More contribution to Turkey's sustainable growth...

VakıfBank

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Continuing to grow and develop...

VakıfBank stands for deep-rooted tradition and experience in the national banking system.
Continuing with its efforts to contribute to the growth and development of national economy, and its integration into the global economy, VakıfBank succeeded in being one of the most profitable banks in the banking industry, while quickly catching up with large-scale banks by adopting a rapid and healthy growth process so as to cement its position.

57th Ordinary General Assembly Meeting Agenda

Agenda of the 57th Ordinary General Assembly Meeting of Türkiye Vakıflar Bankası T.A.O.

1. Opening and formation of the Presidential Board,
2. Authorization of the Chairman and the vote collectors for signing the meeting minutes of the General Assembly,
3. Reading and discussion of the Board of Directors' Report, the Auditors' Report and the Report of the Supreme Audit Board regarding the activities and accounts of 2010,
4. Reading, discussion and ratification of the independently audited Balance Sheet and the Profit/Loss accounts for 2010,
5. Releasing Members of the Board of Directors from liability with regard to the operations and activities in 2010,
6. Releasing Statutory Auditors from liability with regard to the operations and activities in 2010,
7. Submitting the following for the approval of the General Assembly of Shareholders: amendments to be made to Articles 5, 7, 8, 11, 20, 21, 25, 26, 38, 47 and 62, paragraph (c) of Article 37, paragraph (h) of Article 56, and to Provisional Article 1 of the Bank's Articles of Incorporation, and supplementing Provisional Article 5,
8. Submitting the Board of Directors' proposal for distribution of 2010 profit for the period for the approval of the General Assembly of Shareholders,
9. Submitting the appointment made to the vacated seat on the Board of Directors during the reporting year for the approval of the General Assembly of Shareholders,
10. Determination of the monthly salaries of the Chairman and Members of the Board of Directors and the Statutory Auditors,
11. Laying it down for the approval of the General Assembly of Shareholders to authorize Adnan ERTEM, who is a member on the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş., to perform the transactions set out in Articles 334 and 335 of the Turkish Commercial Code during his term of office,
12. Ratification of the selected independent audit firm in accordance with the related regulation of the Capital Markets Board,
13. Presenting information to shareholders about the donations made in 2010,
14. Wishes and requests,
15. Closing.

Agenda of the General Assembly Meeting of Class A Privileged Shareholders

1. Opening and formation of the Presidential Board,
2. Authorization of the Chairman and the vote collectors for signing the meeting minutes of the General Assembly,
3. Submitting the following for the approval of the General Assembly of Shareholders: amendments to be made to Articles 5, 7, 8, 11, 20, 21, 25, 26, 38, 47 and 62, paragraph (c) of Article 37, paragraph (h) of Article 56 and Provisional Article 1 of the Bank's Articles of Incorporation, and supplementing Provisional Article 5,
4. Closing.

Agenda of the General Assembly Meeting of Class B Privileged Shareholders

1. Opening and formation of the Presidential Board,
2. Authorization of the Chairman and the vote collectors for signing the meeting minutes of the General Assembly,
3. Submitting the following for the approval of the General Assembly of Shareholders: amendments to be made to Articles 5, 7, 8, 11, 20, 21, 25, 26, 38, 47 and 62, paragraph (c) of Article 37, paragraph (h) of Article 56 and Provisional Article 1 of the Bank's Articles of Incorporation, and supplementing Provisional Article 5,
4. Closing.

Agenda of the General Assembly Meeting of Class C Privileged Shareholders

1. Opening and formation of the Presidential Board,
2. Authorization of the Chairman and the vote collectors for signing the meeting minutes of the General Assembly,
3. Submitting the following for the approval of the General Assembly of Shareholders: amendments to be made to Articles 5, 7, 8, 11, 20, 21, 25, 26, 38, 47. and 62, paragraph (c) of Article 37, paragraph (h) of Article 56 and Provisional Article 1 of the Bank's Articles of Incorporation, and supplementing Provisional Article 5,
4. Closing.

Summary Report of the Board of Directors

To our Esteemed Shareholders,

During 2010, key agenda items for the whole world focused on the devastation inflicted by the global crisis upon international financial markets and country economies, prevention of the crisis or mitigation of its adverse effects, actions taken by governments and central banks to this end, crisis-exit strategies, and dodging further possible crises.

The global crisis unsettled country economies after the financial services sector and the real sector, thus setting off concerns for a new crisis. It was observed that many European Union member countries suffered from rapidly increasing ratios of public debts to gross domestic product, combined with increased sovereign risk in international markets and downgraded ratings.

While interest rate cuts and monetary expansion initiatives, implemented by central banks in an effort to preclude crisis, hindered congestion in the payments system, the liquidity injected into the market arose as a risk that might trigger potential future crises.

In the global economy that adopted a recovery trend from the second half of 2009, paces of growth increased in varying extents on the basis of groups of countries in 2010. While growth was strong in emerging economies to which group Turkey belongs, rates of growth were weak in developed countries. After shrinking by 0.06% in 2009, the world economy is estimated to have grown 4.2% in 2010.

Looking at the situation in Turkey, it can be observed that the global crisis affected the real sector rather than the financial services industry, a fact that led to negative growth figures in the last quarter of 2008 and in the first three quarters of 2009. Thanks to the relative recuperation that resulted from the actions taken in international markets and to successful crisis management in our country, Turkey was one of the countries to quickly start recovering and enter into a rapid growth process from the last quarter of 2009. The rates of growth Turkey captured were, in chronological order, 6% in the last quarter of 2009, 11.8% in the first quarter of 2010, and 10.2% and 5.5% in the second and third quarters. The national economy’s performance has been endorsed by the ratings assigned, as the sovereign rating for Turkey was upgraded by various rating agencies four times after the crisis.

In 2010, the inflation declined to the lowest level of the past 32 years and the CPI, at an annual rate of 6.40%, stood below the 6.50% target of the Central Bank of the Republic of Turkey (CBRT).

After contracting with the impact of the financial crisis in the previous year, the foreign trade deficit started surging up due to the limited recovery in foreign demand against the increased domestic demand and higher commodity and energy prices in 2010. The current deficit also enlarged in parallel with the expanding foreign trade deficit, and the financing balance was deteriorated as a result of increased short-term investment inflow and portfolio investments despite reduced direct investment inflow. In 2011, the course of oil prices and the Turkish lira will be influential on the development of the current account balance.

In keeping with the loose monetary policies implemented by developed economies, the CBRT continued with interest rate cuts during the reporting period, and announced certain countermeasures aimed at financial stability in view of the rapidly rising hot money inflow later in the year. While overnight borrowing rates were decreased by 5 points within the frame of interest rate cuts, required reserve ratios were raised so as to encourage longer terms.

The banking sector supported the high performance the national economy exhibited in 2010 with its solid structure. Continuing to expand during 2010, the overall banking sector's total assets went up 21% to TL 1,007 billion. The lending volume grew 34% so as to back growth, while the expanded lending volume, coupled with collections made with respect to non-performing loans, resulted in a lower NPL ratio. With the declined interest rates, the rate of increase lost pace in the securities portfolio of the banking sector.

Deposits remained the most important funding for the banking sector in 2010, and total deposits increased by 20%. Making up 84% of total deposits, term deposit accounts grew 19%, while demand deposits went up 23%. During the reporting period, loans taken out constituted the second largest source of funding following deposits, and the overall sector's lending, mostly concentrated in syndication loans, went up by 39%. Increased profitability of banks and higher valuation differences of marketable securities resulted in 21% hike in the shareholders' equity of the sector, while capital adequacy ratio, at 18.96%, stood well above the legal limit.

Although net interest income available to the overall sector diminished with the negative impact of decreased interest margins, reduced provisions for NPL resulting from improved asset quality and enhanced non-interest income/expense balance proved to be influential on the sector's increased profitability, and net profit for the period went up 9.7% in the sector.

During 2010, VakıfBank also performed successfully and expanded its assets by 14% to TL 74 billion. In the reporting period, the greatest contributor to growth was once again the loans item. Up by 30%, lending reached TL 45 billion last year; retail loans, driven mainly by mortgage and consumer loans, grew 46%, whereas commercial loans went up 23%.

Worth TL 18 billion as of year-end, the securities portfolio slimmed by 2% as a result of the decreased interest rates, and its share in total assets went down to 24%.

Increasing its total deposits 7% to TL 48 billion, VakıfBank's shareholders' equity grew 16% and rose to TL 8.6 billion. Posting TL 1,157 million in net profit in 2010, the Bank's average return on equity was 14.5% and return on assets was 1.7%.

Respectfully yours,

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

Statutory Auditors' Report

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

The activities of Türkiye Vakıflar Bankası T.A.O. for 2010 were audited in accordance with the provisions and practices of the Bank's Charter Act, Articles of Incorporation, the Banking Law and the Turkish Commercial Code.

There has not been any change in the shareholding structure of the Bank during 2010. The Bank's issued capital is TL 2,500,000,000 within its authorized capital limit of TL 5,000,000,000; VakıfBank's total shareholders' equity grew 16% over the previous year and reached TL 8,558,503,000. The Bank's unconsolidated capital adequacy ratio stands at 14.35% at year-end 2010.

The Bank's total assets grew 14.1% year-over-year in 2010 and reached TL 73,961,687,000. VakıfBank's loan book and total deposits increased 29.8% and 6.8%, respectively, in 2010 compared to the previous year.

The Bank continued to make investments to improve its information technology infrastructure in 2010.

Within the frame of its growth efforts, the Bank opened a total of 100 branches during 2010, and increased its domestic network to 634 branches. Along this line, the Bank employed a total of 1,330 people to assistant inspector, assistant financial analyst, assistant specialist and officer positions by way of exams opened in the reporting period, whereby the number of its employees rose to 11,077 people. In regards to continuing training of the personnel, we have observed that the Bank employees attend internal on-the-job training sessions as well as externally-organized domestic and international training programs.

We have observed that the Bank's audit mechanisms function effectively and maximum efforts are expended to keep in check any risky and fraudulent transactions by means of continuous on-site inspections performed by the internal control unit as well as both on-site and centralized audits performed by the Bank's inspectors.

The Bank's records and documents were kept in compliance with the laws and regulations; therefore, we kindly request that the independently-audited balance sheet and the profit and loss accounts for 2010 are ratified and the Board of Directors is released from liability.

Yours sincerely,

Mehmet HALTAŞ	Yunus ARINCI
Auditor of Class (A) Group	Auditor of Class (C) Group

Profit Distribution Proposal for 2010 and Profit Distribution Policy

At its meeting dated 9 March 2010, the Bank's Board of Directors reached the following resolution:

1. To submit the following actions for the approval of the General Assembly of Shareholders:

To distribute TL 1,157,140,303.85, calculated by subtracting TL 13,314,631.00 of non-distributable net income from deferred tax assets from TL 1,143,825,672.85 of balance sheet profit from 2010 operations, in accordance with Article 9 of the Bank's Charter Act and with Article 84 of the Bank's Articles of Incorporation, as presented in the appended profit distribution table,

To transfer TL 78,357,885.21 that was booked as an expense and set aside to be paid to the employees, pursuant to Article 9/D of the Bank's charter act (Law No. 6219) and Article 84/C of VakıfBank's Articles of Incorporation, to the related account to be paid to the Bank's employees as their share of the profit,

To transfer TL 2,530,709.42, which is 75% of the TL 3,374,279.22 in proceeds received from the sale of subsidiaries and real estate properties disposed of during 2010, to be tracked in a special liability-side reserve account pursuant to Article 5/1-e of the Corporate Tax Law No. 5520.

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

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

2010 Profit Distribution Table

Balance Sheet Profit	**1,157,140,303.85**
Deferred Tax Assets (-)	13,314,631.00
Distributable Net Profit	1,143,825,672.85
I- Legal Reserves	114,382,567.28
1. First Legal Reserves (Turkish Commercial Code 466/1)	57,191,283.64
2. Legal Reserves set aside as per the Bank's Charter Act and Articles of Incorporation	57,191,283.64
II- Profit Distributable to Shareholders	1,029,443,105.57
III- Special Reserves	2,530,709.42
IV- Extraordinary Reserves (The Bank's Charter Act 9/E)	992,597,625.96
V- Dividend to be Paid to Shareholders	34,314,770.19

(*) In 2010, personnel dividend share in the total amount of TL 78,357,885.21 was written off by setting aside a provision and net profit was recorded as TL 1,157,140,303.85.

Compliance Opinion on the Annual Report

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

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

We have audited the consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its financial subsidiaries as at 31 December 2010 and the related consolidated statements of income, cash flows, changes in equity and a summary of significant accounting policies and notes to the consolidated financial statements. We did not audit the financial statements of certain consolidated companies as at 31 December 2010, which statements reflect total assets constituting 4 percent; and total operating income constituting (2.35) percent as at and for the year ended 31 December 2010 of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our audit report, insofar as it relates to the amounts included for those companies is based solely on the reports of the other auditors.

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Independent Auditors' Opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its financial subsidiaries as at 31 December 2010 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 Articles 37 and 38 of (Turkish) Banking Law No. 5411 and the statements and guidances published by the BRSA on accounting and financial reporting principles.

Istanbul,
Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

23 March 2011

Özkan Genç
Partner

Additional paragraph for convenience translation to English:

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

Declaration of Responsibility

We have examined the Bank's "2010 Annual Report" and we accept and state that,

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

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

Ahmet CANDAN
Deputy Chairman of the Board of Directors

Serdar TUNÇBİLEK
Member of Audit Committee

Halim KANATCI
Member of Audit Committee

Süleyman KALKAN
CEO

Metin R. ZAFER
Deputy CEO

N. Ender İMAMOĞLU
Head of Planning and Performance

The Bank's Board of Directors decided to put into process the following item, which was discussed and resolved at the Board of Directors meeting No. 2521/12 dated 9 March 2011.

"We hereby resolve to present to the General Assembly the 2010 Annual Report that was prepared in regards to Fiscal Year 2010 operations of Türkiye Vakıflar Bankası T.A.O. in accordance with the "Regulation on the Principles and Procedures Regarding the Preparation and Publication of the Banks' Annual Reports" published in the Official Gazette No. 26333 dated November 1, 2006 and was also approved by the Bank's Audit Committee."

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

VakıfBank in Brief

VakıfBank's Profile

Date of Operation	13 April 1954
Head Office	Ankara
Paid-in Capital	2,500,000,000 TL
Number of Employees	11,077
Number of Domestic Branches	634 (537 branches, 97 satellite branches)
Number of Branches Abroad	2 (New York Branch, Bahrain Branch)
Number of Regional Headquarters	15
Number of Subsidiaries and Affiliates	24
Independent Auditors' Company	AKİS BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Address	Türkiye Vakıflar Bankası T.A.O. Head Office Atatürk Bulvarı No: 207 06683 Kavaklıdere/ANKARA
Telephone	(90 312) 455 75 75
Fax	(90 312) 455 76 90-91-92
Telex	44428 (Vbum-Tr), 44429 (Vkfb-Tr)
Website	http://www.vakifbank.com.tr

VakıfBank's Mission

Recognizing that our focus on people and knowledge is our most valuable asset, our mission is to take modern banking to new levels and constantly increase the value we create for stakeholders by operating effectively and productively.

VakıfBank's Vision

With the products and services we offer as well as the trust we inspire, our vision is to become Turkey's leading bank and be the 'primary banking partner' of its customers.

