

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Interim Financial Report

As at and for the Period Ended

30 June 2012

With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ

9 August 2012

This report contains "Independent Auditors' Review Report" comprising 1 page and; "Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes" comprising 62 pages.

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

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

We have reviewed the unconsolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") as at 30 June 2012 and the unconsolidated statements of income, changes in shareholders' equity and cash flows for the six-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility, as independent auditors, is to issue a report on these financial statements based on our review.

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

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

Istanbul,
9 August 2012

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

As explained in Section 3 Note I, the accompanying 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 INTERIM FINANCIAL REPORT
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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The unconsolidated interim financial report as at and for the six-month period ended 30 June 2012, prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

The unconsolidated interim financial statements and related disclosures and footnotes that were subject to limited review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated interim financial report is presented in thousands of Turkish Lira (TL), and has been subjected to limited review.

9 August 2012

Halil AYDOĞAN
Chairman of
Board of Directors

Halim KANATCI
Deputy Chairman and
Audit Committee Member

Ali Fuat TAŞKESENLİOĞLU
Board Member and
Audit Committee Member

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:

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Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Interim Financial Report as at and

For the Six-Month Period Ended 30 June 2012

(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 shareholders 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 Bank is the General Directorate of the Foundations.

As at 30 June 2012 and 31 December 2011, the Bank’s paid-in capital is TL 2,500,000, divided into 250.000.000.000 shares with each has a nominal value of 1 Kuruş.

The Bank’s shareholders structure as at 30 June 2012 is stated below:

Shareholders	Number of 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

III. Information on the chairman and members of the board of directors, audit committee members, general manager, assistant general managers and their shares in the Bank

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
<u>Board of Directors</u>				
Halil AYDOĞAN	Chairman	5 January 2012	University	35 years
Halim KANATCI	Deputy Chairman	28 April 2009	University	38 years
Süleyman KALKAN	Member – General Manager	19 March 2010	University	29 years
Ahmet CANDAN	Member	19 March 2010	University	24 years
İsmail ALPTEKİN	Member	6 April 2009	University	13 years
Ramazan GÜNDÜZ	Member	6 April 2009	University	33 years
Dr. Adnan ERTEM	Member	27 October 2010	PHD	24 years
Ali Fuat TAŞKESENLIOĞLU	Member	30 March 2012	University	24 years
Sadık TILTAK	Member	30 March 2012	University	24 years
<u>Audit Committee</u>				
Halim KANATCI	Member	5 November 2010	University	38 years
Ali Fuat TAŞKESENLIOĞLU	Member	6 April 2012	University	24 years
<u>Auditors</u>				
Mehmet HALTAŞ	Auditor	19 March 2010	University	35 years
Yunus ARINCI	Auditor	19 March 2010	Master	15 years
<u>Assistant Managers</u>				
Mehmet CANTEKİN (<i>Senior Executive Vice President</i>)	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	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	Corporate Banking, Corporate Centers, Corporate Loans	7 May 2010	University	20 years
Hasan ECESoy	Treasury, Investment Banking	18 June 2010	PHD	18 years
Serdar SATOĞLU	Private Banking, Subsidiaries	17 June 2010	PHD	16 years
Ali Engin EROĞLU	Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate	18 August 2010	Master	15 years
Osman DEMREN	Commercial Banking, Cash Management Affairs, SME Banking	6 April 2011	University	21 years
Mitat ŞAHİN	Human Resources, Planning and Performance	11 April 2011	Master	22 years
Yıldırım EROĞLU	Commercial Loans, Intelligence	6 December 2011	University	19 years

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Interim Financial Report as at and

For the Six-Month Period Ended 30 June 2012

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

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

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

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

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

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

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

IV. Information on the Bank’s qualified shareholders

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 (the pension fund of the employees of the Bank), having 16.10% of outstanding shares of the Bank.

V. Information about the services and nature of activities of the 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 as collateral,
- 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 30 June 2012, the Bank has 687 domestic, 3 foreign, in total 690 branches (31 December 2011: 677 domestic, 3 foreign, in total 680 branches). As at 30 June 2012, the Bank has 13,343 employees (31 December 2011: 12,222 employees).

SECTION TWO – FINANCIAL STATEMENTS

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
 Unconsolidated Balance Sheet (Statement of Financial Position)
 As at 30 June 2012
 (Thousands of Turkish Lira (TL))

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

ASSETS	Notes	Reviewed Current Period 30 June 2012			Audited Prior Period 31 December 2011		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	3,935,614	6,904,128	10,839,742	2,069,286	5,067,834	7,137,120
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	16,250	129,664	145,914	4,182	169,956	174,138
2.1 Financial assets held for trading purpose		16,250	129,664	145,914	4,182	169,956	174,138
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	16,250	129,664	145,914	4,182	169,956	174,138
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	14,066	1,789,599	1,803,665	4,217	2,125,373	2,129,590
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		-	-	-	190,127	-	190,127
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 İstanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	190,127	-	190,127
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	10,406,249	2,406,117	12,812,366	10,424,851	2,714,138	13,138,989
5.1 Equity securities		-	10,750	10,750	-	10,750	10,750
5.2 Debt securities issued by the governments		10,406,249	2,380,558	12,786,807	10,424,851	2,653,693	13,078,544
5.3 Other securities		-	14,809	14,809	-	49,695	49,695
VI. LOANS AND RECEIVABLES	V-I-5	45,374,296	16,823,741	62,198,037	39,030,377	18,278,855	57,309,232
6.1 Performing loans and receivables		45,244,530	16,823,741	62,068,271	38,921,755	18,278,855	57,200,610
6.1.1 Loans provided to risk group	V-V-1	62,465	79,736	142,201	163,266	134,729	297,995
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		45,182,065	16,744,005	61,926,070	38,758,489	18,144,126	56,902,615
6.2 Loans under follow-up		2,248,736	-	2,248,736	2,156,879	-	2,156,879
6.3 Specific provisions (-)		2,118,970	-	2,118,970	2,048,257	-	2,048,257
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	4,310,365	1,548,725	5,859,090	4,343,224	1,628,303	5,971,527
8.1 Debt securities issued by the governments		4,310,365	1,496,463	5,806,828	4,343,224	1,573,727	5,916,951
8.2 Other securities		-	52,262	52,262	-	54,576	54,576
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	298,673	-	298,673	219,527	-	219,527
9.1 Associates, consolidated per equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		298,673	-	298,673	219,527	-	219,527
9.2.1 Financial associates		287,273	-	287,273	211,933	-	211,933
9.2.2 Non-Financial associates		11,400	-	11,400	7,594	-	7,594
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	504,287	150,015	654,302	494,983	150,015	644,998
10.1 Unconsolidated financial subsidiaries		364,766	150,015	514,781	354,648	150,015	504,663
10.2 Unconsolidated non-financial subsidiaries		139,521	-	139,521	140,335	-	140,335
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)		1,102,876	2,430	1,105,306	1,090,688	2,894	1,093,582
XV. INTANGIBLE ASSETS (Net)		64,472	169	64,641	61,999	176	62,175
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		64,472	169	64,641	61,999	176	62,175
XVI. INVESTMENT PROPERTIES (Net)	V-I-12	-	-	-	-	-	-
XVII. TAX ASSETS		73,825	-	73,825	131,153	-	131,153
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets	V-I-13	73,825	-	73,825	131,153	-	131,153
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-14	-	-	-	-	-	-
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-15	731,036	117,198	848,234	871,492	110,816	982,308
TOTAL ASSETS		66,832,009	29,871,786	96,703,795	58,936,106	30,248,360	89,184,466

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)
As at 30 June 2012
(Thousands of Turkish Lira (TL))

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

LIABILITIES AND EQUITY		Notes	Reviewed Current Period 30 June 2012			Audited Prior Period 31 December 2011		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	46,167,758	17,442,188	63,609,946	43,215,813	17,723,405	60,939,218
1.1	Deposits of the risk group	V-V-1	1,104,149	965,765	2,069,914	1,248,155	658,005	1,906,160
1.2	Other deposits		45,063,609	16,476,423	61,540,032	41,967,658	17,065,400	59,033,058
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	21,314	129,401	150,715	4,376	337,998	342,374
III.	FUNDS BORROWED	V-II-3	92,132	7,393,778	7,485,910	75,254	8,162,053	8,237,307
IV.	INTERBANK MONEY MARKET		4,187,824	3,850,753	8,038,577	2,978,533	2,961,104	5,939,637
4.1	Interbank money market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Obligations under repurchase agreements		4,187,824	3,850,753	8,038,577	2,978,533	2,961,104	5,939,637
V.	SECURITIES ISSUED (Net)		1,973,807	900,012	2,873,819	494,885	-	494,885
5.1	Bills		1,868,168	-	1,868,168	494,885	-	494,885
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		105,639	900,012	1,005,651	-	-	-
VI.	FUNDS		36,666	-	36,666	40,699	-	40,699
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		36,666	-	36,666	40,699	-	40,699
VII.	MISCELLANEOUS PAYABLES		1,842,480	163,446	2,005,926	1,808,249	69,014	1,877,263
VIII.	OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	205,261	491,261	696,522	150,590	454,116	604,706
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	1,312,328	29,643	1,341,971	1,253,798	29,660	1,283,458
12.1	General provisions	V-II-7	788,518	2,558	791,076	668,297	2,883	671,180
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		362,222	-	362,222	389,807	-	389,807
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions	V-II-7	161,588	27,085	188,673	195,694	26,777	222,471
XIII.	TAX LIABILITIES	V-II-8	249,504	2,127	251,631	124,710	1,804	126,514
13.1	Current tax liabilities		249,504	2,127	251,631	124,710	1,804	126,514
13.2	Deferred tax liabilities	V-I-13	-	-	-	-	-	-
XIV.	PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS	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		9,970,639	241,473	10,212,112	9,129,218	169,187	9,298,405
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		1,090,676	241,473	1,332,149	882,917	169,187	1,052,104
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	258,379	241,473	499,852	84,117	169,187	253,304
16.2.4	Revaluation surplus on tangible assets		41,061	-	41,061	7,564	-	7,564
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	67,318	-	67,318
16.2.8	Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		-	-	-	-	-	-
16.3	Profit reserves		5,675,804	-	5,675,804	4,519,516	-	4,519,516
16.3.1	Legal reserves		710,624	-	710,624	590,498	-	590,498
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		4,699,751	-	4,699,751	3,689,113	-	3,689,113
16.3.4	Other profit reserves		265,429	-	265,429	239,905	-	239,905
16.4	Profit or loss		704,159	-	704,159	1,226,785	-	1,226,785
16.4.1	Prior years' profit/loss		-	-	-	-	-	-
16.4.2	Current period's profit/loss		704,159	-	704,159	1,226,785	-	1,226,785
TOTAL LIABILITIES AND EQUITY			66,059,713	30,644,082	96,703,795	59,276,125	29,908,341	89,184,466

