

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report

As at and for the Year Ended

31 December 2011

With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik AŞ

14 February 2012

*This report contains "Independent Auditors'
Report" comprising 2 pages and; "Unconsolidated
Financial Statements and Related Disclosures and
Footnotes" comprising 84 pages.*

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

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

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

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Independent Auditors' Opinion:

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

Istanbul,
14 February 2012

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Özkan Genç
Partner

Additional paragraph for convenience translation to English:

As explained in Section 3 Note I, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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

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

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

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

14 February 2012

Halil AYDOĞAN Chairman of Board of Directors	Serdar TUNÇBİLEK Board Member and Audit Committee Member	Halim KANATCI Board Member and Audit Committee Member	Süleyman KALKAN General Manager and Board Member
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Metin Recep ZAFER
Assistant General Manager

Murat KOYGUN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

Name-Surname/Title : A. Sonat ŞEN /Manager	S. Buğra SÜRÜEL /Assistant Manager
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Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report as at and

For the Year Ended 31 December 2011

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

SECTION ONE

General Information

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

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

II. The Bank’s shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the year and information on Bank’s risk group

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

As at 31 December 2011 and 2010, the Bank’s paid-in capital is TL 2,500,000, divided into 250.000.000.000 shares with each has a nominal value of 1 Kuruş.

The Bank’s shareholder structure as at 31 December 2011 is stated below:

Shareholders	Number of Shares- 100 shares	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Foundations represented by the General Directorate of the Foundations (Group A)	1.075.058.640	1,075,059	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402.552.666	402,553	16.10
Appendant foundations (Group B)	386.224.785	386,225	15.45
Other appendant foundations (Group B)	3.162.359	3,162	0.13
Other registered foundations (Group B)	1.448.543	1,448	0.06
Other real persons and legal entities (Group C)	1.560.320	1,560	0.06
Publicly traded (Group D)	629.992.687	629,993	25.20
Total	2.500.000.000	2,500,000	100.00

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report as at and

For the Year Ended 31 December 2011

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

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

<u>Name and Surname</u>	<u>Responsibility</u>	<u>Date of Appointment</u>	<u>Education</u>	<u>Experience in Banking</u>
<u>Board of Directors</u>				
Halil AYDOĞAN	Chairman	5 January 2012	University	35 years
Süleyman KALKAN	Member – General Manager	19 March 2010	University	28 years
Ahmet CANDAN	Member	19 March 2010	University	24 years
Serdar TUNÇBİLEK	Member	24 July 2007	University	28 years
İsmail ALPTEKİN	Member	6 April 2009	University	13 years
Ramazan GÜNDÜZ	Member	6 April 2009	University	33 years
Halim KANATÇI	Member	28 April 2009	University	38 years
Selahattin TORAMAN	Member	19 March 2010	University	34 years
Dr. Adnan ERTEM	Member	27 October 2010	PHD	23 years
<u>Audit Committee</u>				
Serdar TUNÇBİLEK	Member	1 April 2010	University	28 years
Halim KANATÇI	Member	5 November 2010	University	38 years
<u>Auditors</u>				
Mehmet HALTAŞ	Auditor	19 March 2010	University	34 years
Yunus ARINCI	Auditor	19 March 2010	Master	14 years
<u>Executive Vice Presidents</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	Private Banking, International Relations and Investor Relations	15 June 2006	Master	18 years
Ömer ELMAS	Legal Services, Non-performing Loans	5 January 2009	Master	9 years
İbrahim BİLGİÇ	Commercial Banking, Corporate Banking, Corporate Centers, Corporate Loans	7 May 2010	University	20 years
Hasan ECESoy	Treasury, Investment Banking	18 June 2010	PHD	18 years
Serdar SATOĞLU	Private Banking, Subsidiaries	17 June 2010	PHD	16 years
Ali Engin EROĞLU	Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate	18 August 2010	Master	15 years
Osman DEMREN	Commercial Banking, Cash Management Affairs, SME Banking	6 April 2011	University	21 years
Mitat ŞAHİN	Human Resources, Planning and Performance	11 April 2011	Master	22 years
Yıldırım EROĞLU	Commercial Loans, Intelligence	6 December 2011	University	19 years

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report as at and

For the Year Ended 31 December 2011

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

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

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

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

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

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

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

IV. Information on individuals and entities who have qualified share in the Bank

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

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

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

- Lending loans by granting securities and real estates against,
- Establishing or participating in all kinds of insurance corporations already established,
- Trading real estates,
- Servicing all banking operations and services,
- Operating real estates and participating in industrial sectors for corporations handed over by foundations and General Directorate of the Foundations in line with conditions stipulated by agreements if signed.
- The Bank is established to render banking services to the foundations and carry out cashier transactions of the General Directorate of Foundations in compliance with the agreements signed by General Directorate of the Foundations.

As at 31 December 2011 , the Bank has 677 domestic, 3 foreign, in total 680 branches (31 December 2010: 634 domestic, 2 foreign, in total 636 branches). As at 31 December 2011, the Bank has 12,222 employees (31 December 2010: 11,077 employees).

ASSETS	Notes	Audited Current Year 31 December 2011			Audited Prior Year 31 December 2010		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	2,069,286	5,067,834	7,137,120	2,609,343	2,037,537	4,646,880
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	4,182	169,956	174,138	1,343	22,705	24,048
2.1 Financial assets held for trading purpose		4,182	169,956	174,138	1,343	22,705	24,048
2.1.1 Debt securities issued by the governments		-	-	-	-	-	-
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading purpose	V-I-2	4,182	169,956	174,138	1,343	22,705	24,048
2.1.4 Other securities		-	-	-	-	-	-
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
III. BANKS	V-I-3	4,217	2,125,373	2,129,590	73,080	1,198,593	1,271,673
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		190,127	-	190,127	2,101,584	-	2,101,584
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		190,127	-	190,127	2,101,584	-	2,101,584
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	10,424,851	2,714,138	13,138,989	11,258,009	2,506,822	13,764,831
5.1 Equity securities		-	10,750	10,750	-	10,750	10,750
5.2 Debt securities issued by the governments		10,424,851	2,653,693	13,078,544	11,258,009	2,421,794	13,679,803
5.3 Other securities		-	49,695	49,695	-	74,278	74,278
VI. LOANS AND RECEIVABLES	V-I-5	39,030,377	18,278,855	57,309,232	31,568,514	13,292,505	44,861,019
6.1 Performing loans and receivables		38,921,755	18,278,855	57,200,610	31,543,889	13,292,505	44,836,394
6.1.1 Loans provided to the Bank's risk group	V-VII-1	163,266	134,729	297,995	713,256	210,472	923,728
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		38,758,489	18,144,126	56,902,615	30,830,633	13,082,033	43,912,666
6.2 Loans under follow-up		2,156,879	-	2,156,879	2,265,716	-	2,265,716
6.3 Specific provisions (-)		2,048,257	-	2,048,257	2,241,091	-	2,241,091
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	4,343,224	1,628,303	5,971,527	2,911,012	1,395,684	4,306,696
8.1 Debt securities issued by the governments		4,343,224	1,573,727	5,916,951	2,911,012	1,358,592	4,269,604
8.2 Other securities		-	54,576	54,576	-	37,092	37,092
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	219,527	-	219,527	206,682	-	206,682
9.1 Associates, consolidated per equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		219,527	-	219,527	206,682	-	206,682
9.2.1 Financial associates		211,933	-	211,933	199,088	-	199,088
9.2.2 Non-Financial associates		7,594	-	7,594	7,594	-	7,594
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	494,983	150,015	644,998	538,486	150,015	688,501
10.1 Unconsolidated financial subsidiaries		354,648	150,015	504,663	397,946	150,015	547,961
10.2 Unconsolidated non-financial subsidiaries		140,335	-	140,335	140,540	-	140,540
XI. INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-Financial joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES	V-I-10	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	V-I-12	1,090,688	2,894	1,093,582	1,112,028	1,764	1,113,792
XV. INTANGIBLE ASSETS (Net)	V-I-13	61,999	176	62,175	52,892	-	52,892
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		61,999	176	62,175	52,892	-	52,892
XVI. INVESTMENT PROPERTIES (Net)	V-I-14	-	-	-	-	-	-
XVII. TAX ASSETS		131,153	-	131,153	87,234	-	87,234
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets	V-I-15	131,153	-	131,153	87,234	-	87,234
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-16	-	-	-	-	-	-
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-17	871,492	110,816	982,308	723,442	112,413	835,855
TOTAL ASSETS		58,936,106	30,248,360	89,184,466	53,243,649	20,718,038	73,961,687

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

LIABILITIES AND SHAREHOLDERS' EQUITY		Notes	Audited Current Year 31 December 2011			Audited Prior Year 31 December 2010		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	43,215,813	17,723,405	60,939,218	35,265,782	12,435,493	47,701,275
1.1	Deposits of the Bank's risk group	V-VII-1	1,248,155	658,005	1,906,160	1,218,893	149,166	1,368,059
1.2	Other deposits		41,967,658	17,065,400	59,033,058	34,046,889	12,286,327	46,333,216
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING							
	PURPOSE	V-II-2	4,376	337,998	342,374	21,237	82,130	103,367
III.	FUNDS BORROWED	V-II-3	75,254	8,162,053	8,237,307	51,292	6,276,102	6,327,394
IV.	INTERBANK MONEY MARKET		2,978,533	2,961,104	5,939,637	6,113,726	2,014,588	8,128,314
4.1	Interbank money market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Obligations under repurchase agreements		2,978,533	2,961,104	5,939,637	6,113,726	2,014,588	8,128,314
V.	SECURITIES ISSUED (Net)		494,885	-	494,885	-	-	-
5.1	Bills		494,885	-	494,885	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	FUNDS		40,699	-	40,699	61,203	-	61,203
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		40,699	-	40,699	61,203	-	61,203
VII.	MISCELLANEOUS PAYABLES		1,808,249	69,014	1,877,263	1,352,381	44,587	1,396,968
VIII.	OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	150,590	454,116	604,706	132,520	370,787	503,307
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	V-II-5	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	4	4
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	4	4
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK							
	MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	V-II-7	1,253,798	29,660	1,283,458	966,708	23,182	989,890
12.1	General provisions		668,297	2,883	671,180	424,374	3,502	427,876
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		389,807	-	389,807	341,687	-	341,687
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions		195,694	26,777	222,471	200,647	19,680	220,327
XIII.	TAX LIABILITIES	V-II-8	124,710	1,804	126,514	187,525	3,941	191,466
13.1	Current tax liabilities		124,710	1,804	126,514	187,525	3,941	191,466
13.2	Deferred tax liabilities	V-I-15	-	-	-	-	-	-
XIV.	PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS							
	RELATED TO DISCONTINUED OPERATIONS (Net)	V-II-9	-	-	-	-	-	-
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	V-II-10	-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY		9,129,218	169,187	9,298,405	8,317,385	241,118	8,558,503
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		882,917	169,187	1,052,104	1,261,024	241,118	1,502,142
16.2.1	Share premium		723,918	-	723,918	723,918	-	723,918
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-11	84,117	169,187	253,304	465,543	241,118	706,661
16.2.4	Revaluation surplus on tangible assets		7,564	-	7,564	5,033	-	5,033
16.2.5	Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6	Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures		67,318	-	67,318	66,530	-	66,530
16.2.8	Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		-	-	-	-	-	-
16.3	Profit reserves		4,519,516	-	4,519,516	3,399,221	-	3,399,221
16.3.1	Legal reserves		590,498	-	590,498	476,116	-	476,116
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		3,689,113	-	3,689,113	2,696,515	-	2,696,515
16.3.4	Other profit reserves		239,905	-	239,905	226,590	-	226,590
16.4	Profit or loss		1,226,785	-	1,226,785	1,157,140	-	1,157,140
16.4.1	Prior years' profit/loss		-	-	-	-	-	-
16.4.2	Current year's profit/loss		1,226,785	-	1,226,785	1,157,140	-	1,157,140
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			59,276,125	29,908,341	89,184,466	52,469,759	21,491,928	73,961,687

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

	Notes	Audited Current Year 31 December 2011			Audited Prior Year 31 December 2010		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		39,880,044	33,288,485	73,168,529	19,612,172	9,048,213	28,660,385
I. GUARANTEES AND SURETIES	V-III-2-4	9,018,742	6,645,287	15,664,029	6,466,338	4,878,322	11,344,660
1.1 Letters of guarantee		8,988,954	2,083,802	11,072,756	6,454,001	1,775,159	8,229,160
1.1.1 Guarantees subject to State Tender Law		1,421,940	735,091	2,157,031	1,001,341	407,089	1,408,430
1.1.2 Guarantees given for foreign trade operations		323,046	-	323,046	215,578	-	215,578
1.1.3 Other letters of guarantee		7,243,968	1,348,711	8,592,679	5,237,082	1,368,070	6,605,152
1.2 Bank acceptances		29,056	454,538	483,594	8,587	188,036	196,623
1.2.1 Import letter of acceptance		375	40,122	40,497	-	27,800	27,800
1.2.2 Other bank acceptances		28,681	414,416	443,097	8,587	160,236	168,823
1.3 Letters of credit		732	4,098,668	4,099,400	3,750	2,907,531	2,911,281
1.3.1 Documentary letters of credit		732	4,098,668	4,099,400	3,750	2,907,531	2,911,281
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	6,941	6,941	-	6,823	6,823
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Marketable securities underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	1,166	1,166	-	773	773
1.9 Other sureties		-	172	172	-	-	-
II. COMMITMENTS		26,604,769	17,950,010	44,554,779	9,844,083	503,975	10,348,058
2.1 Irrevocable commitments		10,761,185	888,178	11,649,363	9,843,938	503,975	10,347,913
2.1.1 Asset purchase commitments	V-III-1	768,919	857,919	1,626,838	412,537	492,288	904,825
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	1,000	-	1,000	2,000	-	2,000
2.1.4 Loan granting commitments	V-III-1	4,574,348	-	4,574,348	3,679,208	-	3,679,208
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		-	-	-	-	-	-
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	4,322,604	-	4,322,604	4,880,798	-	4,880,798
2.1.10 Commitments for credit card and banking operations promotions		246,030	-	246,030	201,107	-	201,107
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		18,644	30,259	48,903	13,094	11,687	24,781
2.2 Revocable commitments		15,843,584	17,061,832	32,905,416	145	-	145
2.2.1 Revocable loan granting commitments		15,843,584	17,061,832	32,905,416	145	-	145
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	V-III-5	4,256,533	8,693,188	12,949,721	3,301,751	3,665,916	6,967,667
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		4,256,533	8,693,188	12,949,721	3,301,751	3,665,916	6,967,667
3.2.1 Forward foreign currency purchases/sales		241,499	730,482	971,981	39,955	64,916	104,871
3.2.1.1 Forward foreign currency purchases		120,798	365,252	486,050	19,983	32,459	52,442
3.2.1.2 Forward foreign currency sales		120,701	365,230	485,931	19,972	32,457	52,429
3.2.2 Currency and interest rate swaps		3,895,134	7,304,219	11,199,353	3,135,142	3,471,963	6,607,105
3.2.2.1 Currency swaps-purchases		2,939,954	2,126,335	5,066,289	1,319,674	1,729,042	3,048,716
3.2.2.2 Currency swaps-sales		955,180	3,515,768	4,470,948	1,575,468	1,447,017	3,022,485
3.2.2.3 Interest rate swaps-purchases		-	837,023	837,023	120,000	154,367	274,367
3.2.2.4 Interest rate swaps-sales		-	825,093	825,093	120,000	141,537	261,537
3.2.3 Currency, interest rate and security options		119,900	127,332	247,232	126,654	129,037	255,691
3.2.3.1 Currency call options		59,950	63,666	123,616	63,327	64,518	127,845
3.2.3.2 Currency put options		59,950	63,666	123,616	63,327	64,519	127,846
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	-	-	-	-	-
3.2.3.6 Security put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-purchases		-	-	-	-	-	-
3.2.4.2 Currency futures-sales		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-	-	-	-
3.2.6 Others		-	531,155	531,155	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		357,053,294	124,320,048	481,373,342	88,652,364	26,426,105	115,078,469
IV. ITEMS HELD IN CUSTODY		124,012,854	1,965,815	125,978,669	20,489,343	691,971	21,181,314
4.1 Customers' securities held		-	18,287	18,287	-	15,028	15,028
4.2 Investment securities held in custody		119,736,673	8,216	119,744,889	18,033,907	6,752	18,040,659
4.3 Checks received for collection		3,205,549	488,732	3,694,281	1,591,885	245,019	1,836,904
4.4 Commercial notes received for collection		679,477	175,092	854,569	388,999	119,465	508,464
4.5 Other assets received for collection		2,152	75	2,227	2,152	62	2,214
4.6 Assets received through public offering		-	5,570	5,570	-	4,860	4,860
4.7 Other items under custody		309	919,351	919,660	237,108	125,066	362,174
4.8 Custodians		388,694	350,492	739,186	235,292	175,719	411,011
V. PLEDGED ITEMS		80,054,062	33,316,757	113,370,819	68,163,021	25,734,134	93,897,155
5.1 Securities		152,464	36,226	188,690	837,239	61,103	898,342
5.2 Guarantee notes		370,412	106,362	476,774	266,716	110,761	377,477
5.3 Commodities		13,878,556	551,059	14,429,615	10,550,064	105,548	10,655,612
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		61,440,934	25,435,504	86,876,438	51,514,221	21,778,197	73,292,418
5.6 Other pledged items		3,818,024	7,124,472	10,942,496	4,233,678	3,497,190	7,730,868
5.7 Pledged items-depository		393,672	63,134	456,806	761,103	181,335	942,438
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		152,986,378	89,037,476	242,023,854	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		396,933,338	157,608,533	554,541,871	108,264,536	35,474,318	143,738,854

