

*(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 Statements

As at and for the Year Ended

31 December 2012

With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ

14 February 2013

*This report contains "Independent Auditors'  
Report" comprising 2 pages and; "Unconsolidated  
Financial Statements and Related Disclosures and  
Footnotes" comprising 87 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 2012, the 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 other regulations, circular and communiqués published by the Banking Regulation and Supervision Board and the statements made by the Banking Regulation and Supervision Agency 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 2012 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 other regulations, circulars and communiqués published by Banking Regulation and Supervision Board and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Istanbul,  
14 February 2013

Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Erdal Tıkmak  
*Partner*

**Additional paragraph for convenience translation to English:**

As explained in Section 3 Note I, the accompanying 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 2012**

Address : Levent Mahallesi, Hacı Adil Yolu  
Çayır Çimen Sokak, No:2, 1.Levent Beşiktaş/ İstanbul

Telephone : 0212 316 70 00

Fax : 0212 316 72 32

Electronic web site : [www.vakifbank.com.tr](http://www.vakifbank.com.tr)

Electronic mail address : [posta@vakifbank.com.tr](mailto:posta@vakifbank.com.tr)

The unconsolidated financial report as at and for the year ended 31 December 2012 , prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks“ as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE 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 2013

Halil AYDOĞAN  
Chairman of  
Board of Directors

Ramazan Gündüz  
Board Member and  
Audit Committee Member

Ali Fuat TAŞKESENLİOĞLU  
Board Member and  
Audit Committee Member

Süleyman KALKAN  
General Manager and  
Board Member

Metin Recep ZAFER  
Assistant General Manager

Murat KOYGUN  
Director of Accounting and  
Financial Affairs

The authorized contact person for questions on this financial report:

Name-Surname/Title : S. Buğra SÜRÜEL / Manager  
Phone no : 0 312 591 11 48  
Fax no : 0 312 591 20 01

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# **Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**

Unconsolidated Financial Report as at and

For the Year Ended 31 December 2012

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

## **SECTION ONE**

### **General Information**

#### **I. History of the 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 2012 and 2011, the Bank’s paid-in capital is TL 2,500,000, divided into 250.000.000.000 shares with each has a nominal value of 1 Kuruş.

The Bank’s shareholder structure as at 31 December 2012 is stated below:

<b>Shareholders</b>	<b>Number of Shares- 100 shares</b>	<b>Nominal Value of the Shares – Thousands of TL</b>	<b>Share Percentage (%)</b>
Foundations represented by the General Directorate of the Foundations (Group A)	1.075.058.640	1,075,059	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402.552.666	402,553	16.10
Appendant foundations (Group B)	386.224.785	386,225	15.45
Other appendant foundations (Group B)	3.157.818	3,157	0.13
Other registered foundations (Group B)	1.453.084	1,453	0.06
Other real persons and legal entities (Group C)	1.560.320	1,560	0.06
Publicly traded (Group D)	629.992.687	629,993	25.20
<b>Total</b>	<b>2.500.000.000</b>	<b>2,500,000</b>	<b>100.00</b>

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**

Unconsolidated Financial Report as at and

For the Year Ended 31 December 2012

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

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

Name Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
<b><u>Board of Directors</u></b>				
Halil AYDOĞAN	Chairman	5 January 2012	University	36 years
Halim KANATCI	Deputy Chairman	28 April 2009	University	39 years
Süleyman KALKAN	Member – General Manager	19 March 2010	University	29 years
Ahmet CANDAN	Member	19 March 2010	University	25 years
İsmail ALPTEKİN	Member	6 April 2009	University	14 years
Ramazan GÜNDÜZ	Member	6 April 2009	University	34 years
Dr. Adnan ERTEM	Member	28 October 2010	PHD	24 years
Ali Fuat TAŞKESENLİOĞLU	Member	30 March 2012	University	24 years
Sadık TILTAK	Member	30 March 2012	University	24 years
<b><u>Audit Committee</u></b>				
Ramazan GÜNDÜZ	Member	3 January 2013	University	34 years
Ali Fuat TAŞKESENLİOĞLU	Member	6 April 2012	University	24 years
<b><u>Auditors</u></b>				
Mehmet HALTAŞ	Auditor	19 March 2010	University	35 years
Yunus ARINCI	Auditor	19 March 2010	Master	15 years
<b><u>Assistant Managers</u></b>				
Mehmet CANTEKİN ( <i>Senior Executive Vice President</i> )	Loans Follow-up, Directorates of the Regions, Strategy Development, Economic Research	28 December 2007	Master	21 years
Şahin UĞUR	Corporate Salary Payments	9 August 2004	University	27 years
Feyzi ÖZCAN	Retail Banking, Consumer Loans, Payment Systems, Payment System Operations, Insurance Banking	20 September 2005	University	23 years
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Alternative Distribution Channels	13 June 2006	PHD	17 years
Ömer ELMAS	Legal Services, Non-performing Loans	5 January 2009	Master	10 years
İbrahim BİLGİÇ	Corporate Banking, Corporate Centers, Corporate Loans, Cash Management Affairs	7 May 2010	University	21 years
Hasan ECESoy	Treasury, Investment Banking	18 June 2010	PHD	19 years
Serdar SATOĞLU	Private Banking, Subsidiaries	2 July 2010	PHD	17 years
Ali Engin EROĞLU	Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate	18 August 2010	Master	16 years
Osman DEMREN	Commercial Banking, Support Services, SME Banking	6 April 2011	University	22 Years
Mitat ŞAHİN	Human Resources, Planning and Performance	11 April 2011	Master	23 Years
Yıldırım EROĞLU	Commercial Loans, Intelligence	6 December 2011	University	20 Years
Numan BEK	International Relations and Investor Relations	18 July 2012	University	22 years

## **Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**

Unconsolidated Financial Report as at and

For the Year Ended 31 December 2012

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

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

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

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

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

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

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

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

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



## SECTION TWO – FINANCIAL STATEMENTS

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**  
 Unconsolidated Balance Sheet (Statement of Financial Position)  
 As at 31 December 2012  
 (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*

ASSETS	Notes	Audited Current Year 31 December 2012			Audited Prior Year 31 December 2011		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>V-I-1</b>	<b>2,249,902</b>	<b>10,077,723</b>	<b>12,327,625</b>	<b>2,069,286</b>	<b>5,067,834</b>	<b>7,137,120</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	<b>V-I-2</b>	<b>20,589</b>	<b>65,597</b>	<b>86,186</b>	<b>4,182</b>	<b>169,956</b>	<b>174,138</b>
2.1 Financial assets held for trading purpose		20,589	65,597	86,186	4,182	169,956	174,138
2.1.1 Debt securities issued by the governments		-	-	-	-	-	-
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading purpose	V-I-2	20,589	65,597	86,186	4,182	169,956	174,138
2.1.4 Other securities		-	-	-	-	-	-
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
<b>III. BANKS</b>	<b>V-I-3</b>	<b>29,360</b>	<b>1,925,546</b>	<b>1,954,906</b>	<b>4,217</b>	<b>2,125,373</b>	<b>2,129,590</b>
<b>IV. RECEIVABLES FROM INTERBANK MONEY MARKETS</b>		-	-	-	<b>190,127</b>	-	<b>190,127</b>
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
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>V-I-4</b>	<b>10,269,317</b>	<b>3,858,206</b>	<b>14,127,523</b>	<b>10,424,851</b>	<b>2,714,138</b>	<b>13,138,989</b>
5.1 Equity securities		-	10,750	10,750	-	10,750	10,750
5.2 Debt securities issued by the governments		10,269,317	3,832,876	14,102,193	10,424,851	2,653,693	13,078,544
5.3 Other securities		-	14,580	14,580	-	49,695	49,695
<b>VI. LOANS AND RECEIVABLES</b>	<b>V-I-5</b>	<b>51,368,274</b>	<b>16,764,765</b>	<b>68,133,039</b>	<b>39,030,377</b>	<b>18,278,855</b>	<b>57,309,232</b>
6.1 Performing loans and receivables		51,102,880	16,764,765	67,867,645	38,921,755	18,278,855	57,200,610
6.1.1 Loans provided to the Bank's risk group	V-VII-1	62,021	58,425	120,446	163,266	134,729	297,995
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		51,040,859	16,706,340	67,747,199	38,758,489	18,144,126	56,902,615
6.2 Loans under follow-up		2,724,963	-	2,724,963	2,156,879	-	2,156,879
6.3 Specific provisions (-)		2,459,569	-	2,459,569	2,048,257	-	2,048,257
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)</b>	<b>V-I-6</b>	<b>4,198,301</b>	<b>55,305</b>	<b>4,253,606</b>	<b>4,343,224</b>	<b>1,628,303</b>	<b>5,971,527</b>
8.1 Debt securities issued by the governments		4,198,301	1,858	4,200,159	4,343,224	1,573,727	5,916,951
8.2 Other securities		-	53,447	53,447	-	54,576	54,576
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>V-I-7</b>	<b>398,063</b>	-	<b>398,063</b>	<b>219,527</b>	-	<b>219,527</b>
9.1 Associates, consolidated per equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		398,063	-	398,063	219,527	-	219,527
9.2.1 Financial associates		386,663	-	386,663	211,933	-	211,933
9.2.2 Non-Financial associates		11,400	-	11,400	7,594	-	7,594
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>V-I-8</b>	<b>706,829</b>	<b>205,380</b>	<b>912,209</b>	<b>494,983</b>	<b>150,015</b>	<b>644,998</b>
10.1 Unconsolidated financial subsidiaries		551,132	205,380	756,512	354,648	150,015	504,663
10.2 Unconsolidated non-financial subsidiaries		155,697	-	155,697	140,335	-	140,335
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>	<b>V-I-9</b>	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-Financial joint-ventures		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES</b>	<b>V-I-10</b>	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>	<b>V-I-11</b>	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	<b>V-I-12</b>	<b>1,132,430</b>	<b>2,137</b>	<b>1,134,567</b>	<b>1,090,688</b>	<b>2,894</b>	<b>1,093,582</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	<b>V-I-13</b>	<b>81,614</b>	<b>133</b>	<b>81,747</b>	<b>61,999</b>	<b>176</b>	<b>62,175</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		81,614	133	81,747	61,999	176	62,175
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	<b>V-I-14</b>	-	-	-	-	-	-
<b>XVII. TAX ASSETS</b>		<b>119,625</b>	-	<b>119,625</b>	<b>131,153</b>	-	<b>131,153</b>
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets	V-I-15	119,625	-	119,625	131,153	-	131,153
<b>ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)</b>	<b>V-I-16</b>	-	-	-	-	-	-
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>V-I-17</b>	<b>856,248</b>	<b>194,919</b>	<b>1,051,167</b>	<b>871,492</b>	<b>110,816</b>	<b>982,308</b>
<b>TOTAL ASSETS</b>		<b>71,430,552</b>	<b>33,149,711</b>	<b>104,580,263</b>	<b>58,936,106</b>	<b>30,248,360</b>	<b>89,184,466</b>

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Audited Current Year 31 December 2012			Audited Prior Year 31 December 2011		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	V-II-1	<b>49,566,239</b>	<b>17,676,051</b>	<b>67,242,290</b>	<b>43,215,813</b>	<b>17,723,405</b>	<b>60,939,218</b>
1.1 Deposits of the Bank's risk group	V-VII-1	843,371	717,762	1,561,133	1,248,155	658,005	1,906,160
1.2 Other deposits		48,722,868	16,958,289	65,681,157	41,967,658	17,065,400	59,033,058
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>	V-II-2	<b>7,165</b>	<b>192,527</b>	<b>199,692</b>	<b>4,376</b>	<b>337,998</b>	<b>342,374</b>
<b>III. FUNDS BORROWED</b>	V-II-3	<b>86,974</b>	<b>7,388,509</b>	<b>7,475,483</b>	<b>75,254</b>	<b>8,162,053</b>	<b>8,237,307</b>
<b>IV. INTERBANK MONEY MARKET</b>		<b>2,105,612</b>	<b>6,384,324</b>	<b>8,489,936</b>	<b>2,978,533</b>	<b>2,961,104</b>	<b>5,939,637</b>
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		2,105,612	6,384,324	8,489,936	2,978,533	2,961,104	5,939,637
<b>V. SECURITIES ISSUED (Net)</b>	V-II-3	<b>1,539,176</b>	<b>891,137</b>	<b>2,430,313</b>	<b>494,885</b>	-	<b>494,885</b>
5.1 Bills		1,436,871	-	1,436,871	494,885	-	494,885
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		102,305	891,137	993,442	-	-	-
<b>VI. FUNDS</b>		<b>31,368</b>	-	<b>31,368</b>	<b>40,699</b>	-	<b>40,699</b>
6.1 Funds against borrower's note		-	-	-	-	-	-
6.2 Others		31,368	-	31,368	40,699	-	40,699
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>2,156,038</b>	<b>67,564</b>	<b>2,223,602</b>	<b>1,808,249</b>	<b>69,014</b>	<b>1,877,263</b>
<b>VIII. OTHER EXTERNAL RESOURCES PAYABLE</b>	V-II-4	<b>430,620</b>	<b>535,827</b>	<b>966,447</b>	<b>150,590</b>	<b>454,116</b>	<b>604,706</b>
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES</b>	V-II-5	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred finance leasing expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE</b>	V-II-6	-	-	-	-	-	-
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	-	-	-	-	-
11.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	V-II-7	<b>1,609,740</b>	<b>31,336</b>	<b>1,641,076</b>	<b>1,253,798</b>	<b>29,660</b>	<b>1,283,458</b>
12.1 General provisions	V-II-7	953,052	3,007	956,059	668,297	2,883	671,180
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		457,513	-	457,513	389,807	-	389,807
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-
12.5 Other provisions	V-II-7	199,175	28,329	227,504	195,694	26,777	222,471
<b>XIII. TAX LIABILITIES</b>	V-II-8	<b>321,043</b>	<b>1,310</b>	<b>322,353</b>	<b>124,710</b>	<b>1,804</b>	<b>126,514</b>
13.1 Current tax liabilities		321,043	1,310	322,353	124,710	1,804	126,514
13.2 Deferred tax liabilities	V-I-15	-	-	-	-	-	-
<b>XIV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)</b>	V-II-9	-	-	-	-	-	-
14.1 Payables related to the assets held for sale		-	-	-	-	-	-
14.2 Payables related to the discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	V-II-10	-	<b>1,639,549</b>	<b>1,639,549</b>	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>		<b>11,278,984</b>	<b>639,170</b>	<b>11,918,154</b>	<b>9,129,218</b>	<b>169,187</b>	<b>9,298,405</b>
<b>16.1 Paid-in capital</b>	V-II-11	<b>2,500,000</b>	-	<b>2,500,000</b>	<b>2,500,000</b>	-	<b>2,500,000</b>
<b>16.2 Capital reserves</b>		<b>1,643,100</b>	<b>639,170</b>	<b>2,282,270</b>	<b>882,917</b>	<b>169,187</b>	<b>1,052,104</b>
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	810,803	639,170	1,449,973	84,117	169,187	253,304
16.2.4 Revaluation surplus on tangible assets		41,061	-	41,061	7,564	-	7,564
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		67,318	-	67,318	67,318	-	67,318
16.2.8 Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9 Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		-	-	-	-	-	-
<b>16.3 Profit reserves</b>		<b>5,675,804</b>	-	<b>5,675,804</b>	<b>4,519,516</b>	-	<b>4,519,516</b>
16.3.1 Legal reserves		710,624	-	710,624	590,498	-	590,498
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		4,699,751	-	4,699,751	3,689,113	-	3,689,113
16.3.4 Other profit reserves		265,429	-	265,429	239,905	-	239,905
<b>16.4 Profit or loss</b>		<b>1,460,080</b>	-	<b>1,460,080</b>	<b>1,226,785</b>	-	<b>1,226,785</b>
16.4.1 Prior years' profit/loss		-	-	-	-	-	-
16.4.2 Current year's profit/loss		1,460,080	-	1,460,080	1,226,785	-	1,226,785
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>69,132,959</b>	<b>35,447,304</b>	<b>104,580,263</b>	<b>59,276,125</b>	<b>29,908,341</b>	<b>89,184,466</b>

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

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**  
Unconsolidated Off-Balance Sheet Items  
As at 31 December 2012  
(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*