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**Unconsolidated Off-Balance Sheet Items**

As at 30 June 2012

(Thousands of Turkish Lira (TL))

*Convenience Translation of Financial Statement**and Related Disclosures and Footnotes**Originally Issued in Turkish, See Section 3 Note 1*

	Notes	Reviewed Current Period 30 June 2012			Audited Prior Period 31 December 2011		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		44,437,206	32,584,347	77,021,553	39,880,044	33,288,485	73,168,529
I. GUARANTEES AND SURETIES	V-III-2	9,809,018	7,026,626	16,835,644	9,018,742	6,645,287	15,664,029
1.1 Letters of guarantee	V-III-1	9,782,053	2,093,612	11,875,665	8,988,954	2,083,802	11,072,756
1.1.1 Guarantees subject to State Tender Law		1,438,550	936,664	2,375,214	1,421,940	735,091	2,157,031
1.1.2 Guarantees given for foreign trade operations		368,561	-	368,561	323,046	-	323,046
1.1.3 Other letters of guarantee		7,974,942	1,156,948	9,131,890	7,243,968	1,348,711	8,592,679
1.2 Bank acceptances		26,965	840,867	867,832	29,056	454,538	483,594
1.2.1 Import letter of acceptance		-	42,882	42,882	375	40,122	40,497
1.2.2 Other bank acceptances		26,965	797,985	824,950	28,681	414,416	443,097
1.3 Letters of credit		-	4,086,714	4,086,714	732	4,098,668	4,099,400
1.3.1 Documentary letters of credit		-	4,086,714	4,086,714	732	4,098,668	4,099,400
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	4,039	4,039	-	6,941	6,941
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Marketable securities underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	1,116	1,116	-	1,166	1,166
1.9 Other sureties		-	278	278	-	172	172
II. COMMITMENTS		30,256,985	16,544,559	46,801,544	26,604,769	17,950,010	44,554,779
2.1 Irrevocable commitments		11,256,196	1,404,116	12,660,312	10,761,185	888,178	11,649,363
2.1.1 Asset purchase commitments	V-III-1	732,061	1,395,975	2,128,036	768,919	857,919	1,626,838
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	1,000	-	1,000	1,000	-	1,000
2.1.4 Loan granting commitments	V-III-1	4,479,302	-	4,479,302	4,574,348	-	4,574,348
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	1,096,044	-	1,096,044	829,640	-	829,640
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	4,719,799	-	4,719,799	4,322,604	-	4,322,604
2.1.10 Commitments for credit card and banking operations promotions		209,346	-	209,346	246,030	-	246,030
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		18,644	8,141	26,785	18,644	30,259	48,903
2.2 Revocable commitments		19,000,789	15,140,443	34,141,232	15,843,584	17,061,832	32,905,416
2.2.1 Revocable loan granting commitments		19,000,789	15,140,443	34,141,232	15,843,584	17,061,832	32,905,416
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		4,371,203	9,013,162	13,384,365	4,256,533	8,693,188	12,949,721
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		4,371,203	9,013,162	13,384,365	4,256,533	8,693,188	12,949,721
3.2.1 Forward foreign currency purchases/sales		437,527	679,213	1,116,740	241,499	730,482	971,981
3.2.1.1 Forward foreign currency purchases		218,420	340,023	558,443	120,798	365,252	486,050
3.2.2.2 Forward foreign currency sales		219,107	339,190	558,297	120,701	365,230	485,931
3.2.2 Currency and interest rate swaps		3,764,765	7,534,093	11,298,858	3,895,134	7,304,219	11,199,353
3.2.2.1 Currency swaps-purchases		2,198,870	2,489,292	4,688,162	2,939,954	2,126,335	5,066,289
3.2.2.2 Currency swaps-sales		1,565,895	2,328,193	3,894,088	955,180	3,515,768	4,470,948
3.2.2.3 Interest rate swaps-purchases		-	1,358,304	1,358,304	-	837,023	837,023
3.2.2.4 Interest rate swaps-sales		-	1,358,304	1,358,304	-	825,093	825,093
3.2.3 Currency, interest rate and security options		168,911	164,338	333,249	119,900	127,332	247,232
3.2.3.1 Currency call options		84,456	82,169	166,625	59,950	63,666	123,616
3.2.3.2 Currency put options		84,455	82,169	166,624	59,950	63,666	123,616
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	-	-	-	-	-
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		-	635,518	635,518	-	531,155	531,155
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		452,285,361	138,063,960	590,349,321	357,053,294	124,320,048	481,373,342
IV. ITEMS HELD IN CUSTODY		145,369,274	1,480,478	146,849,752	124,012,854	1,965,815	125,978,669
4.1 Customers' securities held		-	17,509	17,509	-	18,287	18,287
4.2 Investment securities held in custody		139,517,466	7,866	139,525,332	119,736,673	8,216	119,744,889
4.3 Checks received for collection		4,556,162	499,762	5,055,924	3,205,549	488,732	3,694,281
4.4 Commercial notes received for collection		926,995	189,400	1,116,395	679,477	175,092	854,569
4.5 Other assets received for collection		2,152	72	2,224	2,152	75	2,227
4.6 Assets received through public offering		-	5,291	5,291	-	5,570	5,570
4.7 Other items under custody		309	466,139	466,448	309	919,351	919,660
4.8 Custodians		366,190	294,439	660,629	388,694	350,492	739,186
V. PLEDGED ITEMS		103,829,784	37,261,409	141,091,193	80,054,062	33,316,757	113,370,819
5.1 Securities		198,829	34,017	232,846	152,464	36,226	188,690
5.2 Guarantee notes		547,695	125,449	673,144	370,412	106,362	476,774
5.3 Commodities		16,863,323	635,968	17,499,291	13,878,556	551,059	14,429,615
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		80,335,753	29,470,243	109,805,996	61,440,934	25,435,504	86,876,438
5.6 Other pledged items		5,223,173	6,909,320	12,132,493	3,818,024	7,124,472	10,942,496
5.7 Pledged items-depository		661,011	86,412	747,423	393,672	63,134	456,806
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		203,086,303	99,322,073	302,408,376	152,986,378	89,037,476	242,023,854
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		496,722,567	170,648,307	667,370,874	396,933,338	157,608,533	554,541,871

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Statement of Income
For the Six-Month Period Ended 30 June 2012
(Thousands of Turkish Lira (TL))

*Convenience Translation of Financial Statement
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 3 Note 1*

	Notes	Reviewed Current Period 1 January 2012- 30 June 2012	Reviewed Prior Period 1 January 2011- 30 June 2011	Reviewed Current Period 1 April 2012- 30 June 2012	Reviewed Prior Period 1 April 2011- 30 June 2011
I. INTEREST INCOME		4,219,750	2,948,402	2,145,422	1,520,582
1.1 Interest income from loans	V-IV-1	3,294,880	2,213,432	1,717,588	1,160,459
1.2 Interest income from reserve deposits		-	-	-	-
1.3 Interest income from banks	V-IV-1	2,324	4,224	1,145	2,379
1.4 Interest income from money market transactions		1,254	3,540	95	1,461
1.5 Interest income from securities portfolio		891,044	691,152	439,340	349,641
1.5.1 Trading financial assets		-	-	-	-
1.5.2 Financial assets designated at fair value through profit or loss		-	-	-	-
1.5.3 Available-for-sale financial assets		583,513	493,439	276,548	246,318
1.5.4 Held-to-maturity investments		307,531	197,713	162,792	103,323
1.6 Finance lease income		-	-	-	-
1.7 Other interest income		30,248	36,054	(12,746)	6,642
II. INTEREST EXPENSE		2,499,591	1,585,756	1,246,871	858,400
2.1 Interest expense on deposits		2,092,475	1,278,975	1,040,850	694,830
2.2 Interest expense on funds borrowed	V-IV-2	71,376	60,117	33,966	32,706
2.3 Interest expense on money market transactions		213,920	219,551	107,546	126,945
2.4 Interest expense on securities issued		63,188	-	43,220	-
2.5 Other interest expenses		58,632	27,113	21,289	3,919
III. NET INTEREST INCOME (I – II)		1,720,159	1,362,646	898,551	662,182
IV. NET FEES AND COMMISSIONS INCOME		185,123	270,931	95,708	153,000
4.1 Fees and commissions received		316,168	356,963	167,365	203,267
4.1.1 Non-cash loans		47,682	30,721	25,680	15,491
4.1.2 Others		268,486	326,242	141,685	187,776
4.2 Fees and commissions paid		131,045	86,032	71,657	50,267
4.2.1 Non-cash loans		96	70	36	33
4.2.2 Others		130,949	85,962	71,621	50,234
V. DIVIDEND INCOME		56,845	44,479	1,442	150
VI. TRADING INCOME/LOSSES (Net)	V-IV-3	118,195	41,845	10,958	3,891
6.1 Trading account income/losses	V-IV-3	39,658	29,542	24,611	5,972
6.2 Income/losses from derivative financial instruments	V-IV-3	10,623	21,950	(28,066)	11,052
6.3 Foreign exchange gains/losses	V-IV-3	67,914	(9,647)	14,413	(13,133)
VII. OTHER OPERATING INCOME	V-IV-4	370,461	443,968	147,275	208,173
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		2,450,783	2,163,869	1,153,934	1,027,396
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5	492,968	404,256	232,353	222,183
X. OTHER OPERATING EXPENSES (-)	V-IV-6	1,062,586	936,130	551,509	484,025
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		895,229	823,483	370,072	321,188
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)		895,229	823,483	370,072	321,188
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-7	(191,070)	(174,441)	(85,674)	(81,337)
16.1 Current tax charges	V-IV-7	(158,135)	(176,895)	(92,008)	(97,953)
16.2 Deferred tax credits	V-IV-7	(32,935)	2,454	6,334	16,616
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)	V-IV-8	704,159	649,042	284,398	239,851
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1 Income from investment properties		-	-	-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-	-	-
18.3 Other income from discontinued activities		-	-	-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS		-	-	-	-
19.1 Investment property expenses		-	-	-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-	-	-
19.3 Other expenses from discontinued activities		-	-	-	-
XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES		-	-	-	-
XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES		-	-	-	-
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge		-	-	-	-
XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS		-	-	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	V-IV-8	704,159	649,042	284,398	239,851
Earnings per 100 shares (full TL)		0.2817	0.2596	0.1138	0.0959