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

	Notes	Audited Current Year 31 December 2011	Audited Prior Year 31 December 2010
I. INTEREST INCOME		6,501,067	5,882,857
1.1 Interest income from loans	V-IV-1	4,932,705	4,133,861
1.2 Interest income from reserve deposits		-	68,446
1.3 Interest income from banks	V-IV-1	8,516	6,637
1.4 Interest income from money market transactions		4,104	59,994
1.5 Interest income from securities portfolio	V-IV-1	1,509,415	1,580,768
1.5.1 Trading financial assets		-	903
1.5.2 Financial assets at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets		1,047,285	1,218,665
1.5.4 Held-to-maturity investments		462,130	361,200
1.6 Finance lease income		-	-
1.7 Other interest income		46,327	33,151
II. INTEREST EXPENSE		3,607,349	3,152,856
2.1 Interest expense on deposits	V-IV-2	2,939,515	2,627,995
2.2 Interest expense on funds borrowed	V-IV-2	135,141	88,175
2.3 Interest expense on money market transactions		478,656	385,342
2.4 Interest expense on securities issued	V-IV-2	16,555	-
2.5 Other interest expenses		37,482	51,344
III. NET INTEREST INCOME (I - II)		2,893,718	2,730,001
IV. NET FEES AND COMMISSIONS INCOME		559,307	443,282
4.1 Fees and commissions received		747,092	562,334
4.1.1 Non-cash loans		65,658	62,907
4.1.2 Others		681,434	499,427
4.2 Fees and commissions paid		187,785	119,052
4.2.1 Non-cash loans		132	199
4.2.2 Others		187,653	118,853
V. DIVIDEND INCOME	V-IV-3	44,817	35,189
VI. TRADING INCOME/LOSSES (Net)	V-IV-4	39,000	316,289
6.1 Trading account income/losses	V-IV-4	74,700	365,684
6.2 Income/losses from derivative financial instruments	V-IV-4	(13,872)	(70,747)
6.3 Foreign exchange gains/losses	V-IV-4	(21,828)	21,352
VII. OTHER OPERATING INCOME	V-IV-5	885,315	601,030
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		4,422,157	4,125,791
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	905,596	973,204
X. OTHER OPERATING EXPENSES (-)	V-IV-7	1,941,380	1,689,813
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,575,181	1,462,774
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		1,575,181	1,462,774
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-11	(348,396)	(305,634)
16.1 Current tax charges		(373,920)	(318,948)
16.2 Deferred tax credits		25,524	13,314
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-12	1,226,785	1,157,140
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from investment properties		-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3 Other income from discontinued activities		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Investment property expenses		-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3 Other expenses from discontinued activities		-	-
XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES (±)		-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge		-	-
XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	V-IV-12	1,226,785	1,157,140
Earnings per 100 share (full TL)	III-XXII	0.4907	0.4629

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Statement of Gains and Losses

Recognized in Shareholders' Equity

For the Year Ended 31 December 2011

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

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

GAINS AND LOSSES RECOGNIZED IN SHAREHOLDERS' EQUITY		Notes	Audited Current Year 31 December 2011	Audited Prior Year 31 December 2010
I.	VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	V-V-1	(466,878)	(42,011)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS		-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS		-	-
IV.	CURRENCY TRANSLATION DIFFERENCES		-	-
V.	GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)		-	-
VI.	GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)		-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS		-	-
VIII.	OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS		(77,465)	167,664
IX.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES	V-V-1	91,774	15,534
X.	NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY		(452,569)	141,187
XI.	CURRENT YEAR'S PROFIT/LOSS		1,226,785	1,157,140
11.1	Change in fair value of securities (transfers to the statement of income)	V-V-1	132,415	101,491
11.2	Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges		-	-
11.3	Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges		-	-
11.4	Others		1,094,370	1,055,649
XII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE YEAR		774,216	1,298,327

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2011
(Currency: Thousands of Turkish Lira ("TL"))

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

CHANGES IN SHAREHOLDERS' EQUITY	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Year Net Profit/(Loss)	Prior Year Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Equity before Minority Interest	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
Prior Year – 31 December 2010																			
I.	Balances at the beginning of the year	2,500,000	-	723,918	-	353,012	-	1,713,233	206,430	1,251,206	-	565,474	1,138	66,530	-	-	7,380,941	-	7,380,941
Changes during the year																			
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Associates, Subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	141,187	-	-	-	-	141,187	-	141,187
IV.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current year's net profit/loss	-	-	-	-	-	-	-	-	1,157,140	-	-	-	-	-	-	1,157,140	-	1,157,140
XVIII.	Profit distribution	-	-	-	-	123,104	-	983,282	20,160	(1,251,206)	-	-	3,895	-	-	-	(120,765)	-	(120,765)
18.1	Dividends	-	-	-	-	-	-	-	-	(120,765)	-	-	-	-	-	-	(120,765)	-	(120,765)
18.2	Transferred to reserves	-	-	-	-	123,104	-	983,282	20,160	(1,130,441)	-	-	3,895	-	-	-	-	-	-
18.3	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the year		2,500,000	-	723,918	-	476,116	-	2,696,515	226,590	1,157,140	-	706,661	5,033	66,530	-	-	8,558,503	-	8,558,503
Current Year – 31 December 2011																			
I.	Balances at the beginning of the year	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 year																			
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Associates, Subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	(453,357)	-	-	-	-	(453,357)	-	(453,357)
4.1	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	788	-	-	788	-	788
VIII.	Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current year's net profit/loss	-	-	-	-	-	-	-	-	1,226,785	-	-	-	-	-	-	1,226,785	-	1,226,785
XVIII.	Profit distribution	-	-	-	-	114,382	-	992,598	13,315	(1,157,140)	-	-	2,531	-	-	-	(34,314)	-	(34,314)
18.1	Dividends	-	-	-	-	-	-	-	-	(34,314)	-	-	-	-	-	-	(34,314)	-	(34,314)
18.2	Transferred to reserves	-	-	-	-	114,382	-	992,598	13,315	(1,122,826)	-	-	2,531	-	-	-	-	-	-
18.3	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the year		2,500,000	-	723,918	-	590,498	-	3,689,113	239,905	1,226,785	-	253,304	7,564	67,318	-	-	9,298,405	-	9,298,405

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

	Notes	Audited Current Year 31 December 2011	Audited Prior Year 31 December 2010
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		1,173,997	2,403,884
1.1.1 Interests received		6,150,151	5,953,267
1.1.2 Interests paid		(3,506,550)	(3,241,762)
1.1.3 Dividends received		20,881	24,712
1.1.4 Fee and commissions received		559,307	443,282
1.1.5 Other income		172,935	134,826
1.1.6 Collections from previously written-off loans and other receivables	V-I-5	548,693	536,650
1.1.7 Payments to personnel and service suppliers		(1,867,002)	(1,607,748)
1.1.8 Taxes paid		(392,941)	(268,389)
1.1.9 Others	V-VI-1	(511,477)	429,046
1.2 Changes in operating assets and liabilities		(2,245,494)	(4,299,299)
1.2.1 Net (increase) decrease in financial assets held for trading purpose		-	9,722
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(2,894,613)	(652,453)
1.2.4 Net (increase) decrease in loans		(12,667,820)	(11,259,074)
1.2.5 Net (increase) decrease in other assets		(146,453)	(197,672)
1.2.6 Net increase (decrease) in bank deposits		1,585,672	(298,956)
1.2.7 Net increase (decrease) in other deposits		11,568,677	3,336,925
1.2.8 Net increase (decrease) in funds borrowed		1,900,297	1,960,613
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	V-VI-1	(1,591,254)	2,801,596
I. Net cash flow from banking operations		(1,071,497)	(1,895,415)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		(829,911)	207,002
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	V-I-7,V-I-8	(22,553)	(42,320)
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	V-I-8	-	-
2.3 Purchases of tangible assets		(104,893)	(92,597)
2.4 Proceeds from disposal of tangible assets		206,023	70,108
2.5 Cash paid for purchase of available-for-sale financial assets		(3,995,052)	(10,409,861)
2.6 Proceeds from disposal of available-for-sale financial assets		2,807,497	9,292,883
2.7 Cash paid for purchase of held-to-maturity investments		(1,337,879)	(109,389)
2.8 Proceeds from disposal of held-to-maturity investments	V-I-6	1,634,696	1,515,414
2.9 Others	V-VI-1	(17,750)	(17,236)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		444,064	(120,765)
3.1 Cash obtained from funds borrowed and securities issued		478,378	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Equity instruments issued		-	-
3.4 Dividends paid	V-V-5	(34,314)	(120,765)
3.5 Repayments for finance leases		-	-
3.6 Others		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents	V-VI-1	3,796	4,997
V. Net increase in cash and cash equivalents		(1,453,548)	(1,804,181)
VI. Cash and cash equivalents at the beginning of the year	V-VI-4	6,387,454	8,191,635
VII. Cash and cash equivalents at the end of the year	V-VI-4	4,933,906	6,387,454

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

	Notes	Current Year 31 December 2011	Prior Year 31 December 2010
I. DISTRIBUTION OF CURRENT YEAR PROFIT			
1.1 CURRENT YEAR’S PROFIT		1,575,181	1,462,774
1.2 TAXES PAYABLE AND LEGAL DUTIES		(348,396)	(305,634)
1.2.1 Corporate tax (income tax)	V-IV-11	(373,920)	(318,948)
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties	V-IV-11	25,524	13,314
A. NET PROFIT FOR THE YEAR		1,226,785	1,157,140
1.3 DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES	V-IV-11	(25,524)	(13,314)
B. NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME		1,201,261	1,143,826
1.4 ACCUMULATED LOSSES		-	-
1.5 FIRST LEGAL RESERVES	V-V-5	-	(57,192)
1.6 OTHER STATUTORY RESERVES	V-V-5	-	(57,191)
C. NET PROFIT AVAILABLE FOR DISTRIBUTION ^(*)		-	1,029,443
1.7 FIRST DIVIDEND TO SHAREHOLDERS		-	34,314
1.7.1 To owners of ordinary shares		-	34,314
1.7.2 To owners of privileged shares		-	-
1.7.3 To owners of redeemed shares		-	-
1.7.4 To profit sharing bonds		-	-
1.7.5 To holders of profit and loss sharing certificates		-	-
1.8 DIVIDENDS TO PERSONNEL ^(**)		-	-
1.9 DIVIDENDS TO BOARD OF DIRECTORS		-	-
1.10 SECOND DIVIDEND TO SHAREHOLDERS		-	-
1.10.1 To owners of ordinary shares		-	-
1.10.2 To owners of privileged shares		-	-
1.10.3 To owners of redeemed shares		-	-
1.10.4 To profit sharing bonds		-	-
1.10.5 To holders of profit and loss sharing certificates		-	-
1.11 SECOND LEGAL RESERVES		-	-
1.12 STATUS RESERVES		-	-
1.13 EXTRAORDINARY RESERVES	V-V-5	-	992,598
1.14 OTHER RESERVES		-	-
1.15 SPECIAL FUNDS	V-V-5	-	2,531
II. DISTRIBUTION FROM RESERVES			
2.1 DISTRIBUTION OF RESERVES		-	-
2.2 SECOND LEGAL RESERVES		-	-
2.3 DIVIDENDS TO SHAREHOLDERS		-	-
2.3.1 To owners of ordinary shares		-	-
2.3.2 To owners of privileged shares		-	-
2.3.3 To owners of redeemed shares		-	-
2.3.4 To profit sharing bonds		-	-
2.3.5 To holders of profit and loss sharing certificates		-	-
2.4 DIVIDENDS TO PERSONNEL ^(**)		-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS		-	-
III. EARNINGS PER SHARE			
3.1 TO OWNERS OF ORDINARY SHARES		0.4907	0.4629
3.2 TO OWNERS OF ORDINARY SHARES (%)		49.07	46.29
3.3 TO OWNERS OF PRIVILEGED SHARES		-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE			
4.1 TO OWNERS OF ORDINARY SHARES		-	0.0137
4.2 TO OWNERS OF ORDINARY SHARES (%)		-	1,37
4.3 TO OWNERS OF PRIVILEGED SHARES		-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-

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

^(**) As at and for the year ended 31 December 2011 , dividends to the personnel amounting to TL 97,000 (31 December 2010: TL 83,250) has been accounted for in the statement of income through recording in the current year’s profits/losses in accordance with TAS 19 – *Employee Benefits*.

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

SECTION THREE

Accounting Policies

I. Basis of presentation

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

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

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for the financial assets at fair value through profit or loss, derivative financial assets and liabilities held for trading purpose, available-for-sale financial assets and investments in associates and subsidiaries that are quoted on the stock exchanges and assets available for sale, which are presented on a fair value basis.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying unconsolidated financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

II. Strategy for the use of financial instruments and foreign currency transactions

Strategy for the use of financial instruments

The Bank’s core operations are based on retail banking, corporate banking, private banking, foreign exchange operations, money market operations, investment security transactions, and international banking. As a result of the nature of its operations, the Bank intensively utilizes financial instruments. The Bank funds itself through deposits with different maturities as the main funding resources that are invested in assets earning higher returns.

The most important fund sources of the Bank other than the deposits are its equity and medium and long-term borrowings obtained from foreign financial institutions. The Bank pursues an effective asset-liability management strategy by securing balance between funding resources and investments so as to reduce risks and increase returns. Accordingly, the Bank attaches great significance to long-term placements bearing higher interest rates.

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

Investments in marketable securities and lending loans generate higher return than the average rate of return of the Bank’s operating activities on the basis of maturity structures and market conditions. When bank placements are considered, they have short term maturity in terms of liquidity management but earn lower return. The Bank takes position against short-term foreign exchange risk, interest rate risk and market risk in money and capital markets, by considering market conditions, within specified limits set by regulations. The Bank hedges itself and controls its position against the foreign exchange risk being exposed due to foreign currency available-for-sale investments, investments in other portfolios and other foreign currency transactions by various derivative transactions and setting the equilibrium between foreign currency denominated assets and liabilities. The Bank also hedges itself against the risk exposed due to net investment in foreign operations by the same manner.

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

Information on foreign currency transactions

Transactions are recorded in TL, the functional currency of the Bank. Foreign currency transactions are recorded using the foreign exchange rates effective at the transaction date. At the end of the periods, foreign currency denominated monetary assets and liabilities are measured with the Bank’s spot purchase rates and the differences are recognized as foreign exchange gains or losses in the statement of income.

Foreign exchange differences resulting from amortized costs of foreign currency denominated available-for-sale financial assets are recognized in the statement of income whilst foreign exchange differences resulting from unrealized gains and losses are presented in “valuation differences of marketable securities” under equity.

If the net investments in associates and subsidiaries operating in foreign countries are measured at cost, they are reported as translated into TL by using the foreign exchange rate at the date of transaction. If related associates and subsidiaries are measured at fair value, net foreign operations are reported as translated into TL by the rates prevailing at the date of the determination of the fair value.

III. Information on forwards, options and other derivative transactions

The derivative transactions mainly consist of currency and interest rate swaps, foreign currency forward contracts and currency options. The Bank has classified its derivative transactions, mentioned above, as “trading purpose” in accordance with the TAS 39 – *Financial Instruments: Recognition and Measurement*.

Derivatives are initially recorded at their purchase costs including the transaction costs. The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts.

Subsequently, the derivative transactions are measured at their fair values and the changes in fair values are recorded in the balance sheet under “derivative financial assets held for trading purpose” or “derivative financial liabilities held for trading purpose”. The subsequent fair value changes of derivative transactions are recognized in the statement of income.

IV. Information on interest income and expenses

Interest income and expense are recognized according to the effective interest method based on accrual basis. Effective interest rate is the rate that discounts the expected cash flows of financial assets or liabilities during their lifetimes to their carrying values. Effective interest rate is calculated when a financial asset or a liability is initially recorded and is not modified thereafter.

The computation of effective interest rate comprises discounts and premiums, fees and commissions paid or received and transaction costs. Transaction costs are additional costs that are directly related to the acquisition, issuance or disposal of financial assets or liabilities.