	Notes	Audited Current Year 31 December 2012			Audited Prior Year 31 December 2011		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>47,920,728</b>	<b>34,015,287</b>	<b>81,936,015</b>	<b>39,880,044</b>	<b>33,288,485</b>	<b>73,168,529</b>
<b>I. GUARANTEES AND SURETIES</b>	<b>V-III-2-4</b>	<b>10,540,702</b>	<b>6,676,045</b>	<b>17,216,747</b>	<b>9,018,742</b>	<b>6,645,287</b>	<b>15,664,029</b>
1.1 Letters of guarantee		10,520,455	2,111,663	12,632,118	8,988,954	2,083,802	11,072,756
1.1.1 Guarantees subject to State Tender Law		1,556,195	1,172,213	2,728,408	1,421,940	735,091	2,157,031
1.1.2 Guarantees given for foreign trade operations		379,638	-	379,638	323,046	-	323,046
1.1.3 Other letters of guarantee		8,584,622	939,450	9,524,072	7,243,968	1,348,711	8,592,679
1.2 Bank acceptances		19,554	786,278	805,832	29,056	454,538	483,594
1.2.1 Import letter of acceptance		-	36,632	36,632	375	40,122	40,497
1.2.2 Other bank acceptances		19,554	749,646	769,200	28,681	414,416	443,097
1.3 Letters of credit		693	3,773,865	3,774,558	732	4,098,668	4,099,400
1.3.1 Documentary letters of credit		693	3,773,865	3,774,558	732	4,098,668	4,099,400
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	2,705	2,705	-	6,941	6,941
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Marketable securities underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	1,104	1,104	-	1,166	1,166
1.9 Other sureties		-	430	430	-	172	172
<b>II. COMMITMENTS</b>		<b>34,216,436</b>	<b>16,105,397</b>	<b>50,321,833</b>	<b>26,604,769</b>	<b>17,950,010</b>	<b>44,554,779</b>
2.1 Irrevocable commitments		12,181,257	900,351	13,081,608	10,761,185	888,178	11,649,363
2.1.1 Asset purchase commitments	V-III-1	813,896	880,456	1,694,352	768,919	857,919	1,626,838
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	-	-	-	1,000	-	1,000
2.1.4 Loan granting commitments	V-III-1	4,950,300	-	4,950,300	4,574,348	-	4,574,348
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		-	-	-	-	-	-
2.1.8 Tax and fund obligations on export commitments	V-III-1	1,154,273	-	1,154,273	829,640	-	829,640
2.1.9 Commitments for credit card limits	V-III-1	4,938,035	-	4,938,035	4,322,604	-	4,322,604
2.1.10 Commitments for credit card and banking operations promotions		306,109	-	306,109	246,030	-	246,030
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		18,644	19,895	38,539	18,644	30,259	48,903
2.2 Revocable commitments		22,035,179	15,205,046	37,240,225	15,843,584	17,061,832	32,905,416
2.2.1 Revocable loan granting commitments		22,035,179	15,205,046	37,240,225	15,843,584	17,061,832	32,905,416
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>V-III-5</b>	<b>3,163,590</b>	<b>11,233,845</b>	<b>14,397,435</b>	<b>4,256,533</b>	<b>8,693,188</b>	<b>12,949,721</b>
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		3,163,590	11,233,845	14,397,435	4,256,533	8,693,188	12,949,721
3.2.1 Forward foreign currency purchases/sales		335,127	580,218	915,345	241,499	730,482	971,981
3.2.1.1 Forward foreign currency purchases		167,612	290,134	457,746	120,798	365,252	486,050
3.2.2.2 Forward foreign currency sales		167,515	290,084	457,599	120,701	365,230	485,931
3.2.2 Currency and interest rate swaps		2,402,780	8,330,787	10,733,567	3,895,134	7,304,219	11,199,353
3.2.2.1 Currency swaps-purchases		923,381	3,864,357	4,787,738	2,939,954	2,126,335	5,066,289
3.2.2.2 Currency swaps-sales		1,479,399	1,539,568	3,018,967	955,180	3,515,768	4,470,948
3.2.2.3 Interest rate swaps-purchases		-	1,463,431	1,463,431	-	837,023	837,023
3.2.2.4 Interest rate swaps-sales		-	1,463,431	1,463,431	-	825,093	825,093
3.2.3 Currency, interest rate and security options		425,683	650,908	1,076,591	119,900	127,332	247,232
3.2.3.1 Currency call options		212,841	325,454	538,295	59,950	63,666	123,616
3.2.3.2 Currency put options		212,842	325,454	538,296	59,950	63,666	123,616
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	-	-	-	-	-
3.2.3.6 Security put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-purchases		-	-	-	-	-	-
3.2.4.2 Currency futures-sales		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-	-	-	-
3.2.6 Others		-	1,671,932	1,671,932	-	531,155	531,155
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>519,993,665</b>	<b>149,770,720</b>	<b>669,764,385</b>	<b>357,053,294</b>	<b>124,320,048</b>	<b>481,373,342</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>164,776,152</b>	<b>1,631,737</b>	<b>166,407,889</b>	<b>124,012,854</b>	<b>1,965,815</b>	<b>125,978,669</b>
4.1 Customers' securities held		-	17,314	17,314	-	18,287	18,287
4.2 Investment securities held in custody		157,929,261	373,569	158,302,830	119,736,673	8,216	119,744,889
4.3 Checks received for collection		5,300,718	605,686	5,906,404	3,205,549	488,732	3,694,281
4.4 Commercial notes received for collection		942,310	195,300	1,137,610	679,477	175,092	854,569
4.5 Other assets received for collection		2,152	71	2,223	2,152	75	2,227
4.6 Assets received through public offering		-	5,231	5,231	-	5,570	5,570
4.7 Other items under custody		309	202,904	203,213	309	919,351	919,660
4.8 Custodians		601,402	231,662	833,064	388,694	350,492	739,186
<b>V. PLEDGED ITEMS</b>		<b>117,685,823</b>	<b>38,351,806</b>	<b>156,037,629</b>	<b>80,054,062</b>	<b>33,316,757</b>	<b>113,370,819</b>
5.1 Securities		333,097	26,537	359,634	152,464	36,226	188,690
5.2 Guarantee notes		667,934	98,231	766,165	370,412	106,362	476,774
5.3 Commodities		19,180,436	624,899	19,805,335	13,878,556	551,059	14,429,615
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		91,003,225	30,568,630	121,571,855	61,440,934	25,435,504	86,876,438
5.6 Other pledged items		5,721,800	6,887,220	12,609,020	3,818,024	7,124,472	10,942,496
5.7 Pledged items-depository		779,331	146,289	925,620	393,672	63,134	456,806
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>237,531,690</b>	<b>109,787,177</b>	<b>347,318,867</b>	<b>152,986,378</b>	<b>89,037,476</b>	<b>242,023,854</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>567,914,393</b>	<b>183,786,007</b>	<b>751,700,400</b>	<b>396,933,338</b>	<b>157,608,533</b>	<b>554,541,871</b>

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

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**  
Unconsolidated Off-Balance Sheet Items  
As at 31 December 2012  
(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*

	Notes	Audited Current Year 31 December 2012	Audited Prior Year 31 December 2011
<b>I. INTEREST INCOME</b>		<b>8,756,502</b>	<b>6,501,067</b>
1.1 Interest income from loans	V-IV-1	6,966,135	4,932,705
1.2 Interest income from reserve deposits		-	-
1.3 Interest income from banks	V-IV-1	4,462	8,516
1.4 Interest income from money market transactions		2,928	4,104
1.5 Interest income from securities portfolio	V-IV-1	1,765,558	1,509,415
1.5.1 Trading financial assets		-	-
1.5.2 Financial assets at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets		1,105,834	1,047,285
1.5.4 Held-to-maturity investments		659,724	462,130
1.6 Finance lease income		-	-
1.7 Other interest income		17,419	46,327
<b>II. INTEREST EXPENSE</b>		<b>4,671,908</b>	<b>3,607,349</b>
2.1 Interest expense on deposits	V-IV-2	3,924,493	2,939,515
2.2 Interest expense on funds borrowed	V-IV-2	136,402	135,141
2.3 Interest expense on money market transactions		346,524	478,656
2.4 Interest expense on securities issued	V-IV-2	177,879	16,555
2.5 Other interest expenses		86,610	37,482
<b>III. NET INTEREST INCOME (I -II)</b>		<b>4,084,594</b>	<b>2,893,718</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>447,700</b>	<b>559,307</b>
4.1 Fees and commissions received		709,741	747,092
4.1.1 Non-cash loans		104,763	65,658
4.1.2 Others		604,978	681,434
4.2 Fees and commissions paid		262,041	187,785
4.2.1 Non-cash loans		187	132
4.2.2 Others		261,854	187,653
<b>V. DIVIDEND INCOME</b>	<b>V-IV-3</b>	<b>57,078</b>	<b>44,817</b>
<b>VI. TRADING INCOME/LOSSES (Net)</b>	<b>V-IV-4</b>	<b>336,542</b>	<b>39,000</b>
6.1 Trading account income/losses	V-IV-4	249,189	74,700
6.2 Income/losses from derivative financial instruments	V-IV-4	(24,121)	(13,872)
6.3 Foreign exchange gains/losses	V-IV-4	111,474	(21,828)
<b>VII. OTHER OPERATING INCOME</b>	<b>V-IV-5</b>	<b>624,680</b>	<b>885,315</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>5,550,594</b>	<b>4,422,157</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	<b>V-IV-6</b>	<b>1,404,058</b>	<b>905,596</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-7</b>	<b>2,261,175</b>	<b>1,941,380</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>1,885,361</b>	<b>1,575,181</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		-	-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>		<b>1,885,361</b>	<b>1,575,181</b>
<b>XVI. CONTINUING OPERATIONS PROVISION FOR TAXES</b>	<b>V-IV-11</b>	<b>(425,281)</b>	<b>(348,396)</b>
16.1 Current tax charges		(449,196)	(373,920)
16.2 Deferred tax credits		23,915	25,524
<b>XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>V-IV-12</b>	<b>1,460,080</b>	<b>1,226,785</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from investment properties		-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3 Other income from discontinued activities		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Investment property expenses		-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3 Other expenses from discontinued activities		-	-
<b>XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-
<b>XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES (±)</b>		-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge		-	-
<b>XXII. NET INCOME/LOSS AFRET TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	<b>V-IV-12</b>	<b>1,460,080</b>	<b>1,226,785</b>
Earnings per 100 shares (full TL)	III-XXII	0.5840	0.4907

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 2012

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

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

<b>GAINS AND LOSSES RECOGNIZED IN SHAREHOLDERS' EQUITY</b>		<b>Audited Current Year 31 December 2012</b>	<b>Audited Prior Year 31 December 2011</b>
<b>I.</b>	<b>VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES</b>	<b>881,018</b>	<b>(466,878)</b>
<b>II.</b>	<b>REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	-	-
<b>III.</b>	<b>REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	-	-
<b>IV.</b>	<b>CURRENCY TRANSLATION DIFFERENCES</b>	-	-
<b>V.</b>	<b>GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)</b>	-	-
<b>VI.</b>	<b>GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)</b>	-	-
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS</b>	-	-
<b>VIII.</b>	<b>OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS</b>	<b>410,251</b>	<b>(77,465)</b>
<b>IX.</b>	<b>DEFERRED TAXES DUE TO VALUATION DIFFERENCES</b>	<b>(94,600)</b>	<b>91,774</b>
<b>X.</b>	<b>NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY</b>	<b>1,196,669</b>	<b>(452,569)</b>
<b>XI.</b>	<b>CURRENT YEAR'S PROFIT/LOSS</b>	<b>1,460,080</b>	<b>1,226,785</b>
11.1	Change in fair value of securities (transfers to the statement of income)	40,002	132,415
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	1,420,078	1,094,370
<b>XII.</b>	<b>TOTAL GAINS AND LOSSES RECOGNIZED DURING THE YEAR</b>	<b>2,656,749</b>	<b>774,216</b>

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 2012

(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 and Investment Property	Revaluation Surplus of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
<b>Prior Year – 31 December 2011</b>																			
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
<b>Changes during the year</b>																			
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Associates, Subsidiaries and "Available-for-sale" securities																			
III.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	(453,357)	-	-	-	-	(453,357)	-	(453,357)
IV.	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	788	-	-	788	-	788
VII.	Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Current year's net profit/loss	-	-	-	-	-	-	-	-	1,226,785	-	-	-	-	-	-	1,226,785	-	1,226,785
XVII.	Profit distribution	-	-	-	-	114,382	-	992,598	13,315	(1,157,140)	-	-	2,531	-	-	-	(34,314)	-	(34,314)
XVIII.	Dividends	-	-	-	-	-	-	-	-	(34,314)	-	-	-	-	-	-	(34,314)	-	(34,314)
18.1	Transferred to reserves	-	-	-	-	114,382	-	992,598	13,315	(1,122,826)	-	-	2,531	-	-	-	-	-	-
18.2	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	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
<b>Current Year – 31 December 2012</b>																			
I.	Balances at the beginning 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
<b>Changes during the year</b>																			
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Associates, Subsidiaries and "Available-for-sale" securities																			
III.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	1,196,669	-	-	-	-	1,196,669	-	1,196,669
IV.	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Current year's net profit/loss	-	-	-	-	-	-	-	-	1,460,080	-	-	-	-	-	-	1,460,080	-	1,460,080
XVII.	Profit distribution	-	-	-	-	120,126	-	1,010,638	25,524	(1,226,785)	-	-	33,497	-	-	-	(37,000)	-	(37,000)
XVIII.	Dividends	-	-	-	-	-	-	-	-	(37,000)	-	-	-	-	-	-	(37,000)	-	(37,000)
18.1	Transferred to reserves	-	-	-	-	120,126	-	1,010,638	25,524	(1,189,785)	-	-	33,497	-	-	-	-	-	-
18.2	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Balances at the end of the year	2,500,000	-	723,918	-	710,624	-	4,699,751	265,429	1,460,080	-	1,449,973	41,061	67,318	-	-	11,918,154	-	11,918,154

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

	Notes	Audited Current Year 31 December 2012	Audited Prior Year 31 December 2011
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>3,122,905</b>	<b>1,173,997</b>
1.1.1 Interests received		8,762,501	6,150,151
1.1.2 Interests paid		(4,664,904)	(3,506,550)
1.1.3 Dividends received		22,793	20,881
1.1.4 Fee and commissions received		709,741	559,307
1.1.5 Other income		156,143	172,935
1.1.6 Collections from previously written-off loans and other receivables	V-I-5	426,555	548,693
1.1.7 Payments to personnel and service suppliers		(2,168,815)	(1,867,002)
1.1.8 Taxes paid		(358,258)	(392,941)
1.1.9 Others	V-VI-1	237,149	(511,477)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(7,809,875)</b>	<b>(2,245,494)</b>
1.2.1 Net (increase) decrease in financial assets held for trading purpose		-	-
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(4,759,563)	(2,894,613)
1.2.4 Net (increase) decrease in loans		(11,848,243)	(12,667,820)
1.2.5 Net (increase) decrease in other assets		(68,859)	(146,453)
1.2.6 Net increase (decrease) in bank deposits		686,707	1,585,672
1.2.7 Net increase (decrease) in other deposits		5,652,617	11,568,677
1.2.8 Net increase (decrease) in funds borrowed		(768,102)	1,900,297
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	V-VI-1	3,295,568	(1,591,254)
<b>I. Net cash flow from banking operations</b>		<b>(4,686,970)</b>	<b>(1,071,497)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>		<b>1,255,059</b>	<b>(829,911)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	V-I-7	(1,211)	(22,553)
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures		-	-
2.3 Purchases of tangible assets		(89,365)	(104,893)
2.4 Proceeds from disposal of tangible assets		171,788	206,023
2.5 Cash paid for purchase of available-for-sale financial assets		(1,202,309)	(3,995,052)
2.6 Proceeds from disposal of available-for-sale financial assets		2,340,733	2,807,497
2.7 Cash paid for purchase of held-to-maturity investments		(210,825)	(1,337,879)
2.8 Proceeds from disposal of held-to-maturity investments	V-I-6	275,294	1,634,696
2.9 Others	V-VI-1	(29,046)	(17,750)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>3,499,543</b>	<b>444,064</b>
3.1 Cash obtained from funds borrowed and securities issued		6,157,509	478,378
3.2 Cash used for repayment of funds borrowed and securities issued		(2,620,966)	-
3.3 Equity instruments issued		-	-
3.4 Dividends paid	V-V-5	(37,000)	(34,314)
3.5 Repayments for finance leases		-	-
3.6 Others		-	-
<b>IV. Effect of change in foreign exchange rates on cash and cash equivalents</b>	V-VI-1	<b>(1,666)</b>	<b>3,796</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>65,966</b>	<b>(1,453,548)</b>
<b>VI. Cash and cash equivalents at the beginning of the year</b>	V-VI-4	<b>4,933,906</b>	<b>6,387,454</b>
<b>VII. Cash and cash equivalents at the end of the year</b>	V-VI-4	<b>4,999,872</b>	<b>4,933,906</b>

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

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

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.

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

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

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

#### **Associates and subsidiaries**

Subsidiaries are the entities that the Bank has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Subsidiaries are accounted in accordance with TAS 39 – *Financial Instruments: Recognition and Measurement* in the unconsolidated financial statements. Subsidiaries, 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**

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

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

## **XI. Information on goodwill and other intangible assets**

The Bank’s intangible assets consist of software.

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

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

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the TAS 36 – *Impairment of Assets* and if the recoverable amount is less then the carrying value of the related asset, a provision for impairment loss is made.

## **XII. Information on tangible assets**

The costs of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. In subsequent periods no inflation adjustment is made for tangible assets, and costs which are restated as of 31 December 2004 are considered as their historical costs. Tangible assets purchased after 1 January 2005 are recorded at their historical costs after foreign exchange differences and financial expenses are deducted if any.

Gains and losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price.

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

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

Depreciation rates and estimated useful lives are:

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

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

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

### **XIII. Information on leasing activities**

#### **Finance leases**

Tangible assets acquired by way of finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under “Finance Lease Payables” account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realizable value.

Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

#### **Finance leasing activities as the lessor**

The total of minimum rent amounts are recorded at “finance lease receivables” account in gross amounts comprising the principal amounts and interests. The interest, the difference between the total of rent amounts and the cost of the fixed assets, is recorded at “unearned income” account. As the rents are collected, “finance lease receivables” account is decreased by the rent amount; and the interest component is recorded at consolidated income statement as interest income.