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

	Reviewed Current Period 1 January 2012- 30 June 2012	Reviewed Prior Period 1 January 2011- 30 June 2011	Reviewed CurrentPeriod 1 April 2012- 30 June 2012	Reviewed Prior Period 1 April 2011- 30 June 2011
GAINS AND LOSSES RECOGNIZED IN EQUITY				
I.	VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES			
II.	246,132	(188,753)	108,291	(42,782)
III.	-	-	-	-
IV.	-	-	-	-
V.	GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)			
VI.	GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)			
VII.	-	-	-	-
VIII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS			
IX.	-	-	-	-
X.	OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS			
XI.	54,164	(4,691)	(33,974)	28,648
XII.	(53,748)	33,678	(15,377)	9,411
XIII.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES			
XIV.	NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)			
XV.	246,548	(159,766)	58,940	(4,723)
XVI.	CURRENT PERIOD'S PROFIT/(LOSS)			
11.1	704,159	649,042	284,398	239,851
11.2	(10,691)	87,285	(11,014)	25,534
11.3	-	-	-	-
11.4	-	-	-	-
11.5	714,850	561,757	295,412	214,317
XVII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)			
	950,707	489,276	343,338	235,128

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Statement of Changes in Equity
For the Six-Month Period Ended 30 June 2012
(Thousands of Turkish Lira (TL))

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

CHANGES IN 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 Period Net Profit/(Loss)	Prior Period 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
I. PRIOR PERIOD – 30 June 2011																			
Balances at the beginning of the period		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
Changes during the period																			
II. Mergers																			
III. Associates, Subsidiaries and "Available-for-sale" securities																			
IV. Hedges for risk management																			
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance																			
XIV. Share cancellation profits																			
XV. Capital reserves from inflation adjustments to paid-in capital																			
XVI. Others																			
XVII. Current period's net profit/loss																			
XVIII. Profit distribution																			
18.1		-	-	-	-	114,382	-	992,598	13,315	649,042	-	-	-	-	-	-	649,042	-	649,042
18.2		-	-	-	-	-	-	-	-	(1,157,140)	-	-	2,531	-	-	-	(34,314)	-	(34,314)
18.3		-	-	-	-	-	-	-	-	(34,314)	-	-	-	-	-	-	(34,314)	-	(34,314)
Balances at the end of the period																			
I. CURRENT PERIOD – 30 June 2012																			
Balances at the beginning of the period		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
Changes during the period																			
II. Mergers																			
III. Associates, Subsidiaries and "Available-for-sale" securities																			
IV. Hedges for risk management																			
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance																			
XIV. Share cancellation profits																			
XV. Capital reserves from inflation adjustments to paid-in capital																			
XVI. Others																			
XVII. Current period's net profit/loss																			
XVIII. Profit distribution																			
18.1	VI-1	-	-	-	-	120,126	-	1,010,638	25,524	704,159	-	-	33,497	-	-	-	704,159	-	704,159
18.2	VI-1	-	-	-	-	-	-	-	-	(1,226,785)	-	-	-	-	-	-	(37,000)	-	(37,000)
18.3		-	-	-	-	-	-	-	-	(37,000)	-	-	-	-	-	-	(37,000)	-	(37,000)
Balances at the end of the period																			

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 Six-Month Period Ended 30 June 2012
(Thousands of Turkish Lira (TL))

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

	Reviewed Current Period 30 June 2012	Reviewed Prior Period 30 June 2011
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	1,188,274	723,552
1.1.1 Interests received	4,062,740	2,914,649
1.1.2 Interests paid	(2,361,257)	(1,528,267)
1.1.3 Dividends received	22,560	19,344
1.1.4 Fee and commissions received	316,168	270,931
1.1.5 Other income	86,775	88,815
1.1.6 Collections from previously written-off loans and other receivables	214,017	255,190
1.1.7 Payments to personnel and service suppliers	(1,067,392)	(933,045)
1.1.8 Taxes paid	(99,840)	(164,292)
1.1.9 Others	14,503	(199,773)
1.2 Changes in operating assets and liabilities	(2,543,314)	3,011,497
1.2.1 Net (increase) decrease in financial assets held for trading purpose	-	-
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	(1,667,071)	(479,960)
1.2.4 Net (increase) decrease in loans	(5,178,475)	(8,053,026)
1.2.5 Net (increase) decrease in other assets	134,074	(236,435)
1.2.6 Net increase (decrease) in bank deposits	730,383	1,632,243
1.2.7 Net increase (decrease) in other deposits	1,854,588	3,859,540
1.2.8 Net increase (decrease) in funds borrowed	(756,395)	1,439,916
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	2,339,582	4,849,219
I. Net cash flow from banking operations	(1,355,040)	3,735,049
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	573,638	(170,057)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	-	-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	-	-
2.3 Purchases of tangible assets	(28,568)	(55,181)
2.4 Proceeds from disposal of tangible assets	42,789	104,718
2.5 Cash paid for purchase of available-for-sale financial assets	(799,067)	(3,172,723)
2.6 Proceeds from disposal of available-for-sale financial assets	1,357,731	1,484,709
2.7 Cash paid for purchase of held-to-maturity investments	(103,675)	(61,960)
2.8 Proceeds from disposal of held-to-maturity investments	111,271	1,533,926
2.9 Others	(6,843)	(3,546)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	2,298,953	(34,314)
3.1 Cash obtained from funds borrowed and securities issued	2,834,316	-
3.2 Cash used for repayment of funds borrowed and securities issued	(498,363)	-
3.3 Equity instruments issued	-	-
3.4 Dividends paid	(37,000)	(34,314)
3.5 Repayments for finance leases	-	-
3.6 Others	-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents	2,031	(2,546)
V. Net increase in cash and cash equivalents	1,519,582	3,528,132
VI. Cash and cash equivalents at the beginning of the period	4,933,906	6,387,454
VII. Cash and cash equivalents at the end of the period	6,453,488	9,915,586

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

SECTION THREE

Accounting Policies

I. Basis of presentation

As per the Article 37 of “Accounting and Recording Rules” of the Turkish Banking Law no. 5411 published on the Official Gazette no. 25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its unconsolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published by the Banking Regulation and Supervision Agency (“BRSA”) and effective since 1 November 2006, Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the related statements and guidance (collectively “Reporting Standards”) published 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 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 information on 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.

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. Non-monetary foreign currency items which are recorded at fair value are valued at historical foreign exchange rates. Foreign exchange gain/loss amounts due to conversion of monetary items or collection or payments foreign currency denominated transactions are recognized in income statement.

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.

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.

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

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 are 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 (“repo”) 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.

X. Information on assets held for sale and discontinued operations

An asset that is classified as held for sale (or to be discarded fixed assets) is measured with its book value or cost deducted fair value, depending on the lower one. An asset to be classified asset held for sale, particular asset (or to be discarded fixed assets) should be similar to these types of assets and should be able to be sold immediately with commonly accepted terms and conditions. Asset should be marketed in line with its fair value. For selling probability to be high, relevant management level should plan the the sale and should finalize the plan by determining the buyers.

A discontinued operation is classified as the Bank’s assets discarded or assets held for sales. Information on discontinued operations is presented separately in consolidated income statement. As at reporting date, the Bank does not have any 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 than 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 and recognized in the income statement of the period.

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 reporting 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 than 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.

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.

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.

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 30 June 2012 is TL 2,917 (full TL) (31 December 2011: TL 2,732 (full TL)).

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

As at 30 June 2012 and 31 December 2011, the major actuarial assumptions used in the calculation of the total liability are as follows:

	Current Period	Prior Period
Discount Rate	3.78%	3.78%
Expected Rate of Salary/Limit Increase	5.00%	5.00%
Estimated Employee Turnover Rate	1.61%	1.61%

Other benefits to employees

The Bank has provided provision 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, was cancelled by the Constitutional Court’s 22 March 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court was 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.

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

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

The technical financial statements of the Fund are audited by the certified actuary according to the the “Actuaries Regulation” which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 2012 which is prepared in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against.

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.

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

The Bank provides funding resources such as syndication and securitization transactions in case of need. In the current period, the Bank has started to ontained funds through domestic and international bonds.

These transactions are initially recognized at acquisition costs at the transaction date and are subsequently 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.

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 30 June 2012 and 31 December 2011, 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 VII.

XXII. 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 six-month period ended 30 June 2012, earnings per 100 shares is TL 0.2817 (30 June 2011: TL 0.2596).

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.

SECTION FOUR

Information Related to Financial Position of the Bank

I. Capital adequacy ratio

The Bank's unconsolidated capital adequacy ratio is 13.41% (31 December 2011: 13.38%).

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".

Information on unconsolidated capital adequacy ratio

	30 June 2012						
	Risk Weights						
	0%	10%	20%	50%	100%	150%	200%
Balance sheet items (Net)	17,957,161	-	1,542,063	21,469,857	37,438,123	1,346,779	3,808,811
Cash and cash equivalents	837,650	-	1	-	-	-	-
Matured securities	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	4,828,144	-	-	-	-	-	-
Domestic and foreign Banks, foreign head offices and branches	509,276	-	1,110,069	-	184,036	-	-
Interbank money market placements	-	-	-	-	-	-	-
Receivables from reverse repurchase agreements	-	-	-	-	-	-	-
Reserve deposits at CBT	5,173,947	-	-	-	-	-	-
Loans	711,168	-	233,308	21,222,312	34,089,540	1,346,779	3,808,811
Loans under follow-up (Net)	-	-	-	-	129,766	-	-
Receivables from leasing activities	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-
Held-to-maturity investment securities	5,674,952	-	52,200	-	-	-	-
Receivables from term sale of assets	-	-	-	-	46,854	-	-
Miscellaneous receivables	-	-	71,500	-	261,069	-	-
Interest and other income accruals	140,252	-	69,978	247,545	402,121	-	-
Investments in associates, subsidiaries and joint-ventures (Net)	-	-	-	-	952,975	-	-
Tangible assets (Net)	-	-	-	-	915,905	-	-
Other assets	81,772	-	5,007	-	455,857	-	-
Off-balance sheet items	110,770	-	1,589,851	662,071	10,771,515	-	-
Non-cash loans and commitments	110,770	-	1,235,956	662,071	10,737,295	-	-
Derivative financial instruments	-	-	353,895	-	34,220	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-
Total risk weighted assets	18,067,931	-	3,131,914	22,131,928	48,209,638	1,346,779	3,808,811

Summary information related to unconsolidated capital adequacy ratio

	Current Period	Prior Period
Value at credit risk (VaCR)	69,539,775	63,377,481
Value at market risk (VaMR)	1,559,738	1,952,688
Value at operational risk (VaOR) (*)	7,443,688	6,531,375
Equity	10,532,200	9,616,230
Equity/ (VaCR+ VaMR+ VaOR)*100	%13.41	%13.38