In accordance with the related regulation, the accrued interest income on non-performing loans are reversed and subsequently recognized as interest income only when collected.

V. Information on fees and commissions

Fees and commission received and paid are recognized according to either accrual basis of accounting or effective interest method depending on nature of fees and commission; incomes derived from agreements and asset purchases for third parties are recognized as income when realized.

VI. Information on financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

Financial assets except for measured at fair value through profit or loss are recognized initially with their transaction costs that are directly attributable to the acquisition or issue of the financial asset. Purchase and sale transactions of securities are accounted at settlement dates.

Financial assets are classified in four categories; as financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and loans and receivables.

Financial assets at fair value through profit or loss

Such assets are measured at their fair values and gain/loss arising is recorded in the statement of income. Interest income earned on financial assets and the difference between their acquisition costs and fair values are recorded as interest income in the statement of income. The gains/losses in case of disposal of such securities before their maturities are recorded under trading income/losses in the statement of income.

Held to maturity investments, available-for-sale financial assets and loans and receivables

Held to maturity investments are the financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables. Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any.

There are no financial assets that are not allowed to be classified as held-to-maturity investments for two years due to the tainting rules applied for the breach of classification rules.

Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any. Interest earned on held-to-maturity investments is recognized as interest income.

Available-for-sale financial assets are the financial assets other than loans and receivables, held-to-maturity investments and assets held for trading purposes. Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. However, assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair values and the discounted values are recorded in “valuation differences of the marketable securities” under the shareholders’ equity. In case of disposal of such assets, the realized gain or losses are recognized directly in the statement of income.

Loans and receivables are the financial assets raised by the Bank providing money, commodity and services to debtors. Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Loans and receivables are recorded at cost and measured at amortized cost by using effective interest method. The duties paid, transaction expenditures and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers.

Associates and subsidiaries

Subsidiaries are the entities that the Bank has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Subsidiaries are accounted in accordance with TAS 39 – *Financial Instruments: Recognition and Measurement* in the unconsolidated financial statements. Subsidiaries, which are traded in an active market or whose fair value can be reliably measured, recorded at fair value. Subsidiaries which are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

Associates, classified as available-for-sale financial assets in unconsolidated financial statements, which are traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates which are not traded in an active market and whose fair values cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

VII. Information on impairment of financial assets

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Bank estimates the amount of impairment.

Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (“loss event(s)”) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank provides specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables published on the Official Gazette no. 26333 dated 1 November 2006 and the amendments to this regulation. The allowances are recorded in the statement of income of the related period.

VIII. Information on offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

IX. Information on sales and repurchase agreements and securities lending

Securities sold under repurchase agreements are recorded on the balance sheet. Government bonds and treasury bills sold to customers under repurchase agreements are classified as “Securities Subject to Repurchase Agreements” and measured based on their original portfolio, either at fair value or at amortized cost using the effective interest rate method. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis.

Securities purchased under resale agreements (“reverse repo”) are classified under “Interbank Money Markets” separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

X. Information on assets held for sale and discontinued operations

The Bank has neither assets held for sale nor discontinued operations.

XI. Information on goodwill and other intangible assets

The Bank’s intangible assets consist of software.

Intangible assets are initially recorded at their costs in compliance with the TAS 38 – *Intangible Assets*.

The costs of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortized based on straight line amortization.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the TAS 36 – *Impairment of Assets* and if the recoverable amount is less 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.

Maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

Depreciation rates and estimated useful lives are:

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

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

At each balance sheet date, the 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.

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

The Bank calculated and reserved for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*.

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

	Current Year	Previous Year
Discount Rate	3.78%	4.66%
Expected Rate of Salary/Limit Increase	5.00%	5.10%
Estimated Employee Turnover Rate	1.61%	1.13%

Other benefits to employees

The Bank has provided for undiscounted short-term employee benefits earned during the financial period as per services rendered in compliance with *TAS 19* in the accompanying unconsolidated financial statements.

Pension fund

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

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

Following the publication of the ruling, the Turkish Parliament started to work on new legal arrangements and the Social Security Law no. 5754 (“the Law”) has been approved on 17 April 2008. The Law is enacted by the approval of the President of Turkey and issued on the 8 May 2008 dated and 26870 numbered Official Gazette.

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

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

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

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

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

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

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

XVI. Information on taxation

Corporate tax

Corporate tax rate is 20% in Turkey. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Except for the dividend payments to these institutions, the withholding tax rate on the dividend payments is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

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

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

Deferred taxes

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

The deferred tax assets and liabilities are reported as net in the financial statements only if the Bank has legal right to present the net value of current year tax assets and current year tax liabilities and the deferred tax assets and deferred tax liabilities are income taxes of the same taxable entity.

In case valuation differences resulting from the subsequent measurement of the items are recognized in the statement of income, then the related current and or deferred tax effects are also recognized in the statement of income. On the other hand, if valuation differences are recognized in shareholders’ equity, then the related current or deferred tax effects are also recognized directly in the shareholders’ equity.

Transfer Pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

Pursuant to the relevant Communiqué, if a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

XVII. Additional information on borrowings

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

On 8 August 2011, the Bank has issued discount bonds with a nominal value of TL 500,000 and 176 days maturity. As at 30 September 2011 the related bonds are measured at amortized cost using effective interest method.

XVIII. Information on issuance of equity securities

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

XIX. Information on confirmed bills of exchange and acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any. As at the balance sheet date, there are no acceptances recorded as liability in return for assets.

XX. Information on government incentives

As at 31 December 2011 and 2010, the Bank does not have any government incentives.

XXI. Information on segment reporting

Operational segments are determined based the structure of the Bank’s risks and benefits and presented in Section 4 Note X.

XXII. Other disclosures

Earnings per shares

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

As at and for the year ended 31 December 2011 , earnings per 100 share is TL 0.4907 (31 December 2010: TL 0.4629).

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Shareholders, top executives and board members are accepted as related party personally, with their families and companies according to TAS 24 - *Related Party Disclosures Standard*. Transactions made with related parties are disclosed in Section 5 Note VII.

Cash and cash equivalents

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

SECTION FOUR

Information Related to Financial Position of the Bank

I. Capital adequacy ratio

The Bank’s unconsolidated capital adequacy ratio is 13.38% (31 December 2010: 14.35%).

Risk measurement methods in calculation of capital adequacy ratio

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

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

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

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

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

Information related to unconsolidated capital adequacy ratio

	31 December 2011						
	Risk Weights						
	0%	10%	20%	50%	100%	150%	200%
Balance sheet items (Net)	15,026,543	-	1,317,627	18,930,588	37,138,268	872,179	2,368,430
Cash on hand	712,293	-	-	-	-	-	-
Matured securities	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	2,155,100	-	-	-	-	-	-
Domestic and foreign Banks, foreign head offices and branches	963,247	-	884,145	-	281,958	-	-
Interbank money market placements	-	-	-	-	-	-	-
Receivables from reverse repurchase agreements	190,000	-	-	-	-	-	-
Reserve deposits	4,269,727	-	-	-	-	-	-
Loans	673,284	-	321,572	18,714,550	33,634,344	872,179	2,368,430
Loans under follow-up (Net)	-	-	-	-	108,622	-	-
Receivables from leasing activities	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-
Held-to-maturity investment securities	5,777,886	-	54,520	-	-	-	-
Receivables from term sale of assets	-	-	-	-	103,778	-	-
Miscellaneous receivables	-	-	20,177	-	399,301	-	-
Interest and other income accruals	147,073	-	32,184	216,038	407,995	-	-
Investments in associates, subsidiaries and joint-ventures (Net)	-	-	-	-	864,525	-	-
Tangible assets (Net)	-	-	-	-	890,502	-	-
Other assets	137,933	-	5,029	-	447,243	-	-
Off-balance sheet items	116,654		1,367,131	572,436	9,905,621	-	-
Non-cash loans and commitments	116,654		1,042,425	572,436	9,887,628	-	-
Derivative financial instruments	-		324,706	-	17,993	-	-
Non risk weighted accounts	-		-	-	-	-	-
Total risk weighted assets	15,143,197	-	2,684,758	19,503,024	47,043,889	872,179	2,368,430

Summary information related to unconsolidated capital adequacy ratio

	Current Year	Prior Year
Value at Credit Risk (VaCR)	63,377,481	48,608,735
Value at Market Risk (VaMR)	1,952,688	1,781,375
Value at Operational Risk (VaOR) (*)	6,531,375	5,795,900
Shareholders' Equity	9,616,230	8,065,195
Shareholders' Equity/ (VaCR+VaMR+VaOR)*100	%13.38	%14.35

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

Components of shareholders' equity items

	Current Year	Prior Year
CORE CAPITAL		
Paid-in Capital	2,500,000	2,500,000
Nominal Capital	2,500,000	2,500,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-
Share Premium	723,918	723,918
Share Cancellation Profits	-	-
Legal Reserves	590,498	476,116
I. Legal Reserve (Turkish Commercial Code 466/1)	295,249	238,058
II. Legal Reserve (Turkish Commercial Code 466/2)	-	-
Reserves allocated as per Special Legislations	295,249	238,058
Status Reserves	-	-
Extraordinary Reserves	3,929,018	2,923,105
Reserve allocated as per the Decision held by the General Assembly	3,689,113	2,696,515
Retained Earnings	239,905	226,590
Accumulated Losses	-	-
Exchange Rate Differences on Foreign Currency Capital	-	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-	-
Profit	1,226,785	1,157,140
Current Year's Profit	1,226,785	1,157,140
Prior Years' Profit	-	-
Provision for Possible Losses (up to 25% of Core Capital)	51,676	65,428
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	7,564	5,033
Primary Subordinated Debt (up to 15% of Core Capital)	-	-
Loss excess of Reserves (-)	-	-
Current Year's Loss	-	-
Prior Years' Loss	-	-
Leasehold Improvements (-)	69,815	73,009
Prepaid Expenses (-)	-	323,581
Intangible Assets (-)	62,175	52,892
Deferred Tax Asset excess of 10% of Core Capital (-)	-	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-	-
Total Core Capital	8,897,469	7,401,258
SUPPLEMENTARY CAPITAL		
General Provisions	671,180	427,876
45% of Revaluation Surplus on Immovables	-	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	67,318	66,530
Primary Subordinated Debt excluding the Portion included in Core Capital	-	-
Secondary Subordinated Debt	-	-
45% of Valuation Differences of Marketable Securities	113,987	317,997
Associates and Subsidiaries	144,557	178,791
Available for Sale Investment Securities	(30,570)	139,206
Other Profit Reserves	-	-
Total Supplementary Capital	852,485	812,403
TIER III CAPITAL	-	-
CAPITAL	9,749,954	8,213,661
DEDUCTIONS FROM CAPITAL	133,724	148,466
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors exceeding 10% of ownership	-	-
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 Of the Banking Law but Retained more than Five Years	133,265	148,466
Others	459	-
TOTAL EQUITY	9,616,230	8,065,195

II. Credit risk

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

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

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

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

The Bank has risk control limits for derivative transaction (futures, options, etc.) positions, which effects credit risk and market risk.

For credit risk management purposes, Risk Management Department operates in

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

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

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

The Bank’s largest 200 cash loan customers compose 30.26% of the total cash loan portfolio.

The Bank’s largest 200 non-cash loan customers compose 73.78% of the total non-cash loan portfolio.

The Bank’s largest 200 cash loan customers compose 19.45% (31 December 2010: 24.62%) of total assets of the Bank and the Bank’s largest 200 non-cash loan customers compose 15.79% (31 December 2010: 29.80%) of total off-balance sheet items.

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

Sectoral and geographical concentration of the credit risk

	Personal and Commercial Loans		Banks and Other Financial Institution		Marketable Securities ^(*)		Other Loans ^(**)	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Sectoral Concentration								
Private Sector	34,229,510	25,348,135	1,010,219	3,470,365	15,359	12,053	8,569,218	4,155,596
Public Sector	957,456	1,134,894	-	-	18,995,476	17,949,407	136,082	1,541,305
Banks	-	-	8,752,744	7,382,014	88,931	99,317	229,317	328,366
Consumers	21,103,847	14,889,748	-	-	-	-	108	1,901
Equity Securities	-	-	-	-	10,750	10,750	-	-
Total	56,290,813	41,372,777	9,762,963	10,852,379	19,110,516	18,071,527	8,934,725	6,027,168
Geographical Concentration								
Domestic	56,187,073	41,305,902	7,694,944	9,686,524	19,026,120	17,974,202	7,917,952	4,132,577
EU Countries	-	-	742,608	470,390	19,070	16,351	424,389	967,319
OECD Countries ^(***)	-	-	27,223	52,137	-	-	972	365
Off-Shore Banking Regions	-	-	116	39	-	-	-	-
USA, Canada	103,740	66,875	1,265,067	629,721	65,326	47,842	78,677	219,765
Other Countries	-	-	33,005	13,568	-	33,132	512,735	707,142
Total	56,290,813	41,372,777	9,762,963	10,852,379	19,110,516	18,071,527	8,934,725	6,027,168

^(*) Includes marketable securities classified as available for sale, and investment securities held-to-maturity.

^(**) Includes transactions defined as loans according to the article 48 of Banking Law act no. 5411 and transactions classified other than first three columns in Uniform Chart of Accounts. Non-cash loans have been included in other loans column after they have been weighted with relevant rates for conversion to cash loans.

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

Geographical concentration

Current Year	Assets	Liabilities	Non- Cash Loans	Capital Expenditures	Net Profit
Domestic	85,886,323	77,852,308	14,058,468	145,196	1,226,785
EU Countries	889,031	10,592,341	567,264	-	-
OECD Countries (*)	27,223	301,918	1,862	-	-
Off-Shore	116	54,969	-	-	-
USA, Canada	1,484,243	224,416	54,698	-	-
Other Countries	33,005	158,514	981,737	-	-
Subsidiaries, Affiliates and Joint-Ventures	864,525	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
Total	89,184,466	89,184,466	15,664,029	145,196	1,226,785

Prior Year	Assets	Liabilities	Non- Cash Loans	Capital Expenditures	Net Profit
Domestic	71,480,858	65,542,567	7,404,237	152,153	1,157,140
EU Countries	470,373	6,866,564	2,125,573	-	-
OECD Countries (*)	52,137	74,579	731	-	-
Off-Shore	309,204	239,691	-	-	-
USA, Canada	738,246	967,154	426,733	-	-
Other Countries	15,686	271,132	1,387,386	-	-
Subsidiaries, Affiliates and Joint-Ventures	895,183	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
Total	73,961,687	73,961,687	11,344,660	152,153	1,157,140

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

Sectoral distribution of cash loans

	Current Year				Prior Year			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	394,177	1.01	436,289	2.39	283,333	0.89	96,558	0.73
Farming and Stockbreeding	332,356	0.86	91,851	0.50	143,514	0.45	48,486	0.36
Forestry	40,573	0.10	291,739	1.60	130,669	0.41	738	0.01
Fishery	21,248	0.05	52,699	0.29	9,150	0.03	47,334	0.36
Manufacturing	4,047,214	10.40	8,932,069	48.86	4,198,842	13.32	6,096,184	45.87
Mining	158,594	0.41	296,393	1.62	121,942	0.39	132,554	1.00
Production	3,665,628	9.42	6,700,160	36.65	3,844,444	12.19	4,987,223	37.52
Electricity, Gas, Water	222,992	0.57	1,935,516	10.59	232,456	0.74	976,407	7.35
Construction	2,141,709	5.50	1,494,399	8.18	1,178,181	3.74	1,110,368	8.35
Services	7,692,397	19.77	5,528,466	30.24	8,064,649	25.63	4,384,389	32.99
Wholesale and Retail Trade	4,702,111	12.09	2,103,255	11.50	3,537,067	11.21	1,656,040	12.46
Hotel, Food and Beverage Services	342,347	0.88	974,102	5.33	170,003	0.54	840,916	6.33
Transportation and Telecommunication	1,829,968	4.70	1,579,498	8.64	1,097,467	3.48	1,090,125	8.20
Financial Institutions	425,651	1.09	592,768	3.24	2,898,971	9.25	589,271	4.43
Real Estate and Renting Services	95,502	0.25	163,809	0.90	71,942	0.23	127,297	0.96
“Self-Employment” Type Services	-	-	-	-	-	-	-	-
Educational Services	77,085	0.20	25,579	0.14	62,527	0.20	6,339	0.05
Health and Social Services	219,733	0.56	89,455	0.49	226,672	0.72	74,401	0.56
Others	24,646,258	63.32	1,887,632	10.33	17,818,884	56.42	1,605,006	12.06
Total	38,921,755	100.00	18,278,855	100.00	31,543,889	100.00	13,292,505	100.00

Gross and net amounts of impaired loans and receivables by risk grade

31 December 2011	Loans		Other assets	
	Gross	Net	Gross	Net
Grade 3 : Individually Impaired	155,822	108,622	-	-
Grade 4 : Individually Impaired	175,923	-	-	-
Grade 5 : Individually Impaired	1,825,134	-	-	-
Total	2,156,879	108,622	-	-

