment System Law No. 4632 and received a license to establish private pension funds on September 5, 2003. VakıfBank owns a 53.90% stake in the Company's share capital of TL 26.5 million.

Vakıf Finansal Kiralama A.Ş.
Vakıf Finansal Kiralama A.Ş. was founded in 1988 to provide a comprehensive range of leasing services. VakıfBank owns a 58.71% stake in the Company's share capital of TL 50 million.

Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.
Established in 1991 as a publicly held company, Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. is an investment trust. It professionally manages the assets of small and individual investors in the stock exchange, facilitates the trading of marketable securities and maximizes the returns of its portfolio by closely monitoring foreign exchange, stock and money markets. VakıfBank owns an 11.75% stake in the Company's share capital of TL 15 million.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was founded under the guidance of VakıfBank as the first real estate investment trust in Turkey and with issued capital of TL 250,000. The Company was set up to establish and manage a portfolio of real estate properties and real estate-backed capital markets instruments. VakıfBank owns a 27.63% stake in the Company's share capital of TL 100 million.

Vakıf Finans Factoring Hizmetleri A.Ş.
Vakıf Finans Factoring Hizmetleri A.Ş. was established in 1998 to provide factoring services for domestic and international commercial ventures. VakıfBank owns a 78.39% stake in the Company's share capital of TL 22.4 million.

Vakıf Yatırım Menkul Değerler A.Ş.
Vakıf Yatırım Menkul Değerler A.Ş. was originally established as Vakıf Yatırım A.Ş. (Vakıf Investment Inc.) under the direction of VakıfBank to conduct capital markets activities pursuant to the Capital Markets Board's resolutions dated August 15, 1996. VakıfBank owns a 99% stake in the Company's share capital of TL 35 million.

In addition to providing brokerage services, Vakıf Yatırım Menkul Değerler A.Ş. performs repurchasing agreements of securities (repo transactions), and provides investment consultancy, and portfolio management and asset management services.

Vakıf Portföy Yönetimi A.Ş.
Vakıf Portföy Yönetimi A.Ş. was established to manage client portfolios consisting of capital markets instruments as the authorized agent under discretionary portfolio management agreements pursuant to the Capital Market Law and other applicable legislation. The Company also provides investment advisory and capital markets services. VakıfBank owns a 99.99% stake in the Company's share capital of TL 3 million.

Kredi Kayıt Bürosu A.Ş. (KKB)
Kredi Kayıt Bürosu A.Ş. was established in 1995 to manage the flow of credit information. VakıfBank owns a 9.09% stake in the Company's share capital of TL 7.4 million.

Bankalararası Kart Merkezi A.Ş.
Bankalararası Kart Merkezi A.Ş. was founded in 1990 to conduct card based payment systems, clearing and provisioning services. VakıfBank owns a 9.70% stake in the Company's share capital of TL 14 million.

Kredi Garanti Fonu A.Ş.
Kredi Garanti Fonu A.Ş. was established in 1991 to provide all types of loan guarantees for SMEs, farmers, artisans, craftsmen and the self-employed. VakıfBank participated in the Company in 2009 and owns a 1.67% stake in its share capital of TL 240 million.

VakıfBank Non-Financial Services Group

Taksim Otelcilik A.Ş.
Taksim Otelcilik A.Ş. was established in 1966 to build, contract out and manage hotels, motels and similar facilities capable of increasing Turkey's incoming tourism potential. VakıfBank owns a 51% stake in the Company's share capital of TL 97.2 million.

Vakıf Gayrimenkul Değerleme A.Ş.
Vakıf Gayrimenkul Değerleme A.Ş. was established in 1995 to provide appraisal and evaluation services for all types of real estate properties. VakıfBank owns a 54.29% stake in the Company's share capital of TL 3.5 million.

Vakıf Enerji ve Madencilik A.Ş.
Vakıf Enerji ve Madencilik A.Ş. was founded to build electric and heat energy generation facilities, to generate energy at these facilities and to sell the energy it produces within the framework of current laws, regulations and administrative provisions. VakıfBank owns a 65.50% stake in the Company's share capital of TL 85 million.

Roketsan Roket Sanayii ve Ticaret A.Ş.
Roketsan Roket Sanayii ve Ticaret A.Ş. engages in the production, manufacturing and sale of rocket fuel as well as missiles, rockets and rocket launchers, and their engines. VakıfBank owns a 10% stake in the Company's share capital of TL 146 million.

Güçbirliği Holding A.Ş.
Güçbirliği Holding A.Ş. was established in 1995. VakıfBank owns a 0.07% stake in the Company's share capital of TL 30 million.

Vakıf Pazarlama ve Ticaret A.Ş.
Vakıf Pazarlama ve Ticaret A. A.Ş. engages in the purchase, sale, export and import of ships, tankers, marine vessels and shipyard construction equipment; the sale of printing, stationery and computer consumables; and the sale and maintenance of photocopy and fax machines. VakıfBank owns a 69.33% stake in the Company's share capital of TL 30.2 million.

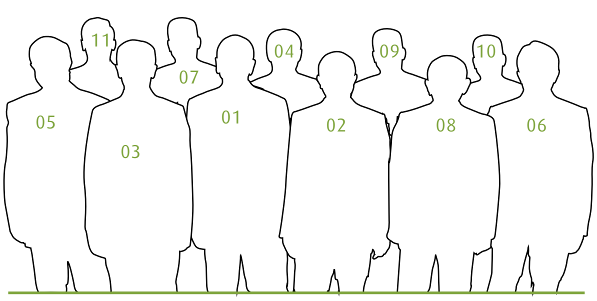
İzmir Enternasyonal Otelcilik A.Ş.
İzmir Enternasyonal Otelcilik A.Ş. engages in the contracting out of the building and the management of hotels and commercial centers. VakıfBank owns a 5% stake in the Company's share capital of TL 120,000.

Members of the Board of Directors and Auditors

Halil Aydoğan (01)
Chairman
Halil Aydoğan graduated from Istanbul University, Faculty of Economics, Department of Business Administration - Finance and started his career in 1977 at T. Vakıflar Bankası T.A.O. as Assistant Auditor. He served as Auditor from 1980 to 1983, Deputy Manager at the Mecidiyeköy Branch between 1983 and 1985 and Branch Manager at the Kadıköy, Mecidiyeköy, Taksim, Istanbul and Şişli branches from 1985 to 1996. Mr. Aydoğan worked as Deputy General Manager at T. Vakıflar Bankası between 1996 and 1999 and as General Manager at Vakıf Financial Leasing Inc from 1999 to 2000. He was elected as Member of Parliament for Afyonkarahisar during the 22nd and 23rd terms. Mr. Aydoğan has served as Chairman at T. Vakıflar Bankası since his appointment on January 5, 2012.

Süleyman Kalkan (02)
Executive Director
Süleyman Kalkan was born in 1956 in Kırşehir and he graduated from Ankara University, Faculty of Political Sciences, Department of International Relations in 1981. Mr. Kalkan started his career as Assistant Auditor at İşbank in 1983. Subsequently, he became Deputy Manager for Personal Loans in 1993 and Regional Director for Commercial and Corporate Loans in 1995; he also served as Manager for Non-Performing Loans from 1997 to 2003. During this period, Mr. Kalkan served as Member of the Bank's Disciplinary Board and Manager of the Levent and Balmumcu branches. Additionally, he served as Member of the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş., Anadolu Hayat Emeklilik A.Ş. and İş Factoring A.Ş. Mr. Kalkan served as Chairman at Güneş Sigorta A.Ş., a VakıfBank affiliate, and as Chairman of the Auditing Committee at Vakıf International AG (Vienna). Mr. Kalkan was appointed Executive Director and General Manager at Türkiye Vakıflar Bankası T.A.O. in March 2010.

Ahmet Candan (03)
Board Member
Ahmet Candan graduated from Ankara University, Faculty of Political Sciences, Department of Finance in 1987. He began his professional career the same year as Assistant Auditor on the Board of Auditors at the Ministry of Finance. Subsequently, Mr. Candan joined Kuwait Turk Private Financial Institution as Auditor and Legislation and Tax Consultant. He then worked as Deputy General Manager and General Manager at several private sector companies as well as at Ziraat Leasing; in 2006, he was appointed Board Member and Full Member of the Credit Committee at the Ziraat Bank. Mr. Candan has served as Board Member at T. Vakıflar Bankası T.A.O., since his appointment by the Ordinary General Assembly in March 2010.



Halim Kanatcı (04)
Board Member
Halim Kanatcı graduated from the Academy of Economic and Commercial Sciences, Department of Business Administration in 1976. Mr. Kanatcı worked totally 24 years, as Manager at Garanti Bank for 13 years, and Branch Manager for three years at Toprakbank and Finansbank. He also served as CEO of Istanbul Marmara Education and Health Institutions Inc., and Member of the Board of Trustees at Maltepe University; he held the position of Deputy Mayor of Maltepe, Istanbul, from 2004 to 2009. In April 2009, Mr. Kanatçı was appointed Member of the VakıfBank Board of Directors by the Prime Minister. He is serving concurrently as Member of the Bank's Auditing Committee and Full Member of the Credit Committee.

İsmail Alptekin (05)
Board Member
İsmail Alptekin graduated from Istanbul University, Faculty of Law in 1968 and he started his professional career as a self-employed lawyer. Subsequently, he worked as an Attorney at the Agricultural Equipment Agency of Turkey and as Auditor at the Scientific and Technological Research Council of Turkey (TÜBİTAK). Mr. Alptekin served as Board Member at VakıfBank for two terms (1975-1978, 1996-1997); as Council Member of the Ankara Metropolitan Municipality; as Member of the Turkish Parliament in the 21st term representing Bolu; as Member of the Turkish Parliament in the 22nd term representing Ankara; and concurrently as Deputy Speaker of the Parliament. At the Ordinary General Assembly Meeting in April 2009, Mr. Alptekin was appointed Member of the VakıfBank Board of Directors. He is also currently serving as Member of the Bank's Corporate Governance and Appointment Committee.

Dr. Adnan Ertem (06)
Board Member
Dr. Adnan Ertem was born in 1965 and attended secondary school in Erzurum. Mr. Ertem graduated from Istanbul University, Faculty of Political Sciences, Department of Public Administration in 1987; subsequently, he obtained a PhD in sociology in 1997 from the same institution. After joining the Turkish General Directorate of Foundations as Assistant Auditor in 1988, Dr. Ertem was promoted to Auditor in 1991 and to Head Auditor in 2002. From 2002 to 2007, he acted as deputy of Istanbul Regional Director of Foundations. Between 2007 and 2010, Dr. Ertem served as Deputy Undersecretary of the Turkish Prime Ministry and in October 2010 he was appointed General Director of the Turkish Prime Ministry, General Directorate of Foundations. In October 2010, Dr. Ertem was appointed Board Member at VakıfBank; he also serves as Substitute Member of VakıfBank's Credit Committee and Member of the Rate Setting Committee. Dr. Ertem is married and has two children.

Ramazan Gündüz (07)
Board Member
Ramazan Gündüz began his banking career as an intern at VakıfBank in 1977. Subsequently, he worked as Assistant Auditor and Auditor; served in various managerial level positions; and was later appointed Executive Vice President and Board Member. He then served as General Manager at two VakıfBank affiliates, Vakıf Leasing Inc and Vakıf Real Estate Investment Trust. In addition, Mr. Gündüz acted as insurance broker for a certain period. At the Ordinary General Assembly in April 2009, he was appointed Board Member of T. Vakıflar Bankası T.A.O. Currently, Mr. Gündüz also serves as a Full Member of the Bank's Credit Committee.

Selahattin Toraman (08)
Board Member
Selahattin Toraman was born in 1955 in Çorum and he graduated from Anadolu University, Department of Public Administration. Mr. Toraman joined T. Vakıflar Bankası T.A.O. in 1977 as Bank Officer; he then served in various positions at the Bank and as Manager for different branches until his voluntary retirement in 2000. From December 31, 2003 to March 2008 Mr. Toraman served as Member of the Board of Directors of the Bank, as Board Member at Güneş Sigorta A.Ş. and Vakıf Deniz Leasing Inc, and subsequently as Chairman of Vakıf Emeklilik A.Ş. He also worked as an advisor to Mr. Mehmet Ali Şahin, Secretary of State and Vice Prime Minister for the 58th and 59th Turkish Council of Ministers. Mr. Toraman is currently serving as Chairman of Vakıf Real Property Valuation Inc. and Vakıf Marketing Industry & Trade Inc. In March 2010, he was re-appointed Board Member of T. Vakıflar Bankası T.A.O. Concurrently, Mr. Toraman is also serving as Member of the Corporate Governance and Appointment Committee.

Serdar Tunçbilek (09)
Board Member
Serdar Tunçbilek graduated from Ankara University, Faculty of Political Sciences, Department of Economics and then he began his professional career as Assistant Auditor at Emlak Bank in 1985. After serving in various positions at Emlak Bank, he worked for the Banking Regulation and Supervision Board and the Saving Deposit Insurance Fund in 2001. In July 2007, Mr. Tunçbilek was appointed Board Member at T. Vakıflar Bankası T.A.O. He is also serving as Member of the Bank's Audit Committee and Substitute Member of the Credit Committee.

Mehmet Haltaş (10)
Auditor
Mehmet Haltaş graduated from Ankara İ.T.A. Başkent School of Economic and Commercial Sciences. Subsequently, he worked as Auditor and Chief Auditor at the Turkish General Directorate of Foundations for 24 years; currently, he is serving as the Head of the Consultant and Audit Services Department there. At the Ordinary General Assembly Meeting of T. Vakıflar Bankası T.A.O. in March 2010, Mr. Haltaş was elected Auditor of VakıfBank.

Yunus Arıncı (11)
Auditor
Yunus Arıncı graduated from Ankara University, Faculty of Political Sciences, Department of Public Administration. He began his professional career as Assistant Auditor at the Prime Ministry in 1997 and later completed his post graduate degree at Indiana University between 2007 and 2009. Following his posts as Auditor and Chief Auditor at the Prime Ministry, Mr. Arıncı was appointed Chairman of the Prime Ministry Board of Auditors, a position he still holds. At the Ordinary General Assembly Meeting of T. Vakıflar Bankası T.A.O. in March 2010, he was elected Auditor of VakıfBank.

(*) At the Board Meeting held on January 5, 2012, Halil Aydoğan was appointed Chairman of the Board of Directors. Also, Ahmet Candan, who had served as Vice Chairman, resigned from his position.

Executive Management

Süleyman Kalkan
General Manager
Süleyman Kalkan was born in 1956 in Kırşehir and he graduated from Ankara University, Faculty of Political Sciences, Department of International Relations in 1981. Mr. Kalkan started his career as Assistant Auditor at İşbank in 1983. Subsequently, he became Deputy Manager for Personal Loans in 1993 and Regional Director for Commercial and Corporate Loans in 1995; he also served as Manager for Non-Performing Loans from 1997 to 2003. During this period, Mr. Kalkan served as Member of the Bank's Disciplinary Board and Manager of the Levent and Balmumcu branches. Additionally, he served as Member of the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş., Anadolu Hayat Emeklilik A.Ş. and İş Factoring A.Ş. Mr. Kalkan served as Chairman at Güneş Sigorta A.Ş., a VakıfBank affiliate, and as Chairman of the Auditing Committee at Vakıf International AG (Vienna). Mr. Kalkan was appointed Executive Director and General Manager at Türkiye Vakıflar Bankası T.A.O. in March 2010.

Mehmet Cantekin
Chief Executive Vice President
(Loan Monitoring, Regional Directorates)
Mehmet Cantekin graduated from Ankara University, Faculty of Political Sciences, Department of Finance and completed his post graduate degree at the University of Illinois. He joined VakıfBank in December 2007 as Deputy General Manager and he later held positions at various banks and public institutions. Most recently, Mr. Cantekin served as Department Head at the Banking Regulation and Supervision Board. He is fluent in English and French.

Şahin Uğur
Executive Vice President
(Supporting Services)
Şahin Uğur graduated from Erzurum Atatürk University, Faculty of Business, Department of Business Administration. He began his career at VakıfBank as Probationary Exchange Official in 1984. After serving in various capacities at the Bank, Mr. Uğur was appointed Deputy General Manager in 2004. He is fluent in English and Arabic.

Feyzi Özcan
Executive Vice President
(Retail Loans-Retail Banking-Corporate Payroll-Credit Cards-Card and Member Company Operations)
Feyzi Özcan graduated from Gazi University, Faculty of Economic, Administrative Sciences. He joined VakıfBank in 1989 as Assistant Auditor and subsequently served as Manager, Deputy Director and Director at various branches and units of the Bank prior to his appointment as Deputy General Manager in 2005. Mr. Özcan is fluent in English.

Metin Recep Zafer
Executive Vice President (General Accounting and Financial Affairs-Treasury and Overseas Operations-Alternative Distribution Channels-Banking Operations)
Metin Recep Zafer graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics; he also completed post graduate and PhD degrees there. Mr. Zafer worked at different banks from 1992 and joined VakıfBank in June 2006 as Deputy General Manager. He is fluent in English.

Birgül Denli
Executive Vice President
(International and Investor Relations)
Birgül Denli graduated from Middle East Technical University, Department of Statistics and completed her post graduate degree in Financial Markets and Derivatives at London Metropolitan University. In November 2003, Ms. Denli joined VakıfBank as Head of the Correspondent Banking and International Finance Department at VakıfBank International AG in Vienna; she was appointed Deputy General Manager on June 15, 2006. She served in various capacities at many banks and companies both in Turkey and abroad, and most recently served as Board Member at VakıfBank International AG in Vienna. She is fluent in English, German and French.

Ömer Elmas
Executive Vice President
(Legal Affairs–Legal Proceedings)
Ömer Elmas graduated from Istanbul University, Faculty of Law and completed his post graduate degree in Private Law; he is currently a PhD candidate. Mr. Elmas worked as a self-employed lawyer, served as Legal Coordinator during the liquidation process of Emlak Bank and as executive at several companies. After serving as Chief Legal Consultant for Ziraat Bank, he joined VakıfBank in 2006 as Chief Legal Counsel; he was appointed Deputy General Manager in January 2009. Mr. Elmas is fluent in German and English.

İbrahim Bilgiç
Executive Vice President
(Corporate Banking-Corporate Loans-Corporate Centres)
İbrahim Bilgiç graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Finance. He joined VakıfBank as Assistant Auditor in 1992 and served as Manager and Regional Manager at different Bank branches before his appointment as Deputy General Manager in April 2010. Mr. Bilgiç is fluent in English.

Hasan Ecesoy
Executive Vice President
(Treasury-Investment Banking)
Hasan Ecesoy graduated from Uludağ University, Faculty of Engineering and Architecture, Department of Electronics Engineering and completed his post graduate degree at Istanbul Technical University, Institute of Social Sciences, Department of Business Administration. He also obtained a PhD from Marmara University, Institute of Social Sciences, and Department of Economics. Mr. Ecesoy started his banking career in October 1993 at Ziraat Bank and later served as Specialist, Manager, Chairman and General Manager at Sümerbank A.Ş., Bayındırbank A.Ş., Anadolubank A.Ş., and Halk Yatırım Menkul Değerler A.Ş, respectively. In May 2010 he was appointed Deputy General Manager at VakıfBank. Mr. Ecesoy is fluent in English.

Dr. Serdar Satoğlu
Executive Vice President
(Private Banking-Affiliates)
Serdar Satoğlu graduated from Ankara University, Faculty of Political Sciences, Department of Finance. Subsequently, he obtained his post graduate degree from Marmara University, Institute of Banking and Insurance, Department of Capital Markets and Stock Exchange; in addition, he received a PhD from the Institute's Department of Banking. Dr. Satoğlu joined VakıfBank in 1995 as Assistant Auditor. He was appointed Head of the Board of Internal Auditors at Vakıf Investment Securities Inc. in 2001 and he later served as General Manager at the same company for seven years. In June 2010, he was appointed Deputy General Manager at T. Vakıflar Bankası, a position he currently holds. In 2011, Dr. Satoğlu was appointed TSPAKB Auditing Board Member and VOB Board Member. Dr. Satoğlu is married and has two children. He is fluent in English.

Ali Engin Eroğlu
Executive Vice President
(Software Development-System Management-IT Operation and Support-IT Services Planning-IT Process Management and Compliance-Project Management-Information Security)
Ali Engin Eroğlu graduated from Boğaziçi University, Faculty of Engineering, Department of Computer Engineering. He is pursuing post graduate study in Computer Engineering at Gebze Institute of Technology. After holding a variety of positions including Software Engineer, Project Manager, Manager and Deputy General Manager at various companies since 1996, Mr. Eroğlu was appointed the Bank's Deputy General Manager in July 2010. He is fluent in English.

Osman Demren
Executive Vice President
(Commercial Banking–SME Banking–Cash Management Operations)
Osman Demren graduated from 9 September University, Faculty of Economic and Administrative Sciences, Department of Business Administration. He joined VakıfBank in December 1996 as Assistant Auditor, and later served as Branch Manager and Regional Manager. Mr. Demren was appointed Deputy General Manager at VakıfBank in April 2011. He is fluent in English.

Mitat Şahin
Executive Vice President
(Human Resources-Planning and Performance)
Mitat Şahin graduated from Ankara University, Faculty of Political Sciences, Department of Economics; subsequently, he completed post graduate studies at Selçuk University, Institute of Social Sciences, Department of Business Administration. Mr. Şahin joined VakıfBank in December 1990 as Assistant Auditor. He then served as Manager and Head of different branches and departments at the Bank before his appointment to Deputy General Manager in March 2011. From May 24 to July 1, 2010, he also served as Board Member at T. Halk Bankası A.Ş. He is fluent in English.

Yıldırım Eroğlu
Executive Vice President
(Commercial Loans-Intelligence)
Yıldırım Eroğlu graduated from Ankara University, Faculty of Political Sciences, Department of Economics. He began his career at VakıfBank in September 1993 as Assistant Auditor. After working at different branches and the Directorate of Commercial Loans, Mr. Eroğlu served as General Manager at the New York Branch from August 2004 to November 2011, when he was appointed Deputy General Manager at the Bank. He is fluent in English.

(*) In accordance with the resolution adopted at the Board of Directors Meeting held on March 23, 2011, Osman Demren was appointed Deputy General Manager and took office on April 6, 2011.

In accordance with the resolution adopted at the Board of Directors Meeting held on March 23, 2011, Mitat Şahin was appointed Deputy General Manager and took office on April 11, 2011.

In accordance with the resolution adopted at the Board of Directors Meeting held on September 21, 2011, Remzi Altınok, who had served as Deputy General Manager in charge of Commercial Loans and Intelligence, resigned from his position as Bank's Deputy General Manager. He was appointed General Manager at Taksim Hotel Management Inc.

In accordance with the resolution adopted at the Board of Directors Meeting held on November 17, 2011, Yıldırım Eroğlu was appointed Deputy General Manager and took office on December 6, 2011.

Internal Systems Executives

Mustafa Saydam
Head, Board of Internal Auditors

Mustafa Saydam graduated from Gazi University, Faculty of Economic and Administrative Sciences, Department of Business Administration. He joined VakıfBank in September 10, 1993 as Assistant Auditor and later served as Manager at different branches and departments of the Bank. While he was serving as Head of the Human Resources Department, Mr. Saydam was appointed Head of the Board of Internal Auditors in April 2010.

Ramazan Sıryol
Head, Internal Control

Ramazan Sıryol graduated from Istanbul University, Faculty of Economics, Department of Public Finance. He began his career at VakıfBank as Assistant Auditor on the Board of Internal Auditors in September 1993. Mr. Sıryol served as Branch Manager in a number of the Bank's branches, before his appointment to Head of Internal Control in January 2008.

Zeki Sözen
Head, Risk Management

Zeki Sözen graduated from Middle East Technical University, Department of Computer Engineering; he completed post graduate study at the same institution. Mr. Sözen began his professional career at VakıfBank as a Programmer in the Electronic Business Intelligence Systems (EBIS) Department in September 1987. Subsequently, he served as Senior Programmer, Deputy Manager, Manager and Director in different units of the EBIS Department prior to his appointment to Head of Risk Management in August 7, 2008.

Committees

Audit Committee

Serdar Tunçbilek and Halim Kanatcı were elected to the Audit Committee that was established to assist VakıfBank Board of Directors in executing its auditing and oversight functions.

The Audit Committee has assumed the following duties and functions:

- Monitoring the effectiveness and adequacy of the internal control systems of the Bank; functioning of these systems as well as the accounting and reporting systems in accordance with applicable laws and regulations; and maintaining the integrity of the information generated by these systems on behalf of the Board of Directors,
- Performing the preliminary assessments required for the selection of the independent audit firms by the Board of Directors,
- Monitoring the activities of the independent audit firms selected by the Board of Directors on a regular basis,
- Ensuring the consolidated functioning and coordination of the internal audit functions of the institutions subject to consolidated audit,
- Preparing reports on the functioning of the internal audit, internal control and risk management system for the annual report.

Credit Committee

VakıfBank's Credit Committee consists of two full members and two alternate members. The full members are Halim Kanatcı and Ramazan Gündüz; alternate members are Adnan Ertem and Serdar Tunçbilek.

The functions of the Credit Committee are as follows:

- Performing the tasks stipulated in the Banking Law in accordance with the principles set by the Board of Directors,
- Soliciting the written recommendation of the Head Office in lending decisions, and providing the financial analysis and news and intelligence reports about those applying for loans with respect to recommendations for loans that require the procurement of account status document,
- Providing any type of information that may be requested by any of the members of the Board of Directors about the Committee's activities and cooperating in the performance of any checks and controls since the Committee's activities are audited by the Board of Directors,
- Recording the Committee's decisions on a daily basis and obtaining signatures of the Committee members.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is responsible for overseeing the Bank's compliance with corporate governance principles. The Committee consists of two members of the Board of Directors: İsmail Alptekin and Selahattin Toraman.

The functions and duties assumed by the Committee are as follows:

- Monitoring the degree of compliance with the corporate governance principles within the Bank and determining the reasons in case of noncompliance as well as determining the negative impacts resulting from incomplete adherence to these principles and recommending corrective actions to be taken in respect thereof,
- Formulating methods that will provide transparency in the identification of the candidates for the Board of Directors to be recommended to the Board of Directors,
- Undertaking research and developing recommendations about the number of executives in senior management positions,
- Formulating recommendations and monitoring the implementations related to the principles and practices for performance evaluation and compensation of the members of the Board of Directors and the executives,
- Providing recommendations to the Board of Directors pertaining to the persons to be appointed to the Bank's senior management positions consisting of Executive Vice Presidents and equivalents,

Committees

- Investigating the independence of the members of the Board of Directors and uncovering any conflicts of interest,
- Providing assessments and recommendations related to the structure and operating principles of the committees reporting to the Board of Directors,
- Preparing the Corporate Governance Principles Compliance Report for the annual report,
- Providing detailed information about the activities of the Corporate Governance and Nominating Committee within the scope of the annual Report of the Board of Directors.

Remuneration Committee

VakıfBank's Remuneration Committee was established with Board of Directors resolution No. 82893 dated January 26, 2012 as per Corporate Governance Principles Article 6, revised with Communiqué on Amendment of the Communiqué on Banks' Compliance with Corporate Governance Principles issued in Official Gazette No. 27959 dated June 9, 2011. The Committee members are Chairman Halil Aydoğan and Board Member Adnan Ertem.

Asset Liability Management Committee

Established to evaluate the impacts of opportunities and risks arising from developments in the markets on the balance sheet and to make tactical decisions, the Committee is chaired by the CEO and consists of Executive Vice Presidents responsible for Treasury, Banking-Marketing, Financial Control, Planning and Loans as well as the Chief Economist and the Head of Risk Management.

Committee Meeting Times and Attendance at Meetings

Board of Directors: It generally convenes every 15 days and more frequently in case of emergencies. The Board of Directors convened for 38 meetings and passed 1,397 resolutions in 2011.

Audit Committee: The Audit Committee generally convenes once a month. The Audit Committee convened for 35 meetings and passed 83 resolutions in 2011.

Credit Committee: It generally convenes every 15 days and holds extraordinary meetings in case of emergencies. The meeting time is determined by the CEO based on the number of agenda items received by the meeting secretariat and their emergency status. The Committee convened for 37 meetings and passed 203 resolutions in 2011.

Asset Liability Management Committee: Convening weekly, the Committee held 50 meetings in 2011.

Corporate Governance and Nominating Committee: It convenes at the dates specified by the Committee Chairman at least twice a year, generally every three months but not to exceed six months between meetings. The Committee convened for seven meetings and passed seven resolutions in 2011.

Human Resources Practices

Fully aware that human resources play the most important role in achieving its sustainable growth strategy as well as the objectives of its restructuring initiative, VakıfBank continued its improvement efforts in recruitment, promotion, performance evaluation, career planning and training processes in 2011.

The Bank recruited 1,875 employees due to the personnel needs of newly established units and newly opened branches in 2011. Meanwhile, 730 employees left the Bank due to retirement, resignation or other reasons. The total number of employees rose 10.3% to 12,222 as of year-end 2011, up from 11,077 a year earlier.

As part of the new employee recruitment process, the Bank accepted applications from candidates with degrees from four-year banking-related departments and institutes of Turkey's leading universities. In addition, candidates who try to improve themselves, who hold advanced degrees, and who are fluent in foreign languages were preferred. The share of employees with undergraduate degrees and above increased from 77% at year-end 2010 to 81% at the end of 2011.

The trainings identified in accordance with the training need analyses performed by the Training Department were conducted in a manner that meets the requests of employees as well. Some 73,046 employees attended 2,510 classroom training sessions in 338 subjects in 2011; in total, Bank employees received 506,085 hours of classroom training during the year. With an average number of 11,434 employees during 2011, the Bank administered classroom training to 9,434 personnel while 6,134 employees attended multiple training sessions. Additionally, the Bank conducted 997 e-learning sessions in 70 unique subjects; some 213,157 participants in total attended these sessions. The number of e-learning session hours totaled 327,926, while the Bank's entire staff received several e-learning training programs.

A Remuneration Committee was established by the Bank as per the Corporate Governance Principles Article 6, revised with Communiqué on Amendment of the Communiqué on Banks' Compliance with Corporate Governance Principles issued in Official Gazette No. 27959 dated June 9, 2011. The Committee implements the remuneration policy in accordance with the Bank's scope and structure of activities, strategies, long-term goals and risk management structures. The Committee will also contribute to effective risk management by preventing the Bank from taking on excessive risks.

The strategic goals of the Human Resources Department for 2012 are as follows:

- In order to meet staffing needs of existing units and branches as well as of the newly created units and branches, VakıfBank will continue to recruit Assistant Financial Analysts, Assistant Specialists and trainee Officers in 2012.
- Specialist employees (Assistant Financial Analysts and Assistant Specialists) who have completed their qualification periods will be given qualification exams.
- In order to ensure the advancement of the Bank's employees along their career paths and to meet staffing needs for authorized personnel, title promotion exams will be given to employees who became eligible to be promoted to a higher level title in terms of tenure in 2012.
- To conduct human resources practices more efficiently and more objectively, the Bank will revise its Personnel Bylaws, Specialist Employees Bylaws, Foreign Language Bylaws and Human Resources Department Duties Bylaws.
- A schedule will be designed to make sure that employees take their leaves carried over from earlier years.
- Performance of the employees who are already eligible for retirement or who will become eligible in 2012 will be monitored. Those with declining performance will be retired while the ones who are still performing effectively will be retained.
- The trainings identified in accordance with the training need analyses performed by the Training Department will continue with an emphasis on e-learning applications.

Outsourced Support Services

VakıfBank procures support services from various companies in order to improve its service quality and maximize customer satisfaction. Support services are procured from the following companies: for cash transportation services within the scope of Law No. 5188 on Private Security Services; for Call Center services; for maintenance of IT systems software services including management, content design, access, control, audit, updating, provision of information and reporting required by banking operations and responsibilities within the scope of banking legislation; and for marketing and data entry operations.

For cash transportation services received from companies within the scope of Law No. 5188 on Private Security Services:

- Group 4 Securicor Güvenlik Hizmetleri A.Ş.
- Desmer Güvenlik Hizmetleri A.Ş.
- Erk Armored Güvenlik Hizmetleri A.Ş.

For Call Center services:

- CMC İletişim Bilgisayar Reklam ve Danışmanlık Hizmetleri San. ve Tic. A.Ş.

For the maintenance of IT systems software services:

- İnternet Bilgi İşlem Programlama Tasarım Ltd. Şti.
- Eretim Bilgisayar Hizmetleri ve Danışmanlık Ltd. Şti.
- Biznet Bilişim Sistemleri ve Danışmanlık San. Tic. A.Ş.
- Global Bilişim Yaz. Dan. Tic. Ltd. Şti.
- Ortadoğu Yazılım Hizmetleri A.Ş.
- SPSS Yazılım Eğitim Danışmanlık Tic. Ltd. Şti.
- Bilge Adam Bilgisayar ve Eğitim Hizmetleri San. Tic. A.Ş.
- IBM Global Services İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.
- NCR Bilişim Sistemleri Ltd. Şti.
- Sybase Yazılım Ürünleri ve Bilişim Hizmetleri Ltd. Şti.
- Sothis Yazılım Danışmanlık ve Tic. Ltd. Şti.
- İnnova Bilişim Çözümleri A.Ş.
- Oracle Bilgisayar Sistemleri Ltd. Şti.
- Infotech Bilişim ve İletişim Teknolojileri San. Tic. A.Ş.
- Etcbase Yazılım ve Bilişim Teknolojileri Ltd. Şti.
- 4S Bilgisayar İth. İhr. Yaz. Dan. Ltd. Şti.
- ITD İletişim Teknoloji Danışmanlık Ticaret A.Ş.
- V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Danış. Hizm. Tic. A.Ş.
- Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.
- Pro-G Proje Bilişim Güvenliği Araştırma Tic. San. Ltd. Şti.
- Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.
- Vega Bilgisayar Hizmetleri Ltd. Şti.
- Microsoft Bilgisayar Yazılım Hizmetleri Ltd. Şti.
- Sentim Bilişim Teknolojileri Sanayi ve Tic. A.Ş.
- Sigma Danışmanlık ve Uygulama Merkezi A.Ş.
- Kartek Kart ve Bilişim Teknolojileri Ltd. Şti.
- Finar Yazılım Geliştirme Sanayi ve Tic. A.Ş.
- Univera Bilgisayar Sistemleri Sanayi ve Tic. A.Ş.
- Routers Enformasyon Ltd. Şti.
- İstanbul Pazarlama A.Ş.
- BT Yazılım Donanım Danışmanlık Bilişim Tek. Tic. Ltd. Şti.
- ISB Bilişim Teknolojileri Danışmanlık Ltd. Şti.
- Prota Bilgisayar A.Ş.
- Pixel İnternet ve Reklam Hizmetleri Ltd. Şti.
- Turatel Mobil Medya İletişim ve Bil. Sis. Elek. San. Tic. Ltd. Şti.
- Gantek Teknoloji Bilişim Çözümleri A.Ş.
- Eastnets Eastern Networks Çözümleri Tic. A.Ş.
- Pozitron Bilgisayar Otomasyon ve İnternet Hizmetleri Ltd. Şti.
- Verifone Elektronik ve Danışmanlık Ltd. Şti.
- Foreks Bilgi İletişim Hizmetleri A.Ş.

For marketing and data entry services:

- İnfoverify Danışmanlık Hizmetleri Ticaret A.Ş.

The details and the related notes about the transactions conducted by the Bank with its risk group in 2011 are presented in Note No. VII in Section Five of the unconsolidated independent audit report provided within the annual report.

Corporate Governance Principles Compliance Report

Pursuant to the resolution adopted by the Bank's Extraordinary General Assembly Meeting on October 24, 2005, VakıfBank has closely adhered to the Corporate Governance Principles by adding an article (Article 75) to the Articles of Incorporation.

Pursuant to resolution dated March 19, 2010 numbered 80059 of the Bank's Board of Directors, İsmail Alptekin, independent Member, and Selahattin Toraman are each appointed as Member of the Corporate Governance and Nominating Committee. İsmail Alptekin is serving as the Chairman of this Committee, as he is the independent Member of the Board of Directors.

Türkiye Vakıflar Bankası T.A.O. Declaration of Compliance with Corporate Governance Principles is prepared within the framework of the Corporate Governance Principles published by the Capital Markets Board. The Declaration takes into consideration the issues to be included in annual reports of publicly traded companies, as stipulated by the Corporate Governance Principles, international principles and segment practices.

I – SHAREHOLDERS

Shareholder Relations Unit

Türkiye Vakıflar Bankası T.A.O. has adopted the Corporate Governance Principles published by the Capital Markets Board and is striving diligently to ensure compliance with these principles.

The Investor Relations function is organized under two separate groups with the aim to service domestic and international investors in the most effective manner.

A separate unit at the Bank Head Office under the Department of Investment Banking is responsible for shareholder relations. This unit reports to Executive Vice President, Hasan Ecesoy.

Personnel serving in the Shareholders Relations Unit are listed below.

Name & Surname	Title	Phone Number	Email address
Dr. Adnan Güzel	Head	+90 212 398 12 40	adnan.guzel@vakifbank.com.tr
Hasan Coşkuner	Manager	+90 212 398 12 30	hasan.coskuner@vakifbank.com.tr
Vedat Paslı	Assistant Manager	+90 212 398 12 45	vedat.pasli@vakifbank.com.tr
Zeynep Güleç	Specialist	+90 212 398 12 32	zeynep.gulec@vakifbank.com.tr
Sezin Canbulat	Specialist	+90 212 398 12 28	sezin.canbulat@vakifbank.com.tr
Mete Çobanoğlu	Asst. Specialist	+90 212 398 12 47	mete.cobanoglu@vakifbank.com.tr
Korcan Temur	Asst.Specialist	+90 212 398 12 46	korcan.temur@vakifbank.com.tr

Fax: +90 312 455 88 34

The main activities of the Shareholder Relations Unit devoted to domestic investors are:

- Providing accurate, clear, comprehensive and complete information concurrently to the Bank's shareholders and investors excluding information that is considered confidential and trade secrets;
- Organizing periodic meetings with the participation of the Bank's management to provide information to the Bank's shareholders and investors;
- Ensuring that the General Shareholders' meetings are held in accordance with the applicable legislation, Articles of Incorporation and the internal regulations of the Bank;
- Preparing and delivery of the documents to be presented to shareholders during the General Shareholders' meetings;
- Taking all necessary actions and measures to ensure investor satisfaction through provision of Bank services;
- Executing capital increase transactions and ensuring the use of bonus share rights and the tracking of existing shares in the dematerialized system;
- Ensuring the flow and execution of procedures required for dividend payment to shareholders, if the General Shareholders adopts the resolution on dividend distribution;
- Publishing of material event disclosures of Türkiye Vakıflar Bankası and other communications to the investors and the Istanbul Stock Exchange on the Bank's website.

Corporate Governance Principles Compliance Report

"The Investor Relations" section on the Company's website (http://www.vakifbank.com.tr), published in Turkish, is regularly updated and includes all kinds of necessary information and documents for the investors, shareholders and other related parties.

In 2011, a total of 599 requests for information were received by the Shareholder Relations Unit and the Customer Problems Solution Unit; all requests were responded to via the fastest communication channel.

Requests for information by the shareholders and investors abroad are responded to by the Head Office Department for International and Investor Relations.

Personnel serving in the International and Investor Relations Unit, reporting to Executive Vice President Birgül Denli, are listed below.

Name & Surname	Title	Phone Number	Email Address
Zeynep Işık Kural	Head	+90 212 316 73 90	zeynepisik.kural@vakifbank.com.tr
Mustafa Turan	Manager	+90 212 316 71 20	mustafa.turan@vakifbank.com.tr
Ali Tahan	Assistant Manager	+90 212 316 73 36	ali.tahan@vakifbank.com.tr
Nergis Özer	Associate	+90 212 316 73 85	nergis.ozer@vakifbank.com.tr
Zeynep Nihan Candan	Associate	+90 212 316 73 83	zeynepnihan.candan@vakifbank.com.tr

The main activities of the International and Investor Relations Unit are:

- Meeting the requests for information, with the exception of Bank and customer secrets, from current and potential investors abroad, rating agencies and relevant parties for international borrowing transactions;
- Representing Türkiye Vakıflar Bankası T.A.O. at meetings held inside and outside Turkey;
- Making presentations about Türkiye Vakıflar Bankası for investors and other related institutions abroad;
- Announcing of all types of necessary information and documents for investors, shareholders and other related parties in the Investor Relations section on the Company's website (http://www.vakifbank.com.tr), published in English, and the regular updating of the website.

Additionally, the Bank provides the email addresses yatirimciiliskileri@vakifbank.com.tr and investorrelations@vakifbank.com.tr to its investors for dedicated access.