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

Information on equity items

	Current Period	Prior Period
CORE CAPITAL		
Paid-in Capital	2,500,000	2,500,000
Nominal Capital	2,500,000	2,500,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-
Share Premium	723,918	723,918
Share Cancellation Profits	-	-
Legal Reserves	710,624	590,498
I. Legal Reserve (Turkish Commercial Code 466/1)	355,312	295,249
II. Legal Reserve (Turkish Commercial Code 466/2)	-	-
Reserves allocated as per Special Legislations	355,312	295,249
Status Reserves	-	-
Extraordinary Reserves	4,965,180	3,929,018
Reserve allocated as per the Decision held by the General Assembly	4,699,751	3,689,113
Retained Earnings	265,429	239,905
Accumulated Losses	-	-
Exchange Rate Differences on Foreign Currency Capital	-	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-	-
Profit	704,159	1,226,785
Current Period's Profit	704,159	1,226,785
Prior Years' Profit	-	-
Provision for Possible Losses (up to 25% of Core Capital)	58,132	51,676
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	41,061	7,564
Primary Subordinated Debt (up to 15% of Core Capital)	-	-
Loss excess of Reserves (-)	-	-
Current Year's Loss	-	-
Prior Years' Loss	-	-
Leasehold Improvements (-)	59,413	69,815
Prepaid Expenses (-)	-	-
Intangible Assets (-)	64,641	62,175
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	9,579,020	8,897,469
SUPPLEMENTARY CAPITAL		
General Provisions	791,076	671,180
45% of Revaluation Surplus on Immovables	-	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	67,318	67,318
Primary Subordinated Debt excluding the Portion included in Core Capital	-	-
Secondary Subordinated Debt	-	-
45% of Valuation Differences of Marketable Securities	224,933	113,987
Associates and Subsidiaries	167,755	144,557
Available for Sale Investment Securities	57,178	(30,570)
Other Profit Reserves	-	-
Total Supplementary Capital	1,083,327	852,485
TIER III CAPITAL		
CAPITAL	10,662,347	9,749,954
DEDUCTIONS FROM CAPITAL	130,147	133,724
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	129,988	133,265
Others	159	459
TOTAL EQUITY	10,532,200	9,616,230

II. 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 standard method defined by the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” and reported monthly.

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

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

Value at market risk

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	90,184
(II) Capital Obligation against Specific Risks - Standard Method	2,045
(III) Capital Obligation against Currency Risk - Standard Method	32,408
(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	142
(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)	124,779
(IX) Value-At-Market Risk (12.5xVIII) or (12.5xVII)	1,559,738

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 as a result of change in the fair value of equity instruments quoted to İstanbul Stock Exchange (“ISE”) held as available for sale financial assets, associates and subsidiaries due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in index	30 June 2012	30 June 2011
		Equity	Equity
ISE – 100 (IMKB - 100)	10%	21,999	36,289

III. 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 Method" is used for operational risk calculation.

As at 30 June 2012 the amount calculated as TL 595,495 (31 December 2011: TL 522,510) from gross income for the years ended 2011, 2010 and 2009 and used for the calculation of capital adequacy ratio as at 30 June 2012, 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 7,443,688 (31 December 2011: TL 6,531,375) presented in the table included in Note I of this section is calculated as 12.5 times of the operational risk.

IV. 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 30 June 2012 and 31 December 2011 the Bank does not have derivate financial instruments held for risk management.

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 period announced by the Bank in TL are as follows:

	US Dollar	Euro
The Bank's foreign currency purchase rate at the balance sheet date	1.8000	2.2820
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	1.7700	2.2141
Day 2	1.7800	2.2245
Day 3	1.7900	2.2393
Day 4	1.7900	2.2414
Day 5	1.7900	2.2477
	US Dollar	Euro
Last 30-days arithmetical average rate	1.7983	2.2596

Information on currency risk

Current Period	Euro	US Dollar	Japanese Yen	Other FCs	Total
Assets:					
Cash and balances with the Central Bank of Turkey	2,457,123	3,330,573	151	1,116,281	6,904,128
Banks	638,633	1,028,905	8,151	113,910	1,789,599
Financial assets at fair value through profit or loss ⁽¹⁾	-	74,435	-	-	74,435
Interbank money market placements	-	-	-	-	-
Available-for-sale financial assets	638,646	1,767,471	-	-	2,406,117
Loans and receivables ⁽²⁾	6,411,559	11,918,262	-	52,627	18,382,448
Associates, subsidiaries and joint-ventures	150,015	-	-	-	150,015
Held-to-maturity investments	157,471	1,391,254	-	-	1,548,725
Derivative financial assets held for risk management purpose	-	-	-	-	-
Tangible assets	-	2,430	-	-	2,430
Intangible assets	-	169	-	-	169
Other assets ⁽³⁾	79,228	17,603	-	1	96,832
Total assets	10,532,675	19,531,102	8,302	1,282,819	31,354,898
Liabilities:					
Bank deposits	415,942	1,257,656	-	6,439	1,680,037
Foreign currency deposits	5,620,650	9,529,340	6,840	605,321	15,762,151
Interbank money market takings	491,545	3,359,208	-	-	3,850,753
Other funding	3,592,216	3,772,957	-	28,605	7,393,778
Securities issued	-	900,012	-	-	900,012
Miscellaneous payables	79,101	84,263	-	82	163,446
Derivative financial liabilities held for risk Management purpose	-	-	-	-	-
Other liabilities ^{(1) (4)}	85,720	533,905	3,010	186	622,821
Total liabilities	10,285,174	19,437,341	9,850	640,633	30,372,998
Net 'on balance sheet' position	247,501	93,761	(1,548)	642,186	981,900
Net 'off-balance sheet' position	(102,240)	174,831	1,177	(637,357)	(563,589)
Derivative assets ⁽⁶⁾	566,070	4,246,193	32,837	77,674	4,922,774
Derivative liabilities ⁽⁶⁾	668,310	4,071,362	31,660	715,031	5,486,363
Non-cash loans ⁽⁵⁾	1,420,413	5,347,014	51,181	208,018	7,026,626
Prior Period					
Total assets	9,564,754	21,161,587	2,064	655,378	31,383,783
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 assets ⁽⁶⁾	786,316	2,921,104	12,331	27,864	3,747,615
Derivative 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

⁽¹⁾ Derivative financial assets and liabilities resulting from changes in foreign exchange rates are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 1,558,707 (31 December 2011: TL 1,204,076) which are presented in TL column in the balance sheet are included in the table above.

⁽³⁾ Prepaid expenses amounting to TL 20,366 (31 December 2011: TL 16,199) are not included.

⁽⁴⁾ Unearned revenues amounting to TL 18,318 (31 December 2011: TL 21,006) are not included.

⁽⁵⁾ Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

⁽⁶⁾ Asset purchase commitments amounting to TL 652,986 (31 December 2011: TL 335,339) and asset sales commitments amounting to TL 742,989 (31 December 2011: TL 502,580) are included.

Exposure to currency risk

10 percent depreciation of the TL against the following currencies as at and for the six-month period ended 30 June 2012 and 2011 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

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

	30 June 2012		30 June 2011	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	9,491	25,524	10,378	24,114
EUR	(2,958)	(475)	(29,855)	(28,755)
Other currencies	446	446	431	431
Total, net	6,979	25,495	(19,046)	(4,210)

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

10 percent appreciation of the TL against the following currencies as at and for the six-month period ended 30 June 2012 and 2011 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	30 June 2012		30 June 2011	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(7,121)	(23,154)	(6,472)	(20,208)
Euro	2,958	475	29,855	28,755
Other currencies	412	412	357	357
Total, net	(3,751)	(22,267)	23,740	8,904

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

V. 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.

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

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

Interest rate sensitivity of assets, liabilities and off balance sheet items based on repricing dates

Current Period	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	-	-	-	-	-	10,839,742	10,839,742
Banks	1,249,020	105,417	-	-	-	449,228	1,803,665
Financial assets at fair value through profit/loss	22,745	78,481	24,710	1,327	18,651	-	145,914
Interbank money market placements	-	-	-	-	-	-	-
Available-for-sale financial assets	4,177,346	2,239,884	2,016,184	2,331,908	2,036,294	10,750	12,812,366
Loans and receivables	19,806,699	7,694,624	15,922,938	12,282,080	6,361,930	129,766	62,198,037
Held-to-maturity investments	396,622	889,788	651,697	1,642,663	2,278,320	-	5,859,090
Other assets (*)	5,664	291	7,798	32,524	553	2,998,151	3,044,981
Total assets	25,658,096	11,008,485	18,623,327	16,290,502	10,695,748	14,427,637	96,703,795
Liabilities:							
Bank deposits	3,307,644	779,820	107,055	-	-	13,078	4,207,597
Other deposits	32,321,032	16,326,505	1,347,840	13,884	-	9,393,088	59,402,349
Interbank money market takings	5,508,427	1,494,708	1,035,442	-	-	-	8,038,577
Miscellaneous payables	-	-	-	-	-	2,005,926	2,005,926
Securities issued	1,089,869	-	883,938	900,012	-	-	2,873,819
Funds borrowed	1,765,416	3,764,687	1,822,973	20,425	112,409	-	7,485,910
Other liabilities (**)	39,680	4,847	27,215	32,670	82,969	12,502,236	12,689,617
Total liabilities	44,032,068	22,370,567	5,224,463	966,991	195,378	23,914,328	96,703,795
On balance sheet long position	-	-	13,398,864	15,323,511	10,500,370	-	39,222,745
On balance sheet short position	(18,373,972)	(11,362,082)	-	-	-	(9,486,691)	(39,222,745)
Off-balance sheet long position	213,208	1,620,000	274,152	-	274,152	-	2,381,512
Off-balance sheet short position	(45,360)	-	(403,392)	(921,287)	(931,302)	-	(2,301,341)
Position, Net	(18,206,124)	(9,742,082)	13,269,624	14,402,224	9,843,220	(9,486,691)	80,171

(*) 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.

Prior Period	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
Fund 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)
Position, Net	(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 are stated in non-interest bearing column.

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

Average interest rates applied to monetary financial instruments

	Euro	US Dollar	Japanese Yen	TL
Current Period	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	-
Banks	0.67	0.49	-	11.74
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	5.64	7.06	-	9.10
Loans and receivables	5.20	5.62	-	15.67
Held-to-maturity investments	5.58	7.35	-	10.41
Liabilities:				
Bank deposits	2.61	1.72	-	10.30
Other deposits	3.74	3.67	-	10.01
Interbank money market takings	1.04	1.56	-	9.86
Miscellaneous payables	-	-	-	-
Securities issued	-	5.75	-	10.49
Funds borrowed	1.84	2.01	-	8.06
Prior Period				
	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	-
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 investments	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

VI. 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 securitization transactions. There are no significant idle liquidity resources.