31 December 2010	Loans		Other assets	
	Gross	Net	Gross	Net
Grade 3 : Individually Impaired	91,382	73,105	48,976	496
Grade 4 : Individually Impaired	218,622	-	-	-
Grade 5 : Individually Impaired	1,955,712	-	-	-
Total	2,265,716	73,105	48,976	496

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

Cash loans	31 December 2011	31 December 2010
Secured Loans:	40,510,545	28,903,121
Secured by cash collateral	454,204	74,353
Secured by mortgages	19,638,381	12,357,646
Secured by government institutions or government securities	219,080	94,417
Guarantees issued by financial institutions	313,371	257,143
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	19,885,509	16,119,562
Unsecured Loans	16,690,065	15,933,273
Total performing loans	57,200,610	44,836,394

Non-cash loans	31 December 2011	31 December 2010
Secured Loans:	6,487,511	5,136,859
Secured by cash collateral	102,656	123,129
Secured by mortgages	1,063,506	867,952
Secured by government institutions or government securities	-	-
Guarantees issued by financial institutions	7,079	374,391
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	5,314,270	3,771,387
Unsecured Loans	9,176,518	6,207,801
Total non-cash loans	15,664,029	11,344,660

Fair value of collateral held against impaired loans

	31 December 2011	31 December 2010
Cash collateral ^(*)	-	-
Mortgage	645,047	793,062
Promissory note ^(*)	-	-
Others ^(**)	1,511,832	1,472,654
Total	2,156,879	2,265,716

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

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

Sectoral and geographical concentration of impaired loans

Sectoral	31 December 2011	31 December 2010
Consumer loans	427,831	403,263
Textile	254,299	290,319
Food	208,725	235,693
Construction	272,928	363,671
Durable consumption	10,554	86,478
Agriculture and stockbreeding	42,993	43,868
Metal and metal products	31,583	43,334
Service sector	34,482	36,656
Financial institutions	3,567	3,963
Others	869,917	758,471
Total impaired loans and receivables	2,156,879	2,265,716

Geographical	31 December 2011	31 December 2010
U.S.A.	144	-
Turkey	2,156,735	2,265,716
Total impaired loans and receivables	2,156,879	2,265,716

Past due but not impaired loans and receivables

	31 December 2011	31 December 2010
Grade 1: Low risk loans and receivables	12,884	180,442
Grade 2: Loans and receivables under follow-up	36,991	93,869
Total	49,875	274,311

Aging of past due but not impaired loans and receivables

	31 December 2011	31 December 2010
0-30 days	17,104	187,488
30-60 days	6,056	36,405
60-90 days	5,835	38,563
More than 90 days ^(*)	20,880	11,855
Total	49,875	274,311

^(*) Consists of loans which are being collected and restructured.

Undue and not impaired loans and receivables

	31 December 2011	31 December 2010
Grade 1 : Low risk loans and receivables	55,278,767	42,466,677
Grade 2 : Loans and receivables under follow-up	1,344,389	1,467,884
Total	56,623,156	43,934,561
Restructured or rescheduled loans	527,579	627,522
Total	57,150,735	44,562,083

III. Market risk

The Bank has defined its risk management procedures and has taken necessary precaution in order to avoid market risk, in compliance with “Regulation on Bank’s Internal Control and Risk Management Systems” and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in Official Gazette no. 26333 dated 1 November 2006.

The market risk is defined as the potential risk of loss due to changes in interest rates, foreign exchange rates and equity prices on balance sheet and off-balance sheet positions of the banks.

The capital need for general market risk and specific risks is calculated using the standart method defined by the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” and reported monthly.

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

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

Value at market risk

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	122,921
(II) Capital Obligation against Specific Risks - Standard Method	4,836
(III) Capital Obligation against Currency Risk - Standard Method	28,160
(IV) Capital Obligation against Stocks Risks - Standard Method	-
(V) Capital Obligation against Exchange Risks - Standard Method	-
(VI) Capital Obligation against Market Risks of Options - Standard Method	298
(VII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(VIII) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI)	156,215
(IX) Value-At-Market Risk (12.5*VII)	1,952,688

Monthly average values at market risk

	Current Year			Prior Year		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	136,684	155,832	126,037	131,798	150,022	111,641
Common Share Risk	1,727	1,783	1,720	2,017	5,288	1,720
Currency Risk	20,012	37,517	10,362	18,032	30,355	7,627
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	655	1,707	40	561	1,259	144
Total Value at Risk	1,988,475	2,163,013	1,763,250	1,905,098	2,071,425	1,751,850

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

The effect on equity (except for tax effect) as a result of change in the fair value of equity instruments quoted to Istanbul Stock Exchange (“ISE”) held as associates and subsidiaries in the accompanying financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in index	31 December 2011	31 December 2010
		Equity	Equity
ISE	10%	31,013	35,559

IV. Operational risk

The Bank calculated the value at operational risk in accordance with the fourth section published in the Official Gazette date 1 June 2007 related to the “Computation of Value of Operational Risk” of the circular, “Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette numbered 26333 and dated 1 November 2006. “Basic Indicator Approach” is used in the computation.

The amount calculated as TL 522,510 (31 December 2010: TL 463,672) from gross income for the years ended 31 December 2010, 2009 and 2008 and used for the calculation of capital adequacy ratio as at 31 December 2011, represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk. Value at operational risk amounting to TL 6,531,375 (31 December 2010: TL 5,795,900) presented in the table included in Note I of this section is calculated as 12.5 times of the operational risk.

	31 December 2011	31 December 2010	31 December 2009	31 December 2008
(I) Net Interest Income	2,893,718	2,730,001	3,077,425	1,974,691
(II) Net Fees and Commission Income	559,307	443,282	465,547	466,215
(III) Dividends Income	44,817	35,189	24,265	25,499
(IV) Net Trading Income/(Loss)	39,000	316,289	177,766	89,720
(V) Other Operating Income	885,315	601,030	311,216	312,704
(VI) Income/(Loss) from sale of AFS and HTM				
Marketable Securities	74,700	358,200	123,385	58,881
(VII) Extraordinary Income	79,289	18,301	40,390	1,484
(VIII) Gross Income (I+II+III+IV+V-VI-VII)	4,268,168	3,749,290	3,892,444	2,808,464
(IX) Capital Requirement (Gross Income x %15)	640,225	562,394	583,867	421,270
(X) Average Operational Risk Capital Requirement	595,495	522,510	463,672	-
(XI) Value at Operational Risk (X x 12.5)	7,443,688	6,531,375	5,795,900	-

V. Foreign currency exchange risk

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

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

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

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

As at 31 December 2011 the Bank does not have derivate financial instruments held for risk management.

Foreign exchange risk management policy

Risk policy of the Bank is based on the transactions within the limits and keeping the currency position well-balanced.

In the light of the national legislations and international applications, the Bank has established a foreign currency risk management policy that enables the Bank to take position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the Bank.

The Bank’s effective exchange rates at the date of balance sheet and for the last five working days of the year announced by the Bank in TL are as follows:

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

Information on currency risk

Current Year	Euro	US Dollar	Japanese Yen	Other FCs	Total
Assets:					
Cash and balances with the Central Bank of Turkey	802,895	3,728,271	210	536,458	5,067,834
Banks	567,645	1,483,416	1,432	72,880	2,125,373
Financial assets at fair value through profit or loss ⁽¹⁾	314	116,665	422	101	117,502
Interbank money market placements	-	-	-	-	-
Available-for-sale financial assets	677,538	2,036,600	-	-	2,714,138
Loans and receivables ⁽²⁾	7,190,911	12,246,406	-	45,614	19,482,931
Associates, subsidiaries and joint-ventures	150,015	-	-	-	150,015
Held-to-maturity investments	171,061	1,457,242	-	-	1,628,303
Derivative financial assets held for risk management purpose	-	-	-	-	-
Tangible assets	-	2,894	-	-	2,894
Intangible assets	-	176	-	-	176
Other assets ⁽³⁾	4,375	89,917	-	325	94,617
Total assets	9,564,754	21,161,587	2,064	655,378	31,383,783
Liabilities:					
Bank deposits	535,904	2,268,192	-	2,834	2,806,930
Foreign currency deposits	5,055,440	9,800,134	1,537	59,364	14,916,475
Interbank money market takings	545,610	2,415,494	-	-	2,961,104
Funds borrowed	3,833,640	4,291,607	-	36,806	8,162,053
Securities issued	-	-	-	-	-
Miscellaneous payables	1,151	67,776	-	87	69,014
Derivative financial liabilities held for risk management purpose	-	-	-	-	-
Other liabilities ⁽¹⁾⁽⁴⁾	106,829	425,568	2,742	22,419	557,558
Total liabilities	10,078,574	19,268,771	4,279	121,510	29,473,134
Net ‘On Balance Sheet’ Position	(513,820)	1,892,816	(2,215)	533,868	1,910,649
Net ‘Off-Balance Sheet’ Position	435,480	(1,960,349)	2,354	(2,207)	(1,524,722)
Derivative Financial Assets ⁽⁶⁾	786,316	2,921,104	12,331	27,864	3,747,615
Derivative Financial Liabilities ⁽⁶⁾	350,836	4,881,453	9,977	30,071	5,272,337
Non-Cash Loans ⁽⁵⁾	1,440,134	4,966,424	69,748	168,981	6,645,287
Prior Year					
	Euro	US Dollar	Japanese Yen	Other FCs	Total
Total Assets	7,349,331	13,700,671	4,582	115,237	21,169,821
Total Liabilities	7,275,165	13,844,722	5,055	106,839	21,231,781
Net ‘On Balance Sheet’ Position	74,166	(144,051)	(473)	8,398	(61,960)
Net ‘Off-Balance Sheet’ Position	16,284	231,189	453	(4,218)	243,708
Derivative Financial Assets	294,745	1,894,659	551	11,001	2,200,956
Derivative Financial Liabilities	278,461	1,663,470	98	15,219	1,957,248
Non-Cash Loans ⁽⁵⁾	1,506,177	3,152,750	90,106	129,289	4,878,322

⁽¹⁾ Derivative accruals stemming from foreign exchange rates presented under trading purpose derivative financial assets and liabilities amounting to TL 52,454 and TL 245,014 respectively are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 1,204,076 (31 December 2010: TL 479,180) which are presented as TL in the financial statements have been included.

⁽³⁾ Prepaid expenses amounting to TL 16,199 (31 December 2010: TL 14,064) have not been included.

⁽⁴⁾ Unearned revenues amounting to TL 21,006 (31 December 2010: TL 17,267) have not been included.

⁽⁵⁾ Non-cash loans have not been taken into consideration in the calculation of net ‘off-balance sheet’ position.

⁽⁶⁾ Asset purchase commitments amounting to TL 355,339 and asset sales commitments amounting to TL 502,580 are included.

Exposure to currency risk

A 10 percent devaluation of TL against the following currencies as at 31 December 2011 and 2010 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

This analysis has been prepared with the assumption that all other variables, in particular interest rates, remain constant.

	31 December 2011		31 December 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(18,730)	(8,135)	(8,994)	7,462
Euro	(23,529)	(22,836)	(7,982)	(5,957)
Other currencies	53,180	53,180	416	416
Total, net	10,921	22,209	(16,560)	1,921

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

10 percent revaluation of TL against the following currencies as at 31 December 2011 and 2010 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	31 December 2011		31 December 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	20,798	10,203	12,775	(3,681)
Euro	23,529	22,836	7,982	5,957
Other currencies	(52,426)	(52,426)	342	342
Total, net	(8,099)	(19,387)	21,099	2,618

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

VI. Interest rate risk

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

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

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

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

Current Year	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets:							
Cash and balances with CBT	-	-	-	-	-	7,137,120	7,137,120
Banks	1,105,010	105,807	2,108	-	-	916,665	2,129,590
Financial assets at fair value through profit/loss	46,090	111,461	7,797	-	8,790	-	174,138
Interbank money market placements	190,127	-	-	-	-	-	190,127
Available-for-sale financial assets	4,211,015	2,165,645	1,964,797	2,559,309	2,227,473	10,750	13,138,989
Loans and receivables	16,216,140	8,340,184	14,719,779	11,875,943	6,048,564	108,622	57,309,232
Held-to-maturity investments	393,491	810,574	745,303	1,626,766	2,395,393	-	5,971,527
Other assets (*)	5,378	61	80,780	36,942	794	3,009,788	3,133,743
Total assets	22,167,251	11,533,732	17,520,564	16,098,960	10,681,014	11,182,945	89,184,466
Liabilities:							
Bank deposits	2,827,066	581,887	32,739	-	-	31,618	3,473,310
Other deposits	33,479,693	12,511,523	2,428,658	10,285	-	9,035,749	57,465,908
Interbank money market takings	3,915,871	1,247,962	775,804	-	-	-	5,939,637
Miscellaneous payables	-	-	8,246	-	-	1,869,017	1,877,263
Securities issued	-	494,885	-	-	-	-	494,885
Funds borrowed	160,426	5,999,153	2,023,705	31,443	22,580	-	8,237,307
Other liabilities (**)	86,499	79,297	140,026	11,818	65,433	11,313,083	11,696,156
Total liabilities	40,469,555	20,914,707	5,409,178	53,546	88,013	22,249,467	89,184,466
On balance sheet long position	-	-	12,111,386	16,045,414	10,593,001	-	38,749,801
On balance sheet short position	(18,302,304)	(9,380,975)	-	-	-	(11,066,522)	(38,749,801)
Off-balance sheet long position	132,758	1,391,200	99,600	-	79,423	-	1,702,981
Off-balance sheet short position	(55,272)	(77,100)	(140,500)	(673,238)	(596,423)	-	(1,542,533)
Total Position	(18,224,818)	(8,066,875)	12,070,486	15,372,176	10,076,001	(11,066,522)	160,448

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

(**) Shareholders’ equity has been included in non-interest bearing column of other liabilities line.

Prior Year	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets:							
Cash and balances with CBT	-	-	-	-	-	4,646,880	4,646,880
Banks	728,200	79,123	47,029	-	-	417,321	1,271,673
Financial assets at fair value through profit/loss	14,400	1,609	1,210	6,829	-	-	24,048
Interbank money market placements	2,101,584	-	-	-	-	-	2,101,584
Available-for-sale financial assets	4,418,159	2,658,069	3,204,305	1,341,073	2,132,475	10,750	13,764,831
Loans and receivables	14,957,568	8,941,787	8,264,310	9,073,810	3,598,919	24,625	44,861,019
Held-to-maturity investments	549,869	1,062,472	812,563	304,767	1,577,025	-	4,306,696
Other assets (*)	3,804	1,300	8,500	111,894	239	2,859,219	2,984,956
Total assets	22,773,584	12,744,360	12,337,917	10,838,373	7,308,658	7,958,795	73,961,687
Liabilities:							
Bank deposits	1,440,178	142,796	421,561	-	-	10,200	2,014,735
Other deposits	25,508,127	10,362,127	2,419,559	130,051	-	7,266,676	45,686,540
Interbank money market takings	5,801,511	1,176,212	1,150,591	-	-	-	8,128,314
Miscellaneous payables	-	4,601	20,332	-	-	1,372,035	1,396,968
Securities issued	-	-	-	-	-	-	-
Funds borrowed	13,269	4,860,178	1,317,668	136,279	-	-	6,327,394
Other liabilities (**)	11,539	1,360	21,611	98,706	17,926	10,256,594	10,407,736
Total liabilities	32,774,624	16,547,274	5,351,322	365,036	17,926	18,905,505	73,961,687
On balance sheet long position	-	-	6,986,595	10,473,337	7,290,732	-	24,750,664
On balance sheet short position	(10,001,040)	(3,802,914)	-	-	-	(10,946,710)	(24,750,664)
Off-balance sheet long position	208,483	757,781	7,539	30,223	-	-	1,004,026
Off-balance sheet short position	(58,401)	(5,331)	(140,331)	(662,168)	(115,875)	-	(982,106)
Total Position	(9,850,958)	(3,050,464)	6,853,803	9,841,392	7,174,857	(10,946,710)	21,920

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

(**) Shareholders' equity has been included in non-interest bearing column of other liabilities line.