#### **Operational leases**

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

### **XIV. Information on provisions and contingent liabilities**

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Bank discloses the contingent asset.

### **XV. Information on obligations of the Bank concerning employee rights**

#### **Reserve for employee termination benefits**

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

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

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

	Current Year	Previous Year
Discount Rate	1.91%	3.78%
Expected Rate of Salary/Limit Increase	5.00%	5.00%
Estimated Employee Turnover Rate	1.93%	1.61%

**Other benefits to employees**

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:

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

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

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

The technical financial statements of the Fund are audited by the certified actuary according to the the “Actuaries Regulation” which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report prepared for the period 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 25<sup>th</sup> of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

### **Deferred taxes**

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

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

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

### **Transfer Pricing**

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

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

## **XVII. Additional information on borrowings**

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



These transactions are initially recognized at acquisition costs at the transaction date and are subsequently measured at amortized cost using effective interest method.

#### **XVIII. Information on issuance of equity securities**

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

#### **XIX. Information on confirmed bills of exchange and acceptances**

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

#### **XX. Information on government incentives**

As at 31 December 2012 and 2011, the Bank does not have any government incentives.

#### **XXI. Information on segment reporting**

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

#### **XXII. Other disclosures**

##### **Earnings per shares**

Earning per share has been 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 2012 , earnings per 100 share is TL 0.5840 (31 December 2011: TL 0.4907).

##### **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 16.14%.

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

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

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

Trading book accounts and the items deducted from the capital base are not included in the calculation of credit risk. In calculation of risk weighted assets, impairments, depreciation and amortization, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables”. The net amounts are multiplied by the rates stated in the Article 5 of “Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks”, subjected to risk mitigation in accordance with the “Communique on Credit Risk Mitigation Techniques”, classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the Regulation.

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

### Information on unconsolidated capital adequacy ratio

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

### Summary information related to unconsolidated capital adequacy ratio

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

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

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	<b>Current Period</b>
<b>CORE CAPITAL</b>	
Paid-in Capital	2,500,000
Nominal Capital	2,500,000
Capital Commitments (-)	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-
Share Premium	723,918
Share Cancellation Profits	-
Reserves	5,675,804
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-
Profit	1,460,080
Current Period's Profit	1,460,080
Prior Years' Profit	-
Provision for Possible Losses (up to 25% of Core Capital)	92,887
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	41,061
Primary Subordinated Debt (up to 15% of Core Capital)	-
Loss excess of Reserves (-)	-
Current Year's Loss	-
Prior Years' Loss	-
Leasehold Improvements (-)	67,299
Intangible Assets (-)	81,747
Deferred Tax Asset excess of 10% of Core Capital (-)	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
<b>Total Core Capital</b>	<b>10,344,704</b>
<b>SUPPLEMENTARY CAPITAL</b>	
General Provisions	956,059
45% of Revaluation Surplus on movables	-
45% of Revaluation Surplus on Immovables	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	67,318
Primary Subordinated Debt excluding the Portion included in Core Capital	-
Secondary Subordinated Debt	1,628,814
45% of value increase fund of financial assets available for sale and associates and subsidiaries	652,488
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves)	-
<b>Total Supplementary Capital</b>	<b>3,304,679</b>
<b>CAPITAL</b>	<b>13,649,383</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>121,653</b>
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors exceeding 10% of ownership	-
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 Of the Banking Law but Retained more than Five Years	121,435
Securitisation positions that is deducted -preferably- from the shareholders' equity	-
Others	218
<b>TOTAL EQUITY</b>	<b>13,527,730</b>

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

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

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

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

## **II. 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 classifies its past due and impaired receivables as shown below in accordance with the “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables and Provisions to be Set Aside”.

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

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

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The Bank’s largest 100 cash loan customers compose 19.23% of the total cash loan portfolio.

The Bank’s largest 100 non-cash loan customers compose 59.34% of the total non-cash loan portfolio.

The Bank’s largest 100 cash loan customers compose 12.48% of total assets of the Bank and the Bank’s largest 100 non-cash loan customers compose 12.47% of total off-balance sheet items.

The Bank’s largest 200 cash loan customers compose 24.69% of the total cash loan portfolio.

The Bank’s largest 200 non-cash loan customers compose 69.80% of the total non-cash loan portfolio.

The Bank’s largest 200 cash loan customers compose 16.02% of total assets of the Bank and the Bank’s largest 200 non-cash loan customers compose 14.67% of total off-balance sheet items.

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

<b>Risk Classifications:</b>	<b>Current Period Risk Amount</b>	<b>Average Risk Amount<sup>(*)</sup></b>
Contingent and non-contingent claims on sovereigns and Central Banks	32,528,026	29,391,321
Contingent and non-contingent claims on regional governments or local authorities	1,102,122	921,682
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	35,955	79,132
Contingent and non-contingent claims on multilateral development banks	82,169	-
Contingent and non-contingent claims on international organizations	-	-
Contingent and non-contingent claims on banks and intermediary institutions	9,476,099	8,363,245
Contingent and non-contingent claims on corporate	30,592,374	29,184,369
Contingent and non-contingent claims included in the regulatory retail portfolios	19,152,728	17,102,294
Contingent and non-contingent claims secured by residential property	20,184,117	21,508,251
Past due loans	265,394	239,245
Higher risk categories decided by the Agency	6,831,919	6,088,103
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	127,106
Other claims	4,445,387	6,057,191

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

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

<b>Current Period</b>	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Other receivables	<b>Total</b>
Domestic	32,474,530	1,101,497	35,955	-	-	2,031,360	30,402,125	19,225,542	20,183,039	265,390	6,610,588	-	-	-	-	4,445,387	116,775,413
EU countries (*)	-	625	-	-	-	5,592,047	19,030	76	276	-	-	-	-	-	-	-	5,612,054
OECD countries	-	-	-	-	-	89,341	41,773	816	416	-	-	-	-	-	-	-	132,346
Off-shore banking regions	-	-	-	-	-	100	-	-	-	-	-	-	-	-	-	-	100
USA, Canada	53,495	-	-	-	-	1,540,337	110,574	-	-	4	-	-	-	-	-	-	1,704,410
Other countries	-	-	-	-	-	222,914	27,296	39	385	-	221,331	-	-	-	-	-	471,965
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets/Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Toplam</b>	<b>32,528,025</b>	<b>1,102,122</b>	<b>35,955</b>	-	-	<b>9,476,099</b>	<b>30,600,798</b>	<b>19,226,473</b>	<b>20,184,116</b>	<b>265,394</b>	<b>6,831,919</b>	-	-	-	-	<b>4,445,387</b>	<b>124,696,288</b>

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

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

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



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

Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total
Agricultural	-	179	16	-	-	-	1,211,192	128,929	377,581	3,566	-	-	-	-	-	-	1,267,796	453,667	1,721,463
<i>Farming and raising livestock</i>	-	179	16	-	-	-	908,660	99,132	314,245	3,225	-	-	-	-	-	-	1,165,319	160,138	1,325,457
<i>Forestry</i>	-	-	-	-	-	-	284,913	8,675	42,518	340	-	-	-	-	-	-	64,543	271,903	336,446
<i>Fishing</i>	-	-	-	-	-	-	17,619	21,122	20,818	1	-	-	-	-	-	-	37,934	21,626	59,560
Manufacturing	-	164	3,219	-	-	-	9,470,642	930,560	1,640,496	17,801	-	-	-	-	-	-	3,825,219	8,237,663	12,062,882
<i>Mining</i>	-	-	-	-	-	-	416,446	83,046	77,539	1,099	-	-	-	-	-	-	307,224	270,906	578,130
<i>Production</i>	-	55	3,209	-	-	-	6,116,709	539,473	1,518,414	16,111	-	-	-	-	-	-	2,661,495	5,532,476	8,193,971
<i>Electric, Gas, Water</i>	-	109	10	-	-	-	2,937,487	308,041	44,543	591	-	-	-	-	-	-	856,500	2,434,281	3,290,781
Construction	430	-	-	-	-	-	4,465,823	591,669	1,591,794	35,883	-	-	-	-	-	-	4,037,431	2,648,168	6,685,599
Services	11,356,733	6,126	27,966	-	-	9,476,099	11,226,829	2,395,087	9,417,685	106,401	-	-	-	-	-	-	20,645,354	23,367,572	44,012,926
<i>Wholesale and retail trade</i>	-	270	43	-	-	-	4,970,667	1,272,803	5,096,205	66,544	-	-	-	-	-	-	8,591,535	2,814,997	11,406,532
<i>Hotel, Food and Beverage Services</i>	75	26	-	-	-	-	698,277	452,424	325,802	3,014	-	-	-	-	-	-	625,489	854,129	1,479,618
<i>Transportation and Telecommunication</i>	-	-	3,398	-	-	-	2,794,667	272,254	2,590,243	18,134	-	-	-	-	-	-	3,739,149	1,939,547	5,678,696
<i>Financial Institutions</i>	11,323,156	-	4	-	-	9,476,099	16,394	4,445	31,046	56	-	-	-	-	-	-	4,852,228	15,998,972	20,851,200
<i>Real Estate and renting services</i>	-	-	17	-	-	-	1,396,050	94,959	160,280	2,183	-	-	-	-	-	-	614,360	1,039,129	1,653,489
<i>Self-employment services</i>	7,465	5,417	9,863	-	-	-	951,231	208,056	935,394	13,461	-	-	-	-	-	-	1,530,225	600,662	2,130,887
<i>Education services</i>	121	38	539	-	-	-	136,735	43,304	54,943	905	-	-	-	-	-	-	179,332	57,253	236,585
<i>Health and social services</i>	25,916	375	14,102	-	-	-	262,808	46,842	223,772	2,104	-	-	-	-	-	-	513,036	62,883	575,919
Other	21,170,862	1,095,653	4,754	-	-	-	4,226,312	15,180,228	7,156,560	101,743	6,831,919	-	-	-	-	4,445,387	54,176,906	6,036,512	60,213,418
<b>Total</b>	<b>32,528,025</b>	<b>1,102,122</b>	<b>35,955</b>	<b>-</b>	<b>-</b>	<b>9,476,099</b>	<b>30,600,798</b>	<b>19,226,473</b>	<b>20,184,116</b>	<b>265,394</b>	<b>6,831,919</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,445,387</b>	<b>83,952,706</b>	<b>40,743,582</b>	<b>124,696,288</b>

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

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

**Distribution of maturity risk factors according to their outstanding maturities<sup>(\*)</sup>**

Risk Classifications	According to their outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
Contingent and non-contingent claims on sovereigns and Central Banks	24,027	3,978	3,708	1,621	32,494,691
Contingent and non-contingent claims on regional governments or local authorities	95,536	8,684	11,845	60,612	925,445
Contingent and non-contingent claims on administrative bodies and other non-	11,207	1,093	1,711	4,392	17,552
Contingent and non-contingent claims on multilateral development banks	-	-	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-	-
Contingent and non-contingent claims on banks and intermediary institutions	1,283,931	152,434	213,780	199,970	7,625,984
Contingent and non-contingent claims on corporate	7,287,253	2,595,895	2,974,509	5,633,044	12,110,097
Contingent and non-contingent claims included in the regulatory retail portfolios	590,150	302,147	376,712	769,351	17,188,113
Contingent and non-contingent claims secured by residential property	2,417,434	886,628	1,253,439	2,871,372	12,755,243
Past due loans	-	-	-	-	265,394
Higher risk categories decided by the Agency	-	-	-	-	6,831,919
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other claims	-	-	-	-	4,445,387
<b>Total</b>	<b>11,709,538</b>	<b>3,950,859</b>	<b>4,835,704</b>	<b>9,540,362</b>	<b>94,659,825</b>

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

**Risk balances according to risk weights**

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deductions
										from the shareholders' equity
Pre-Amount of Credit Risk										
Mitigation	65,547,259	-	7,964,246	51,175,826	38,291,240	72,750,169	3,959,924	9,703,914	-	270,699
Amount after Credit Risk Mitigation	35,862,029	-	2,093,778	24,744,629	19,064,767	36,099,168	1,979,962	4,851,957	-	270,699

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

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

### Information According to Sectors and Counterparties

<b>Loans</b>				
	<b>Impaired (*)</b>	<b>Past Due (**)</b>	<b>Value Adjustments</b>	<b>Provisions</b>
Agricultural	43,308	13,486	135	39,742
<i>Farming and raising livestock</i>	33,926	10,963	110	30,701
<i>Forestry</i>	4,766	1,144	11	4,426
<i>Fishing</i>	4,616	1,379	14	4,615
Manufacturing	656,089	68,280	812	638,288
<i>Mining</i>	29,682	1,463	15	28,583
<i>Production</i>	623,085	63,788	767	606,974
<i>Electric, Gas, Water</i>	3,322	3,029	30	2,731
Construction	294,966	159,355	5,097	259,083
Services	864,562	629,987	9,071	758,161
<i>Wholesale and retail trade</i>	491,858	295,029	4,725	425,314
<i>Hotel, Food and Beverage Services</i>	22,857	25,958	483	19,843
<i>Transportation and telecommunication</i>	190,754	188,197	2,027	172,620
<i>Financial Institutions</i>	3,470	1,195	12	3,414
<i>Real estate and renting services</i>	36,507	23,402	813	34,324
<i>Self-employment services</i>	103,276	71,842	767	89,815
<i>Education services</i>	4,612	6,562	66	3,707
<i>Health and social services</i>	11,228	17,802	178	9,124
Other	866,038	3,976,903	163,656	764,295
<b>Total</b>	<b>2,724,963</b>	<b>4,848,011</b>	<b>178,771</b>	<b>2,459,569</b>

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

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

	<b>The opening Balance</b>	<b>Provisions amounts set aside during the period</b>	<b>The cancellation of the provisions</b>	<b>Other Adjustments (*)</b>	<b>Close out Balance</b>
Specific Provisions	2,048,257	735,227	(358,648)	34,733	2,459,569
General Provisions	671,180	284,755	-	124	956,059

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

### Fair value of collateral held against impaired loans

	<b>31 December 2012</b>	<b>31 December 2011</b>
Cash collateral (*)	-	-
Mortgage	731,741	645,047
Promissory note (*)	-	-
Others (**)	1,993,222	1,511,832
<b>Total</b>	<b>2,724,963</b>	<b>2,156,879</b>

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

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

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

<b>Cash loans</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
Secured Loans:	50,107,487	40,510,545
Secured by mortgages	19,467,443	19,638,381
Secured by cash collateral	579,192	454,204
Guarantees issued by financial institutions	220,545	313,371
Secured by government institutions or government securities	172,801	219,080
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	29,667,506	19,885,509
Unsecured Loans	17,760,158	16,690,065
<b>Total performing loans</b>	<b>67,867,645</b>	<b>57,200,610</b>

<b>Non-cash loans</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
Secured Loans:	7,664,652	6,487,511
Secured by mortgages	666,081	1,063,506
Secured by cash collateral	122,716	102,656
Guarantees issued by financial institutions	7,901	7,079
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	6,867,954	5,314,270
Unsecured Loans	9,552,095	9,176,518
<b>Total non-cash loans</b>	<b>17,216,747</b>	<b>15,664,029</b>

**III. Market risk**

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

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

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

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

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

### Value at market risk

	<b>Amount</b>
(I) Capital Obligation against General Market Risk - Standard Method	10,696
(II) Capital Obligation against Specific Risks - Standard Method	1,593
Capital to be employed for specific risk in securitisation positions- Standard Method	-
(III) Capital Obligation against Currency Risk - Standard Method	33,711
(IV) Capital Obligation against Stocks Risks - Standard Method	-
(V) Capital Obligation against Exchange Risks - Standard Method	-
(VI) Capital Obligation against Market Risks of Options - Standard Method	-
(VII) Capital Obligation Calculated for Counterparty Credit Risk - Standard Method	2,413
(VIII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(IX) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI+VII)	48,413
<b>(X) Value-At-Market Risk (12.5xVIII) or (12.5xIX)</b>	<b>605,163</b>

### Average values at market risk

	Current Year			Prior Year		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	94,937	144,228	12,289	136,684	155,832	126,037
Common Share Risk	935	1,720	-	1,727	1,783	1,720
Currency Risk	45,041	120,350	13,664	20,012	37,517	10,362
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	227	669	-	655	1,707	40
Counterparty Credit Risk	2,278	2,689	1,594	-	-	-
<b>Total Value at Risk</b>	<b>1,778,488</b>	<b>2,272,350</b>	<b>605,163</b>	<b>1,988,475</b>	<b>2,163,013</b>	<b>1,763,250</b>

### Information on Counterparty Credit Risk

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

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

### Information about counterparty risk

	<b>Amount<sup>(*)</sup></b>
Contracts based on Interest rate	11,853
Contracts based on currency	34,636
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	46,489
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	-
The net position of derivatives	46,489

<sup>(\*)</sup>Counterparty risk related to purchase/sale accounts is given.

#### IV. Operational risk

The Bank calculated the value at operational risk in accordance with the third section of "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" that is "Computation of Value of Operational Risk" published in 28 June 2012 dated Official Gazette no. 28337. The operational risk which the Bank is exposed to is calculated according to the "Basic Indicator Method" hence by multiplying the average of the 15% of last three years' actual gross income with 12.5, in line with the effective legislation practices in the country.