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^(*)	Total
Assets:								
Cash and balance with CBT	10,839,742	-	-	-	-	-	-	10,839,742
Banks	958,504	739,744	105,417	-	-	-	-	1,803,665
Financial assets at fair value through profit/loss	-	19,329	26,114	44,429	37,391	18,651	-	145,914
Interbank money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	19,539	99,091	811,068	8,198,825	3,673,093	10,750	12,812,366
Loans and receivables	-	5,040,437	3,232,904	14,644,592	29,715,754	9,434,584	129,766	62,198,037
Held-to-maturity investments	-	23,885	144,251	614,355	2,760,936	2,315,663	-	5,859,090
Other assets	-	260,957	291	7,798	106,349	553	2,669,033	3,044,981
Total assets	11,798,246	6,103,891	3,608,068	16,122,242	40,819,255	15,442,544	2,809,549	96,703,795
Liabilities:								
Bank deposits	13,078	3,307,644	779,820	107,055	-	-	-	4,207,597
Other deposits	9,393,088	32,321,032	16,326,505	1,347,840	13,884	-	-	59,402,349
Funds borrowed	-	112,709	1,592,293	2,534,755	2,006,492	1,239,661	-	7,485,910
Interbank money market takings	-	5,508,427	1,494,708	1,035,442	-	-	-	8,038,577
Securities issued	-	984,230	-	989,577	900,012	-	-	2,873,819
Miscellaneous payables	-	1,758,086	38,638	-	-	-	209,202	2,005,926
Other liabilities	-	215,581	119,702	21,793	49,652	103,101	12,179,788	12,689,617
Total liabilities	9,406,166	44,207,709	20,351,666	6,036,462	2,970,040	1,342,762	12,388,990	96,703,795
Liquidity gap	2,392,080	(38,103,818)	(16,743,598)	10,085,780	37,849,215	14,099,782	(9,579,441)	-
Prior Period								
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
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)	-

(*) 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 shareholder's equity are included in this column.

Residual contractual maturities of the financial liabilities

Current Period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	4,207,597	4,218,252	13,078	3,309,899	782,931	112,344	-	-
Other deposits	59,402,349	59,749,272	9,393,088	32,416,381	16,535,590	1,389,236	14,977	-
Funds borrowed	7,485,910	8,128,514	-	112,875	1,620,773	2,577,851	2,290,186	1,526,829
Money market takings	8,038,577	8,067,773	-	5,524,686	1,497,620	1,045,467	-	-
Issued Securities (Net)	2,873,819	3,445,798	-	991,489	-	1,036,809	1,417,500	-
Miscellaneous payables	2,005,926	2,005,926	209,202	1,758,086	38,638	-	-	-
Other liabilities	729,979	729,979	471,781	70,546	13,106	21,793	49,652	103,101
Total	84,744,157	86,345,514	10,087,149	44,183,962	20,488,658	6,183,500	3,772,315	1,629,930
Non-Cash Loans	16,835,644	16,835,644	6,998,479	1,447,284	816,046	4,764,384	2,090,977	718,474

Prior Period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	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	79,464,275	9,633,151	42,283,060	17,125,362	6,018,166	2,357,545	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

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.

VII. 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 was built in order to serve customers' needs effectively and efficiently.

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.

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Operating profit	507,650	611,736	621,310	400,709	2,141,405
Undistributed expenses	-	-	-	(1,303,021)	(1,303,021)
Operating profit	507,650	611,736	621,310	(902,312)	838,384
Income from associates	-	-	-	-	56,845
Income before taxes	-	-	-	-	895,229
Provision for taxes	-	-	-	-	(191,070)
Net profit	-	-	-	-	704,159
Segment assets	22,371,007	39,827,030	30,743,580	-	92,941,617
Investments in associates and subsidiaries	-	-	952,975	-	952,975
Undistributed assets	-	-	-	2,809,203	2,809,203
Total assets	22,371,007	39,827,030	31,696,555	2,809,203	96,703,795
Segment liabilities	23,114,266	40,495,680	18,654,197	-	82,264,143
Equity	-	-	-	10,212,112	10,212,112
Undistributed liabilities	-	-	-	4,227,540	4,227,540
Total Liabilities and Equity	23,114,266	40,495,680	18,654,197	14,439,652	96,703,795

SECTION FIVE

Disclosure and Footnotes on Unconsolidated Financial Statements

I. Information and disclosures related to assets

1. Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	613,555	148,932	604,222	107,073
Central Bank of Turkey ^(*)	3,307,623	6,694,468	1,465,064	4,959,763
Others	14,436	60,728	-	998
Total	3,935,614	6,904,128	2,069,286	5,067,834

^(*) TL 5,173,947 (31 December 2011: TL 4,269,727) of the foreign currency deposit at Central Bank of Turkey consists of foreign currency reserve deposits.

In accordance with “Announcement on Reserve Deposits” of CBT numbered 2005/1, all banks operating in Turkey shall provide a reserve rate of 11% for demand deposits, and the rates decrease to 5% as maturities get longer (31 December 2011: 11% for demand deposits, and the rates decrease to 5% as maturities get longer). For foreign currency liabilities, all banks shall provide a reserve rate of 11% in US Dollar or Euro for demand and up to 1 year maturity deposits and rates decrease to 6% as maturities get longer (31 December 2011: 11% in US Dollar or Euro for demand and up to 1 year maturity deposits and rates decrease to 6% as maturities get longer).

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	3,307,623	710,521	1,465,064	690,036
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	810,000	-	-
Reserve Deposits	-	5,173,947	-	4,269,727
Total	3,307,623	6,694,468	1,465,064	4,959,763

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 begun to provide additional reserve requirements at 27 May 2011.

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

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

None.

Trading securities subject to repurchase agreements

None.

Positive differences on derivative financial assets held for trading purpose

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	4,657	3,668	3,141	4,720
Swap Transactions	11,548	125,794	1,038	165,143
Futures	-	-	-	-
Options	45	202	3	93
Others	-	-	-	-
Total	16,250	129,664	4,182	169,956

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	14,066	1,789,599	4,217	2,125,373
Domestic	14,066	481,685	4,217	57,354
Foreign	-	1,307,914	-	2,068,019
Foreign Head Offices and Branches	-	-	-	-
Total	14,066	1,789,599	4,217	2,125,373

4. Information on available-for-sale financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar Marketable Securities	692,875	380,676	661,402	387,393
Others	-	-	-	-
Total	692,875	380,676	661,402	387,393

Available-for-sale financial assets subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	1,896,205	-	1,506,673	-
Treasury Bills	-	-	-	-
Other Debt Securities	-	1,436,293	-	1,930,563
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Total	1,896,205	1,436,293	1,506,673	1,930,563

Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	12,853,163	13,298,684
Quoted	12,853,163	13,298,684
Unquoted	-	-
Equity securities	10,750	10,750
Quoted	-	-
Unquoted	10,750	10,750
Provision for impairment on available-for-sale financial assets (-)	51,547	170,445
Total	12,812,366	13,138,989

5. Information on loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	12,616	-	6,572
Legal entities	-	12,616	-	6,572
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	64,199	-	55,529	-
Total	64,199	12,616	55,529	6,572

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 under Follow-Up and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Cash Loans				
Loans	59,745,372	40,961	1,736,858	523,107
Discounted bills	41,235	-	-	-
Exporting loans	3,571,341	-	100,188	41,034
Importing loans	-	-	-	-
Loans to the financial sectors	1,073,774	-	82	-
Overseas loans	93,409	-	-	-
Consumer loans	19,249,590	-	642,533	180,310
Credit cards	2,493,678	-	93,225	7,239
Precious metal loans	-	-	-	-
Others	33,222,345	40,961	900,830	294,524
Specialization loans	21,973	-	-	-
Other receivables	-	-	-	-
Total	59,767,345	40,961	1,736,858	523,107

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

<i>Performing Loans and Other Receivables</i> (*)						
Number of Restructuring	Number of Loans	Up to 1 Year	1-3 Years	1-3 Years	More Than 5 Years	Total
1	12	2,307	-	-	-	2,307
1	45	-	33,947	-	-	33,947
1	31	-	-	4,708	-	4,708
	88	2,307	33,947	4,708	-	40,962

<i>Loans under Follow-up and Other Receivables</i> (*)						
Number of Restructuring	Number of Loans	Up to 1 Year	1-3 Years	1-3 Years	More Than 5 Years	Total
1	613	5,450	-	-	-	5,450
1	2827	-	26,214	-	-	26,214
1	3811	-	-	109,174	-	109,174
1	22	-	-	-	3,046	3,046
	7,273	5,450	26,214	109,174	3,046	143,884

(*) The tables above include performing loans and other receivables whose payment schedules are restructured or rescheduled after 28 May 2011.

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	254,146	18,894,143	19,148,289
Housing Loans	5,000	9,148,221	9,153,221
Automobile Loans	4,463	420,831	425,294
General Purpose Loans	129,022	5,056,392	5,185,414
Other	115,661	4,268,699	4,384,360
Consumer Loans – FC indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Retail Credit Cards – TL	2,207,078	1,815	2,208,893
With Installment	1,051,690	1,815	1,053,505
Without Installment	1,155,388	-	1,155,388
Retail Credit Cards – FC	1,315	-	1,315
With Installment	-	-	-
Without Installment	1,315	-	1,315
Personnel Loans – TL	1,877	30,389	32,266
Housing Loan	8	-	8
Automobile Loans	-	-	-
General Purpose Loans	1,836	30,389	32,225
Other	33	-	33
Personnel Loans – FC indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards – TL	31,897	-	31,897
With Installment	14,402	-	14,402
Without Installment	17,495	-	17,495
Personnel Credit Cards – FC	36	-	36
With Installment	-	-	-
Without Installment	36	-	36
Overdraft Checking Accounts – TL (Real persons)	891,799	-	891,799
Overdraft Checking Accounts – FC (Real persons)	79	-	79
Total	3,388,227	18,926,347	22,314,574

Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	742,625	10,545,276	11,287,901
Real Estate Loans	1,526	162,301	163,827
Automobile Loans	32,741	1,196,003	1,228,744
General Purpose Loans	708,358	9,186,972	9,895,330
Other	-	-	-
Installment-based Commercial Loans – FC indexed	20,024	600,295	620,319
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	20,024	600,295	620,319
Other	-	-	-
Installment-based Commercial Loans – FC	2,409	890,540	892,949
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	2,409	890,540	892,949
Corporate Credit Cards – TL	351,956	36	351,992
With Installment	122,176	36	122,212
Without Installment	229,780	-	229,780
Corporate Credit Cards – FC	9	-	9
With Installment	-	-	-
Without Installment	9	-	9
Overdraft Checking Accounts – TL (Corporate)	318,349	-	318,349
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	1,435,372	12,036,147	13,471,519

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic Loans	61,974,862	57,096,870
Overseas Loans	93,409	103,740
Total	62,068,271	57,200,610

Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Loans Provided to the Subsidiaries and Associates	134,453	293,552
Indirect Loans Provided to the Subsidiaries and Associates	-	-
Total	134,453	293,552

Specific provisions for loans

	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	32,442	47,200
Loans and Receivables with Doubtful Collectibility	287,600	175,923
Uncollectible Loans and Receivables	1,798,928	1,825,134
Total	2,118,970	2,048,257

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period	12,536	36,562	84,151
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	12,536	36,562	84,151
Prior period	18,471	26,240	81,771
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	18,471	26,240	81,771

Movements in non-performing loan groups

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Balance at the beginning of the period	155,822	175,923	1,825,134
Additions (+)	297,079	16,571	42,918
Transfers from other categories of loans under follow-up (+) ^(*)	-	255,089	98,121
Transfers to other categories of loans under follow-up (-) ^(*)	254,634	104,119	45,151
Collections (-)	36,059	55,864	122,094
Write-offs (-)	-	-	-
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Others</i>	-	-	-
Differences from corrections according to exchange rates	-	-	-
Balance at the end of the period	162,208	287,600	1,798,928
Specific provision (-)	32,442	287,600	1,798,928
Balance, net	129,766	-	-

^(*) 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 receivables are collected by liquidation of collaterals and legal follow-up.