Average interest rates applied to monetary financial instruments:

	Euro	US Dollar	Japanese Yen	TL
Current Year	%	%	%	%
Assets:				
Cash and Central Bank	-	-	-	-
Banks	0.15	0.50	-	8.90
Financial Assets at Fair Value through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	5.64	6.95	-	8.41
Loans and Receivables	5.20	4.99	-	14.92
Held-to-Maturity Investment Securities	5.58	7.34	-	9.96
	-	-	-	-
Liabilities:				
Bank Deposits	2.56	1.93	-	11.00
Other Deposits	4.03	4.21	-	9.62
Interbank Money Market Takings	1.96	1.98	-	8.76
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	8.70
Funds Borrowed	2.03	1.75	-	7.45
Prior Year				
	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
Assets:				
Cash and Central Bank	-	-	-	-
Banks	0.90	1.27	-	7.23
Financial Assets at Fair Value through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	6.97
Available-for-Sale Financial Assets	5.69	7.00	-	9.24
Loans and Receivables	4.36	4.18	3.49	14.18
Held-to-Maturity Investment Securities	6.61	7.38	-	9.72
Liabilities:				
Bank Deposits	2.26	0.99	-	8.36
Other Deposits	2.71	2.73	-	8.08
Interbank Money Market Takings	1.36	1.28	-	7.01
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed	1.71	1.43	0.49	7.36

Interest rate sensitivity

Interest rate sensitivity of the statement of income is the effect of the changes in interest rates assumed as follows on the fair values of financial assets at fair value through profit or loss and on net interest income without tax effect of floating rate non-trading financial assets and liabilities held as at 31 December 2011 .

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

This analysis has been prepared with the assumption that all other variables, in particular foreign currency rates, remain constant.

This analysis is performed on the same basis for 31 December 2010.

	Profit or loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2011				
Financial assets at fair value through profit or loss	61,055	(72,742)	61,055	(72,742)
Available for sale financial assets	21,604	(21,825)	(200,529)	214,136
Floating rate financial assets	350,145	(350,145)	350,145	(350,145)
Floating rate financial liabilities	(79,948)	79,948	(79,948)	79,948
Total, net	352,856	(364,764)	130,723	(128,803)

	Profit or loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2010				
Financial assets at fair value through profit or loss	21,000	(20,164)	21,000	(20,164)
Available for sale financial assets	23,162	(23,233)	(222,023)	239,699
Floating rate financial assets	253,474	(253,474)	253,474	(253,474)
Floating rate financial liabilities	(64,164)	64,164	(64,164)	64,164
Total, net	233,472	(232,707)	(11,713)	30,225

^(*) Equity effect also includes profit or loss effect of 100 bp increase or decrease in interest rates.

VII. Liquidity risk

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Year	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Assets:								
Cash and Central Bank	7,137,120	-	-	-	-	-	-	7,137,120
Banks	1,879,912	141,763	105,807	2,108	-	-	-	2,129,590
Fin. Assets at Fair Value through Profit/Loss	-	40,125	15,327	24,366	85,530	8,790	-	174,138
Interbank Money Market Placements	-	190,127	-	-	-	-	-	190,127
Available-for-Sale Financial Assets	-	105,447	190,461	710,199	7,201,774	4,920,358	10,750	13,138,989
Loans and Receivables Held-to-Maturity	-	3,965,477	2,947,087	12,598,739	28,587,108	9,102,199	108,622	57,309,232
Investments	-	20,078	61,955	114,584	3,344,029	2,430,881	-	5,971,527
Other Assets	-	403,707	61	80,780	168,095	794	2,480,306	3,133,743
Total Assets	9,017,032	4,866,724	3,320,698	13,530,776	39,386,536	16,463,022	2,599,678	89,184,466
Liabilities:								
Bank Deposits	31,618	2,827,066	581,887	32,739	-	-	-	3,473,310
Other Deposits	9,035,749	33,479,693	12,511,523	2,428,658	10,285	-	-	57,465,908
Funds Borrowed	-	122,214	2,011,968	2,447,277	1,988,724	1,667,124	-	8,237,307
Interbank Money Market Takings	-	3,915,871	1,190,935	832,831	-	-	-	5,939,637
Securities Issued	-	-	494,885	-	-	-	-	494,885
Miscellaneous Payables	-	1,709,409	34,467	8,246	-	-	125,141	1,877,263
Other Liabilities	-	221,309	105,315	144,901	44,586	85,530	11,094,515	11,696,156
Total Liabilities	9,067,367	42,275,562	16,930,980	5,894,652	2,043,595	1,752,654	11,219,656	89,184,466
Liquidity Gap	(50,335)	(37,408,838)	(13,610,282)	7,636,124	37,342,941	14,710,368	(8,619,978)	-
Prior Year								
Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total	
Total Assets	5,546,854	11,444,770	2,895,358	11,524,278	28,066,663	11,971,319	2,512,445	73,961,687
Total Liabilities	7,276,876	34,067,607	13,332,387	5,916,454	2,214,721	1,097,732	10,055,910	73,961,687
Liquidity Gap	(1,730,022)	(22,622,837)	(10,437,029)	5,607,824	25,851,942	10,873,587	(7,543,465)	-

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, intangible assets, associates, subsidiaries, miscellaneous receivables and shareholder’s equity in the liabilities have been included in this column.

Residual contractual maturities of the financial liabilities

31 December 2011	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	3,473,310	3,483,054	31,618	2,829,474	588,099	33,863	-	-
Other deposits	57,465,908	57,812,558	9,035,749	33,588,819	12,674,764	2,501,983	11,243	-
Funds borrowed	8,237,307	8,922,563	-	122,390	2,046,705	2,490,291	2,301,716	1,961,460
Money market takings	5,939,637	5,954,587	-	3,920,349	1,195,356	838,882	-	-
Issued Securities (Net)	494,885	498,480	-	-	498,480	-	-	-
Miscellaneous payables	1,877,263	1,877,263	125,141	1,709,409	34,467	8,246	-	-
Other liabilities	915,770	915,770	440,643	112,619	87,491	144,901	44,586	85,530
Total	78,404,080	79,603,641	9,633,151	42,800,798	16,645,872	6,096,664	2,380,166	2,046,990
Non-Cash Loans	15,664,029	15,664,029	9,574,647	1,027,359	770,703	2,442,300	1,189,150	659,870

31 December 2010	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	2,014,735	2,032,965	10,200	1,442,042	144,416	436,307	-	-
Other deposits	45,686,540	45,957,158	7,266,676	25,687,798	10,435,115	2,436,602	130,967	-
Funds borrowed	6,327,394	6,626,850	-	7,486	1,659,231	1,845,539	1,877,279	1,237,315
Money market takings	8,128,314	11,326,118	-	8,320,365	1,600,372	1,235,014	170,367	-
Miscellaneous payables	1,396,968	1,396,968	63,757	1,278,014	30,264	4,601	20,332	-
Other liabilities	600,095	600,095	375,978	76,901	1,328	21,618	106,344	17,926
Total	64,154,046	67,940,154	7,716,611	36,812,606	13,870,726	5,979,681	2,305,289	1,255,241
Non-Cash Loans	11,344,660	11,344,660	6,978,154	598,232	820,728	1,699,003	1,168,428	80,115

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

VIII. Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Year	Prior Year	Current Year	Prior Year
Financial Assets:				
Receivables from Interbank Money Markets	190,127	2,101,584	190,127	2,101,584
Banks	2,129,590	1,271,673	2,129,590	1,271,673
Available-for-Sale Financial Assets	13,138,989	13,764,831	13,138,989	13,764,831
Held-to-Maturity Investments	5,971,527	4,306,696	6,036,295	4,398,041
Loans	57,309,232	44,861,019	57,343,962	44,908,450
Financial Liabilities:				
Bank Deposits	3,473,310	2,014,735	3,473,310	2,014,735
Other Deposits	57,465,908	45,686,540	57,465,908	45,686,540
Funds Borrowed	8,237,307	6,327,394	8,237,307	6,327,394
Securities Issued	494,885	-	494,885	-
Miscellaneous Payables	1,877,263	1,396,968	1,877,263	1,396,968

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

Fair value of fixed-interest loans are calculated by discounting cash flows with current market interest rates. For the loans with floating interest rate carrying value also represents fair value.

Fair value of other assets and liabilities is calculated by adding accumulated interest to initial price.

Classification of Fair Value Measurement

IFRS 7 – Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

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

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

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

Classification requires using observable market data if possible.

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

31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	-	174,138	-	174,138
Derivative financial assets held for trading purpose	-	174,138	-	174,138
Available-for-sale financial assets	11,849,954	1,278,285	-	13,128,239
Debt securities	11,849,954	1,278,285	-	13,128,239
Investments in associates and subsidiaries	342,631	-	492,194 ^(*)	834,825
Total Financial Assets	12,192,585	1,452,423	492,194	14,137,202
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(342,374)	-	(342,374)
Total Financial Liabilities	-	(342,374)	-	(342,374)

31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	-	24,048	-	24,048
Derivative financial assets held for trading purpose	-	24,048	-	24,048
Available-for-sale financial assets	13,674,247	79,834	-	13,754,081
Debt securities	13,674,247	79,834	-	13,754,081
Investments in associates and subsidiaries	361,822	-	505,437	867,259
Total Financial Assets	14,036,069	103,882	505,437	14,645,388
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(103,367)	-	(103,367)
Total Financial Liabilities	-	(103,367)	-	(103,367)

^(*) This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended 31 December 2011 is as follows:

	Level 3
Balance at the beginning of the year	505,437
Total gains or losses for the year recognised in profit or loss	-
Total gains or losses for the year recognised under equity	(13,243)
Balance at the end of the year	492,194

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

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

X. Segment reporting

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

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

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

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

Major financial statement items according to business lines:

Current Year	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Operating profit	1,352,725	730,813	834,969	931,642	3,850,149
Undistributed expenses (*)	-	-	-	(2,319,785)	(2,319,785)
Operating profit	1,352,725	730,813	834,969	(1,388,143)	1,530,364
Income from associates	-	-	-	-	44,817
Income before taxes	-	-	-	-	1,575,181
Provision for taxes	-	-	-	-	-348,396
Net profit	-	-	-	-	1,226,785
Segment assets	21,156,326	36,152,906	28,153,153	-	85,462,385
Investments in associates and subsidiaries	-	-	864,525	-	864,525
Undistributed assets	-	-	-	2,857,556	2,857,556
Total assets	21,156,326	36,152,906	29,017,678	2,857,556	89,184,466
Segment liabilities	20,624,721	40,314,497	15,114,658	-	76,053,876
Shareholders’ equity	-	-	-	9,298,405	9,298,405
Undistributed liabilities	-	-	-	3,832,185	3,832,185
Total Liabilities and Shareholders’ Equity	20,624,721	40,314,497	15,114,658	13,130,590	89,184,466

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

SECTION FIVE

Disclosure and Footnotes on Unconsolidated Financial Statements

I. Information and disclosures related to assets

1. Cash and balances with Central Bank

	Current Year		Prior Year	
	TL	FC	TL	FC
Cash	604,222	107,073	571,538	83,801
Central Bank of Turkey (*)	1,465,064	4,959,763	2,037,805	1,953,075
Others	-	998	-	661
Total	2,069,286	5,067,834	2,609,343	2,037,537

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

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

Balances at CBT

	Current Year		Prior Year	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1,465,064	690,036	2,034,444	529,935
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	4,269,727	3,361	1,423,140
Total	1,465,064	4,959,763	2,037,805	1,953,075

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

Trading securities blocked/provided as collateral

None.

Trading securities subject to repurchase agreements

None.

Positive fair values of trading purpose derivatives

	Current Year		Prior Year	
	TL	FC	TL	FC
Forward Transactions	3,141	4,720	907	99
Swap Transactions	1,038	165,143	356	21,248
Futures	-	-	-	-
Options	3	93	80	1,358
Others	-	-	-	-
Total	4,182	169,956	1,343	22,705

3. Information on banks

	Current Year		Prior Year	
	TL	FC	TL	FC
Banks	4,217	2,125,373	73,080	1,198,593
Domestic	4,217	57,354	33,064	78,946
Foreign	-	2,068,019	40,016	1,119,647
Foreign Head Offices and Branches	-	-	-	-
Total	4,217	2,125,373	73,080	1,198,593

Due from foreign banks

	Unrestricted Balance		Restricted Balances	
	Current Year	Prior Year	Current Year	Prior Year
EU Countries	678,632	326,609	63,976	138,392
USA, Canada	1,083,740	619,664	181,327	9,254
OECD Countries (*)	23,689	52,137	3,534	-
Off-shore Banking Regions	116	39	-	-
Others	33,005	2,753	-	10,815
Total	1,819,182	1,001,202	248,837	158,461

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

4. Information on available-for-sale financial assets

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

	Current Year		Prior Year	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar Marketable Securities	661,402	387,393	1,660,529	68,530
Others	-	-	-	-
Total	661,402	387,393	1,660,529	68,530

Available-for-sale financial assets subject to repurchase agreements

	Current Year		Prior Year	
	TL	FC	TL	FC
Government Bonds	1,506,673	-	5,074,766	-
Treasury Bills	-	-	-	-
Other Debt Securities	-	1,930,563	-	1,451,246
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Total	1,506,673	1,930,563	5,074,766	1,451,246

Information related to available for sale financial assets

	Current Year	Prior Year
Debt instruments	13,298,684	13,765,091
Quoted	13,298,684	13,765,091
Unquoted	-	-
Equity instruments	10,750	10,750
Quoted	-	-
Unquoted	10,750	10,750
Impairment provision (-)	170,445	11,010
Total	13,138,989	13,764,831

5. Information on loans

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

	Current Year		Prior Year	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to the Bank’s shareholders	-	6,572	-	563
Legal entities	-	6,572	-	563
Real persons	-	-	-	-
Indirect loans granted to the Bank’s shareholders	-	-	-	-
Loans granted to the employees	55,529	-	45,654	-
Total	55,529	6,572	45,654	563

Information about, loans and other receivables classified in groups I and II and restructured or rescheduled loans and other receivables

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	<i>Loans and Other Receivables</i>	<i>Restructured or Rescheduled</i>	<i>Loans and Other Receivables</i>	<i>Restructured or Rescheduled</i>
		<i>Loans and Other Receivables</i>		<i>Loans and Other Receivables</i>
Cash Loans				
Loans	55,265,005	51,193	1,381,380	476,386
Discounted Bills	41,710	-	1,497	-
Export Loans	4,164,903	533	67,108	51,099
Import Loans	-	-	-	-
Loans to Financial Sector	1,018,325	-	9	85
Foreign Loans	103,740	-	-	-
Consumer Loans	18,583,068	-	536,160	134,858
Credit Cards	1,930,589	-	78,202	7,137
Precious Metal Loans	-	-	-	-
Others	29,422,670	50,660	698,404	283,207
Specialization Loans	26,646	-	-	-
Other Receivables	-	-	-	-
Total	55,291,651	51,193	1,381,380	476,386

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

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

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

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

Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	<i>Loans and Other Receivables</i>	<i>Restructured or Rescheduled Loans and Other Receivables</i>	<i>Loans and Other Receivables</i>	<i>Restructured or Rescheduled Loans and Other Receivables</i>
Cash loans				
Short-term Loans and Other Receivables	13,146,010	1,398	277,689	135,998
Loans	13,146,010	1,398	277,689	135,998
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
Medium, Long-term Loans and Other Receivables	42,145,641	49,795	1,103,691	340,388
Loans	42,118,995	49,795	1,103,691	340,388
Specialization loans	26,646	-	-	-
Other Receivables	-	-	-	-

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	278,746	18,178,330	18,457,076
Housing Loans	5,595	8,804,392	8,809,987
Automobile Loans	3,728	365,969	369,697
General Purpose Loans	87,628	4,460,920	4,548,548
Others	181,795	4,547,049	4,728,844
Consumer Loans – FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Consumer Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Retail Credit Cards – TL	1,818,044	1,868	1,819,912
With Installment	784,411	1,868	786,279
Without Installment	1,033,633	-	1,033,633
Retail Credit Cards – FC	1,035	-	1,035
With Installment	-	-	-
Without Installment	1,035	-	1,035
Personnel Loans – TL	1,433	25,282	26,715
Housing Loan	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	1,396	25,281	26,677
Others	37	1	38
Personnel Loans – FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Credit Cards – TL	28,792	-	28,792
With Installment	11,441	-	11,441
Without Installment	17,351	-	17,351
Personnel Credit Cards – FC	22	-	22
With Instalment	-	-	-
Without Installment	22	-	22
Overdraft Checking Accounts – TL (Real persons)	770,221	-	770,221
Overdraft Checking Accounts – FC (Real persons)	74	-	74
Total	2,898,367	18,205,480	21,103,847

Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	662,019	8,183,588	8,845,607
Real Estate Loans	3,238	129,266	132,504
Automobile Loans	28,897	803,621	832,518
General Purpose Loans	629,884	7,250,701	7,880,585
Others	-	-	-
Installment-based Commercial Loans – FC-indexed	19,380	503,135	522,515
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	19,380	503,135	522,515
Others	-	-	-
Installment-based Commercial Loans – FC	350	852,761	853,111
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	350	852,761	853,111
Corporate Credit Cards – TL	166,055	48	166,103
With Installment	37,925	48	37,973
Without Installment	128,130	-	128,130
Corporate Credit Cards – FC	64	-	64
With Installment	-	-	-
Without Installment	64	-	64
Overdraft Checking Accounts – TL (Corporate)	261,059	-	261,059
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	1,108,927	9,539,532	10,648,459

Allocation of loan customers

	Current Year	Prior Year
Public Sector	957,456	1,134,894
Private Sector	56,243,154	43,701,500
Total	57,200,610	44,836,394

Allocation of domestic and foreign loans

	Current Year	Prior Year
Domestic Loans	57,096,870	44,769,519
Foreign Loans	103,740	66,875
Total	57,200,610	44,836,394

Loans granted to associates and subsidiaries

	Current Year	Prior Year
Direct Loans Granted to Associates and Subsidiaries	293,552	914,750
Indirect Loans Granted to Associates and Subsidiaries	-	-
Total	293,552	914,750

Specific provisions for loans

	Current Year	Prior Year
Provisions for Loans and Receivables with Limited Collectibility	47,200	66,757
Provisions for Loans and Receivables with Doubtful Collectibility	175,923	218,622
Provisions for Uncollectible Loans and Receivables	1,825,134	1,955,712
Total	2,048,257	2,241,091

Information on non-performing loans (Net)

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Year	18,471	26,240	81,771
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	18,471	26,240	81,771
Prior Year	12,885	56,475	159,362
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	12,885	56,475	159,362

Movements in 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
Prior Year End Balance	91,382	218,622	1,955,712
Additions (+)	375,790	76,359	115,566
Transfers from other categories of loans under follow-up (+) ^(*)	-	262,893	277,511
Transfers to other categories of loans under follow-up (-) ^(*)	263,143	315,098	90,022
Collections (-)	48,207	66,853	433,633
Write-offs (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Year End Balance	155,822	175,923	1,825,134
Specific Provision (-)	47,200	175,923	1,825,134
Net Balance on Balance Sheet	108,622	-	-

^(*) Loans that are transferred from restructured loans to non-performing loans and from non-performing loans to restructured loans are presented in the Transfers from and to other categories of loans under follow-up lines.