	31 December 2009	31 December 2010	31 December 2011	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	3,842,436	3,704,421	4,205,182	3	15	587,602
<b>Amount subject to operational risk (Total*12,5)</b>						<b>7,345,025</b>

#### 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 2012 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
<b>The Bank's foreign currency purchase rate at the balance sheet date</b>	1.7800	2.3514
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	1.7400	2.3043
Day 2	1.7700	2.3438
Day 3	1.7500	2.3072
Day 4	1.7500	2.3070
Day 5	1.7700	2.3339
	<b>US Dollar</b>	<b>Euro</b>
<b>Last 30-days arithmetical average rate</b>	1.7492	2.2829

### Information on currency risk

<b>Current Year</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FCs</b>	<b>Total</b>
<b>Assets:</b>				
Cash and balances with the Central Bank of Turkey	3,106,909	4,546,514	2,424,300	10,077,723
Banks	153,630	1,688,400	83,516	1,925,546
Financial assets at fair value through profit or loss <sup>(1)</sup>	-	44,472	-	44,472
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	850,148	3,008,058	-	3,858,206
Loans and receivables <sup>(2)</sup>	6,521,986	11,923,218	56,019	18,501,223
Associates, subsidiaries and joint-ventures	205,380	-	-	205,380
Held-to-maturity investments	-	55,305	-	55,305
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	-	2,137	-	2,137
Intangible assets	-	133	-	133
Other assets <sup>(3)</sup>	66,700	101,833	1,501	170,034
<b>Total assets</b>	<b>10,904,753</b>	<b>21,370,070</b>	<b>2,565,336</b>	<b>34,840,159</b>
<b>Liabilities:</b>				
Bank deposits	623,629	1,453,090	2,177	2,078,896
Foreign currency deposits	5,558,284	9,176,502	862,369	15,597,155
Interbank money market takings	545,611	5,838,713	-	6,384,324
Funds borrowed	3,589,938	3,775,443	23,128	7,388,509
Securities issued	-	891,137	-	891,137
Miscellaneous payables	23,350	41,110	3,104	67,564
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities <sup>(1) (4)</sup>	54,388	2,319,391	4,498	2,378,277
<b>Total liabilities</b>	<b>10,395,200</b>	<b>23,495,386</b>	<b>895,276</b>	<b>34,785,862</b>
<b>Net ‘On Balance Sheet’ Position</b>	<b>509,553</b>	<b>(2,125,316)</b>	<b>1,670,060</b>	<b>54,297</b>
<b>Net ‘Off-Balance Sheet’ Position</b>	<b>(420,937)</b>	<b>2,444,890</b>	<b>(1,676,440)</b>	<b>347,513</b>
Derivative Financial Assets <sup>(6)</sup>	641,648	5,427,272	161,987	6,230,907
Derivative Financial Liabilities <sup>(6)</sup>	1,062,585	2,982,382	1,838,427	5,883,394
Non-Cash Loans <sup>(5)</sup>	1,338,987	5,040,329	296,729	6,676,045
<b>Prior Year</b>				
Total Assets	9,564,754	21,161,587	657,442	31,383,783
Total Liabilities	10,078,574	19,268,771	125,789	29,473,134
<b>Net ‘On Balance Sheet’ Position</b>	<b>(513,820)</b>	<b>1,892,816</b>	<b>531,653</b>	<b>1,910,649</b>
<b>Net ‘Off-Balance Sheet’ Position</b>	<b>435,480</b>	<b>(1,960,349)</b>	<b>147</b>	<b>(1,524,722)</b>
Derivative Financial Assets	786,316	2,921,104	40,195	3,747,615
Derivative Financial Liabilities	350,836	4,881,453	40,048	5,272,337
Non-Cash Loans <sup>(5)</sup>	1,440,134	4,966,424	238,729	6,645,287

<sup>(1)</sup> Derivative accruals stemming from foreign exchange rates presented under trading purpose derivative financial assets and liabilities are not included.

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

<sup>(3)</sup> Prepaid expenses amounting to TL 24,885 (31 December 2011: TL 16,199) have not been included.

<sup>(4)</sup> Unearned revenues amounting to TL 14,924 (31 December 2011: TL 21,006) have not been included.

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

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

### Exposure to currency risk

A 10 percent devaluation of TL against the following currencies as at 31 December 2012 and 2011 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 2012		31 December 2011	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(15,951)	30,655	(18,730)	(8,135)
Euro	(19,325)	(11,676)	(23,529)	(22,836)
Other currencies	(638)	(638)	53,180	53,180
<b>Total, net</b>	<b>(35,914)</b>	<b>18,341</b>	<b>10,921</b>	<b>22,209</b>

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

10 percent revaluation of TL against the following currencies as at 31 December 2012 and 2011 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	31 December 2012		31 December 2011	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	17,587	(29,019)	20,798	10,203
Euro	19,325	11,676	23,529	22,836
Other currencies	1,392	1,392	(52,426)	(52,426)
<b>Total, net</b>	<b>38,304</b>	<b>(15,951)</b>	<b>(8,099)</b>	<b>(19,387)</b>

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



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**VI. Interest rate risk**

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

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

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

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

<b>Current Year</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets:</b>							
Cash and balances with CBT	-	-	-	-	-	12,327,625	<b>12,327,625</b>
Banks	1,369,508	104,390	-	-	-	481,008	<b>1,954,906</b>
Financial assets at fair value through profit/loss	27,041	28,174	8,099	18,622	4,250	-	<b>86,186</b>
Interbank money market placements	-	-	-	-	-	-	-
Available-for-sale financial assets	4,758,247	2,066,686	1,888,016	3,012,037	2,391,787	10,750	<b>14,127,523</b>
Loans and receivables	21,844,798	14,692,645	11,378,419	12,902,312	7,049,471	265,394	<b>68,133,039</b>
Held-to-maturity investments	368,474	776,415	640,988	1,247,025	1,220,704	-	<b>4,253,606</b>
Other assets (*)	6,646	517	7,773	31,963	511	3,649,968	<b>3,697,378</b>
<b>Total assets</b>	<b>28,374,714</b>	<b>17,668,827</b>	<b>13,923,295</b>	<b>17,211,959</b>	<b>10,666,723</b>	<b>16,734,745</b>	<b>104,580,263</b>
<b>Liabilities:</b>							
Bank deposits	2,899,905	880,011	364,596	-	-	13,100	<b>4,157,612</b>
Other deposits	33,944,857	15,005,143	3,229,754	7,702	-	10,897,222	<b>63,084,678</b>
Interbank money market takings	6,576,302	233,673	1,679,961	-	-	-	<b>8,489,936</b>
Miscellaneous payables	-	-	-	-	-	2,223,602	<b>2,223,602</b>
Securities issued	630,987	163,998	744,191	891,137	-	-	<b>2,430,313</b>
Funds borrowed	1,789,037	3,587,910	1,965,919	21,441	111,176	-	<b>7,475,483</b>
Other liabilities (**)	39,071	4,629	3,841	107,809	1,715,259	14,848,030	<b>16,718,639</b>
<b>Total liabilities</b>	<b>45,880,159</b>	<b>19,875,364</b>	<b>7,988,262</b>	<b>1,028,089</b>	<b>1,826,435</b>	<b>27,981,954</b>	<b>96,710,363</b>
On balance sheet long position	-	-	5,935,033	16,183,870	8,840,288	-	<b>30,959,191</b>
On balance sheet short position	(17,505,445)	(2,206,537)	-	-	-	(11,247,209)	<b>(30,959,191)</b>
Off-balance sheet long position	490,457	1,637,600	331,215	294,353	36,863	-	<b>2,790,488</b>
Off-balance sheet short position	(37,380)	(90,990)	(369,465)	(1,566,532)	(659,863)	-	<b>(2,724,230)</b>
<b>Total Position</b>	<b>(17,052,368)</b>	<b>(659,927)</b>	<b>5,896,783</b>	<b>14,911,691</b>	<b>8,217,288</b>	<b>(11,247,209)</b>	<b>66,258</b>

(\*) 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.

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

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

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

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Average interest rates applied to monetary financial instruments:

	<b>Euro</b>	<b>US Dollar</b>	<b>Japanese Yen</b>	<b>TL</b>
<b>Current Year</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and Central Bank	-	-	-	-
Banks	0.87	0.54	-	8.24
Financial Assets at Fair Value through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	5.68	7.14	-	7.53
Loans and Receivables	4.77	5.47	-	15.28
Held-to-Maturity Investment Securities	-	1.16	-	10.05
<b>Liabilities:</b>				
Bank Deposits	1.80	1.40	-	6.68
Other Deposits	3.06	2.77	-	7.25
Interbank Money Market Takings	0.43	1.31	-	5.52
Miscellaneous Payables	-	-	-	-
Securities Issued	-	5.75	-	7.64
Funds Borrowed	1.19	1.85	-	7.73
<b>Prior Year</b>				
	<b>Euro</b>	<b>US Dollar</b>	<b>Japanese Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and 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
<b>Liabilities:</b>				
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

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

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

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

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

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

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

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

Stock Investments	Comparison		
	Carrying Value	Fair Value (*)	Market Value (*)
<b>Stocks quoted in exchange</b>	<b>548,149</b>	<b>548,149</b>	<b>548,149</b>
1.Stocks Investments Group A	548,149	548,149	548,149
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
<b>Stocks unquoted in exchange</b>	<b>772,873</b>	<b>731,211</b>	<b>-</b>

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

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

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

Portfolio	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss		
		Total (*)	Included in Supplementary Capital	Total (*)	Included in Core Capital	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	318,600	-	143,370
3. Other Stocks	-	373,129	167,908	-	-	-
<b>4. Total</b>	<b>-</b>	<b>373,129</b>	<b>167,908</b>	<b>318,600</b>	<b>-</b>	<b>143,370</b>

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

**Equity price risk**

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

The effect on equity (without tax effects) as a result of change in the fair value of equity instruments quoted to İstanbul Stock Exchange (“ISE”) held as available for sale financial assets, associates and subsidiaries due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in index	31 December 2012	31 December 2011
ISE	10%	20,786	31,013

## 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:*

<b>Current Year</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Undistributed (*)</b>	<b>Total</b>
<b>Assets:</b>								
Cash and Central Bank	12,327,625	-	-	-	-	-	-	<b>12,327,625</b>
Banks	1,442,456	408,060	104,390	-	-	-	-	<b>1,954,906</b>
Fin. Assets at Fair Value through Profit/Loss	-	26,960	12,260	10,796	31,920	4,250	-	<b>86,186</b>
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	69,175	144,295	1,252,547	8,921,606	3,729,150	10,750	<b>14,127,523</b>
Loans and Receivables Held-to-Maturity	-	6,026,150	422,312	12,792,195	31,605,480	17,021,508	265,394	<b>68,133,039</b>
Investments	-	-	35,600	1,281,298	1,677,922	1,258,786	-	<b>4,253,606</b>
Other Assets	-	403,275	517	7,773	151,588	511	3,133,714	<b>3,697,378</b>
<b>Total Assets</b>	<b>13,770,081</b>	<b>6,933,620</b>	<b>719,374</b>	<b>15,344,609</b>	<b>42,388,516</b>	<b>22,014,205</b>	<b>3,409,858</b>	<b>104,580,263</b>
<b>Liabilities:</b>								
Bank Deposits	13,100	2,899,905	880,011	364,596	-	-	-	<b>4,157,612</b>
Other Deposits	10,897,222	33,944,857	15,005,143	3,229,754	7,702	-	-	<b>63,084,678</b>
Funds Borrowed	-	103,885	335,654	3,980,114	1,916,683	1,139,147	-	<b>7,475,483</b>
Interbank Money Market Takings	-	6,576,302	233,673	1,679,961	-	-	-	<b>8,489,936</b>
Securities Issued	-	630,987	163,998	744,191	891,137	-	-	<b>2,430,313</b>
Miscellaneous Payables	-	2,064,207	42,832	-	-	-	116,563	<b>2,223,602</b>
Other Liabilities	-	406,514	180,406	8,023	120,782	1,734,295	14,268,619	<b>16,718,639</b>
<b>Total Liabilities</b>	<b>10,910,322</b>	<b>46,626,657</b>	<b>16,841,717</b>	<b>10,006,639</b>	<b>2,936,304</b>	<b>2,873,442</b>	<b>14,385,182</b>	<b>104,580,263</b>
<b>Liquidity Gap</b>	<b>2,859,759</b>	<b>(39,693,037)</b>	<b>(16,122,343)</b>	<b>5,337,970</b>	<b>39,452,212</b>	<b>19,140,763</b>	<b>(10,975,324)</b>	<b>-</b>
<b>Prior Year</b>								
<b>Total Assets</b>	<b>9,017,032</b>	<b>4,866,724</b>	<b>3,320,698</b>	<b>13,530,776</b>	<b>39,386,536</b>	<b>16,463,022</b>	<b>2,599,678</b>	<b>89,184,466</b>
<b>Total Liabilities</b>	<b>9,067,367</b>	<b>42,275,562</b>	<b>16,930,980</b>	<b>5,894,652</b>	<b>2,043,595</b>	<b>1,752,654</b>	<b>11,219,656</b>	<b>89,184,466</b>
<b>Liquidity Gap</b>	<b>(50,335)</b>	<b>(37,408,838)</b>	<b>(13,610,282)</b>	<b>7,636,124</b>	<b>37,342,941</b>	<b>14,710,368</b>	<b>(8,619,978)</b>	<b>-</b>

(\*) 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*

<b>31 December 2012</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Bank deposits	4,157,612	4,168,435	13,100	2,901,734	886,791	366,810	-	-
Other deposits	63,084,678	63,379,517	10,897,222	34,018,071	15,151,906	3,303,928	8,390	-
Funds borrowed	7,475,483	7,911,811	-	104,061	338,125	4,027,326	2,099,722	1,342,577
Money market takings	8,489,936	8,513,712	-	6,580,724	234,179	1,698,809	-	-
Issued Securities (Net)	2,430,313	2,682,393	-	633,496	166,395	762,214	1,120,288	-
Miscellaneous payables	2,223,602	2,223,602	116,563	2,064,207	42,832	-	-	-
Other liabilities	2,653,911	2,653,911	526,244	252,953	11,614	8,023	120,782	1,734,295
<b>Total</b>	<b>90,515,535</b>	<b>91,533,381</b>	<b>11,553,129</b>	<b>46,555,246</b>	<b>16,831,842</b>	<b>10,167,110</b>	<b>3,349,182</b>	<b>3,076,872</b>
<b>Non-Cash Loans</b>	<b>17,216,747</b>	<b>17,216,747</b>	<b>7,631,920</b>	<b>1,136,877</b>	<b>1,567,553</b>	<b>4,183,700</b>	<b>2,013,049</b>	<b>683,648</b>

  

<b>31 December 2011</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Bank deposits	3,473,310	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	-	-
Securities Issued (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
<b>Total</b>	<b>78,404,080</b>	<b>79,603,641</b>	<b>9,633,151</b>	<b>42,800,798</b>	<b>16,645,872</b>	<b>6,096,664</b>	<b>2,380,166</b>	<b>2,046,990</b>
<b>Non-Cash Loans</b>	<b>15,664,029</b>	<b>15,664,029</b>	<b>9,574,647</b>	<b>1,027,359</b>	<b>770,703</b>	<b>2,442,300</b>	<b>1,189,150</b>	<b>659,870</b>

This table shows the undiscounted cash flows on the 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.

**Securitisation Positions**

None.

**Credit risk mitigation techniques**

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

**Applications on guarantees’ valuation and method**

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

**Types of main guarantees received**

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

**Main guarantors, credit derivatives’ counterparties and their credit worthiness**

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

**Information about market and credit risk concentration in credit risk mitigation**

Market risk and credit risk concentrations are carefully avoided.

***Information about guarantees according to risk classifications***

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

<b>Risk Classification</b>	<b>Amount</b>	<b>Financial Guarantees</b>	<b>Other/Physical Guarantees</b>	<b>Guarantees and credit derivatives</b>
Contingent and non-contingent claims on sovereigns and Central Banks	32,553,260	2,089,145	-	-
Contingent and non-contingent claims on regional governments or local authorities	1,200,670	2,088	-	-
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	58,899	11,622	-	-
Contingent and non-contingent claims on multilateral development banks	-	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-
Contingent and non-contingent claims on banks and intermediary institutions	10,228,328	5,439,356	-	-
Contingent and non-contingent claims on corporate	75,820,733	2,823	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	26,288,465	43	-	-
Contingent and non-contingent claims secured by residential property	20,738,887	-	-	-
Past due loans	265,394	-	-	-
Higher risk categories decided by the Agency	6,831,919	-	-	-
Marketable securities secured by mortgages	-	-	-	-
Securitization exposures	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other claims	4,445,387	-	-	-
<b>Total</b>	<b>178,431,94</b>	<b>7,545,077</b>	-	-

***Risk management strategies and policies***

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

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

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

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

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

## VIII. Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Year	Prior Year	Current Year	Prior Year
<b>Financial Assets:</b>				
Receivables from Interbank Money Markets	-	190,127	-	190,127
Banks	1,954,906	2,129,590	1,954,906	2,129,590
Available-for-Sale Financial Assets	14,127,523	13,138,989	14,127,523	13,138,989
Held-to-Maturity Investments	4,253,606	5,971,527	4,468,399	6,036,295
Loans	68,133,039	57,309,232	68,201,257	57,343,962
<b>Financial Liabilities:</b>				
Bank Deposits	4,157,612	3,473,310	4,157,612	3,473,310
Other Deposits	63,084,678	57,465,908	63,084,678	57,465,908
Funds Borrowed	7,475,483	8,237,307	7,475,483	8,237,307
Securities Issued	2,430,313	494,885	2,430,313	494,885
Subordinated Loans	1,639,549	-	1,639,549	-
Miscellaneous Payables	2,223,602	1,877,263	2,223,602	1,877,263

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.