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Period			
Balance at the end of the period	1,952	4,719	257,129
Specific provision (-)	390	4,719	257,129
Net balance on balance sheet	1,562	-	-
Prior Period			
Balance at the end of the period	927	306	272,195
Specific provision (-)	185	306	272,195
Net balance on balance sheet	742	-	-

Non-performing foreign currency denominated loans are followed in TL accounts.

Loan customer concentration of non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Period (Net)			
Current Period (Net)	129,766	-	-
Consumer and Commercial Loans (Gross)	159,551	285,690	1,760,765
Specific Provision (-)	31,911	285,690	1,760,765
Consumer and Commercial Loans (Net)	127,640	-	-
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	2,657	1,910	36,612
Specific Provision (-)	531	1,910	36,612
Other Loans and Receivables (Net)	2,126	-	-
Prior Period (Net)			
Prior Period (Net)	108,622	-	-
Consumer and Commercial Loans (Gross)	155,483	174,471	1,788,064
Specific Provision (-)	47,132	174,471	1,788,064
Consumer and Commercial Loans (Net)	108,351	-	-
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	339	1,452	35,519
Specific Provision (-)	68	1,452	35,519
Other Loans and Receivables (Net)	271	-	-

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	4,310,365	-	4,343,224	-
Treasury Bills	-	-	-	-
Other Securities Issued by the Governments	-	1,496,463	-	1,573,727
Total	4,310,365	1,496,463	4,343,224	1,573,727

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	5,909,236	6,013,657
Quoted at Stock Exchanges	5,856,974	5,959,081
Unquoted at Stock Exchanges	52,262	54,576
Impairment Losses (-)	50,146	42,130
Total	5,859,090	5,971,527

The movement table of the held-to-maturity investments

	Current Period	Prior Period
Balances at the beginning of the period	5,971,527	4,306,696
Foreign currency differences on monetary assets	(89,642)	214,454
Purchases during the period	103,675	3,102,225
Disposals through sales/redemptions	(111,271)	(1,634,696)
Impairment losses	(8,016)	(12,152)
Change in amortized costs of the securities (*)	(7,183)	(5,000)
Balances at the end of the period	5,859,090	5,971,527

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

In year 2011, 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 valuation differences of such securities amounting to TL (2,497) are recorded under equity and will be amortized through the statement of income until their maturities.

Information on held-to-maturity investments

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	-	52,200	-	52,262
Investments subject to repurchase agreements	4,168,637	1,449,984	4,236,815	1,463,356
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others (*)	74,287	32,190	73,550	33,107
Total	4,242,924	1,534,374	4,310,365	1,548,725

Prior Period	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	612,638	1,972,657	611,410
Total	4,267,176	1,607,360	4,343,224	1,628,303

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

7. Information on investments in associates

Information on investments in associates

Associate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Kıbrıs Vakıflar Bankası Ltd. ^(*)	Lefkosa/NCTR	15.00	15.00
2 Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ ^(**)	İstanbul/Turkey	11.75	21.77
3 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ^(**)	İstanbul/Turkey	27.63	29.47
4 Türkiye Sınai Kalkınma Bankası AŞ ^(**)	İstanbul/Turkey	8.38	8.38
5 Roketsan Roket Sanayi ve Ticaret AŞ ^(*)	Ankara/Turkey	9.93	9.93
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 Enternasyonal Otelcilik AŞ ^(*)	İstanbul/Turkey	5.00	5.00
10 İMKB Takas ve Saklama Bankası AŞ ^(*)	İstanbul/Turkey	4.86	5.28
11 Kredi Garanti Fonu AŞ ^(*)	Ankara/Turkey	1.67	1.67
12 World Vakıf UBB Ltd. ^(*)	Lefkosa/NCTR	82.00	85.24

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	759,629	63,299	7,695	16,600	2,174	2,904	1,766	-
2	14,605	14,328	81	191	221	581	(152)	17,560
3	190,944	188,150	140,498	555	826	1,333	781	357,016
4	10,022,739	1,617,206	26,181	87,126	63,870	87,216	60,264	2,007,953
5	1,454,512	257,474	273,844	9,534	-	16,363	8,905	-
6	30,507	20,440	12,875	453	124	1,957	1,309	-
7	48,139	42,147	3,032	406	-	7,881	4,175	-
8	120,967	11,946	159	90	-	1,066	(9,203)	-
9	104,271	39,184	99,361	-	-	4,155	(351)	-
10	3,334,107	289,123	13,095	21,318	738	13,489	7,497	-
11	203,965	196,750	3,356	2,435	1	1,928	2,690	-
12	1,930	(31,696)	-	1	-	(856)	(829)	-

^(*) The financial statements as at and for the three-month period ended 31 March 2012 are presented.

^(**) Figures are obtained from reviewed financial statements as at and for the three-month period ended 31 March 2012 disclosed in Public Disclosure Platform.

Movement table of investments in associates

	Current Period	Prior Period
Balance at the beginning of the period	219,527	206,682
Movements during the period	79,146	12,845
Transfers	-	-
Acquisitions and capital increases	-	22,553
Bonus shares received	26,514	10,368
Income/loss from investments under equity accounting	-	-
Sales and liquidations	-	-
Fair value changes	52,632	(20,076)
Impairment losses	-	-
Balance at the end of the period	298,673	219,527
Capital commitments	1,000	1,000
Share percentage at the end of the period (%)	-	-

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

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

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

The name of World Vakıf Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakıf UBB. Ltd. on 4 February 2009. Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to 24 May 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. Due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified "Investments in associates".

As per the resolution of the Board of Directors of the Bank held on 3 April 2008, it has been decided to work on disposal process of Roketsan Roket Sanayi AŞ ("Roketsan") to the third parties or other shareholders of Roketsan within the frame of 7th clause of article of association on share transfer.

Sectoral distribution of investments in financial associates

	Current Period	Prior Period
Banks	183,566	137,446
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other associates	103,707	74,487
Total	287,273	211,933

Quoted associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	268,973	189,827
Quoted at international stock exchanges	-	-
Total	268,973	189,827

Investments in associates disposed during the period

There is not any associate disposed in the current period.

Investments in associates acquired during the period

There is not any associate acquired in the current period.

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

In the current period, the capital of of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Bank, has been increased by TL 5,000 from TL 100,000 to TL 105,000. The share of the Bank amounting to TL 1,382 is presented in the movement table of investments in associates as bonus shares received.

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

In year 2011, 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 year 2011, the capital of Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ, an associate of the Bank has been increased by TL 7,500 from TL 7,500 to TL 15,000. The share of the Bank amounting to TL 882 is presented in the movement table of investments in associates as bonus shares received.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of 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 year 2011, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Bank, 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 investments in associates as bonus shares received.

In year 2011, 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 the company, the share of the Bank amounting to TL 776 is presented in the movement table of investments in associates as bonus shares received.

8. Information on investments in subsidiaries

Information on investments in subsidiaries

Subsidiary	Address (City / Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Güneş Sigorta AŞ (**)	İstanbul/TURKEY	36.35	36.35
2 Vakıf Emeklilik AŞ (*)	İstanbul/TURKEY	53.90	75.30
3 Vakıf Finans Factoring Hizmetleri AŞ (*)	İstanbul/TURKEY	78.39	86.97
4 Vakıf Finansal Kiralama AŞ (**)	İstanbul/TURKEY	58.71	64.40
5 Vakıf Yatırım Menkul Değerler AŞ (*)	İstanbul/TURKEY	99.00	99.44
6 Vakıfbank International AG (*)	Vienna/AUSTRIA	90.00	90.00
7 Vakıf Portföy Yönetimi AŞ (*)	İstanbul/TURKEY	99.99	99.99
8 Vakıf Enerji ve Madencilik AŞ (***)	Ankara/TURKEY	65.50	84.92
9 Taksim Otelcilik AŞ (*)	İstanbul/TURKEY	51.00	51.52
10 Vakıf Pazarlama Sanayi ve Ticaret AŞ (*)	İstanbul/TURKEY	69.33	74.98
11 Vakıf Gayrimenkul Değerleme AŞ (*)	Ankara/TURKEY	54.29	58.54

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Company's Fair Value
1	861,227	279,516	161,856	4,587	247	(7,866)	(29,854)	317,549
2	1,513,322	122,570	34,823	17,820	12,838	7,046	2,162	165,471
3	577,601	88,624	348	16,800	-	3,861	2,656	57,708
4	633,783	102,307	4,161	9,824	68	2,123	6,082	105,401
5	84,960	53,565	347	2,043	149	1,479	1,630	36,766
6	1,726,859	204,244	1,554	13,558	2,265	4,252	3,119	166,683
7	6,899	6,190	8	174	3	475	322	16,633
8	8,208	8,087	1,062	316	-	588	(51)	12,500
9	221,123	217,359	92,624	3,206	18	42	7,460	212,968
10	30,433	24,388	794	481	48	509	-	-
11	20,047	16,954	757	515	21	(76)	7,185	26,987

(*)The financial statements as at and for the three-month period ended 31 March 2012 are presented.

(**)Figures are obtained from reviewed financial statements for the three-month period ended 31 March 2012 disclosed in Public Disclosure Platform.

(***)The financial statements as at and for the year ended 31 December 2011 are presented.

Movement table of investments in subsidiaries

	Current Period	Prior Period
Balance at the beginning of the period	644,998	688,501
Movements during the period	9,304	(43,503)
Transfers	-	-
Acquisitions and capital increases	-	-
Bonus shares received	7,771	14,678
Dividends from current year profit	(15,203)	(13,243)
Sales and liquidations	-	-
Fair value changes	16,736	(44,938)
Impairment losses	-	-
Balance at the end of the period	654,302	644,998
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

With the merger, the 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.