The main activities of the International and Investor Relations Unit devoted to international investors in 2011 are stated below:

The Unit attended a total of 15 investor information sharing conferences; of this total, 12 were held in London and New York, and three were in Istanbul, Göcek and Bodrum, Turkey.

A total of 94 meetings were held during conferences, road shows and at the Bank's Istanbul office; one-to-one meetings were held with a total of 245 investors/analysts.

Following the investor information sharing conferences attended, the Unit prepared reports with the feedback obtained from the investors and presented them to the Executive Management.

After each conference held with investors, the Unit prepared reports in accordance with the information received from the investors and submitted them to the Executive Management.

At the end of each quarterly balance sheet period, the Unit held teleconferences to announce the results in detail to investors, banking analysts and the investment community. Transcripts of these conferences were published on the Bank's website in the shortest possible time frame.

The Unit also held additional teleconferences with investors whenever required to provide updates about the Bank's operations.

The Unit prepared presentations for investors on a quarterly basis; these were provided to investors during the meetings.

The Unit prepared press releases on important developments in the Bank to inform regulatory authorities and the public in coordination with the Communications and Media Relations Department and the Investment Banking Department. In addition, the Unit made disclosures to international institutional investors via investor announcements sent to the mail group set up for this purpose.

The Unit maintained close contact with all analysts issuing reports about the Bank, provided them accurate and sound information regarding the Bank as support during the drafting phase and subsequently gave the Bank's opinions on the reports to the analysts.

The Unit disclosed all types of necessary information and documents for investors, shareholders and other related parties in the Investor Relations section on the Company's website (http://www.vakifbank.com.tr), published in English, and updated the website on a regular basis.

Information requests sent to the email addresses above are directly responded to by Executive Vice President Birgül Denli, Executive Vice President Hasan Ecesoy and Dr. Adnan Güzel, Head of the Investment Banking Department.

"The International and Investor Relations Group" received approximately 1,000 information requests in 2011 and all requests were responded to via the fastest communication channel.

Exercise of Shareholders' Rights to Obtain Information

In 2011, the Investment Banking Shareholder Relations Group and the International and Investor Relations Group responded to a combined total of 1,599 requests for information. All information and developments related with the date of the General Shareholders' meeting, minutes of General Shareholders' meetings, financial statements, material event disclosures and other Bank affairs are disclosed to relevant parties via Bank's website, press announcements, mailing and by phone. The International Banking and Investor Relations Unit makes announcements to investors residing abroad via email.

The Bank announces all information and announcements pertaining to capital increases and dividend distribution through a Material Event Disclosure published on the Bank's website upon resolution by the Board of Directors and obtaining statutory authorizations.

The Bank discloses capital increases and the announcements related to the General Shareholders' meetings to shareholders through press releases in accordance with the provisions of the Turkish Commercial Code and the Capital Market Law.

The Bank posts the agenda of and the letter of invitation for the General Shareholders' meeting to the known addresses of shareholders no later than 15 days prior to the date of the General Shareholders' Meeting.

The Bank makes required announcements on capital increases on its website before the actual transaction and they remain visible on the website until the completion of the related capital increase transactions.

The dividend amount of the Bank's non-publicly traded A, B and C group shareholders are deposited in the respective investment accounts of shareholders held at the Bank. Dividend amounts of shareholders, who have dematerialized their shares at the Central Registry Agency (CRA), are invested in the Type B Liquid Mutual Fund of Türkiye Vakıflar Bankası until their application for payment. Dividend payments to the publicly traded D group shareholders are realized through the CRA.

Corporate Governance Principles Compliance Report

During the reporting period, shareholders' requests to convert their Class B or Class C shares into Class D shares and to transfer Class C shares to their beneficiaries due to inheritance were completed, recorded into the share register book, dematerialized through the Central Registry Agency and the shareholders were informed accordingly.

The Bank continues to conduct studies to improve the investor relations function on the Bank's website to expedite the exercise of shareholders' rights to obtain information and other shareholding rights. Required information is made available to the investors on the Bank's website under following categories.

About the Bank;
- Shareholding structure,
- Board of Directors and Executive Management,
- Vakıflar Bankası Charter and Articles of Incorporation,
- Credit Ratings,
- Ethics Principles,
- Registry Information,

Financial Highlights;
- Annual Reports,
- Unconsolidated Reports,
- Consolidated Reports,
- IFRS Reports,
- Financial and Non-Financial Participations Consolidated Balance Sheet in the BRSA Format,

Material Disclosures;

Corporate Governance Report;

Information Disclosure Policy;

General Shareholders';
- Information related to invitation to shareholders, agenda, proxy forms and blockage (for the current year),
- Lists of Attendees,
- Minutes of meetings.

Issuance of Debt Instruments
The Bank regularly updates information and documents specified above.

The Bank is regularly audited by independent auditing firms, the Prime Ministry Supreme Audit Board, the Banking Regulation and Supervision Agency and two statutory auditors appointed pursuant to the Articles of Incorporation within the framework of the provisions of the Banking Law, the Turkish Commercial Code and the Bank Charter.

Pursuant to Article 24 of the Banking Law and Article 73 of Türkiye Vakıflar Bankası Articles of Incorporation, Board Members Halim Kanatcı and Serdar Tunçbilek are also serving as the members of the Audit Committee.

Additionally, İsmail Alptekin and Selahattin Toraman are serving as the members of the Corporate Governance and Nominating Committee to perform the tasks stipulated in Article 74 of Bank's Articles of Incorporation.

Information on the General Shareholders' Meetings

During the calendar year 2011, the Bank's 57th Ordinary General Shareholders' Meeting was held on March 25, 2011. The regulations on General Shareholders' Meetings are stipulated in the Charter and the Articles of Incorporation of Türkiye Vakıflar Bankası T.A.O., which are available on the Bank's website for review.

The meeting date, time and place of the General Assembly meetings are published in the newspaper stipulated in Article 37 of the Turkish Commercial Code and in at least two other newspapers with high circulation throughout Turkey, to be determined by the Board of Directors, no later than 15 days prior to the date of meeting, excluding the dates of announcement and the meeting, for the information of the shareholders. Information on the General Shareholders' meetings, invitation letters and sample power of attorney are published on the Bank's website and posted to shareholders whose address information is kept updated in the Bank's records.

Prior to the date of General Shareholders' meetings, the Bank provides the Annual Report to shareholders for review purposes. In addition, the Bank makes the following accessible to all shareholders at its branches: the balance sheet and profit/loss accounts statements, the meeting agenda and sample for power of attorney. All shareholders who meet the necessary requirements can attend the General Shareholders' meetings.

The invitation letters published before the meetings contain the following information:

- Date, time and location of the meeting,
- Agenda of the meeting,
- The body inviting the General Assembly for a meeting (e.g. Bank's Board of Directors),
- The locations where the annual report, balance sheet and profit/loss accounts statements are available for review by shareholders in case of ordinary meeting announcements (Head Office and branches),
- Sample for power of attorney for shareholders who will not attend the meeting in person.

The annual report contains information on 2011 operations of the Bank, information on the executive management, the Bank's balance sheets, notes to the balance sheet, independent auditors' report, auditor's report, Board of Directors' dividend distribution proposal, Report on Compliance with Corporate Governance Principles and other relevant information. Upon request, the Investment Banking Shareholder Relations Group provides shareholders with a copy of the annual report before or after the General Shareholders' meeting.

All shareholders, irrespective of the size of their participating share, are entitled to speak, to express opinion and to ask questions related to the agenda items of both Ordinary and Extraordinary General Shareholders' meetings. Shareholders are allowed to submit a proposal on agenda items that are voted on and concluded by the General Assembly pursuant to applicable legislation and the Bank's Articles of Incorporation.

The minutes of the General Shareholders' meetings are published in the Turkish Trade Registry Gazette and posted to shareholders, upon request, by the Investment Banking Shareholder Relations Unit.

The agenda, place, time of the General Assembly, the minutes of the meeting and the resolutions adopted are also made public and disclosed to shareholders by way of Material Event Disclosures following the General Shareholders' meeting.

Voting Rights and Minority Rights

Bank shares are divided into Class (A), (B), (C) and (D) group shares. The nominal values and voting rights of the share certificates of all classes are equal. Class (D) consists of publicly traded shares.

Shareholders who hold or represent 10 shares are entitled to one vote at the General Shareholders' meetings while those who hold more than 10 shares are entitled to a number of votes calculated as per the proportion specified above without any limitation.

Corporate Governance Principles Compliance Report

The Board consists of nine members including the General Manager. One member Class (A) group is elected by the Prime Minister to represent the General Directorate of Foundations; three other members of Class (A) group, one member of Class (B) group and two members of Class (C) group are elected by the General Assembly from among the nominees designated by a majority of their respective groups; and one member is elected from among the nominees designated by the shareholders. The preferences of Class (D) group should be considered as a priority with regards to the last-referenced nominee above.

The Board Member elected by the General Assembly and one member each of Class (A) and Class (C) groups are independent members. There is no member of Board elected by minority shares.

In the absence of the Bank's General Manager, the Executive Vice President is the ex officio member of the Board of Directors. The positions of General Manager and the Chairman should be held by two different individuals.

Dividend Payment Policy and Timing

The Bank dividend payment policy is stipulated in detail by the Bank's Articles of Incorporation, which is published on the Bank's website for the information and review by the public and shareholders.

Türkiye Vakıflar Bankası Board of Directors presents the proposal on dividend distribution to the General Assembly and for the information of shareholders through the annual report before the General Shareholders' meeting each year. The Board's dividend distribution proposal is discussed and resolved on by the General Assembly.

The dividend distribution approved by the General Assembly is made within the specified statutory periods.

Transfer of Shares

All Bank shares are registered shares and are divided into Class (A), (B), (C), and (D) groups.

The Council of Ministers is entitled to sell and to determine the procedures and principles of the sale of Class (A) shares of the Bank and the Class (B) shares held by the appendant foundations under the General Directorate of Foundations.

The Articles of Incorporation do not include any provisions to restrict the transfer of Class (B) shares held by other appendant foundations and of Class (C) and (D) shares.

However, the Bank Board of Directors is authorized to convert Class (B) shares held by appendant foundations (subject to permission by the General Directorate of Foundations) and Class (C) shares into Class (D) shares at the request of the shareholders.

II - PUBLIC DISCLOSURE AND TRANSPARENCY

Bank Information Disclosure Policy

The Information Disclosure Policy of the Bank was approved by the Board of Directors on March 19, 2009 and was announced to the public. The Information Disclosure Policy is accessible on the Bank's website at www.vakifbank.com.tr.

The following announcements are made under the Bank's Information Disclosure Policy:

- Announcement of issues (agenda, proxy, invitation to shareholders) to be discussed at the General Shareholders' meeting via print media and the Internet;
- Announcements and disclosure of amendments to the Articles of Incorporation, General Assembly meetings, capital increase and dividend distribution through the Turkish Trade Registry Gazette and daily newspapers;
- Annual reports are prepared before the annual General Assembly meeting, in accordance with the Banking Regulation and Supervision Agency (BRSA) regulations; contain statutorily required information and announcements; are made available to shareholders for review; are published on the Bank's website (http://www.vakifbank.com.tr); and hard copies are provided upon request by the Investor Relations Group and branches;

- Disclosure of the Bank's dividend policy via the Istanbul Stock Exchange (Public Disclosure Platform - PDP) and on the Bank's website;
- Submission of quarterly unconsolidated and consolidated financial statements and notes to the statements prepared in accordance with BRSA regulations, and the independent audit report, to the ISE within the statutorily defined period and the announcement of these reports and information on the Bank's website;
- Submission of Material Event Disclosures to the ISE in a timely manner, as required by Capital Markets Board (CMB) regulations;
- The Bank issues press releases via print or visual media when necessary. Such press statements are made only by the Chairman of the Board of Directors, the General Manager or the Executive Vice President or other executives to be authorized by the Chairman of the Board of Directors, the General Manager or the Executive Vice President.

Material Disclosures
The Bank issued 84 special case disclosures in 2011, pursuant to the Communiqué on the Principles Related to the Public Disclosure of Material Events issued by the Capital Markets Board. These 84 material disclosures made in 2011 pertained to issues affecting the Bank or the Bank's operations.

The special case disclosures are prepared by the Investment Banking Group; the disclosures are regularly posted to fund managers, institutional investors and other investors abroad via email by the International Banking and Investor Relations Unit. No additional disclosure was requested by the Istanbul Stock Exchange.

No sanctions were imposed on the Bank by the Capital Markets Board for non-compliance with material event disclosure requirements.

Bank Website and Contents
The Bank's website is located at http://www.vakifbank.com.tr and the following information is provided in the Investor Relations section:

About the Bank
- Shareholding Structure
- Board of Directors and Executive Management
- Bank's Articles of Incorporation
- Bank Charter
- Credit Ratings
- Ethics Principles
- Registry Information

Financial Highlights
- Annual Reports
- Consolidated Reports
- Unconsolidated Reports
- IFRS Reports
- Financial and Non-Financial Participations Consolidated Balance Sheet in the BRSA Format

Material Event Disclosures
Material Event Disclosures made in 2005, 2006, 2007, 2008, 2009, 2010, 2011.

Corporate Governance Report
- Corporate Governance Report

Corporate Governance Principles Compliance Report

General Assembly

- Ordinary General Shareholders' Meeting
  Agenda, Invitation to Shareholders, Sample for Power of Attorney
  Annual Report

- General Assembly List of Attendees
  List of Attendees for 2005, 2006, 2007, 2008, 2009, 2010, 2011.

- Minutes of General Shareholders' Meetings
  Minutes of Meetings held for the years 2005, 2006, 2007, 2008, 2009, 2010, 2011.

Issuance of Debt Instruments

Disclosure of Real Person Ultimate Controlling Shareholder(s)

There is no real person, controlling shareholder in the Bank. None of the Bank's real person shareholders controls more than 5% of the Bank's outstanding shares.

The shareholding structure of the Bank is published in the annual reports and on the corporate website.

Public Disclosure of Persons with Access to Insider Information

Pursuant to Article 73 of the Banking Law, the Bank's shareholders, Board Members, Bank professionals, and persons and officers acting on their behalf shall not disclose Bank or customer secrets that they can access due to their positions, titles and responsibilities, to third parties other than those expressly authorized by law.

Information about the Bank's financial, economic, credit and cash positions that are known by the members of Bank's executive and audit functions, Bank officials and other Bank employees, consist of:

- the Bank's customer potential,
- names of its customers, lending, deposit collection, strategic management principles,
- information that would potentially harm the Bank's competitive position if it were acquired by its rivals and as a result should not be disclosed to the public or third parties,
- research and product development initiatives,
- operating strategy, pricing policies, marketing tactics,
- all information, documents, electronic records and data related to its major contracts and risk positions.

Bank secrets shall not be disclosed, used or transferred to third parties by the Bank's official bodies and officers, and are subject to the principles and restrictions stipulated in the Banking Law and other applicable laws. This responsibility of confidentiality continues after termination of employment.

The Bank prepares a list of persons who are employed at the Bank through employment agreement or any other means and who have access to insider information; the list is regularly updated and is made available to the Capital Markets Board and the Istanbul Stock Exchange upon request. This list kept confidential for at least eight years.

There is no other list of persons at the Bank who have access to insider information. The list of members of the Board of Directors and of the executive management who may have access to insider information is announced in the annual reports and on the Bank's website.

III – STAKEHOLDERS

Disclosure of Information to Stakeholders

VakıfBank stakeholders and investors are informed in accordance with the public disclosure principles. In addition, the corporate website is also used to make disclosures to information requests, suggestions and complaints of customers about the Bank's products and services as well as the problems of customers are resolved by all relevant units of the Bank in the most effective manner.

The Bank set up a separate Information System Portal to provide internal information and announcements to employees in the fastest and most efficient manner. The intra-Bank information sharing platform has improved employee satisfaction and reduced loss of time and effort, resulting in cost savings and faster communications.

Stakeholder Participation in Management

VakıfBank stakeholders are represented in the Bank's management as stipulated in the Articles of Incorporation as follows:

The Bank's Board of Directors consists of nine members including the General Manager. One member of the Class (A) group is elected by the Prime Minister to represent the General Directorate of Foundations; three other members of Class (A) group, one member of Class (B) group and two members of Class (C) group are elected by the General Assembly among the nominees designated by a majority of their respective groups; and one member is elected among the nominees designated by the shareholders. With regard to the last nominee, the preferences of Class (D) group should be a priority. Three out of nine members of the Board of Directors are elected as independent members.

VakıfBank employees and retirees participate in the management through the Türkiye Vakıflar Bankası T.A.O. Employees Pension and Health Benefits Fund Foundation, which holds 16.10% of the Bank's capital.

Efforts to improve communication among the Bank's personnel are carried out with the aim of establishing efficient and productive professional relationships and generating team spirit among the employees of the Bank. Participation in management is always encouraged and employees are provided with means and opportunity to communicate their suggestions and recommendations to the executive management. To this end, the Bank established an email address in conjunction with its restructuring efforts to enable all employees at every level to actively participate in the Bank's management, to ensure the success of the reorganization and to improve overall productivity, effectiveness and performance. The suggestions sent to this email address are read and evaluated.

Human Resources Policy

VakıfBank chooses new recruits to sustain the Bank's ongoing growth strategy and to achieve its objectives under the restructuring initiative. The Bank's human resources policy aims to maximize personnel loyalty and satisfaction and ensure the staff is motivated by means of performance evaluation, training, career planning and improvements in promotion policy.

The Bank recruits new personnel in order to meet the staffing needs from the opening of new branches and business units, and from expanding business volume in connection with the Bank's growth strategy. Staffing needs include the positions of Assistant Auditors, Financial Analyst, Assistant Specialist and Bank Officer. The Bank accepts applications from candidates with four-year banking related degrees from Turkey's top universities; candidates who hold advanced degrees, who are fluent in foreign languages and who are motivated for self-development were preferred.

The Bank conducts performance evaluations at the branch-, regional directorate- and Head Office-level. Employee performance is evaluated meticulously and in a fair and objective manner. The Bank gives performance-based bonuses to its personnel.

Corporate Governance Principles Compliance Report

Training programs to improve employee skills are held in line with the philosophy of continuous training, innovation and improvement.

The career path for personnel is defined and designed subject to the terms of the Personnel Bylaws.

Bank personnel are subject to the provisions of private law and are hired in accordance with the provisions of the current Labor Law numbered 4857. The Bank's personnel are members of the Union of Bank and Insurance Workers (BASS) and the working conditions of personnel are defined by the Collective Bargaining Agreements (TIS) concluded by and between the Bank and the Union. Currently, the TIS for 20th Period, effective as of May 1, 2011 until April 30, 2013, is in force.

Relations between the employees and the employer are managed through the Union directors and representatives. Requests and complaints of Bank employees that pertain to working conditions, benefits, duties and responsibilities are notified to the employer by the union representatives and then followed up closely. The names and positions of the union directors are listed below.

Name & Surname	Title
Turgut Yılmaz	General Secretary
Erol Demir	General Secretary
Salih Kalfa	General Secretary for Training
Mustafa Eren	General Secretary for Finance
Gökhan Eygün	General Secretary for Organization

Relations with Customers and Suppliers

The Bank established the Customer Problems Solution Unit, accessible via the Internet, to ensure customer satisfaction. All suggestions, complaints or positive feedback about the Bank's products and services are communicated to the relevant unit via email. Additionally, customers can perform all banking transactions through a direct call to VakıfBank-724 branch at 444 0 724.

All practices related to suppliers are conducted pursuant to the Labor Law and other applicable legislation. Recruitment, promotion and dismissal policies are documented in writing in the Personnel Bylaws.

Social Responsibility

VakıfBank continued its long-standing support to education, arts & culture, and sports as well as to the advancement of finance and technology in 2011.

In 2011, VakıfBank stood out in the banking sector with the social responsibility initiatives it implemented. The Bank provided financial assistance for drought victims in Africa. Additionally, VakıfBank gave large-scale support to the people of Van impacted by the devastating earthquake through financial assistance and trade facilities. The Bank also relocated 75 earthquake victim families to its recreational camp at Ayvalık and supported all their needs.

In keeping with time-honored VakıfBank tradition, art galleries continued to host artists and art lovers in 2011. Numerous exhibitions in the galleries in Ankara and Istanbul brought together valuable artworks with art enthusiasts throughout the year. By supporting the Turkish Folk Music and Turkish Classical Music choruses formed by Bank personnel, and sponsoring such international arts events as the “Turks in German Caricatures” exhibition, VakıfBank once again illustrated that it has a stake in every discipline of the arts.

Other events supported by VakıfBank in 2011 included, “Press Photo of the Year” and “Photo Album” events held by the Turkish Photojournalists Association (TFMD). A TFMD exhibition comprising the photographs featured at these events reached photo lovers across Turkey during its nationwide tour of 26 cities.

Making up an essential part of its social responsibility commitments, VakıfBank’s support to volleyball grew to even greater dimensions in 2011. The Bank increased its ongoing support to VakıfBank Türk Telekom’s Little, Youth and Junior Girls’ Volleyball Teams and to the Women’s Volleyball Team that has achieved great success for years in Turkey and Europe. VakıfBank also assumed the main sponsorship of Turkey’s Youth and Junior Women’s National Volleyball Teams. After the beginning of VakıfBank’s sponsorship, the National Women’s Youth Volleyball Team first won the European Championship and then went on to win the World Championship. Meanwhile, the National Women’s Volleyball Team ranked third in the European Championship, making all of Turkey and the Bank extremely proud. Additionally, VakıfBank Türk Telekom Women’s Volleyball Team made history by winning the European Champions’ League. Thank to these exceptional accomplishments, a number of media outfits designated VakıfBank as one of the outstanding sponsors of sports in 2011.

VakıfBank crowned its sports sponsorships with educational support, by donating 100 computers and two overhead projectors to the Turkish Volleyball Federation’s High School for Fine Arts and Sports.

The Bank mediated a lottery organized by the Turkish Confederation for the Disabled and sold lottery tickets via its branches. The Bank also joined forces with a Professional Rehabilitation and Training Workshop held by the Association for the Physically Disabled to provide wheelchairs for disabled citizens in need in the Western Black Sea region of Anatolia.

VakıfBank continued to foster the financial development of Turkey by supporting various national and international initiatives in 2011. The Bank ranked among the main sponsors of the Istanbul Finance Summit that hosted numerous domestic and international investors. The Bank also sponsored the 3rd edition of the “Golden Pen - Business Media Awards for Peace” organized by the Association of Business Journalists.

In 2011, VakıfBank also sponsored the New York premiere of the film “Turkish Passport” screened as part of the United Nations Least Developed Nations Conference, held at Harvard University in Boston by the Ministry of Foreign Affairs. In addition, the Bank sponsored the Conference on Change and Women’s Role in Muslim Societies organized jointly by the Organization of the Islamic Conference and the Turkish Ministry of Family and Social Policy.

In Turkey, the Bank provided financial support to the International Anatolian Conference of Economics organized by Anatolian University’s Faculty of Economic and Administrative Sciences; the National Congress 2011 organized by Ege University’s Science and Technology Research and Application Centers; and the 11th edition of Turkish Justice Academy’s Judges and District Attorneys Conference.

VakıfBank’s pride is justified as one of the leading sponsors of social responsibility initiatives in education, sports, art & culture and finance.

Corporate Governance Principles Compliance Report

PART IV – BOARD OF DIRECTORS

Structure and Composition of the Board of Directors and Independent Members

Name & Surname	Position	Start Date
Halil AYDOĞAN	Chairman Board Member (A) (Member of Remuneration Committee)	05.01.2012 04.01.2012 26.01.2012
Süleyman KALKAN	General Manager Executive Director - Ordinary Member of Board	19.03.2010
Ahmet CANDAN	Board Member (A)	19.03.2010
Halim KANATCI	Board Member (A) (Member of Audit Committee) (Member of Credit Committee)	28.04.2009 03.11.2010 26.01.2012
İsmail ALPTEKİN	Board Member (A) - Independent (Member of Corporate Governance and Nominating Committee)	06.04.2009 07.04.2009
Adnan ERTEM	Board Member (B) (Member of Remuneration Committee) (Substitute Member of Credit Committee)	28.10.2010 26.01.2012 26.01.2012
Ramazan GÜNDÜZ	Board Member (C) - Independent (Member of Credit Committee)	06.04.2009 07.04.2009
Selahattin TORAMAN	Board Member (C) (Member of Corporate Governance and Nominating Committee)	19.03.2010
Serdar TUNÇBİLEK	Board Member (D) - Independent (Member of Audit Committee) (Substitute Member of Credit Committee)	24.07.2007 01.04.2010 04.08.2011

Auditors		
Mehmet HALTAŞ	Auditor (A)	19.03.2010
Yunus ARINCI	Auditor (C)	19.03.2010

Qualifications of the Members of the Board of Directors

The minimum qualifications to be met by the Members of the Bank's Board of Directors match those set forth in Articles 3.1.1, 3.1.2 and 3.1.5 of Part IV of the CMB Corporate Governance Principles.

Mission, Vision and Strategic Objectives of the Company

Mission: Recognizing that our focus on people and knowledge is our most valuable asset, our mission is to take modern banking to new levels with new ventures in line with our social banking approach.

Vision: To become the best, most preferred and value creating bank within the region.

Risk Management and Internal Control Mechanism

Internal Control

Pursuant to Articles 29, 30 and 31 of the Banking Law, the banks are obliged to establish and operate an efficient and effective internal control and risk management system that is compatible with the scope and composition of their operations and matching with changing conditions, covering all branches and consolidated subsidiaries, with the purpose to monitor risk exposures and to ensure risk control.

Within this framework, internal control activities of the Bank are performed covering the Bank's domestic and overseas branches as well as the Head Office departments, consolidated subsidiaries and all banking operations, pursuant to the provisions of the "Regulation on the Banks' Internal Systems" published in the Official Gazette numbered 26333 dated November 1, 2006.

Bank's internal control activities are carried out under surveillance and supervision of the Audit Committee, consisting of non-executive Members of the Board of Directors.

Backed by the internal control system created with the intend to safeguard the Bank assets and to ensure that the operations are carried out on regular, effective and efficient basis in accordance with the Banking Law and other legislation, Bank's policies and rules and banking practices, the internal control activities are executed to ensure that the accounting records are complete and valid and the financial reporting system provides reliable, consolidated and timely information. Within this scope, the implementation procedures, work flows, authorization and approval mechanisms, cross-checks, signing authority and automatic controls are defined to prevent errors and misconduct in office.

New products, services and related processes and systems are evaluated before implementation and risk analyses are performed with the aim to establish self-control and systemic control in processes.

Pursuant to the "Regulation on the Supervision of the Bank Information Systems and Banking Processes and the Circular on Governance Statement", issued by the BRSA and to executed by independent audit firms, the Bank's Board of Directors is required to present a governance statement about internal controls on information systems and banking processes to the Bank independent audit firm, thus studies were carried out to present the governance statement in January 2012, which covers the audit period of 2011.

Necessary measures and actions regarding internal control activities are taken by tracking the needs, risks and technological developments and considering the Bank's strategies, policies and operations. In this context, the Bank executes an effective control and monitoring by means of enhancement of the efficiency of controlling activities on processes, improvement of self-control mechanisms, thus reducing operational risks, studies on risks and results indicated in the control and audit reports and the suggestions made.

Risk Management

The Board of Directors is responsible to develop internal systems pursuant to the "Regulation on the Banks' Internal Systems" and to ensure the effective, efficient and relevant operation of these systems.

In this context, the Board of Auditors, the Internal Control Department and Risk Management Department are established to work in collaboration with each other, the duties and responsibilities of who are defined clearly and to avoid and conflict of duties.

Risk Management Department, reporting to the Board of Directors through an Audit Committee member, operates in accordance with the national legislation as well as international regulations and standards.

Corporate Governance Principles Compliance Report

Powers and Responsibilities of the Board Members and Executives
The duties, powers and responsibilities of the Bank's Board members have been set out in Articles 56 and 59 of the Bank's Articles of Incorporation, according to the principles stipulated with the provisions of the Turkish Commercial Code and the Banking Law.

Operating Principles of the Board of Directors
The Bank's Board of Directors shall convene when deemed necessary for the operations of the bank, upon the call of the Chairman or the request by at least two Members, no less than twice every month. However, if there is no issue on the agenda, the meeting can be postpones, at the Chairman's discretion, for once only. (Article 53 of the Articles of Incorporation)

The agendas for the meetings are prepared according to the memorandums presented by the Head Office departments and various reports as requested from the executive team by the Board of Directors and the issues suggested by Board Members are discussed during the meetings. The agenda and related files are made available to members before the meeting.

Briefing and communication activities for the Members of the Bank's Board of Directors are carried out by the Board of Directors' Secretarial Office.

During 2011, the Board of Directors convened 38 times. All opinions or oppositions expressed by the members during the Board meetings are reported in the minutes of meeting. Board Members physically attend the meetings held to discuss the issued mentioned in Article 2.17.4 of the Corporate Governance Principles, Part IV, issued by the Capital Market Board.

Prohibition on Engaging in Transactions and Competing with the Company
The members of the Board of Directors shall not engage in any transaction with the Bank, for their own account or in the name of third parties, directly or indirectly and shall not serve as executive director at any other corporation dealing with the Bank, without obtaining the authorization by the Bank's General Assembly, pursuant Article 60 of the Bank's Articles of Incorporation.

Ethical Rules
Adhering to its objectives to retain stability and trust in the banking sector by preventing unfair competition, to improve service quality and to maintain the sense of reputation of the public for the banking profession, the Board of Directors has adopted the Bank's Banking Ethical Rules, issued by the Banks Association of Turkey with the resolution numbered 74205 dated February 16, 2006, and has undertaken to comply with these rules. This resolution was approved by the General Assembly held on March 31, 2006.

Number, Structure and Independency of Committees Established by the Board of Directors

Members of the Board of Directors established the Audit Committee, Credit Committee, Corporate Governance and Nominating Committee and the Salary Committee in accordance with the Banking Law numbered 5411, the Regulation on the Banks' Corporate Governance Principles issued by the Banking Regulation and Supervising Agency (BRSA), the Corporate Governance Principles issued by the Capital Market Board and the Bank's Articles of Incorporation.

The Audit Committee consists of two members, namely Serdar TUNÇBİLEK appointed on April 1, 2010 and Halim KANATCI appointed on November 3, 2010. The Audit Committee shall convene at least once every month, at time to be designated by the Committee Chairman.

The Credit Committee consists of two full and two alternate members. Ramazan GÜNDÜZ and Halim KANATCI are serving as full members, while Serdar TUNÇBİLEK and Adnan ERTEM as alternate members. The Credit Committee meets regularly once every two weeks and extraordinarily when needed. The date of meeting shall be determined by the General Manager depending on the number and urgency of the items on the agenda received by the secretarial office.

The Corporate Governance and Nominating Committee consists of Selahattin TORAMAN and İsmail ALPTEKİN, independent member of Board. The Committee shall convene at dates to be determined by the Committee Chairman, at least twice a year, in general, once every three months or at intervals not exceeding six months.

Being established on January 26, 2012, the Salary Committee's members are Halil AYDOĞAN and Dr. Adnan ERTEM.

Remuneration to the Board of Directors

The Chairman, Deputy Chairman and the Members of the Board of Directors receive an annual salary determined by the General Assembly every year and enforced upon approval of the Prime Minister.

Sincerely,

İsmail ALPTEKİN
Member, Corporate Governance
and Nominating Committee

Selahattin TORAMAN
Member, Corporate Governance
and Nominating Committee

Evaluation of the Operation of Internal Systems and Operations During the Period

Internal Audit Operations

During the year, the auditing operations were conducted as on-site audit, centralized control and information technologies implementation audits in line with the Internal Audit Plan for 2011.

During 2011, 496 branches, 98 subsidiary branches, 10 affiliates, 63 Head Office departments, two overseas branches and two overseas affiliates were audited to ascertain whether or not the operations are performed in line with the Banking Law and other statutory regulations and the Bank's strategies, policies, principles and objectives. The issues suggested by the auditors with the reports issued at the conclusion of audits and communicated to Executive Vice Presidents and/or to Head Office departments, authorized by the Presidency to take corrective measures, were monitored in accordance with Article 32 of the Regulation on the Banks' Internal Systems. All processes of the reports issued for branch audits during 2011 were carried out through the Web Based Reporting System.

During the year, emphasis was given on centralized auditing works in line with the BRSA regulations and within the scope of risk-oriented periodic audit vision. As part of centralized auditing works, the system used by the centralized audit team was improved in 2011 and the new structure to ensure the centralized monitoring of all auditing results, and priority was given to branches and departments with risk concentration. Internal control staff, besides the auditors, were enabled to access to centralized control findings related with the branch they serve at, via audit portal prepared by the centralized control team and regularly updated, and thus the effectiveness of the coordination of internal audit and internal control was enhanced.

Under the information technologies implementation audit, the Bank's credits, deposits and credit cards processes were audited and the audit reports issued at the conclusion of auditing have been delivered to the Executive Vice Presidents in order to correct the deficiencies and improper practices and to take necessary measures.

Efforts were made to overcome the deficiencies found during audits and to liquidate or collateralize Bank losses arising out of operational risks. Furthermore, necessary audit/examination reports were issued on the responsible staff and presented for the information of the Executive Management together with the suggestions on the prevention of similar risk-bearing operations.

All activities, new operations and products developed or planned by the Bank have been evaluated in terms of compliance with the Banking Law, other legislation, Bank's internal policies and rules and the banking trends, according to the compliance audits, and the conclusions were reported.

In 2012, the Risk Map Project will be launched and accordingly the audit frequencies and auditing terms of branches will be determined, more frequent and specific audits will be conducted at risk-involving branches and the Bank will be enabled to interfere to the branches with increasing risk coefficient in a more rapidly and effective manner. Besides, early warning system planned to be developed against risks to be experienced during branch and department audits will support immediate actions of intervention. Centralized audit team is carrying on its studies on the early warning system to be developed against risks to be experienced during branch and department audits.

Internal Control Operations

Internal Control Unit, reporting to the Audit Committee, is carrying on its operations to ensure the protection of the Bank's assets, the performance of Bank operations in regular, efficient and effective manner and in compliance with the Banking Law and other legislation, Bank's policies and rules as well as the banking practices and the release of information by the financial reporting system in a reliable, whole and timely manner.

The Bank's internal control operations are performed within the scope of the "Regulation on the Banks' Internal System" issued by the BRSA and by covering the Bank's domestic and overseas branches and Head Office departments, consolidated subsidiaries and all Bank operations.

The internal control system, consisting of systems, principles and methods specified by the Internal Control Department, is configured to ensure that the financial and operational risks identified as regards to the Bank's operations are kept at a manageable level. Within this context, the implementation procedures, work flows, duty allocations, authorization/approval mechanisms and the arrangement of self-control and systemic controls within the processes have been organized using a proactive and preventive approach.

Based on the risk-oriented audit perception, during internal control program applied priority was given to branches with rapid increases in figures of credits, deposits, follow-up and failing risks and with heavy operational errors and the working time has been differentiated accordingly.

Findings, opinions and suggestions obtained as result of internal control operations are shared and evaluated primarily with the actual performers of operations and accordingly it is ensured that the preventive and complementary measures are taken and put into practice and that the applicable as well as process and operation developing solutions are applied.

Processes related with findings of internal control operations, which have generality and importance, are reviewed, systemic and other deficiencies are defined and reported to relevant departments together with the opinions and suggestions on the process improvement, the Executive Management is informed about the issues and actions taken as regards to the matters, constituting the subject of the report, are closely followed up.

As regards to the projects on new applications planned to be executed within the Bank and on the arrangements and improvements needed for the processes or the current system, which are added to the Project Office Portal by the Bank's service units, the Department delivers opinion on the compliance of the projects with the Bank and legal legislation, potential risks born, changeable applications and the control points required in connection with the processes.

Pursuant to the "Regulation on the Supervision of the Bank Information Systems and Banking Processes and the Circular on Governance Statement", issued by the BRSA and to executed by independent audit firms, the Bank's Board of Directors is required to present a governance statement about internal controls on information systems and banking processes to the Bank independent audit firm, thus studies were carried out to present the governance statement in January 2012, which covers the audit period of 2011.

Any findings reached during the internal control works which give rise to liabilities, are contrary to legislation, contain high risk level, are considered to be unlawful, fraud or misconduct and are found out to cause the Bank's loss have been communicated to the Board of Auditors.

In 2011, work force of the Internal Control Department has been supported by recruiting trainee controller. Same year, some personnel of the Department have been appointed to administrative positions, thus the Bank maintained its policy to provide qualified human resource for administrative personnel positions.

As a conclusion, the control activities carried out at branches and Head Office departments are of periodic nature and in conformity with the bank's strategies, policies and operations in terms of content and method, and at these controls changing needs, risks and technological developments are closely traced and necessary measures and actions are taken as regards to the internal control activities. Within this context, it is aimed to enhance the efficiency of control activities by correcting deficiencies, to improve self-control mechanisms and to reduce operational risks while an effective control and monitoring is achieved through efforts made for risks and conclusions mentioned in the control and audit reports and the suggestions made. Thus, internal control activities are functioning effectively and efficiently to perform Bank operations in a more reliable way and to improve the service quality, in line with the Bank's purposes and aims.

As regards to all activities realized within the bank, the aim is to provide systemic and organizational arrangements enabling the departments to make controls within their body as well as during the execution of transactions, thus to create an effective and self-operating internal control system, to ensure that all personnel understand the importance of internal control and to create corporate control culture involving all employees.

Management Policies Applied According to Risk Types

In 2011, risk management efforts were performed in parallel with the risk management policies, approved by the Board of Directors, legal legislation and international practices. As from July 2011, calculations based on Basel II-based capital adequacy adjustments were also made in parallel with the Basel I-based capital adequacy calculations, being applied officially. Furthermore, new regulation drafts of the Basel Committee, called as "Basel III", were closely traced and studies were made on its possible effects on the Bank's capital adequacy ratio.

Apart from these studies, scenario analysis studies on the effects of economic developments and expectations on capital adequacy ratio were also carried on in 2011. Structural interest rate risk has been also closely monitored through Gap/duration analyses and standard interest rate shock analyses. All analyses are presented to the Audit Committee and the Bank's Executive Management for their perusal and discussed at the meetings of the Asset – Liabilities Management Committee.

Operational Risk Policy and Implementation Principles document and the Operational Risk Frame have been reviewed and updated. Besides, studies on setting a new Value at Risk (VaR) model to replace the existing VaR model taking into consideration the development in the Bank's portfolio composition and possible changes in national and international regulations and VaR calculations have been initiated using Parametric, Historical Simulation and Monte Carlo Simulation.

As part of operational risk management, the Bank collects operational risk loss and potential risk data that will allow the application of advanced measurement approaches. Currently, the Bank has collected operational risk data for last nine years. Operational loss data were analyzed in order to identify the risk factors, and the findings were reported to the management levels of the Bank.

The "Impact Analysis" studies are in progress, which cover the Head Office departments and seek to take operational risks under control by identifying in effective and unsatisfying controls and taking necessary measures through the analysis of the business processes by the Risk Management Department.

The operational risk management approach of the Bank is to create a forward-looking control culture that encourages all employees to identify and evaluate the risks involved in their tasks, to report the risk-related issues to their managers, and to take necessary steps towards enhancement of the control function. The "Impact Analysis" studies are performed at working group meetings, using the self-evaluation method for the employees.

Apart from the impact analysis, studies are carried out to define alternative systems with recovery time objective (RTO) and recovery point objective (RPO) and to examine the effects of possible risks, as regards to the information systems used in business processes, as part of the information systems risk management.

Reports and reformative action plans, issued upon completion of aforesaid studies, are reported to the relevant unit, the Audit Committee, the Executive Management, the Board of Internal Auditors and the Internal Control Department. Action plans determined and approved to be implemented are monitored to ensure whether they are implemented in the determined manner. It is planned to repeat the study at certain intervals.

Studies are going on to assure the compliance with Basel II and the European Union Capital Adequacy Regulations and to develop the risk management applications in accordance with international best practices.

Market Risk: The Bank is exposed to market risk depending on potential changes to occur in foreign exchange rates, interest rates and market price of stocks, resulting from the fluctuations in the financial market. The market risk arising from the Bank's trading activities is measured and monitored using the standard method and internal models paralleling with the local and international practices.

The market risk measurement results, that are calculated as of the end of each month on unconsolidated basis and in quarterly periods on consolidated basis, using the standard method under the provisions of the "Regulation on the Measurement and Evaluation of Banks' Capital Adequacy" are reported to the Bank's executive management and the Banking Regulation and Supervising Agency.