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

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

### *Classification of Fair Value Measurement*

*IFRS 7 – Financial Instruments* 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.



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

<b>31 December 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	-	86,186	-	<b>86,186</b>
Derivative financial assets held for trading purpose	-	86,186	-	<b>86,186</b>
Available-for-sale financial assets	14,116,670	103	-	<b>14,116,773</b>
Debt securities	14,116,670	103	-	<b>14,116,773</b>
Investments in associates and subsidiaries	548,148	-	731,211 <sup>(*)</sup>	<b>1,279,359</b>
<b>Total Financial Assets</b>	<b>14,664,818</b>	<b>86,289</b>	<b>731,211</b>	<b>15,482,318</b>
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(199,692)	-	<b>(199,692)</b>
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(199,692)</b>	<b>-</b>	<b>(199,692)</b>

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

<sup>(\*)</sup> 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 2012 is as follows:

	<b>Level 3</b>
Balance at the beginning of the year	492,194
Total gains or losses for the year recognised in profit or loss	-
Total gains or losses for the year recognised under equity	239,017
<b>Balance at the end of the year</b>	<b>731,211</b>

**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:

<b>Current Year</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Operating profit	1,238,511	1,463,213	1,268,667	642,099	4,612,490
Undistributed expenses (*)	-	-	-	(2,784,207)	(2,784,207)
<b>Operating profit</b>	<b>1,238,511</b>	<b>1,463,213</b>	<b>1,268,667</b>	<b>(2,142,108)</b>	<b>1,828,283</b>
Income from associates	-	-	-	-	57,078
Income before taxes	-	-	-	-	1,885,361
Provision for taxes	-	-	-	-	(425,281)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,460,080</b>
Segment assets	24,351,073	43,781,966	31,927,308	-	100,060,347
Investments in associates and subsidiaries	-	-	1,310,272	-	1,310,272
Undistributed assets	-	-	-	3,209,644	3,209,644
<b>Total assets</b>	<b>24,351,073</b>	<b>43,781,966</b>	<b>33,237,580</b>	<b>3,209,644</b>	<b>104,580,263</b>
Segment liabilities	25,005,641	42,236,649	18,647,771	-	85,890,061
Shareholders’ equity	-	-	-	11,918,154	11,918,154
Undistributed liabilities	-	-	-	6,772,048	6,772,048
<b>Total Liabilities and Shareholders’ Equity</b>	<b>25,005,641</b>	<b>42,236,649</b>	<b>18,647,771</b>	<b>18,690,202</b>	<b>104,580,263</b>

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

## SECTION FIVE

### Disclosure and Footnotes on 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	792,976	186,191	604,222	107,073
Central Bank of Turkey (*)	1,452,478	9,870,679	1,465,064	4,959,763
Others	4,448	20,853	-	998
<b>Total</b>	<b>2,249,902</b>	<b>10,077,723</b>	<b>2,069,286</b>	<b>5,067,834</b>

(\*) TL 8,108,813 (31 December 2011: TL 4,269,727) of the foreign currency deposit at Central Bank of Turkey is comprised of foreign currency reserve deposits and related interest income accruals.

In accordance with “Announcement on Reserve Deposits” of CBT numbered 2005/1, all banks operating in Turkey shall provide a reserve rate of 11% for demand deposits, and the rates decrease to 5% as maturities get longer (31 December 2011: 11% for demand deposits, and the rates decrease to 5% as maturities get longer). For foreign currency liabilities, all banks shall provide a reserve rate of 11.5% in US Dollar or Euro for demand and up to 1 year maturity deposits and rates decrease to 6% as maturities get longer (31 December 2011: 11% in US Dollar or Euro for demand and up to 1 year maturity deposits and rates decrease to 6% as maturities get longer).

#### *Balances at CBT*

	Current Year		Prior Year	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1,449,530	693,866	1,465,064	690,036
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	2,948	1,068,000	-	-
Reserve Deposits	-	8,108,813	-	4,269,727
<b>Total</b>	<b>1,452,478</b>	<b>9,870,679</b>	<b>1,465,064</b>	<b>4,959,763</b>

The 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 15<sup>th</sup> Administrative Court for the suspension of execution and cancellation of the decision. As at 15 June 2011, the court decided on refusal of the claim with the right to appeal on State Council. CBT requested the Bank to provide additional reserves amounting to USD 384 million in average for 3.5 years period with the 4 May 2011 dated communique. In this context, the Bank has begun to provide additional reserve requirements at 27 May 2011.

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

#### *Trading securities blocked/provided as collateral*

None.

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

None.

#### *Positive fair values of trading purpose derivatives*

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**3. Information on banks**

	Current Year		Prior Year	
	TL	FC	TL	FC
Forward Transactions	2,063	2,047	3,141	4,720
Swap Transactions	18,318	63,277	1,038	165,143
Futures	-	-	-	-
Options	208	273	3	93
Others	-	-	-	-
<b>Total</b>	<b>20,589</b>	<b>65,597</b>	<b>4,182</b>	<b>169,956</b>

	Current Year		Prior Year	
	TL	FC	TL	FC
Banks	29,360	1,925,546	4,217	2,125,373
Domestic	29,360	295,752	4,217	57,354
Foreign	-	1,629,794	-	2,068,019
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>29,360</b>	<b>1,925,546</b>	<b>4,217</b>	<b>2,125,373</b>

**Due from foreign banks**

	Unrestricted Balance		Restricted Balances <sup>(**)</sup>	
	Current Year	Prior Year	Current Year	Prior Year
EU Countries	244,785	678,632	-	63,976
USA, Canada	1,045,663	1,083,740	102,389	181,327
OECD Countries <sup>(*)</sup>	13,943	23,689	-	3,534
Off-shore Banking Regions	100	116	-	-
Others	222,914	33,005	-	-
<b>Total</b>	<b>1,527,405</b>	<b>1,819,182</b>	<b>102,389</b>	<b>248,837</b>

<sup>(\*)</sup>OECD countries other than European Union countries, USA and Canada<sup>(\*\*)</sup>Restricted balances that occur from securization loans and other common banking activities**4. Information on available-for-sale financial assets****Available-for-sale financial assets given/ blocked as collateral**

	Current Year		Prior Year	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar Marketable Securities	6,226	184,493	661,402	387,393
Others	-	-	-	-
<b>Total</b>	<b>6,226</b>	<b>184,493</b>	<b>661,402</b>	<b>387,393</b>

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

	Current Year		Prior Year	
	TL	FC	TL	FC
Government Bonds	4,504,521	-	1,506,673	-
Treasury Bills	-	-	-	-
Other Debt Securities	-	3,292,531	-	1,930,563
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
<b>Total</b>	<b>4,504,521</b>	<b>3,292,531</b>	<b>1,506,673</b>	<b>1,930,563</b>

**Information related to available for sale financial assets**

	Current Year	Prior Year
<b>Debt instruments</b>	<b>14,213,040</b>	<b>13,298,684</b>
Quoted	14,213,040	13,298,684
Unquoted	-	-
<b>Equity instruments</b>	<b>10,750</b>	<b>10,750</b>
Quoted	-	-
Unquoted	10,750	10,750
<b>Impairment provision (-)</b>	<b>96,267</b>	<b>170,445</b>
<b>Total</b>	<b>14,127,523</b>	<b>13,138,989</b>

**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
<b>Direct loans granted to the Bank’s shareholders</b>	-	<b>37,919</b>	-	<b>6,572</b>
Legal entities	-	37,919	-	6,572
Real persons	-	-	-	-
<b>Indirect loans granted to the Bank’s shareholders</b>	-	-	-	-
<b>Loans granted to the employees</b>	<b>68,559</b>	-	<b>55,529</b>	-
<b>Total</b>	<b>68,559</b>	<b>37,919</b>	<b>55,529</b>	<b>6,572</b>

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

	Standard loans and other receivables			Loans and other receivables under close monitoring		
	<i>Loans and other receivables</i>	<i>Agreement conditions modified</i>		<i>Loans and other receivables</i>	<i>Agreement conditions modified</i>	
		<i>Payment plan extensions</i>	<i>Other</i>		<i>Payment plan extensions</i>	<i>Other</i>
<b>Cash Loans</b>						
<b>Non-specialized loans</b>	<b>63,743,967</b>	<b>175,833</b>	-	<b>3,257,254</b>	<b>673,939</b>	-
Loans given to enterprises	17,310,720	151,154	-	915,364	247,730	-
Export loans	3,100,951	21,089	-	190,180	16,884	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1,352,536	-	-	689	-	-
Consumer loans	20,133,510	-	-	1,160,812	327,756	-
Credit cards	3,042,652	-	-	163,074	9,041	-
Other	18,803,598	3,590	-	827,135	72,528	-
<b>Specialized lending</b>	<b>16,652</b>	-	-	-	-	-
<b>Other receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>63,760,619</b>	<b>175,833</b>	-	<b>3,257,254</b>	<b>673,939</b>	-

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

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

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

**Maturity analysis of cash loans**

	<b>Performing Loans and Other Receivables</b>		<b>Loans under Follow-Up and Other Receivables</b>	
	<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>
<b>Cash loans</b>				
<b>Short-term Loans and Other Receivables</b>	<b>18,900,162</b>	<b>26,972</b>	<b>868,364</b>	<b>109,928</b>
Loans	18,900,162	26,972	868,364	109,928
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium, Long-term Loans and Other Receivables</b>	<b>44,860,457</b>	<b>148,861</b>	<b>2,388,890</b>	<b>564,011</b>
Loans	44,843,805	148,861	2,388,890	564,011
Specialization loans	16,652	-	-	-
Other Receivables	-	-	-	-

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

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans – TL</b>	<b>276,570</b>	<b>20,410,276</b>	<b>20,686,846</b>
Housing Loans	6,357	10,277,032	<b>10,283,389</b>
Automobile Loans	5,202	487,901	<b>493,103</b>
General Purpose Loans	116,481	5,312,662	<b>5,429,143</b>
Others	148,530	4,332,681	<b>4,481,211</b>
<b>Consumer Loans – FC-indexed</b>	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
<b>Consumer Loans – FC</b>	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
<b>Retail Credit Cards – TL</b>	<b>2,597,632</b>	<b>2,319</b>	<b>2,599,951</b>
With Installment	1,403,002	2,319	<b>1,405,321</b>
Without Installment	1,194,630	-	<b>1,194,630</b>
<b>Retail Credit Cards – FC</b>	<b>634</b>	-	<b>634</b>
With Installment	-	-	-
Without Installment	634	-	<b>634</b>
<b>Personnel Loans – TL</b>	<b>1,742</b>	<b>28,563</b>	<b>30,305</b>
Housing Loan	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	1,713	28,563	<b>30,276</b>
Others	29	-	<b>29</b>
<b>Personnel Loans – FC-indexed</b>	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
<b>Personnel Loans – FC</b>	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
<b>Personnel Credit Cards – TL</b>	<b>38,192</b>	-	<b>38,192</b>
With Installment	17,780	-	<b>17,780</b>
Without Installment	20,412	-	<b>20,412</b>
<b>Personnel Credit Cards – FC</b>	<b>62</b>	-	<b>62</b>
With Instalment	-	-	-
Without Installment	62	-	<b>62</b>
<b>Overdraft Checking Accounts – TL (Real persons)</b>	<b>904,838</b>	-	<b>904,838</b>
<b>Overdraft Checking Accounts – FC (Real persons)</b>	<b>89</b>	-	<b>89</b>
<b>Total</b>	<b>3,819,759</b>	<b>20,441,158</b>	<b>24,260,917</b>

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

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based Commercial Loans – TL</b>	<b>719,680</b>	<b>11,888,654</b>	<b>12,608,334</b>
Real Estate Loans	535	175,026	175,561
Automobile Loans	24,015	1,320,563	1,344,578
General Purpose Loans	695,130	10,393,065	11,088,195
Others	-	-	-
<b>Installment-based Commercial Loans – FC-indexed</b>	<b>11,846</b>	<b>686,590</b>	<b>698,436</b>
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	11,846	686,590	698,436
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>4,757</b>	<b>1,244,688</b>	<b>1,249,445</b>
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	4,757	1,244,688	1,249,445
<b>Corporate Credit Cards – TL</b>	<b>575,803</b>	<b>31</b>	<b>575,834</b>
With Installment	268,522	31	268,553
Without Installment	307,281	-	307,281
<b>Corporate Credit Cards – FC</b>	<b>94</b>	<b>-</b>	<b>94</b>
With Installment	-	-	-
Without Installment	94	-	94
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>497,147</b>	<b>-</b>	<b>497,147</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,809,327</b>	<b>13,819,963</b>	<b>15,629,290</b>

***Allocation of loan customers***

	<b>Current Year</b>	<b>Prior Year</b>
Public Sector	809,413	957,456
Private Sector	67,058,232	56,243,154
<b>Total</b>	<b>67,867,645</b>	<b>57,200,610</b>

***Allocation of domestic and foreign loans***

	<b>Current Year</b>	<b>Prior Year</b>
Domestic Loans	67,761,778	57,096,870
Foreign Loans	105,867	103,740
<b>Total</b>	<b>67,867,645</b>	<b>57,200,610</b>

***Loans granted to associates and subsidiaries***

	<b>Current Year</b>	<b>Prior Year</b>
Direct Loans Granted to Associates and Subsidiaries	111,074	293,552
Indirect Loans Granted to Associates and Subsidiaries	-	-
<b>Total</b>	<b>111,074</b>	<b>293,552</b>



**Specific provisions for loans**

	<b>Current Year</b>	<b>Prior Year</b>
Provisions for Loans and Receivables with Limited Collectibility	66,348	47,200
Provisions for Loans and Receivables with Doubtful Collectibility	519,461	175,923
Provisions for Uncollectible Loans and Receivables	1,873,760	1,825,134
<b>Total</b>	<b>2,459,569</b>	<b>2,048,257</b>

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current Year</b>	<b>37,448</b>	<b>55,374</b>	<b>67,590</b>
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	37,448	55,374	67,590
<b>Prior Year</b>	<b>18,471</b>	<b>26,240</b>	<b>81,771</b>
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	18,471	26,240	81,771

**Movements in non-performing loans**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Prior Year End Balance</b>	<b>155,822</b>	<b>175,923</b>	<b>1,825,134</b>
Additions (+)	991,289	33,399	57,287
Transfers from other categories of loans under follow-up (+) <sup>(*)</sup>	-	714,477	288,307
Transfers to other categories of loans under follow-up (-) <sup>(*)</sup>	717,890	308,727	63,503
Collections (-)	97,479	95,611	233,465
Write-offs (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
<b>Current Year End Balance</b>	<b>331,742</b>	<b>519,461</b>	<b>1,873,760</b>
Specific Provision (-)	66,348	519,461	1,873,760
<b>Net Balance on Balance Sheet</b>	<b>265,394</b>	<b>-</b>	<b>-</b>

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

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

*Information on non-performing loans granted in foreign currencies*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current Year</b>			
Period End Balance	11,163	13,737	261,851
Specific Provision (-)	2,233	13,737	261,851
<b>Net Balance on Balance Sheet</b>	<b>8,930</b>	-	-
<b>Prior Year</b>			
Period End Balance	927	306	272,195
Specific Provision (-)	185	306	272,195
<b>Net Balance on Balance Sheet</b>	<b>742</b>	-	-

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

*Write-off policy for uncollectible loans and receivables*

None.

*Loan customer concentration of non-performing loans*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current Year (Net)</b>	<b>265,394</b>	-	-
Consumer and Commercial Loans (Gross)	328,992	514,666	1,834,895
Special Provision (-)	65,798	514,666	1,834,895
Consumer and Commercial Loans (Net)	263,194	-	-
Banks (Gross)	-	-	1,551
Special Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	2,750	4,795	37,314
Special Provision (-)	550	4,795	37,314
Other Loans and Receivables (Net)	2,200	-	-
<b>Prior Year (Net)</b>	<b>108,622</b>	-	-
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	-	-

## 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	4,198,301	-	4,343,224	-
Treasury Bills	-	-	-	-
Other Government Securities	-	1,858	-	1,573,727
<b>Total</b>	<b>4,198,301</b>	<b>1,858</b>	<b>4,343,224</b>	<b>1,573,727</b>

### *Information on held-to-maturity investments*

	Current Year	Prior Year
<b>Debt Securities</b>	<b>4,324,945</b>	<b>6,013,657</b>
Quoted at Stock Exchange	4,271,498	5,959,081
Unquoted at Stock Exchange	53,447	54,576
<b>Impairment Losses (-)</b>	<b>71,339</b>	<b>42,130</b>
<b>Total</b>	<b>4,253,606</b>	<b>5,971,527</b>

### *The movement of held-to-maturity investments*

	Current Year	Prior Year
<b>Balances at the Beginning of the Year</b>	<b>5,971,527</b>	<b>4,306,696</b>
Foreign Currency Differences On Monetary Assets	(114,082)	214,454
Purchases During the Year	210,825	3,102,225
Transfers to available for sale portfolio <sup>(*)</sup>	(1,474,294)	-
Disposals Through Sales/Redemptions	(275,294)	(1,634,696)
Impairment Losses	(29,209)	(12,152)
Change in Amortized Costs <sup>(**)</sup>	(35,867)	(5,000)
<b>Balances at the End of the Year</b>	<b>4,253,606</b>	<b>5,971,527</b>

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

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

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

In year 2011, the Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 1,690,000 to its held-to-maturity investment securities portfolio at their fair values of TL 1,764,346 as at their reclassification dates. These reclassifications are presented in “purchases during the period” line in the movement table of held-to-maturity investment securities. The valuation differences of such securities amounting to TL (2,497) are recorded under equity and will be amortized through the statement of income until their maturities.