Methods to measure investments in subsidiaries

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	654,302	644,998
Equity method of accounting	-	-
Total	654,302	644,998

Sectoral distribution of investments in financial subsidiaries

	Current Period	Prior Period
Banks	150,015	150,015
Insurance companies	204,618	193,303
Factoring companies	45,237	50,368
Leasing companies	61,881	54,080
Finance companies	-	-
Other financial subsidiaries	53,030	56,897
Total	514,781	504,663

Quoted subsidiaries

	Current Period	Prior Period
Quoted at domestic stock exchanges	177,310	152,804
Quoted at international stock exchanges	-	-
Total	177,310	152,804

Investments in subsidiaries disposed during the period

There is no disposal in subsidiaries in the current period.

Investments in subsidiaries acquired during the period

There is no subsidiary acquired in the current 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, from TL 50,000 to TL 60,000, by the General Assembly of the company, the share of the Bank amounting to TL 5,871 is presented as bonus shares received in the movement table of investments in subsidiaries.

In the current period, subsequent to approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Değerleme AŞ, a subsidiary of the Bank, from TL 3,500 to TL 7,000 through bonus issuance, the Bank's share of TL 1,900 of stocks are presented in bonus shares received line in movement table of investments in subsidiaries.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of 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.

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 purposes

None.

12. Information on investment properties

None.

13. Information on deferred tax assets

As at 30 June 2012 and 31 December 2011, items generating deferred tax assets or liabilities are listed below:

	Current period	Prior Period
<i>Deferred tax assets:</i>	129,241	178,817
Provision for employee termination benefits and unused vacations	51,048	47,802
Other provisions	25,742	28,937
Valuation differences of associates and subsidiaries	23,456	23,456
BRSA - Tax Code depreciation differences	17,322	16,019
Valuation differences of financial assets and liabilities	10,186	61,019
Others	1,487	1,584
<i>Deferred tax liabilities:</i>	(55,416)	(47,664)
Valuation differences of financial assets and liabilities	(37,456)	(32,316)
Valuation differences of associates and subsidiaries	(17,960)	(15,348)
Deferred tax assets, net	73,825	131,153

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

None.

15. Information on other assets

As at 30 June 2012 and 31 December 2011 other assets are as follows:

	Current period	Prior Period
Prepaid expenses	422,727	395,066
Receivables from credit card payments	249,570	392,479
Receivables from term sale of assets	46,854	103,778
Receivables from derivative financial instruments	73,600	20,177
Others	55,483	70,808
Total	848,234	982,308

II. Information and disclosures related to liabilities

1. Information on maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	1,923,314	-	301,920	11,926,202	1,839,425	142,130	108,522	-	16,241,513
Foreign Currency Deposits	1,368,656	-	1,428,926	8,874,529	1,876,187	447,445	1,242,379	-	15,238,122
Residents in Turkey	1,283,995	-	1,426,035	8,813,281	1,832,046	409,880	1,017,190	-	14,782,427
Residents in Abroad	84,661	-	2,891	61,248	44,141	37,565	225,189	-	455,695
Public Sector Deposits	2,406,960	-	1,256,943	5,578,643	847,303	128,980	27,807	-	10,246,636
Commercial Deposits	1,116,116	-	1,900,523	5,123,665	2,678,201	307,890	3,906	-	11,130,301
Others	2,054,013	-	558,061	2,128,794	1,134,171	133,809	12,900	-	6,021,748
Precious Metal Deposits	524,029	-	-	-	-	-	-	-	524,029
Bank Deposits	13,078	-	2,974,602	821,375	287,157	102,962	8,423	-	4,207,597
Central Bank	175	-	-	-	-	-	-	-	175
Domestic Banks	1,782	-	2,946,635	299,988	6,701	102,962	8,423	-	3,366,491
Foreign Banks	4,532	-	27,967	521,387	280,456	-	-	-	834,342
Participation Banks	6,589	-	-	-	-	-	-	-	6,589
Others	-	-	-	-	-	-	-	-	-
Total	9,406,166	-	8,420,975	34,453,208	8,662,444	1,263,216	1,403,937	-	63,609,946

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	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
Central Bank	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

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	6,928,805	6,344,011	9,312,708	8,678,865
Foreign Currency Saving Deposits	1,835,912	1,485,189	5,036,841	4,116,656
Other Saving Deposits	-	-	-	-
Foreign branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	8,764,717	7,829,200	14,349,549	12,795,521

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	11,198	7,231
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	2,158	1,859
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	4,619	3,666	3,399	4,574
Swap Transactions	16,650	125,558	973	333,331
Futures	-	-	-	-
Options	45	177	4	93
Others	-	-	-	-
Total	21,314	129,401	4,376	337,998

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Bank and Institutions	92,132	265,533	75,254	260,049
Foreign Banks, Institutions and Funds	-	7,128,245	-	7,902,004
Total	92,132	7,393,778	75,254	8,162,053

Maturity information of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short-term (*)	74,840	2,593,178	60,706	2,883,277
Medium and Long term (*)	17,292	4,800,600	14,548	5,278,776
Total	92,132	7,393,778	75,254	8,162,053

(*) Maturity profile of funds borrowed is prepared in accordance to their original maturities.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 8.66% (31 December 2011: 10.3%) 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 28 March 2011, the Bank has obtained syndication loan of USD 192.5 million and Euro 573.5 million with one year maturity at the cost Libor + 1.10% for USD and Euribor + 1.10% for EUR, with the participation of 34 banks under the coordination of West LB AG, the the loan was repaid on 29 March 2011.

This loan has been renewed with a syndicated loan at the amount of US Dollar 152 million and Euro 586.7 million with interest rates of US Libor + 1.45 % and Euribor + 1.45 % at a maturity of one year, with the participation of 41 banks under the coordination of Wells Fargo Bank NA on 10 April 2012.

Information on securities issued

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

On 31 January 2012, the Bank has issued discounted bonds with a nominal value of TL 1,000,000 and 178 days maturity. As at 30 June 2012, the carrying amount of the related bonds is TL 984,230.

On 1 June 2012, the Bank has issued discounted bonds with a nominal value of TL 500,000 and 179 days maturity. As at 30 June 2012, the carrying amount of the related bonds is TL 883,938.

On 1 June 2012, the Bank has issued floating-rate bonds with monthly coupon payment with a nominal value of TL 200,000 and 374 days maturity. As at 30 June 2012, the carrying amount of the related bonds is TL 105,639.

The Bank has issued the bond with a nominal value of USD 500 million and with the maturity date of 24 April 2011. 36% of the bond has been sold in Europe, 27% in the United States, 27% in England, 10% in Asia and the Middle East. Furthermore, with respect to purchaser parties 64% of the bond was purchased by fund managers, 18% was purchased by banks, 14% by private banks and 4% by insurance and pension funds. As of 30 June 2012, the carrying amount of the bond is TL 900,012.

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.

5. Information on lease payables (net)

Obligations under finance leases

None.

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

Negative fair values of hedging purpose derivatives

None.

7. Information on provisions

Information on general provisions

	Current Period	Prior period
Provisions for loans and receivables in Group I	679,561	583,470
Provisions for loans and receivables in Group II	57,890	38,615
Provisions for non-cash loans	50,385	46,189
Others	3,240	2,906
Total	791,076	671,180

Provision for currency exchange loss on foreign currency indexed loans

	Current Period	Prior Period
Provision for currency exchange gain/loss on foreign currency indexed loans	47,262	2,419

The Bank has recorded provision amounting to TL 47,262 (31 December 2011: TL 2,419) for foreign exchange losses on principal amounts of foreign currency indexed loans and 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 Period	Prior Period
Non-cash loans with limited collectability	538	417
Non-cash loans with doubtful collectability	1,556	7,485
Uncollectible non-cash loans	63,618	60,035
Total	65,712	67,937

Information on other provisions

As of 30 June 2012 the Bank has recorded 5% (31 December 2011: 5%) provision for possible loan losses. Certain amount of this provision has been recognized under general provisions, and remaining TL 58,132 (31 December 2011: TL 51,676) 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 Period	Prior period
Specific provisions for non-cash loans	65,712	67,937
Provision for loans under follow-up	58,132	51,676
Provision for World Vakıf UBB Ltd with regard to its negative equity	27,085	26,777
Provisions for lawsuits against the Bank	14,673	14,673
Provisions for credit card promotions	7,432	7,923
Provision for cheques	6,189	16,530
Other provisions	9,450	36,955
Total	188,673	222,471

8. Taxation

Current taxes

Tax provision

As at 30 June 2012, the tax provision amounts to TL 188,134 (31 December 2011: TL 298,638), after deducting prepaid taxes amounted to TL 81,538 (31 December 2011: TL 280,814) corporate tax liabilities of the Bank amounts to TL 106,596 (31 December 2011: TL 17,824).

Information on taxes payable

	Current Year	Prior Year
Corporate taxes payable	106,596	17,824
Taxation on securities	90,574	62,943
Capital gains tax on property	1,316	1,204
Taxes on foreign exchange transactions	-	-
Banking and Insurance Transaction Tax (BITT)	36,393	28,153
Value added tax payable	1,338	1,284
Others	13,930	13,819
Total	250,147	125,227

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	495	429
Unemployment insurance- employer share	989	858
Total	1,484	1,287

Information on deferred tax liabilities

Disclosed in Note 13 of information and disclosures related to assets.

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

None.

10. Information on subordinated loans

None.

11. Information on equity

Paid-in capital

	Current Period	Prior Period
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
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 period

There is no share capital increase in the current and prior period.

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following period

None.

Prior period 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.