Core Values

- **Contributing to the National Economy:** VakıfBank prioritizes activities that will contribute to the growth and development of the Turkish economy.
- **Credibility:** VakıfBank is a trusted and reputable bank both domestically and internationally.
- **Impartiality in Relations with Stakeholders:** VakıfBank is impartial and fair in its protection of the rights of all stakeholders (customers, shareholders, investors, business partners and personnel).
- **Transparency:** VakıfBank maintains clear and open channels of communication on Bank-related issues such as management and financial position and performance as well as the rights and obligations regarding the products and services offered to customers.
- **Social Responsibility:** Having originally been established to provide the best management for the assets and revenue of foundations, VakıfBank supports socially and environmentally beneficial projects in line with its purpose of establishment in addition to those whose aim is to safeguard the charitable work of foundations.
- **Unconditional Customer Satisfaction:** VakıfBank gives priority to customer satisfaction while delivering high-quality, reliable service.
- **Embracing Change:** VakıfBank welcomes and embraces change and development.
- **Business Ethics:** VakıfBank is committed to moral values behaving ethically in all of its business dealings and transactions.
- **Participation:** VakıfBank embraces participatory conduct in its management and decision-making processes, believes in effective teamwork and is open to communication on every level.

VakıfBank's Goals

- Increase its market share by creating change,
- Ensure healthy and sustainable growth,
- Focus on sustainable profitability,
- Achieve unconditional customer satisfaction,
- Address any and all financing needs of its customers,
- Increase customer base,
- Establish strong delivery channels, develop and introduce new products and services,
- Focus on products that create customer loyalty, develop cross-sellling opportunities,
- Increase non-interest income,
- Reduce costs,
- Ensure adherence to corporate governance and corporate values, and enhance employee development and motivation while pursuing these goals, considering that employees are the Bank's most valuable asset.

VakıfBank at the onset of 2011

Contributing to the sustainable growth of the national economy
VakıfBank was incorporated under a special charter act (Law No. 6219) dated January 11, 1954 and commenced operation on April 13, 1954 with a capital of TL 50 million.

At its inception, the Bank's mission was set as managing and utilizing the assets of foundations in the most efficient manner in line with the needs of economic development, contributing to Turkey's increasing savings rate based on a management and working understanding aligned with the requirements of modern banking, and preserving the deposits collected so as to put them use towards the requirements of economic development.

VakıfBank's IPO marks a turning point in the Bank's corporate history.
In the public offering of VakıfBank, new shares created through capital increase were sold domestically and abroad, thus generating new funds worth USD 1.2 billion for the Turkish economy and for the Bank.

Ever since its inception, VakıfBank has been contributing to Turkey's increasing savings rate with modern banking practices and applications, and carries out significant work aimed at the growth and development of the national economy.

VakıfBank initiated a process of comprehensive change and development with the Change and Restructuring Program that was introduced in 2005.

Under this program, VakıfBank reviewed all of its business processes, centralized all operational transactions and oriented the branches completely toward sales and marketing, thereby enhancing service quality at the branches. In keeping with its strategy of sustainable growth based on a customer-oriented approach, VakıfBank took important steps and carried out projects to further improve its:
- infrastructure,
- business processes, and
- service approach.

VakıfBank's corporate identity, which underwent a complete makeover in 2008, reflects the radical transformation process that the Bank successfully implemented.

The Bank's customer-oriented banking philosophy is best expressed by the motto "This is your place", which has accompanied VakıfBank's promotion since the beginning of 2009.

VakıfBank symbolizes deep-rooted tradition and experience in the national banking system.
Carrying on with its efforts targeting to contribute to the growth and development of the Turkish economy and its integration into the global economy, VakıfBank succeeded in being one of the most profitable banks in the banking industry, while quickly catching up with large-scale banks by adopting a rapid and healthy growth process so as to cement its position.

Wide range of financial products
Today, modern banking products and services offered by VakıfBank cover retail and private banking, as well as corporate, commercial and small business banking. Engaged in investment banking and capital market activities in addition to basic banking products and services, VakıfBank also provides its customers with a wide range of financial services, from insurance to leasing and factoring services, through its financial subsidiaries with modern and state-of-the-art technologies.

With 100 new branches, 2010 saw the highest number of new branch openings by VakıfBank, which started 2011 even stronger with 636 branches and 11,077 employees including overseas branches.

Shareholding Structure

No amendments were made to the Bank's Articles of Incorporation in 2010.

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

As of 31 December 2010

Group	Shareholders	Capital (TL)	%	Number of Shareholders
A	Registered Foundations Represented by The General Directorate of Foundations	1,075,058,639.56	43.0023	1
B	Foundations	386,224,784.72	15.4490	1
B	Other Foundations	3,167,182.07	0.1267	274
B	Other Foundations managed by the Directorate General of Foundations.	1,456,339.96	0.0583	198
C	VakıfBank Mem. ve Hizm. Em. ve Sağ. Yard. San. Vakfı	402,552,666.42	16.1021	1
C	Other Individuals and Legal Entities	1,797,831.92	0.0719	445
D	Free float	629,742,555.35	25.1897	-
Total		2,500,000,000.00	100.00	920

Shares owned by the Chairman and members of the Bank's Board of Directors, CEO and Executive Vice Presidents:
İsmail ALPTEKİN, a member of the Bank's Board of Directors, owns one share of VakıfBank "Class C" stock representing TL 59.36 of share capital. (0. 00000237)

The Bank's subsidiaries and affiliates, its participation in their share capitals, information about each subsidiary and affiliate:
Number of subsidiaries and affiliates of VakıfBank, which was 24 in 2009, remained unchanged as of year-end 2010.

Sixteen of VakıfBank's subsidiaries operate in the finance industry (five in banking, two in insurance and nine in other financial lines of business) whereas eight are non-financial companies (one in energy, two in tourism, one in manufacturing and four in other non-financial lines of business).

Credit Ratings

February 2010 (*)	Standard & Poors
FC Credit Rating	BB / Positive / B
FC Deposit Rating	BB / Positive / B
National	trAA / -- / trA-1
Sustainability Rating	BBB-/ -- / --

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

December 2010 (*)	Fitch Rating
Long Term FC	BB+
Short Term FC	B
FC Outlook	Positive
Long term LC	BB+
Short Term LC	B
LC Outlook	Positive
National Long Term Rating	AA+ (tur)
National Outlook	Stable
Individual Rating	C/D
Support Rating	3
Baseline Support Rating	BB+

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

(*) The latest dates of change for credit ratings or outlooks

Key Financial Indicators

VakıfBank authored a successful financial performance also in 2010.

Sustaining its solid balance sheet growth in 2010, the Bank's total assets reached TL 73,962 million as of year-end.

TL 73,962 million

The greatest contributor to VakıfBank's expansion in assets was the lending item in 2010.

Up 30%, loans increased to TL 44,836 million; within total lending, retail loans, driven mainly by mortgage and consumer loans, grew 46%, while commercial loans expanded by 23%.

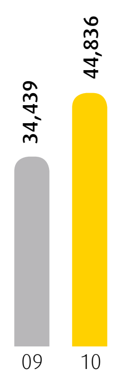
TL 44,836 million

Total Assets
(TL million)

14.1%

VakıfBank's assets grew by 14% and reached TL 74 billion.

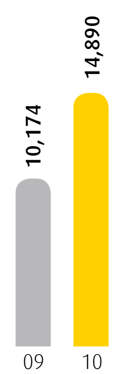
Loans
(TL million)



30.2%

Cash loans increased by 30% and reached TL 45 billion.

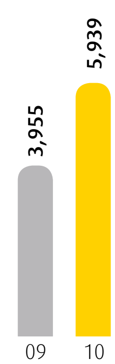
Retail Loans
(TL million)



46.4%

Up by 46%, retail loans reached TL 14.9 billion.

Mortgage Loans
(TL million)

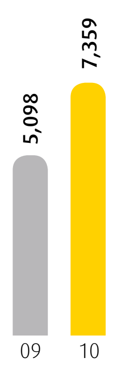


50.2%

The highest increase was in mortgage loans with 50%.

(TL million)	2009	2010	Change (%) 2009-2010
Total Assets	64,798	73,962	14.14
Securities Portfolio	18,482	18,072	(2.22)
Loans	34,439	44,836	30.19
Non-performing Loans (Net)	2,119	2,266	6.92
Deposits	44,652	47,701	6.83
Funds Borrowed	4,366	6,327	44.92
Shareholders' Equity	7,381	8,559	15.95
Profit for the Period	1,251	1,157	(7.50)

TIK
(TL million)



44.4%

In 2010, general purpose loans reached TL 7,359 million with an increase of 44%.

Deposits
(TL million)

6.8%

VakıfBank's total deposits increased to TL 48 billion, up by 7%.

Shareholders' Equity
(TL million)

16.0%

Shareholders' equity was registered as TL 8.6 billion with a rise of 16%.

NPL/Total Loans
(%)

(17.2)%

As a result of the increase in loans and the collections made, the ratio of NPLs in total loans was down by one point.

Key Ratios

Based on its solid performance, VakıfBank outperformed the average figures in the overall sector, which was scene to intense competition in 2010.

Average return on equity (RoE) 14.5%

Having completed the year with a net profit of TL 1,157 million, VakıfBank registered an average return on equity of 14.5%.

14.5%

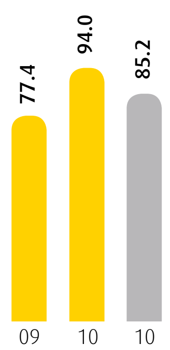
VakıfBank Sector + Difference vs the Sectoral Average (Points)

Loans/Total Assets
(%)

+8.4

The strong rise in loans was reflected in the share of loans in total assets that surpassed the sectoral average by 8.4 points.

Loans/Deposits
(%)



+8.8

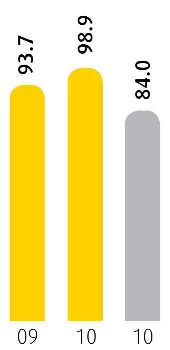
VakıfBank's ratio of loans to deposits is 8.8 points above the sector.

Retail Loans/Total Loans
(%)

+0.4

The share of retail loans in total loans grew higher than the sector.

NPL Provisions/NPLs
(%)



+14.9

In 2010, the provisions set aside by the Bank were well above the sectoral average.

Average return on assets (RoA) 1.7%

14.1% expansion in total assets resulted in an average return on assets of 1.7% in 2010.

1.7%

Capital adequacy ratio 14.35%

Capital adequacy ratio of VakıfBank was 14.35% as of year-end 2010.

14.35%

VakıfBank Sector + Difference vs the Sectoral Average (TL million)

Deposits per Branch
(TL million)

+13.6

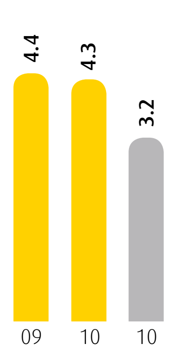
With a successful performance in terms of efficiency VakıfBank branches collected deposits TL 13.6 million more than the sectoral average.

Loans per Branch
(TL million)

+18.1

The loans per branch figure exceeded the sectoral average by TL 18.1 million.

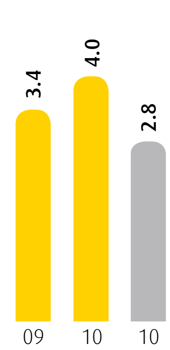
Deposits per Employee
(TL million)



+1.1

VakıfBank' deposits per employee were TL 4.3 million over the sectoral average.

Loans per Employee
(TL million)



+1.2

The rise in loans per employee in 2010 was noteworthy.

Message from the Board of Directors

Dear shareholders, customers and employees,

After shrinking by 0.6% in 2009, the world economy is estimated to have grown 4.2% in 2010.
The 2010 agenda was mainly set by the actions taken by governments and central banks aimed at mitigating the adverse effects global crisis had on financial markets and country economies, and crisis-exit strategies.

In the wake of the extraordinary fiscal measures introduced during the crisis, the global economy entered into a recovery process in 2010. While rates of growth displayed distinct differences among countries, emerging economies clearly showed that they serve as the driving force of the world economy with their solid performances. While the growth momentum was strong in the economies of emerging countries that also include Turkey, the world economy is estimated to have grown 4.2% in 2010, after shrinking by 0.6% in 2009.

Masterfully managing the global crisis, Turkey was one of the countries to quickly start recovering, and embarked upon a rapid growth process from the last quarter of 2009.

Weak growth and deflationist pressures that were unable to support increase in employment represented the shared issues of the USA and European Union member economies in 2010.
In this process, FED chose to implement loose and soothing policies, whereas the ECB that continued to fund the markets and particularly the banking system pursued contractionary policies that aimed to narrow down public deficits. It has been observed that the ratio of public debts to GDP hiked very quickly in certain European Union member countries led by Greece, the sovereign risks increased, followed by downgraded ratings. Right at the start of 2011, predictions grew stronger that Portugal and Spain might be confronted with issues similar to those of Greece. While Spain's rating was put under review at the end of 2010, the financial health of banks and local administrations was started to be questioned. Another adverse development was the excessive appreciation of Euro in 2010, which operates to the detriment of Europe's exports performance, as well.

It is estimated that the European Union grew 1% and the USA 3.1% in 2010. In the same period, the estimated average rate of growth in emerging economies is 6.3%.

These points that we have briefly covered indicate that the economic recuperation will be ongoing in 2011, while the debates on the sustainability of public debt stocks will continue to dog the agenda.

The global economy had a limited and short-lived impact upon the Turkish economy.
When we review the situation in Turkey, it can be observed that the global crisis affected the real sector rather than the financial services industry, and mostly the SMEs. On the other hand, the macro dynamics of the Turkish economy, coupled with its solid financial services market, played a major role in restraining the impact of the crisis to a short-lived one. The Turkish economy registered negative figures in growth in the last quarter of 2008 and in the first three quarters of 2009, while the rate of unemployment increased.

Masterfully managing the global crisis, Turkey was one of the countries to quickly start recovering, and embarked upon a rapid growth process from the last quarter of 2009. After having grown 6% in the last quarter of 2009, the Turkish economy captured 11.8%, 10.2% and 5.5% rates of growth in chronological order in the first three quarters of 2010. The national economy's performance reflected on the ratings assigned by international rating agencies, and various agencies upgraded Turkey's rating four times after the crisis.

Paralleling the economic growth in 2010, rates of unemployment declined and after going as high as 14.9% in April 2009, unemployment went down to 11.9% in 2010.

After falling down to 5% at the end of 2009, inflation went up in 2010 as a result of supply side pressures (food and commodity prices) and base effect, and then dropped to the lowest level of the past 32 years towards the end of the year. Overall, the 2010 CPI figure, at 6.40%, remained below the CBRT target of 6.50%. Projections for 2011 suggest that inflation will maintain its downward trend.

Another important development in 2010 was the increased investment inflow into Turkey. According to IIF data, Turkey was able to attract 17.2% of net portfolio investments channeled into emerging countries, and 2.5% of direct investments. In other words, investment inflow into Turkey totaled USD 25.2 billion in 2010, in parallel with enhanced confidence in the markets and reduced country risk; of this amount, USD 16.3 million consisted of net portfolio investments and USD 8.9 million comprised of foreign direct investments. This resulted in strengthened Turkish lira, which appreciated by 8.06% in 2010 year-to-year on the basis of CPI index.

The foreign trade deficit, which narrowed down during the global crisis, expanded in 2010 due to the restricted recovery in foreign demand in view of the increased domestic demand, combined with higher commodity and energy prices. Reaching USD 71,563 million in 2010, foreign trade deficit had a negative impact on current account balance. After sliding down to as low as 2.3% of national income at year-end 2009, the current deficit accounted for 6% of national income in September 2010. Decreased direct investment inflow and increased short-term investment inflow and portfolio investments were the key factors that deteriorated the quality of financing. In 2011, the course of oil prices and the Turkish lira will be telling on the course of current account balance.

Continuing to cut interest rates during the reporting period, the CBRT announced certain countermeasures aimed at financial stability in view of the rapidly rising hot money inflow later in the year. Cutting overnight borrowing rates by 5 points in this frame, the CBRT reviewed and raised required reserve ratios so as to encourage longer terms.