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

<b>Current Year</b>	<b>Cost</b>		<b>Carrying Value</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Collateralized/Blocked Investments	730,596	53,400	733,880	53,447
Investments subject to Repurchase Agreements	2,148,261	-	2,184,752	-
Held for structural position	-	-	-	-
Receivable from Security Borrowing Market	-	-	-	-
Collateral For Security Borrowing Market	-	-	-	-
Others <sup>(*)</sup>	1,287,654	1,780	1,279,669	1,858
<b>Total</b>	<b>4,166,511</b>	<b>55,180</b>	<b>4,198,301</b>	<b>55,305</b>

<b>Prior Year</b>	<b>Cost</b>		<b>Carrying Value</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
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 <sup>(*)</sup>	1,938,751	612,638	1,972,657	611,410
<b>Total</b>	<b>4,267,176</b>	<b>1,607,360</b>	<b>4,343,224</b>	<b>1,628,303</b>

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

	<b>Title</b>	<b>Address (City/ Country)</b>	<b>Bank’s Share – Voting Rights, If Different (%)</b>	<b>Bank’s Risk Group Share (%)</b>
1	Kıbrıs Vakıflar Bankası Ltd. (*)	Lefkoşa/NCTR	15.00	15.00
2	Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ (***)	Istanbul/Turkey	11.75	21.77
3	Vakıf Gayrimenkul Yatırım Ortaklığı AŞ (**)	Istanbul/Turkey	27.63	29.47
4	Türkiye Sınai Kalkınma Bankası AŞ (**)	Istanbul/Turkey	8.38	8.38
5	Roketsan Roket Sanayi ve Ticaret AŞ (*)	Ankara/ Turkey	9.93	9.93
6	Bankalararası Kart Merkezi AŞ	Istanbul/Turkey	9.70	9.70
7	Kredi Kayıt Bürosu AŞ (*)	Istanbul/Turkey	9.09	9.09
8	Güçbirliği Holding AŞ (*)	Izmir/ Turkey	0.07	0.07
9	İzmir Enternasyonel Otelcilik AŞ	Istanbul/Turkey	5.00	5.00
10	İMKB Takas ve Saklama Bankası AŞ (*)	Istanbul/Turkey	4.86	5.28
11	Kredi Garanti Fonu AŞ (*)	Ankara/ Turkey	1.75	1.75
12	World Vakıf UBB Ltd.	Lefkoşa/ NCTR	82.00	85.24

	<b>Total Assets</b>	<b>Shareholders’ Equity</b>	<b>Tangible Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Year’s Profit/Loss</b>	<b>Prior Years’ Profit/Loss</b>	<b>Fair Value</b>
1	778,386	66,858	8,548	58,699	5,544	6,462	1,448	-
2	14,657	14,423	66	808	1,591	676	(1,760)	16,357
3	192,847	190,506	140,282	1,551	2,333	3,688	25,494	556,605
4	9,929,275	1,628,391	267,775	256,623	180,410	239,621	183,006	2,523,138
5	1,827,527	283,583	224,016	27,644	-	58,556	5,410	-
6	32,354	19,628	15,161	858	217	1,144	2,619	-
7	65,251	58,310	4,769	1,517	-	24,044	12,969	-
8	126,488	9,232	765	273	-	(1,649)	(8,178)	-
9	101,052	36,862	96,935	44	-	1,833	(11,703)	-
10	3,586,501	321,866	13,751	65,646	2,084	45,429	24,411	-
11	247,800	242,307	3,113	8,322	1	6,695	7,665	-
12	1,529	(34,546)	-	4	-	(3,639)	3,094	-

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

(\*\*) Figures are obtained from reviewed financial statements as at and for the nine-month period ended 30 September 2012 disclosed in Public Disclosure Platform.

(\*\*\*) Figures are obtained from audited financial statements as at and for period ended 31 December 2012 disclosed in Public Disclosure Platform.

***Movement table of investments in associates***

	<b>Current Year</b>	<b>Prior Year</b>
<b>Balance at the beginning of the year</b>	<b>219,527</b>	<b>206,682</b>
<b>Movements during the year</b>	<b>178,536</b>	<b>12,845</b>
Transfers	-	-
Acquisitions	1,211	22,553
Bonus shares received	26,514	10,368
Income/Loss from investments under equity accounting	-	-
Sales and liquidations	-	-
Fair value changes	150,811	(20,076)
Impairment losses	-	-
<b>Balance at the end of the year</b>	<b>398,063</b>	<b>219,527</b>
<b>Capital commitments</b>	<b>-</b>	<b>1,000</b>
<b>Share percentage at the end of the year (%)</b>	<b>-</b>	<b>-</b>

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

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

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

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

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”.

***Sectoral distribution of investments and associates and related carrying values***

	<b>Current Year</b>	<b>Prior Year</b>
Banks	226,740	137,446
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	159,923	74,487
<b>Total</b>	<b>386,663</b>	<b>211,933</b>

***Quoted associates***

	<b>Current Year</b>	<b>Prior Year</b>
Quoted to domestic stock exchanges	367,151	189,827
Quoted to international stock exchanges	-	-
<b>Total</b>	<b>367,151</b>	<b>189,827</b>

***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***

There is not any associate acquired in the current period.

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

Per General Assembly of the Kredi Garanti Fonu an associate of the Bank held on 30 May 2012, the decision for merger of Türk Ekonomi Bankası AŞ and Fortisbank AŞ has taken. Due to this merger, the shares of the Fortisbank have been transferred to Türk Ekonomi Bankası AŞ hence the principle of equality in partnership between banks has been invalidated. In result, the shares are decided to be distributed equally between banks. The TL 211 which is the amount corresponding to Bank share has been paid in the current year and presented in “purchases during the period” line in the movement table of associates. Accordingly with the addition of TL 211 the share of the Bank has increased to TL 4,211 and shareholder ratio increased to 1.75%.

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

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

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

In year 2011, the Bank has paid TL 1,000 of its capital commitment to Kredi Garanti Fonu AŞ. The paid amount is presented as acquisitions in movement table of investments in associates.

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

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**

Unconsolidated Financial Report as at and  
For the Year Ended 31 December 2012  
(Currency: Thousands of Turkish Lira (“TL”))

Convenience Translation of Financial Statements  
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Originally Issued in Turkish, See Section 3 Note 1

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

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

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Bankalararası Kart AŞ (“BKM”), an associate of the Bank, from TL 6,000 to TL 14,000, by the General Assembly of the company, the share of the Bank amounting to TL 776 is presented in the movement table of investments in associates as bonus shares received.

**8. Investments in subsidiaries****Information on financial subsidiaries<sup>(\*)</sup>**

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Finans Factoring Hizm. AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik AŞ	Vakıf Portföy Yönetimi AŞ
Paid-in Capital	57,121	60,000	105,000	35,000	22,400	150,000	26,500	3,000
Share Premium	-	-	9,759	-	-	-	-	-
Adjustment to paid-in capital	-	353	21,599	137	28,831	1,448	10,424	16
Valuation changes in marketable securities	7,077	540	-	5,472	-	67,861	617	-
Profit on sale of associates, subsidiaries and buildings	-	-	-	-	-	17,734	-	-
Free shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	-	59	191	-
Legal Reserves	4,804	3,479	3,144	4,712	4,988	17,178	10,382	662
Extraordinary Reserves	-	35,542	47,315	3,788	21,999	19,246	30,836	2,030
Other Profit Reserves	65,199	-	-	2,308	-	-	-	-
Profit/Loss	80,403	4,155	3,688	2,626	8,444	(51,842)	62,951	1,545
Prior Years' Profit/Loss	66,537	-	-	670	-	(54,642)	34,522	6
Current Years' Profit/Loss	13,866	4,155	3,688	1,956	8,444	2,800	28,429	1,539
Minority Rights	-	71	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>214,604</b>	<b>104,140</b>	<b>190,505</b>	<b>54,043</b>	<b>86,662</b>	<b>221,684</b>	<b>141,901</b>	<b>7,253</b>
<b>SUPPLEMENTARY CAPITAL</b>	-	-	-	-	-	-	-	-
<b>CAPITAL</b>	<b>214,604</b>	<b>104,140</b>	<b>190,505</b>	<b>54,043</b>	<b>86,662</b>	<b>221,684</b>	<b>141,901</b>	<b>7,253</b>
<b>NET AVAILABLE EQUITY</b>	<b>214,604</b>	<b>104,140</b>	<b>190,505</b>	<b>54,043</b>	<b>86,662</b>	<b>221,684</b>	<b>141,901</b>	<b>7,253</b>

(\*)The financial tables as at and for the nine-month period ended 30 September 2012 are presented.

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



**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 Finans Factoring Hizmetleri AŞ (*)	Istanbul/Turkey	78.39	86.97
4 Vakıf Finansal Kiralama AŞ (**)	Istanbul/Turkey	58.71	64.40
5 Vakıf Yatırım Menkul Değerler AŞ (*)	Istanbul/Turkey	99.00	99.44
6 Vakıfbank International AG (*)	Wien/Austria	90.00	90.00
7 Vakıf Portföy Yönetimi AŞ (*)	Istanbul/Turkey	99.99	99.99
8 Vakıf Enerji ve Madencilik AŞ (***)	Ankara/Turkey	65.50	84.92
9 Taksim Otelcilik AŞ (*)	Istanbul/Turkey	51.00	51.52
10 Vakıf Pazarlama Sanayi ve Ticaret AŞ (*)	Istanbul/Turkey	69.33	74.98
11 Vakıf Gayrimenkul Değerleme AŞ	Ankara/Turkey	54.29	58.54

	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	836,171	233,180	252,701	13,385	4,823	(8,818)	15,042	338,996
2	1,698,804	137,339	38,545	17,512	148	22,300	13,163	349,100
3	288,445	86,662	2,675	42,618	-	8,445	10,039	97,907
4	746,915	104,139	6,219	34,297	124	4,168	12,955	98,404
5	93,999	54,042	333	3,853	338	1,956	3,449	84,367
6	1,761,448	214,767	1,367	31,783	6,217	14,027	12,988	228,200
7	7,556	7,252	6	523	24	1,538	1,139	21,698
8	8,208	8,087	1,065	316	-	588	(51)	12,500
9	228,676	225,756	97,588	8,716	521	8,439	8,176	218,159
10	40,185	33,828	8,788	1,136	124	6,942	-	26,000
11	22,889	18,965	671	1,464	82	1,847	7,185	33,567

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

(\*\*) Figures are obtained from reviewed financial statements as at and for the nine-month period ended 30 September 2012 disclosed in Public Disclosure Platform.

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

**Movement of investments in subsidiaries**

	Current Year	Prior Year
<b>Balance at the beginning of the year</b>	<b>644,998</b>	<b>688,501</b>
<b>Movements during the year</b>	<b>267,211</b>	<b>(43,503)</b>
Transfers	-	-
Acquisitions	-	-
Bonus shares received	7,771	14,678
Dividends from current year profit	(15,203)	(13,243)
Sales and liquidations	-	-
Fair value changes	274,643	(44,938)
Impairment losses	-	-
<b>Balance at the end of year</b>	<b>912,209</b>	<b>644,998</b>
<b>Capital commitments</b>	<b>-</b>	<b>-</b>
<b>Share percentage at the end of the year (%)</b>	<b>-</b>	<b>-</b>

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.

With the merger, the legal entity of Vakıf Sistem Pazarlama Yazılım AŞ has ended. The title of the Company has been amended as Vakıf Pazarlama Sanayi ve Ticaret AŞ and the new capital has realized as TL 30,241. 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.

***Valuation methods of investments in subsidiaries***

	<b>Current Year</b>	<b>Prior Year</b>
Valued at Cost	-	-
Valued at Fair Value	912,209	644,998
Valued by Equity Method of Accounting	-	-
<b>Total</b>	<b>912,209</b>	<b>644,998</b>

***Sectoral distribution of financial investments in subsidiaries***

	<b>Current Year</b>	<b>Prior Year</b>
Banks	205,380	150,015
Insurance Companies	311,390	193,303
Factoring Companies	76,750	50,368
Leasing Companies	57,773	54,080
Finance Companies	-	-
Other Financial Subsidiaries	105,219	56,897
<b>Total</b>	<b>756,512</b>	<b>504,663</b>

***Quoted subsidiaries***

	<b>Current Year</b>	<b>Prior Year</b>
Quoted at Domestic Stock Exchanges	180,998	152,804
Quoted at International Stock Exchanges	-	-
<b>Total</b>	<b>180,998</b>	<b>152,804</b>

***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***

There is no subsidiary acquired in the current period.

In current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ, a subsidiary of the Bank, from TL 50,000 to TL 60,000, by the General Assembly of the company, the share of the Bank amounting to TL 5,871 is presented as bonus shares received in the movement table of investments in subsidiaries.

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

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

**9. Investments in joint-ventures**

None.

**10. Information on finance lease receivables (net)**

None

**11. Information on hedging purpose derivatives**

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

None.

**12. Information on tangible assets**

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
<b>Balance at the end of the prior year:</b>					
Cost	1,108,217	175,311	51,412	552,336	1,887,276
Accumulated depreciation(-)	249,874	150,725	26,402	352,087	779,088
Impairment	14,606	-	-	-	14,606
<b>Net book value</b>	<b>843,737</b>	<b>24,586</b>	<b>25,010</b>	<b>200,249</b>	<b>1,093,582</b>
<b>Balance at the end of the current year:</b>					
Net book value at the beginning of the current year	843,737	24,586	25,010	200,249	1,093,582
Additions	197,687	-	1,516	85,950	285,153
Cost of the disposals	124,673	22,079	3,539	7,007	157,298
Depreciation of the disposals	5,293	21,931	3,225	3,692	34,141
Depreciation of the current year (-)	29,653	8,377	7,059	70,581	115,670
Impairment	5,341	-	-	-	-
Cost at the end of the current year	1,181,231	153,232	49,389	631,279	2,015,131
Accumulated depreciation at the end of the year (-)	274,234	137,171	30,236	418,976	860,617
Impairment (-) <sup>(*)</sup>	19,947	-	-	-	19,947
<b>Net book value at the end of the current year</b>	<b>887,050</b>	<b>16,061</b>	<b>19,153</b>	<b>212,303</b>	<b>1,134,567</b>

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

**13. Information on intangible assets**

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

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

The 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.

**14. Information on investment property**

None.