VaR is calculated on daily basis using one sided 99% confidence interval. The VaR calculated for one day is scaled to 10 business days on the basis of the square-root-of-time rule. The historical time period used for VaR calculation is one year.

The Bank performs daily back testing analyses in order to test the reliability and performance of the model results. Furthermore, scenario analyses and stress tests supporting the standard method and internal models are performed.

With the aim to restrict the market risks, the overall bank limit and VaR-based limit practices are applied and monitored on a daily basis.

Structural Interest Rate Risk: In order to assess the interest rate risk that the Bank may be exposed due to maturity mismatch on its balance sheet, the impacts of liquidity-gap, duration, interest rate sensitivity and the effects of interest rate increases/decreases on the proceeds are analyzed. All analyses are reported to the Board of Directors, the Audit Committee and the Bank's Executive Management.

Liquidity Risk: The Bank's approach for liquidity risk management is based on the principle of monitoring the liquidity risk throughout the day on a continuous basis. To this end, efforts are made to keep cash inflows and outflows in both Turkish Lira and foreign exchange under control any moment, and long-term cash flow tables are prepared, and scenario analysis and stress tests based on the experiences gained and expectations are performed in order to determine the Bank's strength against sudden crises. Apart from these, the bank also adheres to the liquidity-related regulations of the regulatory authorities.

Operational Risk: Operational risk is the possibility of incurrence of loss that may result from overlooking the errors and infraction of rules resulting from the deficiencies in the Bank's internal audits, the failure of the Bank's management and personnel to act timely and in accordance with the market conditions, mistakes by the Bank's management, the errors and failures in the information technology systems, the disasters such as earthquake, fire, flood as well as terrorist attacks.

Auditing of operational risks is performed by the Board of Auditors and the Internal Control Department whereas the Risk Management Department is responsible for the evaluation and analysis of the data obtained and the creation of the "Operational Risk Database".

The operational loss data obtained from the Board of Auditors, the Internal Control Department, the General Accounting and Financial Affairs Department, the Human Resources Department, the Treasury Operations Department, the Credit Cards Department and the Banking Operations Department as regards to the risks being exposed during operations are analyzed regularly by the Risk Management Department, risk factors that the Bank are identified and reported to the Board of Directors, the Audit Committee and the Bank's Executive Management.

The "Operational Risk Framework", which is a common dictionary that comprehensively identifies all major risks the Bank, is exposed to by category and contains definitions and examples, and the "Operational Risk Policy and Implementation Principles" have been updated in 2011.

The Risk Management Department is responsible for the performance of risk evaluation for new products under the Bank's New Product Development Regulation as well as the risk evaluations regarding support services procurement under the Support Services Department.

The operational risk capital requirement is calculated on unconsolidated and consolidated basis adhering to the key indicator approach pursuant to the "Regulation on the Measurement and Evaluation of Banks' Capital Adequacy", and the value taken as basic to operational risk is reported annually to the Bank's executive management and the Banking Regulation and Supervision Agency. The ultimate goal is to utilize the advanced measurement approach for measuring the operational risk.

Management Policies Applied According to Risk Types

Credit Risk: Credit risk arises from the failure of counterparty to fulfill its obligations, partially or completely, in accordance with contractual requirements. The credit risk definition of the Bank takes the credit risk definition of the Banking Law as basis and comprises the credit risk involved in all products and activities.

The findings obtained from analyses of the composition and concentrations of the Bank's loan portfolio (type of loan, currency, maturity, sector, geographical region, borrower, holding, group, participation), portfolio quality (standard loans, non-performing loans, deferred loans, analysis of the data obtained from the credit rating system), portfolio analysis (duration, average maturity, interest rate sensitivity), and from country risk scenarios and scenario analyses, as well as studies on possible events of default are reported to the Board of Directors, the Audit Committee and the Bank's executive management by means of monthly reports and individual reports.

The Bank uses rating and scoring models for assessing the borrower's credit quality. Sector concentration limits and country risk limits have been fixed with the aim to define the risks to result from credit concentrations and to create a well-balanced credit portfolio, that is updated taking into consideration the Bank's credit policy and economic changes.

During 2011, use of standard approach under Basel II has been initiated along with the use of Basel I application for measurement of credit risk, in line with the BRSA regulations. However, the Bank's ultimate goal is to use credit risk internal methods in accordance with Basel II and the European Union Capital Adequacy Regulations and the international best practices.

Legal Compliance

The Bank's Board of Directors has established the Legal Compliance Department by its resolution dated January 22, 2009 for the purpose of fighting against the laundering of proceeds of crime and preventing the use of the financial system by criminals, within the scope of the Law numbered 5549 on Prevention of Laundering the Proceeds of Crime and the relevant regulations.

The project launched in mid-November 2011 aims to execute risk management, monitoring and control operations that are included in the Bank's obligations, as per the aforesaid legislation.

Besides, international legislation about the prevention of laundering of proceeds of crime and the funding of terrorist actions is closely followed and the lists announced by the international organizations passed to the Bank's operations.

Within the frame of training activities that are part of Bank's obligations again pursuant to applicable legislation, vis-à-vis and e-learning training programs were developed in collaboration with the Legal Compliance Department and the Training Department for the entire personnel, including new recruits, so as to create awareness on the prevention of laundering of proceeds of crime and funding of terrorist actions.

The "Policy Document about the Prevention of Laundering of Proceeds of Crime and Funding of Terrorist Actions and Principles of Implementation" approved by the Board of Directors and entered into force on October 15, 2010, has been converted into a training module and used in 2011 for e-learning training programs organized for all Bank employees. In addition to in-house training programs, VakıfBank employees are encouraged to attend to training sessions organized by the Financial Crimes Investigation Board (MASAK) of the Ministry of Finance of Turkey and the Banks Association of Turkey.

The Bank is represented at the MASAK working group of the Banks Association of Turkey by the Legal Compliance Department.

(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

Unconsolidated Financial Report
As at and for the Year Ended
31 December 2011
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ
14 February 2012
This report contains "Independent Auditors' Report" comprising 1 pages and; "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 92 page

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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 unconsolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") as at 31 December 2011 and the related unconsolidated statement of income, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these 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 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 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 unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı as at 31 December 2011 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of (Turkish) Banking Law No 5411 and the statements and guidance published by the BRSA on accounting and financial reporting principles

Istanbul,
14 February 2012

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Özkan Genç
Partner

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011

Address	: Levent Mahallesi, Hacı Adil Yolu Çayır Çimen Sokak, No:2, 1.Levent Beşiktaş/Istanbul
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The unconsolidated financial report as at and for the year ended 31 December 2011 , prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- INFORMATION RELATED TO THE ACCOUNTING POLICIES APPLIED BY THE BANK
- INFORMATION RELATED TO THE FINANCIAL POSITION OF THE BANK
- DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

The unconsolidated 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 unconsolidated financial statements are presented in thousands of Turkish Lira.

14 February 2012

Halil AYDOĞAN Chairman of Board of Directors	Serdar TUNÇBİLEK Board Member and Audit Committee Member	Halim KANATÇI 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 financial report:

Name-Surname/Title	: A. Sonat ŞEN/Manager	S. Buğra SÜRÜEL/Assistant Manager
Phone no	: 0 312 455 75 66	0 312 455 75 70
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General Information

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Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Financial Report as at and For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

SECTION ONE

General Information

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

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

II. The 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 Bank is The General Directorate of the Foundations.

As at 31 December 2011 and 2010, the Bank's paid-in capital is TL 2,500,000, divided into 250.000.000.000 shares with each has a nominal value of 1 Kuruş.

The Bank's shareholder structure as at 31 December 2011 is stated below:

	Number of Shares-Shareholders 100 shares	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Foundations represented by the General Directorate of the Foundations (Group A)	1.075.058.640	1,075,059	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402.552.666	402,553	16.10
Appendant foundations (Group B)	386.224.785	386,225	15.45
Other appendant foundations (Group B)	3.162.359	3,162	0.13
Other registered foundations (Group B)	1.448.543	1,448	0.06
Other real persons and legal entities (Group C)	1.560.320	1,560	0.06
Publicly traded (Group D)	629.992.687	629,993	25.20
Total	**2.500.000.000**	**2,500,000**	**100.00**

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Financial Report as at and For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Financial Report as at and For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

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

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

As per 21 September 2011 dated resolution of Board of Directors Remzi Altinok has resigned his position as Assistant General Manager on and was oppointed as the General Manager of Taksim Otelcilik AS.

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

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

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

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

As at 31 December 2011 , the Bank has 677 domestic, 3 foreign, in total 680 branches (31 December 2010: 634 domestic, 2 foreign, in total 636 branches). As at 31 December 2011, the Bank has 12,222 employees (31 December 2010: 11,077 employees).

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Balance Sheet (Statement of Financial Position)
At 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

			Audited Current Year 31 December 2011			Audited Prior Year 31 December 2010		
	ASSETS	Notes	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	2,069,286	5,067,834	7,137,120	2,609,343	2,037,537	4,646,880
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	4,182	169,956	174,138	1,343	22,705	24,048
2.1	Financial assets held for trading purpose		4,182	169,956	174,138	1,343	22,705	24,048
2.1.1	Debt securities issued by the governments		-	-	-	-	-	-
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Derivative financial assets held for trading purpose	V-I-2	4,182	169,956	174,138	1,343	22,705	24,048
2.1.4	Other securities		-	-	-	-	-	-
2.2	Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1	Debt securities issued by the governments		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Other securities		-	-	-	-	-	-
2.2.4	Loans		-	-	-	-	-	-
III.	BANKS	V-I-3	4,217	2,125,373	2,129,590	73,080	1,198,593	1,271,673
IV.	RECEIVABLES FROM INTERBANK MONEY MARKETS		190,127	-	190,127	2,101,584	-	2,101,584
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		190,127	-	190,127	2,101,584	-	2,101,584
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	10,424,851	2,714,138	13,138,989	11,258,009	2,506,822	13,764,831
5.1	Equity securities		-	10,750	10,750	-	10,750	10,750
5.2	Debt securities issued by the governments		10,424,851	2,653,693	13,078,544	11,258,009	2,421,794	13,679,803
5.3	Other securities		-	49,695	49,695	-	74,278	74,278
VI.	LOANS AND RECEIVABLES	V-I-5	39,030,377	18,278,855	57,309,232	31,568,514	13,292,505	44,861,019
6.1	Performing loans and receivables		38,921,755	18,278,855	57,200,610	31,543,889	13,292,505	44,836,394
6.1.1	Loans provided to the Bank's risk group	V-VII-1	163,266	134,729	297,995	713,256	210,472	923,728
6.1.2	Debt securities issued by the governments		-	-	-	-	-	-
6.1.3	Others		38,758,489	18,144,126	56,902,615	30,830,633	13,082,033	43,912,666
6.2	Loans under follow-up		2,156,879	-	2,156,879	2,265,716	-	2,265,716
6.3	Specific provisions (-)		2,048,257	-	2,048,257	2,241,091	-	2,241,091
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	4,343,224	1,628,303	5,971,527	2,911,012	1,395,684	4,306,696
8.1	Debt securities issued by the governments		4,343,224	1,573,727	5,916,951	2,911,012	1,358,592	4,269,604
8.2	Other securities		-	54,576	54,576	-	37,092	37,092
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-7	219,527	-	219,527	206,682	-	206,682
9.1	Associates, consolidated per equity method		-	-	-	-	-	-
9.2	Unconsolidated associates		219,527	-	219,527	206,682	-	206,682
9.2.1	Financial associates		211,933	-	211,933	199,088	-	199,088
9.2.2	Non-Financial associates		7,594	-	7,594	7,594	-	7,594
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	494,983	150,015	644,998	538,486	150,015	688,501
10.1	Unconsolidated financial subsidiaries		354,648	150,015	504,663	397,946	150,015	547,961
10.2	Unconsolidated non-financial subsidiaries		140,335	-	140,335	140,540	-	140,540
XI.	INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1	Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2	Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1	Financial joint-ventures		-	-	-	-	-	-
11.2.2	Non-Financial joint-ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES	V-I-10	-	-	-	-	-	-
12.1	Finance lease receivables		-	-	-	-	-	-
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	-	-	-	-	-
13.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	V-I-12	1,090,688	2,894	1,093,582	1,112,028	1,764	1,113,792
XV.	INTANGIBLE ASSETS (Net)	V-I-13	61,999	176	62,175	52,892	-	52,892
15.1	Goodwill		-	-	-	-	-	-
15.2	Other intangibles		61,999	176	62,175	52,892	-	52,892
XVI.	INVESTMENT PROPERTIES (Net)	V-I-14	-	-	-	-	-	-
XVII.	TAX ASSETS		131,153	-	131,153	87,234	-	87,234
17.1	Current tax assets		-	-	-	-	-	-
17.2	Deferred tax assets	V-I-15	131,153	-	131,153	87,234	-	87,234
XVIII.	ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-16	-	-	-	-	-	-
18.1	Assets held for sale		-	-	-	-	-	-
18.2	Assets related to the discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	V-I-17	871,492	110,816	982,308	723,442	112,413	835,855
	TOTAL ASSETS		58,936,106	30,248,360	89,184,466	53,243,649	20,718,038	73,961,687

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Balance Sheet (Statement of Financial Position)
At 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

			Audited Current Year 31 December 2011			Audited Prior Year 31 December 2010		
	LIABILITIES AND SHAREHOLDERS' EQUITY	**Notes**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**V-II-1**	**43,215,813**	**17,723,405**	**60,939,218**	**35,265,782**	**12,435,493**	**47,701,275**
1.1	Deposits of the Bank's risk group	V-VII-1	1,248,155	658,005	1,906,160	1,218,893	149,166	1,368,059
1.2	Other deposits		41,967,658	17,065,400	59,033,058	34,046,889	12,286,327	46,333,216
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE**	**V-II-2**	**4,376**	**337,998**	**342,374**	**21,237**	**82,130**	**103,367**
III.	**FUNDS BORROWED**	**V-II-3**	**75,254**	**8,162,053**	**8,237,307**	**51,292**	**6,276,102**	**6,327,394**
IV.	**INTERBANK MONEY MARKET**		**2,978,533**	**2,961,104**	**5,939,637**	**6,113,726**	**2,014,588**	**8,128,314**
4.1	Interbank money market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Obligations under repurchase agreements		2,978,533	2,961,104	5,939,637	6,113,726	2,014,588	8,128,314
V.	**SECURITIES ISSUED (Net)**		**494,885**	**-**	**494,885**	**-**	**-**	**-**
5.1	Bills		494,885	-	494,885	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	**FUNDS**		**40,699**	**-**	**40,699**	**61,203**	**-**	**61,203**
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		40,699	-	40,699	61,203	-	61,203
VII.	**MISCELLANEOUS PAYABLES**		**1,808,249**	**69,014**	**1,877,263**	**1,352,381**	**44,587**	**1,396,968**
VIII.	**OTHER EXTERNAL RESOURCES PAYABLE**	**V-II-4**	**150,590**	**454,116**	**604,706**	**132,520**	**370,787**	**503,307**
IX.	**FACTORING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
X.	**LEASE PAYABLES**	**V-II-5**	**-**	**-**	**-**	**-**	**-**	**-**
10.1	Finance lease payables		-	-	-	-	4	4
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	4	4
XI.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE**	**V-II-6**	**-**	**-**	**-**	**-**	**-**	**-**
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XII.	**PROVISIONS**	**V-II-7**	**1,253,798**	**29,660**	**1,283,458**	**966,708**	**23,182**	**989,890**
12.1	General provisions		668,297	2,883	671,180	424,374	3,502	427,876
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		389,807	-	389,807	341,687	-	341,687
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions		195,694	26,777	222,471	200,647	19,680	220,327
XIII.	**TAX LIABILITIES**	**V-II-8**	**124,710**	**1,804**	**126,514**	**187,525**	**3,941**	**191,466**
13.1	Current tax liabilities		124,710	1,804	126,514	187,525	3,941	191,466
13.2	Deferred tax liabilities	V-I-15	-	-	-	-	-	-
XIV.	**PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)**	**V-II-9**	**-**	**-**	**-**	**-**	**-**	**-**
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
XV.	**SUBORDINATED LOANS**	**V-II-10**	**-**	**-**	**-**	**-**	**-**	**-**
XVI.	**SHAREHOLDERS' EQUITY**		**9,129,218**	**169,187**	**9,298,405**	**8,317,385**	**241,118**	**8,558,503**
16.1	**Paid-in capital**	**V-II-11**	**2,500,000**	**-**	**2,500,000**	**2,500,000**	**-**	**2,500,000**
16.2	**Capital reserves**		**882,917**	**169,187**	**1,052,104**	**1,261,024**	**241,118**	**1,502,142**
16.2.1	Share premium		723,918	-	723,918	723,918	-	723,918
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-11	84,117	169,187	253,304	465,543	241,118	706,661
16.2.4	Revaluation surplus on tangible assets		7,564	-	7,564	5,033	-	5,033
16.2.5	Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6	Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures		67,318	-	67,318	66,530	-	66,530
16.2.8	Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		-	-	-	-	-	-
16.3	**Profit reserves**		**4,519,516**	**-**	**4,519,516**	**3,399,221**	**-**	**3,399,221**
16.3.1	Legal reserves		590,498	-	590,498	476,116	-	476,116
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		3,689,113	-	3,689,113	2,696,515	-	2,696,515
16.3.4	Other profit reserves		239,905	-	239,905	226,590	-	226,590
16.4	**Profit or loss**		**1,226,785**	**-**	**1,226,785**	**1,157,140**	**-**	**1,157,140**
16.4.1	Prior years' profit/loss		-	-	-	-	-	-
16.4.2	Current year's profit/loss		1,226,785	-	1,226,785	1,157,140	-	1,157,140
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**59,276,125**	**29,908,341**	**89,184,466**	**52,469,759**	**21,491,928**	**73,961,687**

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Off-Balance Sheet Items
At 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

			Audited Current Year 31 December 2011			Audited Prior Year 31 December 2010		
		Notes	TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		39,880,044	33,288,485	73,168,529	19,612,172	9,048,213	28,660,385
I.	GUARANTEES AND SURETIES	V-III-2-4	9,018,742	6,645,287	15,664,029	6,466,338	4,878,322	11,344,660
1.1	Letters of guarantee		8,988,954	2,083,802	11,072,756	6,454,001	1,775,159	8,229,160
1.1.1	Guarantees subject to State Tender Law		1,421,940	735,091	2,157,031	1,001,341	407,089	1,408,430
1.1.2	Guarantees given for foreign trade operations		323,046	-	323,046	215,578	-	215,578
1.1.3	Other letters of guarantee		7,243,968	1,348,711	8,592,679	5,237,082	1,368,070	6,605,152
1.2	Bank acceptances		29,056	454,538	483,594	8,587	188,036	196,623
1.2.1	Import letter of acceptance		375	40,122	40,497	-	27,800	27,800
1.2.2	Other bank acceptances		28,681	414,416	443,097	8,587	160,236	168,823
1.3	Letters of credit		732	4,098,668	4,099,400	3,750	2,907,531	2,911,281
1.3.1	Documentary letters of credit		732	4,098,668	4,099,400	3,750	2,907,531	2,911,281
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Guaranteed pre-financings		-	6,941	6,941	-	6,823	6,823
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Marketable securities underwriting commitments		-	-	-	-	-	-
1.7	Factoring related guarantees		-	-	-	-	-	-
1.8	Other guarantees		-	1,166	1,166	-	773	773
1.9	Other sureties		-	172	172	-	-	-
II.	COMMITMENTS		26,604,769	17,950,010	44,554,779	9,844,083	503,975	10,348,058
2.1	Irrevocable commitments		10,761,185	888,178	11,649,363	9,843,938	503,975	10,347,913
2.1.1	Asset purchase commitments	V-III-1	768,919	857,919	1,626,838	412,537	492,288	904,825
2.1.2	Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries	V-III-1	1,000	-	1,000	2,000	-	2,000
2.1.4	Loan granting commitments	V-III-1	4,574,348	-	4,574,348	3,679,208	-	3,679,208
2.1.5	Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Commitments for cheque payments	V-III-1	829,640	-	829,640	655,194	-	655,194
2.1.8	Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9	Commitments for credit card limits	V-III-1	4,322,604	-	4,322,604	4,880,798	-	4,880,798
2.1.10	Commitments for credit card and banking operations promotions		246,030	-	246,030	201,107	-	201,107
2.1.11	Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12	Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		18,644	30,259	48,903	13,094	11,687	24,781
2.2	Revocable commitments		15,843,584	17,061,832	32,905,416	145	-	145
2.2.1	Revocable loan granting commitments		15,843,584	17,061,832	32,905,416	145	-	145
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	V-III-5	4,256,533	8,693,188	12,949,721	3,301,751	3,665,916	6,967,667
3.1	Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1	Fair value hedges		-	-	-	-	-	-
3.1.2	Cash flow hedges		-	-	-	-	-	-
3.1.3	Net foreign investment hedges		-	-	-	-	-	-
3.2	Trading derivatives		4,256,533	8,693,188	12,949,721	3,301,751	3,665,916	6,967,667
3.2.1	Forward foreign currency purchases/sales		241,499	730,482	971,981	39,955	64,916	104,871
3.2.1.1	Forward foreign currency purchases		120,798	365,252	486,050	19,983	32,459	52,442
3.2.2.2	Forward foreign currency sales		120,701	365,230	485,931	19,972	32,457	52,429
3.2.2	Currency and interest rate swaps		3,895,134	7,304,219	11,199,353	3,135,142	3,471,963	6,607,105
3.2.2.1	Currency swaps-purchases		2,939,954	2,126,335	5,066,289	1,319,674	1,729,042	3,048,716
3.2.2.2	Currency swaps-sales		955,180	3,515,768	4,470,948	1,575,468	1,447,017	3,022,485
3.2.2.3	Interest rate swaps-purchases		-	837,023	837,023	120,000	154,367	274,367
3.2.2.4	Interest rate swaps-sales		-	825,093	825,093	120,000	141,537	261,537
3.2.3	Currency, interest rate and security options		119,900	127,332	247,232	126,654	129,037	255,691
3.2.3.1	Currency call options		59,950	63,666	123,616	63,327	64,518	127,845
3.2.3.2	Currency put options		59,950	63,666	123,616	63,327	64,519	127,846
3.2.3.3	Interest rate call options		-	-	-	-	-	-
3.2.3.4	Interest rate put options		-	-	-	-	-	-
3.2.3.5	Security call options		-	-	-	-	-	-
3.2.3.6	Security put options		-	-	-	-	-	-
3.2.4	Currency futures		-	-	-	-	-	-
3.2.4.1	Currency futures-purchases		-	-	-	-	-	-
3.2.4.2	Currency futures-sales		-	-	-	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sales		-	-	-	-	-	-
3.2.6	Others		-	531,155	531,155	-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		357,053,294	124,320,048	481,373,342	88,652,364	26,426,105	115,078,469
IV.	ITEMS HELD IN CUSTODY		124,012,854	1,965,815	125,978,669	20,489,343	691,971	21,181,314
4.1	Customers' securities held		-	18,287	18,287	-	15,028	15,028
4.2	Investment securities held in custody		119,736,673	8,216	119,744,889	18,033,907	6,752	18,040,659
4.3	Checks received for collection		3,205,549	488,732	3,694,281	1,591,885	245,019	1,836,904
4.4	Commercial notes received for collection		679,477	175,092	854,569	388,999	119,465	508,464
4.5	Other assets received for collection		2,152	75	2,227	2,152	62	2,214
4.6	Assets received through public offering		-	5,570	5,570	-	4,860	4,860
4.7	Other items under custody		309	919,351	919,660	237,108	125,066	362,174
4.8	Custodians		388,694	350,492	739,186	235,292	175,719	411,011
V.	PLEDGED ITEMS		80,054,062	33,316,757	113,370,819	68,163,021	25,734,134	93,897,155
5.1	Securities		152,464	36,226	188,690	837,239	61,103	898,342
5.2	Guarantee notes		370,412	106,362	476,774	266,716	110,761	377,477
5.3	Commodities		13,878,556	551,059	14,429,615	10,550,064	105,548	10,655,612
5.4	Warranties		-	-	-	-	-	-
5.5	Real estates		61,440,934	25,435,504	86,876,438	51,514,221	21,778,197	73,292,418
5.6	Other pledged items		3,818,024	7,124,472	10,942,496	4,233,678	3,497,190	7,730,868
5.7	Pledged items-depository		393,672	63,134	456,806	761,103	181,335	942,438
VI.	CONFIRMED BILLS OF EXCHANGE AND SURETIES		152,986,378	89,037,476	242,023,854	-	-	-
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)		396,933,338	157,608,533	554,541,871	108,264,536	35,474,318	143,738,854

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Statement of Income
For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

		Notes	Audited Current Year 31 December 2011	Audited Prior Year 31 December 2010
I.	INTEREST INCOME		6,501,067	5,882,857
1.1	Interest income from loans	V-IV-1	4,932,705	4,133,861
1.2	Interest income from reserve deposits		-	68,446
1.3	Interest income from banks	V-IV-1	8,516	6,637
1.4	Interest income from money market transactions		4,104	59,994
1.5	Interest income from securities portfolio	V-IV-1	1,509,415	1,580,768
1.5.1	Trading financial assets		-	903
1.5.2	Financial assets at fair value through profit or loss		-	-
1.5.3	Available-for-sale financial assets		1,047,285	1,218,665
1.5.4	Held-to-maturity investments		462,130	361,200
1.6	Finance lease income		-	-
1.7	Other interest income		46,327	33,151
II.	INTEREST EXPENSE		3,607,349	3,152,856
2.1	Interest expense on deposits	V-IV-2	2,939,515	2,627,995
2.2	Interest expense on funds borrowed	V-IV-2	135,141	88,175
2.3	Interest expense on money market transactions		478,656	385,342
2.4	Interest expense on securities issued	V-IV-2	16,555	-
2.5	Other interest expenses		37,482	51,344
III.	NET INTEREST INCOME (I -II)		2,893,718	2,730,001
IV.	NET FEES AND COMMISSIONS INCOME		559,307	443,282
4.1	Fees and commissions received		747,092	562,334
4.1.1	Non-cash loans		65,658	62,907
4.1.2	Others		681,434	499,427
4.2	Fees and commissions paid		187,785	119,052
4.2.1	Non-cash loans		132	199
4.2.2	Others		187,653	118,853
V.	DIVIDEND INCOME	V-IV-3	44,817	35,189
VI.	TRADING INCOME/LOSSES (Net)	V-IV-4	39,000	316,289
6.1	Trading account income/losses	V-IV-4	74,700	365,684
6.2	Income/losses from derivative financial instruments	V-IV-4	(13,872)	(70,747)
6.3	Foreign exchange gains/losses	V-IV-4	(21,828)	21,352
VII.	OTHER OPERATING INCOME	V-IV-5	885,315	601,030
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		4,422,157	4,125,791
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	905,596	973,204
X.	OTHER OPERATING EXPENSES (-)	V-IV-7	1,941,380	1,689,813
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,575,181	1,462,774
XII.	INCOME RESULTED FROM MERGERS		-	-
XIII.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XV.	INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		1,575,181	1,462,774
XVI.	CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-11	(348,396)	(305,634)
16.1	Current tax charges		(373,920)	(318,948)
16.2	Deferred tax credits		25,524	13,314
XVII.	NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-12	1,226,785	1,157,140
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from investment properties		-	-
18.2	Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3	Other income from discontinued activities		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Investment property expenses		-	-
19.2	Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3	Other expenses from discontinued activities		-	-
XX.	INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI.	DISCONTINUED OPERATIONS PROVISION FOR TAXES (±)		-	-
21.1	Current tax charge		-	-
21.2	Deferred tax charge		-	-
XXII.	NET INCOME/LOSS AFRET TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	V-IV-12	1,226,785	1,157,140
	Earnings per 100 share (full TL)	III-XXII	0.4907	0.4629

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Statement of Gains and Losses Recognized in Shareholders' Equity For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

	GAINS AND LOSSES RECOGNIZED IN SHAREHOLDERS' EQUITY	Notes	Audited Current Year 31 December 2011	Audited Prior Year 31 December 2010
I.	VALUATION DIFFERRENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABELSECURITIES	V-V-1	(466,878)	(42,011)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS		-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS		-	-
IV.	CURRENCY TRANSLATION DIFFERENCES		-	-
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		(77,465)	167,664
IX.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES	V-V-1	91,774	15,534
X.	NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY		(452,569)	141,187
XI.	CURRENT YEAR'S PROFIT/LOSS		1,226,785	1,157,140
11.1	Change in fair value of securities (transfers to the statement of income)	V-V-1	132,415	101,491
11.2	Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges		-	-
11.3	Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges		-	-
11.4	Others		1,094,370	1,055,649
XII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE YEAR		774,216	1,298,327

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

	CHANGES IN SHAREHOLDERS' EQUITY	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Year Net Profit/ (Loss	Prior Year Net Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
	Prior Year – 31 December 2010																			
I.	Balances at the beginning of the year		2,500,000	-	723,918	-	353,012	-	1,713,233	206,430	1,251,206	-	565,474	1,138	66,530	-	-	7,380,941	-	7,380,941
	Changes during the year																			
II.	Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Associates, Subsidiaries and "Available-for-sale" securities		-	-	-	-	-	-	-	-	-	-	141,187	-	-	-	-	141,187	-	141,187
IV.	Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign 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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes resulted from disposal of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current year's net profit/loss		-	-	-	-	-	-	-	-	1,157,140	-	-	-	-	-	-	1,157,140	-	1,157,140
XVIII.	Profit distribution		-	-	-	-	123,104	-	983,282	20,160	(1,251,206)	-	-	3,895	-	-	-	(120,765)	-	(120,765)
18.1	Dividends		-	-	-	-	-	-	-	-	(120,765)	-	-	-	-	-	-	(120,765)	-	(120,765)
18.2	Transferred to reserves		-	-	-	-	123,104	-	983,282	20,160	(1,130,441)	-	-	3,895	-	-	-	-	-	-
18.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the year		2,500,000	-	723,918	-	476,116	-	2,696,515	226,590	1,157,140	-	706,661	5,033	66,530	-	-	8,558,503	-	8,558,503
	Current Year – 31 December 2011																			
I.	Balances at the beginning of the year																			
	Changes during the year		2,500,000	-	723,918	-	476,116	-	2,696,515	226,590	1,157,140	-	706,661	5,033	66,530	-	-	8,558,503	-	8,558,503
II.	Mergers																			
III.	Associates, Subsidiaries and "Available-for-sale" securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Hedges for risk management		-	-	-	-	-	-	-	-	-	-	(453,357)	-	-	-	-	(453,357)	-	(453,357)
4.1	Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	788	-	-	788	-	788
VIII.	Translation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes resulted from disposal of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current year's net profit/loss		-	-	-	-	-	-	-	-	1,226,785	-	-	-	-	-	-	1,226,785	-	1,226,785
XVIII.	Profit distribution		-	-	-	-	114,382	-	992,598	13,315	(1,157,140)	-	-	2,531	-	-	-	(34,314)	-	(34,314)
18.1	Dividends	VI-1	-	-	-	-	-	-	-	-	(34,314)	-	-	-	-	-	-	(34,314)	-	(34,314)
18.2	Transferred to reserves	VI-1	-	-	-	-	114,382	-	992,598	13,315	(1,122,826)	-	-	2,531	-	-	-	-	-	-
18.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the year		2,500,000	-	723,918	-	590,498	-	3,689,113	239,905	1,226,785	-	253,304	7,564	67,318	-	-	9,298,405	-	9,298,405

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Statement of Cash Flows
For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira["TL"])

		Notes	Audited Current Year 31 December 2011	Audited Prior Year 31 December 2010
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**1,173,997**	**2,403,884**
1.1.1	Interests received		6,150,151	5,953,267
1.1.2	Interests paid		(3,506,550)	(3,241,762)
1.1.3	Dividends received		20,881	24,712
1.1.4	Fee and commissions received		559,307	443,282
1.1.5	Other income		172,935	134,826
1.1.6	Collections from previously written-off loans and other receivables	V-I-5	548,693	536,650
1.1.7	Payments to personnel and service suppliers		(1,867,002)	(1,607,748)
1.1.8	Taxes paid		(392,941)	(268,389)
1.1.9	Others	V-VI-1	(511,477)	429,046
1.2	**Changes in operating assets and liabilities**		**(2,245,494)**	**(4,299,299)**
1.2.1	Net (increase) decrease in financial assets held for trading purpose		-	9,722
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		(2,894,613)	(652,453)
1.2.4	Net (increase) decrease in loans		(12,667,820)	(11,259,074)
1.2.5	Net (increase) decrease in other assets		(146,453)	(197,672)
1.2.6	Net increase (decrease) in bank deposits		1,585,672	(298,956)
1.2.7	Net increase (decrease) in other deposits		11,568,677	3,336,925
1.2.8	Net increase (decrease) in funds borrowed		1,900,297	1,960,613
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities	V-VI-1	(1,591,254)	2,801,596
I.	**Net cash flow from banking operations**		**(1,071,497)**	**(1,895,415)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash flow from investing activities**		**(829,911)**	**207,002**
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures	V-I-7,V-I-8	(22,553)	(42,320)
2.2	Proceeds from disposal of associates, subsidiaries and joint-ventures	V-I-8	-	-
2.3	Purchases of tangible assets		(104,893)	(92,597)
2.4	Proceeds from disposal of tangible assets		206,023	70,108
2.5	Cash paid for purchase of available-for-sale financial assets		(3,995,052)	(10,409,861)
2.6	Proceeds from disposal of available-for-sale financial assets		2,807,497	9,292,883
2.7	Cash paid for purchase of held-to-maturity investments		(1,337,879)	(109,389)
2.8	Proceeds from disposal of held-to-maturity investments	V-I-6	1,634,696	1,515,414
2.9	Others	V-VI-1	(17,750)	(17,236)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash flow from financing activities**		**444,064**	**(120,765)**
3.1	Cash obtained from funds borrowed and securities issued		478,378	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Equity instruments issued		-	-
3.4	Dividends paid	V-V-5	(34,314)	(120,765)
3.5	Repayments for finance leases		-	-
3.6	Others		-	-
IV.	**Effect of change in foreign exchange rates on cash and cash equivalents**	**V-VI-1**	**3,796**	**4,997**
V.	**Net increase in cash and cash equivalents**		**(1,453,548)**	**(1,804,181)**
VI.	**Cash and cash equivalents at the beginning of the year**	**V-VI-4**	**6,387,454**	**8,191,635**
VII.	**Cash and cash equivalents at the end of the year**	**V-VI-4**	**4,933,906**	**6,387,454**

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Statement of Profit Distribution
For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

		Notes	Current Year 31 December 2011	Prior Year 31 December 2010
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT**			
1.1	**CURRENT YEAR'S PROFIT**		**1,575,181**	**1,462,774**
1.2	**TAXES PAYABLE AND LEGAL DUTIES**		**(348,396)**	**(305,634)**
1.2.1	Corporate tax (income tax)	V-IV-11	(373,920)	(318,948)
1.2.2	Withholding tax		-	-
1.2.3	Other taxes and duties	V-IV-11	25,524	13,314
A.	**NET PROFIT FOR THE YEAR**		**1,226,785**	**1,157,140**
1.3	**DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES**	**V-IV-11**	**(25,524)**	**(13,314)**
B.	**NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME**		**1,201,261**	**1,143,826**
1.4	**ACCUMULATED LOSSES**		-	-
1.5	**FIRST LEGAL RESERVES**	**V-V-5**	-	**(57,192)**
1.6	**OTHER STATUTORY RESERVES**	**V-V-5**	-	**(57,191)**
C.	**NET PROFIT AVAILABLE FOR DISTRIBUTION (*)**		-	**1,029,443**
1.7	**FIRST DIVIDEND TO SHAREHOLDERS**		-	**34,314**
1.7.1	To owners of ordinary shares		-	34,314
1.7.2	To owners of privileged shares		-	-
1.7.3	To owners of redeemed shares		-	-
1.7.4	To profit sharing bonds		-	-
1.7.5	To holders of profit and loss sharing certificates		-	-
1.8	**DIVIDENDS TO PERSONNEL (*)**		-	-
1.9	**DIVIDENDS TO BOARD OF DIRECTORS**		-	-
1.10	**SECOND DIVIDEND TO SHAREHOLDERS**		-	-
1.10.1	To owners of ordinary shares		-	-
1.10.2	To owners of privileged shares		-	-
1.10.3	To owners of redeemed shares		-	-
1.10.4	To profit sharing bonds		-	-
1.10.5	To holders of profit and loss sharing certificates		-	-
1.11	**SECOND LEGAL RESERVES**		-	-
1.12	**STATUS RESERVES**		-	-
1.13	**EXTRAORDINARY RESERVES**	**V-V-5**	-	**992,598**
1.14	**OTHER RESERVES**		-	-
1.15	**SPECIAL FUNDS**	**V-V-5**	-	**2,531**
II.	**DISTRIBUTION FROM RESERVES**			
2.1	**DISTRIBUTION OF RESERVES**		-	-
2.2	**SECOND LEGAL RESERVES**		-	-
2.3	**DIVIDENDS TO SHAREHOLDERS**		-	-
2.3.1	To owners of ordinary shares		-	-
2.3.2	To owners of privileged shares		-	-
2.3.3	To owners of redeemed shares		-	-
2.3.4	To profit sharing bonds		-	-
2.3.5	To holders of profit and loss sharing certificates		-	-
2.4	**DIVIDENDS TO PERSONNEL(**)**		-	-
2.5	**DIVIDENDS TO BOARD OF DIRECTORS**		-	-
III.	**EARNINGS PER SHARE**			
3.1	**TO OWNERS OF ORDINARY SHARES**		**0.4907**	**0.4629**
3.2	**TO OWNERS OF ORDINARY SHARES (%)**		**49.07**	**46.29**
3.3	**TO OWNERS OF PRIVILEGED SHARES**		-	-
3.4	**TO OWNERS OF PRIVILEGED SHARES (%)**		-	-
IV.	**DIVIDEND PER SHARE**			
4.1	**TO OWNERS OF ORDINARY SHARES**		-	**0.0137**
4.2	**TO OWNERS OF ORDINARY SHARES (%)**		-	**1,37**
4.3	**TO OWNERS OF PRIVILEGED SHARES**		-	-
4.4	**TO OWNERS OF PRIVILEGED SHARES (%)**		-	-

(*) As at report date, no resolution has been decided regarding profit distribution. Accordingly, net profit available for distribution has not been presented.
(**) As at and for the year ended 31 December 2011 , dividends to the personnel amounting to TL 97,000 (31 December 2010: TL 83,250) has been accounted for in the statement of income through recording in the current year's profits/losses in accordance with TAS 19 – Employee Benefits.

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Financial Report as at and For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

SECTION THREE
Accounting Policies

I.Basis of presentation

As per the Article 37 of "Accounting and Recording Rules" of the Turkish Banking Law no. 5411 published on the Official Gazette no. 25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its unconsolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulation and Supervision Agency ("BRSA") and effective since 1 November 2006, Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and the related statements and guidance (collectively "Reporting Standards") issued by Turkish Accounting Standards Board ("TASB").

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

The accompanying unconsolidated 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 investments in associates and subsidiaries that are quoted on the stock exchanges and assets available for sale, which are presented on a fair value basis.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying unconsolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated 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 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 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. The Bank also hedges itself against the risk exposed due to net investment in foreign operations by the same manner.

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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 are recorded in TL, the functional currency of the Bank. Foreign currency transactions are recorded using the foreign exchange rates effective at the transaction date. At the end of the periods, foreign currency denominated monetary assets and liabilities are measured with the Bank's spot purchase rates and the 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.

III. Information on forwards, options and other derivative transactions

The derivative transactions mainly consist of currency and interest rate swaps, foreign currency forward contracts and currency options. The Bank has classified its derivative transactions, mentioned above, as "trading purpose" in accordance with the TAS 39 – Financial Instruments: Recognition and Measurement.

Derivatives are initially recorded at their purchase costs including the transaction costs. The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts.

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 of derivative transactions are recognized in the statement of income.

IV. Information on interest income and expenses

Interest income and expense are recognized according to the effective interest method based on accrual basis. Effective interest rate is the rate that discounts the expected cash flows of financial assets or liabilities during their lifetimes to their carrying values. 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 discounts and premiums, fees and commissions paid or received and transaction costs. Transaction costs are additional costs that are directly related to the acquisition, issuance or disposal of financial assets or liabilities.

In accordance with the related regulation, the accrued interest income on non-performing loans are reversed and subsequently recognized as interest income only when collected.

V. 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.

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VI. 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 statement of income. Interest income earned on financial assets and the difference between their acquisition costs and fair values are recorded as interest income in the statement of income. The gains/losses in case of disposal of such securities before their maturities are recorded under trading income/losses in the statement of income.