The banking sector performed strongly in 2010.
The banking sector came through the global crisis very successfully and its total assets in 2010 grew 20.7% year-on year to exceed TL 1 billion. Lending by the sector also increased 33.9% during the same period, while public banks were responsible for the fastest growth in lending with 42.3% on the basis of bank segments. While they displayed a parallel performance in terms of the expansion in total assets and deposits, public banks were set apart from private banks with respect to their placement policies. The NPL ratio declined as a result of collections made in non-performing loans as well as of increased lending volume. The capital adequacy ratio of the banking sector was 18.96% as of year-end 2010, and total shareholders' equity reached TL 134.6 billion.

Exhibiting a successful performance throughout 2010, the sector's profitability continued to increase also in 2010. Net profit for the period for the entire banking sector went up and reached TL 22 billion thanks to the improved asset quality.

Extending all possible support to the real sector during the global crisis and the subsequent economic recovery period based on a risk-sensitive policy, the banking sector will continue to function as a significant leverage for the future growth of the Turkish economy.

Authoring a successful performance in 2010, VakıfBank also devised its future moves and brought necessary structural preparations to their completion.
VakıfBank sustained its solid balance sheet expansion in 2010 and continued to achieve healthy development in credit and deposit volumes. Closing the year with TL 1 billion 157 million in net profit, VakıfBank registered an average ROE of 14.5%, and RoA of 1.7%.

VakıfBank declared 2010 as the year of “new customer acquisition” and successfully increased the number of its customers and transaction volumes significantly in all customer segments in line with its strategy.

Considering the value it places on the people and knowledge as its strongest capital, and committed to promoting modern banking forward with new initiatives and to continually increasing the value it contributes to stakeholders by working efficiently and productively, VakıfBank’s medium-term objective is to rank among the top three banks in Turkey. Acting accordingly, the Bank declared 2010 as the year of “new customer acquisition” and successfully increased the number of its customers and transaction volumes significantly in all customer segments in line with this strategy.

In the 2011-2015 period

In the 2011-2015 period that will be characterized by a market dominated by low interest rate conditions, VakıfBank targets to be able to respond to all banking requirements of its customers as their primary banking partner and to stand out with innovative products and services. In this frame, VakıfBank will grow primarily in retail banking and SME banking segments.

Retail banking takes the lead among VakıfBank’s traditionally strongest fields. Based on steps to be taken in this segment, the young population will be acquired as the Bank’s customers, thereby bringing about the desired expansion in retail banking.

SME banking is another line of business in which VakıfBank intends to improve. When the facts of our country and the world are taken into consideration, it is witnessed that nearly 99% of commercial establishments take place in the SME segment. The high added value of the SMEs poses a key value with respect to the national economy and the SMEs provide employment to a substantial portion of the workforce. In the light of all these findings, SME banking is designated as another major segment intended to be developed, and one that VakıfBank regards as vital.

For the year ahead, the most important task of VakıfBank is to achieve a healthy development and expansion in its existing portfolio, keeping a close eye on profitability, productivity and risks.

We would like to briefly touch upon the relocation of our Bank’s Head Office to İstanbul. Through moving to İstanbul which is started to be named among the world’s financial centers, our Bank intends to increasingly reflect its potential in various lines of business on its performance and to strengthen its growth momentum.

We would like to express our gratitude to all of our shareholders for their invaluable support, all of our colleagues for their committed hard work, and all of our customers for choosing us. We are determined to move ahead with our unchanging values and to create value for our stakeholders, as we always have.

T. Vakıflar Bankası T.A.O.
Board of Directors

General Manager's Message

Süleyman KALKAN
General Manager

Dear shareholders, customers and colleagues,

First, I would like to briefly present our 2010 performance.

As of year-end 2010, VakıfBank's total assets went up 14% on an annual basis to reach TL 74 billion, and net profit after provisions was worth TL 1,157 million.

As one of the key stones of the Turkish banking system, our Bank always stands by its customers, and resolutely remains the greatest supporter of the real sector and households also in times of crisis and negative conjuncture, as it does in good times. Loans lent the biggest support to the growth we achieved in 2010, and the Bank's credit placements grew 30% to TL 45 billion. Retail loans and commercial loans grew 46% and 23%, respectively, with the key drivers of expansion in the former being mortgage and consumer loans.

VakıfBank will remain committed to its long-established strategy of standing by the real sector and households under any economic condition, and keep financing projects that are of importance to our country's development.

During 2010, our Bank kept preserving and developing its shareholders' equity. While our shareholders' equity climbed to TL 8.6 billion, our capital adequacy ratio was 14.35%. The Bank's average RoE was 14.5% and RoA was 1.7%. Moving ahead sure-footedly, VakıfBank will continue to produce "the best" for its shareholders, customers and employees.

Economic conjuncture and VakıfBank
In 2010, signals of recovery in the wake of the deep crisis the world economy suffered gradually became more evident. There was improvement in liquidity conditions that were deteriorated during the crisis, and growth performances continued in the economies of major countries.

One of the relatively less affected countries by the contraction in the global conjuncture, Turkey displayed a strong growth performance in 2010, thanks to the vibrant domestic demand and the increasing production power in the real sector. Having edged closer to pre-crisis levels owing to revived commercial life and high investment outlays, industrial production points at a growth in the region of 8% in 2010.

It can be seen that our country's young population is a key driving force in the consumption-driven growth performance. In an environment of strong domestic demand, our export companies continued to explore new markets while keeping on with price competition, which prevented a significant decline in our exports performance despite sustained risks in relation to foreign demand.

The CBRT's decisions on the monetary policy constituted another important element that determined the macroeconomic conjuncture during 2010. Successfully managing the crisis period on the back of determined and accurate policies, the CBRT maintained its focus on price stability also in its 2010 policies. Amid the decrease in risks threatening price stability, the CBRT gave the foreground to financial stability in the last quarter of the reporting period, with the objective of avoiding deterioration in current account balance and the sharp rise in short-term fund flows.

Despite the presence of vulnerabilities and risk elements, we believe that the world economy will continue to grow and the Turkish economy will, in 2011, display a similar macroeconomic performance to that in 2010. Despite the upcoming elections in 2011, Turkey will continue to proceed in its path without compromising from sustainable economic growth.

2010 economic data, developments and potential future risks are addressed in detail in the relevant sections of the present annual report. Therefore, my comments and evaluations will, for the most part, relate to our Bank's fundamental strategies, current position, and sectoral outlook.

VakıfBank is carefully watching the crisis-exit process and Turkey's getting back on economic growth track. The recuperation that started in the last quarter of 2009 and continued throughout 2010 harbored its own internal dynamics, and at the same time, opportunities. VakıfBank is concentrated on optimally capitalizing on the opportunities to be presented by the recovery process and the subsequent period, and our Bank possesses all necessary organizational qualities and energy to do just that.

VakıfBank will remain committed to its long-established strategy of standing by the real sector and households under any economic condition, and keep financing projects that are of importance to our country's development.

Headed towards this primary strategic goal, VakıfBank will always give the priority to profitability, productivity and sustainable growth criteria in order to fulfill its commitment to produce added value for its shareholders. The principal objective of our Bank is to contribute to the national economy and to our shareholders. I am fully confident that the entire VakıfBank community will walk with quick and determined steps towards this goal in the future, as we have always done in the past.

Dear shareholders, customers and colleagues,

Acting in line with its vision of "being the primary banking partner of its customers", VakıfBank kept growing in corporate, commercial, SME and retail banking segments.
During 2010, VakıfBank intensified its customer-focused activities in the corporate banking segment. Achieving significant improvement in this department through new customer acquisition and increasing the share it takes from the transactions of existing customers, our Bank attained 30.5% growth in corporate cash loans, and 20.6% in non-cash loans in the reporting period. VakıfBank pursued an active policy regarding the financing of its corporate customers' high value-added projects that support production and employment, and provided competitive funding facilities through its long-term cash and non-cash loans for its customers' investments, with a special emphasis on energy, privatization and real property investments.

During 2010, various solutions have been offered aimed at corporate customers' numerous financial needs from loans to foreign trade transactions. Our Bank continued to lend support to all of the national sectors that create added value. Particular areas of focus in 2010 included non-cash loans and foreign trade financing; the Bank outdid the sector's average growth in both fields.

Our activities targeted towards the financing needs of the SMEs, which represent a major asset for the national economy with the employment they provide and the vibrancy contributed to the economy, continued to increase in 2010.

Based on the conviction that the issues and needs of the SMEs can be best identified on location, close relationships were established and protocols were made with the Chambers of Trade and Industry in a large number of provinces. Furthermore, the Commercial Initiative Center (in Turkish: TAM) concept was launched aiming to merge the services offered to the SMEs under a brand name. Under this concept, each one of our branches was defined as a TAM, SME portfolio managers were appointed to the branches, and an intense marketing activity targeting the SMEs was initiated. These efforts resulted in significant increases in the volume of loans extended to the SME segment and the number of customers in the same segment.

In 2010, during which we have increased product and service variety in the retail banking segment, we kept responding to the needs of different customer segments based on an efficient and lean approach to service. Our Bank followed a more cautious approach as compared with the overall sector in retail loan placements in the first half of 2010, whereas the market share was increased based on a rate of growth that surpassed the sector's average in the second half of the year. At year-end 2010, VakıfBank's total consumer loans significantly grew with 46.9% to TL 13,503 million and made a valuable contribution to our Bank's total lending volume.

In addition to our core businesses I have tried to outline above, our Bank performed successfully in other departments including treasury operations, derivative markets, credit and debit cards, capital markets, alternative delivery channels, and international trade intermediation services.

We penetrated a new market by opening our Arbil branch in 2010.
In the last months of 2010, we took a step that we believe will prove to be significant in the future, and opened our first branch in Iraq, the city of Arbil.

Our short-term objective is to contribute to the furtherance of the existing trade between Turkey and Iraq via our Arbil branch, and to fulfill all financial needs of the Turkish entrepreneurs active in the region.

In the long-term, the region presents a very high potential in terms of banking, provided that political stability is ensured. Arbil branch will play a key role in enabling our Bank to take optimum advantage of this potential in the years coming.

We have expanded our operations with Private Banking in 2011.
One of the strongest representatives of modern banking in Turkey since its foundation, VakıfBank added a new link to its products and services in line with its strategic development plan.

Stepping into private banking and taking part in the competition in this segment, our Bank is determined to make a difference also in this field on the back of the products and services to be developed. Through private banking our goal is to offer solution-oriented approaches that highly surpass the customary banking understanding.

Our Bank followed a more cautious approach as compared with the overall sector in retail loan placements in the first half of 2010, whereas the market share was increased based on a rate of growth that surpassed the sector's average in the second half of the year.

Our first branch that will offer service in this segment started operations in Ankara at the start of 2011, which will be followed by İstanbul, İzmir, Bursa and Antalya where we plan to open private banking branches. On the other hand, I would like to state that we consider our extensive branch network and broad customer base in Anatolia as a great potential in terms of private banking, and that each one of the Bank's branches will undertake an active marketing role in this respect.

Within the frame of our commitment to social responsibility, we continue to extend support to the Sultans of the Net.
We have started sponsoring Turkey's Women's National Volleyball Team in 2010.

Giving support to volleyball in Turkey for 25 years and serving as a major contributor to the training of athletes, our Bank carried this mission to the apex with the sponsorship agreement signed in 2010. We do not regard the sponsorship of Women's National Volleyball Team as a short-term relationship. I would like to underline that our support to this sport will continue at an increasing degree.

I wish that the VakıfBank logo on the jerseys of the Sultans of the Net will bring good luck to our National Team in their matches in 2011.

2011 will be a tough year for the banks in terms of growth and profitability.
When the outlook of the banking sector in 2011 is evaluated, several considerations take to the fore. First, the growth in lending will be lower than it was in 2010 due to the fact that policymakers and regulatory and supervision agencies of the sector are introducing measures that preclude the excessive rise in loans that drive demand, taking economic stability into consideration. Second, banks will resort to methods such as bonds issue in an attempt to diversify their funds and to extend the maturities of their funds. Last, interest margins will continue to shrink.

Despite the projected difficulties in 2011, the Turkish banking sector will preserve its decoupling in the positive sense from other countries in the world, thanks to its strong capital base.

In the latest Financial Stability Report published, the CBRT points out that the capital base available to the banking system is strong enough to withstand even simultaneous maximum shocks in interest rates, exchange rates, Eurobond returns, and NPLs.

So long as the global economy, and in turn, the Turkish economy continue to produce positive results, the Turkish banking sector will continue along its course of sustainable growth.

In line with these macroeconomic forecasts, VakıfBank, as one of Turkey's leader banks, will keep responding to the financial needs of the real sector and households. Raising the bar even higher every year, VakıfBank will proceed in line with its mission, getting momentum also from the major economic power it represents in conjunction with its subsidiaries.

In 2011, during which our project to relocate our Head Office to İstanbul will gain speed, we are anticipating growth in all of our business lines. While increasing the depth of our relationships with our customers, "new customer acquisition" will be another focal point for us. Requiring provision of our banking products and services to our customers in a lean and accessible manner, our approach to service will set us apart and carry us to success.

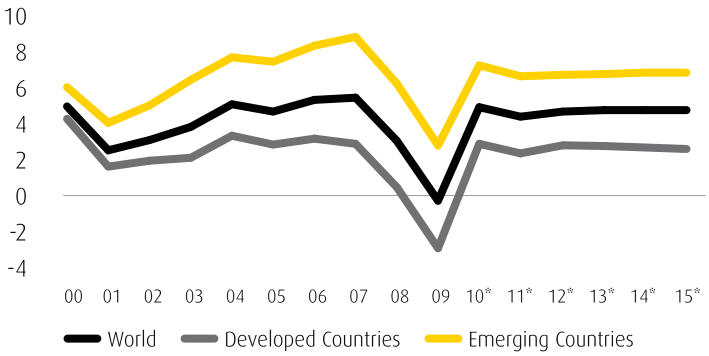
I would like to take this opportunity to thank all my colleagues who have supported me with their invaluable time and work in 2010 when I started serving as the Bank's General Manager. I would also like to extend my heartfelt gratitude to our Board of Directors for their valuable contribution and our customers for working with us.

VakıfBank is intent on growing and developing hand in hand with Turkey described as one of the "world's rising economies".

Süleyman Kalkan
General Manager

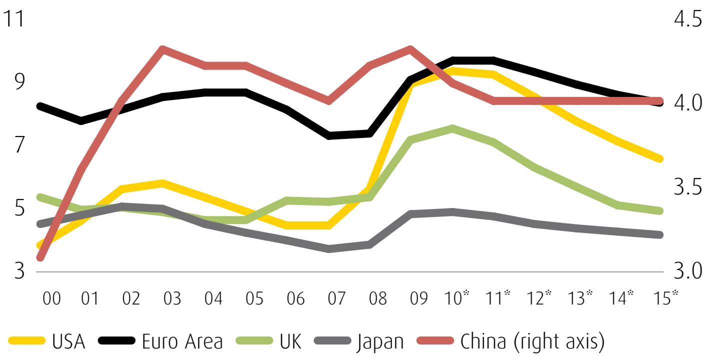
2010 in the World and in Turkey

Growth Rates (%)



Source: IMF, *: IMF Projections

Unemployment Rates (%)



Source: IMF, *: IMF Projections

The World Economy

Growth rates display decoupling across the world.
Deceleration in the world economy that resulted from the global crisis caused emerging countries to cut down on their fast growth momentum, as well as developed countries. However, from the second half of 2009, emerging countries started to increase the pace of their growth with the growth rates across the world turning to positive.