**15. Information on deferred tax asset**

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

	<b>Current Year</b>	<b>Prior Year</b>
<b><i>Deferred tax assets:</i></b>	<b>180,592</b>	<b>178,817</b>
Provision for employee termination benefits and unused vacations	58,516	47,802
Other provisions	39,137	28,937
Valuation differences of associates and subsidiaries	23,456	23,456
BRSA - Tax Code depreciation differences	12,997	16,019
Valuation differences of financial assets and liabilities	44,771	61,019
Others	1,715	1,584
<b><i>Deferred tax liabilities:</i></b>	<b>(60,967)</b>	<b>(47,664)</b>
Valuation differences of financial assets and liabilities	(25,130)	(32,316)
Valuation differences for associates and subsidiaries	(35,837)	(15,348)
<b>Deferred tax assets, net</b>	<b>119,625</b>	<b>131,153</b>

**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 2012 and 2011 are as follows:

	<b>Current Year</b>	<b>Prior Year</b>
Prepaid expenses	408,984	395,066
Receivables from credit cards	387,146	392,479
Receivables from derivative financial instruments	134,520	20,177
Receivables from term sale of assets	47,410	103,778
Others	73,107	70,808
<b>Total</b>	<b>1,051,167</b>	<b>982,308</b>

## 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
<b>Saving Deposits</b>	<b>2,046,323</b>	-	<b>280,169</b>	<b>12,493,455</b>	<b>2,056,054</b>	<b>99,207</b>	<b>115,769</b>	-	<b>17,090,977</b>
<b>Foreign Currency Deposits</b>	<b>1,748,379</b>	-	<b>1,410,188</b>	<b>8,112,958</b>	<b>1,389,304</b>	<b>532,208</b>	<b>1,601,869</b>	-	<b>14,794,906</b>
Residents in Turkey	1,528,353	-	1,406,846	8,019,490	1,295,488	408,496	714,272	-	13,372,945
Residents in Abroad	220,026	-	3,342	93,468	93,816	123,712	887,597	-	1,421,961
<b>Public Sector Deposits</b>	<b>2,706,233</b>	-	<b>2,065,023</b>	<b>6,205,313</b>	<b>709,706</b>	<b>19,216</b>	<b>14,654</b>	-	<b>11,720,145</b>
<b>Commercial Deposits</b>	<b>1,300,349</b>	-	<b>2,739,050</b>	<b>4,236,959</b>	<b>2,504,010</b>	<b>463,272</b>	<b>4,181</b>	-	<b>11,247,821</b>
<b>Others</b>	<b>2,293,689</b>	-	<b>2,211,287</b>	<b>1,894,945</b>	<b>953,617</b>	<b>60,847</b>	<b>14,195</b>	-	<b>7,428,580</b>
<b>Precious Metal Deposits</b>	<b>802,249</b>	-	-	-	-	-	-	-	<b>802,249</b>
<b>Bank Deposits</b>	<b>13,100</b>	-	<b>2,715,702</b>	<b>676,552</b>	<b>385,456</b>	<b>356,339</b>	<b>10,463</b>	-	<b>4,157,612</b>
CBT	402	-	-	-	-	-	-	-	402
Domestic Banks	689	-	2,459,111	491,591	149,017	-	10,463	-	3,110,871
Foreign Banks	5,384	-	256,591	184,961	236,439	356,339	-	-	1,039,714
Participation Banks	6,625	-	-	-	-	-	-	-	6,625
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>10,910,322</b>	-	<b>11,421,419</b>	<b>33,620,182</b>	<b>7,998,147</b>	<b>1,531,089</b>	<b>1,761,131</b>	-	<b>67,242,290</b>

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
<b>Saving Deposits</b>	<b>1,671,682</b>	-	<b>362,643</b>	<b>11,508,016</b>	<b>1,195,391</b>	<b>216,923</b>	<b>75,894</b>	-	<b>15,030,549</b>
<b>Foreign Currency Deposits</b>	<b>1,474,554</b>	-	<b>1,741,903</b>	<b>8,197,256</b>	<b>1,824,464</b>	<b>382,446</b>	<b>1,295,852</b>	-	<b>14,916,475</b>
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
<b>Public Sector Deposits</b>	<b>2,766,392</b>	-	<b>1,885,113</b>	<b>4,837,879</b>	<b>835,509</b>	<b>38,441</b>	<b>32,799</b>	-	<b>10,396,133</b>
<b>Commercial Deposits</b>	<b>1,192,107</b>	-	<b>2,467,161</b>	<b>5,327,423</b>	<b>968,822</b>	<b>336,589</b>	<b>1,718</b>	-	<b>10,293,820</b>
<b>Others</b>	<b>1,931,014</b>	-	<b>681,617</b>	<b>2,936,530</b>	<b>966,888</b>	<b>294,692</b>	<b>18,190</b>	-	<b>6,828,931</b>
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Bank Deposits</b>	<b>31,618</b>	-	<b>1,687,178</b>	<b>833,548</b>	<b>916,823</b>	<b>2,069</b>	<b>2,074</b>	-	<b>3,473,310</b>
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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9,067,367</b>	-	<b>8,825,615</b>	<b>33,640,652</b>	<b>6,707,897</b>	<b>1,271,160</b>	<b>1,426,527</b>	-	<b>60,939,218</b>

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Year	Prior Year	Current Year	Prior Year
Saving Deposits	7,156,786	6,344,011	9,934,191	8,678,865
Foreign Currency Saving Deposits	2,158,935	1,485,189	5,755,729	4,116,656
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>9,315,721</b>	<b>7,829,200</b>	<b>15,689,920</b>	<b>12,795,521</b>

***Saving deposits out of insurance coverage limits***

	Current Year	Prior Year
Deposits and other accounts at foreign branches	14,724	7,231
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	2,352	1,859
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26.09.2004	-	-
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	2,134	2,063	3,399	4,574
Swaps	4,853	190,187	973	333,331
Futures	-	-	-	-
Options	178	277	4	93
Others	-	-	-	-
<b>Total</b>	<b>7,165</b>	<b>192,527</b>	<b>4,376</b>	<b>337,998</b>

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

	Current Year		Prior Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Bank and Institutions	86,974	201,248	75,254	260,049
Foreign Bank, Institutions and Funds	-	7,187,261	-	7,902,004
<b>Total</b>	<b>86,974</b>	<b>7,388,509</b>	<b>75,254</b>	<b>8,162,053</b>

***Maturity information of funds borrowed***

	Current Year		Prior Year	
	TL	FC	TL	FC
Short-term <sup>(*)</sup>	68,245	4,257,409	60,706	2,883,277
Medium and long term <sup>(*)</sup>	18,729	3,131,100	14,548	5,278,776
<b>Total</b>	<b>86,974</b>	<b>7,388,509</b>	<b>75,254</b>	<b>8,162,053</b>

<sup>(\*)</sup>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 8.1% (31 December 2011: 10.3%) of the Bank’s liabilities. There is no risk concentration on funding sources of the Bank.

On 1 September 2010, the Bank obtained a syndication loan at the amount of US Dollar 135 million with interest rate of Libor + 1.30% and Euro 408 million with interest rate of Euribor + 1.30% at 1 year maturity; and syndication loan at the amount of US Dollar 10 million with interest rate of Libor + 1.75% and Euro 45 million with interest rates of Euribor + 1.75% at 2 years maturity with the participation of 32 banks under the coordination of West LB AG. The Bank has repaid the part of the loan with one year maturity on 6 September 2011. On 6 September 2011, repayment of loan’s one year maturity segments was realized. On 31 August 2012, two years maturity segments were paid off.

This loan has been renewed with a syndicated loan at the amount of US Dollar 145 million and Euro 433 million with interest rates of US Libor + 1.00 % and Euribor + 1.00 % at a maturity of one year, with the participation of 26 banks under the coordination of ING Bank NV on 7 September 2011.

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

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

***Information on securities issued***

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

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

On 1 June 2012, the Bank has issued discounted bonds with a nominal value of TL 500,000 and 179 days maturity. The bond has matured as at 27 November 2012.

On 1 June 2012, the Bank has issued floating-rate bonds with monthly coupon payment with a nominal value of TL 200,000 and 374 days maturity. The nominal value of the bond is determined as TL 105,055 with respect to book-building process. As at 31 December 2012, the carrying amount of the related bonds is TL 102,305.

On 27 July 2012, the Bank has issued discounted bonds with a nominal values of TL 500,000 and 175 days maturity and TL 200,000 and 318 days maturity. The nominal values of the bonds are determined as TL 724,565 and TL 98,070 with respect to book-building process. As at 31 December 2012, the carrying amounts of the related bonds are TL 630,987 and TL 94,168 respectively.

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

On 21 September 2012, the Bank has issued discounted bond with a nominal value of TL 200,000 and 175 days maturity. The nominal value of the bond is determined as TL 181,606 with respect to book-building process. As at 31 December 2012, the carrying amount of the related bond is TL 163,998.

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

On 24 April 2012, the Bank has issued the bond with a nominal value of USD 500 million and with the maturity date of 24 April 2017. 36% of the bond has been sold in Europe, 27% in the United States, 27% in England, 10% in Asia and the Middle East. Furthermore, with respect to purchaser parties 64% of the bond was purchased by fund managers, 18% was purchased by banks, 14% by private banks and 4% by insurance and pension funds. As of 31 December 2012, the carrying amount of the bond is TL 891,137.

**4. Components of “other external resources payable” in the 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*

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

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

	<b>Current Year</b>	<b>Prior Year</b>
Provision for currency exchange gain/loss on foreign currency indexed loans	16,623	2,419

The Bank has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 16,623 (31 December 2011: TL 2,419) 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*

As of 31 December 2012, Bank has recorded TL 36,173 (31 December 2011: TL 67,937) as provisions for non-cash loans that are not indemnified or converted into cash.

*Information on other provisions*

As of 31 December 2012 the Bank has recorded 5% (31 December 2011: 5%) provision for possible loan losses. Certain amount of this provision has been recognized under general provisions, and remaining TL 92,887 (31 December 2011: TL 51,676) has been recorded as provisions for miscellaneous risks under other provisions in the accompanying financial statements.

*Information on other provisions exceeding 10% of total provisions*

	<b>Current Year</b>	<b>Prior Year</b>
Provision for loans under follow-up	92,887	51,676
Specific provisions for non-cash loans	36,173	67,937
Provisions for World Vakıf UBB Ltd with regard to its negative equity	28,329	26,777
Provisions for lawsuits against the Bank	14,673	14,673
Provisions for credit card promotions	8,571	7,923
Provisions for cheques	7,021	16,530
Others	39,850	36,955
<b>Total</b>	<b>227,504</b>	<b>222,471</b>



## 8. Taxation

### *Current Taxes*

#### *Tax provision*

As at and for the year ended 31 December 2012, the tax provision was amounted to TL 509,000 (31 December 2011: TL 298,638). As at 31 December 2011, corporate tax liabilities of the Bank was amounted to TL 168,792 (31 December 2011: TL 17,824), after deducting prepaid taxes paid during temporary tax periods amounted to TL 340,208 (31 December 2011: TL 280,814).

#### *Information on taxes payable*

	<b>Current Year</b>	<b>Prior Year</b>
Corporate taxes payable	168,792	17,824
Taxation on securities	94,433	62,943
Capital gains tax on property	1,568	1,204
Banking and Insurance Transaction Tax (BITT)	-	-
Taxes on foreign exchange transactions	39,325	28,153
Value added tax payable	2,103	1,284
Others	14,648	13,819
<b>Total</b>	<b>320,869</b>	<b>125,227</b>

#### *Information on premiums payable*

	<b>Current Year</b>	<b>Prior Year</b>
Social security premiums- employee share	-	-
Social security premiums- employer share	-	-
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	495	429
Unemployment insurance- employer share	989	858
Others	-	-
<b>Total</b>	<b>1,484</b>	<b>1,287</b>

#### *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 debt

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

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

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

## 11. Information on shareholders’ equity

### *Paid-in capital*

	Current Year	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	595,111	96,618	257,946	56,311
Fair value differences of available-for-sale securities	196,422	542,552	(180,809)	112,876
Foreign exchange differences	19,270	-	6,980	-
<b>Total</b>	<b>810,803</b>	<b>639,170</b>	<b>84,117</b>	<b>169,187</b>

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

#### 1. Disclosures related to other contingent liabilities

##### *Type and amount of irrevocable commitments*

	<b>Current Year</b>	<b>Prior Year</b>
Commitments for credit card limits	4,938,035	4,322,604
Loan granting commitments	4,950,300	4,574,348
Commitments for cheque payments	1,154,273	829,640
Asset purchase commitments	1,694,352	1,626,838
Share capital commitments to associates and subsidiaries	-	1,000
Other	344,648	294,933
<b>Total</b>	<b>13,081,608</b>	<b>11,649,363</b>

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

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

The Bank has provided specific provision amounting to TL 36,173 (31 December 2011: TL 67,937) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 82,825 (31 December 2011: TL 69,605).

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

	<b>Current Year</b>	<b>Prior Year</b>
Provisional Letters of Guarantee	563,770	489,911
Final Letters of Guarantee	4,468,018	4,493,718
Letters of Guarantee for advances	2,269,159	1,946,721
Letters of Guarantee given to Customs Offices	379,638	323,046
Other Letters of Guarantee	4,951,533	3,819,360
<b>Total</b>	<b>12,632,118</b>	<b>11,072,756</b>

#### 2. Non-cash Loans

	<b>Current Year</b>	<b>Prior Year</b>
Non-Cash Loans Given for Cash Loan Risks	1,061,650	591,334
With Original Maturity of 1 Year or Less	582,779	353,374
With Original Maturity of More Than 1 Year	478,871	237,960
Other Non-Cash Loans	16,155,097	15,072,695
<b>Total</b>	<b>17,216,747</b>	<b>15,664,029</b>

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**

Unconsolidated Financial Report as at and

For the Year Ended 31 December 2012

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

*Convenience Translation of Financial Statements*

*and Related Disclosures and Footnotes*

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

**3. Sectoral risk concentrations of non-cash loans**

	Current Year				Prior Year			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>92,687</b>	<b>0.88</b>	<b>84,945</b>	<b>1.27</b>	<b>44,778</b>	<b>0.49</b>	<b>189,336</b>	<b>2.85</b>
Farming and Stockbreeding	81,708	0.78	82,840	1.24	39,146	0.43	176,234	2.65
Forestry	9,635	0.09	72	0.00	4,610	0.05	7,949	0.12
Fishing	1,344	0.01	2,033	0.03	1,022	0.01	5,153	0.08
<b>Manufacturing</b>	<b>4,280,981</b>	<b>40.62</b>	<b>3,512,758</b>	<b>52.62</b>	<b>3,990,192</b>	<b>44.24</b>	<b>3,237,435</b>	<b>48.72</b>
Mining	77,796	0.74	36,845	0.55	49,592	0.55	53,415	0.80
Production	2,844,747	26.99	3,313,737	49.64	2,889,888	32.04	2,816,140	42.38
Electric, gas and water	1,358,438	12.89	162,176	2.43	1,050,712	11.65	367,880	5.54
<b>Construction</b>	<b>1,723,297</b>	<b>16.35</b>	<b>1,180,504</b>	<b>17.68</b>	<b>1,509,054</b>	<b>16.73</b>	<b>1,021,201</b>	<b>15.37</b>
<b>Services</b>	<b>4,039,704</b>	<b>38.32</b>	<b>1,568,703</b>	<b>23.50</b>	<b>2,843,974</b>	<b>31.55</b>	<b>1,239,570</b>	<b>18.65</b>
Wholesale and retail trade	1,683,751	15.97	616,199	9.23	1,093,274	12.13	380,986	5.73
Hotel, food and beverage services	60,022	0.57	10,776	0.16	57,270	0.64	1,931	0.03
Transportation and telecommunication	506,082	4.80	666,350	9.98	463,721	5.14	780,211	11.74
Financial institutions	1,219,537	11.57	43,323	0.65	1,166,857	12.94	57,600	0.87
Real estate and renting services	106,847	1.01	154,104	2.31	15,604	0.17	43	0.00
“Self-employment” type services	326,272	3.10	65,459	0.98	-	-	-	-
Education services	11,853	0.11	-	-	6,817	0.08	-	-
Health and social services	125,340	1.19	12,492	0.19	40,431	0.45	18,799	0.28
<b>Others</b>	<b>404,033</b>	<b>3.83</b>	<b>329,135</b>	<b>4.93</b>	<b>630,744</b>	<b>6.99</b>	<b>957,745</b>	<b>14.41</b>
<b>Total</b>	<b>10,540,702</b>	<b>100.00</b>	<b>6,676,045</b>	<b>100.00</b>	<b>9,018,742</b>	<b>100.00</b>	<b>6,645,287</b>	<b>100.00</b>

**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	10,339,576	2,070,841	129,963	10,329
Confirmed Bills of Exchange and Acceptances	19,554	784,313	-	1,965
Letters of Credit	693	3,771,762	-	2,103
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	2,823	-	-
<b>Non-cash Loans</b>	<b>10,359,823</b>	<b>6,629,739</b>	<b>129,963</b>	<b>14,397</b>

Prior 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	-	-
<b>Non-cash Loans</b>	<b>8,944,469</b>	<b>6,608,632</b>	<b>40,559</b>	<b>764</b>

**5. Information on derivative transactions**

	<b>Current Year</b>	<b>Prior Year</b>
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>9,798,641</b>	<b>10,756,450</b>
Currency Forwards	915,345	971,981
Currency Swaps	7,806,705	9,537,237
Currency Futures	-	-
Currency Options	1,076,591	247,232
<b>Interest Rate Derivative Transactions (II)</b>	<b>2,926,862</b>	<b>1,662,116</b>
Interest Rate Forwards	-	-
Interest Rate Swaps	2,926,862	1,662,116
Interest Rate Futures	-	-
Interest Rate Options	-	-
<b>Other Trading Derivatives (III)</b>	<b>1,671,932</b>	<b>531,155</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>14,397,435</b>	<b>12,949,721</b>
<b>Hedging Derivatives</b>	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
<b>B. Total Hedging Derivatives</b>	-	-
<b>Derivative Transactions (A+B)</b>	<b>14,397,435</b>	<b>12,949,721</b>

	<b>31 December 2012</b>					<b>Total</b>
	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	
<b>Currency swaps:</b>						
Purchase	2,811,915	166,135	381,334	101,297	-	<b>3,460,681</b>
Sale	1,115,655	166,111	375,288	101,114	-	<b>1,758,168</b>
<b>Currency forwards:</b>						
Purchase	188,955	144,204	124,587	-	-	<b>457,746</b>
Sale	188,895	144,156	124,548	-	-	<b>457,599</b>
<b>Cross currency interest rate swaps:</b>						
Purchase	-	106,800	44,500	1,175,757	-	<b>1,327,057</b>
Sale	-	90,990	38,250	1,131,559	-	<b>1,260,799</b>
<b>Interest rate swaps:</b>						
Purchase	-	-	-	766,705	696,726	<b>1,463,431</b>
Sale	-	-	-	766,705	696,726	<b>1,463,431</b>
<b>Options:</b>						
Purchase	444,751	61,477	32,067	-	-	<b>538,295</b>
Sale	444,746	61,483	32,067	-	-	<b>538,296</b>
<b>Other trading derivatives:</b>						
Purchase	-	-	-	-	-	-
Sale	1,671,932	-	-	-	-	<b>1,671,932</b>
<b>Total purchases</b>	<b>3,445,621</b>	<b>478,616</b>	<b>582,488</b>	<b>2,043,759</b>	<b>696,726</b>	<b>7,247,210</b>
<b>Total sales</b>	<b>3,421,228</b>	<b>462,740</b>	<b>570,153</b>	<b>1,999,378</b>	<b>696,726</b>	<b>7,150,225</b>
<b>Total</b>	<b>6,866,849</b>	<b>941,356</b>	<b>1,152,641</b>	<b>4,043,137</b>	<b>1,393,452</b>	<b>14,397,435</b>

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**

Unconsolidated Financial Report as at and

For the Year Ended 31 December 2012

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

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

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

**6. Contingent assets and liabilities**

Bank allocates TL 14,673 as provision for lawsuits against Bank (31 December 2011: TL 14,673).