Valuation differences of the marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	309,498	56,311	257,946	56,311
Fair value differences of available-for-sale securities	(58,099)	185,162	(180,809)	112,876
Foreign exchange differences	6,980	-	6,980	-
Total	258,379	241,473	84,117	169,187

III. Information and disclosures related to off-balance sheet items

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

	Current Period	Prior period
Commitments for credit card limits	4,719,799	4,322,604
Loan granting commitments	4,479,302	4,574,348
Commitments for cheque payments	1,096,044	829,640
Asset purchase sale commitments	2,128,036	1,626,838
Share capital commitments to associates and subsidiaries	1,000	1,000
Other	236,131	294,933
Total	12,660,312	11,649,363

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

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

The Bank provided specific provision amounting to TL 65,712 (31 December 2011: TL67,937) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 67,863 (31 December 2011: TL 69,605).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional letters of guarantee	482,542	489,911
Final letters of guarantee	4,352,707	4,493,718
Letters of guarantee for advances	2,145,368	1,946,721
Letters of guarantee given to custom offices	368,561	323,046
Other letters of guarantee	4,526,487	3,819,360
Total	11,875,665	11,072,756

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	1,125,844	591,334
<i>With original maturity of 1 year or less</i>	709,634	353,374
<i>With original maturity of more than 1 year</i>	416,210	237,960
Other non-cash loans	15,709,800	15,072,695
Total	16,835,644	15,664,029

3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	67,065	0.68	176,011	2.50	44,778	0.49	189,336	2.85
Farming and Cattle	56,088	0.56	168,264	2.39	39,146	0.43	176,234	2.65
Forestry	9,355	0.10	5,252	0.07	4,610	0.05	7,949	0.12
Fishing	1,622	0.02	2,495	0.04	1,022	0.01	5,153	0.08
Manufacturing	4,183,748	42.65	3,497,415	49.77	3,990,192	44.24	3,237,435	48.72
Mining	60,684	0.62	66,838	0.95	49,592	0.55	53,415	0.80
Production	2,872,228	29.28	3,069,700	43.68	2,889,888	32.04	2,816,140	42.38
Electric, gas and water	1,250,836	12.75	360,877	5.14	1,050,712	11.65	367,880	5.54
Construction	1,656,978	16.89	1,112,138	15.83	1,509,054	16.73	1,021,201	15.37
Services	3,601,285	36.71	1,693,695	24.10	2,843,974	31.55	1,239,570	18.65
Wholesale and retail trade	1,473,272	15.02	651,805	9.28	1,093,274	12.13	380,986	5.73
Hotel, food and beverage	69,255	0.71	11,168	0.17	57,270	0.64	1,931	0.03
Transportation and	463,713	4.73	737,883	10.48	463,721	5.14	780,211	11.74
Financial institutions	1,120,151	11.40	38,275	0.54	1,166,857	12.94	57,600	0.87
Real estate and renting	107,658	1.10	162,951	2.32	15,604	0.17	43	0.00
Self-employment services	284,060	2.90	70,131	1.00	-	-	-	-
Education services	6,495	0.07	-	-	6,817	0.08	-	-
Health and social services	76,681	0.78	21,482	0.31	40,431	0.45	18,799	0.28
Others	299,942	3.07	547,367	7.80	630,744	6.99	957,745	14.41
Total	9,809,018	100.00	7,026,626	100.00	9,018,742	100.00	6,645,287	100.00

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	9,686,315	2,049,933	62,420	10,823
Confirmed Bills of Exchange and Acceptances	26,965	840,867	-	-
Letters of Credit	-	4,083,410	-	3,047
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	4,001	-	-
Non-Cash Loans	9,713,280	6,978,211	62,420	13,870

Prior Period	Group I		Group II	
	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

5. Contingent assets and liabilities

None.

6. 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.

IV. Information on disclosures related to the statement of income

1. Interest income

Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term Loans	931,883	100,363	603,142	61,152
Medium and Long-Term Loans	1,863,828	351,126	1,247,536	240,293
Loans Under Follow-Up	47,680	-	61,309	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	2,843,391	451,489	1,911,987	301,445

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks	350	1,006	1,003	870
Foreign Banks	32	936	42	2,309
Foreign Head Office and Branches	-	-	-	-
Total	382	1,942	1,045	3,179

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	8,513	10,806

2. Interest expense

Interest expense on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	3,473	63,895	2,276	54,641
Central Bank of Turkey	-	-	-	-
Domestic Banks	3,473	2,049	2,276	949
Foreign Banks	-	61,846	-	53,692
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	4,008	-	3,200
Total	3,473	67,903	2,276	57,841

Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	22,309	16,623

Interest expense on securities issued

Interest paid to securities issued as at for the six-month period ended 30 June 2012 is TL 63,188 (30 June 2011: None).

3. Information on trading income/losses

	Current Period	Prior Period
Income	942,660	615,055
Income from capital market transactions	44,393	33,783
Income from derivative financial instruments	296,228	200,913
Foreign exchange gains	602,039	380,359
Losses	(824,465)	(573,210)
Losses from capital market transactions	(4,735)	(4,241)
Losses from derivative financial instruments	(285,605)	(178,963)
Foreign exchange losses	(534,125)	(390,006)
Trading income/losses, net	118,195	41,845

Net profit arising from changes in foreign exchange rates that relate to the Bank's foreign exchange rate based derivative financial instruments is amounting to TL 37,351 as at and for the six-month period ended 30 June 2012 (30 June 2011: TL 33,232).

4. Information on other operating income

	Current Period	Prior Period
Income from reversal of specific provisions for loans	242,258	335,256
Communication income	37,883	40,223
Gain on sale of assets	16,904	40,668
Rent income	8,103	1,578
Other income	65,313	26,243
Total	370,461	443,968

5. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	254,779	196,179
<i>Loans and receivables in Group III</i>	51,303	35,858
<i>Loans and receivables in Group IV</i>	193,649	123,661
<i>Loans and receivables in Group V</i>	9,827	36,660
Non-performing commissions and other receivables	-	-
General provision expenses	120,221	106,297
Provision for possible losses	8,251	8,671
Impairment losses on securities:	30,181	20,056
<i>Trading securities</i>	-	-
<i>Investment securities available-for-sale</i>	30,181	20,056
Other impairment losses:	11,405	12,521
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	11,405	12,521
Others ^(*)	68,131	60,532
Total	492,968	404,256

^(*) Other provision expenses amounting to TL 68,131 (30 June 2011: TL 60,532) is comprised of provision expenses for dividends to the personnel amounting to TL 51,443 (30 June 2011: TL 46,375), provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 13,363 (30 June 2011: TL 12,858 and other provision expenses amounting to TL 3,325 (30 June 2011 : TL 1,299).

6. Information on other operating expenses

	Current Period	Prior Period
Personnel Costs	497,397	404,034
Reserve for Employee Termination Benefits	15,257	6,815
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses on Tangible Assets	51,890	49,934
Impairment Losses on Intangible Assets	-	-
Amortization Expenses on Intangible Assets	4,369	4,412
Impairment Losses on Assets to be Disposed	4,762	1,565
Depreciation Expenses on Assets to be Disposed	6,225	5,489
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	442,601	377,844
<i>Operational lease expenses</i>	62,182	54,191
<i>Repair and maintenance expenses</i>	7,447	6,107
<i>Advertisement expenses</i>	31,869	11,743
<i>Other expenses</i>	341,103	305,803
Loss on sale of assets	63	315
Others	40,022	85,722
Total	1,062,586	936,130

7. Provision for taxes on income

Current period taxation benefit or charge and deferred tax benefit or charge

In the current period, the Bank has recorded a tax charge of TL 158,135 (30 June 2011 : TL 176,895) from the net taxable profit calculated in accordance the laws and regulations in effect. Deferred tax benefit of the Bank is detailed in the below table.

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

	Current Period	Prior Period
Sources of deferred tax benefit/charge		
Arising from Origination / (Reversal) of Deductible Temporary Differences	(46,025)	3,545
Arising from (Origination)/ Reversal of Taxable Temporary Differences	13,090	(1,091)
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from tax rate change	-	-
Total	(32,935)	2,454

8. Information on 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 period results

None.

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

None.

V. 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 period end and income and expenses in the current period

Current Period	Associates, 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 period	293,552	614,114	-	6,572	4,443	1,540
Balance at the end of the period	134,453	566,980	-	12,616	7,748	14,335
Interest and commission income	8,513	646	-	19	104	12

Prior Period	Associates, 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 period	914,750	340,525	-	563	8,978	2,371
Balance at the end of the period	293,552	614,114	-	6,572	4,443	1,540
Interest and commission income	10,806	285	-	21	200	25

Information on deposits held by the Bank's risk group

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits:						
Balance at the beginning of the period	1,085,232	731,751	728,474	581,885	92,454	54,423
Balance at the end of the period	1,333,477	1,085,232	674,811	728,474	61,626	92,454
Interest on deposits	22,309	16,623	28,725	19,417	289	231

Information on forwards, options and other derivative transactions held by the Bank's risk group

None.

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

Pricing policy and other conditions of transactions with the risk group of the Bank, are determined and applied on arm's length basis. The ratio of cash and non-cash loans given to the Bank's risk group to total cash and non-cash loans are 0.23% (31 December 2011: 0.52%) and 3.53% (31 December 2011: 3.97%), respectively.

Current Period	Amount	Compared to financial statement amount (%)
Cash loans	142,201	0.23
Non-cash loans	593,931	3.53
Deposits	2,069,914	3.25
Forward and option agreements	-	-

Prior Period	Amount	Compared to 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	-	-

SECTION SIX

Other Disclosures and Footnotes

I. Other disclosures on the Bank's activity

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

Profit Distribution Table of Year 2011	
Bank's unconsolidated profit in its statutory financial statements	1,226,785
Deferred tax income	(25,524)
Net profit of the year subject to distribution	1,201,261
Legal reserves	120,126
<i>First Legal Reserves</i>	<i>60,063</i>
<i>Reserves allocated according to banking law and articles of association.</i>	<i>60,063</i>
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 shareholders	37,000

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

June 2012 (*)		Standard Poors
Foreign Currency Credit Rating		BB / Stable / B
Foreign Currency Credit Rating		BB / Stable / B
National		trAA / -- / trA-1
Continuance Rating		NR
July 2012 (*)		Moody's Investors' Service
Financial Strength Rating		D+
Local Currency Deposit Rating		Baa2 / P-2
Local Currency Outlook		Stable
Foreign Currency Deposit Rating		Ba2 / NP
Foreign Currency Outlook		Stable
December 2011 (*)		Fitch 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		WD
Support Rating		3
Base Support Rating		BB+
February 2012 (*)		Capital Intelligence
Financial Strength Rate		BBB-
Short Term Foreign Currency		B
Long Term Foreign Currency		BB
Support Rating		2
Outlook Foreign Currency		Stable

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

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

The Bank's bill with the ISIN code TRQVKFB71212 with TL 1,000,000,000 nominal value and 178 days maturity which is offered to public on 25-26-27 January 2012 has matured on 27 July 2012.

On 27 July 2012, the Bank has issued two discounted bills; first with the ISIN code TRQVKFB11317, nominal value of TL 724,565, and 175 days maturity; second with the ISIN code TRQVKFB61312, nominal value of TL 98,070, and 318 days maturity.

The Bank has applied for the register by the Capital Market Board and the authorization from the BRSA to issue either Eurobond or bill having the provisions of subordinated debt with at least 2-year term, at a maximum amount of US Dollar 2 billion equivalent of U.S. Dollar, Euro, Swiss Franc and/ or other currencies highly liquid in international bond and money markets.

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

None.

SECTION SEVEN

I. Independent Auditors' Review Report

1. Information on the independent auditors' review report

The Bank's unconsolidated interim financial statements and footnotes as at and for the six-month period ended 30 June 2012 have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International, a Swiss cooperative). It was noted in their review report dated 9 August 2012 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated interim financial statements do not give a true and fair view of the Bank's financial position and results of its operations.