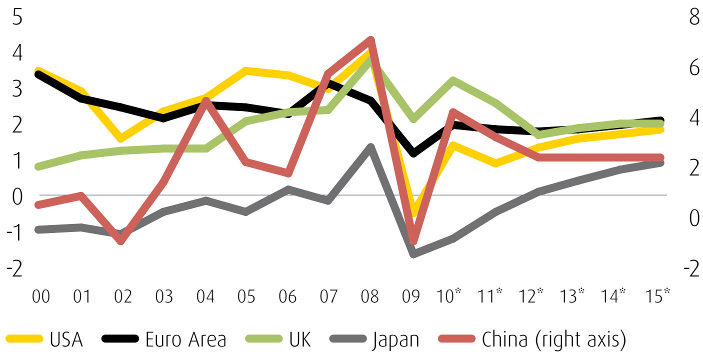
While concerns over growth arising from the USA and Euro area started to augment by mid 2010, it was observed that the lead indicators of emerging countries lagged slightly behind the desired growth pace; yet, with the rises in production indicators subsequently published, expectations in relation to the growth rates of these countries turned to positive. After stepping into 2010 with the high public deficit issues of European countries, global economy is confronted with the threat of deceleration once again due to the recent loss of pace in the growth of developed countries.

Recently, particularly with the crisis in the Euro area, it was noted that developed countries had low growth rates while emerging countries had high ones, and that rates of growth exhibited decoupling. In view of the present situation, the expectation grew that, in the years ahead, emerging countries will sustain their fast growth performances of the past decade, depending on the slow course of production operations in developed countries.

The employment market is suffering from structural issues.
While the world economy sharply contracted in 2009, the employment market significantly narrowed down, as well. As the rate of unemployment rose to 6.2% due to the structural problems in the employment market in emerging countries, it also hiked sharply to 7.9% as a result of the greater impact the latest crisis bore on developed countries. Adding to that, developed countries suffered from a higher ratio of corporate bankruptcies, which resulted in the highest unemployment levels of late. In this vein, the IMF and the World Bank highlighted in their 2011 forecasts that unemployment is the biggest issue facing the global economy.

After stepping into 2010 with the high public deficit issues of European countries, global economy is confronted with the threat of deceleration once again due to the recent loss of pace in the growth of developed countries.

Inflation Rates (y-y, %)



Source: IMF, Bloomberg

While stating that the world economy started exiting from the deepest recession ever since the World War II and that the pace of recovery differs in each region; the IMF underlined that unemployment will continue to float at high levels in the year ahead, despite the betterment to be observed in employment in developed countries this year.

Inflation forecasts are being revised once again.

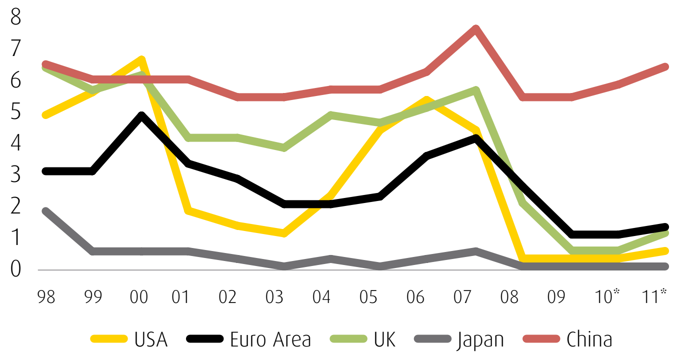
The inflation rates, which rapidly surged across the world in conjunction with increased commodity prices in 2008, declined sharply due to the contraction in demand because of the financial crisis that started in the second half of 2007. Adopting a downward trend across the globe with the deceleration in economies and shrinkage in total demand, inflation maintained low levels in developed countries including the USA, Euro area and Japan in 2009, while the inflation rate in emerging countries were above that in developed countries in the same period.

If sustained, expansionary monetary policies might increase inflationist pressures.

While continued expansionary monetary policies in the USA, Euro area and Japan is a development that can increase inflationist pressure, it has been observed that the rise in inflation rates remained restricted.

Although the recuperation in the world economy that was seen by early 2010 caused increased inflation forecasts, high public deficit issues that arose in Europe and the slowdown in the lead indicators of the USA led to revision of inflation forecasts once again. Amid greater concerns hovering over growth, no steps were taken to exit the expansionary monetary policies introduced with the onset of the crisis; to the contrary, the said policies were continued particularly in the USA, as well as in the Euro area and Japan; while this is a development that might increase inflationist pressure, it has been observed that the rise in inflation rates remained limited as yet.

Interest Rates (%)



Source: IMF, Bloomberg

Central banks are beginning to launch recession exit strategies.
Positive growth figures that started to appear as of year-end 2009 in the economies that contracted due to the global recession led to interpretations that the recession exit process has started. While many central banks began to implement exit strategies in the first quarter of 2010, some central banks preferred to increase short-term benchmark interest rates in this frame, while some others decided to discontinue bond purchase programs they had enforced.

The countries displayed decoupling in their monetary policies as shown by the presence of central banks that continued with interest rate cuts, along with exit strategies. Interest rates remained below the pre-crisis level as a result of growth rates in developed countries, which failed to match their potentials, combined with higher rates of unemployment. It has been observed that many countries including India, China, Thailand, Brazil and Chile increased interest rates.

Overall, while high public deficit issues in the Euro area countries increased, along with the risks in relation to the economic recovery and growth outlook of the USA towards the middle of 2010, leading activity indicators pointed at a stronger growth tempo for emerging countries.

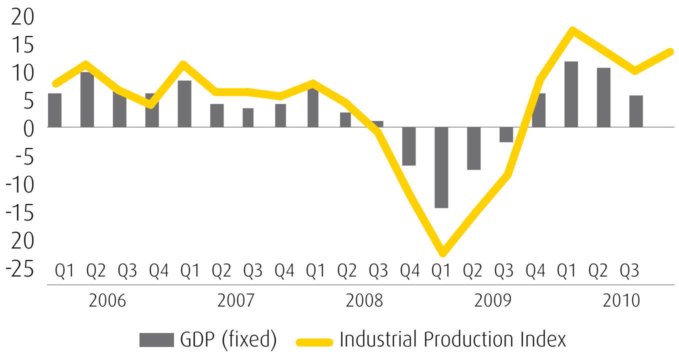
Inflationist pressures might increase in the global markets in the period ahead.
In view of the present situation, the expectation grew that, in the years ahead, emerging countries will sustain their fast growth performances of the past decade, depending on the slow course of production operations in developed countries. The structural problems experienced both in developed and emerging countries due to the global crisis are expected to linger on in 2011; in parallel, unemployment is expected to stand as the major problem facing global economy.

With greater concerns hovering over growth particularly in developed countries in 2010, it has been witnessed that no steps were taken to exit the expansionary monetary policies introduced with the onset of the crisis. To the contrary, the said policies were continued particularly in the USA, as well as in the Euro area and Japan; while this is a development that might increase inflationist pressure, it has been observed that the rise in inflation rates remained limited as yet.

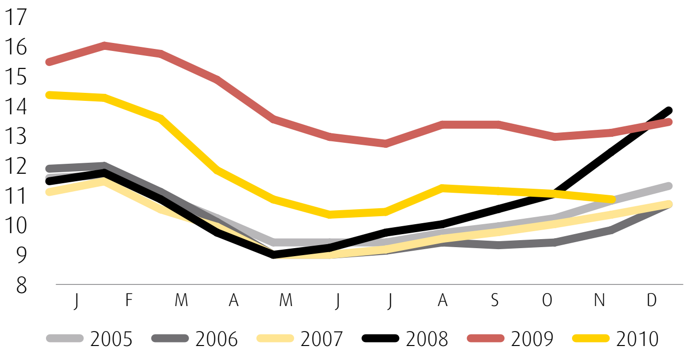
On the developed countries front, the decline in inflation rates that occurred concurrently with the crisis is expected to be replaced by an upturn depending on the demand that started recovering, the employment markets that feature continued recuperation, and commodity prices that show increases. Interest rates remained below the pre-crisis level as a result of growth rates in developed countries, which failed to match their potentials, combined with higher rates of unemployment. The central banks of emerging countries, which came through the effects of the crisis more quickly as compared with developed countries, and thus started edging closer to pre-crisis growth rates and withdrawing expansionary monetary policies, are expected to start increasing interests in the period ahead.

In 2010 when the Turkish economy captured a positive growth performance, the annual rate of inflation went down to its lowest of the past 32 years.

GDP - Industrial Production (%)



Unemployment Rate (%)



Source: CBRT

The Turkish Economy

The Turkish economy outperformed the forecasts and attained 5.5% growth in the third quarter of 2010.
Following 4.7% contraction in 2009 that resulted from the impact of the global crisis, contracted borrowing facilities for the private sector, and declined investment outlays, the Turkish economy displayed strong growth figures of 11.8% and 10.2% in the first and second quarters of 2010, respectively. As opposed to the forecasts, the national economy preserved its solid performance by attaining 5.5% growth in the third quarter of the year. The growth figure that surpassed the forecasts in the third quarter was supported by the industrial production index which sustained its strong performance despite at a decreasing extent in the third quarter, combined with the high base effect that resulted from the continued contraction in the Turkish economy in the same period with a rate of 2.65%.

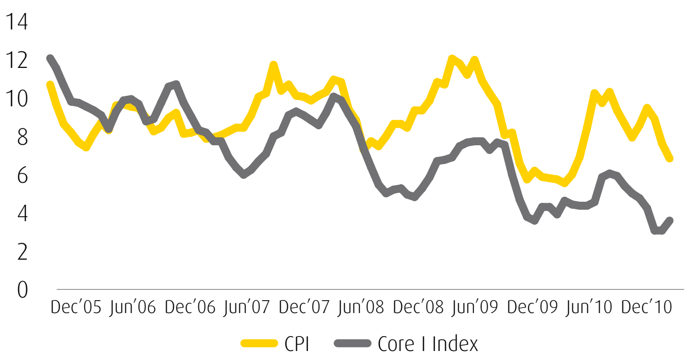
On the other hand, the 3-month moving average of the annual change in industrial production reveals that this ratio maintained its two-digit course in September, which corresponds to the last month of the third quarter. Similarly, the positive performance of the index net of seasonal effects supported our growth expectation, and the index net of seasonal and calendar effects, which grew by 0.3% in average in the second quarter, expanded 0.9% in average in the third quarter.

Within this scope, the Turkish economy, which will have captured quite a solid growth provided that it attains 8.5% growth in keeping with our forecast in 2010, is projected to display a declining growth performance in 2011, and will expand by 4.0%, below its potential growth and the average performance in the recent years.

The rate of unemployment was 11.0% in October-November-December 2010.
The rate of unemployment in the October-November-December 2010 period is published as 11.0%. 13.1% in the same period in 2009, the rate of unemployment decreased by 2.1 percentage points. On the other hand, the unemployment rate net of seasonality, which was 13.3%, went down by 2 percentage points to 11.2%.

With the termination of positive seasonal effects in the period ahead, the rate of unemployment might display an upward movement. Although our expectation of an upturn has a parallel frame with previous years, it is possible that the said rise might be in a more limited extent as compared with previous years. Within the scope of our industrial production and inflation rate forecasts, our estimation for the rate of unemployment for year-end 2010 indicates at 11.6%. For 2011, we project some expansion in the rate of unemployment and expect it to stand at 12%.

Inflation (y-y, %)



Rate of inflation went down to its lowest of the past 32 years.
According to Turkish Statistical Institute (TurkStat) data, the Consumer Prices Index (CPI) was 6.40% in 2010 on an annual basis. Thus, the inflation in 2010 remained below the CBRT's projection of 7.5% and its target of 6.5%.

While the achievement of the inflation target in 2010 in an environment where the Turkish economy captured a positive growth performance indicates at the proper management of inflationist developments, the annual inflation for 2010 attracted the attention with a figure that represented the lowest of the past 32 years. While it was observed that the headline inflation followed a fluctuating course during 2010, the key determinant in the moves of the same was the main expenditure group of food and non-alcoholic beverages. The decline that went on since April in the annual CPI on goods excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold (Core I index) was deteriorated in November and December; however, the index closed 2010 at 2.99% on an annual basis, which is a historic low.

Having started after October, the downturn in the headline inflation is expected to continue in the first quarter of 2011 owing to the strong base effect, and the headline inflation is projected to drop down to 5.0%. However, while the movement particularly in commodity prices might prove to be significant following the first quarter of 2011, upward movements can occur in inflation driven by costs.

The upturn in inflation that will start in the second quarter of the year will possibly continue until the last quarter of the year, which might see a downward move once again. In the light of these assessments, the projected inflation for 2011 is 7.15%.

There was a remarkable decoupling between domestic and foreign demand in 2010.
Having declined to USD 38.8 billion in 2009 with the effects of the crisis, the foreign trade deficit amounted to USD 71.6 billion in 2010, which corresponded to an 84.5% surge on a year-to-year basis. In comparison with 2009, export and import figures went up 12% and 32%, respectively. While the ratio of exports to imports was 72% on an annual basis in 2009, the same slumped to 61% in 2010. The key factors that caused the sharp expansion in the foreign trade deficit in 2010 was the decoupling in the recovery of domestic versus foreign demand, while increased oil prices were also influential on the augmented foreign trade deficit.

Paralleling the foreign trade deficit in 2010, the current deficit, after going down to USD 14 billion in 2009, surged up to USD 48.6 billion in 2010.

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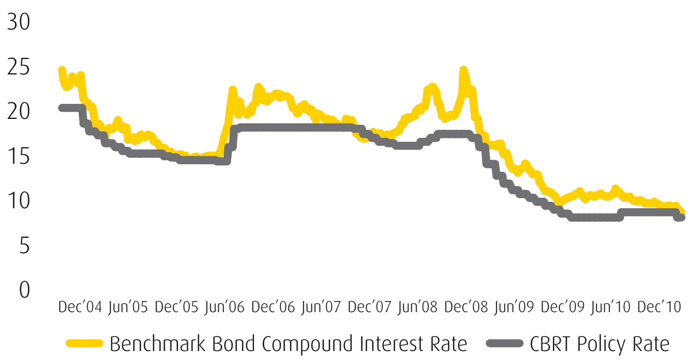
Benchmark Bond Compound Interest Rate (%)



Source: Bloomberg

While the continued downward volatilities in the global economy slowed down the recovery in foreign demand, developed countries stuck to expansionary monetary policies. These developments accelerated investment flows into emerging countries, while concurrently supporting revival in domestic demand. While this gave rise to a more pronounced decoupling between domestic and foreign demand, it also led to deterioration in the current account balance.

Although the quality of financing of current accounts showed some deterioration in the first months of 2010, direct investment flow went up by 3.8% to reach USD 7.1 billion in 2010 as compared with 2009, with the effect of the rise in December 2010. Short-term investment inflow and portfolio investments, on the other hand, increased as compared with 2009 and were worth USD 16.25 billion.

In 2011, the courses of oil prices and the Turkish lira are expected to be effective on the direction of the current account balance, and the rates of increase in foreign trade and current deficit are anticipated to lose pace with the expected recovery in the global economy. While the foreign trade deficit is projected to keep expanding and reach USD 83 billion in 2011 as well, the current deficit is forecasted to be around USD 53 billion. In this frame, the ratio of current deficit to the GDP may be 6.7%.

The CBRT pulled the policy rate down to 6.5% from 7.0%.

The CBRT introduced maturity differentiation in required reserve ratios and encouraged longer terms by broadening the gap between the interest rates on borrowing and lending.