**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	2,025,777	185,032	1,298,443	161,002
Medium and Long-term Loans	3,928,578	702,588	2,766,606	564,927
Loans under follow-up	124,160	-	141,727	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>6,078,515</b>	<b>887,620</b>	<b>4,206,776</b>	<b>725,929</b>

###### *Information on interest income received from banks*

	Current Year		Prior Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks	1,187	1,269	1,611	1,155
Foreign Banks	32	1,974	43	5,707
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>1,219</b>	<b>3,243</b>	<b>1,654</b>	<b>6,862</b>

###### *Information on interest income received from securities portfolio*

	Current Year		Prior Year	
	TL	FC	TL	FC
Trading Financial Assets	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	909,313	196,521	891,208	156,077
Held-to-Maturity Investments	595,970	63,754	352,635	109,495
<b>Total</b>	<b>1,505,283</b>	<b>260,275</b>	<b>1,243,843</b>	<b>265,572</b>

###### *Information on interest income received from associates and subsidiaries*

	Current Year	Prior Year
Interest Received from Associates and Subsidiaries	13,084	23,737

## 2. Interest Expense

### *Interest expenses on funds borrowed*

	Current Year		Prior Year	
	TL	FC	TL	FC
<b>Banks</b>	<b>6,895</b>	<b>120,507</b>	<b>4,773</b>	<b>123,778</b>
Central Bank of Turkey	-	-	-	-
Domestic Banks	6,895	4,550	4,773	2,094
Foreign Banks	-	115,957	-	121,684
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>9,000</b>	<b>-</b>	<b>6,590</b>
<b>Total</b>	<b>6,895</b>	<b>129,507</b>	<b>4,773</b>	<b>130,368</b>

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

	Current Year	Prior Year
Interest Paid to Associates and Subsidiaries	39,039	33,918

### *Interest expense on securities issued*

	Current Year		Prior Year	
	TL	FC	TL	FC
Interest expense on securities issued	141,509	36,370	16,555	-

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

Account Description	Time Deposit							Total
	Demand Deposits	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	1 Year and Over	Accumulating Deposit Accounts	
<b>Turkish Lira:</b>								
Bank Deposits	-	70,907	-	-	-	-	-	<b>70,907</b>
Saving Deposits	39	23,879	1,215,201	161,458	12,914	9,484	-	<b>1,422,975</b>
Public Sector Deposits	380	86,230	451,591	83,202	4,794	2,243	-	<b>628,440</b>
Commercial Deposits	177	150,806	519,112	212,134	39,254	290	-	<b>921,773</b>
Other Deposits	3	41,089	188,838	101,340	7,807	997	-	<b>340,074</b>
7 Days Notice Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>599</b>	<b>372,911</b>	<b>2,374,742</b>	<b>558,134</b>	<b>64,769</b>	<b>13,014</b>	<b>-</b>	<b>3,384,169</b>
<b>Foreign Currency:</b>								
Foreign Currency Deposits	221	30,641	338,505	62,398	19,121	53,870	-	<b>504,756</b>
Bank Deposits	-	35,568	-	-	-	-	-	<b>35,568</b>
7 Days Notice Deposits	-	-	-	-	-	-	-	-
Precious Metals Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>221</b>	<b>66,209</b>	<b>338,505</b>	<b>62,398</b>	<b>19,121</b>	<b>53,870</b>	<b>-</b>	<b>540,324</b>
<b>Grand Total</b>	<b>820</b>	<b>439,120</b>	<b>2,713,247</b>	<b>620,532</b>	<b>83,890</b>	<b>66,884</b>	<b>-</b>	<b>3,924,493</b>

## 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	322	82
Others	56,756	44,735
<b>Total</b>	<b>57,078</b>	<b>44,817</b>



**4. Trading income/losses**

	<b>Current Year</b>	<b>Prior Year</b>
<b>Income</b>	<b>1,748,628</b>	<b>1,651,331</b>
Income from capital market transactions	254,411	79,950
Income from derivative financial instruments	367,347	624,010
Foreign exchange gains	1,126,870	947,371
<b>Losses</b>	<b>(1,412,086)</b>	<b>(1,612,331)</b>
Losses from capital market transactions	(5,222)	(5,250)
Losses from derivative financial instruments	(391,468)	(637,882)
Foreign exchange losses	(1,015,396)	(969,199)
<b>Trading income/losses, net</b>	<b>336,542</b>	<b>39,000</b>

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 12,869 for the year ended 31 December 2012 (31 December 2011: net gain amounting to TL 60,117).

**5. Other operating income**

	<b>Current Year</b>	<b>Prior Year</b>
Income from reversal of specific provisions for loans	419,267	653,188
Communication income	81,146	80,627
Gain on sale of assets	26,122	79,289
Rent income	8,412	2,011
Other income	89,733	70,200
<b>Total</b>	<b>624,680</b>	<b>885,315</b>

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

	<b>Current Year</b>	<b>Prior Year</b>
Specific Provisions on Loans and Other Receivables	735,227	410,665
<i>Loans and Receivables in Group III</i>	177,105	93,446
<i>Loans and Receivables in Group IV</i>	535,664	203,708
<i>Loans and Receivables in Group V</i>	22,458	113,511
Non-performing Commissions and Other Receivables	-	-
General Provision Expenses	284,755	243,923
Provision for Possible Losses	43,006	-
Impairment Losses on Financial Assets	112,920	66,638
<i>Financial Assets at Fair Value through Profit or Loss</i>	-	-
<i>Available-for-Sale Financial Assets</i>	112,920	66,638
Other Impairment Losses:	64,111	26,505
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint Ventures</i>	-	-
<i>Held-to-Maturity Investments</i>	64,111	26,505
Others <sup>(*)</sup>	164,039	157,865
<b>Total</b>	<b>1,404,058</b>	<b>905,596</b>

<sup>(\*)</sup>Other provision expenses amounting to TL 164,039 (31 December 2011: TL 157,865) is comprised of provision expenses for dividends to the personnel amounting to TL 105,300 (31 December 2011: TL 97,000), provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 52,391 (31 December 2011: TL 58,924) and other provision expenses amounting to TL 6,348 (31 December 2011 : TL 2,571).

**7. Other operating expenses**

	<b>Current Year</b>	<b>Prior Year</b>
Personnel Costs	917,233	833,976
Reserve for Employee Termination Benefits	53,041	22,472
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses on Tangible Assets	104,015	100,038
Impairment Losses on Intangible Assets	-	-
Amortization Expenses on Intangible Assets	9,465	8,688
Impairment Losses on Assets to be Disposed	5,341	2,934
Depreciation Expenses on Assets to be Disposed	12,799	10,789
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	945,540	804,779
<i>Operational lease related expenses</i>	<i>136,043</i>	<i>113,183</i>
<i>Repair and maintenance expenses</i>	<i>68,629</i>	<i>44,697</i>
<i>Advertisement expenses</i>	<i>17,200</i>	<i>14,655</i>
<i>Other expenses</i>	<i>723,668</i>	<i>632,244</i>
Loss on sale of assets	389	1,150
Others	213,352	156,554
<b>Total</b>	<b>2,261,175</b>	<b>1,941,380</b>

**8. Information on income/loss from discontinued and continuing 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 and continuing 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 and continuing 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 449,196 (31 December 2011: TL 373,920) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

<b>Sources of deferred tax benefit/charge</b>	<b>Current Year</b>	<b>Prior Year</b>
Arising from Origination/(Reversal) of Deductible Temporary Differences	5,327	53,386
Arising from (Origination)/Reversal of Taxable Temporary Differences	18,588	(27,862)
Arising from Origination/(Reversal) of Tax Losses	-	-
Arising from Change in Tax Rate	-	-
<b>Total</b>	<b>23,915</b>	<b>25,524</b>

**12. Information on net profit and loss**

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

The Bank has earned TL 8,756,502 interest income, TL 447,700 net fees and commissions income and incurred TL 4,671,908 interest expenses, from ordinary banking transactions (31 December 2011: TL 6,501,067 interest income, TL 559,307 net fees and commissions income TL 3,607,349 interest expenses).

*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**

Banks’ other commissions income mainly consists of credit card fee and commissions, transfer commissions and intelligence commissions.

Banks’ other commissions expense mainly consists of credit card fee and commissions and commissions given for foreign banks credits.

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

**1. 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:

<b>Valuation Differences of Marketable Securities</b>	<b>Current Year</b>	<b>Prior Year</b>
Valuation differences at the beginning of the year	(67,933)	309,348
Fair value changes in the current year	914,839	(310,458)
Effect of deferred and corporate taxes	(67,930)	65,592
Valuation differences transferred to the statement of income	(33,821)	(156,420)
Effect of deferred and corporate taxes	(6,181)	24,005
<b>Valuation differences at the end of the year</b>	<b>738,974</b>	<b>(67,933)</b>

  

<b>Valuation Difference of the Subsidiaries and Affiliates</b>	<b>Current Year</b>	<b>Prior Year</b>
Valuation differences at the beginning of the year	321,237	397,313
Fair value changes in the current year	410,251	(78,253)
Effect of deferred and corporate taxes	(20,489)	2,177
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	-	-
<b>Valuation differences at the end of the year</b>	<b>710,999</b>	<b>321,237</b>

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

None.

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

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 58<sup>th</sup> Annual General Assembly held on 31 March 2012, the net profit of the year 2011 which amounts to TL 1,201,261 after deferred tax income deducted is decided to be distributed as legal reserves amounting to TL 120,126, extraordinary reserves amounting to TL 1,010,638, special funds amounting to TL 33,497 and dividends to equity holders of the Bank amounting to TL 37,000.

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

Revaluation differences of available-for-sale investments has resulted with increase in the current year. Detailed information about the increase is explained above in Note 1.

## **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 237,149 (31 December 2011: TL 511,477) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

“Net increase/decrease in other liabilities” amounting to TL 3,295,568 (31 December 2011: TL 1,591,254) 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 29,046 (31 December 2011: TL 17,750) 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 1,666 (31 December 2011: TL 3,796) and presented in the statement of cash flows in order to reconcile cash and cash equivalents balances at the beginning and end of the year.

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

- The Bank has paid TL 1,000 of amount capital commitment to its associate Kredi Garanti Fonu AŞ with respect to funding requirement of the associate in the current year. Per General Assembly of the Kredi Garanti Fonu a subsidiary of the Bank held on 30 May 2012, the decision for merger of Türk Ekonomi Bankası AŞ and Fortisbank AŞ has taken. Due to this merger, the shares of the Fortisbank have been transferred to Türk Ekonomi Bankası AŞ hence the principle of equality in partnership between banks has been invalidated. In result, the shares are decided to be distributed equally between banks. The TL 211 which is the amount corresponding to Bank share has been paid in the current year. The related amount has been presented in “Cash paid for purchase of associates, subsidiaries and joint-ventures” line of “Net cash flow from investing activities” section of the Cash flow statement.
- In year 2011, 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” line of “Cash paid for purchase of associates, subsidiaries and joint-ventures” section.
- In year 2011, the Bank has paid TL 1,000 of TL 2,000 capital commitment to its associate Kredi Garanti Fonu AŞ with respect to funding requirement of the associate. The amount has been presented under “Net cash flow from Investment Operations” line of “Cash paid for purchase of associates, subsidiaries and joint-ventures” section.

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

There is 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*

	<b>Current Year</b>	<b>Prior Year</b>
	<b>31 December 2012</b>	<b>31 December 2011</b>
<b>Cash on hand</b>	<b>711,295</b>	<b>655,339</b>
Cash in TL	604,222	571,538
Cash in foreign currency	107,073	83,801
<b>Cash equivalents</b>	<b>4,222,611</b>	<b>5,732,115</b>
CBT	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)
Unrealised foreign exchange rate differences on cash equivalents	(367)	(4,732)
<b>Total</b>	<b>4,933,906</b>	<b>6,387,454</b>

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

	<b>Current Year</b>	<b>Prior Year</b>
	<b>31 December 2012</b>	<b>31 December 2011</b>
<b>Cash on hand</b>	<b>979,167</b>	<b>711,295</b>
Cash in TL	792,976	604,222
Cash in foreign currency	186,191	107,073
<b>Cash equivalents</b>	<b>4,020,705</b>	<b>4,222,611</b>
CBT – Unrestricted demand deposit	11,323,157	6,424,827
Bank deposits	1,954,906	2,129,590
Interbank money market placements	-	190,127
Other	25,301	998
Loans and advances to banks having maturity of more than 3 months	-	(4,000)
Restricted cash and cash equivalents	(9,282,127)	(4,518,564)
Unrealized foreign exchange rate differences on cash equivalents	(532)	(367)
<b>Total</b>	<b>4,999,872</b>	<b>4,933,906</b>

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

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

Foreign currency bank deposits amounting to TL 102,366 (31 December 2011: TL 248,837) 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

<b>Current Year</b>	<b>Associates and Subsidiaries and Joint-Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
Loans and Other Receivables						
Balance at the Beginning of the Year	293,552	614,114	-	6,572	4,443	1,540
Balance at the End of the Year	111,074	579,546	-	37,919	9,372	16,538
Interest and Commission Income Received	13,084	720	-	37	570	41

<b>Prior Year</b>	<b>Associates and Subsidiaries and Joint-Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
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

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

<b>Bank’s Risk Group</b>	<b>Associates and Subsidiaries and Joint-Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Current Year</b>	<b>Prior Year</b>	<b>Current Year</b>	<b>Prior Year</b>	<b>Current Year</b>	<b>Prior Year</b>
Deposits						
Balance at the Beginning of the Year	1,085,232	731,751	728,474	581,885	92,454	54,423
Balance at the End of the Year	1,033,752	1,085,232	443,105	728,474	84,276	92,454
Interest on Deposits	39,039	33,918	47,919	42,610	729	489

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

None.

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

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

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

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

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the the risk group to the overall cash and non-cash loans are 0.18% (31 December 2011: 0.52%) and 3.68% (31 December 2011: 3.97%).

<b>Current Year</b>	<b>Amount</b>	<b>Compared with the Financial Statement Amount %</b>
Cash Loans	120,446	0.18
Non-Cash Loans	634,003	3.68
Deposits	1,561,133	2.32
Forward and Option Agreements	-	-

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



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

*Domestic and foreign branches and representative offices*

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

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

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

During 2012, 65 new domestic branches (2011: 43 domestic branches and 1 foreign branch) have been opened and no branches haven't been closed (2011: none).

## **SECTION SIX**

### **Other Disclosures and Footnotes**

#### **I. Other explanations on the Bank’s operations**

Pursuant to the 2 November 2011 dated and 11-55/1438-M numbered decision of Competition Board, and 4054 numbered Competition Protection Law, an investigation has been opened about 12 banks, including the Bank, and 2 other entities operating in financial services to determine whether competition limiting agreements has been made by agreeing or performing concerted actions about loan, deposit, credit card services. Legal process about the investigation continues and no provision has been set aside in the accompanying financial statements.

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

<b>January 2013</b> (*)	<b>Standard &amp; Poors</b>
Foreign Currency Credit Rating	BB / Stable / B
Foreign Currency Deposit Rating	BB / Stable / B
National	trAA / -- / trA-1

<b>July 2012</b> (*)	<b>Moody’s Investors’ Service</b>
Financial Strength Rating	D+
Local Currency Deposit Rating	Baa2 / P-2
Local Currency Outlook	Stable
Foreign Currency Deposit Rating	Ba2 / NP
Foreign Currency Outlook	Stable

<b>November 2012</b> (*)	<b>Fitch Ratings</b>
Long Term Foreign Currency	BBB-
Short Term Foreign Currency	F3
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB
Short Term Local Currency	F3
Local Currency Outlook	Stable
National Long Term	AAA (tur)
National Outlook	Stable
Individual	WD
Support	2
Base Support Rating	BBB-

<b>December 2012</b> (*)	<b>Capital Intelligence</b>
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.

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

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

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

- Per 11 January 2013 dated and 29833736-105.03.01-55-239 numbered approval of Capital Market Board, the Bank has completed book building process on 14-15-16 January 2013. The issuance of the bills has realized on 18 January 2013 with nominal values of TL 115,686, TL 734,314, and TL 150,000. Maturity terms and the dates are 143 days, 10 June 2013, 168 days 5 July 2013 and 364 days 17 January 2014 respectively.

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

None.

## **SECTION SEVEN**

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

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

The Bank’s unconsolidated financial statements and footnotes as at 31 December 2012 , 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 2013.

#### **2. Disclosures and footnotes prepared by the independent auditor**

None.