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

Held to maturity investments are the financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables. Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any.

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

Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any. Interest earned on held-to-maturity investments is recognized as interest income.

Available-for-sale financial assets are the financial assets other than loans and receivables, held-to-maturity investments and assets held for trading purposes. Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. However, 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 derived from the difference between their fair values and the discounted values are recorded in "valuation differences of the marketable securities" under the shareholders' equity. In case of disposal of such assets, the realized gain or losses are recognized directly in the statement of income.

Loans 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

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

Associates, classified as available-for-sale financial assets in unconsolidated financial statements, which are traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates which are not traded in an active market and whose fair values cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

VII. 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 Bank 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.

VIII. Information on offsetting 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 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.

IX. Information on sales and repurchase agreements and securities lending

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

Securities purchased under resale agreements ("reverse repo") are classified under "Interbank Money Markets" separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

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X. Information on assets held for sale and discontinued operations

The Bank has neither assets held for sale nor discontinued operations.

XI. Information on goodwill and other intangible assets

The Bank'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 based on straight line amortization.

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 then the carrying value of the related asset, a provision for impairment loss is made.

XII. 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. In subsequent periods no inflation adjustment is made for tangible assets, and costs which are restated as of 31 December 2004 are considered as their historical costs. Tangible assets purchased after 1 January 2005 are recorded at their historical costs after foreign exchange differences and financial expenses are deducted 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.

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Depreciation rates and estimated useful lives are:

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

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

At each balance sheet date, the Bank 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 then the carrying value of the related asset, a provision for impairment loss is made.

XIII. Information on leasing activities

Finance leases

Tangible assets acquired by way of finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realizable value.

Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

Operational leases

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

XIV. Information on provisions and contingent liabilities

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as at the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the 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 financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the 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 financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Bank discloses the contingent asset.

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XV. Information on obligations of the Bank concerning employee rights

Reserve for employee termination benefits

In accordance with existing Turkish Labour Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2011 is TL 2,732 (full TL) (31 December 2010: TL 2,517 (full TL)).

The Bank calculated and reserved for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits.*

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

	Current Year	Previous Year
Discount Rate	3.78%	4.66%
Expected Rate of Salary/Limit Increase	5.00%	5.10%
Estimated Employee Turnover Rate	1.61%	1.13%

Other benefits to employees

The Bank has provided for undiscounted short-term employee benefits earned during the financial period as per services rendered in compliance with TAS 19 in the accompanying unconsolidated financial statements.

Pension fund

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

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

Following the publication of the ruling, the Turkish Parliament started to work on new legal arrangements and the Social Security Law no. 5754 ("the Law") has been approved on 17 April 2008. The Law is enacted by the approval of the President of Turkey and issued on the 8 May 2008 dated and 26870 numbered Official Gazette.

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

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

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.

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

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

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

The technical financial statements of the Fund are audited by the certified actuary according to the the "Actuaries Regulation" which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 2012 which is prepared in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against.

XVI. Information on taxation

Corporate tax

Corporate tax rate is 20% in Turkey. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Except for the dividend payments to these institutions, the withholding tax rate on the dividend payments is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

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

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

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.

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The deferred tax assets and liabilities are reported as net in the financial statements only if the Bank has legal right to present the net value of current year tax assets and current year tax liabilities and the deferred tax assets and deferred tax liabilities are income taxes of the same taxable entity.

In case valuation differences resulting from the subsequent measurement of the items are recognized in the statement of income, then the related current and or deferred tax effects are also recognized in the statement of income. On the other hand, if valuation differences are recognized in shareholders' equity, then the related current or deferred tax effects are also recognized directly in the shareholders' 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.

Pursuant to the relevant Communiqué, 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.

XVII. Additional information on borrowings

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

On 8 August 2011, the Bank has issued discount bonds with a nominal value of TL 500,000 and 176 days maturity. As at 30 September 2011 the related bonds are measured at amortized cost using effective interest method.

XVIII. Information on issuance of equity securities

The shares of the 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.

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XIX. Information on confirmed bills of exchange and acceptances

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

XX. Information on government incentives

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

XXI. Information on segment reporting

Operational segments are determined based the structure of the Bank's risks and benefits and presented in Section 4 Note X.

XXII. Other disclosures

Earnings per shares

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

As at and for the year ended 31 December 2011 , earnings per 100 share is TL 0.4907 (31 December 2010: TL 0.4629).

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. 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 5 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 three months.

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SECTION FOUR
Information Related to Financial Position of the Bank

I. Capital adequacy ratio

The Bank's unconsolidated capital adequacy ratio is 13.38% (31 December 2010: 14.35%).

Risk measurement methods in calculation of capital adequacy ratio

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

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

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

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

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

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Information related to unconsolidated capital adequacy ratio

	31 December 2011 Risk Weights						
	%0	%10	%20	%50	%100	%150	%200
Balance sheet items (Net)	**15,026,543**	**-**	**1,317,627**	**18,930,588**	**37,138,268**	**872,179**	**2,368,430**
Cash on hand	712,293	-	-	-	-	-	-
Matured securities	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	2,155,100	-	-	-	-	-	-
Domestic and foreign Banks, foreign head offices and branches	963,247	-	884,145	-	281,958	-	-
Interbank money market placements	-	-	-	-	-	-	-
Receivables from reverse repurchase agreements	190,000	-	-	-	-	-	-
Reserve deposits	4,269,727	-	-	-	-	-	-
Loans	673,284	-	321,572	18,714,550	33,634,344	872,179	2,368,430
Loans under follow-up (Net)	-	-	-	-	108,622	-	-
Receivables from leasing activities	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-
Held-to-maturity investment securities	5,777,886	-	54,520	-	-	-	-
Receivables from term sale of assets	-	-	-	-	103,778	-	-
Miscellaneous receivables	-	-	20,177	-	399,301	-	-
Interest and other income accruals	147,073	-	32,184	216,038	407,995	-	-
Investments in associates, subsidiaries and joint-ventures (Net)	-	-	-	-	864,525	-	-
Tangible assets (Net)	-	-	-	-	890,502	-	-
Other assets	137,933	-	5,029	-	447,243	-	-
Off-balance sheet items	**116,654**		**1,367,131**	**572,436**	**9,905,621**	**-**	**-**
Non-cash loans and commitments	116,654		1,042,425	572,436	9,887,628	-	-
Derivative financial instruments	-		324,706	-	17,993	-	-
Non risk weighted accounts	**-**		**-**	**-**	**-**	**-**	**-**
Total risk weighted assets	**15,143,197**	**-**	**2,684,758**	**19,503,024**	**47,043,889**	**872,179**	**2,368,430**

Summary information related to unconsolidated capital adequacy ratio

	Current Year	Prior Year
Value at Credit Risk (VaCR)	63,377,481	48,608,735
Value at Market Risk (VaMR)	1,952,688	1,781,375
Value at Operational Risk (VaOR) (*)	6,531,375	5,795,900
Shareholders' Equity	9,616,230	8,065,195
Shareholders' Equity/ (VaCR+VaMR+VaOR)*100	**%13.38**	**%14.35**

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

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Components of shareholders' equity items

	Current Year	Prior Year
CORE CAPITAL		
Paid-in Capital	2,500,000	2,500,000
Nominal Capital	2,500,000	2,500,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-
Share Premium	723,918	723,918
Share Cancellation Profits	-	-
Legal Reserves	590,498	476,116
I. Legal Reserve (Turkish Commercial Code 466/1)	295,249	238,058
II. Legal Reserve (Turkish Commercial Code 466/2)	-	-
Reserves allocated as per Special Legislations	295,249	238,058
Status Reserves	-	-
Extraordinary Reserves	3,929,018	2,923,105
Reserve allocated as per the Decision held by the General Assembly	3,689,113	2,696,515
Retained Earnings	239,905	226,590
Accumulated Losses	-	-
Exchange Rate Differences on Foreign Currency Capital	-	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-	-
Profit	1,226,785	1,157,140
Current Year's Profit	1,226,785	1,157,140
Prior Years' Profit	-	-
Provision for Possible Losses (up to 25% of Core Capital)	51,676	65,428
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	7,564	5,033
Primary Subordinated Debt (up to 15% of Core Capital)	-	-
Loss excess of Reserves (-)	-	-
Current Year's Loss	-	-
Prior Years' Loss	-	-
Leasehold Improvements (-)	69,815	73,009
Prepaid Expenses (-)	-	323,581
Intangible Assets (-)	62,175	52,892
Deferred Tax Asset excess of 10% of Core Capital (-)	-	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-	-
Total Core Capital	**8,897,469**	**7,401,258**
SUPPLEMENTARY CAPITAL		
General Provisions	671,180	427,876
45% of Revaluation Surplus on Immovables	-	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	67,318	66,530
Primary Subordinated Debt excluding the Portion included in Core Capital	-	
Secondary Subordinated Debt	-	-
45% of Valuation Differences of Marketable Securities	113,987	317,997
Associates and Subsidiaries	144,557	178,791
Available for Sale Investment Securities	(30,570)	139,206
Other Profit Reserves	-	-
Total Supplementary Capital	**852,485**	**812,403**
TIER III CAPITAL	**-**	
CAPITAL	**9,749,954**	**8,213,661**
DEDUCTIONS FROM CAPITAL	**133,724**	**148,466**
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	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets		
Acquired against Overdue Receivables and Held for Sale as per the Article 57		
Of the Banking Law but Retained more than Five Years	133,265	148,466
Others	459	-
TOTAL EQUITY	**9,616,230**	**8,065,195**

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II. 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 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 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 for derivative transaction (futures, options, etc.) positions, which effects 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,
- the contribution to the formation of rating and scoring systems,
- the submiting 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,
- the studies regarding the formation of advanced credit risk measurement approaches.

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

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

The Bank's largest 200 cash loan customers compose 30.26% of the total cash loan portfolio.

The Bank's largest 200 non-cash loan customers compose 73.78% of the total non-cash loan portfolio.

The Bank's largest 200 cash loan customers compose 19.45% (31 December 2010: 24.62%) of total assets of the Bank and the Bank's largest 200 non-cash loan customers compose 15.79% (31 December 2010: 29.80%) of total off-balance sheet items.

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

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Sectoral and geographical concentration of the credit risk

	Personal and Commercial Loans		Banks and Other Financial Institution		Marketable Securities(*)		Other Loans(**)	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Sectoral Concentration								
Private Sector	34,229,510	25,348,135	1,010,219	3,470,365	15,359	12,053	8,569,218	4,155,596
Public Sector	957,456	1,134,894	-	-	18,995,476	17,949,407	136,082	1,541,305
Banks	-	-	8,752,744	7,382,014	88,931	99,317	229,317	328,366
Consumers	21,103,847	14,889,748	-	-	-	-	108	1,901
Equity Securities	-	-	-	-	10,750	10,750	-	-
	56,290,813	**41,372,777**	**9,762,963**	**10,852,379**	**19,110,516**	**18,071,527**	**8,934,725**	**6,027,168**
Geographical Concentration								
Domestic	56,187,073	41,305,902	7,694,944	9,686,524	19,026,120	17,974,202	7,917,952	4,132,577
EU Countries	-	-	742,608	470,390	19,070	16,351	424,389	967,319
OECD Countries (***)	-	-	27,223	52,137	-	-	972	365
Off-Shore Banking Regions	-	-	116	39	-	-	-	-
USA, Canada	103,740	66,875	1,265,067	629,721	65,326	47,842	78,677	219,765
Other Countries	-	-	33,005	13,568	-	33,132	512,735	707,142
Total	**56,290,813**	**41,372,777**	**9,762,963**	**10,852,379**	**19,110,516**	**18,071,527**	**8,934,725**	**6,027,168**

(*) Includes marketable securities classified as available for sale, and investment securities held-to-maturity.
(**) Includes transactions defined as loans according to the article 48 of Banking Law act no. 5411 and transactions classified other than first three columns in Uniform Chart of Accounts. Non-cash loans have been included in other loans column after they have been weighted with relevant rates for conversion to cash loans.
(***) Includes OECD countries other than EU countries, USA and Canada

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Geographical concentration

Current Year	Assets	Liabilities	Non- Cash Loans	Capital Expenditures	Net Profit
Domestic	85,886,323	77,852,308	14,058,468	145,196	1,226,785
EU Countries	889,031	10,592,341	567,264	-	-
OECD Countries (*)	27,223	301,918	1,862	-	-
Off-Shore	116	54,969		-	-
RegionsRegions USA, Canada	1,484,243	224,416	54,698	-	-
Other Countries	33,005	158,514	981,737	-	-
Subsidiaries, Affiliates and Joint-Ventures	864,525	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
Total	**89,184,466**	**89,184,466**	**15,664,029**	**145,196**	**1,226,785**

Prior Year	Assets	Liabilities	Non- Cash Loans	Capital Expenditures	Net Profit
Domestic	71,480,858	65,542,567	7,404,237	152,153	1,157,140
EU Countries	470,373	6,866,564	2,125,573	-	-
OECD Countries (*)	52,137	74,579	731	-	-
Off-Shore	309,204	239,691	-	-	-
USA, Canada	738,246	967,154	426,733	-	-
Other Countries	15,686	271,132	1,387,386	-	-
Subsidiaries, Affiliates and Joint-Ventures	895,183	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
Total	**73,961,687**	**73,961,687**	**11,344,660**	**152,153**	**1,157,140**

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

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Sectoral distribution of cash loans

	Current Year				Prior Year			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	**394,177**	**1.01**	**436,289**	**2.39**	**283,333**	**0.89**	**96,558**	**0.73**
Farming and Stockbreeding	332,356	0.86	91,851	0.50	143,514	0.45	48,486	0.36
Forestry	40,573	0.10	291,739	1.60	130,669	0.41	738	0.01
Fishery	21,248	0.05	52,699	0.29	9,150	0.03	47,334	0.36
Manufacturing	**4,047,214**	**10.40**	**8,932,069**	**48.86**	**4,198,842**	**13.32**	**6,096,184**	**45.87**
Mining	158,594	0.41	296,393	1.62	121,942	0.39	132,554	1.00
Production	3,665,628	9.42	6,700,160	36.65	3,844,444	12.19	4,987,223	37.52
Electricity, Gas, Water	222,992	0.57	1,935,516	10.59	232,456	0.74	976,407	7.35
Construction	**2,141,709**	**5.50**	**1,494,399**	**8.18**	**1,178,181**	**3.74**	**1,110,368**	**8.35**
Services	**7,692,397**	**19.77**	**5,528,466**	**30.24**	**8,064,649**	**25.63**	**4,384,389**	**32.99**
Wholesale and Retail Trade	4,702,111	12.09	2,103,255	11.50	3,537,067	11.21	1,656,040	12.46
Hotel, Food and Beverage Services	342,347	0.88	974,102	5.33	170,003	0.54	840,916	6.33
Transportation and Telecommunication	1,829,968	4.70	1,579,498	8.64	1,097,467	3.48	1,090,125	8.20
Financial Institutions	425,651	1.09	592,768	3.24	2,898,971	9.25	589,271	4.43
Real Estate and Renting Services	95,502	0.25	163,809	0.90	71,942	0.23	127,297	0.96
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Educational Services	77,085	0.20	25,579	0.14	62,527	0.20	6,339	0.05
Health and Social Services	219,733	0.56	89,455	0.49	226,672	0.72	74,401	0.56
Others	**24,646,258**	**63.32**	**1,887,632**	**10.33**	**17,818,884**	**56.42**	**1,605,006**	**12.06**
Total	**38,921,755**	**100.00**	**18,278,855**	**100.00**	**31,543,889**	**100.00**	**13,292,505**	**100.00**

Gross and net amounts of impaired loans and receivables by risk grade

	Loans		Other assets	
31 December 2011	Gross	Net	Gross	Net
Grade 3 : Individually Impaired	155,822	108,622	-	-
Grade 4 : Individually Impaired	175,923	-	-	-
Grade 5 : Individually Impaired	1,825,134	-	-	-
Total	**2,156,879**	**108,622**	**-**	**-**

	Loans		Other assets	
31 December 2010	Gross	Net	Gross	Net
Grade 3 : Individually Impaired	91,382	73,105	48,976	496
Grade 4 : Individually Impaired	218,622	-	-	-
Grade 5 : Individually Impaired	1,955,712	-	-	-
Total	**2,265,716**	**73,105**	**48,976**	**496**

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

Cash loans	31 December 2011	31 December 2010
Secured Loans:	40,510,545	28,903,121
Secured by cash collateral	454,204	74,353
Secured by mortgages	19,638,381	12,357,646
Secured by government institutions or government securities	219,080	94,417
Guarantees issued by financial institutions	313,371	257,143
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	19,885,509	16,119,562
Unsecured Loans	16,690,065	15,933,273
Total performing loans	**57,200,610**	**44,836,394**

Non-cash loans	31 December 2011	31 December 2010
Secured Loans:	6,487,511	5,136,859
Secured by cash collateral	102,656	123,129
Secured by mortgages	1,063,506	867,952
Secured by government institutions or government securities	-	-
Guarantees issued by financial institutions	7,079	374,391
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	5,314,270	3,771,387
Unsecured Loans	9,176,518	6,207,801
Total non-cash loans	**15,664,029**	**11,344,660**

Fair value of collateral held against impaired loans

	31 December 2011	31 December 2010
Cash collateral	-	-
Mortgage	645,047	793,062
Promissory	-	-
Others	1,511,832	1,472,654
Total	**2,156,879**	**2,265,716**

(*) 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 raw to the extent that the amount does not not exceed the amount of impaired loans

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Sectoral and geographical concentration of impaired loans

Sectoral	31 December 2011	31 December 2010
Consumer loans	427,831	403,263
Textile	254,299	290,319
Food	208,725	235,693
Construction	272,928	363,671
Durable consumption	10,554	86,478
Agriculture and stockbreeding	42,993	43,868
Metal and metal products	31,583	43,334
Service sector	34,482	36,656
Financial institutions	3,567	3,963
Others	869,917	758,471
Total impaired loans and receivables	**2,156,879**	**2,265,716**

Geographical	31 December 2011	31 December 2010
U.S.A.	144	-
Turkey	2,156,735	2,265,716
Total impaired loans and receivables	**2,156,879**	**2,265,716**

Past due but not impaired loans and receivables

	31 December 2011	31 December 2010
Grade 1: Low risk loans and receivables	12,884	180,442
Grade 2: Loans and receivables under follow-up	36,991	93,869
Total	**49,875**	**274,311**

Aging of past due but not impaired loans and receivables

	31 December 2011	31 December 2010
0-30 days	17,104	187,488
30-60 days	6,056	36,405
60-90 days	5,835	38,563
More than 90 days (*)	20,880	11,855
Total	**49,875**	**274,311**

(*)Consists of loans which are being collected and restructured.

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Undue and not impaired loans and receivables

	31 December 2011	31 December 2010
Grade 1 : Low risk loans and receivables	55,278,767	42,466,677
Grade 2 : Loans and receivables under follow-up	1,344,389	1,467,884
Total	**56,623,156**	**43,934,561**
Restructured or rescheduled loans	527,579	627,522
Total	**57,150,735**	**44,562,083**

III. Market risk

The Bank has defined its risk management procedures and has taken necessary precaution in order to avoid market risk, in compliance with "Regulation on Bank's Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006.

The market risk is defined as the potential risk of loss due to changes in interest rates, foreign exchange rates and equity prices on balance sheet and off-balance sheet positions of the banks.

The capital need for general market risk and specific risks is calculated using the standart method defined by the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and reported monthly.

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

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

Value at market risk

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	122,921
(II) Capital Obligation against Specific Risks - Standard Method	4,836
(III) Capital Obligation against Currency Risk - Standard Method	28,160
(IV) Capital Obligation against Stocks Risks - Standard Method	-
(V) Capital Obligation against Exchange Risks - Standard Method	-
(VI) Capital Obligation against Market Risks of Options - Standard Method	298
(VII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(VIII) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI)	156,215
(IX) Value-At-Market Risk (12.5*VII)	**1,952,688**

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Monthly average values at market risk

	Current Year			Prior Year		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	136,684	155,832	126,037	131,798	150,022	111,641
Common Share Risk	1,727	1,783	1,720	2,017	5,288	1,720
Currency Risk	20,012	37,517	10,362	18,032	30,355	7,627
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	655	1,707	40	561	1,259	144
Total Value at Risk	**1,988,475**	**2,163,013**	**1,763,250**	**1,905,098**	**2,071,425**	**1,751,850**

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

The effect on equity (except for tax effect) as a result of change in the fair value of equity instruments quoted to Istanbul Stock Exchange ("ISE") held as associates and subsidiaries in the accompanying financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

		31 December 2011	31 December 2010
	Change in index	Equity	Equity
ISE	10%	31,013	35,559

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IV. Operational risk

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

The amount calculated as TL 522,510 (31 December 2010: TL 463,672) from gross income for the years ended 31 December 2010, 2009 and 2008 and used for the calculation of capital adequacy ratio as at 31 December 2011 , represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk. Value at operational risk amounting to TL 6,531,375 (31 December 2010: TL 5,795,900) presented in the table included in Note I of this section is calculated as 12.5 times of the operational risk.

	31 December 2011	31 December 2010	31 December 2009	31 December 2008
(I) Net Interest Income	2,893,718	2,730,001	3,077,425	1,974,691
(II) Net Fees and Commission Income	559,307	443,282	465,547	466,215
(III) Dividends Income	44,817	35,189	24,265	25,499
(IV) Net Trading Income/(Loss)	39,000	316,289	177,766	89,720
(V) Other Operating Income	885,315	601,030	311,216	312,704
(VI) Income/(Loss) from sale of AFS and HTM Marketable Securities	74,700	358,200	123,385	58,881
(VII) Extraordinary Income	79,289	18,301	40,390	1,484
(VIII) Gross Income (I+II+III+IV+V-VI-VII)	**4,268,168**	**3,749,290**	**3,892,444**	**2,808,464**
(IX) Capital Requirement (Gross Income x %15)	**640,225**	**562,394**	**583,867**	**421,270**
(X) Average Operational Risk Capital Requirement	**595,495**	**522,510**	**463,672**	**-**
(XI) Value at Operational Risk (X x 12.5)	**7,443,688**	**6,531,375**	**5,795,900**	**-**

V. Foreign currency exchange risk

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

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

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

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

As at 31 December 2011 the Bank does not have derivate financial instruments held for risk management.

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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 Bank has established a foreign currency risk management policy that enables the Bank to take position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the Bank.

The Bank's effective exchange rates at the date of balance sheet and for the last five working days of the year announced by the Bank in TL are as follows:

	US DOLLAR	EURO
The Bank's foreign currency purchase rate at the balance sheet date	**1.8800**	**2.4346**
Foreign currency rates for the days before balance sheet date;		
Day 1	1.8800	2.4305
Day 2	1.8600	2.4293
Day 3	1.8500	2.4181
Day 4	1.8500	2.4148
Day 5	1.8600	2.4333

	US DOLLAR	EURO
Last 30-days arithmetical average rate	1.8253	2.4155

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Information on currency risk

Current Year	Euro	US Dollar	Japanese Yen	Other FCs	Total
Assets:					
Cash and balances with the Central Bank of Turkey	802,895	3,728,271	210	536,458	5,067,834
Banks	567,645	1,483,416	1,432	72,880	2,125,373
Financial assets at fair value through profit or loss (1)	314	116,665	422	101	117,502
Interbank money market placements	-	-	-	-	-
Available-for-sale financial assets	677,538	2,036,600	-	-	2,714,138
Loans and receivables (2)	7,190,911	12,246,406	-	45,614	19,482,931
Associates, subsidiaries and joint-ventures	150,015	-	-	-	150,015
Held-to-maturity investments	171,061	1,457,242	-	-	1,628,303
Derivative financial assets held for risk management purpose	-	-	-	-	-
Tangible assets	-	2,894	-	-	2,894
Intangible assets	-	176	-	-	176
Other assets (3)	4,375	89,917	-	325	94,617
Total assets	**9,564,754**	**21,161,587**	**2,064**	**655,378**	**31,383,783**
Liabilities:					
Bank deposits	535,904	2,268,192	-	2,834	2,806,930
Foreign currency deposits	5,055,440	9,800,134	1,537	59,364	14,916,475
Interbank money market takings	545,610	2,415,494	-	-	2,961,104
Funds borrrowed	3,833,640	4,291,607	-	36,806	8,162,053
Securities issued	-	-	-	-	-
Miscellaneous payables	1,151	67,776	-	87	69,014
Derivative financial liabilities held for risk management purpose	-	-	-	-	-
Other liabilities (1) (4)	106,829	425,568	2,742	22,419	557,558
Total liabilities	**10,078,574**	**19,268,771**	**4,279**	**121,510**	**29,473,134**
Net 'On Balance Sheet' Position	**(513,820)**	**1,892,816**	**(2,215)**	**533,868**	**1,910,649**
Net 'Off-Balance Sheet' Position	**435,480**	**(1,960,349)**	**2,354**	**(2,207)**	**(1,524,722)**
Derivative Financial Assets(6)	786,316	2,921,104	12,331	27,864	3,747,615
Derivative Financial Liabilities(6)	350,836	4,881,453	9,977	30,071	5,272,337
Non-Cash Loans (5)	1,440,134	4,966,424	69,748	168,981	6,645,287

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Prior Year	Euro	US Dollar	Japanese Yen	Other FCs	Total
Total Assets	7,349,331	13,700,671	4,582	115,237	21,169,821
Total Liabilities	7,275,165	13,844,722	5,055	106,839	21,231,781
Net 'On Balance Sheet' Position	**74,166**	**(144,051)**	**(473)**	**8,398**	**(61,960)**
Net 'Off-Balance Sheet' Position	**16,284**	**231,189**	**453**	**(4,218)**	**243,708**
Derivative Financial Assets	294,745	1,894,659	551	11,001	**2,200,956**
Derivative Financial Liabilities	278,461	1,663,470	98	15,219	**1,957,248**
Non-Cash Loans (5)	1,506,177	3,152,750	90,106	129,289	**4,878,322**

1) Derivative accruals stemming from foreign exchange rates presented under trading purpose derivative financial assets and liabilities amounting to TL 52,454 and TL 245,014 respectively are not included.
(2) Foreign currency indexed loans amounting to TL 1,204,076 (31 December 2010: TL 479,180) which are presented as TL in the financial statements have been included.
(3) Prepaid expenses amounting to TL 16,199 (31 December 2010: TL 14,064) have not been included.
(4) Unearned revenues amounting to TL 21,006 (31 December 2010: TL 17,267) have not been included.
(5) Non-cash loans have not been taken into consideration in the calculation of net 'off-balance sheet' position.
(6) Asset purchase commitments amounting to TL 355,339 and asset sales commitments amounting to TL 502,580 are included.

Exposure to currency risk

A 10 percent devaluation of TL against the following currencies as at 31 December 2011 and 2010 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

This analysis has been prepared with the assumption that all other variables, in particular interest rates, remain constant.

	31 December 2011		31 December 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(18,730)	(8,135)	(8,994)	7,462
Euro	(23,529)	(22,836)	(7,982)	(5,957)
Other currencies	53,180	53,180	416	416
Total, net	**10,921**	**22,209**	**(16,560)**	**1,921**

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

10 percent revaluation of TL against the following currencies as at 31 December 2011 and 2010 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	31 December 2011		31 December 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	20,798	10,203	12,775	(3,681)
Euro	23,529	22,836	7,982	5,957
Other currencies	(52,426)	(52,426)	342	342
Total, net	**(8,099)**	**(19,387)**	**21,099**	**2,618**

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

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VI. 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 Bank's exposure to interest rate risk is measured by the standard method.

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

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

Current Year	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets:							
Cash and balances with CBT	-	-	-	-	-	7,137,120	7,137,120
Banks	1,105,010	105,807	2,108	-	-	916,665	2,129,590
Financial assets at fair value through profit/loss	46,090	111,461	7,797	-	8,790	-	174,138
Interbank money market placements	190,127	-	-	-	-	-	190,127
Available-for-sale financial assets	4,211,015	2,165,645	1,964,797	2,559,309	2,227,473	10,750	13,138,989
Loans and receivables	16,216,140	8,340,184	14,719,779	11,875,943	6,048,564	108,622	57,309,232
Held-to-maturity investments	393,491	810,574	745,303	1,626,766	2,395,393	-	5,971,527
Other assets (*)	5,378	61	80,780	36,942	794	3,009,788	3,133,743
Total assets	**22,167,251**	**11,533,732**	**17,520,564**	**16,098,960**	**10,681,014**	**11,182,945**	**89,184,466**
Liabilities:							
Bank deposits	2,827,066	581,887	32,739	-	-	31,618	3,473,310
Other deposits	33,479,693	12,511,523	2,428,658	10,285	-	9,035,749	57,465,908
Interbank money market takings	3,915,871	1,247,962	775,804	-	-	-	5,939,637
Miscellaneous payables	-	-	8,246	-	-	1,869,017	1,877,263
Securities issued	-	494,885	-	-	-	-	494,885
Funds borrowed	160,426	5,999,153	2,023,705	31,443	22,580	-	8,237,307
Other liabilities (**)	86,499	79,297	140,026	11,818	65,433	11,313,083	11,696,156
Total liabilities	**40,469,555**	**20,914,707**	**5,409,178**	**53,546**	**88,013**	**22,249,467**	**89,184,466**
On balance sheet long position	-	-	12,111,386	16,045,414	10,593,001	-	**38,749,801**
On balance sheet short position	(18,302,304)	(9,380,975)	-	-	-	(11,066,522)	**(38,749,801)**
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)**
Total Position	**(18,224,818)**	**(8,066,875)**	**12,070,486**	**15,372,176**	**10,076,001**	**(11,066,522)**	**160,448**

(*) Subsidiaries, associates and tangible and intangible assets have been included in non-interest bearing column.
(**) Shareholders' equity has been included in non-interest bearing column of other liabilities line.

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Prior Year	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets:							
Cash and balances with CBT	-	-	-	-	-	4,646,880	4,646,880
Banks	728,200	79,123	47,029	-	-	417,321	1,271,673
Financial assets at fair value through profit/loss	14,400	1,609	1,210	6,829	-	-	24,048
Interbank money market placements	2,101,584	-	-	-	-	-	2,101,584
Available-for-sale financial assets	4,418,159	2,658,069	3,204,305	1,341,073	2,132,475	10,750	13,764,831
Loans and receivables	14,957,568	8,941,787	8,264,310	9,073,810	3,598,919	24,625	44,861,019
Held-to-maturity investments	549,869	1,062,472	812,563	304,767	1,577,025	-	4,306,696
Other assets (*)	3,804	1,300	8,500	111,894	239	2,859,219	2,984,956
Total assets	**22,773,584**	**12,744,360**	**12,337,917**	**10,838,373**	**7,308,658**	**7,958,795**	**73,961,687**
Liabilities:							
Bank deposits	1,440,178	142,796	421,561	-	-	10,200	2,014,735
Other deposits	25,508,127	10,362,127	2,419,559	130,051	-	7,266,676	45,686,540
Interbank money market takings	5,801,511	1,176,212	1,150,591	-	-	-	8,128,314
Miscellaneous payables	-	4,601	20,332	-	-	1,372,035	1,396,968
Securities issued	-	-	-	-	-	-	-
Funds borrowed	13,269	4,860,178	1,317,668	136,279	-	-	6,327,394
Other liabilities (**)	11,539	1,360	21,611	98,706	17,926	10,256,594	10,407,736
Total liabilities	**32,774,624**	**16,547,274**	**5,351,322**	**365,036**	**17,926**	**18,905,505**	**73,961,687**
On balance sheet long position	-	-	6,986,595	10,473,337	7,290,732	-	24,750,664
On balance sheet short position	(10,001,040)	(3,802,914)	-	-	-	(10,946,710)	(24,750,664)
Off-balance sheet long position	208,483	757,781	7,539	30,223	-	-	1,004,026
Off-balance sheet short position	(58,401)	(5,331)	(140,331)	(662,168)	(115,875)	-	(982,106)
Total Position	**(9,850,958)**	**(3,050,464)**	**6,853,803**	**9,841,392**	**7,174,857**	**(10,946,710)**	**21,920**

(*) İSubsidiaries, associates and tangible and intangible assets have been included in non-interest bearing column.
(**) Shareholders' equity has been included in non-interest bearing column of other liabilities line.

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Average interest rates applied to monetary financial instruments:

	Euro	US Dollar	Japanese Yen	TL
Current Year	%	%	%	%
Assets:				
Cash and Central Bank	-	-	-	-
Banks	0.15	0.50	-	8.90
Financial Assets at Fair Value through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	5.64	6.95	-	8.41
Loans and Receivables	5.20	4.99	-	14.92
Held-to-Maturity Investment Securities	5.58	7.34	-	9.96
	-	-	-	-
Liabilities:				
Bank Deposits	2.56	1.93	-	11.00
Other Deposits	4.03	4.21	-	9.62
Interbank Money Market Takings	1.96	1.98	-	8.76
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	8.70
Funds Borrowed	2.03	1.75	-	7.45

	Euro	US Dollar	Japanese Yen	TL
Prior Year	%	%	%	%
Assets:				
Cash and Central Bank	-	-	-	-
Banks	0.90	1.27	-	7.23
Financial Assets at Fair Value through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	6.97
Available-for-Sale Financial Assets	5.69	7.00	-	9.24
Loans and Receivables	4.36	4.18	3.49	14.18
Held-to-Maturity Investment Securities	6.61	7.38	-	9.72
Liabilities:				
Bank Deposits	2.26	0.99	-	8.36
Other Deposits	2.71	2.73	-	8.08
Interbank Money Market Takings	1.36	1.28	-	7.01
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed	1.71	1.43	0.49	7.36

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Interest rate sensitivity

Interest rate sensivity of the statement of income is the effect of the changes in interest rates assumed as follows on the fair values of financial assets at fair value through profit or loss and on net interest income without tax effect of floating rate non-trading financial assets and liabilities held as at 31 December 2011.

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

This analysis has been prepared with the assumption that all other variables, in particular foreign currency rates, remain constant.

This analysis is performed on the same basis for 31 December 2010.

	Profit or loss		Equity (*)	
31 December 2011	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets at fair value through profit or loss	61,055	(72,742)	61,055	(72,742)
Available for sale financial assets	21,604	(21,825)	(200,529)	214,136
Floating rate financial assets	350,145	(350,145)	350,145	(350,145)
Floating rate financial liabilities	(79,948)	79,948	(79,948)	79,948
Total, net	**352,856**	**(364,764)**	**130,723**	**(128,803)**

	Profit or loss		Equity (*)	
31 December 2010	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets at fair value through profit or loss	21,000	(20,164)	21,000	(20,164)
Available for sale financial assets	23,162	(23,233)	(222,023)	239,699
Floating rate financial assets	253,474	(253,474)	253,474	(253,474)
Floating rate financial liabilities	(64,164)	64,164	(64,164)	64,164
Total, net	**233,472**	**(232,707)**	**(11,713)**	**30,225**

(*) Equity effect also includes profit or loss effect of 100 bp increase or decrease in interest rates.

VII. Liquidity risk

In order to avoid the liquidity risk, the 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 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 securitisation transactions. There are no significant idle liquidity resources.

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Maturity analysis of assets and liabilities according to remaining maturities:

Current Year	Demand	Up to 1 Month	Up to 1 Month	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Assets:								
Cash and Central Bank	7,137,120	-	-	-	-	-	-	7,137,120
Banks	1,879,912	141,763	105,807	2,108	-	-		2,129,590
Fin. Assets at Fair Value through Profit/Loss	-	40,125	15,327	24,366	85,530	8,790	-	174,138
Interbank Money Market Placements	-	190,127	-	-	-	-	-	190,127
Available-for-Sale Financial Assets	-	105,447	190,461	710,199	7,201,774	4,920,358	10,750	13,138,989
Loans and Receivables	-	3,965,477	2,947,087	12,598,739	28,587,108	9,102,199	108,622	57,309,232
Held-to-Maturity Investments	-	20,078	61,955	114,584	3,344,029	2,430,881	-	5,971,527
Other Assets	-	403,707	61	80,780	168,095	794	2,480,306	3,133,743
Total Assets	**9,017,032**	**4,866,724**	**3,320,698**	**13,530,776**	**39,386,536**	**16,463,022**	**2,599,678**	**89,184,466**
Liabilities:								
Bank Deposits	31,618	2,827,066	581,887	32,739	-	-	-	3,473,310
Other Deposits	9,035,749	33,479,693	12,511,523	2,428,658	10,285	-	-	57,465,908
Funds Borrowed	-	122,214	2,011,968	2,447,277	1,988,724	1,667,124	-	8,237,307
Interbank Money Market Takings	-	3,915,871	1,190,935	832,831	-	-	-	5,939,637
Securities Issued	-	-	494,885	-	-	-	-	494,885
Miscellaneous Payables	-	1,709,409	34,467	8,246	-	-	125,141	1,877,263
Other Liabilities	-	221,309	105,315	144,901	44,586	85,530	11,094,515	11,696,156
Total Liabilities	**9,067,367**	**42,275,562**	**16,930,980**	**5,894,652**	**2,043,595**	**1,752,654**	**11,219,656**	**89,184,466**
Liquidity Gap	**(50,335)**	**(37,408,838)**	**(13,610,282)**	**7,636,124**	**37,342,941**	**14,710,368**	**(8,619,978)**	**-**

Prior Year	Demand	Up to 1 Month	Up to 1 Month	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Total Assets	5,546,854	11,444,770	2,895,358	11,524,278	28,066,663	11,971,319	2,512,445	73,961,687
Total Liabilities	7,276,876	34,067,607	13,332,387	5,916,454	2,214,721	1,097,732	10,055,910	73,961,687
Liquidity Gap	**(1,730,022)**	**(22,622,837)**	**(10,437,029)**	**5,607,824**	**25,851,942**	**10,873,587**	**(7,543,465)**	**-**

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, intangible assets, associates, subsidiaries, miscellaneous receivables and shareholder's equity in the liabilities have been included in this column.

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Residual contractual maturities of the financial liabilities

31 December 2011	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	3,473,310	3,483,054	31,618	2,829,474	588,099	33,863	-	-
Other deposits	57,465,908	57,812,558	9,035,749	33,588,819	12,674,764	2,501,983	11,243	-
Funds borrowed	8,237,307	8,922,563	-	122,390	2,046,705	2,490,291	2,301,716	1,961,460
Money market takings	5,939,637	5,954,587	-	3,920,349	1,195,356	838,882	-	-
Issued Securities (Net)	494,885	498,480	-	-	498,480	-	-	-
Miscellaneous payables	1,877,263	1,877,263	125,141	1,709,409	34,467	8,246	-	-
Other liabilities	915,770	915,770	440,643	112,619	87,491	144,901	44,586	85,530
Total	**78,404,080**	**79,603,641**	**9,633,151**	**42,800,798**	**16,645,872**	**6,096,664**	**2,380,166**	**2,046,990**
Non-Cash Loans	**15,664,029**	**15,664,029**	**9,574,647**	**1,027,359**	**770,703**	**2,442,300**	**1,189,150**	**659,870**

31 December 2010	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	2,014,735	2,032,965	10,200	1,442,042	144,416	436,307	-	-
Other deposits	45,686,540	45,957,158	7,266,676	25,687,798	10,435,115	2,436,602	130,967	-
Funds borrowed	6,327,394	6,626,850	-	7,486	1,659,231	1,845,539	1,877,279	1,237,315
Money market takings	8,128,314	11,326,118	-	8,320,365	1,600,372	1,235,014	170,367	-
Miscellaneous payables	1,396,968	1,396,968	63,757	1,278,014	30,264	4,601	20,332	-
Other liabilities	600,095	600,095	375,978	76,901	1,328	21,618	106,344	17,926
Total	**64,154,046**	**67,940,154**	**7,716,611**	**36,812,606**	**13,870,726**	**5,979,681**	**2,305,289**	**1,255,241**
Non-Cash Loans	**11,344,660**	**11,344,660**	**6,978,154**	**598,232**	**820,728**	**1,699,003**	**1,168,428**	**80,115**

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

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VIII. Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Year	Prior Year	Current Year	Prior Year
Financial Assets:				
Receivables from Interbank Money Markets	190,127	2,101,584	190,127	2,101,584
Banks	2,129,590	1,271,673	2,129,590	1,271,673
Available-for-Sale Financial Assets	13,138,989	13,764,831	13,138,989	13,764,831
Held-to-Maturity Investments	5,971,527	4,306,696	6,036,295	4,398,041
Loans	57,309,232	44,861,019	57,343,962	44,908,450
Financial Liabilities:				
Bank Deposits	3,473,310	2,014,735	3,473,310	2,014,735
Other Deposits	57,465,908	45,686,540	57,465,908	45,686,540
Funds Borrowed	8,237,307	6,327,394	8,237,307	6,327,394
Securities Issued	494,885	-	494,885	-
Miscellaneous Payables	1,877,263	1,396,968	1,877,263	1,396,968

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 value of fixed-interest loans are calculated by discounting cash flows with current market interest rates. For the loans with floating interest rate carrying value also represents fair value.