6.5%

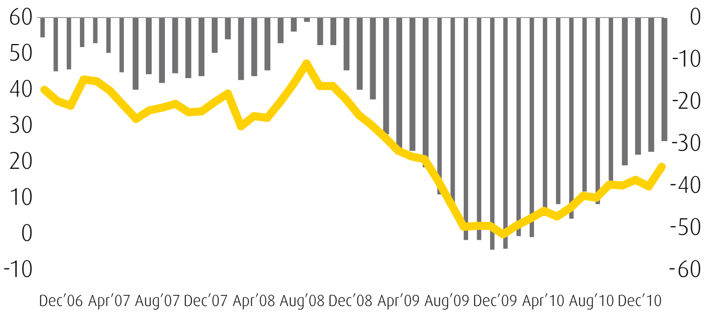
The CBRT continued with its arrangements within the frame of its exit strategy.

Due to the rapid increase of hot money inflow late in 2010, the CBRT announced some measures aimed at financial stability, on the grounds that the risks threatening price stability had weakened.

At its meeting in December, the CBRT decreased the weekly repo rate, i.e. the policy rate, from 7.0% to 6.5%. Notwithstanding, the CBRT diverted from traditional monetary policy instruments and moved to interest increases from April onwards, within the frame of exit strategies. At the December meeting, on the other hand, the CBRT distinguished between maturities in required reserve ratios and also encouraged longer terms by broadening the gap between interest rates on borrowing and lending.

With the cost-based inflationist pressure, the CBRT is expected to start increasing interest rates from the second half of 2011. However, in view of the recently increased uncertainties in the global markets, the possible continuation of the horizontal course in core indicators in 2011, particularly in spite of the decline in the announced core inflation indicators followed by the increase in food prices, might lead the CBRT to postpone interest rate increases based on growth-oriented concerns in its monetary policy stance.

Budget Balance (%)



Central Government Gross Debt Stock

Real Changes* (%)	Total Internal Debt Stock	Total External Debt Stock
Dec 06-Dec 07	-6.33	-22.93
Dec 07-Dec 08	-2.20	22.61
Dec 08-Dec 09	12.72	-0.78
Dec 09-Dec 10	0.49	1.53

* Real changes were calculated with the Fisher Equation.

Source: Undersecretariat of Treasury, VakıfBank

During the 12-month period to end 2010, the budget deficit slimmed down by 24.9% year-on-year, and stood at TL 39.6 billion.
The Central Government Budget displayed quite a solid performance in the twelve-month period to end-2010, thanks to the strong tax revenues and restricted increase in non-interest expenses, and dwindled by 24.9% year-on to TL 39.6 billion. Primary balance, on the other hand, increased by 1,876% at year-end 2010 and rose to TL 8.7 billion.

The central government's revenues grew by 18% and its tax revenues by 22.1% year-on-year at the end of 2010.

During 2010, central government's budgetary expenditures amounted to TL 293.6 billion, with the utilization of 102.3% of the TL 286.9 billion allowance projected for 2010. Interest expenses were down by 9.2% year-on to TL 48.3 billion. Therefore, 85.1% of the amount budgeted for interest expenses have been utilized in the reporting period. Capital expenditures, in parallel with the government's desire to bring infrastructure investments to their completion, showed a 30.5% increase year-on-year and amounted to TL 25.9 billion.

The central government's gross debt stock grew 7.2% year-on at the end of 2010.
TL 441.5 billion at the end of December 2009, the central government's gross debt stock stood at TL 473.3 billion at the end of December 2010. The debt stock comprised of Turkish lira debts worth TL 347.3 billion and foreign currency debts worth TL 126 billion. Thus, Turkey's central government gross debt stock was up 7.2% to TL 473.3 billion over the course of one year.

On the other hand, with TL 352.8 billion, the internal debt stock accounted for 74.5% of the total central government's gross debts, and the external debt stock, standing at TL 120.5 billion, made up 25.5%.

Within the internal debt stock, TL 301.4 billion consisted of debts to the market, and TL 51.4 billion consisted of public sector debts. The external debt stock was made up of loans worth TL 52.2 billion (TL 32.3 billion from international institutions, TL 8.7 billion from IMF loans, TL 2.3 billion from SDR collections, and TL 9.5 billion from governmental agencies) and of bond debts worth TL 68.3 million.

Examining the inflation-adjusted change in real terms on an annual basis, the total internal debt stock had increased 12.72% in 2009 with the effect of the crisis, but the rate of increase slowed down to 0.49% in 2010.

On the other hand, total external debt stock, which declined by 0.78% in real terms in 2009, showed a limited expansion of 1.53% in 2010.

Total assets of the Turkish banking sector, in which 45 banks are active, grew 20.7% year-on and reached TL 1,007 billion in December 2010, while net profit for the period increased 9.7% to TL 22.1 billion.

The ratio of loan to deposit rose to 85.2%.

While the lending volume grew 33.9% to TL 525.9 billion in 2010, total deposits available to the sector expanded by 19.9% and reached TL 617 billion.

85.2%

The Turkish Banking Sector

Despite the global financial crisis that started in the overseas markets toward the end of 2007 and affected the entire world, the Turkish banking sector was able to sustain its solid and strong performance throughout 2010, unlike the international banking industry. In this vein, the share of total assets within GDP, which was in the region of 70% at year-end 2007, rose to 87.4% at year-end 2009, and to approximately 92% in 2010.

Total assets of the Turkish banking sector, in which 45 banks are active, grew 20.7% year-on and reached TL 1,007 billion in December 2010.

The upward trend in the lending volume continued also in 2010.
Fitting and timely measures adopted during the crisis both by the government and the banking regulatory authorities enabled the sector to come through the crisis with the least injuries possible. TL 392 million at year-end 2009, lending volume expanded 33.9% to TL 525.9 billion and the share of loans to total assets went up to 52.2%.

The course of marketable securities, deposits and international loans...
With the downward move in interest rates weakening in 2010, the rate of increase in the marketable securities portfolio took a sharp downturn. The rate of increase in the marketable securities portfolio is expected to continue to decline in 2011.

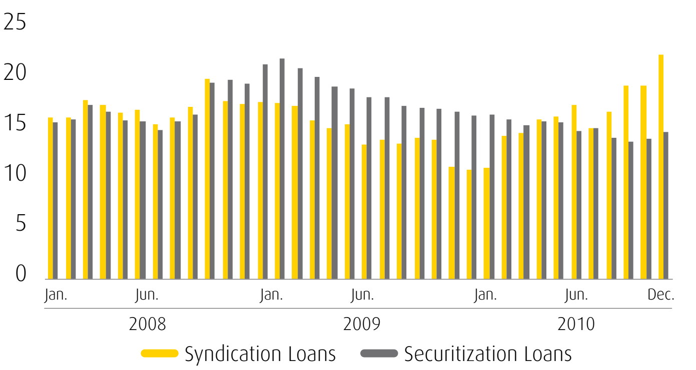
Having receded to 26.5% at year-end 2008, the share of marketable securities portfolio to total assets rose to 31.5% as at year-end 2009, due to the rapid interest cuts of the CBRT and the public sector's growing borrowing needs following the crisis.

As a result of the alleviated impact of the global crisis upon our country and increased competition between the banks with respect to lending in 2010, the share of marketable securities portfolio to total assets decreased to 28.6% in December 2010.

While total deposits available to the overall banking sector grew 19.9% year-on to reach TL 617 billion in December 2010, the ratio of marketable securities to deposits fell to 46.7% and the ratio of loan to deposit rose to 85.2% as compared with year-end 2009.

Having followed a positive course in general throughout 2010, syndication loans almost doubled and increased by 99.0% as compared with the previous year.

Syndication-Securitization Loans (TL billion)



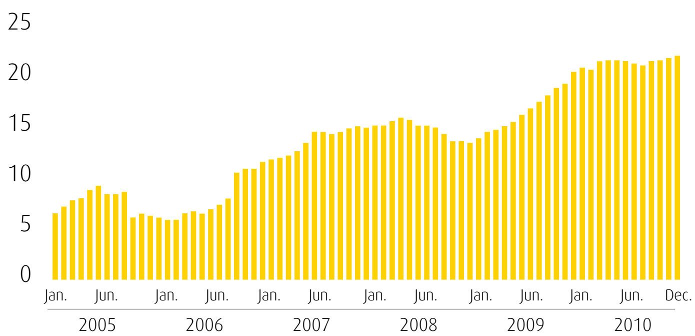
Source: BRSA

Having declined due to the effect of the liquidity crunch in the markets in 2008, syndication loans took an up-and-down course throughout the year with the effect of the recovery lived in the markets from the start of 2009. Having followed a positive course in general throughout 2010, syndication loans continued to rise except in July, and reached TL 21.7 billion in December, up 15.80% as compared with the previous month. Syndication loans registered a huge 99.0% increase year-to-year.

Performing solidly through the first three quarters of 2009 as compared to the same period in 2008, securitization loans started to decline towards the end of 2009 and sustained the same trend during the reporting period. Although they were up by 4.4% in December 2010 as compared with the previous month, securitization loans decreased 12% on annual basis and went down to TL 14.2 billion.

Having reached its highest level after the crisis period with 5.17% in January 2010, net interest margin started to go down thereafter, and stood at an all-time low when it declined to 3.8% in December 2010. This reduction in the net interest margin also led to a downturn in profitability ratios. Augmented interest income as a result of increased lending volume and reduced ratios of provisions set aside resulting from declined NPLs in connection with increased domestic demand contributed to the continued rise in profitability, although at a slowing pace.

Net Period Profit/Loss (TL billion)



Source: BRSA

An evaluation of the profitability indicators for the banking sector reveals that the return on equity slipped from 18.2% at year-end 2009 to 16.5% in December 2010, and the return on assets went down from 2.4% to 2.2% in the same period. The primary cause for this was the failure of the cumulative net profit for the period to match the growth in the banks' assets and equities within the same period.

During 2010, the sector's equity grew 21.3% and was worth TL 135 billion. On the other hand, the capital adequacy ratio, which had gone up to 20.62% at year-end 2009 due to the upward move in lending from October 2009, declined by one percentage point year-on and stood at 18.96% in 2010.

While loans represented the largest contributor to the growth in the balance sheet in 2010 in the banking sector, this sharp movement is expected to continue at a somewhat decelerating pace in 2011.

2010 Activities

2010 at VakıfBank: the year of "new customer acquisition"

Acting on the vision of being the "primary banking partner" of its customers also in 2010, VakıfBank was able to acquire new customers and also to take a larger share of the transaction volume of its existing clientele.

strong customer relationships

In 2010, VakıfBank maintained the stable growth trend of the Corporate Banking business line that had been ongoing since its establishment in 2007.

Corporate Banking

VakıfBank offers all corporate banking products and services required by its customers with a specialized sales and operations staff, broad product portfolio, extensive branch network, upgraded technological infrastructure facilities and business processes.

The year of new customer acquisition

VakıfBank designated 2010 as the year of "new customer acquisition" and substantially increased the number of customers serviced in the corporate customer segment along this strategy, as it did in all other customer segments.

In parallel with its target of new customer acquisition, special emphasis was placed on dealership letter of guarantee agreements that covered the dealer and supplier networks of customers in the corporate segment, as well as on direct debit system (DDS) agreements and card-based collection system agreements.

Stable growth in corporate banking

In the corporate banking segment, VakıfBank offers service with its customer-oriented sales and marketing strategy, customized service approach, and perspective that considers clients as long-term business partners. The Bank achieved a significant market share gain in 2010 through new customer acquisition in this segment, and also through getting higher share from the transactions of its existing clientele. Ongoing since 2007 when the business line was established, the stable growth trend was sustained in 2010.

In 2010, VakıfBank pursued a proactive policy in financing high value-added projects that will increase production and employment; the Bank created funding facilities via long-term cash and non-cash loans for its clients' investment needs, particularly in energy, privatizations and real property purchases.

On the back of efforts spent towards decreasing funding costs and making use of post-financing and various alternative deposit products in particular, funds were created that would enable extending the average maturity of the Bank's balance sheet on the liabilities side and to reduce its costs in 2010.

The "Primary Banking Partner" of its Customers

Acting on the vision of being the "primary banking partner" of its customers also in 2010, VakıfBank was able to take a larger share from the transaction volume of its existing clientele. Practices such as the direct debit system (DDS) and card-based collection systems, dealership letter of guarantee agreements, wholesale payment systems and cheque integration systems helped VakıfBank make progress in becoming the primary banking partner of its existing clients as well as their subsidiaries and associates, while also helping the Bank acquire new customers among dealers and suppliers that constitute the other links of the financial chain.

Thanks to its extensive international correspondent network, specialized sales and operations staff, modernized foreign trade business flow processes and technological infrastructure, VakıfBank offers a rich portfolio of products based on a high-quality and efficient approach to service to corporate clients, who hold a major share in Turkey's foreign trade volume. As a result, the Bank increased the number of its foreign trade customers and business volume significantly in 2010.

Considering customer relations as the basis for long-lasting partnerships and making it a principle to stand by its clients under any circumstance, VakıfBank aims to further solidify its cooperation with its existing clients via innovative products and cash/non-cash loan facilities in 2011, while broadening the reach of its corporate segment activities through new customer acquisitions.

Growing market share in cash management

During 2010, VakıfBank introduced new cash management products, gave momentum to the marketing of existing and new products, and significantly gained additional market share for the Bank via these products.

During the reporting period, the Bank paid numerous company visits aimed at the marketing of cash management products, and provided Cash Management Products training to 69 groups covering assistant specialists, SME portfolio managers, and officers within the frame of internal training activities.

"Gümkart", the Bank's product that enables to make customs payments within the customs area, was expanded to cover the entire country in 2010, whereby a total of 4,600 export companies were reached, upon which their customs payments were started to be made via VakıfBank.

Direct Debit System (DDS) and Agency Collection System (ACS) agreements were signed and enforced with a large number of corporate companies having countrywide dealer networks. In this frame, the Bank started to handle cash flows of these companies and their dealers.

The Wholesale Collection System improved with new customer acquisitions in 2010; under the system, cash transfer of client companies was handled by VakıfBank, which amounted to a transaction volume of TL 14 billion, and thus, the operational workload of branches was significantly alleviated.

The Cheque Integration System, which enables execution of customers' collection cheque transactions electronically, was rolled out during 2010 and the Bank started to work with many companies within this scope.

Continuous Cheque Printing Software application offered to payment cheque customers was expanded across commercial customers, thus winning a large number of customers for the Bank.

On the back of a total of 102 cash management projects introduced during 2010, many corporate companies, universities, public institutions, metropolitan municipalities, foundations and associations across the country were included in VakıfBank's portfolio, upon which the Bank started handling their cash flows.

High-quality services in project finance

VakıfBank provides high value-added solutions and high-quality service in project finance to its diverse base of clients consisting of public and private sector companies.

VakıfBank participates in syndicated loans, either as a mandated lead arranger or as a consortium member under the mandate of foreign banks, for the project financing of dam, highway, railroad, energy and airport investments in large scale government tenders or privatizations. In this scope, the Bank participated in syndicated loans for ten companies totaling USD 3,181 million in 2010; VakıfBank entered into syndication agreements with a total worth of USD 874 million. Including the syndicated loan agreements signed in the previous years, syndicated loans totaling USD 315.9 million were extended to six companies in 2010.

In addition to loans originating from VakıfBank, the Bank also offered and extended to investors credit facilities originating from foreign banks such as the European Investment Bank (EIB) SME Loans, Council of Europe Development Bank (CEB) Loans, Union Bank of Switzerland (UBS AG), Dresdner Bank, Credit Suisse, Commerzbank and Deutsche Bank in 2010.

Loans extended via corporate centers

Via a total of three corporate centers in Ankara and İstanbul, VakıfBank offers service to corporate conglomerates and companies affiliated thereto, as well as to multinational companies operating in Turkey.