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

Information on non-performing loans granted in foreign currencies

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Year			
Period End Balance	927	306	272,195
Specific Provision (-)	185	306	272,195
Net Balance on Balance Sheet	742	-	-
Prior Year			
Period End Balance	2,687	9,173	299,365
Specific Provision (-)	537	9,173	299,365
Net Balance on Balance Sheet	2,150	-	-

Non-performing loans granted in foreign currencies are followed in Turkish Lira accounts.

Write-off policy for uncollectible loans and receivables

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

Loan customer concentration of non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Year (Net)	108,622	-	-
Consumer and Commercial Loans (Gross)	155,483	174,471	1,788,064
Special Provision (-)	47,132	174,471	1,788,064
Consumer and Commercial Loans (Net)	108,351	-	-
Banks (Gross)	-	-	1,551
Special Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	339	1,452	35,519
Special Provision (-)	68	1,452	35,519
Other Loans and Receivables (Net)	271	-	-
Prior Year (Net)	24,625	-	-
Consumer and Commercial Loans (Gross)	91,167	214,723	1,920,998
Special Provision (-)	66,714	214,723	1,920,998
Consumer and Commercial Loans (Net)	24,453	-	-
Banks (Gross)	-	-	1,551
Special Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	215	3,899	33,163
Special Provision (-)	43	3,899	33,163
Other Loans and Receivables (Net)	172	-	-

6. Information on held-to-maturity investments

Public sector debt securities classified as held-to-maturity investments

	Current Year		Prior Year	
	TL	FC	TL	FC
Government Bonds	4,343,224	-	2,911,012	-
Treasury Bills	-	-	-	-
Other Government Securities	-	1,573,727	-	1,358,592
Total	4,343,224	1,573,727	2,911,012	1,358,592

Information on held-to-maturity investments

	Current Year	Prior Year
Debt Securities	6,013,657	4,336,674
Quoted at Stock Exchange	5,959,081	4,299,582
Unquoted at Stock Exchange	54,576	37,092
Impairment Losses (-)	42,130	29,978
Total	5,971,527	4,306,696

The movement of held-to-maturity investments

	Current Year	Prior Year
Balances at the Beginning of the Year	4,306,696	3,498,473
Foreign Currency Differences On Monetary Assets	214,454	43,968
Purchases During the Year	3,102,225	2,276,240
Disposals Through Sales/Redemptions	(1,634,696)	(1,515,414)
Impairment Losses	(12,152)	(17,166)
Change in Amortized Costs ^(*)	(5,000)	20,595
Balances at the End of the Year	5,971,527	4,306,696

^(*) Change in amortized costs includes accrual differences on marketable securities.

In the current period, the Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 1,690,000 to its held-to-maturity investment securities portfolio at their fair values of TL 1,764,346 as at their reclassification dates. These reclassifications are presented in “purchases during the period” line in the movement table of held-to-maturity investment securities. The value increases of such securities amounting to TL (2,497) are recorded under equity and will be amortized through the statement of income until their maturities.

The Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 2,205,476 to its held-to-maturity investment securities portfolio at their fair values of TL 2,166,451 as at their reclassification dates, in 2010. These reclassifications are presented in “purchases during the period” line in the movement table of held-to-maturity investment securities. The value increases of such securities amounting to TL (4,842) are recorded under equity and will be amortized through the statement of income until their maturities.

Information about held-to-maturity investments

Current Year	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/Blocked Investments	-	54,520	-	54,576
Investments subject to Repurchase Agreements	2,328,425	940,202	2,370,567	962,317
Held for structural position	-	-	-	-
Receivable from Security Borrowing Market	-	-	-	-
Collateral For Security Borrowing Market	-	-	-	-
Others ^(*)	1,938,751	612,638	1,972,657	611,410
Total	4,267,176	1,607,360	4,343,224	1,628,303

Prior Year	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized / Blocked Investments	401,847	37,080	405,031	37,092
Investments subject to Repurchase Agreements	1,267,246	914,794	1,321,006	930,042
Held for structural position	-	-	-	-
Receivable from Security Borrowing Market	-	-	-	-
Collateral For Security Borrowing Market	-	-	-	-
Others ^(*)	1,145,838	425,748	1,184,975	428,550
Total	2,814,931	1,377,622	2,911,012	1,395,684

^(*) Securities that are not held as collateral/blockage, but held as free by the Bank have been presented in the “Other” column.

7. Investments in associates

Investments in associates

Title	Address (City/ Country)	Bank’s Share – Voting Rights, If Different (%)	Bank’s Risk Group Share (%)
1 Kıbrıs Vakıflar Bankası Ltd. ^(*)	Lefkosa/NCTR	15.00	15.00
2 Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ ^(*)	İstanbul/Turkey	11.75	21.77
3 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ^(**)	İstanbul/Turkey	27.63	29.47
4 Roketsan Roket Sanayi ve Ticaret AŞ ^(*)	Ankara/Turkey	10.00	10.00
5 Türkiye Sınai Kalkınma Bankası AŞ ^(*)	İstanbul/Turkey	8.38	8.38
6 Bankalararası Kart Merkezi AŞ ^(*)	İstanbul/Turkey	9.70	9.70
7 Kredi Kayıt Bürosu AŞ ^(*)	İstanbul/Turkey	9.09	9.09
8 Güçbirliği Holding AŞ ^(*)	İzmir/Turkey	0.07	0.07
9 İzmir Enternasyonal Otelcilik AŞ ^(*)	İstanbul/Turkey	5.00	5.00
10 İMKB Takas ve Saklama Bankası AŞ ^(*)	İstanbul/Turkey	4.86	5.28
11 World Vakıf UBB Ltd.	Lefkosa/NCTR	82.00	85.24
12 Kredi Garanti Fonu AŞ ^(*)	Ankara/Turkey	1.67	1.67

	Total Assets	Shareholders’ Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Years’ Profit/Loss	Fair Value
1	690,965	56,605	7,682	40,335	7,149	1,448	11,793	-
2	14,518	14,281	94	231	(388)	(1,226)	1,187	14,709
3	189,197	186,817	140,605	1,755	798	25,791	4,960	238,697
4	1,314,482	191,452	184,583	14,565	-	(2,798)	41,658	-
5	9,821,491	1,486,861	19,237	239,631	154,205	170,649	227,755	1,457,613
6	22,629	19,044	6,401	686	-	3,179	1,465	-
7	33,294	28,668	3,163	1,804	-	12,969	13,630	-
8	122,250	16,701	339	217	-	(8,178)	(9,203)	-
9	104,983	35,114	101,465	-	-	(11,618)	(2,620)	-
10	2,168,769	297,083	10,613	27,363	2,890	24,411	28,048	-
11	3,246	(32,657)	-	5	-	(3,094)	(2,428)	-
12	207,899	201,048	2,904	3,979	-	7,672	4,321	-

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

^(**) Figures are obtained from audited financial statements for 31 December 2011 disclosed in ISE.

Movement of investments in associates

	Current Year	Prior Year
Balance at the beginning of the year	206,682	142,008
Movements during the year	12,845	64,674
Transfers	-	-
Acquisitions	22,553	-
Bonus shares received	10,368	10,477
Income/Loss from investments under equity accounting	-	-
Sales and liquidations	-	-
Fair value changes	(20,076)	54,197
Impairment losses	-	-
Balance at the end of the year	219,527	206,682
Capital commitments	1,000	2,000
Share percentage at the end of the year (%)	-	-

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

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

Sectoral distribution of investments and associates and related carrying values

	Current Year	Prior Year
Banks	137,446	172,051
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	74,487	27,037
Total	211,933	199,088

Quoted associates

	Current Year	Prior Year
Quoted to domestic stock exchanges	189,827	178,758
Quoted to international stock exchanges	-	-
Total	189,827	178,758

Investments in associates sold during the current year

There is no disposal in associates during the current year.

Investments in associates acquired during the current year

As per the 19 August 2011 dated resolution of the Board of Directors of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Bank, it has been decided to increase the paid in capital by TL 78,000 from TL 22,000 to TL 100,000. The paid amount TL 21,553 is presented as acquisitions in movement table of investments in associates.

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

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

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

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

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Bankalararası Kart AŞ (“BKM”), an associate of the Bank, from TL 6,000 to TL 14,000, by the General Assembly of BKM, the share of the Bank amounting to TL 776 is presented in the movement table of investments in associates as bonus shares received.

In 2010, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ (“TSKB”), an associate of the Bank, from TL 600,000 to TL 700,000, by the General Assembly of TSKB, the share of the Bank amounting to TL 8,377 is presented in the movement table of investments in associates as bonus shares received.

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

8. Investments in subsidiaries

Investments in subsidiaries

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

	Total Assets	Shareholder’s Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Years’ Profit/(Loss)	Fair Value
1	727,824	264,591	163,157	9,558	-	11,501	(65,520)	271,593
2	1,296,886	113,499	24,443	15,817	18,824	9,591	7,483	175,471
3	8,884	8,782	1,062	134	1,827	387	(51)	12,500
4	224,691	219,987	84,258	6,618	2	8,176	(2,441)	212,968
5	653,681	80,785	385	43,084	-	9,266	12,665	64,253
6	515,943	94,553	3,485	14,033	57	8,488	17,442	92,114
7	31,353	21,361	6,489	367	-	2,791	4,312	12,000
8	121,531	54,644	319	3,760	141	2,336	5,761	40,222
9	23,596	18,325	657	998	87	6,546	5,147	28,488
10	1,316,632	183,923	1,689	19,823	4,002	7,508	9,301	166,683
11	7,182	5,738	6	386	49	1,139	1,376	17,079

^(*) Financial information as at and for the nine-month period ended 30 September 2011 has been presented for these subsidiaries.

Movement of investments in subsidiaries

	Current Year	Prior Year
Balance at the beginning of the year	688,501	546,249
Movements during the year	(43,503)	142,252
Transfers	-	-
Acquisitions	-	42,320
Bonus shares received	14,678	-
Dividends from current year profit	(13,243)	-
Sales and liquidations	-	-
Fair value changes	(44,938)	113,467
Impairment losses	-	(13,535)
Balance at the end of year	644,998	688,501
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

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

The merger has been realized on 30 December 2011. Legal entity of Vakıf Sistem Pazarlama Yazılım AŞ has ended with the merger. The title of the Company has been amended as Vakıf Pazarlama Sanayi ve Ticaret AŞ. The share of the Bank in Vakıf Pazarlama Sanayi ve Ticaret AŞ has been 69.33% that amounts to TL 20,966 after the merger.

As per 17 June 2010 dated resolution of the Board of Directors, it is decided to sell 51% share in Taksim Otelcilik, a subsidiary of the Bank, to domestic or foreign investors and to execute necessary procedures including assignment of a consultant. The Board of Directors decided to terminate the block sales of Taksim Otelcilik AŞ to be realized in the next periods.

Valuation methods of investments in subsidiaries

	Current Year	Prior Year
Valued at Cost	-	-
Valued at Fair Value	644,998	688,501
Valued by Equity Method of Accounting	-	-
Total	644,998	688,501

Sectoral distribution of financial investments in subsidiaries

	Current Year	Prior Year
Banks	150,015	150,015
Insurance Companies	193,303	214,617
Factoring Companies	50,368	50,368
Leasing Companies	54,080	64,965
Finance Companies	-	-
Other Financial Subsidiaries	56,897	67,996
Total	504,663	547,961

Quoted subsidiaries

	Current Year	Prior Year
Quoted at Domestic Stock Exchanges	152,804	183,064
Quoted at International Stock Exchanges	-	-
Total	152,804	183,064

Investments in subsidiaries disposed during the current year

There is no disposal in subsidiaries in the current period.

Investments in subsidiaries purchased during the current year

In current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ (“Vakıf Leasing”), a subsidiary of the Bank, from TL 25,000 to TL 50,000, by the General Assembly of Vakıf Leasing, the share of the Bank amounting to TL 14,678 is presented as bonus shares received in the movement table of investments in subsidiaries.

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

9. Investments in joint-ventures

None.

10. Information on finance lease receivables (net)

None

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management

None.

12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	1,146,598	214,468	36,794	563,921	1,961,781
Accumulated depreciation(-)	269,427	178,606	27,730	372,226	847,989
Net book value	877,171	35,862	9,064	191,695	1,113,792
Balance at the end of the current year:					
Net book value at the beginning of the current year	877,171	35,862	9,064	191,695	1,113,792
Additions	156,727	0	22,398	78,233	257,358
Disposals (-)	160,157	582	172	2,896	163,807
Impairment losses (-) (*)	2,934	0	0	0	2,934
Depreciation of the current year (-)	27,543	10,693	6,281	66,310	110,827
Currency translation diff. on foreign operations	-	-	-	-	-
Cost at the end of the current year	1,140,234	213,886	59,020	639,258	2,052,398
Accumulated depreciation at the end of the year (-)	296,970	189,299	34,011	438,536	958,816
Net book value at the end of the current year	843,264	24,587	25,009	200,722	1,093,582

(*) In conjunction with the 5th subclause of “Regulation on the procedures and principles for sales and purchase of precious metal and disposal of tangible assets that have been acquired due to receivables by Banks” of BRSA which has been published in the Official Gazette no. 26333 on 1 November 2006, in case assets that are not subject to amortization are not disposed within three years following the acquisition date, they shall be amortized through recording provisions at a rate of 5% for each year after the acquisition date. In this frame, the Bank has booked TL 14,606 provision as at 31 December 2011 (31 December 2010: TL 12,881) taking the temporary clause of the regulation defining the acquisition date into account.

13. Information on intangible assets

Bank’s intangible assets consist of computer softwares. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis over the estimated useful lives.

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

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

The Bank did not declared a commitment to purchase intangible assets.

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

14. Information on investment property

None.

15. Information on deferred tax asset

Items generating deferred tax assets or liabilities as at 31 December 2011 and 2010 are as follows:

	Current Year	Prior Year
<i>Deferred tax assets:</i>	178,817	122,478
Valuation differences of financial assets and liabilities	61,019	13,582
Provision for employee termination benefits and unused vacations	47,802	43,307
Other provisions	28,937	23,572
Valuation differences for associates and subsidiaries	23,456	23,456
Reporting Standarts - Tax Code depreciation differences	16,019	16,986
Others	1,584	1,575
<i>Deferred tax liabilities:</i>	(47,664)	(35,244)
Valuation differences of financial assets and liabilities	(32,316)	(17,719)
Valuation differences for associates and subsidiaries	(15,348)	(17,525)
Deferred tax assets, net	131,153	87,234

16. Assets held for sale and assets related to the discounted operations

None.

17. Information on other assets

Details of other assets as at 31 December 2011 and 2010 are as follows:

	Current Year	Prior Year
Prepaid expenses	395,066	323,581
Receivables from credit cards	392,479	292,504
Receivables from term sale of assets ^(*)	103,778	87,974
Receivables from lawsuit and court expenses	20,177	37,763
Receivables from derivative financial instruments	6	52,062
Others	70,802	41,971
Total	982,308	835,855

^(*) In current year Bank provided provision for receivables from term sale of assets amounting to TL 27,400 that has been recognized under other provisions in liabilities.