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

Classification of Fair Value Measurement

IFRS 7 – *Financial Instruments* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basicly relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

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 (as prices) or indirectly (derived from prices);

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

Classification requires using observable market data if possible.

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

31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	-	174,138	-	174,138
Derivative financial assets held for trading purpose	-	174,138	-	174,138
Available-for-sale financial assets	11,849,954	1,278,285	-	13,128,239
Debt securities	11,849,954	1,278,285	-	13,128,239
Investments in associates and subsidiaries	342,631	-	492,194(*)	834,825
Total Financial Assets	**12,192,585**	**1,452,423**	**492,194**	**14,137,202**
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(342,374)	-	(342,374)
Total Financial Liabilities	**-**	**(342,374)**	**-**	**(342,374)**

31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	-	24,048	-	24,048
Derivative financial assets held for trading purpose	-	24,048	-	24,048
Available-for-sale financial assets	13,674,247	79,834	-	13,754,081
Debt securities	13,674,247	79,834	-	13,754,081
Investments in associates and subsidiaries	361,822	-	505,437	867,259
Total Financial Assets	**14,036,069**	**103,882**	**505,437**	**14,645,388**
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(103,367)	-	(103,367)
Total Financial Liabilities	**-**	**(103,367)**	**-**	**(103,367)**

(*) This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

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The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended 31 December 2011 is as follows:

	Level 3
Balance at the beginning of the year	505,437
Total gains or losses for the year recognised in profit or loss	-
Total gains or losses for the year recognised under equity	(13,243)
Balance at the end of the year	**492,194**

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

The 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. Segment reporting

The 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 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. The Bank also utilizes alternative delivery channels intensively.

Additionally, the 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 Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

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Major financial statement items according to business lines:

Current Year	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Operating profit	1,352,725	730,813	834,969	931,642	3,850,149
Undistributed expenses (*)	-	-	-	(2,319,785)	(2,319,785)
Operating profit	**1,352,725**	**730,813**	**834,969**	**(1,388,143)**	**1,530,364**
Income from associates	-	-	-	-	44,817
Income before taxes	-	-	-	-	1,575,181
Provision for taxes	-	-	-	-	-348,396
Net profit	**-**	**-**	**-**	**-**	**1,226,785**
Segment assets	21,156,326	36,152,906	28,153,153	-	85,462,385
Investments in associates and subsidiaries	-	-	864,525	-	864,525
Undistributed assets	-	-	-	2,857,556	2,857,556
Total assets	**21,156,326**	**36,152,906**	**29,017,678**	**2,857,556**	**89,184,466**
Segment liabilities	20,624,721	40,314,497	15,114,658	-	76,053,876
Shareholders' equity	-	-	-	9,298,405	9,298,405
Undistributed liabilities	-	-	-	3,832,185	3,832,185
Total Liablities and Shareholders' Equity	**20,624,721**	**40,314,497**	**15,114,658**	**13,130,590**	**89,184,466**

(*) 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 Unconsolidated Financial Statements

I. Information and disclosures related to assets

1. Cash and balances with Central Bank

	Current Year		Prior Year	
	TL	FC	TL	FC
Cash	604,222	107,073	571,538	83,801
Central Bank of Turkey (*)	1,465,064	4,959,763	2,037,805	1,953,075
Others	-	998	-	661
Total	**2,069,286**	**5,067,834**	**2,609,343**	**2,037,537**

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

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

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Balances at CBT

	Current Year		Prior Year	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1,465,064	690,036	2,034,444	529,935
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	4,269,727	3,361	1,423,140
Total	**1,465,064**	**4,959,763**	**2,037,805**	**1,953,075**

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

Trading securities blocked/provided as collateral

None

Trading securities subject to repurchase agreements

None

Positive fair values of trading purpose derivatives

	Current Year		Prior Year	
	TL	FC	TL	FC
Forward Transactions	3,141	4,720	907	99
Swap Transactions	1,038	165,143	356	21,248
Futures	-	-	-	-
Options	3	93	80	1,358
Others	-	-	-	-
Total	**4,182**	**169,956**	**1,343**	**22,705**

3. Information on banks

	Current Year		Prior Year	
	TL	FC	TL	FC
Banks	4,217	2,125,373	73,080	1,198,593
Domestic	4,217	57,354	33,064	78,946
Foreign	-	2,068,019	40,016	1,119,647
Foreign Head Offices and Branches	-	-	-	-
Total	**4,217**	**2,125,373**	**73,080**	**1,198,593**

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Due from foreign banks

	Unrestricted Balance		Restricted Balances	
	Current Year	Prior Year	Current Year	Prior Year
EU Countries	678,632	326,609	63,976	138,392
USA, Canada	1,083,740	619,664	181,327	9,254
OECD Countries (*)	23,689	52,137	3,534	-
Off-shore Banking Regions	116	39	-	-
Others	33,005	2,753	-	10,815
Total	**1,819,182**	**1,001,202**	**248,837**	**158,461**

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

4. Information on available-for-sale financial assets

Available-for-sale financial assets blocked/given as collateral

	Current Year		Prior Year	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar Marketable Securities	661,402	387,393	1,660,529	68,530
Others	-	-	-	-
Total	**661,402**	**387,393**	**1,660,529**	**68,530**

Available-for-sale financial assets subject to repurchase agreements

	Current Year		Prior Year	
	TL	FC	TL	FC
Government Bonds	1,506,673	-	5,074,766	-
Treasury Bills	-	-	-	-
Other Debt Securities	-	1,930,563	-	1,451,246
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Total	**1,506,673**	**1,930,563**	**5,074,766**	**1,451,246**

Information related to available for sale financial assets

	Current Year	Prior Year
Debt instruments	**13,298,684**	**13,765,091**
Quoted	13,298,684	13,765,091
Unquoted	-	-
Equity instruments	**10,750**	**10,750**
Quoted	-	-
Unquoted	10,750	10,750
Impairment provision (-)	**170,445**	**11,010**
Total	**13,138,989**	**13,764,831**

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5. Information on loans

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

	Current Year		Prior Year	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to the Bank's shareholders	-	6,572	-	563
Legal entities	-	6,572	-	563
Real persons	-	-	-	-
Indirect loans granted to the Bank's shareholders	-	-	-	-
Loans granted to the employees	55,529	-	45,654	-
Total	55,529	6,572	45,654	563

Information about, loans and other receivables classified in groups I and II and restructured or rescheduled loans and other receivables

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
Cash Loans	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Loans	55,265,005	51,193	1,381,380	476,386
Discounted Bills	41,710	-	1,497	-
Export Loans	4,164,903	533	67,108	51,099
Import Loans	-	-	-	-
Loans to Financial Sector	1,018,325	-	9	85
Foreign Loans	103,740	-	-	-
Consumer Loans	18,583,068	-	536,160	134,858
Credit Cards	1,930,589	-	78,202	7,137
Precious Metal Loans	-	-	-	-
Others	29,422,670	50,660	698,404	283,207
Specialization Loans	26,646	-	-	-
Other Receivables	-	-	-	-
Total	55,291,651	51,193	1,381,380	476,386

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

Performing Loans and Other Receivables (*)

Number of Restructuring	Number of Loans	Up to 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
1	15	39,911	-	-	-	**39,911**
1	44	-	6,632	-	-	**6,632**
1	27	-	-	4,650	-	**4,650**
	86	**39,911**	**6,632**	**4,650**	**-**	**51,193**

Loans under Follow-up and Other Receivables (*)

Number of Restructuring	Number of Loans	Up to 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
1	263	1,210	-	-	-	**1,210**
1	1,104	-	11,060	-	-	**11,060**
1	804	-	-	62,012	-	**62,012**
	2,171	**1,210**	**11,060**	**62,012**	**-**	**74,282**

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

Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
Cash loans	**Loans and Other Receivables**	**Restructured or Rescheduled Loans and Other Receivables**	**Loans and Other Receivables**	**Restructured or Rescheduled Loans and Other Receivables**
Short-term Loans and Other Receivables	**13,146,010**	**1,398**	**277,689**	**135,998**
Loans	13,146,010	1,398	277,689	135,998
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
Medium, Long-term Loans and Other Receivables	**42,145,641**	**49,795**	**1,103,691**	**340,388**
Loans	42,118,995	49,795	1,103,691	340,388
Specialization loans	26,646	-	-	-
Other Receivables	-	-	-	-

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	**278,746**	**18,178,330**	**18,457,076**
Housing Loans	5,595	8,804,392	**8,809,987**
Automobile Loans	3,728	365,969	**369,697**
General Purpose Loans	87,628	4,460,920	**4,548,548**
Others	181,795	4,547,049	**4,728,844**
Consumer Loans – FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Consumer Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Retail Credit Cards – TL	**1,818,044**	**1,868**	**1,819,912**
With Installment	784,411	1,868	**786,279**
Without Installment	1,033,633	-	**1,033,633**
Retail Credit Cards – FC	**1,035**	-	**1,035**
With Installment	-	-	-
Without Installment	1,035	-	**1,035**
Personnel Loans – TL	**1,433**	**25,282**	**26,715**
Housing Loan	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	1,396	25,281	**26,677**
Others	37	1	**38**
Personnel Loans – FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Credit Cards – TL	**28,792**	-	**28,792**
With Installment	11,441	-	**11,441**
Without Installment	17,351	-	**17,351**
Personnel Credit Cards – FC	**22**	-	**22**
With Instalment	-	-	-
Without Installment	22	-	**22**
Overdraft Checking Accounts – TL (Real persons)	**770,221**	-	**770,221**
Overdraft Checking Accounts – FC (Real persons)	**74**	-	**74**
Total	**2,898,367**	**18,205,480**	**21,103,847**

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Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	**662,019**	**8,183,588**	**8,845,607**
Real Estate Loans	3,238	129,266	**132,504**
Automobile Loans	28,897	803,621	**832,518**
General Purpose Loans	629,884	7,250,701	**7,880,585**
Others	-	-	**-**
Installment-based Commercial Loans – FC-indexed	**19,380**	**503,135**	**522,515**
Real Estate Loans	-	-	**-**
Automobile Loans	-	-	**-**
General Purpose Loans	19,380	503,135	**522,515**
Others	-	-	**-**
Installment-based Commercial Loans – FC	**350**	**852,761**	**853,111**
Real Estate Loans	-	-	**-**
Automobile Loans	-	-	**-**
General Purpose Loans	-	-	**-**
Others	350	852,761	**853,111**
Corporate Credit Cards – TL	**166,055**	**48**	**166,103**
With Installment	37,925	48	**37,973**
Without Installment	128,130	-	**128,130**
Corporate Credit Cards – FC	**64**	**-**	**64**
With Installment	-	-	**-**
Without Installment	64	-	**64**
Overdraft Checking Accounts – TL (Corporate)	**261,059**	**-**	**261,059**
Overdraft Checking Accounts – FC (Corporate)	**-**	**-**	**-**
Total	**1,108,927**	**9,539,532**	**10,648,459**

Allocation of loan customers

	Current Year	Prior Year
Public Sector	957,456	1,134,894
Private Sector	56,243,154	43,701,500
Total	**57,200,610**	**44,836,394**

Allocation of domestic and foreign loans

	Current Year	Prior Year
Domestic Loans	57,096,870	44,769,519
Foreign Loans	103,740	66,875
Total	**57,200,610**	**44,836,394**

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Loans granted to associates and subsidiaries

	Current Year	Prior Year
Direct Loans Granted to Associates and Subsidiaries	293,552	914,750
Indirect Loans Granted to Associates and Subsidiaries	-	-
Total	**293,552**	**914,750**

Specific provisions for loans

	Current Year	Prior Year
Provisions for Loans and Receivables with Limited Collectibility	47,200	66,757
Provisions for Loans and Receivables with Doubtful Collectibility	175,923	218,622
Provisions for Uncollectible Loans and Receivables	1,825,134	1,955,712
Total	**2,048,257**	**2,241,091**

Information on non-performing loans (Net)

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful colectibility	Uncollectible loans and receivables
Current Year	**18,471**	**26,240**	**81,771**
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	18,471	26,240	81,771
Prior Year	**12,885**	**56,475**	**159,362**
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	12,885	56,475	159,362

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Movements in non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful colectibility	Uncollectible loans and receivables
Prior Year End Balance	**91,382**	**218,622**	**1,955,712**
Additions (+)	375,790	76,359	115,566
Transfers from other categories of loans under follow-up (+)(*)	-	262,893	277,511
Transfers to other categories of loans under follow-up (-)(*)	263,143	315,098	90,022
Collections (-)	48,207	66,853	433,633
Write-offs (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Year End Balance	**155,822**	**175,923**	**1,825,134**
Specific Provision (-)	47,200	175,923	1,825,134
Net Balance on Balance Sheet	**108,622**	**-**	**-**

(*) 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 granted in foreign currencies

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful colectibility	Uncollectible loans and receivables
Current Year			
Period End Balance	927	306	272,195
Specific Provision (-)	185	306	272,195
Net Balance on Balance Sheet	**742**	**-**	**-**
Prior Year			
Period End Balance	**2,687**	**9,173**	**299,365**
Specific Provision (-)	537	9,173	299,365
Net Balance on Balance Sheet	**2,150**	**-**	**-**

Non-performing loans granted in foreign currencies are followed in Turkish Lira accounts.

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Write-off policy for uncollectible loans and receivables

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Bank concludes 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 balanced standardized loans, charge off decisions generally are based on a product specific past due status.

Loan customer concentration of non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful colectibility	Uncollectible loans and receivables
Current Year (Net)	**108,622**	**-**	**-**
Consumer and Commercial Loans (Gross)	155,483	174,471	1,788,064
Special Provision (-)	47,132	174,471	1,788,064
Consumer and Commercial Loans (Net)	108,351	-	-
Banks (Gross)	-	-	1,551
Special Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	339	1,452	35,519
Special Provision (-)	68	1,452	35,519
Other Loans and Receivables (Net)	271	-	-
Prior Year (Net)	**24,625**	**-**	**-**
Consumer and Commercial Loans (Gross)	91,167	214,723	1,920,998
Special Provision (-)	66,714	214,723	1,920,998
Consumer and Commercial Loans (Net)	24,453	-	-
Banks (Gross)	-	-	1,551
Special Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	215	3,899	33,163
Special Provision (-)	43	3,899	33,163
Other Loans and Receivables (Net)	172	-	-

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6. Information on held-to-maturity investments

Public sector debt securities classified as held-to-maturity investments

	Current Year		Prior Year	
	TL	FC	TL	FC
Government Bonds	4,343,224	-	2,911,012	-
Treasury Bills	-	-	-	-
Other Government Securities	-	1,573,727	-	1,358,592
Total	**4,343,224**	**1,573,727**	**2,911,012**	**1,358,592**

Information on held-to-maturity investments

	Current Year	Prior Year
Debt Securities	**6,013,657**	**4,336,674**
Quoted at Stock Exchange	5,959,081	4,299,582
Unquoted at Stock Exchange	54,576	37,092
Impairment Losses (-)	**42,130**	**29,978**
Total	**5,971,527**	**4,306,696**

The movement of held-to-maturity investments

	Current Year	Prior Year
Balances at the Beginning of the Year	**4,306,696**	**3,498,473**
Foreign Currency Differences On Monetary Assets	214,454	43,968
Purchases During the Year	3,102,225	2,276,240
Disposals Through Sales/Redemptions	(1,634,696)	(1,515,414)
Impairment Losses	(12,152)	(17,166)
Change in Amortized Costs(*)	(5,000)	20,595
Balances at the End of the Year	**5,971,527**	**4,306,696**

(*) Change in amortized costs includes accrual differences on marketable securities.

In the current period, the Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 1,690,000 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 value increases of such securities amounting to TL (2,497) are recorded under equity and will be amortized through the statement of income until their maturities.

The Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 2,205,476 to its held-to-maturity investment securities portfolio at their fair values of TL 2,166,451 as at their reclassification dates, in 2010. These reclassifications are presented in "purchases during the period" line in the movement table of held-to-maturity investment securities. The value increases of such securities amounting to TL (4,842) are recorded under equity and will be amortized through the statement of income until their maturities

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Information about held-to-maturity investments

Current Year	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/Blocked Investments	-	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 Market	-	-	-	-
Collateral For Security Borrowing Market	-	-	-	-
Others (*)	1,938,751	612,638	1,972,657	611,410
Total	**4,267,176**	**1,607,360**	**4,343,224**	**1,628,303**

Prior Year	Cost		Carrying Value	
	TP	YP	TP	YP
Collateralized / Blocked Investments	401,847	37,080	405,031	37,092
Investments subject to Repurchase Agreements	1,267,246	914,794	1,321,006	930,042
Held for structural position	-	-	-	-
Receivable from Security Borrowing Market	-	-	-	-
Collateral For Security Borrowing Market	-	-	-	-
Others (*)	1,145,838	425,748	1,184,975	428,550
Total	**2,814,931**	**1,377,622**	**2,911,012**	**1,395,684**

(*) Securities that are not held as collateral/blockage, but held as free by the Bank have been presented in the "Other" column.

7. Investments in associates

	Title	Address (City/ Country)	Bank's Share –Voting Rights, If Different (%)	Bank's Risk Group
1	Kıbrıs Vakıflar Bankası Ltd. (*)	Lefkosa/NCTR	15.00	15.00
2	Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ(*)	İstanbul/Turkey	11.75	21.77
3	Vakıf Gayrimenkul Yatırım Ortaklığı AŞ(**)	İstanbul/Turkey	27.63	29.47
4	Roketsan Roket Sanayi ve Ticaret AŞ(*)	Ankara/Turkey	10.00	10.00
5	Türkiye Sınai Kalkınma Bankası AŞ(*)	İstanbul/Turkey	8.38	8.38
6	Bankalararası Kart Merkezi AŞ(*)	İstanbul/Turkey	9.70	9.70
7	Kredi Kayıt Bürosu AŞ(*)	İstanbul/Turkey	9.09	9.09
8	Güçbirliği Holding AŞ(*)	İzmir/Turkey	0.07	0.07
9	İzmir Enternasyonel Otelcilik AŞ (*)	İstanbul/Turkey	5.00	5.00
10	İMKB Takas ve Saklama Bankası AŞ(*)	İstanbul/Turkey	4.86	5.28
11	World Vakıf UBB Ltd.	Lefkosa/NCTR	82.00	85.24
12	Kredi Garanti Fonu AŞ(*)	Ankara/Turkey	1.67	1.67

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	Total Assets	Shareholders' Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Years' Profit/Loss)	Fair Value
1	690,965	56,605	7,682	40,335	7,149	1,448	11,793	-
2	14,518	14,281	94	231	(388)	(1,226)	1,187	14,709
3	189,197	186,817	140,605	1,755	798	25,791	4,960	238,697
4	1,314,482	191,452	184,583	14,565	-	(2,798)	41,658	-
5	9,821,491	1,486,861	19,237	239,631	154,205	170,649	227,755	1,457,613
6	22,629	19,044	6,401	686	-	3,179	1,465	-
7	33,294	28,668	3,163	1,804	-	12,969	13,630	-
8	122,250	16,701	339	217	-	(8,178)	(9,203)	-
9	104,983	35,114	101,465	-	-	(11,618)	(2,620)	-
10	2,168,769	297,083	10,613	27,363	2,890	24,411	28,048	-
11	3,246	(32,657)	-	5	-	(3,094)	(2,428)	-
12	207,899	201,048	2,904	3,979	-	7,672	4,321	-

(*) Financial information as at and for the nine-month period ended 30 September 2011 has been presented for these associates.
(**) Figures are obtained from audited financial statements for 31 December 2011 disclosed in ISE.

Movement of investments in associates

	Current Year	Prior Year
Balance at the beginning of the year	**206,682**	**142,008**
Movements during the year	**12,845**	**64,674**
Transfers	-	-
Acquisitions	22,553	-
Bonus shares received	10,368	10,477
Income/Loss from investments under equity accounting	-	-
Sales and liquidations	-	-
Fair value changes	(20,076)	54,197
Impairment losses	-	-
Balance at the end of the year	**219,527**	**206,682**
Capital commitments	**1,000**	**2,000**
Share percentage at the end of the year (%)	**-**	**-**

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 reclassifed "Investments in associates".

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

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Sectoral distribution of investments and associates and related carrying values

	Current Year	Prior Year
Banks	137,446	172,051
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	74,487	27,037
Total	**211,933**	**199,088**

Quoted associates

	Current Year	Prior Year
Quoted to domestic stock exchanges	189,827	178,758
Quoted to international stock exchanges	-	-
Total	**189,827**	**178,758**

Investments in associates sold during the current year

There is no disposal in associates during the current year.

Investments in associates acquired during the current year

As per the 19 August 2011 dated resolution of the Board of Directors of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Bank, it has been decided to increase the paid in capital by TL 78,000 from TL 22,000 to TL 100,000. The paid amount TL 21,553 is presented as acquisitions in movement table of investments in associates.

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

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

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

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ("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 the current period, subsequent to the approval of the decision to increase the paid-in capital of Bankalararası Kart AŞ ("BKM"), an associate of the Bank, from TL 6,000 to TL 14,000, by the General Assembly of BKM, the share of the Bank amounting to TL 776 is presented inIhe movement table of investments in associates as bonus shares received.

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In 2010, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ ("TSKB"), an associate of the Bank, from TL 600,000 to TL 700,000, by the General Assembly of TSKB, the share of the Bank amounting to TL 8,377 is presented in the movement table of investments in associates as bonus shares received.
In 2010, Kıbrıs Vakıflar Bankası Ltd, an associate of the Bank subject to consolidation, increased its paid-in capital from TL 26,000 to TL 40,000 in the current period. The share of the Bank amounting to TL 2,100 is presented in the movement table of investments in associates as bonus shares received

8. Investments in subsidiaries

	Title	Address (City / Country)	Bank's Share – Voting Rights, If Different (%)	Bank's Risk Group Share (%)
1	Güneş Sigorta AŞ(*)	Istanbul/Turkey	36.35	36.35
2	Vakıf Emeklilik AŞ(*)	Istanbul/ Turkey	53.90	75.30
3	Vakıf Enerji ve Madencilik AŞ(*)	Ankara/ Turkey	65.50	84.92
4	Taksim Otelcilik AŞ(*)	Istanbul/Turkey	51.00	51.52
5	Vakıf Finans Factoring Hizmetleri AŞ(*)	Istanbul/ Turkey	78.39	86.97
6	Vakıf Finansal Kiralama AŞ(*)	Istanbul/ Turkey	58.71	64.40
7	Vakıf Pazarlama Sanayi ve Ticaret AŞ	Istanbul/ Turkey	69.33	74.98
8	Vakıf Yatırım Menkul Değerler AŞ(*)	Istanbul/ Turkey	99.00	99.44
9	Vakıf Gayrimenkul Değerleme AŞ(*)	Ankara/ Turkey	54.29	58.54
10	Vakıf International AG(*)	Vienna/Austria	90.00	90.00
11	Vakıf Portföy Yönetimi AŞ(*)	Istanbul/ Turkey	99.99	99.99

	Total Assets	Shareholder's Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Years' Profit/(Loss)	Fair Value
1	727,824	264,591	163,157	9,558	-	11,501	(65,520)	271,593
2	1,296,886	113,499	24,443	15,817	18,824	9,591	7,483	175,471
3	8,884	8,782	1,062	134	1,827	387	(51)	12,500
4	224,691	219,987	84,258	6,618	2	8,176	(2,441)	212,968
5	653,681	80,785	385	43,084	-	9,266	12,665	64,253
6	515,943	94,553	3,485	14,033	57	8,488	17,442	92,114
7	31,353	21,361	6,489	367	-	2,791	4,312	12,000
8	121,531	54,644	319	3,760	141	2,336	5,761	40,222
9	23,596	18,325	657	998	87	6,546	5,147	28,488
10	1,316,632	183,923	1,689	19,823	4,002	7,508	9,301	166,683
11	7,182	5,738	6	386	49	1,139	1,376	17,079

(*) Financial information as at and for the nine-month period ended 30 September 2011 has been presented for these subsidiaries.

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Movement of investments in subsidiaries

	Current Year	Prior Year
Balance at the beginning of the year	**688,501**	**546,249**
Movements during the year	**(43,503)**	**142,252**
Transfers	-	-
Acquisitions	-	42,320
Bonus shares received	14,678	-
Dividends from current year profit	(13,243)	-
Sales and liquidations	-	-
Fair value changes	(44,938)	113,467
Impairment losses	-	(13,535)
Balance at the end of year	**644,998**	**688,501**
Capital commitments	**-**	**-**
Share percentage at the end of the year (%)	**-**	**-**

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 disolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with article 451 of Turkish Commercial Code.

The merger has been realized on 30 December 2011. Legal entity of Vakıf Sistem Pazarlama Yazılım AŞ has ended with the merger. The title of the Company has been amended as Vakıf Pazarlama Sanayi ve Ticaret AŞ. The share of the Bank in Vakıf Pazarlama Sanayi ve Ticaret AŞ has been 69.33% that amounts to TL 20,966 after the merger.

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

Valuation methods of investments in subsidiaries

	Current Year	Prior Year
Valued at Cost	-	-
Valued at Fair Value	644,998	688,501
Valued by Equity Method of Accounting	-	-
Total	**644,998**	**688,501**

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Sectoral distribution of financial investments in subsidiaries

	Current Year	Prior Year
Banks	150,015	150,015
Insurance Companies	193,303	214,617
Factoring Companies	50,368	50,368
Leasing Companies	54,080	64,965
Finance Companies	-	-
Other Financial Subsidiaries	56,897	67,996
Total	**504,663**	**547,961**

Quoted subsidiaries

	Current Year	Prior Year
Quoted at Domestic Stock Exchanges	152,804	183,064
Quoted at International Stock Exchanges	-	-
Total	**152,804**	**183,064**

Investments in subsidiaries disposed during the current year

There is no disposal in subsidiaries in the current period.

Investments in subsidiaries purchased during the current year

In current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ ("Vakıf Leasing"), a subsidiary of the Bank, from TL 25,000 to TL 50,000, by the General Assembly of Vakıf Leasing, the share of the Bank amounting to TL 14,678 is presented as bonus shares received in the movement table of investments in subsidiaries.

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

9. Investments in joint-ventures

None.

10. Information on finance lease receivables (net)

None.

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management

None.

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12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	1,146,598	214,468	36,794	563,921	1,961,781
Accumulated depreciation(-)	269,427	178,606	27,730	372,226	847,989
Net book value	877,171	35,862	9,064	191,695	1,113,792
Balance at the end of the current year:					
Net book value at the beginning of the current year	877,171	35,862	9,064	191,695	1,113,792
Additions	156,727	0	22,398	78,233	257,358
Disposals (-)	160,157	582	172	2,896	163,807
Impairment losses (-) (*)	2,934	0	0	0	2,934
Depreciation of the current year (-)	27,543	10,693	6,281	66,310	110,827
Currency translation diff. on foreign operations	-	-	-	-	-
Cost at the end of the current year	1,140,234	213,886	59,020	639,258	2,052,398
Accumulated depreciation at the end of the year (-)	296,970	189,299	34,011	438,536	958,816
Net book value at the end of the current year	**843,264**	**24,587**	**25,009**	**200,722**	**1,093,582**

(*) 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 Bank has booked TL 14,606 provision as at 31 December 2011 (31 December 2010: TL 12,881) taking the temporary clause of the regulation defining the acquisition date into account

13. Information on intangible assets

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

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

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

The Bank did not declared a commitment to purchase intangible assets.

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

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14. Information on investment property

None

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15. Information on deferred tax asset

Items generating deferred tax assets or liabilities as at 31 December 2011 and 2010 are as follows:

	Current Year	Prior Year
Deferred tax assets:	*178,817*	*122,478*
Valuation differences of financial assets and liabilities	61,019	13,582
Provision for employee termination benefits and unused vacations	47,802	43,307
Other provisions	28,937	23,572
Valuation differences for associates and subsidiaries	23,456	23,456
Reporting Standarts - Tax Code depreciation differences	16,019	16,986
Others	1,584	1,575
Deferred tax liabilities:	(47,664)	(35,244)
Valuation differences of financial assets and liabilities	(32,316)	(17,719)
Valuation differences for associates and subsidiaries	(15,348)	(17,525)
Deferred tax assets, net	**131,153**	**87,234**

16. Assets held for sale and assets related to the discounted operations

None

17. Information on other assets

Details of other assets as at 31 December 2011 and 2010 are as follows:

	Current Year	Prior Year
Prepaid expenses	395,066	323,581
Receivables from credit cards	392,479	292,504
Receivables from term sale of assets(*)	103,778	87,974
Receivables from lawsuit and court expenses	20,177	37,763
Receivables from derivative financial instruments	6	52,062
Others	70,802	41,971
Total	**982,308**	**835,855**

(*) In current year Bank provided provision for receivables from term sale of assets amounting to TL 27,400 that has been recognized under other provisions in liabilities.

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II. Information and disclosures related to liabilities

1. Information on maturity profile of deposits

Current Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	**1,671,682**	**-**	**362,643**	**11,508,016**	**1,195,391**	**216,923**	**75,894**	**-**	**15,030,549**
Foreign Currency Deposits	**1,474,554**	**-**	**1,741,903**	**8,197,256**	**1,824,464**	**382,446**	**1,295,852**	**-**	**14,916,475**
Residents in Turkey	1,395,283	-	1,740,162	8,140,988	1,805,721	352,134	1,147,847	-	**14,582,135**
Residents in Abroad	79,271	-	1,741	56,268	18,743	30,312	148,005	-	**334,340**
Public Sector Deposits	**2,766,392**	**-**	**1,885,113**	**4,837,879**	**835,509**	**38,441**	**32,799**	**-**	**10,396,133**
Commercial Deposits	**1,192,107**	**-**	**2,467,161**	**5,327,423**	**968,822**	**336,589**	**1,718**	**-**	**10,293,820**
Others	**1,931,014**	**-**	**681,617**	**2,936,530**	**966,888**	**294,692**	**18,190**	**-**	**6,828,931**
Precious Metal Deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Bank Deposits	**31,618**	**-**	**1,687,178**	**833,548**	**916,823**	**2,069**	**2,074**	**-**	**3,473,310**
CBT	116	-	-	-	-	-	-	-	**116**
Domestic Banks	932	-	1,599,705	302,618	481,791	2,069	2,074	-	**2,389,189**
Foreign Banks	18,821	-	87,473	530,930	435,032	-	-	-	**1,072,256**
Participation Banks	11,749	-	-	-	-	-	-	-	**11,749**
Others	-	-	-	-	-	-	-	-	**-**
Total	**9,067,367**	**-**	**8,825,615**	**33,640,652**	**6,707,897**	**1,271,160**	**1,426,527**	**-**	**60,939,218**

Current Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	**1,460,236**	**-**	**1,235,236**	**9,402,828**	**245,339**	**25,332**	**44,923**	**-**	**12,413,894**
Foreign Currency Deposits	**1,084,338**	**-**	**1,811,841**	**6,776,456**	**657,405**	**124,493**	**1,265,409**	**-**	**11,719,942**
Residents in Turkey	1,059,716	-	1,759,213	6,694,013	653,615	120,478	1,253,375	-	**11,540,410**
Residents in Abroad	24,622	-	52,628	82,443	3,790	4,015	12,034	-	**179,532**
Public Sector Deposits	**2,100,660**	**-**	**971,257**	**3,174,130**	**635,535**	**10,981**	**8,260**	**-**	**6,900,823**
Commercial Deposits	**1,099,948**	**-**	**2,467,484**	**6,028,136**	**553,073**	**471**	**1,589**	**-**	**10,150,701**
Others	**1,521,494**	**-**	**758,990**	**1,898,088**	**293,835**	**9,048**	**19,725**	**-**	**4,501,180**
Precious Metal Deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Bank Deposits	**10,200**	**-**	**660,412**	**889,135**	**33,427**	**421,561**	**-**	**-**	**2,014,735**
CBT	123	-	-	-	-	-	-	-	**123**
Domestic Banks	1,801	-	578,270	384,135	33,427	150,133	-	-	**1,147,766**
Foreign Banks	3,090	-	82,142	505,000	-	271,428	-	-	**861,660**
Participation Banks	5,128	-	-	-	-	-	-	-	**5,128**
Others	58	-	-	-	-	-	-	-	**58**
Total	**7,276,876**	**-**	**7,905,220**	**28,168,773**	**2,418,614**	**591,886**	**1,339,906**	**-**	**47,701,275**

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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	Prior Year	Current Year	Prior Year
Saving Deposits	6,344,011	5,664,532	8,678,865	6,749,362
Foreign Currency Saving Deposits	1,485,189	1,378,766	4,116,656	2,759,321
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**7,829,200**	**7,043,298**	**12,795,521**	**9,508,683**

Saving deposits out of insurance coverage limits

	Current Year	Prior Year
Deposits and other accounts at foreign branches	7,231	6,604
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	1,859	3,486
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26.09.2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purposes

Negative fair values of trading purpose derivatives

	Current Year		Prior Year	
	TL	FC	TL	FC
Forwards	3,399	4,574	845	94
Swaps	973	333,331	20,297	80,716
Futures	-	-	-	-
Options	4	93	95	1,320
Others	-	-	-	-
Total	**4,376**	**337,998**	**21,237**	**82,130**

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3. Information on banks and other financial institutions

	Current Year		Prior Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Bank and Institutions	75,254	260,049	51,292	213,965
Foreign Bank, Institutions and Funds	-	7,902,004	-	6,062,137
Total	**75,254**	**8,162,053**	**51,292**	**6,276,102**

Maturity information of funds borrowed

	Current Year		Prior Year	
	TL	FC	TL	FC
Short-term (*)	60,706	2,883,277	38,861	3,375,423
Medium and long term (*)	14,548	5,278,776	12,431	2,900,679
Total	**75,254**	**8,162,053**	**51,292**	**6,276,102**

(*) The maturity profile of funds borrowed has been presented taking the original maturities into account.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 10.3% (31 December 2010: 9.7%) of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

On 1 September 2010, the 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. 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.

On 24 March 2010, the Bank has obtained syndication loan of USD 170 million and Euro 566.5 million with cost of Libor + 1.50% and Euribor + 1.50%, with the participation of 33 banks under the coordination of West LB AG, the the loan was repaid on 29 March 2011. On 28 March 2011, this loan has been renewed with a syndicated loan at the amount of US Dollar 192.5 million and Euro 573.5 million with interest rates of US Libor+ % 1.10 and Euribor + %1.10 at a maturity of one year, with the participation of 34 banks under the coordination of West LB AG and the agency of ING Bank NV.

Information on securities issued

On 8 August 2011, the Bank has issued bonds with a nominal value of TL 500,000 and 176 days maturity. As at 31 December 2011, the Bank has purchased its bonds with a nominal of TL 1,637 thousand TL and netted from its bonds payable. The carrying value of these bonds amounts to TL 494,885 as at 31 December 2011 (31 December 2010: None).

4. Components of "other external resources payable" in the 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 financials does not exceed 10% of total liabilities and equity.

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5. Information on lease payables (net)

Obligations under financial leases

None

6. Information on derivative financial liabilites held for risk management purposes

Negative fair values of hedging purpose derivatives

None

7. Information on provisions

Information on general provisions

	Current Year	Prior Year
Provisions for Loans and Receivables in Group I	583,470	350,017
Provisions for Loans and Receivables in Group II	38,615	40,852
Provisions for Non Cash Loans	46,189	35,922
Others	2,906	1,085
Total	**671,180**	**427,876**

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

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

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

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Provision for currency exchange loss on foreign currency indexed loans

	Current Year	Prior Year
Provision for currency exchange gain/loss on foreign currency indexed loans	2,419	835

The Bank has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 2,419 (31 December 2010: TL 835) and has reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.

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

	Current Year	Prior Year
Non-cash Loans with Limited Collectibility	417	233
Non-cash Loans with Doubtful Collectibility	7,485	3,636
Uncollectible Non-cash Loans	60,036	88,379
Total	**67,937**	**92,248**

Information on other provisions

The Bank has recorded provision for possible loan losses amounting to TL 51,676 (31 December 2010: TL 65,428) which corresponds to %5 (31 December 2010: TL %5) percent of loans under follow up. The related balance has been recorded as provisions for miscellaneous risks under other provisions in the accompanying financial statements

Information on other provisions exceeding 10% of total provisions

	Current Year	Prior Year
Specific provision for non-cash loans that are not indemnified or converted into cash	67,937	92,248
Provisions for loans under follow-up	51,676	65,428
Provisions for World Vakıf UBB Ltd with regard to its negative equity	26,777	19,680
Provisions for cheques	16,530	15,226
Provisions for lawsuits against the Bank	14,673	14,673
Provisions for credit card promotions	7,923	7,873
Others	36,955	5,199
Total	**222,471**	**220,327**

8.Taxation

Current Taxes

Tax provision

As at and for the year ended 31 December 2011 , the tax provision was amounted to TL 298,638 (31 December 2010: TL 296,978). As at 31 December 2010, corporate tax liabilities of the Bank was amounted to TL 18,508 (31 December 2010: TL 112,811), after deducting prepaid taxes paid during temporary tax periods amounted to TL 280,130 (31 December 2010: TL 184,167).

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Information on taxes payable

	Current Year	Prior Year
Corporate taxes payable	18,508	112,811
Taxation on securities	62,259	38,770
Capital gains tax on property	1,204	1,031
Banking and Insurance Transaction Tax (BITT)	28,153	22,201
Taxes on foreign exchange transactions	-	-
Value added tax payable	1,284	1,160
Others	13,819	14,391
Total	**125,227**	**190,364**

Information on premiums payable

	Current Year	Prior Year
Social security premiums- employee share	-	-
Social security premiums- employer share	-	-
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	429	367
Unemployment insurance- employer share	858	735
Others	-	-
Total	**1,287**	**1,102**

Information on deferred tax liability

Disclosed in Note 15 of information and disclosures for assets.

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

None.

10. Information on subordinated loans

None.

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11. Information on shareholders' equity

Paid-in capital

	Current Year	Prior Year
Common Stock	2,500,000	2,500,000
Preferred Stock	-	-

Paid-in capital of the Bank amounted to TL 2,500,000 is divided into groups comprised of 43.0% Group (A), 15.6 % Group (B), 16.2% Group (C) and 25.2% Group (D).

Board of Directors' members; one member appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members representing Group (A), one member representing Group (B), and two members representing Group (C); among the nominees shown by the majority of each group, and one member among the nominees offered by the shareholders at the General Assembly are selected. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

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

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Basic 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 of 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 and previous year.

Information on share capital increases from revaluation funds

None

Capital commitments for current financial year and following year

None.