(TL million)	2009	Share	2010	Share
Agriculture	**269**	**0.8**	**380**	**0.8**
Farming and Husbandry	148	0.4	192	0.4
Forestry	62	0.2	131	0.3
Fishery	59	0.2	56	0.1
Industrial	**7,201**	**20.9**	**10,295**	**23.0**
Mining and Coal Production	446	1.3	254	0.6
Manufacturing	6,201	18.0	8,832	19.7
Utilities	555	1.6	1,209	2.7
Construction	**1,824**	**5.3**	**2,289**	**5.1**
Services	**10,584**	**30.7**	**12,468**	**27.8**
Wholesale and Retail Trade	4,922	14.3	5,193	11.6
Hotel and Restaurant Services	878	2.5	1,011	2.3
Transportation and Telecommunication	2,076	6.0	2,188	4.9
Financial Institutions	2,342	6.8	3,507	7.8
Real Estate and Rental Services	103	0.3	199	0.4
"Self Employment" Type Services	0	0.0	0	0.0
Educational Services	69	0.2	69	0.2
Health and Social Services	196	0.6	301	0.7
Other	**14,560**	**42.3**	**19,405**	**43.3**
Total	**34,439**	**100**	**44,836**	**100**

Commercial Banking

Ever since its inception, VakıfBank has been contributing significantly to the national economy through credit support aimed at all sectors from the manufacturing industry to the service sector, communications to trade, and foreign trade to tourism.

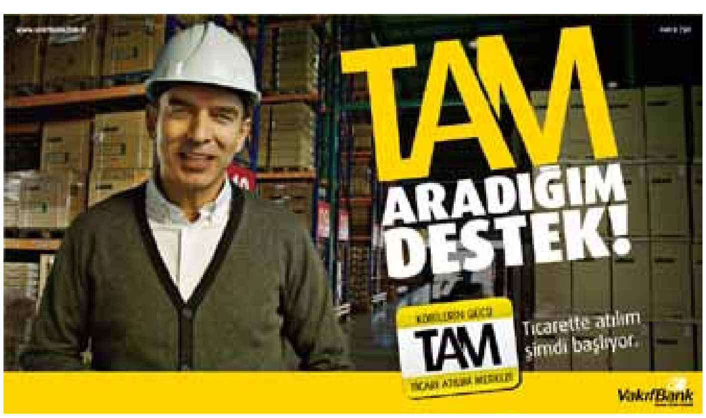
Customized solution understanding

Having embraced customer-focused approach and relationship banking as its main principles, Commercial Banking sustained its stable growth in 2010 with effective portfolio management, customized solution understanding, and quality service process. The business line provided solutions to thousands of commercial customers operating all over Turkey for their various financial needs from borrowing requirements to foreign trade finance.

A major supporter of the national economy since its debut through credit support extended to industrialists, exporters and businessmen, VakıfBank continued to increase its support to all sectors, ranging from the manufacturing industry to the service sectors, communication to trade, and foreign trade to tourism in 2010. Since 2009 during which the global crisis made its effects felt heavily, VakıfBank continued to fulfill the financing needs of its commercial customers and kept standing by its clients under any market condition, and expanded its customer base rapidly.

Growth that surpasses the sector's average

During 2010, the Bank concentrated on non-cash loans and foreign trade transactions, and performed the sector's average growth in both fields, generating additional commission income. In addition, the Bank financed energy investments and power distribution tenders in 2010.



With a view to taking place in the cash flow cycle of commercial customers and to becoming their primary banking partner, cash management products were marketed intensively, and the customer portfolio was expanded through implementations including DDS and card-based collection systems, dealership letter of guarantee agreements, and wholesale payment systems. The Bank attained 20% growth in the number of customers under the commercial segment in 2010.

VakıfBank targets to achieve profitable and broad-based growth in 2011, by maintaining its customer-oriented approach and its ceaseless support to the customer portfolio under the commercial segment. Along this line, Commercial Banking set its key goals for 2011 as becoming the primary banking partner of its expert and experienced people and broad product range, expanding its lending volume without compromising from its asset quality, acquiring new customers and establishing permanent relations with the customers acquired.

SME Loans

Difference created in the SME business line with the TAM brand in 2010

Having restructured the SME Banking service under the brand name "Commercial Initiative Center" (in Turkish: TAM) in 2009, VakıfBank transformed each one of its branches into a "Commercial Initiative Center" (TAM) during 2010 and took its service understanding specific to the SME segment one step further.

The reliable business partner of the SMEs, VakıfBank continued in 2010 to offer products and services that were aligned with the circumstances of their relevant sector and with the cash flow of the specific company.

On the back of the marketing activities conducted in 2010, VakıfBank increasingly expanded the lending and deposit volumes in the SME segment, and achieved 15% growth year-on in the number of customers in this segment.

In the year ahead, VakıfBank aims to further enhance its performance and profitability in the SME business line, and the added value it contributes to the national economy by producing special solutions tailored to the needs of the SMEs.

Cooperation with KOSGEB

The first bank in Turkey to collaborate with the SME Support Organization (KOSGEB), VakıfBank continued to intermediate KOSGEB loans in 2010. In addition, the Bank organized campaigns for KOSGEB-member SMEs that were unable to benefit from KOSGEB loans for any reason, in an effort to keep supporting the SMEs.

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Support to regional development
Offering solutions for any need of the SMEs, VakıfBank made it a principle to support regional economic development, and maintained its support in this direction not only from its own funds, but also by way of channeling the funds secured from international financial institutions. In keeping with this principle, the Bank organized a campaign "Kalkınmada Öncelikli Yörelere Desteğimiz TAM" that promised full support via the Commercial Initiative Centers to the priority development regions. Under the campaign, the Bank extended TL 65 million in loans within as short a period of time as two months. Further to its aim of supporting regional development, the Bank established cooperation with development agencies.

Support to environment and energy investments
The originator of Environmental Banking in Turkey in 2008, VakıfBank extends various loans to environmentalist SMEs under the "Environment Package" and also participates in the Turkey Sustainable Energy Financing Facility (TurSEFF) by the European Bank for Reconstruction and Development (EBRD). The first to extend a loan among the banks taking place in the project, VakıfBank also became the bank to author the fastest loan extension within the frame of SEFF projects in place in 14 countries.

Sector-specific solutions in 2010
During 2010, VakıfBank provided the SMEs with the opportunity to meet their financial needs through various sector packages designed for the seasonal characteristics and cash flows of their relevant sectors.

In this frame, the Bank organized various campaigns targeting the SMEs:
- Food Wholesalers Package,
- Manufacturer Support Package,
- Automotive Supplier Industry Support Package,
- Logistic Support Package,
- Furniture Seller/Maker Support Package,
- Tourism Support Package,
- Exporter Support Package,
- Service Sector Support Package,
- Tradesmen Support Package.

SMEs engaged in the sectors that were covered by the campaigns were given access to fast and easy borrowing facilities incorporating various options such as flexible repayments and grace periods.

Cooperation with chambers and development agencies
In 2010, the Bank signed protocols with 170 chambers of commerce and industry, giving the chamber-member SMEs the chance to benefit from advantageous services.

The Bank also signed protocols with eight development agencies in the reporting period, enabling the SMEs whose projects were approved by the relevant agency to make use of co-financing facility.

Specialized sales staff
Taking place under the extensive branch network of VakıfBank, Commercial Initiative Centers are staffed with 640 specialized SME Portfolio Managers, the number of which increases by the day. Having espoused VakıfBank's principle of specially tailored service to the SMEs, and offering financial advisory service to the SMEs in addition to services for fulfilling their needs, the sales team also attends various modern training programs on marketing, finance and banking. VakıfBank makes optimum use of these training sessions to contribute to the personal development of the SME Portfolio Managers, while at the same time targeting to fulfill the expectations of the SMEs by devising solutions to their current problems, and to enhance its service quality.

Increasing efficiency in public finance
Having adopted it as its primary principle to provide privileged services to public institutions and agencies with its innovative approach to service, VakıfBank increased its market share and efficiency in the public sector also in 2010.

On the back of far-reaching visits paid during 2010, VakıfBank gave pace to the promotion and marketing of its products and services through intensive customer visits, in an attempt to gain additional market share in banking activities addressing general and special budget administrations, higher education institutions, regulatory and supervisory agencies, healthcare institutions, local administrations and state economic enterprises.

Closely monitoring the cash flow requirements of public institutions, VakıfBank increased its marketing efforts with new products and services targeted toward this segment, and strengthened the synergy between private sector companies and the Bank by intermediating cash flow between public institutions and private sector companies.

Our main objectives in this field in 2011 include the integration of the public sector's payment and collection transactions in the Bank's system, production of diverse financial solutions tailored to the needs of public institutions, and increasing the Bank's market share in the public sector in a permanent manner.

At year-end 2010, consumer loans allocated by VakıfBank were up by 46.9% and rose to TL 13,503 million from TL 9,192 million in 2009.

Retail Banking

During 2010, VakıfBank increased the diversity of retail loan products offered, and made available loan types customized according to different customer segments. At the end of 2010, the Bank's consumer lending grew 46.9% year-on and went up from TL 9,192 million at year-end 2009 to TL 13,503 million, while its market share rose from 9.8% to 10.5% in the same period.

Retail loans outgrowing the rate of increase in the overall sector's placements

The repercussions of the global crisis that started in the last quarter of 2008 started dwindling in the banking sector during 2010, and the sector's growth picked up with the decreased interest rates that came in the last quarter of the reporting period. While the rate of increase in the amount of consumer loan placements of VakıfBank was 16.5% in 2009, this ratio went up as high as 46.9% in 2010. In the first six months of 2010, VakıfBank pursued a more cautious growth in placements as compared with the overall sector; in the last six months of the year, however, the Bank surpassed the rate of increase in the overall sector's placements and increased its market share.

Diverse loans tailored to different customer segments

Having increased the diversity of its retail loan products in 2010, VakıfBank responded to its customers' expectations for different loans through special installment general purpose loans for primary care physicians (Aile Hekimlerine Özel TİK), in addition to the growth attained in retail loan placements via Establishment Anniversary Loan (Kuruluş Yıldönümü Kredisi), Holiday Loan (Bayram Kredisi) and New Year Loan (Yeni Yıl Kredisi). While targeting to grow the ratio of cross-sale of retail banking products through the No-Expense Installment General Purpose Loan (Masrafsız Taksitli İhtiyaç Kredisi), the Bank also further leveraged its competitive attitude in the banking sector with the provision of this loan to its customers.

VakıfBank had a very successful year in mortgage loans and highly outperformed the sector with 50.2% growth in its placements in 2010. The Bank increased its market share thanks to new product launches, campaigns targeted toward institutions, proactive marketing policies in the residential projects channel, and effective utilization of the real estate office channel.

The Bank also introduced different products in car loans, thereby adding to the diversity of its loan types, while also working towards expanding its affiliated car dealership network and enhancing its efficiency. As a result, the Bank achieved growth in the placement of car loans, as well as higher market share.

At year-end 2010, VakıfBank's consumer loans expanded 46.9% year-on-year and rose from TL 9,192 million in 2009 to TL 13,503 million last year. General purpose installment loans (in Turkish: TİK) constituted 54.5% of the Bank's consumer loan book, whereas mortgage loans and car loans accounted for 44.0% and 1.5%, respectively, of the consumer loans.

Consumer Loans

Loan Type	2009 (TL million)	2010 (TL million)
General Purpose Loan*	5,098	7,359
Car	139	206
Mortgage	3,955	5,939
Total	**9,192**	**13,503**

* Including overdraft account balances

TİK: Installment General Purpose Loans

During the reporting period, Installment General Purpose Loans grew 44.4% to TL 7,359 million and brought VakıfBank 11.8% share in the Installment General Loans market as at 31 December 2010.

Car Loans

VakıfBank's car loans market share increased from 3.1% at year-end 2009 to 3.6% as of year-end 2010. While the overall sector's car loans grew 28.1% throughout the year, VakıfBank achieved a remarkable 47.9% growth in its car loan placements.

Mortgage Loans

In parallel with the rate cuts by the CBRT, mortgage rates also continued to decline and fell below the 1% per month level, which led to a major revival in demand for mortgage loans. The sector's mortgage loan risk exposure increased 35.5% in 2010, while VakıfBank's mortgage loan portfolio grew 50.2%. Consequently, the Bank's market share in mortgages rose from 8.8% in 2009 to 9.8% as of year-end 2010.

Market share in Installment General Purpose loans gradually increases.

During 2010, VakıfBank's Installment General Purpose Loans grew 44.4% to TL 7,359 million for a market share of 11.8% as at 31 December 2010.

11.8%

Innovations adding diversity to the product range
VakıfBank's electronic collection system, which holds an important place in increasing the Overdraft Bankomat-7/24 Placements and enables cross-sale, has been added some extra features, and renamed the "School Collection" System.

Diversifying its retail banking products range with new products, VakıfBank initiated the Monthly Dues Collection System targeting housing complex/apartment building managements and residents in order to offer the best in service to its customers and to increase its market share in the sector.

In December, the Bank organized a "Shopping with POS using the Bankomat-7/24 Card" campaign in an effort to get the customers to more frequently use their Bankomat-7/24 cards in their purchases and to increase the use of Overdraft Bankomat-7/24 limit.

The Bank offered different repayment options that can address all consumers through Tourist Loan (Turistik Kredi), New Year Loan (Yeni Yıl Kredisi), Combined Installment General Purpose Loan (Birleştir TİK), and No-Expense Installment General Purpose Loan (Masrafsız Taksitli İhtiyaç Kredisi).

With the launch of the Yellow Shutter products under the mortgage loans, the Bank started offering 15 different types of products and added new ones to campaigns aimed at corporations. New types of loans introduced during 2010 include 2in1 Yellow Shutter (İkisi Bir Arada Sarı Panjur) and Yellow Shutter Loan linked to TCIP (DASKA Endeksli Sarı Panjur).

Thanks to the significantly increased number of affiliated dealers within the frame of Auto-matic Loans, VakıfBank increased the amount of placements generated on loans originated by the dealers channel, and targeted to fulfill different customer demands through Special Car Loan for Civil Servants (Kamu Personeline Özel Otomobil Kredisi), and Buy Now Pay Next Year Car Loan (Bugün Al Seneye Öde Otomobil Kredisi).

New consumer loans in 2010

No-Expense Installment General Purpose Loan: This is an installment general purpose loan extending financing support without charging a fixed fee to the customers. Introduced on 07 July 2010, the loan incorporated a second no-expense alternative, which offered the customers the chance to benefit from lower interest rates by increasing cross-sales.

Special Installment General Purpose Loan for Primary Care Physicians: The campaign was launched on 03 September 2010 for primary care physicians. The product aims to finance the physical and technical facilities of family care centers where primary care physicians provide service.

Medical Week Loan: On occasion of March 14th celebrated every year by healthcare professionals, a new campaign was launched on 08 March 2010 for medical professionals for the March 14th Medical Week.

Having increased the diversity of its retail loan products in 2010, VakıfBank fulfilled its customers' expectations for different loans, while also leveraging its competitive attitude in the banking sector.

Mortgage loan interest rates floating below 1% boosted demand for loans.

The sector's mortgage loan risk exposure increased 35.5% in 2010, while VakıfBank's mortgage loan portfolio grew 50.2%.

50.2%

Special Car Loan Campaign for Civil Servants and Salary Payment Customers: The product aims to fulfill civil servants' and salary payment customers' demands for loans for their brand new or second hand car purchases at low interest rates and loan allocation fees.

Buy Now Pay Next Year Car Campaign: Introduced as of 02 November 2010, the campaign aims at fulfilling customers' demands for car loans at lower interest rates and loan allocation fees than the market conditions, while offering them the option to start installment repayments in 2011.