II. Information and disclosures related to liabilities

1. Information on maturity profile of deposits

Current Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	1,671,682	-	362,643	11,508,016	1,195,391	216,923	75,894	-	15,030,549
Foreign Currency Deposits	1,474,554	-	1,741,903	8,197,256	1,824,464	382,446	1,295,852	-	14,916,475
Residents in Turkey	1,395,283	-	1,740,162	8,140,988	1,805,721	352,134	1,147,847	-	14,582,135
Residents in Abroad	79,271	-	1,741	56,268	18,743	30,312	148,005	-	334,340
Public Sector Deposits	2,766,392	-	1,885,113	4,837,879	835,509	38,441	32,799	-	10,396,133
Commercial Deposits	1,192,107	-	2,467,161	5,327,423	968,822	336,589	1,718	-	10,293,820
Others	1,931,014	-	681,617	2,936,530	966,888	294,692	18,190	-	6,828,931
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	31,618	-	1,687,178	833,548	916,823	2,069	2,074	-	3,473,310
CBT	116	-	-	-	-	-	-	-	116
Domestic Banks	932	-	1,599,705	302,618	481,791	2,069	2,074	-	2,389,189
Foreign Banks	18,821	-	87,473	530,930	435,032	-	-	-	1,072,256
Participation Banks	11,749	-	-	-	-	-	-	-	11,749
Others	-	-	-	-	-	-	-	-	-
Total	9,067,367	-	8,825,615	33,640,652	6,707,897	1,271,160	1,426,527	-	60,939,218

Prior Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	1,460,236	-	1,235,236	9,402,828	245,339	25,332	44,923	-	12,413,894
Foreign Currency Deposits	1,084,338	-	1,811,841	6,776,456	657,405	124,493	1,265,409	-	11,719,942
Residents in Turkey	1,059,716	-	1,759,213	6,694,013	653,615	120,478	1,253,375	-	11,540,410
Residents in Abroad	24,622	-	52,628	82,443	3,790	4,015	12,034	-	179,532
Public Sector Deposits	2,100,660	-	971,257	3,174,130	635,535	10,981	8,260	-	6,900,823
Commercial Deposits	1,099,948	-	2,467,484	6,028,136	553,073	471	1,589	-	10,150,701
Others	1,521,494	-	758,990	1,898,088	293,835	9,048	19,725	-	4,501,180
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	10,200	-	660,412	889,135	33,427	421,561	-	-	2,014,735
CBT	123	-	-	-	-	-	-	-	123
Domestic Banks	1,801	-	578,270	384,135	33,427	150,133	-	-	1,147,766
Foreign Banks	3,090	-	82,142	505,000	-	271,428	-	-	861,660
Participation Banks	5,128	-	-	-	-	-	-	-	5,128
Others	58	-	-	-	-	-	-	-	58
Total	7,276,876	-	7,905,220	28,168,773	2,418,614	591,886	1,339,906	-	47,701,275

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Year	Prior Year	Current Year	Prior Year
Saving Deposits	6,344,011	5,664,532	8,678,865	6,749,362
Foreign Currency Saving Deposits	1,485,189	1,378,766	4,116,656	2,759,321
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	7,829,200	7,043,298	12,795,521	9,508,683

Saving deposits out of insurance coverage limits

	Current Year	Prior Year
Deposits and other accounts at foreign branches	7,231	6,604
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	1,859	3,486
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26.09.2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purposes

Negative fair values of trading purpose derivatives

	Current Year		Prior Year	
	TL	FC	TL	FC
Forwards	3,399	4,574	845	94
Swaps	973	333,331	20,297	80,716
Futures	-	-	-	-
Options	4	93	95	1,320
Others	-	-	-	-
Total	4,376	337,998	21,237	82,130

3. Information on banks and other financial institutions

	Current Year		Prior Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Bank and Institutions	75,254	260,049	51,292	213,965
Foreign Bank, Institutions and Funds	-	7,902,004	-	6,062,137
Total	75,254	8,162,053	51,292	6,276,102

Maturity information of funds borrowed

	Current Year		Prior Year	
	TL	FC	TL	FC
Short-term ^(*)	60,706	2,883,277	38,861	3,375,423
Medium and long term ^(*)	14,548	5,278,776	12,431	2,900,679
Total	75,254	8,162,053	51,292	6,276,102

^(*)The maturity profile of funds borrowed has been presented taking the original maturities into account.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 10.3% (31 December 2010: 9.7%) of the Bank’s liabilities. There is no risk concentration on funding sources of the Bank.

On 1 September 2010, the Bank obtained a syndication loan at the amount of US Dollar 135 million with interest rate of Libor + 1.30% and Euro 408 million with interest rate of Euribor + 1,30% at 1 year maturity; and syndication loan at the amount of US Dollar 10 million with interest rate of Libor + 1.75% and Euro 45 million with interest rates of Euribor + 1.75% at 2 years maturity with the participation of 32 banks under the coordination of West LB AG. The Bank has repaid the part of the loan with one year maturity on 6 September 2011. This loan has been renewed with a syndicated loan at the amount of US Dollar 145 million and Euro 433 million with interest rates of US Libor+ % 1.00 and Euribor + %1.00 at a maturity of one year, with the participation of 26 banks under the coordination of ING Bank NV on 7 September 2011.

On 24 March 2010, the Bank has obtained syndication loan of USD 170 million and Euro 566.5 million with cost of Libor + 1.50% and Euribor + 1.50%, with the participation of 33 banks under the coordination of West LB AG, the the loan was repaid on 29 March 2011. On 28 March 2011, this loan has been renewed with a syndicated loan at the amount of US Dollar 192.5 million and Euro 573.5 million with interest rates of US Libor+ % 1.10 and Euribor + %1.10 at a maturity of one year, with the participation of 34 banks under the coordination of West LB AG and the agency of ING Bank NV.

Information on securities issued

On 8 August 2011, the Bank has issued bonds with a nominal value of TL 500,000 and 176 days maturity. As at 31 December 2011, the Bank has purchased its bonds with a nominal of TL 1,637 thousand TL and netted from its bonds payable. The carrying value of these bonds amounts to TL 494,885 as at 31 December 2011 (31 December 2010: None).

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

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

5. Information on lease payables (net)

Obligations under financial leases

None.

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

Negative fair values of hedging purpose derivatives

None.

7. Information on provisions

Information on general provisions

	Current Year	Prior Year
Provisions for Loans and Receivables in Group I	583,470	350,017
Provisions for Loans and Receivables in Group II	38,615	40,852
Provisions for Non Cash Loans	46,189	35,922
Others	2,906	1,085
Total	671,180	427,876

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

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

31 December 2010	Balance sheet items		Off balance sheet items	
	Carrying value	Provision	Carrying value	Provision
Grade 1 : Low risk loans and receivables	42,351,507	343,569	21,423,951	35,411
Grade 2 : Loans under follow-up	1,949,034	38,979	127,780	511
Restructured loans	232,360	1,873	-	-
Other not graded assets	721,345	6,448	3,438,853	1,085
Total	45,254,246	390,869	24,990,584	37,007

Provision for currency exchange loss on foreign currency indexed loans

	Current Year	Prior Year
Provision for currency exchange gain/loss on foreign currency indexed loans	2,419	835

The Bank has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 2,419 (31 December 2010: TL 835) and has reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.

Provisions for non-cash loans that are not indemnified or converted into cash

	Current Year	Prior Year
Non-cash Loans with Limited Collectibility	417	233
Non-cash Loans with Doubtful Collectibility	7,485	3,636
Uncollectible Non-cash Loans	60,036	88,379
Total	67,937	92,248

Information on other provisions

The Bank has recorded provision for possible loan losses amounting to TL 51,676 (31 December 2010: TL 65,428) which corresponds to %5 (31 December 2010: TL %5) percent of loans under follow up. The related balance has been recorded as provisions for miscellaneous risks under other provisions in the accompanying financial statements.

Information on other provisions exceeding 10% of total provisions

	Current Year	Prior Year
Specific provision for non-cash loans that are not indemnified or converted into cash	67,937	92,248
Provisions for loans under follow-up	51,676	65,428
Provisions for World Vakıf UBB Ltd with regard to its negative equity	26,777	19,680
Provisions for cheques	16,530	15,226
Provisions for lawsuits against the Bank	14,673	14,673
Provisions for credit card promotions	7,923	7,873
Others	36,955	5,199
Total	222,471	220,327

8. Taxation

Current Taxes

Tax provision

As at and for the year ended 31 December 2011 , the tax provision was amounted to TL 298,638 (31 December 2010: TL 296,978). As at 31 December 2010, corporate tax liabilities of the Bank was amounted to TL 18,508 (31 December 2010: TL 112,811), after deducting prepaid taxes paid during temporary tax periods amounted to TL 280,130 (31 December 2010: TL 184,167).

Information on taxes payable

	Current Year	Prior Year
Corporate taxes payable	18,508	112,811
Taxation on securities	62,259	38,770
Capital gains tax on property	1,204	1,031
Banking and Insurance Transaction Tax (BITT)	28,153	22,201
Taxes on foreign exchange transactions	-	-
Value added tax payable	1,284	1,160
Others	13,819	14,391
Total	125,227	190,364

Information on premiums payable

	Current Year	Prior Year
Social security premiums- employee share	-	-
Social security premiums- employer share	-	-
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	429	367
Unemployment insurance- employer share	858	735
Others	-	-
Total	1,287	1,102

Information on deferred tax liability

Disclosed in Note 15 of information and disclosures for assets.

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

None.

10. Information on subordinated loans

None.

11. Information on shareholders’ equity

Paid-in capital

	Current Year	Prior Year
Common Stock	2,500,000	2,500,000
Preferred Stock	-	-

Paid-in capital of the Bank amounted to TL 2,500,000 is divided into groups comprised of 43.0% Group (A), 15.6 % Group (B), 16.2% Group (C) and 25.2% Group (D).

Board of Directors’ members; one member appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members representing Group (A), one member representing Group (B), and two members representing Group (C); among the nominees shown by the majority of each group, and one member among the nominees offered by the shareholders at the General Assembly are selected. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

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

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

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

There is no share capital increase in the current and previous year.

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following year

None.

Prior year indicators of the Bank’s income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of marketable securities

	Current Year		Prior Year	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	257,946	56,311	334,023	56,310
Fair value differences of available-for-sale securities	(180,809)	112,876	124,540	184,808
Foreign exchange differences	6,980	-	6,980	-
Total	84,117	169,187	465,543	241,118

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

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

	Current Year	Prior Year
Commitments for credit card limits	4,322,604	4,880,798
Loan granting commitments	4,574,348	3,679,208
Commitments for cheque payments	1,626,838	904,825
Asset purchase commitments	829,640	655,194
Share capital commitments to associates and subsidiaries	1,000	2,000
Total	11,354,430	10,122,025

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

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

The Bank has provided specific provision amounting to TL 67,937 (31 December 2010: TL 93,180) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 69,605 (31 December 2010: TL 92,248)

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Year	Prior Year
Provisional Letters of Guarantee	489,911	627,236
Final Letters of Guarantee	4,493,718	3,480,369
Letters of Guarantee for advances	1,946,721	1,215,050
Letters of Guarantee given to Customs Offices	323,046	215,578
Other Letters of Guarantee	3,819,360	2,690,927
Total	11,072,756	8,229,160

2. Non-cash Loans

	Current Year	Prior Year
Non-Cash Loans Given for Cash Loan Risks	591,334	309,128
With Original Maturity of 1 Year or Less	353,374	197,708
With Original Maturity of More Than 1 Year	237,960	111,420
Other Non-Cash Loans	15,072,695	11,035,532
Total	15,664,029	11,344,660

3. Sectoral risk concentrations of non-cash loans

	Current Year				Prior Year			
	TL	%	FC	%	TL	%	FC	%
Agricultural	44,778	0.49	189,336	2.85	34,489	0.54	168,629	3.46
Farming and Stockbreeding	39,146	0.43	176,234	2.65	30,764	0.48	154,865	3.17
Forestry	4,610	0.05	7,949	0.12	3,252	0.05	3,250	0.07
Fishing	1,022	0.01	5,153	0.08	473	0.01	10,514	0.22
Manufacturing	3,990,192	44.24	3,237,435	48.72	2,913,650	45.06	2,585,483	52.99
Mining	49,592	0.55	53,415	0.80	37,315	0.58	177,128	3.63
Production	2,889,888	32.04	2,816,140	42.38	1,974,922	30.54	1,762,739	36.13
Electric, gas and water	1,050,712	11.65	367,880	5.54	901,413	13.94	645,616	13.23
Construction	1,509,054	16.73	1,021,201	15.37	1,082,641	16.74	730,552	14.98
Services	2,843,974	31.55	1,239,570	18.65	1,893,805	29.29	404,005	8.28
Wholesale and retail trade	1,093,274	12.13	380,986	5.73	721,816	11.16	179,191	3.67
Hotel, food and beverage services	57,270	0.64	1,931	0.03	42,105	0.65	7,510	0.15
Transportation and telecommunication	463,721	5.14	780,211	11.74	204,053	3.16	185,871	3.81
Financial institutions	1,166,857	12.94	57,600	0.87	888,134	13.73	17,834	0.37
Real estate and renting services	15,604	0.17	43	0.00	2,008	0.03	-	-
“Self-employment” type services	-	-	-	-	-	-	-	-
Education services	6,817	0.08	-	-	4,925	0.08	-	-
Health and social services	40,431	0.45	18,799	0.28	30,764	0.48	13,599	0.28
Others	630,744	6.99	957,745	14.41	541,753	8.37	989,653	20.29
Total	9,018,742	100.00	6,645,287	100.00	6,466,338	100.00	4,878,322	100.00

4. Information on non-cash loans classified as Group I and II

Current Year	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

Prior Year	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	6,337,267	1,695,245	87,838	18,993
Confirmed Bills of Exchange and Acceptances	8,587	168,833	-	17,070
Letters of Credit	3,750	2,907,360	-	171
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	6,366	-	-
Non-cash Loans	6,349,604	4,777,804	87,838	36,234

5. Information on derivative transactions

	Current Year	Prior Year
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	10,756,450	6,431,763
Currency Forwards	971,981	104,871
Currency Swaps	9,537,237	6,071,201
Currency Futures	-	-
Currency Options	247,232	255,691
Interest Rate Derivative Transactions (II)	1,662,116	535,904
Interest Rate Forwards	-	-
Interest Rate Swaps	1,662,116	535,904
Interest Rate Futures	-	-
Interest Rate Options	-	-
Other Trading Derivatives (III)	531,155	-
A. Total Trading Derivatives (I+II+III)	12,949,721	6,967,667
Hedging Derivatives	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	-	-
Derivative Transactions (A+B)	12,949,721	6,967,667

	31 December 2011					Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	
Currency swaps:						
Purchase	1,569,915	973,610	1,656,806	-	-	4,200,331
Sale	1,027,308	1,034,200	1,692,000	-	-	3,753,508
Currency forwards:						
Purchase	96,217	112,920	276,913	-	-	486,050
Sale	96,177	112,889	276,865	-	-	485,931
Cross currency interest rate swaps:						
Purchase	-	94,000	75,200	696,758	-	865,958
Sale	-	77,100	52,830	587,510	-	717,440
Interest rate swaps:						
Purchase	-	-	20,176	141,000	675,847	837,023
Sale	-	-	8,246	141,000	675,847	825,093
Options:						
Purchase	123,616	-	-	-	-	123,616
Sale	123,616	-	-	-	-	123,616
Other trading derivatives:						
Purchase	-	-	-	-	-	-
Sale	531,155	-	-	-	-	531,155
Total purchases	1,789,748	1,180,530	2,029,095	837,758	675,847	6,512,978
Total sales	1,778,256	1,224,189	2,029,941	728,510	675,847	6,436,743
Total	3,568,004	2,404,719	4,059,036	1,566,268	1,351,694	12,949,721

	31 December 2010					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	1,449,242	404,711	465,105	-	-	2,319,058
Sale	1,437,935	400,481	463,500	-	-	2,301,916
Currency forwards:						
Purchase	33,796	17,447	1,199	-	-	52,442
Sale	33,787	17,443	1,199	-	-	52,429
Cross currency interest rate swaps:						
Purchase	-	-	-	729,658	-	729,658
Sale	-	-	-	720,569	-	720,569
Interest rate swaps:						
Purchase	-	731	127,538	30,223	115,875	274,367
Sale	-	731	124,600	20,331	115,875	261,537
Options:						
Purchase	86,554	41,291	-	-	-	127,845
Sale	86,555	41,291	-	-	-	127,846
Other trading derivatives:						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
Total purchases	1,569,592	464,180	593,842	759,881	115,875	3,503,370
Total sales	1,558,277	459,946	589,299	740,900	115,875	3,464,297
Total	3,127,869	924,126	1,183,141	1,500,781	231,750	6,967,667

6. Contingent assets and liabilities

None.