Prior year indicators of the 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

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Valuation differences of marketable securities

	Current Year		Prior Year	
	TL	**FC**	**TL**	**FC**
Associates, subsidiaries and joint ventures	257,946	56,311	334,023	56,310
Fair value differences of available-for-sale securities	(180,809)	112,876	124,540	184,808
Foreign exchange differences	6,980	-	6,980	-
Total	**84,117**	**169,187**	**465,543**	**241,118**

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

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

	Current Year	Prior Year
Commitments for credit card limits	4,322,604	4,880,798
Loan granting commitments	4,574,348	3,679,208
Commitments for cheque payments	1,626,838	904,825
Asset purchase commitments	829,640	655,194
Share capital commitments to associates and subsidiaries	1,000	2,000
Total	**11,354,430**	**10,122,025**

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

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

The Bank has provided specific provision amounting to TL 67,937 (31 December 2010: TL 93,180) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 69,605 (31 December 2010: TL 92,248)

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Year	Prior Year
Provisional Letters of Guarantee	489,911	627,236
Final Letters of Guarantee	4,493,718	3,480,369
Letters of Guarantee for advances	1,946,721	1,215,050
Letters of Guarantee given to Customs Offices	323,046	215,578
Other Letters of Guarantee	3,819,360	2,690,927
Total	**11,072,756**	**8,229,160**

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2. Non-cash Loans

	Current Year	Prior Year
Non-Cash Loans Given for Cash Loan Risks	591,334	309,128
With Original Maturity of 1 Year or Less	353,374	197,708
With Original Maturity of More Than 1 Year	237,960	111,420
Other Non-Cash Loans	15,072,695	11,035,532
Total	**15,664,029**	**11,344,660**

3. Sectoral risk concentrations of non-cash loans

	Current Year				Prior Year			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**44,778**	**0.49**	**189,336**	**2.85**	**34,489**	**0.54**	**168,629**	**3.46**
Farming and Stockbreeding	39,146	0.43	176,234	2.65	30,764	0.48	154,865	3.17
Forestry	4,610	0.05	7,949	0.12	3,252	0.05	3,250	0.07
Fishing	1,022	0.01	5,153	0.08	473	0.01	10,514	0.22
Manufacturing	**3,990,192**	**44.24**	**3,237,435**	**48.72**	**2,913,650**	**45.06**	**2,585,483**	**52.99**
Mining	49,592	0.55	53,415	0.80	37,315	0.58	177,128	3.63
Production	2,889,888	32.04	2,816,140	42.38	1,974,922	30.54	1,762,739	36.13
Electric, gas and water	1,050,712	11.65	367,880	5.54	901,413	13.94	645,616	13.23
Construction	**1,509,054**	**16.73**	**1,021,201**	**15.37**	**1,082,641**	**16.74**	**730,552**	**14.98**
Services	**2,843,974**	**31.55**	**1,239,570**	**18.65**	**1,893,805**	**29.29**	**404,005**	**8.28**
Wholesale and retail trade	1,093,274	12.13	380,986	5.73	721,816	11.16	179,191	3.67
Hotel, food and beverage services	57,270	0.64	1,931	0.03	42,105	0.65	7,510	0.15
Transportation and telecommunication	463,721	5.14	780,211	11.74	204,053	3.16	185,871	3.81
Financial institutions	1,166,857	12.94	57,600	0.87	888,134	13.73	17,834	0.37
Real estate and renting services	15,604	0.17	43	0.00	2,008	0.03	-	-
"Self-employment" type services	-	-	-	-	-	-	-	-
Education services	6,817	0.08	-	-	4,925	0.08	-	-
Health and social services	40,431	0.45	18,799	0.28	30,764	0.48	13,599	0.28
Others	**630,744**	**6.99**	**957,745**	**14.41**	**541,753**	**8.37**	**989,653**	**20.29**
Total	**9,018,742**	**100.00**	**6,645,287**	**100.00**	**6,466,338**	**100.00**	**4,878,322**	**100.00**

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4. Information on non-cash loans classified as Group I and II

	Group I		Group II	
Current Year	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	8,914,681	2,049,109	40,559	297
Confirmed Bills of Exchange and Acceptances	29,056	454,538	-	-
Letters of Credit	732	4,098,201	-	467
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	6,784	-	-
Non-cash Loans	**8,944,469**	**6,608,632**	**40,559**	**764**

	Group I		Group II	
Prior Year	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	6,337,267	1,695,245	87,838	18,993
Confirmed Bills of Exchangeand Acceptances	8,587	168,833	-	17,070
Letters of Credit	3,750	2,907,360	-	171
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	6,366	-	-
Non-cash Loans	**6,349,604**	**4,777,804**	**87,838**	**36,234**

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5. Information on derivative transactions

	Current Year	Prior Year
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	**10,756,450**	**6,431,763**
Currency Forwards	971,981	104,871
Currency Swaps	9,537,237	6,071,201
Currency Futures	-	-
Currency Options	247,232	255,691
Interest Rate Derivative Transactions (II)	**1,662,116**	**535,904**
Interest Rate Forwards	-	-
Interest Rate Swaps	1,662,116	535,904
Interest Rate Futures	-	-
Interest Rate Options	-	-
Other Trading Derivatives (III)	**531,155**	**-**
A. Total Trading Derivatives (I+II+III)	**12,949,721**	**6,967,667**
Hedging Derivatives	**-**	**-**
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	**-**	**-**
Derivative Transactions (A+B)	**12,949,721**	**6,967,667**

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	31 December 2011					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	1,569,915	973,610	1,656,806	-	-	**4,200,331**
Sale	1,027,308	1,034,200	1,692,000	-	-	**3,753,508**
Currency forwards:						
Purchase	96,217	112,920	276,913	-	-	**486,050**
Sale	96,177	112,889	276,865	-	-	**485,931**
Cross currency interest rate swaps:						
Purchase	-	94,000	75,200	696,758	-	**865,958**
Sale	-	77,100	52,830	587,510	-	**717,440**
Interest rate swaps:						
Purchase	-	-	20,176	141,000	675,847	**837,023**
Sale	-	-	8,246	141,000	675,847	**825,093**
Options:						
Purchase	123,616	-	-	-	-	**123,616**
Sale	123,616	-	-	-	-	**123,616**
Other trading derivatives:						
Purchase	-	-	-	-	-	**-**
Sale	531,155	-	-	-	-	**531,155**
Total purchases	**1,789,748**	**1,180,530**	**2,029,095**	**837,758**	**675,847**	**6,512,978**
Total sales	**1,778,256**	**1,224,189**	**2,029,941**	**728,510**	**675,847**	**6,436,743**
Total	**3,568,004**	**2,404,719**	**4,059,036**	**1,566,268**	**1,351,694**	**12,949,721**

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	31 December2010					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	1,449,242	404,711	465,105	-	-	**2,319,058**
Sale	1,437,935	400,481	463,500	-	-	**2,301,916**
Currency forwards:						
Purchase	33,796	17,447	1,199	-	-	**52,442**
Sale	33,787	17,443	1,199	-	-	**52,429**
Cross currency interest rate swaps:						
Purchase	-	-	-	729,658	-	**729,658**
Sale	-	-	-	720,569	-	**720,569**
Interest rate swaps:						
Purchase	-	731	127,538	30,223	115,875	**274,367**
Sale	-	731	124,600	20,331	115,875	**261,537**
Options:						
Purchase	86,554	41,291	-	-	-	**127,845**
Sale	86,555	41,291	-	-	-	**127,846**
Other trading derivatives:						
Purchase	-	-	-	-	-	**-**
Sale	-	-	-	-	-	**-**
Total purchases	**1,569,592**	**464,180**	**593,842**	**759,881**	**115,875**	**3,503,370**
Total sales	**1,558,277**	**459,946**	**589,299**	**740,900**	**115,875**	**3,464,297**
Total	**3,127,869**	**924,126**	**1,183,141**	**1,500,781**	**231,750**	**6,967,667**

6. Contingent assets and liabilities

None

7. Services rendered on behalf of third parties

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

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IV. Information and disclosures related to the income statement

1. Interest income

Information on interest income received from loans

	Current Year		Prior Year	
	TL	FC	TL	FC
Short-term Loans	1,298,443	161,002	1,299,197	138,470
Medium and Long-term Loans	2,766,606	564,927	2,207,782	377,598
Loans under follow-up	141,727	-	110,814	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	**4,206,776**	**725,929**	**3,617,793**	**516,068**

Information on interest income received from banks

	Current Year		Prior Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks	1,611	1,155	2,169	1,270
Foreign Banks	43	5,707	382	2,816
Foreign Head Office and Branches	-	-	-	-
Total	**1,654**	**6,862**	**2,551**	**4,086**

Information on interest income received from securities portfolio

	Current Year		Prior Year	
	TL	FC	TL	FC
Trading Financial Assets	-	-	-	903
Financial Assets at Fair Value through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	891,208	156,077	1,079,104	139,561
Held-to-Maturity Investments	352,635	109,495	262,106	99,094
Total	**1,243,843**	**265,572**	**1,341,210**	**239,558**

Information on interest income received from associates and subsidiaries

	Current Year	Prior Year
Interest Received from Associates and Subsidiaries	23,737	53,996

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2. Interest Expense

Interest expenses on funds borrowed

	Current Year		Prior Year	
	TL	FC	TL	FC
Banks	**4,773**	**123,778**	**3,687**	**80,161**
Central Bank of Turkey	-	-	-	-
Domestic Banks	4,773	2,094	3,687	1,768
Foreign Banks	-	121,684	-	78,393
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	**-**	**6,590**	**-**	**4,327**
Total	**4,773**	**130,368**	**3,687**	**84,488**

Interest expenses paid to associates and subsidiaries

	Current Year	Prior Year
Interest Paid to Associates and Subsidiaries	33,918	40,203

Interest expense on securities issued

Interest expense on securities issued amounts to 16,555 TL as at and for the year ended 31 December 2011 (31 December 2010: None).

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Maturity structure of interest expense on deposits

		Time Deposit						
Account Description	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	Total
Turkish Lira:								
Bank Deposits	-	135,262	-	-	-	-	-	135,262
Saving Deposits	124	43,455	891,038	67,623	13,490	5,029	-	1,020,759
Public Sector Deposits	430	80,621	313,742	50,492	4,501	1,089	-	450,875
Commercial Deposits	494	112,843	387,589	66,498	12,134	101	-	579,659
Other Deposits	6	51,412	206,120	65,086	19,085	833	-	342,542
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total	**1,054**	**423,593**	**1,798,489**	**249,699**	**49,210**	**7,052**	**-**	**2,529,097**
Foreign Currency:								
Foreign Currency Deposits	193	37,999	237,063	42,478	14,573	48,403	-	380,709
Bank Deposits	-	29,709	-	-	-	-	-	29,709
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metals Deposits	-	-	-	-	-	-	-	-
Total	**193**	**67,708**	**237,063**	**42,478**	**14,573**	**48,403**	**-**	**410,418**
Grand Total	**1,247**	**491,301**	**2,035,552**	**292,177**	**63,783**	**55,455**	**-**	**2,939,515**

3. Dividend Income

	Current Year	Prior Year
Trading Purpose Financial Assets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	82	162
Others	44,735	35,027
Total	**44,817**	**35,189**

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4. Trading income/losses

	Current Year	Prior Year
Income	**1,651,331**	**1,213,241**
Income from capital market transactions	79,950	366,052
Income from derivative financial instruments	624,010	117,102
Foreign exchange gains	947,371	730,087
Losses	**(1,612,331)**	**(896,952)**
Losses from capital market transactions	(5,250)	(368)
Losses from derivative financial instruments	(637,882)	(187,849)
Foreign exchange losses	(969,199)	(708,735)
Trading income/losses, net	**39,000**	**316,289**

Net gains arising from changes in foreign exchange rate that relate to the Bank's derivative financial instruments based on foreign exchange rate is TL 60,117 for the year ended 31 December 2011 (31 December 2010: net loss amounting to TL 71,703).

5. Other operating income

	Current Year	Prior Year
Income from reversal of specific provisions for loans	653,188	431,999
Communication income	80,627	76,836
Gain on sale of assets	79,289	16,373
Rent income	2,011	4,503
Other income	70,200	71,319
Total	**885,315**	**601,030**

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6. Provision expenses for losses on loans and other receivables

	Current Year	Prior Year
Specific Provisions on Loans and Other Receivables	410,665	664,462
Loans and Receivables in Group III	*93,446*	*51,584*
Loans and Receivables in Group IV	*203,708*	*214,501*
Loans and Receivables in Group V	*113,511*	*398,377*
Non-performing Commissions and Other Receivables	-	-
General Provision Expenses	243,923	105,274
Provision for Possible Losses	-	65,428
Impairment Losses on Financial Assets	66,638	10,688
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	*66,638*	*10,688*
Other Impairment Losses:	26,505	30,701
Associates	-	-
Subsidiaries	-	*13,535*
Joint Ventures	-	-
Held-to-Maturity Investments	*26,505*	*17,166*
Others(*)	157,865	96,651
Total	**905,596**	**973,204**

(*) Other provision expenses amounting to TL 157,865 (31 December 2010: TL 96,651) is comprised of provision expenses for dividends to the personnel amounting to TL 97,000 (31 December 2010: TL 78,358), provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 58,294 (31 December 2010: TL 16,324) and other provision expenses amounting to TL 2,571 (31 December 2010: TL 1,969).

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7. Other operating expenses

	Current Year	Prior Year
Personnel Costs	833,976	683,223
Reserve for Employee Termination Benefits	22,472	34,505
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses on Tangible Assets	100,038	92,203
Impairment Losses on Intangible Assets	-	-
Amortization Expenses on Intangible Assets	8,688	7,887
Impairment Losses on Assets to be Disposed	2,934	3,471
Depreciation Expenses on Assets to be Disposed	10,789	9,574
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	804,779	702,490
Operational lease related expenses	*113,183*	*88,120*
Repair and maintenance expenses	*14,655*	*15,004*
Advertisement expenses	*44,697*	*43,725*
Other expenses	*632,244*	*555,641*
Loss on sale of assets	1,150	5,160
Others	156,554	151,300
Total	**1,941,380**	**1,689,813**

8. Information on income/loss from discontinued operations

The Bank has no discontinued operations. Information and detailed tables on profit before tax from continuing operations are presented in disclosures 1-7 in this section.

9. Information on tax provision from discontinued operations

The Bank 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 discontinued operations

The Bank has no discontinued operations. Information on net profit/loss from continuing operations is presented in disclosures 1-13 in this section.

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11. Provision for taxes on income

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

In the current year, the Bank recorded current tax provision of TL 373,920 (31 December 2010: TL 318,948) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

Sources of deferred tax benefit/charge	Current Year	Prior Year
Arising from Origination/(Reversal) of Deductible Temporary Differences	53,386	14,683
Arising from (Origination)/Reversal of Taxable Temporary Differences	(27,862)	(1,369)
Arising from Origination/(Reversal) of Tax Losses	-	-
Arising from Change in Tax Rate	-	-
Total	**25,524**	**13,314**

12. Net profit and loss

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

None

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

None

13. 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

None

V. Information and disclosures related to statement of changes in shareholders' equity

1. Information on increases of revaluation of available-for-sale investments

Revaluation differences of available-for-sale investments has resulted with decrease in the current year. Detailed information about the decrease is explained below in Note 6.

2. Information on increases in cash flow hedges

None

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

None

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4. Information on differences in shareholders' 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 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 57th Annual General Assembly held on 25 March 2011, the net profit of the year 2010 which amounts to TL 1,1,43,825 after deferred tax income deducted is decided to be distributed as legal reserves amounting to TL 114,382, extraordinary reserves amounting to TL 992,598, special funds amounting to TL 2,531 and dividends to equity holders of the Bank amouting to TL 34,314.

6. Information on increases of revaluation of available-for-sale investments

Movement tables related to revaluation 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:

Valuation Differences of Marketable Securities	Current Year	Prior Year
Valuation differences at the beginning of the year	309,348	329,412
Fair value changes in the current year	(310,458)	78,933
Effect of deferred and corporate taxes	65,592	2,494
Valuation differences transferred to the statement of income	(156,420)	(120,944)
Effect of deferred and corporate taxes	24,005	19,453
Valuation differences at the end of the year	**(67,933)**	**309,348**

Valuation Differences of Marketable Securities	Current Year	Prior Year
Valuation differences at the beginning of the year	397,313	236,062
Fair value changes in the current year	(78,253)	167,664
Effect of deferred and corporate taxes	2,177	(6,413)
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	-	-
Valuation differences at the end of the year	**321,237**	**397,313**

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VI. Information and disclosures on statement of cash flows

1. Disclosures for "other" items in 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 511,477 (31 December 2010: TL 429,046) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

"Net increase/decrease in other liabilities" amounting to TL 1,591,254 (31 December 2010: TL 2,801,596) under "Changes in operating assets and liabilities" is mainly comprised of cash inflows from repurchase agreements.

"Other" balance under "Net cash flow from investing activities" amounting to TL 17,750 (31 December 2010: TL 17,236) is comprised of purchases of intangible assets.

Since unrealized gains and losses arising from foreign exchange rate changes are not regarded as cash flows, the effect of changes in foreign exchange rate on cash and cash equivalents in foreign currency has been calculated as TL 3,796 (31 December 2010: TL 4,997) and presented in the statement of cash flows in order to reconcile cash and cash equivalents balances at the beginning and end of the year.

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

In the current period paid in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Bank, has been decided to increase by TL 78,000 from TL 22,000 to TL 100,000. Bank, has decided to fully exercise the preemptive right of the Bank's shares which corresponds to TL 21,553. The amount has been presented under "Net cash flow from Investment Operations" in "Cash paid for purchase of associates, subsidiaries and joint-ventures" line.

In the current period, the Bank has paid TL 1,000 of its capital commitment to Kredi Garanti Fonu AŞ, an unconsolidated associate of the Bank. The amount has been presented under "Net cash flow from Investment Operations" in "Cash paid for purchase of associates, subsidiaries and joint-ventures" line.

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

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

There is no disposal in associates, subsidiaries and joint-ventures in the current year

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4. Information on cash and cash equivalents

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

	Current Year 31 December 2010	Prior Year 31 December 2009
Cash on hand	**655,339**	**591,081**
Cash in TL	571,538	508,595
Cash in foreign currency	83,801	82,486
Cash equivalents	**5,732,115**	**7,600,554**
CBT – Unrestricted demand deposit	3,990,880	2,457,852
Bank deposits	1,271,673	2,738,558
Interbank money market placements	2,101,584	3,400,614
Other	661	702
Loans and advances to banks having maturity of more than 3 months	(46,350)	-
Restricted cash and cash equivalents	(1,581,601)	(975,498)
Unrealised foreign exchange rate differences on cash equivalents	(4,732)	(21,674)
Total	**6,387,454**	**8,191,635**

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

	Current Year 31 December 2011	Prior Year 31 December 2009
Cash on hand	**711,295**	**655,339**
Cash in TL	604,222	571,538
Cash in foreign currency	107,073	83,801
Cash equivalents	**4,222,611**	**5,732,115**
CBT – Unrestricted demand deposit	6,424,827	3,990,880
Bank deposits	2,129,590	1,271,673
Interbank money market placements	190,127	2,101,584
Other	998	661
Loans and advances to banks having maturity of more than 3 months	(4,000)	(46,350)
Restricted cash and cash equivalents	(4,518,564)	(1,581,601)
Unrealized foreign exchange rate differences on cash equivalents	(367)	(4,732)
Total	**4,933,906**	**6,387,454**

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

Reserve requirements at CBT amounting to TL 4,269,727 as at 31 December 2011 (31 December 2010: TL 1,423,140) has not been included in cash and cash equivalents.

Foreign currency bank deposits amounting to TL 248,837 (31 December 2010: TL 158,461) is restricted due to securitization loans and other ordinary banking operations of the Bank.

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VII. Information and disclosures related to the Bank's risk group

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

	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Current Year	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Year	914,750	340,525	-	563	8,978	2,371
Balance at the End of the Year	293,552	614,114	-	6,572	4,443	1,540
Interest and Commission Income Received	23,737	623	-	30	382	46

	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Prior Year	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Year	579,792	402,370	-	549	9,587	4,122
Balance at the End of the Year	914,750	340,525	-	563	8,978	2,371
Interest and Commission Income Received	53,996	374	-	-	521	69

Information on deposits held by the Bank's risk group

	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Bank's Risk Group	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Deposits						
Balance at the Beginning of the Year	731,751	623,235	581,885	917,223	54,423	56,210
Balance at the End of the Year	1,085,232	731,751	728,474	581,885	92,454	54,423
Interest on Deposits	33,918	40,203	42,610	60,887	489	445

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

	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Bank's Risk Group	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Transactions held for trading purpose:						
Purchase balance at the beginning of the period	30,900	29,800	-	-	-	-
Sales balance at the beginning of the period	31,694	29,790	-	-	-	-
Purchase balance at the end of the period	-	30,900	-	-	-	-
Sales balance at the end of the period	-	31,694	-	-	-	-
Total Profit/(Loss)	6	17	-	-	-	-

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2. Disclosures of transactions with the Bank's risk group

Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties

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

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the the risk group to the overall cash and non-cash loans are 0.52% (31 December 2010: 2.06%) and 3.97% (31 December 2010: 3.03%).

Current Year	Amount	Compared with the Financial Statement Amount %
Cash Loans	297,995	0.52
Non-Cash Loans	622,226	3.97
Deposits	1,906,160	3.13
Forward and Option Agreements	-	-

Prior Year	Amount	Compared with the Financial Statement Amount %
Cash Loans	923,728	2.06
Non-Cash Loans	343,459	3.03
Deposits	1,368,059	2.87
Forward and Option Agreements	62,594	0.90

VIII. Information on domestic, foreign and off-shore branches or investments and foreign representative offices

Domestic and foreign branches and representative offices

	Number of Branches	Number of Employees			
Domestic Branches(*)	677	12,188			
			Country		
Foreign Representative Offices	-	-	-		
				Assets	Legal Capital
Foreign Branches	1	16	ABD	1,805,195	31,020
	1	14	Irak	37,341	13,160
Off-shore Branches	1	4	Bahreyn	10,145,948	-

(*) Free zone branches in Turkey is included to domestic branches.

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Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

During 2011, 43 (2010: 100) new domestic branches and 1 (2010:none) foreign branch have been opened and no branches haven't been closed (2010: 9).

SECTION SIX
Other Disclosures and Footnotes

I. Other explanations on the Bank's operations

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

	Profit Distribution Table of Year 2010
Bank's unconsolidated profit in its statutory financial statements	**1,157,140**
Deferred tax income	(13,315)
Net profit of the year subject to distribution	**1,143,825**
Legal reserves	114,382
First Legal Reserves	*57,191*
Reserves allocated according to banking law and articles of association.	*57,191*
Net profit of the year subject to distribution	**1,029,443**
Gain on sale of immovables and shares of associates and subsidiaries	2,531
Extraordinary reserves	992,598
Dividends to the shareholders	**34,314**

• The Bank and CBT had disagreement about the reserve requirements deposited at CBT regarding the syndication loans obtained by foreign branches of the Bank. Subsequent to the decision, CBT required the Bank to provide reserve requirement for loans obtained by foreign branches, the Bank filed a claim in Ankara 15th Administrative Court for the suspension of execution and cancellation of the decision. As at 15 June 2011, the court decided on refusal of the claim with the right to appeal on State Council. CBT requested the Bank to provide additional reserves amounting to USD 384 million in average for 3.5 years period with the 4 May 2011 dated communique. In this context, the Bank has began to provide additional reserve requirements at 27May 2011.

• Small and Medium Industry Development Organization ("KOSGEB") claimed that the Bank had subscription fee liabilities for the years 2004, 2005 and 2006 based on the clause c of 14th article of the KOSGEB Law No: 3624 which states that the organization's budget comprise the subscription fees from banks whose equities are held by state institutions and organizations by more than 50%, amounting to %2 of their annual profits subject to corporate tax. First stage of the court decided the Bank to pay TL 50,252 thousands. Following the notice of the court decision the Bank appealed for correction in the scope of 97th and 98th articles of the Law No: 6111 which became effective as at 25 February 2011. With respect to 97th article of Law No: 6111 the subscription fee liability is abrogated in favor of Bank and 98th article states that this practice will be effective starting from 1 Janury 2004. Therefore, subscription fee liability and compensation decided by the court lost their basis. Main opposition party applied to the Constitutional Court for the cancellation of 98th article of Law No: 6111. Since 97th and 98th articles of Law No: 6111 are currently effective and are in favour of the Bank, the Bank has not booked provision for the related lawsuit in the accompanying financial statements.

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- The public offering of the Bank's bond with TL 500,000,000 nominal value and 176 days maturity in accordance with the communiqué approved by CMB on 22 July 2011, has been published on Official Gazette dated 22 July 2011. The bond has started to be traded on Istanbul Stock Exchange with the ISIN code "TRQVKFB11218" on 10 August 2011.

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

December 2011 (*)	Standard Poors(**)
Foreign Currency Credit Rating	BB / Positive / B
Foreign Currency Deposit Rating	BB / Positive / B
National	trAA / -- / trA-1
Continuance Rating	BBB-/ -- / --

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

November 2011 (*)	Fitch Rating
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long Term Local Currency	BB+
Short Term Local Currency	B
Local Currency Outlook	Stable
National Long Term	AA+ (tur)
National Outlook	Stable
Individual	C/D
Support	3
Base Support Rating	BB+

November 2010 (*)	Capital Intelligence
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB
Support Rating	2
Outlook	Stable

(*) Dates represent the last change dates of credit ratings and outlook.
(**) Standard&Poors, has confirmed its previous ratings for Bank with the report issued on 31 January 2012.

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

• The public offering of the Bank's bond with TL 500,000,000 nominal value and 176 days maturity in accordance with the communiqué approved by CMB on 22 July 2011, has been published on Official Gazette dated 22 July 2011. The bond has started to be traded on Istanbul Stock Exchange with the ISIN code "TRQVKFB11218" on 10 August 2011. The bond has matured as at 31 January 2012.

• The public offering of the Bank's bill with TL 1,000,000,000 nominal value and 178 days maturity in accordance with the communiqué approved by CMB on 12 July 2011, has been realized. The bill has started to be traded on Istanbul Stock Exchange with the ISIN code "TRQVKFB71212" on 1 February 2012.

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

None.

SECTION SEVEN

I. Independent Auditors' Report

1. Information on the independent auditors' report

The Bank's unconsolidated financial statements and footnotes as at 31 December 2011 , have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International) and an unqualified opinion has been issued in their independent auditors' report dated 14 February 2012.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report
As at and for the Year Ended 31 December 2011
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ
20 March 2012
This report contains "Independent Auditors' Report" comprising 1 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 102 pages.

Akis Bağımsız Denetim ve Serbest
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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 unconsolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") as at 31 December 2011 and the related unconsolidated statement of income, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these 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 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 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 unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı as at 31 December 2011 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of (Turkish) Banking Law No 5411 and the statements and guidance published by the BRSA on accounting and financial reporting principles

Istanbul,
14 February 2012

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Sorumlu Ortak, Başdenetçi

Additional paragraph for convenience translation to English:
As explained in Section 3 Note I, the accompanying unconsolidated 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
UNCONSOLIDATED FINANCIAL REPORT
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011

Address	:	Levent Mahallesi, Hacı Adil Yolu Çayır Çimen Sokak, No:2, 1.Levent Beşiktaş/ Istanbul
Telephone	:	0212 316 70 00
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Electronic web site	:	www.vakifbank.com.tr
Electronic mail address	:	posta@vakifbank.com.tr

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

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- INFORMATION RELATED TO THE ACCOUNTING POLICIES APPLIED BY THE BANK
- INFORMATION RELATED TO THE FINANCIAL POSITION OF THE BANK
- DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

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

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

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

20 March 2012

Halil AYDOĞAN Chairman of Board of Directors	Serdar TUNÇBİLEK Board Member Audit Committee Member	Halim KANATÇI Board Member Audit Committee Member	Süleyman KALKAN General Manager and Executive Director of the Board
Metin Recep ZAFER Executive Vice President	Murat KOYGUN Director of Accounting and Financial Affairs		

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

Name-Surname/Title	:	A. Sonat ŞEN /Manager	S. Buğra SÜRÜEL /Assistant Manager
Phone no	:	0312 455 75 66	0312 455 75 70
Fax no	:	0312 455 76 92	0312 455 76 92

SECTION ONE
General Information

SECTION TWO
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Independent Auditors' Report

Türkiye Vakıflar Bankası Türk Anonim Ortaklığıand Its Financial Subsidiaries
Consolidated Financial Report as at and For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

SECTION ONE

General Information

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

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

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

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

As at 31 December 2011 and 2010, The Bank's paid-in capital is TL 2,500,000, divided into 250.000.000.000 shares with each has a nominal value of 1 Kuruş.

The Bank's shareholders' structure as at 31 December 2011 is stated below

Shareholders	Number of Shares-100 shares	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Foundations represented by the General Directorate of the Foundations (Group A)	1.075.058.640	1,075,059	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402.552.666	402,553	16.10
Appendant foundations (Group B)	386.224.785	386,225	15.45
Other appendant foundations (Group B)	3.162.359	3,162	0.13
Other registered foundations (Group B)	1.448.543	1,448	0.06
Other real persons and legal entities (Group C)	1.560.320	1,560	0.06
Publicly traded (Group D)	629.992.687	629,993	25.20
Total	**2.500.000.000**	**2,500,000**	**100.00**

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries
Consolidated Financial Report as at and For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığıand Its Financial Subsidiaries
Consolidated Financial Report as at and For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

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

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

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

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

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

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

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

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

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

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

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

As at 31 December 2011, the Parent Bank has 677 domestic, 3 foreign, in total 680 branches (31 December 2010: 634 domestic, 2 foreign, in total 636 branches). As at 31 December 2011, the Parent Bank has 12,222 employees (31 December 2010: 11,077 employees).

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries
Consolidated Balance Sheet (Statement of Financial Position)
As at 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

			Audited Current Year 31 December 2011			Audited Previous Year 31 December 2010		
	ASSETS	Notes	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	2,069,331	5,072,531	7,141,862	2,609,792	2,041,241	4,651,033
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	177,477	184,145	361,622	181,921	36,140	218,061
2.1	Financial assets held for trading purpose		177,477	184,145	361,622	181,921	36,140	218,061
2.1.1	Debt securities issued by the governments		137,725	14,189	151,914	176,801	12,489	189,290
2.1.2	Equity securities		2,096	-	2,096	79	-	79
2.1.3	Derivative financial assets held for trading purpose	V-I-2	4,182	169,956	174,138	1,343	23,651	24,994
2.1.4	Other securities		33,474	-	33,474	3,698	-	3,698
2.2	Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1	Debt securities issued by the governments		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Other securities		-	-	-	-	-	-
2.2.4	Loans		-	-	-	-	-	-
III.	BANKS	V-I-3	408,679	2,132,656	2,541,335	944,049	1,226,835	2,170,884
IV.	RECEIVABLES FROM INTERBANK MONEY MARKETS		190,467	-	190,467	2,101,584	-	2,101,584
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		340	-	340	-	-	-
4.3	Receivables from reverse repurchase agreements		190,127	-	190,127	2,101,584	-	2,101,584
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	10,434,795	2,920,048	13,354,843	11,258,914	2,655,333	13,914,247
5.1	Equity securities		-	11,919	11,919	-	12,295	12,295
5.2	Debt securities issued by the governments		10,431,988	2,759,495	13,191,483	11,258,009	2,534,145	13,792,154
5.3	Other securities		2,807	148,634	151,441	905	108,893	109,798
VI.	LOANS AND RECEIVABLES	V-I-5	38,871,737	19,297,116	58,168,853	30,864,839	13,751,403	44,616,242
6.1	Performing loans and receivables		38,763,115	19,294,387	58,057,502	30,840,214	13,748,757	44,588,971
6.1.1	Loans provided to the same risk group	V-VII-1	1,650	2,793	4,443	1,141	7,837	8,978
6.1.2	Debt securities issued by the governments		-	-	-	-	-	-
6.1.3	Others		38,761,465	19,291,594	58,053,059	30,839,073	13,740,920	44,579,993
6.2	Loans under follow-up		2,195,075	16,208	2,211,283	2,328,805	14,172	2,342,977
6.3	Specific provisions (-)		2,086,453	13,479	2,099,932	2,304,180	11,526	2,315,706
VII.	FACTORING RECEIVABLES		577,291	40,513	617,804	450,170	15,203	465,373
VIII.	HELD-TO-MATURITY INVESTMENTS (Net)	V-I-6	4,343,224	1,636,014	5,979,238	2,911,012	1,451,233	4,362,245
8.1	Debt securities issued by the governments		4,343,224	1,581,438	5,924,662	2,911,012	1,412,065	4,323,077
8.2	Other securities		-	54,576	54,576	-	39,168	39,168
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-7	167,001	3	167,004	157,313	3	157,316
9.1	Associates, consolidated per equity method		140,112	-	140,112	127,072	-	127,072
9.2	Unconsolidated associates		26,889	3	26,892	30,241	3	30,244
9.2.1	Financial associates		17,546	-	17,546	15,786	-	15,786
9.2.2	Non-Financial associates		9,343	3	9,346	14,455	3	14,458
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	148,290	-	148,290	147,436	-	147,436
10.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated non-financial subsidiaries		148,290	-	148,290	147,436	-	147,436
XI.	INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1	Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2	Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1	Financial joint-ventures		-	-	-	-	-	-
11.2.2	Non-financial joint-ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES	V-I-10	69,712	433,729	503,441	39,318	261,662	300,980
12.1	Finance lease receivables		85,542	489,873	575,415	46,857	291,966	338,823
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		15,830	56,144	71,974	7,539	30,304	37,843
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	-	-	-	-	-
13.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	V-I-12	1,170,784	4,997	1,175,781	1,190,467	3,251	1,193,718
XV.	INTANGIBLE ASSETS (Net)	V-I-13	79,782	206	79,988	57,225	28	57,253
15.1	Goodwill		-	-	-	-	-	-
15.2	Other intangibles		79,782	206	79,988	57,225	28	57,253
XVI.	INVESTMENT PROPERTIES (Net)	V-I-14	159,204	-	159,204	53,659	-	53,659
XVII.	TAX ASSETS		195867	1,803	197,670	136,003	-	136,003
17.1	Current tax assets		-	-	-	4,860	-	4,860
17.2	Deferred tax assets	V-I-15	195,867	1,803	197,670	131,143	-	131,143
XVIII.	ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-16	2,159	-	2,159	1,446	-	1,446
18.1	Assets held for sale		2,159	-	2,159	1,446	-	1,446
18.2	Assets related to the discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	V-I-17	2,427,064	243,919	2,670,983	2,142,427	144,995	2,287,422
	TOTAL ASSETS		61,492,864	31,967,680	93,460,544	55,247,575	21,587,327	76,834,902

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries
Consolidated Balance Sheet (Statement of Financial Position)
As at 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries
Consolidated Off-Balance Sheet Items
As at 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries
Consolidated Statement of Income
As at and For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

		Notes	Audited Current Year 31 December 2011	Audited Previous Year 31 December 2010
I.	INTEREST INCOME		6,695,600	6,027,885
1.1	Interest income from loans	V-IV-1	4,947,762	4,105,417
1.2	Interest income from reserve deposits		-	68,446
1.3	Interest income from banks	V-IV-1	61,752	61,633
1.4	Interest income from money market transactions		4,144	60,005
1.5	Interest income from securities portfolio	V-IV-1	1,542,170	1,621,404
1.5.1	Trading financial assets	V-IV-1	23,392	33,371
1.5.2	Financial assets at fair value through profit or loss		-	-
1.5.3	Available-for-sale financial assets	V-IV-1	1,055,954	1,222,506
1.5.4	Held-to-maturity investments	V-IV-1	462,824	365,527
1.6	Finance lease income		25,590	22,349
1.7	Other interest income		114,182	88,631
II.	INTEREST EXPENSE		3,661,368	3,172,750
2.1	Interest expense on deposits	V-IV-2	2,951,304	2,627,930
2.2	Interest expense on funds borrowed	V-IV-2	173,151	106,186
2.3	Interest expense on money market transactions		483,234	387,372
2.4	Interest expense on securities issued	V-IV-2	16,088	-
2.5	Other interest expenses		37,591	51,262
III.	NET INTEREST INCOME (I -II)		3,034,232	2,855,135
IV.	NET FEES AND COMMISSIONS INCOME		561,369	447,099
4.1	Fees and commissions received		749,512	556,821
4.1.1	Non-cash loans		65,313	62,811
4.1.2	Others		684,199	494,010
4.2	Fees and commissions paid		188,143	109,722
4.2.1	Non-cash loans		318	247
4.2.2	Others		187,825	109,475
V.	DIVIDEND INCOME	V-IV-3	4,732	3,535
VI.	TRADING INCOME/LOSSES (Net)	V-IV-4	51,384	320,986
6.1	Trading account income/losses	V-IV-4	77,657	367,536
6.2	Income/losses from derivative financial instruments	V-IV-4	(13,547)	(71,527)
6.3	Foreign exchange gains/losses	V-IV-4	(12,726)	24,977
VII.	OTHER OPERATING INCOME	V-IV-5	1,473,505	1,140,111
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		5,125,222	4,766,866
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	938,214	976,178
X.	OTHER OPERATING EXPENSES (-)	V-IV-7	2,506,087	2,364,855
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,680,921	1,425,833
XII.	INCOME RESULTED FROM MERGERS		-	-
XIII.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		21,624	20,681
XIV.	GAIN/LOSS ON NET MONETARY POSITION			-
XV.	INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)	V-IV-8	1,702,545	1,446,514
XVI.	CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-9	(341,536)	(313,152)
16.1	Current tax charges	V-IV-11	(387,387)	(325,272)
16.2	Deferred tax credits	V-IV-11	45,851	12,120
XVII.	NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-12	1,361,009	1,133,362
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from investment properties		-	-
18.2	Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3	Other income from discontinued activities		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Investment property expenses		-	-
19.2	Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3	Other expenses from discontinued activities		-	-
XX.	INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI.	DISCONTINUED OPERATIONS PROVISION FOR TAXES (±)		-	-
21.1	Current tax charge		-	-
21.2	Deferred tax charge		-	-
XXII.	NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	V-IV-12	1,361,009	1,133,362
23.1	Equity holders of the Bank		1,304,314	1,164,297
23.2	Non-controlling interest	V-IV-13	56,695	(30,935)
	Earnings per 100 share (full TL)	III-XXIV	0.5444	0.4533
	100 Adet Hisse Başına Kâr/Zarar (Tam TL)	III-XXIV	0.5444	0.4533

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries
Consolidated Statement of Gains and Losses Recognized in Equity
As at and For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

	GAINS AND LOSSES RECOGNIZED IN EQUITY	Notes	Audited Current Year 31 December 2011	Audited Previous Year 31 December 2010
I.	VALUATION DIFFERENCES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF THE MARKETABLE SECURITIES	V-V-6	(478,270)	(40,738)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS		-	(18,772)
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS		-	-
IV.	CURRENCY TRANSLATION DIFFERENCES		28,260	912
V.	GAINS/(LOSSES) FROM CASH FLOW HEDGES		-	-
	(Effective Portion of Fair Value Changes)	-	-	-
VI.	GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES		-	-
	(Effective portion)	-	-	15,912
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS		-	-
VIII.	OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS		(290)	15,912
IX.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES	V-V-6		
X.	NET GAINS/(LOSSES) RECOGNIZED DIRECTLY IN EQUITY		(357,780)	(21,039)
XI.	CURRENT YEAR'S PROFIT/(LOSS)		1,361,009	1,133,362
11.1	Change in fair value of marketable securities (transfers to the statement of income)	V-V-6	132,267	101,747
11.2	Gains/losses recognized in the consolidated statement of income due to reclassification of derivatives which have previously designated as hedging instrument in a cash flow hedge		-	-
11.3	Gains/losses recognized in the consolidated statement of income due to reclassification of net foreign investment hedges		-	-
11.4	Others		1,228,742	1,031,615
XII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE YEAR		1,003,229	1,112,323

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries
Consolidated Statement of Changes in Equity
As at and For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ("TL"))

	CHANGES IN EQUITY	Notes	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Current Year's Net Profit/(Loss)	Previous Years' Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s.F.	Shareholders' Equity before Minority Shares	Non-controlling Interest	Total Equity
	Previous year – 31 December 2010																			
I.	Balances at the beginning of the year		2,500,000	-	726,691	-	381,561	2,361	1,779,123	272,815	1,294,741	30,626	334,922	13,639	1,551	-	-	7,338,030	240,549	7,578,579
	Changes during the year																			
II.	Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation differences of the marketable securities	V-V-6	-	-	-	-	-	-	-	-	-	-	(33,461)	-	-	-	-	(33,461)	24,334	(9,127)
IV.	Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	(12,501)	-	-	-	(12,501)	(6,271)	(18,772)
VI.	Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Translation differences		-	-	-	-	-	-	-	873	-	-	-	-	-	-	-	873	39	912
IX.	Changes resulted from disposal of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Group's equity		-	-	31	-		-			20,681		(211)	-	-	-	-	20,501	6,128	26,629
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,702	4,702
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,702	4,702
12.2	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,573	4,573
XVII.	Current year's profit/loss		-	-	-	-	-	-	-	-	1,143,616	-	-	-	-	-	-	1,143,616	(30,935)	1,112,681
XVIII.	Profit distribution		-	-	-	-	124,993	733	1,015,280	19,091	(1,294,741)	9,984	-	3,895	-	-	-	(120,765)	(329)	(121,094)
18.1	Dividends		-	-	-	-	-	-	-	-	(120,765)	-	-	-	-	-	-	(120,765)	(329)	(121,094)
18.2	Transferred to reserves		-	-	-	-	124,993	733	1,015,280	19,091	(1,173,976)	9,984	-	3,895	-	-	-	-	-	-
18.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end 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
	Current 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 marketable securities	V-V-6	-	-	-	-	-	-	-	-	-	-	(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 assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(417)	(417)
X.	Changes resulted from reclassifications of 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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(51)	(51)
XVII.	Current year's profit/loss		-	-	-	-	-	-	-	-	1,282,690	-	-	-	-	-	-	1,282,690	56,695	1,339,385
XVIII.	Profit distribution		-	-	-	-	120,725	886	996,274	14,445	(1,164,297)	(11,324)	-	8,977	-	-	-	(34,314)	(65)	(34,379)
18.1	Dividends		-	-	-	-	-	-	-	-	(34,314)	-	-	-	-	-	-	(34,314)	(65)	(34,379)
18.2	Transferred to reserves	V-V-5	-	-	-	-	120,725	886	996,274	14,445	(1,129,983)	(11,324)	-	8,977	-	-	-	-	-	-
18.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end 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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ["TL"])

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries
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(Currency: Thousands of Turkish Lira ["TL"])

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

(*) As at and for the year ended 31 December 2011, dividends to be paid to the personnel amounting to TL 97,000 (31 December 2010: TL 83,250) has been accounted for in the consolidated statement of income through recording in the current year's profits/losses in accordance with TAS 19 – Employee Benefits.
(**) Consolidated statement of profit distrubition has been prepared in accordance with the unconsolidated financial statements of the Parent Bank. Since the General Assembly meeting of the Parent has not been held as at the report date, profit distribution decision has been taken by the Board of Directors to be submitted to the General Assembly. The figures above have been shown for presentation purposes

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SECTION THREE

Accounting Policies

I. Basis of presentation

As per the Article 37 of "Accounting and Recording Rules" of the Turkish Banking Law no. 5411 published on the Official Gazette no. 25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its unconsolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulation and Supervision Agency ("BRSA") and effective since 1 November 2006, Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and the related statements and guidance (collectively "Reporting Standards") issued by Turkish Accounting Standards Board ("TASB").