Mortgage loan campaigns in 2010

Yellow Shutter Mortgage Loan Products: Launched on 13 January 2010, the Yellow Shutter mortgage loan set is comprised of 15 different products designed to meet customer needs. Including various options such as increasing installment, decreasing installment, intermittent, postponing, deferred principal amount, deferred installments, periodic, early, fixed principal amount, interim payment, generous, all-inclusive, no-expense, advantageous, and house for your house, the products are offered to the customers with their different and advantageous features.

Most Environment-Friendly Mortgage Loan Yellow Shutter: Within the frame of the agreement made with TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of National Habitats), saplings are planted in the forests of Tekirdağ, Karapınar (Konya) and Şanlıurfa on behalf of credit customers. Approximately 35 thousand saplings have been planted until the end of 2010.

Yellow Shutter Linked to TCIP: The product was introduced on 11 October 2010 to accelerate the finalization of workflows and procedures involved in the lending process, and offer faster and easier service to customers.

Special Yellow Shutter for the Public Sector: The product was devised for the mortgage loan demands of employees working in the public sector and put on the market on 08 March 2010.

Special Yellow Shutter for İlksan Members: The campaign was launched on 02 July 2010 for the employees and retirees of İLKSAN (Primary School Students Health and Social Assistance Fund).

Mortgage Loan Campaign for the CBRT Personnel: The campaign was initiated on 25 January 2010 for the mortgage loan demands of the employees and retirees of the Central Bank of the Republic of Turkey.

Special Mortgage Loan Campaign for the Healthcare Industry: The campaign was introduced on 29 March 2010 for customers working in the healthcare industry.

Police Week Mortgage Loan Campaign: The campaign was launched on 09 April 2010 to fulfill the mortgage loan needs of the members of the security department.

Treasury Operations

Pursuing policies in treasury operations that focus both on profitability and caution, VakıfBank balances its lending volume that grows in parallel with the strong expansion in the sector with the developments in the size of its marketable securities portfolio.

The Turkish economy made major strides in the normalization process.
During 2010, the economy administration and the financial sector regulatory and supervisory authorities implemented effective policies that observed financial stability, along with fiscal discipline, within the frame of the Medium Term Program. As a consequence, the impact of the crisis upon financial markets was alleviated and the Turkish economy made major strides in the normalization process.

As the global economy gradually recuperated, Turkey attained a high rate of economic growth, owing particularly to the strong domestic demand, and major expansion in loans in the banking sector. With the solid recovery displayed in the aftermath of the crisis particularly in emerging economies on the global scale, modifications were made to the expansionary monetary and fiscal policies, which were enforced to revive the economies. The decoupling that arose between developed and emerging countries resulted in decoupled monetary policies, and the CBRT started pursuing different policies, as did the central banks of emerging countries.

Recently, the CBRT has been waiting for the liquidity that arose from the expansionary monetary policies implemented by developed countries to be channeled to emerging countries. Taking into consideration, particularly, the solid growth, preservation of fiscal discipline, and Turkey's possible promotion to investment grade after the probable assignment of an upgraded rating by the rating agencies, the CBRT has enforced an unprecedented new policy set that seeks to protect financial stability by restricting the current deficit.

Trading profit in the capital markets increased significantly
Last year, VakıfBank continued to pursue policies in treasury operations that focused on both profitability and caution. The lending volume that grew in parallel with the solid expansion in the sector was balanced by the developments in the size of the marketable securities portfolio. In the post-crisis normalization period, the interest market adapted to the low interest rates in keeping with the developments in the sector, and affordable funds were provided for relatively long-term operating and project loans.

VakıfBank's total deposits reached TL 47.7 billion in 2010.

Serving as an indication of the branch network rapidly expanding across Turkey and the trust depositors hold in VakıfBank, the amount of real person deposits grew 26% to TL 16.6 billion.

26%

In 2010, VakıfBank successfully maintained its leading position in the sector in capital markets operations, and substantially boosted its capital markets trading profit through its high trading volume in the secondary markets.

Saving deposits made up the biggest contribution to the rise in deposits.
In 2010, total deposits entrusted to VakıfBank amounted to TL 47.7 billion, consisting of Turkish lira deposits worth TL 35.3 billion and foreign currency deposits worth TL 12.4 billion.

Serving as an indication of the branch network rapidly expanding across Turkey and the trust depositors hold in VakıfBank, the amount of real person deposits grew 26% to TL 16.6 billion. The greatest contributor to this rise was the savings deposits, which increased remarkably by 42% and reached TL 12.4 billion. The said growth was also backed by deposit products that were designed to achieve a broad base in deposits, and the efficiently conducted campaigns.

Time deposits increased 23% year-on to TL 7.3 billion, taking 15% share of total deposits. This development in the composition of deposits proved to be an element that positively affected the Bank's funding cost in 2010.

High profitability driven by high volume in secondary markets

In 2010, VakıfBank successfully maintained its leading position in the sector in capital markets operations, and substantially boosted its capital markets trading profit through its high trading volume in the secondary markets.

Emphasis will be placed on derivative products in 2011.
VakıfBank targets a healthy balance sheet growth with a view to maintaining profitability despite projected shrinkage in profit margins in 2011. The possible fluctuation and rise in interests on marketable securities will play a key role in the Bank's strategies for creating the securities portfolio.

The Bank will keep offering products and campaigns addressing individual and corporate investors by making greater use of derivative products, as well, in an attempt to create a broad-based deposit portfolio so as to manage the interest rate and liquidity risks, in particular, and to sustain the increase in the share of savings deposits.

For the purpose of extending the average maturity of the Bank's deposit portfolio and to expand the breadth of its base, increased use will be attained for deposits linked to interests on bonds, deposits with interim interest payments, multi-currency deposits and similar products. In order to have access to alternative funds besides deposits, the Bank intends to issue both Turkish lira and foreign currency denominated bonds. Emphasis will be placed on derivative products in 2011, so as to manage the interest rate risk of the fixed-interest loans portfolio.

Cost-focused fund management policy will be effectively pursued also in the future.
VakıfBank aims to increase its efficiency in treasury marketing function with a view to broadening its treasury product range, and thus to raise its commission income by offering alternative instruments, and primarily new derivative products to its corporate and retail customers.

Furthermore, a new unit will be set up under the Investment Banking organization, with the objective of increasing commission income through effective provision of TurkDEX instruments to the Bank's customers. Enforced in the second half of 2010, the cost-focused fund management policy will be effectively maintained also in the year ahead.

With the aim of backing the real sector by long-term affordable funds, VakıfBank continues to cooperate with the European Investment Bank, the World Bank, and the European Bank for Reconstruction and Development.

Foreign Trade and Correspondent Relations

VakıfBank enjoys a respected and powerful position both in the sector and in the worldwide financial markets owing to its international banking operations. The Bank maintains its leadership in the sector and builds on its presence in international markets thanks to its longstanding experience and strong relationships.

Alternative financing solutions in foreign trade
One of Turkey's leading companies in foreign trade transactions, VakıfBank was able to gain additional market share once again in 2010 with its innovative conduct, customized solution approach and alternative financing solutions.

Responding to customer requests for confirmation to the letters of credit and letters of guarantee via its extensive correspondent banking network, VakıfBank further expanded its fields of activity by participating in the risk sharing programs of IFC and EBRD.

In international banking, VakıfBank possesses expert staff and a dynamic and flexible structure that can quickly adapt to the changing global conditions. In the period ahead, the Division will continue to develop high value-added alternative foreign trade solutions that take customer needs and demands into consideration.

Correspondent relationships built on mutual trust and cooperation
International funding activities of VakıfBank are conducted and innovative solutions targeting toward the needs of foreign trade customers are produced, thanks to correspondent relationships carried out on the basis of trust, cooperation and reciprocation principles.

The strong correspondent network that consists of 1,624 banks in 109 countries worldwide is administered on the basis of mutual trust and cooperation and efforts are spent to expand this network by establishing new partnerships.

Structured finance
In March 2010, VakıfBank secured a syndication loan with a total worth of USD 950 million which consisted of two tranches of USD 170 million and EUR 566.5 million. Participated by 33 banks, the facility represented the largest syndication loan in the history of the Bank. This was followed by a two-tranche syndication loan of USD 720 million in total, consisting of two maturities in the second half of 2010. Participated by 32 banks, the facility consisted of two tranches of USD 145 million and EUR 453 million.

To support the real sector with long-term, low-cost funding, VakıfBank continues to cooperate with the European Investment Bank, the World Bank and the European Bank for Reconstruction and Development. VakıfBank is the only bank that offers the loans originating from these three international institutions under a single roof.

Maintaining its service approach focused on customer satisfaction in credit cards in 2010, VakıfBank presented countless opportunities to VakıfBank Worldcard holders.

Credit Cards

Based on its service approach focused on customer satisfaction, VakıfBank sustained its stable market share increase, which followed the transformation process that started in credit cards several years ago.

Following the transformation process that was initiated in credit cards in 2008, VakıfBank remained loyal to its service understanding focused on customer satisfaction also in 2010, and sustained its stable market share increase on the back of new product features, need-based sectoral campaigns, installment campaigns on the basis of member merchants, and campaigns earning additional Worldpoints.

VakıfBank's credit card portfolio consists of:

- VakıfBank Platinum, equipped with special services designed for high-income individuals,
- Rail&Miles for those who prefer to travel by train,
- Beşiktaş, Fenerbahçe, Galatasaray, Trabzonspor, Antalyaspor, Gaziantepspor and Diyarbakırspor team credit cards for sports fans who want to support their teams,
- Öğretmenim, ASES and Kamusen credit cards designed to meet the needs of specific professional groups,
- VakıfBank Business geared toward the needs of commercial enterprises, and
- VakıfBank Classic and VakıfBank Gold credit cards for customers who are not in any of the segments above.

VakıfBank credit cardholders are eligible to take advantage of all opportunities offered by VakıfBank member merchants as well as World member merchants. In addition, through periodic campaigns, cardholders are offered various opportunities such as earning additional Worldpoints, discounted shopping, promotions, additional installments and deferring installments.

MilPlus: An exclusive program from VakıfBank Worldcard

VakıfBank Worldcard holders can redeem the Worldpoints they earn from their purchases with MilPlus at triple value for plane tickets and at double value for bus tickets or hotel/tour reservations; cardholders can travel with the airline of their choice without paying additional airport landing fees.

In addition, when they do not have sufficient points, cardholders can use Advance MilPlus to pay back with the World points they will earn from their purchases within a year.

Frequent travelers are offered unique opportunities through exclusive campaigns of MilPlus.

Credit Cards	2008	Market Share (%)	2009	Market Share (%)	2010	Market Share (%)
Total Credit Card Receivables (TL million)	737	2.17	982	2.68	1,387	3.18
Credit Cards Turnover (TL million)	3,800	2.05	4,960	2.45	7,096	3.03
Number of Credit Cards	2,026,962	4.67	2,245,011	5.06	2,398,943	5.11

Automatic bill payment from the credit cards

By issuing an automatic bill payment instruction for their VakıfBank Worldcard, cardholders can pay their Turkcell, Avea, Vodafone and Turkish Telecom bills, thus eliminating the trouble of following up their invoices, while they can make payments even if they are short of cash, and also earn Worldpoints.

PeşineTaksit (Installment for Outright Purchases): Especially for customers requiring installments everywhere
PeşineTaksit (Installment for Outright Purchases) is offered for those customers who prefer to pay for their purchases in installments even when they shop from business places that do not offer installment payment option. Customers wishing to enjoy the pleasure of paying in installments call AloŞubem at 444 0724 following their outright purchases and get up to 12 installments for their spendings.

SözünleKazan (Earn for your Word): Discount on the account statement for your word
Under the product feature introduced, cardholders promising to spend a specific amount every month for 12 months earn discounts on their account statements, the amount of which discount varies depending on the promised spending. With this feature that enhances customer loyalty, customers earn discounts on their account statements, and also benefit from numerous advantages including installments and Worldpoints in their purchases.

Automatic bill payment from the credit cards
By issuing an automatic bill payment instruction for their VakıfBank Worldcard, cardholders can pay their Turkcell, Avea, Vodafone and Turkish Telecom bills, thus eliminating the trouble of following up their invoices, while they can make payments even if they are short of cash, and regularly follow up on their bill payments on the account statement, through online banking branch and telephone banking facility.

BusinessCard
In 2010, VakıfBank's BusinessCard program aimed at corporate, commercial and SME customers has been redesigned with additional product features. Relaunched under the slogan "the card that raises the bar in the business world", the card served very positively to new customer acquisition and card usage by existing customers.

With a number of features including MilPlus flight program, installment option and Worldpoint earning at VakıfBank and World member merchants, Resource Utilization Support Fund exemption in export payments, and PeşineTaksit that enables installment payment of outright purchases, VakıfBank BusinessCard has been transformed into a very attractive product that meets the needs and expectations of commercial customers.

5% Worldpoint at Petrol Ofisi gas stations, the most profitable stop for commercial customers
The Bank devised a dedicated loyalty program addressing the diverse needs of different customer groups under the commercial segment, and undersigned a significant cooperation with Petrol Ofisi, the leading brand name in the fuel oil sector and lubricant company.

Under the initiative, owners of commercial vehicles with high fuel oil consumption like minibuses, cabs, shared cabs, public buses, shuttle buses, etc. who have taken out a commercial license plate loan earned 5% Worldpoints on all fuel oil or auto gas purchases made using their VakıfBank BusinessCards from Petrol Ofisi gas stations that participated in the campaign. Positive Card privileges Petrol Ofisi offers to its customers are also additionally reflected to VakıfBank customers.

As of year-end 2010, VakıfBank had 73,203 member merchants and took 3.50% market share in terms of member merchant turnover. The Bank ranks eighth in terms of member merchant turnover among card-accepting banks.

ASES card program specific to foundation and trust members
The ASES card program has been devised, which the foundations and trusts in Turkey can offer their members as a value-added service. Foundation and trust members who get ASES cards will benefit from special discounts at places where they will use their cards frequently, and will also be entitled to World member merchant opportunities. The Worldpoints to be earned on purchases will be at triple value for plane tickets and at double value for other services thanks to the MilPlus program incorporated by the cards. There is a gradual increase in the number of new foundations and trusts that join the program, as well as in the interest of the members in the ASES product.

New products and developments in member merchant services
As of year-end 2010, VakıfBank had 73,203 member merchants and took 3.50% market share in terms of member merchant turnover. The Bank ranks eighth in terms of member merchant turnover among card-accepting banks.

The following activities were carried out in 2010 with a view to improving member merchant services:

- VakıfBank POS devices have been equipped with World features. This initiative allowed Yapı Kredi Worldcard holders to make installment purchases and earn and redeem patronage points at VakıfBank member merchants. Furthermore, sector-specific Joker Vadaa campaigns organized by Yapı Kredi Bank started to be applicable for VakıfBank's World member merchants in the same sector.
- Representing a first in Turkey, a project was carried out in cooperation with Fatih Municipality in relation to a PDA-integrated POS terminal, which enables execution of the municipal tax collections at the address of the taxpayer simultaneously with the municipality system.
- Integration of outdoor POS terminals has been completed, which enable subscribers to pay their bills themselves using credit cards at the kiosks installed by Adapazarı Water and Sewerage Administration at various locations.
- Efforts are underway for POS integration of OSM devices, which are installed at various stops by the İETT (İstanbul Public Transport Authority) and which are used to top-up prepaid transport cards by inserting banknotes. The initiative is slated for going live during 2011.
- An agreement has been reached with a market leader company in food and beverage vending machines, into which contactless POS equipment have been integrated that accepts a contactless credit card of any bank, in addition to cash.
- Within the frame of the FX POS application developed to prevent the chargeback risk that arises due to the exchange rate difference of the merchant in the case of Turkish lira transactions made with foreign credit cards, transaction amounts can now be paid to the merchants in terms of foreign currency.
- Installment with Interest Cost (VFT – Vade Farklı Taksit) implementation has been introduced, whereby the funding cost arising from the installment in the case of installment payments particularly at public institutions is born by cardholders. VakıfBank and Yapı Kredi Bank World credit cards can make use of this implementation.
- Within the frame of the restructuring of public receivables, an agreement has been reached with the Revenue Administration which will allow for the installment payment of overdue debts from the Administration's website using the Bank's credit cards. The application is slated for introduction in the first quarter of 2011, upon finalization of system developments.
- Under the 3D Secure application whereby the cardholder is verified by insertion of a password so as to ensure security of online transactions, one-time dynamic passwords are now started to be sent via SMS to the mobile phone of the cardholder.
- Under a new initiative introduced, order-based bill payments can be made for all GSM operators, using VakıfBank credit cards.
- Kiosks with integrated outdoor POS terminals, which allow for train passengers to get train tickets themselves using their credit cards, are spreading at train stations across the country within the frame of a project carried out with the Turkish State Railways (TCDD).