7. Services rendered on behalf of third parties

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

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

IV. Information and disclosures related to the income statement

1. Interest income

Information on interest income received from loans

	Current Year		Prior Year	
	TL	FC	TL	FC
Short-term Loans	1,298,443	161,002	1,299,197	138,470
Medium and Long-term Loans	2,766,606	564,927	2,207,782	377,598
Loans under follow-up	141,727	-	110,814	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	4,206,776	725,929	3,617,793	516,068

Information on interest income received from banks

	Current Year		Prior Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks	1,611	1,155	2,169	1,270
Foreign Banks	43	5,707	382	2,816
Foreign Head Office and Branches	-	-	-	-
Total	1,654	6,862	2,551	4,086

Information on interest income received from securities portfolio

	Current Year		Prior Year	
	TL	FC	TL	FC
Trading Financial Assets	-	-	-	903
Financial Assets at Fair Value through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	891,208	156,077	1,079,104	139,561
Held-to-Maturity Investments	352,635	109,495	262,106	99,094
Total	1,243,843	265,572	1,341,210	239,558

Information on interest income received from associates and subsidiaries

	Current Year	Prior Year
Interest Received from Associates and Subsidiaries	23,737	53,996

2. Interest Expense

Interest expenses on funds borrowed

	Current Year		Prior Year	
	TL	FC	TL	FC
Banks	4,773	123,778	3,687	80,161
Central Bank of Turkey	-	-	-	-
Domestic Banks	4,773	2,094	3,687	1,768
Foreign Banks	-	121,684	-	78,393
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	6,590	-	4,327
Total	4,773	130,368	3,687	84,488

Interest expenses paid to associates and subsidiaries

	Current Year	Prior Year
Interest Paid to Associates and Subsidiaries	33,918	40,203

Interest expense on securities issued

Interest expense on securities issued amounts to 16,555 TL as at and for the year ended 31 December 2011 (31 December 2010: None).

Maturity structure of interest expense on deposits

Account Description	Demand Deposits	Time Deposit					Accumulating Deposit Accounts	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	1 Year and Over		
<i>Turkish Lira:</i>								
Bank Deposits	-	135,262	-	-	-	-	-	135,262
Saving Deposits	124	43,455	891,038	67,623	13,490	5,029	-	1,020,759
Public Sector Deposits	430	80,621	313,742	50,492	4,501	1,089	-	450,875
Commercial Deposits	494	112,843	387,589	66,498	12,134	101	-	579,659
Other Deposits	6	51,412	206,120	65,086	19,085	833	-	342,542
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total	1,054	423,593	1,798,489	249,699	49,210	7,052	-	2,529,097
<i>Foreign Currency:</i>								
Foreign Currency Deposits	193	37,999	237,063	42,478	14,573	48,403	-	380,709
Bank Deposits	-	29,709	-	-	-	-	-	29,709
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metals Deposits	-	-	-	-	-	-	-	-
Total	193	67,708	237,063	42,478	14,573	48,403	-	410,418
Grand Total	1,247	491,301	2,035,552	292,177	63,783	55,455	-	2,939,515

3. Dividend Income

	Current Year	Prior Year
Trading Purpose Financial Assets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	82	162
Others	44,735	35,027
Total	44,817	35,189

4. Trading income/losses

	Current Year	Prior Year
Income	1,651,331	1,213,241
Income from capital market transactions	79,950	366,052
Income from derivative financial instruments	624,010	117,102
Foreign exchange gains	947,371	730,087
Losses	(1,612,331)	(896,952)
Losses from capital market transactions	(5,250)	(368)
Losses from derivative financial instruments	(637,882)	(187,849)
Foreign exchange losses	(969,199)	(708,735)
Trading income/losses, net	39,000	316,289

Net gains arising from changes in foreign exchange rate that relate to the Bank’s derivative financial instruments based on foreign exchange rate is TL 60,117 for the year ended 31 December 2011 (31 December 2010: net loss amounting to TL 71,703).

5. Other operating income

	Current Year	Prior Year
Income from reversal of specific provisions for loans	653,188	431,999
Communication income	80,627	76,836
Gain on sale of assets	79,289	16,373
Rent income	2,011	4,503
Other income	70,200	71,319
Total	885,315	601,030

6. Provision expenses for losses on loans and other receivables

	Current Year	Prior Year
Specific Provisions on Loans and Other Receivables	410,665	664,462
<i>Loans and Receivables in Group III</i>	93,446	51,584
<i>Loans and Receivables in Group IV</i>	203,708	214,501
<i>Loans and Receivables in Group V</i>	113,511	398,377
Non-performing Commissions and Other Receivables	-	-
General Provision Expenses	243,923	105,274
Provision for Possible Losses	-	65,428
Impairment Losses on Financial Assets	66,638	10,688
<i>Financial Assets at Fair Value through Profit or Loss</i>	-	-
<i>Available-for-Sale Financial Assets</i>	66,638	10,688
Other Impairment Losses:	26,505	30,701
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	13,535
<i>Joint Ventures</i>	-	-
<i>Held-to-Maturity Investments</i>	26,505	17,166
Others ^(*)	157,865	96,651
Total	905,596	973,204

^(*) Other provision expenses amounting to TL 157,865 (31 December 2010: TL 96,651) is comprised of provision expenses for dividends to the personnel amounting to TL 97,000 (31 December 2010: TL 78,358), provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 58,294 (31 December 2010: TL 16,324) and other provision expenses amounting to TL 2,571 (31 December 2010: TL 1,969).

7. Other operating expenses

	Current Year	Prior Year
Personnel Costs	833,976	683,223
Reserve for Employee Termination Benefits	22,472	34,505
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses on Tangible Assets	100,038	92,203
Impairment Losses on Intangible Assets	-	-
Amortization Expenses on Intangible Assets	8,688	7,887
Impairment Losses on Assets to be Disposed	2,934	3,471
Depreciation Expenses on Assets to be Disposed	10,789	9,574
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	804,779	702,490
<i>Operational lease related expenses</i>	<i>113,183</i>	<i>88,120</i>
<i>Repair and maintenance expenses</i>	<i>14,655</i>	<i>15,004</i>
<i>Advertisement expenses</i>	<i>44,697</i>	<i>43,725</i>
<i>Other expenses</i>	<i>632,244</i>	<i>555,641</i>
Loss on sale of assets	1,150	5,160
Others	156,554	151,300
Total	1,941,380	1,689,813

8. Information on income/loss from discontinued operations

The Bank has no discontinued operations. Information and detailed tables on profit before tax from continuing operations are presented in disclosures 1-7 in this section.

9. Information on tax provision from discontinued operations

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

10. Information on net profit/loss from discontinued operations

The Bank has no discontinued operations. Information on net profit/loss from continuing operations is presented in disclosures 1-13 in this section.

11. Provision for taxes on income

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

In the current year, the Bank recorded current tax provision of TL 373,920 (31 December 2010: TL 318,948) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

Sources of deferred tax benefit/charge	Current Year	Prior Year
Arising from Origination/(Reversal) of Deductible Temporary Differences	53,386	14,683
Arising from (Origination)/Reversal of Taxable Temporary Differences	(27,862)	(1,369)
Arising from Origination/(Reversal) of Tax Losses	-	-
Arising from Change in Tax Rate	-	-
Total	25,524	13,314

12. Net profit and loss

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

None.

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

None.

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

None.

V. Information and disclosures related to statement of changes in shareholders’ equity

1. Information on increases of revaluation of available-for-sale investments

Revaluation differences of available-for-sale investments has resulted with decrease in the current year. Detailed information about the decrease is explained below in Note 6.

2. Information on increases in cash flow hedges

None.

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

None.

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

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

5. Information on profit distribution

As per the resolution of 57th Annual General Assembly held on 25 March 2011, the net profit of the year 2010 which amounts to TL 1,143,825 after deferred tax income deducted is decided to be distributed as legal reserves amounting to TL 114,382, extraordinary reserves amounting to TL 992,598, special funds amounting to TL 2,531 and dividends to equity holders of the Bank amounting to TL 34,314.

6. Information on increases of revaluation of available-for-sale investments

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

Valuation Differences of Marketable Securities	Current Year	Prior Year
Valuation differences at the beginning of the year	309,348	329,412
Fair value changes in the current year	(310,458)	78,933
Effect of deferred and corporate taxes	65,592	2,494
Valuation differences transferred to the statement of income	(156,420)	(120,944)
Effect of deferred and corporate taxes	24,005	19,453
Valuation differences at the end of the year	(67,933)	309,348

Valuation Difference of the Subsidiaries and Affiliates	Current Year	Prior Year
Valuation differences at the beginning of the year	397,313	236,062
Fair value changes in the current year	(78,253)	167,664
Effect of deferred and corporate taxes	2,177	(6,413)
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	-	-
Valuation differences at the end of the year	321,237	397,313

VI. Information and disclosures on statement of cash flows

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

“Other” balance under the “Operating profit before changes in operating assets and liabilities” amounting to TL 511,477 (31 December 2010: TL 429,046) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

“Net increase/decrease in other liabilities” amounting to TL 1,591,254 (31 December 2010: TL 2,801,596) under “Changes in operating assets and liabilities” is mainly comprised of cash inflows from repurchase agreements.

“Other” balance under “Net cash flow from investing activities” amounting to TL 17,750 (31 December 2010: TL 17,236) is comprised of purchases of intangible assets.

Since unrealized gains and losses arising from foreign exchange rate changes are not regarded as cash flows, the effect of changes in foreign exchange rate on cash and cash equivalents in foreign currency has been calculated as TL 3,796 (31 December 2010: TL 4,997) and presented in the statement of cash flows in order to reconcile cash and cash equivalents balances at the beginning and end of the year.

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

In the current period paid in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Bank, has been decided to increase by TL 78,000 from TL 22,000 to TL 100,000. Bank, has decided to fully exercise the preemptive right of the Bank’s shares which corresponds to TL 21,553. The amount has been presented under “Net cash flow from Investment Operations” in “Cash paid for purchase of associates, subsidiaries and joint-ventures” line.

In the current period, the Bank has paid TL 1,000 of its capital commitment to Kredi Garanti Fonu AŞ, an unconsolidated associate of the Bank. The amount has been presented under “Net cash flow from Investment Operations” in “Cash paid for purchase of associates, subsidiaries and joint-ventures” line.

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

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

There is no disposal in associates, subsidiaries and joint-ventures in the current year.

4. Information on cash and cash equivalents

Information on cash and cash equivalents at the beginning of the year

	Current Year	Prior Year
	31 December 2010	31 December 2009
Cash on hand	655,339	591,081
Cash in TL	571,538	508,595
Cash in foreign currency	83,801	82,486
Cash equivalents	5,732,115	7,600,554
CBT – Unrestricted demand deposit	3,990,880	2,457,852
Bank deposits	1,271,673	2,738,558
Interbank money market placements	2,101,584	3,400,614
Other	661	702
Loans and advances to banks having maturity of more than 3 months	(46,350)	-
Restricted cash and cash equivalents	(1,581,601)	(975,498)
Unrealised foreign exchange rate differences on cash equivalents	(4,732)	(21,674)
Total	6,387,454	8,191,635

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

	Current Year	Prior Year
	31 December 2011	31 December 2010
Cash on hand	711,295	655,339
Cash in TL	604,222	571,538
Cash in foreign currency	107,073	83,801
Cash equivalents	4,222,611	5,732,115
CBT – Unrestricted demand deposit	6,424,827	3,990,880
Bank deposits	2,129,590	1,271,673
Interbank money market placements	190,127	2,101,584
Other	998	661
Loans and advances to banks having maturity of more than 3 months	(4,000)	(46,350)
Restricted cash and cash equivalents	(4,518,564)	(1,581,601)
Unrealized foreign exchange rate differences on cash equivalents	(367)	(4,732)
Total	4,933,906	6,387,454

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

Reserve requirements at CBT amounting to TL 4,269,727 as at 31 December 2011 (31 December 2010: TL 1,423,140) has not been included in cash and cash equivalents.

Foreign currency bank deposits amounting to TL 248,837 (31 December 2010: TL 158,461) is restricted due to securitization loans and other ordinary banking operations of the Bank.

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

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

Current Year	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Year	914,750	340,525	-	563	8,978	2,371
Balance at the End of the Year	293,552	614,114	-	6,572	4,443	1,540
Interest and Commission Income Received	23,737	623	-	30	382	46

Prior Year	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Year	579,792	402,370	-	549	9,587	4,122
Balance at the End of the Year	914,750	340,525	-	563	8,978	2,371
Interest and Commission Income Received	53,996	374	-	-	521	69

Information on deposits held by the Bank’s risk group

Bank’s Risk Group	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Deposits						
Balance at the Beginning of the Year	731,751	623,235	581,885	917,223	54,423	56,210
Balance at the End of the Year	1,085,232	731,751	728,474	581,885	92,454	54,423
Interest on Deposits	33,918	40,203	42,610	60,887	489	445

Information on forward and option agreements and similar agreements made with the Bank’s risk group

Bank’s Risk Group	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Transactions held for trading purpose:						
Purchase balance at the beginning of the period	30,900	29,800	-	-	-	-
Sales balance at the beginning of the period	31,694	29,790	-	-	-	-
Purchase balance at the end of the period	-	30,900	-	-	-	-
Sales balance at the end of the period	-	31,694	-	-	-	-
Total Profit/(Loss)	6	17	-	-	-	-

2. Disclosures of transactions with the Bank’s risk group

Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the the risk group to the overall cash and non-cash loans are 0.52% (31 December 2010: 2.06%) and 3.97% (31 December 2010: 3.03%).

Current Year	Amount	Compared with the Financial Statement Amount %
Cash Loans	297,995	0.52
Non-Cash Loans	622,226	3.97
Deposits	1,906,160	3.13
Forward and Option Agreements	-	-

Prior Year	Amount	Compared with the Financial Statement Amount %
Cash Loans	923,728	2.06
Non-Cash Loans	343,459	3.03
Deposits	1,368,059	2.87
Forward and Option Agreements	62,594	0.90

VIII. Information on domestic, foreign and off-shore branches or investments and foreign representative offices

Domestic and foreign branches and representative offices

	Number of Branches	Number of Employees			
Domestic Branches^(*)	677	12,188			
			Country		
Foreign Representative Offices	-	-	-		
				Total Assets	Legal Capital
Foreign Branches	1	16	ABD	1,805,195	31,020
	1	14	Iraq	37,341	13,160
Off-shore Branches	1	4	Bahrain	10,145,948	-

^(*) Free zone branches in Turkey is included to domestic branches.

Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

During 2011, 43 (2010: 100) new domestic branches and 1 (2010:none) foreign branch have been opened and no branches haven't been closed (2010: 9).

SECTION SIX

Other Disclosures and Footnotes

I. Other explanations on the Bank’s operations

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

Profit Distribution Table of Year 2010	
Bank’s unconsolidated profit in its statutory financial statements	1,157,140
Deferred tax income	(13,315)
Net profit of the year subject to distribution	1,143,825
Legal reserves	114,382
<i>First Legal Reserves</i>	57,191
<i>Reserves allocated according to banking law and articles of association.</i>	57,191
Net profit of the year subject to distribution	1,029,443
Gain on sale of immovables and shares of associates and subsidiaries	2,531
Extraordinary reserves	992,598
Dividends to the shareholders	34,314

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

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

December 2011 (*)	Standard Poors (**)
Foreign Currency Credit Rating	BB / Positive / B
Foreign Currency Deposit Rating	BB / Positive / B
National	trAA / -- / trA-1
Continuance Rating	BBB- / -- / --

October 2010 (*)	Moody’s Investors’ Service
Financial Strength Rating	D+
Local Currency Deposit Rating	Baa3 / P-3
Local Currency Outlook	Stable
Foreign Currency Deposit Rating	Ba3 / NP
Foreign Currency Outlook	Positive

November 2011 (*)	Fitch Rating
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long Term Local Currency	BB+
Short Term Local Currency	B
Local Currency Outlook	Stable
National Long Term	AA+ (tur)
National Outlook	Stable
Individual	C/D
Support	3
Base Support Rating	BB+

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

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

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

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

- The public offering of the Bank’s bond with TL 500,000,000 nominal value and 176 days maturity in accordance with the communiqué approved by CMB on 22 July 2011, has been published on Official Gazette dated 22 July 2011. The bond has started to be traded on Istanbul Stock Exchange with the ISIN code “TRQVKFB11218” on 10 August 2011. The bond has matured as at 31 January 2012.
- The public offering of the Bank’s bill with TL 1,000,000,000 nominal value and 178 days maturity in accordance with the communiqué approved by CMB on 12 July 2011, has been realized. The bill has started to be traded on Istanbul Stock Exchange with the ISIN code “TRQVKFB71212” on 1 February 2012.

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

None.

SECTION SEVEN

I. Independent Auditors’ Report

1. Information on the independent auditors’ report

The Bank’s unconsolidated financial statements and footnotes as at 31 December 2011 , have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International) and an unqualified opinion has been issued in their independent auditors’ report dated 14 February 2012.