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

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis except for the financial assets at fair value through profit or loss, derivative financial assets and liabilities held for trading purpose, available-for-sale financial assets and unconsolidated investments in associates and subsidiaries whose fair value can be reliably measured and assets available for sale, which are presented on a fair value basis.

Additional paragraph for convenience translation to English

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

II. Strategy for the use of financial instruments and foreign currency transactions

Strategy for the use of financial instruments

The Bank's core operations are based on retail banking, corporate banking, private banking, foreign exchange operations, money market operations, investment security transactions, and international banking. As a result of the nature of its operations, the Bank intensively utilizes financial instruments. The Bank funds itself through deposits with different maturities as the main funding resources that are invested in assets earning higher returns.

The most important fund sources of the Bank other than the deposits are its equity, interbank money market takings and medium and long-term borrowings obtained from foreign financial institutions. The Bank pursues an effective asset-liability management strategy by securing balance between funding resources and investments so as to reduce risks and increase returns. Accordingly, the Bank attaches great significance to long-term placements bearing higher interest rates.

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

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

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

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

Information on foreign currency transactions

Transactions of the Bank and its consolidated subsidiaries located in Turkey are recorded in TL, the functional currency of the Bank and the related subsidiaries. Foreign currency transactions are recorded using the foreign exchange rates ruling at the transaction date. At the end of the periods, foreign currency denominated monetary assets and liabilities are measured at the Parent Bank's spot purchase rates in the financial statements of the Parent Bank; and at the spot purchase rates announced by the Central Bank of Turkey ("CBT") in the financial statements of the other subsidiaries. The foreign exchange rate differences are recognized as foreign exchange gains or losses in the statement of income.

Foreign exchange differences resulting from amortized costs of foreign currency denominated available-for-sale financial assets are recognized in the statement of income whilst foreign exchange differences resulting from unrealized gains and losses are presented in "valuation differences of marketable securities" under equity.

If the net investments in associates and subsidiaries operating in foreign countries are measured at cost, they are reported as translated into TL by using the foreign exchange rate at the date of transaction. If related associates and subsidiaries are measured at fair value, net foreign operations are reported as translated into TL by the rates prevailing at the date of the determination of the fair value.

Foreign currency differences arising from the translation of the financial statements of the net investment in foreign operations into TL for consolidation purpose are classified as "foreign currency differences arising from associates, subsidiaries, and joint ventures" sub account under "other profit reserves" presented in equity.

III. Information on companies subject to consolidation

As at and for the year ended 31 December 2011, the financial statements of T. Vakıflar Bankası TAO, Vakıf International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik AŞ, Vakıf Finans Faktoring Hizmetleri AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ, Kıbrıs Vakıflar Bankası Ltd, and Türkiye Sınai Kalkınma Bankası AŞ have been included in the consolidated financial statements of the Group.

Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd, a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at 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 disolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at 31 December 2011, but its equity until the merger date has been included in the accompanying consolidated financial statements.

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

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

Güneş Sigorta AŞ was established under the leadership of the Bank and Toprak Mahsulleri Ofisi in 1957. The Company has been operating in nearly all non-life insurance branches like fire, accident, transaction, engineering, agriculture, health, forensic protection, and loan insurance. Its head office is in Istanbul.

Vakıf Emeklilik AŞ was established under the name Güneş Hayat Sigorta AŞ in 1991. In 2003 the Company has taken conversion permission from Treasury and started to operate in private pension system. Its head office is in Istanbul.

Vakıf Finans Faktoring Hizmetleri AŞ was established in 1998 to perform factoring transactions and any kind of financing transactions. Factoring, the main operation of the Company, is a financing method that includes the trade receivables of production, distribution and service companies to be sold to intermediary institutions. Its head office is in Istanbul.

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ was established as the first real estate investment partnership in finance sector under the adjudication of Capital Markets Law in 1996. The Company's main operation is in line with the scope in the Capital Markets Board's regulations relating to real estate investment trusts like, real estates, capital market tools based on real estates, real estate projects and investment on capital market tools. Its head office is in Istanbul.

Vakıf Yatırım Menkul Değerler AŞ was established in 1996 to provide service to investors through making capital markets transactions, issuance of capital market tools, commitment of repurchase and sales, and purchase and sales of marketable securities, operating as a member of stock exchange, investment consultancy, and portfolio management. Its head office is in Istanbul.

Vakıf Portföy Yönetimi AŞ operates in investment fund management, portfolio management and pension fund management. Its head office is in Istanbul.

Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ was established in 1991 in Istanbul. The main operation of the Company is to invest a portfolio including marketable debt securities, equity securities without having managerial power in the partnerships whose securities have been acquired; and gold and other precious metals traded in national and international stock exchange markets or active markets other than stock exchange markets, in accordance with the principles and regulations promulgated by Capital Markets Board. Its head office is in Istanbul.

Kıbrıs Vakıflar Bankası Ltd. was established in 1982 in Turkish Republic of Northern Cyprus, mainly to encourage the credit cards issued by the Bank, and increase foreign exchange inflow, and carry on retail and commercial banking operations. Its head office is in Lefkosa.

Türkiye Sınai Kalkınma Bankası AŞ was established in 1950 to support investments in all economical sectors. Its head office is in Istanbul In cases where the accounting policies for the preparation of the financial statements of Financial Subsidiaries are different than those of the Parent Bank, the differences have been adjusted to the accounting policies of the Parent Bank, taking the materiality principle into account. The financial statements of local Financial Subsidiaries, and foreign Financial Subsidiaries preparing their financial statements according to the principles of the countries which they are located in, have been adjusted in accordance with Reporting Standards as at the related reporting dates. Inter-company balances and transactions, and any unrealized gains and losses arising from inter-company transactions, are eliminated in preparing these consolidated financial statements.

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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, emition 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.

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VII. Information on financial assets

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

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

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

Factoring receivables

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

Associates and subsidiaries

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

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

VIII. Information on impairment of financial assets

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

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

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

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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 then the carrying value of the related asset, a provision for impairment loss is made.

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XIII. Information on tangible assets

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

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

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

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

Depreciation rates and estimated useful lives are:

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

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

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

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

Finance leasing activities as the lessor

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

Operational leases

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

XVI. Information on provisions and contingent liabilities

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

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

XVII. Information on obligations of the Group concerning employee rights

In accordance with existing Turkish Labour Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2011 is TL 2,732 (full TL) (31 December 2010: TL 2,517 (full TL)).

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

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

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

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Other benefits to employees

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

Pension fund

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

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

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

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

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

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

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

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

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

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

The technical financial statements of the Fund are audited by the certified actuary according to the the "Actuaries Regulation" which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 2012 which is prepared in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against.

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XVIII. Information on taxation

Corporate tax

Corporate tax rate is 20% in Turkey. This rate is applied to the total income of the corporations adjusted for certain disallowable expenses, exempt income and any other allowances.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Except for the dividend payments to these institutions, the withholding tax rate on the dividend payments is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

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

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

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

Deferred taxes

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

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

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

Transfer pricing

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

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

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Investment incentive

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

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

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

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

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XIX. Additional information on borrowings

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

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

XX. Information on issuance of equity securities

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

XXI. Confirmed bills of exchange and acceptances

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

XXII. Government incentives

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

XXIII. Segment reporting

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

XXIV. Other disclosures

Earnings per shares

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

As at and for the year ended 31 December 2011, earning per 100 shares is TL 0.5444 (31 December 2010: TL 0.4533).

Related parties

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

Cash and cash equivalents

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

Insurance operations of the Group

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

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

Reserve for outstanding claims: Reserve for outstanding claims is provided for the outstanding claims, which incurred and reported but not yet settled in current or previous years based on reported balances or estimetes 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.

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

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

Individual pension business

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

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

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

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

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SECTION FOUR

Information Related to Financial Position of the Group

I. Consolidated capital adequacy ratio

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

Risk measurement methods in calculation of capital adequacy ratio

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

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

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

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

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

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Information on consolidated capital adequacy ratio

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

Summary information related to capital adequacy ratio

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

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

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Information on consolidated equity

	Current Year	Previous Year
CORE CAPITAL		
Paid-in capital	2,500,000	2,500,000
Nominal capital	2,500,000	2,500,000
Capital commitments (-)	-	-
Capital reserves from inflation adjustments to paid-in capital	-	-
Share premiums	726,722	726,722
Share cancellation profits	-	-
Legal reserves	627,279	506,554
I. Legal reserve (Turkish Commercial Code 466/1)	332,030	268,496
II. Legal reserve (Turkish Commercial Code 466/2)	-	
Reserves allocated as per special legislations	295,249	238,058
Status reserves	3,980	3,094
Extraordinary reserves	4,122,736	3,087,182
Reserve allocated as per the decision held by the General Assembly	3,790,079	2,794,403
Retained earnings	332,657	292,779
Accumulated losses	-	-
Exchange rate differences on foreign currency capital	-	-
Reserves from inflation adjustments to legal, status and extraordinary reserves	-	-
Profit	1,333,600	1,204,907
Current year's profit	1,304,314	1,164,297
Previous years' profit	29,286	40,610
Free provision for possible losses (up to 25% of Core Capital)	51,676	65,428
Income on sale of equity shares and real estates to be used up for capital increase	14,010	5,033
Primary subordinated loans (up to 15% of Core Capital)	-	-
Non-controlling interest	314,080	203,757
Loss excess of reserves (-)	-	-
Current year's loss	-	-
Previous years' loss	-	-
XLeasehold improvements (-)	71,969	75,703
Prepaid expenses (-)	-	326,278
Intangible assets (-)	79,988	57,253
Deferred tax asset excess of 10% of core capital (-)	-	-
Limit excesses as per the 3rd paragraph of the Article 56 of the Banking Law (-)	-	-
Goodwill (net) (-)	-	-
Total core capital	**9,542,126**	**7,843,443**
SUPPLEMENTARY CAPITAL		
General provisions	671,180	427,876
45% of revaluation surplus on movables	-	-
Bonus shares of associates, subsidiaries and joint-ventures	1,779	1,551
Primary subordinated loans excluding the portion included in core capital	-	-
Secondary subordinated loans	-	-
45% of valuation differences of marketable securities	(90,954)	135,563
Associates and subsidiaries	(19,393)	(5,797)
Available-for-sale financial assets	(71,561)	141,360
Inflation adjustment differences of capital reserves, profit reserves and previous years' profit/(loss)	-	-
Non-controlling interest	44,970	17,612
Total supplementary capital	**626,975**	**582,602**
TIER III CAPITAL		**-**
CAPITAL	**10,169,101**	**8,426,045**
DEDUCTIONS FROM CAPITAL	**273,836**	**275,547**
Unconsolidated investments in entities (domestic/foreign) operating in banking and	-	9
financial sectors exceeding 10% of ownership	-	9
Investments in entities (domestic/foreign) operating in banking and financial sectors at less than 10% exceeding 10% or more of the total core and supplementary capitals	140,112	127,072
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated laons and debt instruments purchased from such parties qualified as primary or secondary subordinated debts	-	-
Loan granted to customer against the Articles 50 and 51 of the Banking Law	-	-
Net book values of immovables exceeding 50% of the capital and of assets acquired against overdue receivables and held for sale as per the Article 57 of the Banking Law but retained more than five years	113,265	148,466
Others	459	-
TOTAL EQUITY	**9,895,265**	**8,150,498**

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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,
- submiting 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.

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

The Bank's largest 200 cash loan customers compose 29.42% of the total cash loan portfolio.

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

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

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

Sectoral and geographical concentration of the credit risk

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

(*) Includes marketable securities (debt securities and equity shares other than associates and subsidiaries) at fair value through profit or loss, marketable securities classified as available-for-sale, and investment securities held-to-maturity.
(**) Includes transactions defined as loans according to the article 48 of Banking Law act no. 5411 and transactions classified other than first three columns in Uniform Chart of Accounts. Non-cash loans have been included in other loans column after they have been weighted with relevant rates for conversion to cash loans.
(***) Includes OECD countries other than EU countries, USA and Canada.

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

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

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

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Sectoral distribution of cash loans

	31 December 2011				31 December2010			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	**394,177**	**1.01**	**437,275**	**2.27**	**283,333**	**0.92**	**106,840**	**0.78**
Farming and Stockbreeding	332,356	0.86	92,460	0.48	143,514	0.47	48,486	0.35
Forestry	40,573	0.10	291,739	1.51	130,669	0.42	738	0.01
Fishery	21,248	0.05	53,076	0.28	9,150	0.03	57,616	0.42
Manufacturing	**4,047,214**	**10.45**	**9,153,219**	**47.45**	**4,198,842**	**13.62**	**6,243,957**	**45.42**
Mining	158,594	0.41	296,393	1.54	121,942	0.40	135,093	0.98
Production	3,665,628	9.46	6,841,039	35.46	3,844,444	12.47	5,074,498	36.92
Electricity, Gas,Water	222,992	0.58	2,015,787	10.45	232,456	0.75	1,034,366	7.52
Construction	**2,141,709**	**5.53**	**1,497,774**	**7.76**	**1,178,181**	**3.82**	**1,113,586**	**8.10**
Services	**7,523,923**	**19.40**	**6,111,639**	**31.66**	**7,352,861**	**23.83**	**4,537,369**	**32.99**
Wholesale and Retail Trade	4,702,111	12.12	2,164,477	11.21	3,537,067	11.47	1,696,739	12.34
Hotel, Food and BeverageServices	342,347	0.88	976,429	5.06	170,003	0.55	843,173	6.13
Transportation and Telecommunication	1,829,968	4.72	1,690,604	8.76	1,097,467	3.56	1,128,551	8.21
Financial Institutions	257,177	0.66	975,287	5.05	2,187,183	7.09	655,062	4.76
Real Estate and Renting Services	95,502	0.25	187,375	0.97	71,942	0.23	130,828	0.95
Self-Employment" TypeServices	-	-	-	-	-	-	-	-
Educational Services	77,085	0.20	28,012	0.15	62,527	0.20	8,615	0.06
Health and Social Services	219,733	0.57	89,455	0.46	226,672	0.73	74,401	0.54
Others	**24,656,092**	**63.61**	**2,094,480**	**10.86**	**17,826,997**	**57.81**	**1,747,005**	**12.71**
Total	**38,763,115**	**100.00**	**19,294,387**	**100.00**	**30,840,214**	**100.00**	**13,748,757**	**100.00**

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

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

31 December 2010	Loans		Other assets (*)	
	Gross	Net	Gross	Net
Grade 3 : Impaired	91,382	73,105	49,645	496
Grade 4 : Impaired	218,622	-	679	-
Grade 5 : Impaired	1,969,884	2,646	61,741	-
Total	**2,279,888**	**75,751**	**112,065**	**496**

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

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

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

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

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

Fair value of collateral held against impaired loans

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

(*) As a policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral is shown as zero in the table above.
(**) Sureties obtained for impaired loans are presented in this raw in the amount not exceeding total of impaired loans.

Sectoral and geographical concentration of impaired loans

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

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

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Past due but not impaired loans and receivables

	31 December 2011(*)	31 December 2010(*)
Grade 1 : Low risk loans and receivables	38,525	191,913
Grade 2 : Loans and receivables under follow-up	65,205	99,670
Total	**103,730**	**291,583**

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

Aging of past due but not impaired loans and receivables

	31 December 2011(*)	31 December 2010(*)
0-30 days	19,313	202,726
30-60 days	6,283	38,128
60-90 days	57,254	38,874
90 days and over(**)	20,880	11,855
Total	**103,730**	**291,583**

(*) Includes amounts presented as loans, factoring receivables and leasing receivables in the accompanying consolidated financial statements.
(**) Includes loans that are in collection and restructuring processes.

Undue and not impaired loans and receivables

	31 December 2011(*)	31 December 2010(*)
Grade 1 : Low risk loans and receivables	57,203,049	42,962,925
Grade 2 : Loans and receivables under follow-up	1,344,389	1,473,294
Total	**58,547,438**	**44,436,219**
Restructured loans	527,579	627,522
Total	**59,075,017**	**45,063,741**

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

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III. Consolidated market risk

The Parent Bank has defined its risk management procedures and has taken necessary precaution in order to avoid market risk, in compliance with "Regulation on Bank's Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006.

The market risk is defined as the potential risk of loss due to changes in interest rates, foreign exchange rates and equity prices on balance sheet and off-balance sheet positions of the banks.

The capital need for general market risk and specific risks is calculated using the standard method defined by the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and reported monthly.

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

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

	Amount
(I) Capital obligation against general market risk - standard method	130,874
(II) Capital obligation against specific risks - standard method	10,093
(III) Capital obligation against currency risk - standard method	22,023
(IV) Capital obligation against stocks risks - standard method	-
(V) Capital obligation against exchange risks - standard method	-
(VI) Capital obligation against market risks of options - standard method	298
(VII) Capital obligation against market risks of banks applying risk measurement models	-
(VIII) Total capital obligations against market risk (I+II+III+IV+V+VI)	163,288
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	**2,041,100**

Monthly average value at market risk

	Current Year			Previous Year		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	145,713	160,160	138,107	136,443	151,077	122,119
Common Share Risk	3,079	3,930	2,143	4,222	6,956	3,201
Currency Risk	21,190	31,594	15,366	15,482	24,322	6,847
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	690	1,707	40	510	1,259	144
Total Value at Risk	**2,133,397**	**2,250,413**	**2,041,100**	**1,958,216**	**2,113,213**	**1,853,063**

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Equity price risk

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

The effect on equity (except for tax effect) as a result of change in the fair value of equity instruments quoted to Istanbul Stock Exchange ("ISE") held as associates and subsidiaries in the accompanying financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, is nil (31 December 2010: nil).

IV. Consolidated operational risk

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

The amount calculated as TL 608,713 (31 December 2010: TL 541,309 from gross income for the years ended 31 December 2010, 2009 and 2008 and used for the calculation of capital adequacy ratio as at 31 December 2010, represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk. Value at operational risk amounting to TL 7,608,913 (31 December 2010: TL 6,766,363) presented in the table included in Note I of this section is calculated as 12.5 times of the operational risk.

	31 December 2011	31 December 2010	31 December 2009	31 December 2008
(I) Net Interest Income	3,034,232	2,855,135	3,186,176	2,080,146
(II) Net Fees and Commission Income	561,369	447,099	432,710	468,475
(III) Dividends Income	4,732	3,535	12,384	6,508
(IV) Net Trading Income/(Loss)	51,384	320,986	210,410	149,507
(V) Other Operating Income	1,473,505	1,140,111	799,740	733,812
(VI) Income/(Loss) from sale of AFS and HTM Marketable Securities	74,700	358,200	146,468	98,412
(VII) Extraordinary Income	110,445	24,172	42,347	2,883
(VIII) Gross Income (I+II+III+IV+V-VI-VII)	**4,940,077**	**4,384,494**	**4,452,605**	**3,337,153**
(IX) Capital Requirement (Gross Income x15 %)	**741,012**	**657,674**	**667,891**	**500,573**
(X) Average Operational Risk Capital Requirement	**688,859**	**608,713**	**541,309**	**-**
(XI) Value at Operational Risk (X x 12.5)	**8,610,738**	**7,608,913**	**6,766,363**	**-**

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V. Consolidated foreign currency exchange risk

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

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

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

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

As at 31 December 2011 and 2010, the Group does not have derivate financial instruments held for risk management purpose.

Foreign exchange risk management policy

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

	US Dollar	Euro
The Bank's foreign currency purchase rate at the balance sheet date	1.8800	2.4346
Foreign currency rates for the days before balance sheet date;		
Day 1	1.8800	2.4305
Day 2	1.8600	2.4293
Day 3	1.8500	2.4181
Day 4	1.8500	2.4148
Day 5	1.8600	2.4333

	US Dollar	Euro
Last 30-days arithmetical average rate	1.8253	2.4155

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Information on currency risk

Current Year	Euro	US Dollar	Japanese Yen	Other FCs	Total
Assets:					
Cash and balances with the Central Bank of Turkey	807,592	3,728,271	210	536,458	5,072,531
Banks	658,395	1,401,208	1,432	71,621	2,132,656
Financial assets at fair value through profit or loss (1)	5,286	125,882	422	101	131,691
Interbank money market placements	-	-	-	-	-
Available-for-sale financial assets	835,411	2,084,637	-	-	2,920,048
Loans and receivables (2)	8,087,345	12,368,233	-	45,614	20,501,192
Associates, subsidiaries and joint-ventures	3	-	-	-	3
Held-to-maturity investments	178,772	1,457,242	-	-	1,636,014
Derivative financial assets held for risk management purpose	-	-	-	-	-
Tangible assets	2,103	2,894	-	-	4,997
Intangible assets	30	176	-	-	206
Other assets (3) (4)	252,931	546,231	3	2,960	802,125
Total assets	**10,827,868**	**21,714,774**	**2,067**	**656,754**	**33,201,463**
Liabilities:					
Bank deposits	516,348	2,269,308	-	2,834	2,788,490
Foreign currency deposits	6,178,733	9,785,584	1,537	59,352	16,025,206
Interbank money market takings	584,650	2,415,494	-	-	3,000,144
Funds borrowed (5)	3,980,969	4,556,536	-	36,809	8,574,314
Securities issued	-	-	-	-	-
Miscellaneous payables	43,065	181,543	-	142	224,750
Derivative financial liabilities held for risk management purpose	-	-	-	-	-
Other liabilities(1) (6)	128,727	458,781	2,742	22,516	612,766
Total liabilities	**11,432,492**	**19,667,246**	**4,279**	**121,653**	**31,225,670**
Net 'on balance sheet' position	**(604,624)**	**2,047,528**	**(2,212)**	**535,101**	**1,975,793**
Net 'off-balance sheet' position	**559,790**	**(2,087,169)**	**2,354**	**(2,207)**	**(1,527,232)**
Derivative assets(7)	910,626	2,921,104	12,331	27,864	3,871,925
Derivative liabilities(7)	350,836	5,008,273	9,977	30,071	5,399,157
Non-cash loans (8)	1,449,366	4,962,322	69,748	168,981	6,650,417

Previous Year	Euro	US Dollar	Japanese Yen	Other FCs	Total
Total assets	8,096,103	13,924,015	21,669	116,110	22,157,897
Total liabilities	8,131,220	14,151,812	5,055	106,931	22,395,018
Net 'on balance sheet' position	**(35,117)**	**(227,797)**	**16,614**	**9,179**	**(237,121)**
Net 'off-balance sheet' position	**122,293**	**126,228**	**453**	**(4,218)**	**244,756**
Derivative assets	369,060	1,863,759	551	11,001	2,244,371
Derivative liabilities	246,767	1,737,531	98	15,219	1,999,615
Non-cash loans(8)	1,506,310	3,155,668	90,106	130,233	4,882,317

(1) Foreign exchange rates based accruals of derivative financial assets and liabilities which respectively amount to TL 52,454 and TL 247,443 are not included.
(2) Foreign currency indexed loans amounting to TL 1,204,076 (31 December 2010: TL 443,516) presented in TL in the financial statements are included in the above table.
(3) Foreign currency indexed factoring receivables amounted to TL 100,611 (31 December 2010: 155,611) presented in TL column in the accompanying consolidated balance sheet are included.
(4) Prepaid expenses amounting to TL 16,647 (31 December 2010: TL 14,278) and deferred tax assets amounted to TL 1,803 are not included.
(5) Foreign currency indexed funds borrowed amounted to TL 12,791 (31 December 2010: 124,169) presented in TL column in the accompanying consolidated balance sheet are included.
(6) Unearned income amounting to TL 25,460 (31 December 2010: TL 19,581) is not included.
(7) Asset purchase commitments amounting to TL 355,339 and asset sales commitments amounting to TL 502,580 are included.
(8) Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

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Exposure to currency risk

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

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

	31 December 2011		31 December 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(17,061)	(6,310)	(16,881)	(193)
EUR	(24,279)	(12,291)	(8,577)	9,054
Other currencies	53,207	53,207	424	424
Total, net	**11,867**	**34,606**	**(25,034)**	**9,285**

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

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

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

(*) 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.

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

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

(*) Subsidiaries, associates and tangible and intangible assets are included in non-interest bearing column.
(**) Equity is included in non-interest bearing column in other liabilities line.

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

(*) Subsidiaries, associates and tangible and intangible assets are stated in non-interest bearing column.
(**) Equity is included in non-interest bearing column in other liabilities line.

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Average interest rates applied to monetary financial instruments:

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

Previous Year	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	-
Banks	0.92	1.27	-	8.88
Financial assets at fair value through profit/loss	4.11	4.34	-	8.02
Interbank money market placements	-	-	-	6.97
Available-for-sale financial assets	5.15	7.00	-	9.24
Loans and receivables	4.37	4.18	3.49	14.18
Held-to-maturity investments	6.44	7.38	-	9.72
Liabilities:				
Bank deposits	2.24	0.99	-	8.36
Other deposits	2.70	2.73	-	8.08
Interbank money market takings	1.24	1.28	-	7.01
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds borrowed	1.75	1.53	0.49	7.51

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Interest rate sensitivity

Interest rate sensivity of the consolidated statement of income is the effect of the changes in interest rates assumed as follows on the fair values of financial assets at fair value through profit or loss and on net interest income without tax effect of floating rate non-trading financial assets and liabilities held as at 31 December 2011.

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

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

This analysis is performed on the same basis for 31 December 2010.

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

31 December 2010	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets at fair value through profit or loss	20,448	(19,590)	20,448	(19,590)
Available-for-sale financial assets	23,182	(23,253)	(229,908)	248,365
Floating rate financial assets	258,203	(258,203)	258,203	(258,203)
Floating rate financial liabilities	(64,194)	64,194	(64,194)	64,194
Total, net	**237,639**	**(236,852)**	**(15,451)**	**34,766**

(*) Equity effect also includes profit or loss effect of 100 bp increase or decrease in interest rates.

VII. Consolidated liquidity risk

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

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

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Maturity analysis of assets and liabilities according to remaining maturities

Current Year	Demand	Upto 1Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Undistributed	Total
Assets:								
Cash and balance with CBT	7,141,862	-	-	-	-	-	-	**7,141,862**
Banks	1,758,390	495,005	285,832	2,108	-	-	-	**2,541,335**
Financial assets at fair value through profit/loss	5,138	77,967	30,432	32,212	193,680	20,097	2,096	**361,622**
Interbank money market placements	-	190,467	-	-	-	-	-	**190,467**
Available-for-sale financial assets	-	105,447	197,031	721,301	7,291,843	5,027,302	11,919	**13,354,843**
Loans and receivables	-	3,970,654	2,997,299	12,865,734	28,960,052	9,263,763	111,351	**58,168,853**
Held-to-maturity investments	-	20,078	61,955	114,584	3,351,740	2,430,881	-	**5,979,238**
Other assets	-	604,997	201,121	671,248	1,721,227	20,863	2,502,868	**5,722,324**
Total assets	**8,905,390**	**5,464,615**	**3,773,670**	**14,407,187**	**41,518,542**	**16,762,906**	**2,628,234**	**93,460,544**
Liabilities:								
Bank deposits	34,116	2,806,127	581,887	32,739	-	-	-	**3,454,869**
Other deposits	9,149,399	33,481,477	12,490,392	2,866,843	395,629	3,367	-	**58,387,107**
Funds borrowed	-	321,744	2,050,091	2,723,672	2,149,666	1,667,124	-	**8,912,297**
Interbank money market takings	-	3,985,979	1,212,442	832,831	-	-	-	**6,031,252**
Securities issued	-	-	493,000	-	-	-	-	**493,000**
Miscellaneous payables	-	1,683,573	149,540	104,294	35,396	868,063	133,580	**2,974,446**
Other liabilities	-	240,294	86,435	167,085	48,252	85,530	12,579,977	**13,207,573**
Total liabilities	**9,183,515**	**42,519,194**	**17,063,787**	**6,727,464**	**2,628,943**	**2,624,084**	**12,713,557**	**93,460,544**
Net Liquidity Gap	**(278,125)**	**(37,054,579)**	**(13,290,117)**	**7,679,723**	**38,889,599**	**14,138,822**	**(10,085,323)**	**-**

Previous Year	Demand	Upto 1Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Undistributed	Total
Total assets	5,447,216	11,574,475	3,510,909	12,014,722	28,839,733	12,183,956	3,263,891	**76,834,902**
Total liabilities	7,266,369	34,200,580	13,869,244	6,501,120	2,656,735	1,097,971	11,242,883	**76,834,902**
Net Liquidity Gap	**(1,819,153)**	**(22,626,105)**	**(10,358,335)**	**5,513,602**	**26,182,998**	**11,085,985**	**(7,978,992)**	**-**

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

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Residual contractual maturities of monetary liabilities

Current year	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	3,454,869	3,464,812	34,116	2,808,512	588,099	33,863	222	-
Other deposits	58,387,107	58,815,936	9,149,399	33,573,979	12,679,537	2,964,571	444,217	4,233
Funds borrowed	8,912,297	9,621,929	-	368,812	2,109,076	2,807,422	2,375,159	1,961,460
Money market takings	6,031,252	6,046,235	-	3,990,490	1,216,863	838,882	-	-
Issued Securities (Net)	493,000	496,581	-	-	496,581	-	-	-
Miscellaneous payables	2,974,446	2,974,446	133,580	1,683,573	149,540	104,294	35,396	868,063
Other liabilities	951,238	951,238	477,197	112,907	86,435	144,583	44,586	85,530
Total	**81,204,209**	**82,371,177**	**9,794,292**	**42,538,273**	**17,326,131**	**6,893,615**	**2,899,580**	**2,919,286**
Non-Cash Loans	**15,814,381**	**15,814,381**	**9,724,999**	**1,027,359**	**770,703**	**2,442,300**	**1,189,150**	**659,870**

Prior year	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	1,959,727	1,977,922	12,578	1,384,621	144,416	436,307	-	-
Other deposits	46,093,041	46,406,276	7,253,791	25,655,301	10,443,763	2,662,113	390,976	332
Funds borrowed	6,687,002	6,993,036	-	201,407	1,663,595	1,923,383	1,967,336	1,237,315
Money market takings	8,244,248	11,442,208	-	8,359,164	1,677,663	1,235,014	170,367	-
Miscellaneous payables	2,220,693	2,220,693	859,384	1,241,034	59,551	26,868	33,856	-
Other liabilities	622,901	622,901	377,596	89,770	5,925	21,850	109,834	17,926
Total	**65,827,612**	**69,663,036**	**8,503,349**	**36,931,297**	**13,994,913**	**6,305,535**	**2,672,369**	**1,255,573**
Non-Cash Loans	**11,359,828**	**11,359,828**	**6,993,322**	**598,232**	**820,728**	**1,699,003**	**1,168,428**	**80,115**

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.

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VIII. Fair values of financial assets and liabilities

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

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

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

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

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

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

31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	151,914	28,336	-	**180,250**
Derivative financial assets held for trading purpose	-	174,138	-	**174,138**
Investment funds	-	5,138	-	**5,138**
Equity securities	2,069	-	27	**2,096**
Available-for-sale financial assets				
Debt securities	12,061,831	1,281,093	-	**13,342,924**
Investments in associates and subsidiaries	-	-	150,005(*)	**150,005**
Total Financial Assets	**12,215,814**	**1,488,705**	**150,032**	**13,854,551**
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(344,803)	-	(344,803)
Total Financial Liabilities	**-**	**(344,803)**	**-**	**(344,803)**

31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	176,484	15,521	-	**192,005**
Derivative financial assets held for trading purpose	-	24,994	-	**24,994**
Investment funds	-	983	-	**983**
Equity securities	52		27	**79**
Available-for-sale financial assets				
Debt securities	13,679,072	222,880	-	**13,901,952**
	-	-		
Investments in associates and subsidiaries			154,263(*)	**154,263**
Total Financial Assets	**13,855,608**	**264,378**	**154,290**	**14,274,276**
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(103,367)	-	(103,367)
Total Financial Liabilities	**-**	**(103,367)**	**-**	**(103,367)**

(*) These amounts consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

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The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended 31 December 2011 is as follows:

	Level 3 Amount
Balance at the beginning of the year	154,290
Total gains or losses for the year recognised in profit or loss	(3,867)
Total gains or losses for the year recognised under equity	(391)
Balance at the end of the year	**150,032**

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.

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Major financial statement items according to business lines:

Current Year	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Operating profit	1,332,838	752,866	851,846	1,718,773	4,656,323
Undistributed expenses	-	-	-	(2,980,134)	(2,980,134)
Operating profit	**1,332,838**	**752,866**	**851,846**	**(1,261,361)**	**1,676,189**
Income from associates	-	-	-	-	26,356
Income before taxes	-	-	-	-	1,702,545
Provision for taxes	-	-	-	-	(341,536)
Net profit	**-**	**-**	**-**	**-**	**1,361,009**
Segment assets	21,163,413	36,995,606	28,363,038	1,744,328	88,266,385
Investment in associates and subsidiaries	-	-	-	315,294	315,294
Undistributed assets	-	-	-	4,878,865	4,878,865
Total assets	**21,163,413**	**36,995,606**	**28,363,038**	**6,938,487**	**93,460,544**
Segment liabilities	21,747,862	40,094,114	15,154,242	727,565	77,723,783
Equity	-	-	-	9,598,202	9,598,202
Undistributed liabilities	-	-	-	6,138,559	6,138,559
Total liabilities and equity	**21,747,862**	**40,094,114**	**15,154,242**	**16,464,326**	**93,460,544**

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SECTION FIVE

Disclosure and Footnotes on the Consolidated Financial Statements

I. Information and disclosures related to consolidated assets

1. Information on cash and balances with the Central Bank

	Current Year		Previous Year	
	TL	FC	TL	FC
Cash	604,234	111,770	571,665	87,505
Central Bank of Turkey (*)	1,465,064	4,959,763	2,037,805	1,953,075
Others	33	998	322	661
Total	**2,069,331**	**5,072,531**	**2,609,792**	**2,041,241**

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

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

Balances with the Central Bank of Turkey

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

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

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

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

Trading securities subject to repurchase agreements

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

Trading purpose derivative financial assets

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

3. Information on banks

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

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Due from foreign banks

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

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

4. Information on available-for-sale financial assets

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

	Current Year		Previous Year	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	661,402	387,393	1,660,529	68,530
Others	-	-	-	-
Total	**661,402**	**387,393**	**1,660,529**	**68,530**

Available-for-sale financial assets subject to repurchase agreements

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

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Information on available-for-sale financial assets

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

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
Direct loans provided to the shareholders	-	**6,572**	-	**563**
Legal entities	-	6,572	-	563
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	**55,917**	**31**	**45,918**	**31**
Total	**55,917**	**6,603**	**45,918**	**594**

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

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

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

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

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

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

Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans and Other Receivables under Follow-Up	
Cash loans	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Short-term Loans and Other Receivables	13,583,465	1,398	296,358	135,998
Loans	13,573,631	1,398	296,358	135,998
Specialization loans	-	-	-	-
Other Receivables	9,834	-	-	-
Medium, Long-term Loans and Other Receivables	42,536,864	49,795	1,113,236	340,388
Loans	42,510,218	49,795	1,113,236	340,388
Specialization loans	26,646	-	-	-
Other Receivables	-	-	-	-

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

	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	**278,746**	**18,178,330**	**18,457,076**
Housing loans	5,595	8,804,392	8,809,987
Automobile loans	3,728	365,969	369,697
General purpose loans	87,628	4,460,920	4,548,548
Others	181,795	4,547,049	4,728,844
Consumer loans – FC indexed	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Consumer loans – FC	**1,401**	**5,298**	**6,699**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,401	5,298	6,699
Others	-	-	-
Retail credit cards – TL	**1,818,044**	**1,868**	**1,819,912**
With installment	784,411	1,868	786,279
Without installment	1,033,633	-	1,033,633
Retail credit cards – FC	**1,035**	**-**	**1,035**
With installment	-	-	-
Without installment	1,035	-	1,035
Personnel loans – TL	**1,433**	**25,282**	**26,715**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,396	25,281	26,677
Others	37	1	38
Personnel loans – FC indexed	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Personnel loans – FC	**388**	**-**	**388**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	388	-	388
Others	-	-	-
Personnel credit cards – TL	**28,792**	**-**	**28,792**
With installment	11,441	-	11,441
Without installment	17,351	-	17,351
Personnel credit cards – FC	**22**	**-**	**22**
With installment	-	-	-
Without installment	22	-	22
Overdraft Checking Accounts – TL (Real persons)	**770,221**	**-**	**770,221**
Overdraft Checking Accounts – FC (Real persons)	**74**	**-**	**74**
Total	**2,900,156**	**18,210,778**	**21,110,934**

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Installment based commercial loans and corporate credit cards

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

Allocation of loan customers

	Current Year	Previous Year
Public Sector	91,557	1,140,703
Private Sector	57,095,925	43,448,268
Total	**58,057,502**	**44,588,971**

Allocation of domestic and overseas loans

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

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Loans to associates and subsidiaries

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

Specific provisions for loans

Specific Provisions	Current Year	Previous Year
Loans and receivables with limited collectibility	48,991	67,426
Loans and receivables with doubtful collectibility	176,438	219,301
Uncollectible loans and receivables	1,874,503	2,028,979
Total	**2,099,932**	**2,315,706**

Information on non-performing loans (Net)

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current year	**18,471**	**26,240**	**81,771**
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	18,471	26,240	81,771
Previous year	**12,885**	**56,475**	**159,362**
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	12,885	56,475	159,362

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Movements in non-performing loan groups

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

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

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Year			
Balance at the end of the year	1,414	315	309,702
Specific provisions (-)	672	315	306,973
Net balance on balance sheet	**742**	**-**	**2,729**
Previous Year			
Balance at the end of the year	3,356	9,852	369,112
Specific provisions (-)	1,206	9,852	366,466
Net balance on balance sheet	**2,150**	**-**	**2,646**

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.

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Write-off policy for uncollectible loans and receivables

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

Loan customer concentration of non-performing loans

	Group III	Group IV	Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Year (Net)	**108,622**	**-**	**2,729**
Consumer and commercial loans (Gross)	155,483	174,471	1,796,258
Specific provisions (-)	47,132	174,471	1,793,529
Consumer and commercial loans (Net)	108,351	-	2,729
Banks (Gross)	-	-	9,565
Specific provisions (-)	-	-	9,565
Banks (Net)	-	-	-
Other loans and receivables (Gross)	2,130	1,967	71,409
Specific provisions (-)	1,859	1,967	71,409
Other loans and receivables (Net)	271	-	-
Previous Year (Net)	**24,625**	**-**	**2,646**
Consumer and commercial loans (Gross)	91,167	214,723	1,927,927
Specific provisions (-)	66,714	214,723	1,925,281
Consumer and commercial loans (Net)	24,453	-	2,646
Banks (Gross)	-	-	8,794
Specific provisions (-)	-	-	8,794
Banks (Net)	-	-	-
Other loans and receivables (Gross)	884	4,578	94,904
Specific provisions (-)	712	4,578	94,904
Other loans and receivables (Net)	172	-	-

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Year		Önceki Dönem	
	TL	FC	TL	FC
Government bonds	4,343,224	-	2,911,012	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	1,581,438	-	1,412,065
Total	**4,343,224**	**1,581,438**	**2,911,012**	**1,412,065**

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Information on held-to-maturity investment securities

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

The movement table of the held-to-maturity investments

	Current Year	Previous Year
Balances at the beginning of the year	4,362,245	3,578,218
Foreign currency differences on monetary assets	223,839	41,486
Acquisitions during the year	3,102,225	2,276,240
Disposals through sales/redemptions	(1,688,257)	(1,532,959)
Impairment losses	(12,039)	(17,166)
Change in amortized costs of the securities (*)	(8,775)	16,426
Balances at the end of the year	**5,979,238**	**4,362,245**

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

The Parent Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 1,690,000 to its held-to-maturity investment securities portfolio at their fair values of TL 1,764,346 as at their reclassification dates in the current year. These reclassifications are presented in "purchases during the period" line in the movement table of held-to-maturity investment securities. The value increases of such securities amounting to TL (2,497) are recorded under equity and will be amortized through the statement of income until their maturities.

Additionally, the Parent Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 2,205,476 to its held-to-maturity investment securities portfolio at their fair values of TL 2,166,451 as at their reclassification dates, in 2010. These reclassifications are presented in "purchases during the period" line in the movement table of held-to-maturity investment securities. The value increases of such securities amounting to TL (4,842) are recorded under equity and will be amortized through the statement of income until their maturities

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Information about held-to-maturity investments

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

Önceki Dönem	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	401,847	37,080	405,031	37,092
Investments subject to repurchase agreements	1,267,246	927,119	1,321,006	942,923
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others (*)	1,145,838	464,838	1,184,975	471,218
Total	**2,814,931**	**1,429,037**	**2,911,012**	**1,451,233**

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

7. Investments in associates

Unconsolidated investments in associates

Title		Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Roketsan Roket Sanayi ve Ticaret AŞ (*)	Ankara/Turkey	10.00	10.00
2	Bankalararası Kart Merkezi AŞ	İstanbul/Turkey	9.70	9.70
3	Kredi Kayıt Bürosu AŞ	İstanbul/Turkey	9.09	9.09
4	Güçbirliği Holding AŞ	İzmir/Turkey	0.07	0.07
5	İzmir Enternasyonel Otelcilik AŞ	İstanbul/Turkey	5.00	5.00
6	İMKB Takas ve Saklama Bankası AŞ	İstanbul/Turkey	4.86	5.28
7	Kredi Garanti Fonu AŞ (*)	Ankara/Turkey	1.67	1.67
8	World Vakıf UBB Ltd.	Lefkosa/NCTR	82.00	85.24

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	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Year's Profit/Loss	Fair Value
1	1,257,018	241,111	260,852	220,846	-	46,861	41,658	-
2	25,225	18,484	10,345	1,116	-	2,619	1,465	-
3	40,326	34,266	3,101	2,526	-	18,566	13,630	-
4	121,273	10,930	141	314	-	13,948	(9,203)	-
5	105,387	35,029	100,307	45	-	11,703	(2,620)	-
6	2,355,782	307,516	11,386	42,236	3,932	34,844	28,048	-
7	207,899	201,048	2,904	3,979	-	7,672	4,321	-
8	3,246	32,657	-	5	-	3,094	(2,428)	-

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

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 reclassifed "Investments in associates". The financial statements of the Company have not been consolidated as at 31 December 2011 and 2010, but its equity until the liquidation decision date has been included in the accompanying consolidated financial statements.

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

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

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

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Consolidated investments in associates

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Years' Profit/Loss	Fair Value
1	762,905	60,494	7,738	56,487	9,826	5,337	11,793	-
2	13,881	13,747	88	314	(592)	(1,760)	1,187	14,709
3	189,197	186,817	140,605	1,755	798	25,791	4,960	238,697
4	10,133,634	1,557,101	26,094	326,148	203,526	258,620	227,755	1,457,613

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

Movement of consolidated investments in associates

	Current Year	Previous Year
Balance at the beginning of the year	**184,877**	**120,202**
Movements during the year	**11,070**	**64,675**
Acquisitions and capital increases	21,553	-
Bonus shares received	9,591	10,477
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	(20,074)	54,198
Impairment losses	-	-
Balance at the end of the year	**195,947**	**184,877**
Capital commitments	**-**	**-**
Share percentage at the end of year (%)	**-**	**-**

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Sectoral distribution of consolidated investments and associates

	Current Year	Previous Year
Banks	128,267	162,870
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	67,680	22,007
Total	**195,947**	**184,877**

Quoted associates

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

Investments in associates disposed during the year

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

Investments in associates acquired during the year

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

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

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

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

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

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

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In 2010, Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Bank subject to consolidation, increased its paid-in capital from TL 600,000 to TL 700,000 in the current period. The share of the Bank amounting to TL 8,377 is presented in the movement table of consolidated investments in associates as bonus shares received.

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

8.Investments in subsidiaries

Unconsolidated investments in subsidiaries

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/ (Loss)	Prior Years’ Profit/ (Loss)	Fair Value
1	8,208	8,087	1,062	316	-	588	(51)	12,500
2	212,273	208,039	44,149	10,479	-	7,460	(6102)	212,968
3	31,353	21,361	6,489	367	-	2,791	-	-
4	22,314	18,912	730	1,142	170	7,185	5,147	28,488

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

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

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

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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 realiably measured are reflected at their costs.

Investments in consolidated subsidiaries

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/ (Loss)	Prior Years' Profit/ (Loss)	Fair Value
1	864,775	278,322	163,224	14,345	144	22,226	(29,092)	272,394
2	1,385,773	124,870	35,189	30,197	22,698	14,494	4,053	194,500
3	624,130	84,763	389	63,207	-	13,243	12,664	70,000
4	600,731	100,410	4,222	30,113	437	14,390	17,393	92,114
5	112,199	56,302	318	4,772	309	3,995	5,761	55,298
6	639,066	81,901	876	10,205	3,295	8,545	4,666	166,683
7	6,398	6,161	5	552	54	1,561	1,376	19,621

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

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Movement table of consolidated investments in subsidiaries in unconsolidated financial statements

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

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

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Year	Previous Year
Measured at cost	-	-
Measured at fair value	504,663	547,961
Equity method of accounting	-	-
Total	**504,663**	**547,961**

Sectoral distribution of consolidated investments in subsidiaries

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

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Quoted consolidated subsidiaries

	Current Year	Previous Year
Quoted at domestic stock exchanges	152,804	183,064
Quoted at international stock exchanges	-	-
Total	**152,804**	**183,064**

Consolidated subsidiaries disposed during the year

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

Consolidated investments in subsidiaries acquired during the period

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

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

9. Investments in joint-ventures

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

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

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

Net investments in finance lease receivables

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

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

(*) In conjunction with the 5th subclause of "Regulation on the procedures and principles for sales and purchase of precious metal and disposal of tangible assets that have been acquired due to receivables by Banks" of BRSA which has been published in the Official Gazette no. 26333 on 1 November 2006, in case assets that are not subject to amortization are not disposed within three years following the acquisition date, they shall be amortized through recording provisions at a rate of 5% for each year after the acquisition date. In this frame, the Parent Bank has booked TL 14,606 provision as at 31 December 2011 (31 December 2010: 12,881) taking the temporary clause of the regulation defining the acquisition date into account.

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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 utulisation restrictions or have been pledged.

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

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

14. Information on investment properties

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

15. Information on deferred tax assets

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

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

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

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

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

17. Information on other assets

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

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

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

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II. Information and disclosures related to consolidated liabilities

1. Information on maturity profile of deposits

Current Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	**1,671,682**	**-**	**362,643**	**11,508,016**	**1,195,391**	**216,923**	**75,894**	**-**	**15,030,549**
Foreign currency deposits	**1,593,247**	**-**	**1,713,252**	**8,198,861**	**1,827,824**	**435,120**	**2,256,902**	**-**	**16,025,206**
Residents in Turkey	1,393,685	-	1,711,511	8,140,988	1,805,721	352,134	1,147,847	-	14,551,886
Residents in abroad	199,562	-	1,741	57,873	22,103	82,986	1,109,055	-	1,473,320
Public sector deposits	**2,766,392**	**-**	**1,885,113**	**4,837,879**	**835,509**	**38,441**	**32,799**	**-**	**10,396,133**
Commercial deposits	**1,187,064**	**-**	**2,457,318**	**5,169,390**	**954,209**	**336,589**	**1,718**	**-**	**10,106,288**
Others	**1,931,014**	**-**	**681,617**	**2,936,530**	**966,888**	**294,692**	**18,190**	**-**	**6,828,931**
Precious metal deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Bank deposits	**34,116**	**-**	**1,666,239**	**833,548**	**916,823**	**2,069**	**2,074**	**-**	**3,454,869**
Central Bank	116	-	-	-	-	-	-	-	116
Domestic banks	3,185	-	1,599,705	302,618	481,791	2,069	2,074	-	2,391,442
Foreign banks	19,066	-	66,534	530,930	435,032	-	-	-	1,051,562
Participation banks	11,749	-	-	-	-	-	-	-	11,749
Others	-	-	-	-	-	-	-	-	-
Total	**9,183,515**	**-**	**8,766,182**	**33,484,224**	**6,696,644**	**1,323,834**	**2,387,577**	**-**	**61,841,976**

Previous Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	**1,460,236**	**-**	**1,235,236**	**9,402,828**	**245,339**	**25,332**	**44,923**	**-**	**12,413,894**
Foreign currency deposits	**1,077,084**	**-**	**1,824,133**	**6,768,853**	**681,869**	**228,177**	**1,771,836**	**-**	**12,351,952**
Residents in Turkey	1,040,000	-	1,759,213	6,683,137	653,594	120,414	1,253,338	-	11,509,696
Residents in abroad	37,084	-	64,920	85,716	28,275	107,763	518,498	-	842,256
Public sector deposits	**2,100,660**	**-**	**971,257**	**3,174,130**	**635,535**	**10,981**	**8,260**	**-**	**6,900,823**
Commercial deposits	**1,094,317**	**-**	**2,467,484**	**5,907,425**	**453,906**	**471**	**1,589**	**-**	**9,925,192**
Others	**1,521,494**	**-**	**758,990**	**1,898,088**	**293,835**	**9,048**	**19,725**	**-**	**4,501,180**
Precious metal deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Bank deposits	**12,578**	**-**	**603,026**	**889,135**	**33,427**	**421,561**	**-**	**-**	**1,959,727**
Central Bank	123	-	-	-	-	-	-	-	123
Domestic banks	5,432	-	578,270	384,135	33,427	150,133	-	-	1,151,397
Foreign banks	1,837	-	24,756	505,000	-	271,428	-	-	803,021
Participation banks	5,128	-	-	-	-	-	-	-	5,128
Others	58	-	-	-	-	-	-	-	58
Total	**7,266,369**	**-**	**7,860,126**	**28,040,459**	**2,343,911**	**695,570**	**1,846,333**	**-**	**48,052,768**

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

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

Saving deposits out of insurance coverage limits

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

2. Information on derivative financial liabilities held for trading purpose

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

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

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3. Information on banks and other financial institutions

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

Maturity information of funds borrowed

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

(*) Maturity profile of funds borrowed has been prepared in accordance with their original maturities.

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

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

On 24 March 2010, the Bank has obtained syndication loan of USD 170 million and Euro 566.5 million with cost of Libor + 1.50% and Euribor + 1.50%, with the participation of 33 banks under the coordination of West LB AG, the the loan was repaid on 29 March 2011. On 28 March 2011, this loan has been renewed with a syndicated loan at the amount of US Dollar 192.5 million and Euro 573.5 million with interest rates of US Libor+1.10% and Euribor + 1.10% at a maturity of one year, with the participation of 34 banks under the coordination of West LB AG and the agency of ING Bank NV.

Information on securities issued

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

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

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

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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

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

None

7. Information on provisions

Information on general provisions

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

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

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

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

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

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

The Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 2,419 (31 December 2010: 715) and has reflected the related foreign exchange loss amount in the consolidated financial statements by offsetting from related loans.

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

	Current Year	Previous Year
Non-cash Loans with Limited Collectibility	417	233
Non-cash Loans with Doubtful Collectibility	7,484	3,636
Uncollectible Non-cash Loans	60,036	88,379
Total	**67,937**	**92,248**

Information on other provisions

As at 31 December 2011, the Parent Bank has recorded provision amounting to 5% of loans under follow up. Part of that amount has been recognized under general provisions and the remaining TL 51,676 (31 December 2010: 65,428) has been recognized as provisions for miscellaneous risks under other provisions in the accompanying financial statements. .

Information on other provisions exceeding 10% of total provisions

	Current Year	Previous Year
Specific provisions for non-cash loans	67,937	92,248
Provision for loans under follow-up	51,676	65,428
Provision for World Vakıf UBB Ltd with regard to its negative equity	27,105	19,920
Provision for cheques	17,736	16,251
Provisions for lawsuits against the Group	17,056	15,486
Provisions for credit card promotions	7,923	7,873
Other provisions(*)	39,175	6,563
Total	**228,608**	**223,769**

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

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8. Taxation

Current Taxes

Tax provision

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

Information on taxes payable

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

Information on premiums payable

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

Information on deferred tax liabilities

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

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

None.

10. Information on subordinated loans

None.

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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.

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Valuation differences of the securities

	Current Year		Previous Year	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	(19,393)	-	(12,882)	-
Fair value differences of available-for-sale securities	(181,240)	109,679	126,248	187,884
Foreign exchange differences	-	-	-	-
Total	**(200,633)**	**109,679**	**113,366**	**187,884**

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

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

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

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

Guarantees, bills of exchange and acceptances and other letters of credit which can be counted as financial collateral
The Parent Bank provided specific provision amounting to TL 67,937 (31 December 2010: TL 92,248) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 69,605 (31 December 2010: TL 93,180).

Final guarantees, provisional guarantees, sureties and similar transactions

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

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2. Non-cash loans

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

3. Sectoral risk concentrations of non-cash loans

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

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

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

	Group I		Group II	
Previous Year	**TL**	**FC**	**TL**	**FC**
Letters of guarantee	6,333,901	1,696,378	87,838	18,993
Confirmed bills of exchange and acceptances	8587	168,833	-	17,070
Letters of credit	3,750	2,908,079	-	171
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	14,539	2,143	-	-
Other guarantees and sureties	-	6,366	-	-
Total Non-Cash Loans	**6,360,777**	**4,781,799**	**87,838**	**36,234**

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5. Information on derivative transactions

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

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

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

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6. Contingent assets and liabilities

None

7. Services rendered on behalf of third parties

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

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

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

1. Interest income

Information on interest income received from loans

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

Information on interest income received from banks

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

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Information on interest income received from securities portfolio

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

Information on interest income received from associates and subsidiaries

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

2. Interest Expense

Interest expenses on funds borrowed

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

Interest expenses paid to associates and subsidiaries

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

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Interest expense on securities issued

Interest expense on securities issued amounts to 16,088 TL as at and for the year ended 31 December 2011 (31 December 2010: None).

Maturity structure of interest expense on deposits

		Time Deposit						
Account Description	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	Total
Turkish Lira:								
Bank Deposits	-	135,262	-	-	-	-	-	135,262
Saving Deposits	124	43,455	891,038	67,623	13,490	5,029	-	1,020,759
Public Sector Deposits	430	80,621	313,742	50,492	4,501	1,089	-	450,875
Commercial Deposits	484	112,843	379,331	64,000	12,134	101	-	568,893
Other Deposits	6	51,412	206,120	65,086	19,085	833	-	342,542
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total	**1,044**	**423,593**	**1,790,231**	**247,201**	**49,210**	**7,052**	**-**	**2,518,331**
Foreign Currency:								
Foreign Currency Deposits	2,583	37,689	237,130	42,912	22,634	60,655	-	403,603
Bank Deposits	-	29,370	-	-	-	-	-	29,370
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metals Deposits	-	-	-	-	-	-	-	-
Total	**2,583**	**67,059**	**237,130**	**42,912**	**22,634**	**60,655**	**-**	**432,973**
Grand Total	**3,627**	**490,652**	**2,027,361**	**290,113**	**71,844**	**67,707**	**-**	**2,951,304**

3. Dividend income

	Cari Dönem	Önceki Dönem
Trading financial assets	-	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	112	195
Others	4,620	3,340
Total	**4,732**	**3,535**

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4.Trading income/losses

	Current Year	Previous Year
Income	**2,169,924**	**1,371,317**
Income from capital market transactions	82,997	368,300
Income from derivative financial instruments	626,679	118,013
Foreign exchange gains	1,460,248	885,004
Losses	**(2,118,540)**	**(1,050,331)**
Losses from capital market transactions	(5,340)	(764)
Losses from derivative financial instruments	(640,226)	(189,540)
Foreign exchange losses	(1,472,974)	(860,027)
Trading income/losses, net	**51,384**	**320,986**

Net loss arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is TL 60,442 as at and for the year ended 31 December 2011 (31 December 2010: net loss of TL 72,483).

5.Other operating income

	Current Year	Previous Year
Earned insurance premiums (net of reinsurance share)	533,703	487,599
Income from reversal of the impairment losses	658,310	436,793
Gain on sale of assets	109,945	22,315
Communication income	80,627	76,836
Income from private pension business	25,574	19,951
Rent income	2,328	30,540
Other income	63,018	66,077
Total	**1,473,505**	**1,140,111**

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6.Provision expenses for losses on loans and other receivables

	Current Year	Previous Year
Specific provisions on loans and other receivables	415,381	666,476
Loans and receivables in Group III	*94,246*	*52,253*
Loans and receivables in Group IV	*204,183*	*214,607*
Loans and receivables in Group V	*116,952*	*399,616*
Non-performing commissions and other receivables	-	-
General provision expenses	243,923	105,274
Provision for possible losses	-	65,428
Impairment losses on securities	89,438	10,688
Trading securities	22,800	-
Investment securities available-for-sale	66,638	10,688
Other impairment losses	30,372	30,701
Associates	-	-
Subsidiaries	3,867	13,535
Joint ventures	-	-
Investment securities held-to-maturity	26,505	17,166
Others (*)	159,100	97,611
Total	**938,214**	**976,178**

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

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7. Other operating expenses

	Current Year	Previous Year
Personnel costs	931,076	762,833
Reserve for employee termination benefits	23,407	35,391
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	106,372	98,055
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	9,523	8,427
Impairment losses on assets to be disposed	2,934	3,471
Depreciation expenses on assets to be disposed	10,789	9,574
Impairment losses on assets held for sale	-	110
Other operating expenses	840,220	719,729
Operational lease related expenses	*112,101*	*90,751*
Repair and maintenance expenses	*15,694*	*15,257*
Advertisement expenses	*50,758*	*46,528*
Other expenses	*661,667*	*567,193*
Loss on sale of assets	1,150	5,160
Others	580,616	722,105
Total	**2,506,087**	**2,364,855**

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.

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11. Provision for taxes on income

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

In the current year, the Group recorded a tax provision of TL 387,387 (31 December 2010: TL 325,272) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

Sources of deferred tax benefit/charge	Current Year	Previous Year
Arising from origination (+)/ reversal (-) of deductible temporary differences	81,940	13,486
Arising from origination (-)/ reversal (+) of taxable temporary differences	(36,089)	(1,366)
Arising from origination (+)/ reversal (-) of tax losses	-	-
Arising from tax rate change	-	-
Total	**45,851**	**12,120**

12. Net profit and loss

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

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

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

None

13.Income/loss related to non-controlling interest

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

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

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

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

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

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

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

2. Information on increases in cash flow hedges

None.

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

As at 31 December 2011, foreign currency translation differences amounting of TL 71,432 (31 December 2010: TL 43,173), arising as a result of the conversion of the financial statements of the foreign subsidiaries into TL, have benn 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 57th Annual General Assembly held on 25 March 2011, it was decided to distribute the net profit of the year 2010 after the deduction of deferred tax income amounting to TL 1,143,825 as legal reserves amounting to TL 114,382, dividends to equity holders of the Bank amouting to TL 34,314, extraordinary reserves amounting to TL 992,598 and special funds amounting to TL 2,531.

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

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

Valuation differences of marketable securities	Current Year	Previous Year
Valuation differences at the beginning of the year	314,132	333,412
Fair value changes in the current year	(322,035)	80,477
Effect of deferred and corporate taxes	68,609	1,990
Valuation differences transferred to the statement of income	(156,235)	(121,215)
Effect of deferred and corporate taxes	23,968	19,468
Valuation differences at the end of the year	**(71,561)**	**314,132**

Valuation difference of the subsidiaries and affiliates	Current Year	Previous Year
Valuation differ"ences at the beginning of the year	(12,882)	1,510
Fair value changes in the current year	(6,454)	(14,581)
Effect of deferred and corporate taxes	(57)	189
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	-	-
Valuation differences at the end of the year	**(19,393)**	**(12,882)**

VI. Information and disclosures on consolidated statement of cash flows

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

"Other" balance under the "Operating profit before changes in operating assets and liabilities" amounting to TL (176,099) (31 December 2010: TL 412,084) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

"Net increase/decrease in other liabilities" amounting to TL (1,385,278) (31 December 2010: TL 3,164,187) under "Changes in operating assets and liabilities" is mainly comprised of cash outflows from repurchase agreements.

"Other" balance under the "Net cash flow from investing activities" amounting to TL 32,151 (31 December 2010: 17,236 TL) is compromised of intangibles asset purchases.

Since unrealized gains and losses arising from foreign exchange rate changes are not regarded as cash flows, the effect of changes in foreign exchange rate on cash and cash equivalents in foreign currency has been calculated as TL 3,796 (31 December 2010: TL 1,202) and presented in the statement of cash flows in order to reconcile cash and cash equivalents banlances at the beginning and end of the year.

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

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

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

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

4. Information on cash and cash equivalents

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

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

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

	Current Year 31 December 2011	Previous Year 31 December 2010
Cash on hand	**716,004**	**659,170**
Cash in TL	604,234	571,665
Cash in Foreign Currency	111,770	87,505
Cash equivalents	**4,290,104**	**6,488,918**
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)
Total	**5,006,108**	**7,148,088**

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

Reserve requirements at CBT amounting to TL 4,269,727 as at 31 December 2011 (31 December 2010: TL 1,423,140) has not been included in cash and cash equivalents.

Deposits amounting to TL 290,975 (31 December 2010: TL 292,054) are restricted due to securitization loans of the Parent Bank and other ordinary banking operations.

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

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

Current Year	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	-	316,196	-	563	8,978	2,371
Balance at the end of the year	-	591,730	-	6,572	4,443	1,385
Interest and commission income	1,020	278	-	30	382	46

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

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

	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Deposits						
Balance at the beginning of the year	411,915	456,031	581,885	917,223	54,423	56,210
Balance at the end of the year	855,959	411,915	728,474	581,885	85,795	54,423
Interest on deposits	22,992	20,346	42,610	60,887	-	445

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

None

2. Disclosures of transactions with the Parent Bank's risk group

Relations with entities in the risk group of / or controlled by the Bank

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

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

,

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the the risk group to the overall cash and non-cash loans are 0.01% (31 December 2010: 0.02%) and 3.83% (31 December 2010: 2.81%).

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

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

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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	Country	Total Assets	Legal Capital
Domestic Branches (*)	677	12,188			
Foreign Representative Offices	-		-		
Foreign Branches	1	16	ABD	1,805,195	31,020
	1	14	Irak	37,341	13,160
Off-shore Branches	1	4	Bahreyn	10,145,948	-

(*) Free zone branches in Turkey is included to domestic branches.

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

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

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SECTION SIX

Other Disclosures and Footnotes

I. Other disclosures on the Parent Bank's activity

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

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

•The Bank and CBT had disagreement about the reserve requirements deposited at CBT regarding the syndication loans obtained by foreign branches of the Bank. Subsequent to the decision, CBT required the Bank to provide reserve requirement for loans obtained by foreign branches, the Bank filed a claim in Ankara 15th Administrative Court for the suspension of execution and cancellation of the decision. As at 15 June 2011, the court decided on refusal of the claim with the right to appeal on State Council. CBT requested the Bank to provide additional reserves amounting to USD 384 million in average for 3.5 years period with the 4 May 2011 dated communique. In this context, the Bank has began to provide additional reserve requirements at 27 May 2011.

•Small and Medium Industry Development Organization ("KOSGEB") claimed that the Bank had subscription fee liabilities for the years 2004, 2005 and 2006 based on the clause c of 14th article of the KOSGEB Law No: 3624 which states that the organization's budget comprise the subscription fees from banks whose equities are held by state institutions and organizations by more than 50%, amounting to 2% of their annual profits subject to corporate tax. First stage of the court decided the Bank to pay TL 50,252 thousands. Following the notice of the court decision the Bank appealed for correction in the scope of 97th and 98th articles of the Law No: 6111 which became effective as at 25 February 2011. With respect to 97th article of Law No: 6111 the subscription fee liability is abrogated in favor of Bank and 98th article states that this practice will be effective starting from 1 Janury 2004. Therefore, subscription fee liability and compensation decided by the court lost their basis. Main opposition party applied to the Constitutional Court for the cancellation of 98th article of Law No: 6111. Since 97th and 98th articles of Law No: 6111 are currently effective and are in favour of the Bank, the Bank has not booked provision for the related lawsuit in the accompanying financial statements.

•The public offering of the Bank's bond with TL 500,000,000 nominal value and 176 days maturity in accordance with the communiqué approved by CMB on 22 July 2011, has been published on Official Gazette dated 22 July 2011. The bond has started to be traded on Istanbul Stock Exchange with the ISIN code "TRQVKFB11218" on 10 August 2011.

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

December 2011 (*)	Standard & Poors (**)
Foreign Currency Credit Rating	BB / Positive / B
Foreign Currency Deposit Rating	BB / Positive / B
National	trAA / -- / trA-1
Continuance Rating	BBB-/ -- / --
October 2010 (*)	**Moody's Investors' Service**
Financial Strength Rating	D+
Local Currency Deposit Rating	Baa3 / P-3
Local Currency Outlook	Stable
Foreign Currency Deposit Rating	Ba3 / NP
Foreign Currency Outlook	Positive
November 2011 (*)	**Fitch Rating**
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long Term Local Currency	BB+
Short Term Local Currency	B
Local Currency Outlook	Stable
National Long Term	AA+ (tur)
National Outlook	Stable
Individual	C/D
Support	3
Base Support Rating	BB+
November 2010 (*)	**Capital Intelligence**
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB
Support Rating	2
Outlook	Stable

(*) Dates represent the last change dates of credit ratings and outlook.
(**) Standard & Poors, has confirmed its previous ratings for Bank with the report issued on 31 January 2012.

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

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

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

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

None

SECTION SEVEN

I.Independent Auditors' Report

1.Information on the independent auditors' report

The Bank's and its financial subsidiaries' consolidated financial statements and footnotes as at 31 December 2011, have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and an unqualified opinion has been issued in their independent auditors' report dated 20 March 2012.

Evaluation of Financial Position, Profitability and Solvency

Notes on Assets

In 2011, VakıfBank attained the growth rate 20.6%, increased its assets to TL 89.2 billion and maintained the robust asset composition keeping the interest earning asset/total asset ratio at 88.5%. In 2011, 66.1% of total assets consisted of assets denominated in Turkish Lira while the remaining 33.9% of assets denominated in foreign exchange.

Loans increased by 27.6% and reached TL 57.2 billion, thus made the most remarkable contribution to the growth in bank assets. Retail loans, primarily the housing and consumer loans, displayed an increase of 41.7%, well-above the overall banking sector, while the commercial loans increased by 20.5%, thus the share of loans, except the non-performing loans, in assets has been realized as 64.1%

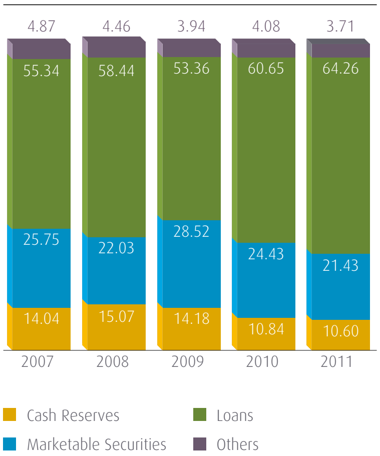
In 2011, VakıfBank continued to provide financing support to its customers using funds obtained directly or acting as broker under the protocols concluded with other financial institutions and corporations along with its own sources. Main components of the loan policy are defined as to contribute to both production and employment increases by providing funds to the real sector, particularly to SMEs, without compromising the asset quality, and to support national economy for international market access through granting export loans and offering foreign exchange services.

Apart from the 27.6% increase on loans realized in 2011, NPL ratio has declined to 3.6% from 4.8% in 2010, owing to the improvement in asset quality resulting from the collections of non-performing loans.

VakıfBank's marketable securities portfolio increased by 5.7% over 2010 and reached TL 19.1 billion, while the share of the marketable securities portfolio in the balance sheet fell down to 21.4% from 24.2%.

Ratio of Bank's affiliates and subsidiaries to assets fell down to 1.0% from 1.2% in 2010 while the share of fixed assets reduced to 1.2% from 1.5%.

Asset Composition (%)



Notes on Liabilities

In 2011, VakıfBank's interest bearing assets were realized as TL 78.9 billion and interest bearing liabilities as TL 75.2 billion. During the year, ratio of interest bearing assets to total assets has been realized as 88.5% and that of interest bearing liabilities to total liabilities as 84.3%, thus interest bearing assets interest bearing liabilities coverage ratio has been realized as 105%.

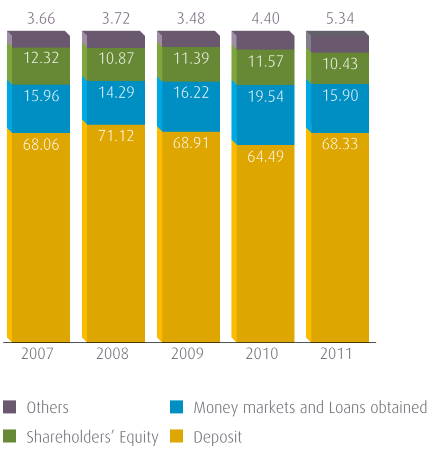
In 2011, VakıfBank increased total deposit, the most important source of funds, by 27.8% up to TL 60.9 billion. 70.9% of total deposits consist of TL deposits and 29.1% of foreign exchange deposits, while the time deposit/demand deposit balance was realized as 85.1%-14.9%. Main factor leading to assets liabilities maturity mismatch, affecting the Bank as well as the overall banking industry, is that the majority of deposit accounts consist of demand deposits and time deposits with maturity up to three months. In 2010, the share of demand deposits and time deposits with maturity up to three months in total deposits was 90.9% which was successfully reduced to 84.6% in 2011 based on the arrangements made by the Turkish Central Bank as regards to required reserves by differentiating between maturity dates. In 2011, the share of deposits in foreign currency liabilities reached 76.3% which was 72.9% in 2010, which indicates the strength of borrowing structure and that the risk is kept at manageable levels.

Funds borrowed volume, which is the second largest source of fund and consists mostly of loans extended abroad, increased by 30.2% in 2011. In this context, on March 28, 2011 VakıfBank obtained one year maturity syndicated loan of US$ 192.5 million and Euro 573.5 million on total cost of Libor + 1,10% for US Dollar and Euribor + 1,10% with participation of 34 banks under coordination by WestLB AG, where ING Bank N.V. served as Agent Bank. During second half of the year, on September 7, 2011 a further one year maturity syndicated loan was obtained for US$ 145 million and Euro 433 million on total cost of Libor + 1,00% for US Dollar and Euribor + 1,00% with participation of 26 banks and under coordination by ING Bank NV. These syndicated loans constitute the primary indicator for VakıfBank's trustworthiness and reputation earned in the international markets.

The Bank realized two public offerings of domestic bond issuance, one for 176 day with nominal value of TL 500 million between 3rd and 5th August 2011 and the other for 178 day with value of TL 1 billion between 25th and 27th January 2012. Bond issuance stands out as a positive development regarding the diversification of sources of funds and extension of the term.

Bank's shareholders' equity increased by 8.6% to TL 9.3 billion as result of profit for the period as well as the increase in profit reserves.

Liabilities Composition (%)



Evaluation of Financial Position, Profitability and Solvency

Profitability

Interest margins which were exposed to shrinkage in the year 2010 due to decline in interest rates as well tough competition began to rise again towards end 2011 in consequence of the monetary policy implemented by the Turkish Central Bank. In 2011, VakıfBank's net interest margin increased to 4.0% over 3.7% in 2010, the net interest income increased by 6% and the interest income interest expenses coverage ratio was realized as 180.2%

As regards to balance of non-interest income-expenses, non-interest expenses demonstrated an increase by 7.64% while non-interest income increased by 9.50% resulting from 26% increase in net fee commission revenues and 47% increase in other operating income. Thus, the balance of non-interest income-expenses increased to 47.8% in 2011, which was 47.0% in 2010.

Paralleling these developments, in 2011 VakıfBank's net profit for the period increased by 6% over that in 2010 and reached TL 1,225 million. During the period, Bank's average asset profitability was realized as 1.5% and shareholders' equity profitability as 13.7%. Owing to the Bank's risk management and placement policies the capital adequacy standard ratio was recorded as 13.38%.

Provision expenses made due to non-performing loans and other receivables, decline in profit on capital market and derivative financial instruments, compared to previous year, and the foreign exchange losses attributable to the fluctuations in economic cycles are among important factors which adversely affected the Bank's profitability as it is the case in the whole banking sector.

Solvency

In 2011, VakıfBank maintained its robust liquidity structure by realizing the share of interest bearing assets in total assets at 88.5% and preserved its solvency.

Continuing its growth without compromising risk control, VakıfBank attained 13.38% capital adequacy ratio, surpassing the statutory limit as well as the target ratio, as a further evidence of its financial strength.

The Bank's strong financial position has been also verified by international rating agencies through evaluations performed on various date during 2011. Based on the rating made by Standard & Poor's in December 2011, Bank's previous TP and YP Loan ratings have been confirmed as BB/Positive/B. Similarly, Fitch has also confirmed the rating as BB+ for long-term TP and YP Loans and as B for short-term TP and YP most recently in November 2011.

For the years ahead, the Bank intends to improve the diversity of the alternative access channels, customer groups and products and to utilize the growth opportunities in both domestic and international markets in a more effective manner. Other objectives of the Bank are specified to grow for compliance with narrowing margins and to increase revenues as well as to reduce expenses through productivity growth and effective cost management.

Five-Year Summary Financial Information

(TL Million) ASSETS	2007	2008	2009	2010	2011	Change (%) 2010-2011
Cash, Cash Equivalents and Banks	5,952	7,863	9,189	8,020	9,457	17.91
Securities Portfolio	10,922	11,500	18,482	18,072	19,111	5.75
Cash Loans	23,470	30,417	34,439	44,836	57,201	27.58
Commercial Loans	16,925	21,788	24,265	29,947	36,097	20.54
Retail Loans	6,545	8,629	10,174	14,890	21,104	41.73
Non-Performing Loans (Net)	0	85	134	25	109	341.10
Non-Performing Loans (Gross)	1,143	1,456	2,119	2,266	2,157	-4.80
Special Provisions (-)	1,143	1,371	1,985	2,241	2,048	-8.60
Subsidiaries and Affiliates	586	539	688	895	865	-3.42
Tangible Fixed Assets	906	985	1,083	1,114	1,094	-1.81
Other Assets	572	804	783	1,000	1,350	34.97
TOTAL	42,408	52,193	64,798	73,962	89,184	20.58

(TL Million) LIABILITIES	2007	2008	2009	2010	2011	Change (%) 2010-2011
Deposits	28,863	37,120	44,652	47,701	60,939	27.75
Time Deposits	25,343	31,798	38,723	40,424	51,872	28.32
Demand Deposits	3,520	5,322	5,929	7,277	9,067	24.61
Money Markets	2,076	1,687	6,143	8,128	5,940	-26.93
Funds Borrowed	4,693	5,770	4,366	6,327	8,237	30.18
Provisions	499	675	808	990	1,283	29.66
Shareholders' Equity	5,226	5,671	7,381	8,559	9,298	8.65
Paid-in Capital	2,500	2,500	2,500	2,500	2,500	-
Profit/Loss	1,039	753	1,251	1,157	1,227	6.02
Profit/Loss from Previous Years	8	0	0	0	0	-
Net Profit/Loss for the Period	1,031	753	1,251	1,157	1,227	6.02
Other Liabilities	1,051	1,270	1,448	2,256	3,486	54.52
TOTAL	42,408	52,193	64,798	73,962	89,184	20.58

(TL Million) PROFIT/LOSS	2007	2008	2009	2010	2011	Change (%) 2010-2011
Interest Income	5,352	6,414	6,403	5,883	6,501	10.51
Interest Expense	3,677	4,439	3,326	3,153	3,607	14.42
Net Interest Income	1,676	1,975	3,077	2,730	2,894	6.00
Net Fee and Commission Income	360	466	466	443	559	26.17
Dividend Income	35	25	24	35	45	27.36
Capital Markets Trading Profit (Net)	48	51	117	295	61	-79.38
Foreign Exchange Income (Net)	146	38	61	21	-22	-202.23
Other Operating Income	357	313	311	601	885	47.30
Total Operating Income	2,621	2,869	4,056	4,126	4,422	7.18
Provisions for Loans and Other Receivables	368	624	981	973	906	-6.95
Other Operating Expenses	995	1,319	1,533	1,690	1,941	14.89
Operating Profit	1,258	925	1,542	1,463	1,575	7.68
Net Monetary Position Profit/Loss	0	0	0	0	0	-
Profit Before Taxes	1,258	925	1,542	1,463	1,575	7.68
Provision for Taxes	227	172	291	306	348	13.99
Net Profit/Loss for the Period	1,031	753	1,251	1,157	1,227	6.02

Five-Year Summary Financial Information

Ratios (%)	2007	2008	2009	2010	2011	2011 Sector[4]
Securities/Total Assets	25.8	22.0	28.5	24.4	21.4	23.4
Loans (Net)/Total Assets	55.3	58.3	53.1	60.6	64.1	56.1
Loans/Deposits	81.3	81.9	77.1	94.0	93.9	98.2
Retail Loans/Cash Loans	27.9	28.4	29.5	33.2	36.9	32.8
Non-Performing Loans/Total Loans[1]	4.6	4.6	5.8	4.8	3.6	2.7
Deposits/Total Liabilities	68.1	71.1	68.9	64.5	68.3	57.1
Demand Deposits/Total Deposits	12.2	14.3	13.3	15.3	14.9	17.4
Shareholders' Equity/Total Liabilities	12.3	10.9	11.4	11.6	10.4	11.9
Funds Borrowed/Total Liabilities	11.1	11.1	6.7	8.6	9.2	14.4
Capital Adequacy Ratio	15.3	14.3	15.4	14.4	13.4	16.5
Average ROA[2]	2.6	1.6	2.1	1.7	1.5	1.8
Average ROE[2]	21.3	13.8	19.2	14.5	13.7	14.2
Administrative Expenses/Operating Income[3]	37.9	46.0	37.8	41.0	43.9	44.3
Deposits per Branch (TL million)	61.7	70.7	81.9	75.0	89.6	66.1
Loans per Branch (TL million)	50.1	57.9	63.2	70.5	84.1	64.9
Profit per Branch (TL million)	2.2	1.4	2.3	1.8	1.8	1.9
Deposits per Employee (TL million)	3.3	3.9	4.4	4.3	5.0	3.6
Loans per Employee (TL million)	2.7	3.2	3.4	4.0	4.7	3.5
Profit per Employee (TL thousand)	118.5	78.7	123.2	104.5	100.4	101.6

[1] Non-Performing Loans (gross) are included in the Total Loans figure.

[2] Average figures are calculated as the arithmetic average of the current and prior period figures.

[3] Operating Income = Net Interest Income + Net Fees and Commissions + Dividend Income + Net Commercial Profit/Loss + Other Operating Income + Profit/Loss from Subsidiaries and Affiliates

[4] Sector ratios are calculated from the Monthly Bulletin of the Banking Regulation and Supervision Agency of Turkey.

Market Share (%)	2007	2008	2009	2010	2011
Securities Portfolio	6.6	5.9	7.0	6.3	6.7
Loans	8.2	8.3	8.8	8.5	8.4
Commercial Loans	8.9	8.7	9.2	8.5	7.9
Retail Loans	6.9	7.4	7.8	8.6	9.4
Non-Performing Loans (Net)	0.0	3.0	3.7	0.8	2.8
Non-Performing Loans (Gross)	11.0	10.4	9.7	11.4	11.4
Special Provisions (-)	12.7	12.2	10.9	13.4	13.6
Deposits	8.1	8.2	8.7	7.7	8.8
Time Deposits	8.5	8.1	8.9	7.8	9.0
Demand Deposits	6.1	8.5	7.4	7.4	7.5
Total Funds Borrowed	6.3	5.8	4.7	4.9	4.7
Guarantees And Commitments	6.0	6.4	6.8	6.9	7.2
Total Assets	7.3	7.1	7.8	7.3	7.3
Shareholders' Equity	6.9	6.6	6.7	6.4	6.4
Net Profit/Loss For The Period	6.9	5.6	6.2	5.2	6.2

Market shares calculated from the Monthly Bulletin of the Banking Regulation and Supervision Agency of Turkey.

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