Internet Banking transactions are gradually increasing.

The number of registered users of Internet banking rose 14% during 2010 and reached 1,472,544, while the number of active customers increased 26% to 527,478. As of year-end 2010, over 14 million financial transactions were performed on internet banking.

1,472,544

Alternative Delivery Channels

In an attempt to reduce operational costs and enhance efficiency, VakıfBank gives further pace to its efforts to shift the operational workload of the physical service network to Alternative Delivery Channels.

Internet Banking

The number of registered users of internet banking, which was launched in 2000, rose 14% over 2009 and reached 1,472,544 at year-end 2010, while the number of active customers increased 26% to 527,478.

As of year-end 2010, more than 14 million financial transactions were performed on Internet banking for a total transaction volume of nearly TL 24 million. The total number of transactions performed on Internet banking in 2010 was 100 million, with 14 million thereof consisting of financial transactions and 86 million of non-financial transactions.

In order to promote easy use and usage ratio of internet banking, VakıfBank introduced the Instant PIN application on its website, which allows for getting a PIN easily. Various campaigns are organized within the frame of ongoing efforts to render transacting via internet banking more attractive for the customers.

One-time PIN

As of year-end 2010, the number of customers using VakıfAnahtar and VakıfSMS, one-time PIN products of VakıfBank, stood at 2,189 and 324,832, respectively.

Telephone Banking

As of year-end 2010, VakıfBank's telephone banking had received 7,967,652 calls. The number of calls received by customer representatives grew 65% year-on and reached 5,311,767; the response-to-call ratio for these calls was 92%.

153,444 financial transactions were performed via telephone banking for a total volume of TL 86.4 million.

In addition to the calls made by the call staff of telephone banking, an outsourcing company was engaged, thereby increasing the outbound call volume; as a result, 1,280,000 customers had been called as of year-end 2010. The Bank's outbound calls team started making cross-sale to customers on the back of projects conducted with the subsidiaries. In this frame, premiums produced on insurance sales were worth TL 350,225 in 2010.

In 2010, VakıfBank took on technical infrastructure upgrading and hired new personnel to enhance customer satisfaction with telephone banking and service quality, as well as sustaining the quality of calls amid increasing call traffic. The Bank also launched a new project to enhance the technical infrastructure and increase functional capacity of the Interactive Voice Response system.

As of year-end 2010, VakıfBank served its customers via 2,260 ATMs in total, 2,254 of them located throughout Turkey 739 of which are Parabankomats (advanced ATMs), and 6 ATMS in the Turkish Republic of Northern Cyprus.

Telephone and internet banking personnel were given internal and external customer communication training. Also, indicators were identified and standards were established in relation to the quality of service offered to customers. With the new performance and shift scheduling systems put in place, performance and efficiency were increased.

"Customer Problems Center"

To maximize customer satisfaction, the Bank started collecting all complaints, problems and requests received from customers in a single channel; in this frame, an average of 30,000 to 50,000 requests are handled on a monthly basis. The customers were also started to be informed on the time the agents will get back to them with a response, and problems were started to be reported so as to devise corrective and preventive activities. The Bank also targets to introduce a new program that will channel customer requests to all units through a single program in a more efficient manner and that will enable regular monitoring of the requests.

ATM

As of year-end 2010, VakıfBank served its customers via 2,260 ATMs in total, 2,254 of them located throughout Turkey 739 of which are Parabankomats (advanced ATMs), and 6 ATMS in the Turkish Republic of Northern Cyprus. Having purchased 575 Diebold ParaBankomats during 2010, the Bank targets to leverage both its service network and its service quality.

Under a project commenced in 2009, ATM screens were redesigned with new colors, fonts and graphical elements in line with the Bank's corporate identity, which were installed on all ATMs during 2010.

Authoring a first in Turkey, VakıfBank introduced Biometric ATM, which uses finger vein scan to allow ATM use, and launched the application on 15 ATMs as of year-end 2010.

With the aim of achieving increased use of ADCs and to free up more time for the branches to focus on sales, 100 kiosks have been purchased and installed in 50 branches as of year-end 2010.

In addition, a project is underway which offers ease of use to ATM users by connecting several accounts to a single card and allowing the selection of the desired account on the ATM to proceed with the transaction.

Installation of cameras and surveillance systems on off-branch ATMs has been brought to completion. As of 01 January 2010, cameras were mounted and infrastructures were finalized at 1,039 off-branch ATMs, thus providing live streaming to the head office.

VakıfBank attained a fast pace in stock operations.

Using the remote access system actively during sessions, 24 orders per second can be routed in stock transactions. The initiative enables direct and faster trading from head offices, increased markets usage capacity, and minimized trading costs.

Investment Banking

VakıfBank invests customers' funds so as to produce optimum results by making alternative investment instruments available to account owners, and aims to increase its market share by intermediating capital markets transactions of companies.

Capital markets play an active role in the development of countries. It is key to provide capital accumulation, which serves as the driver of development, and to make effective use of this driver, as well as to closely monitor the rapid developments that occur in the capital markets.

It has gained more significance than ever before to preserve the competitive edge against the world markets in the capital market, which evolves and changes rapidly due to its structural dynamics. Holding an important place in the banking sector, VakıfBank is an active player in the money and capital markets. Its business strategies focused on investing customer assets so as to produce optimum results, customized solutions, and superior competence in the use of modern techniques have made VakıfBank a preferred business partner in money and capital markets for retail and corporate customers.

VakıfBank invests customers' funds so as to produce optimum results by making alternative investment instruments available to account owners, and aims to increase its market share by intermediating capital markets transactions of companies.

Market use capacity has been increased in marketable securities trading.
The Bank made the necessary system modifications and achieved alignment with the new products and practices introduced by İstanbul Stock Exchange (ISE) in 2010, geared towards stock trading which holds a significant place within intermediation of marketable securities trading.

Carrying out marketable securities brokerage via all of its branches, the Investment Unit, internet and call centers, VakıfBank achieved positive developments in the use of alternative delivery channels, and increased trading volume by this channel.

In stock operations, VakıfBank acts as an intermediary in public offerings and stock trading on the ISE, within the frame of agency agreement with its subsidiary, Vakıf Yatırım Menkul Değerler A.Ş. (Vakıf Investment Inc.).

Using the remote access system actively during sessions, 24 orders per second can be routed in stock transactions. The initiative enables direct and faster trading from head offices, increased markets usage capacity, and minimized trading costs.

Alternative delivery channels are actively used in public offerings, as well.
Developments in national economy and technological innovations bring about significant changes on the supply side of the capital markets, as well. Companies, and even states, do not restrict themselves to their own domestic markets in tapping financing facilities, and the contest over taking a share from the worldwide capital movements gets more and more heated by the day.

Companies with growth potential are moving rapidly to tap capital markets for their financing needs. This trend gained speed particularly in 2010, in parallel with which public offerings were carried out. In these IPOs, book-building and sales transactions are handled through all of VakıfBank branches and its Investment Unit as well as via alternative delivery channels that include internet banking and the call center.

VakıfBank is an expert in mutual funds management.
As one of the first institutions to set up mutual funds in the Turkish market, VakıfBank is an expert in risk and asset management in mutual funds, as well. The Bank has two Type A (equity) and eight Type B (money market) mutual funds. Shares of the Bank's mutual funds can be traded freely without quantity restrictions through all of the Bank's branches as well as the alternative delivery channels including the internet branch, telephone banking and the ATM network.

As one of the first institutions to set up mutual funds in the Turkish market, VakıfBank is an expert in risk and asset management in mutual funds, as well. The Bank has two Type A and eight Type B mutual funds.

With a view to increasing the diversity of the Bank's funds portfolio, VakıfBank established the Principal Protected Umbrella Fund in an initial amount of TL 1,000,000,000 based on the permission from the Capital Markets Board of Turkey (CMB), taking into consideration the market developments and customer needs and demands.

The Bank filed an application with the CMB for setting up two sub-funds under the umbrella fund, to respond to the demands of the two distinct groups of investors that await an increase or decrease in the USD/TL exchange rate. Upon receipt of the necessary permission, public offering of shares of both funds is planned to be held in January 2011.

VakıfBank has a 4.40% market share in mutual funds, which the Bank spends every effort to optimally manage in line with the customer needs.

Shareholder relations are carried out in a healthy and secure manner.
Within the scope of shareholder relations, records are maintained in a healthy, secure and up-to-date manner, and shareholders' written information requests in relation to the Bank are fulfilled within the frame of applicable legislation.

General Assembly meetings are convened and held duly, documents to be presented to shareholders at the General Assembly meetings are prepared, necessary efforts are spent to ensure due keeping of the meeting minutes, and achieving alignment with applicable legislation in all aspects of public disclosure is a matter that is observed and monitored.

Furthermore, care is paid to make use of electronic communication means and the Bank's website in all activities within the scope of shareholder relations.

The Bank capitalizes on cross-selling opportunities in precious metal trading.
During 2010, the Bank engaged in intensive marketing efforts in gold trading, while acquiring new customers and capitalizing on cross-selling opportunities. The target is to further increase the customer trading volume achieved last year both in terms of volume and profitability in the year ahead.

Regarded also as an investment tool in Turkey in the current market conditions, gold has been attracting substantial attention in the recent years. VakıfBank is a member of the Istanbul Gold Exchange, created to provide a secure, stable, and convenient platform offering free competition for trading precious metals, as well as precious metals-based capital markets instruments.

VakıfBank issues gold bars (2, 5, 10, 50, and 100 gram weights) in 995 and 999 purities as well as one-ounce GAP, 20-gram Sinan and Osmanlı commemorative coins. These are available to investors at all VakıfBank branches and through its Investment Unit.

As part of its efforts to diversify and enrich offerings of investment tools, VakıfBank also engages in daily trading of registered gold in 0.995 purity under the code İAB1 on the Istanbul Gold Exchange in addition to the sales of Vakıf-brand gold bars and coins. These gold bars with the code İAB1 are purchased on the Istanbul Gold Exchange, where they are kept under custody in VakıfBank's name. The Bank's sales of İAB1 registered gold bars are made to customers from this pool as well.

Major progress has been attained in dematerialization of marketable securities.
The Bank attained major progress in its efforts ongoing since 2005 to merge all customer accounts under a single VakıfBank Customer Number and to match identities with relevant accounts.

When compared with the total number of investment accounts, the number of those for which identity verification could not be made is now reduced to insignificant figures, and accounts without adequate ID information on the account owner and which are inactive have been moved to the archive and cleared from the system.

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

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

Strong communication, efficient promotion

VakıfBank continued to promote its retail and commercial products and services, as well as its credit card and corporate image ads and commercials on television, in newspapers, magazines, movie theaters, on the radio, internet and outdoor venues.

Communication and Media Relations

Having revised its products, services and technology in line with modern requirements so as to accurately and fully meet the individuals' financial needs in the rapidly progressing world, VakıfBank, in 2008, completed the restructuring process that had been initiated in all of its units in 2005.

Offering service with its customer- and marketing-oriented corporate service model with its new products and services, as well its redesigned logo since 2008, VakıfBank continued to expand its product and service range in 2010.

VakıfBank continued to promote its retail and commercial products and services, as well as its credit card and corporate image ads and commercials on television, in newspapers, magazines, movie theaters, on the radio, internet and outdoor venues. The Bank publicized its products and services as well as its banking operations via press conferences, press releases and interviews. VakıfBank also actively took advantage of promotional opportunities in the domestic and international press with news coverage, ads and interviews placed through these channels.

In addition to numerous campaigns held to date, the “Whatever is on Your Mind” retail banking ad campaign as well as the “81 Provinces 81 Gifts” and “Wise People” credit card ad campaigns were met with particular admiration by the public.

VakıfBank remained one of the proud greatest supporters of social responsibility projects in 2010. The Bank's support will continue at an increasing pace in the years ahead.

Social Responsibility

Just as in the past years, VakıfBank extended major support to education, culture, and sports, as well as to advancements in finance and technology also in 2010.

VakıfBank-sponsored arts activities

Being a VakıfBank classic, art galleries continued to host artists and art lovers in 2010. A total of 61 exhibitions at three exhibition halls in İstanbul brought together valuable artworks with art enthusiasts throughout the year. Supporting the Turkish Folk Music and Turkish Classical Music choruses formed by the Bank's personnel, VakıfBank once again evidenced that it has a claim to make in every discipline of the arts.

Another event supported by VakıfBank was the "TFMD Press Photo of the Year" competition organized by the Turkish Photojournalists Association (TFMD) during the reporting period.

VakıfBank-sponsored sports activities

Making up an essential part of VakıfBank's social commitments, the support extended to volleyball achieved much greater dimensions in 2010. Increasing its ongoing support to Little, Youth and Junior Girls' Volleyball Teams, and to the Women's Volleyball Team that has been undersigning major achievements for years in Turkey and Europe, VakıfBank also undertook the main sponsorship of Turkey's Women's National Volleyball Team, a.k.a. "Sultans of the Net".

Having received our support for the first time during the Women's Volleyball World Championships in Japan, the Sultans ranked 6th in the event, the team's best-ever result. VakıfBank also sponsored "Ahi Evran Summer Biathlon Turkey Championships", the second leg of the qualification rounds for selecting the athletes that will compete in the Biathlon World Championships.

VakıfBank-sponsored social activities

"Ayvalık 18th Handicapped Cultural and Artistic Activities" organized by the Federation for the Handicapped in September was another event sponsored by VakıfBank. Acting on the objective of reaching and supporting every segment of the society, VakıfBank was honored with an award by TEMADER, an association of terror victims and their families.

VakıfBank carried its support to tradesmen and artisans to the social arena. The Bank undertook the sponsorship of the "23rd Ahi Week Celebrations" held in İstanbul and Kırşehir on the week commencing 11 October 2010. Co-organized by the Ministry of Industry and Trade, Directorate General for Craftsmen and Tradesmen, and the Association of Craftsmen and Tradesmen, the activities take on an important role in keeping alive and promoting traditions and teachings that have survived centuries, which evolved basically from an artisan organization.

VakıfBank-sponsored international activities

VakıfBank kept contributing to the financial development of Turkey, and continued to support national and international activities to this end in 2010. The Bank was a major supporter of the "ADFIMI Development Forum 2010" organized on 5 and 6 October 2010 by ADFIMI (Association of National Development Finance Institutions in Member Countries of The Islamic Development Bank), of which it is a member.

In addition, the Bank sponsored Euromoney Turkey Finance&Invesment Forum held on June 16th, and the Active Academy 8th International Finance Summit organized on December 8th and 9th, thus continuing to make itself a name in the international platform. VakıfBank was honored with an award at the Finance Summit for its contributions to foreign trade.

VakıfBank remained one of the proud greatest supporters of social responsibility projects in 2010. The Bank's support will continue at an increasing pace in the years ahead.

Subsidiaries

In addition to its contemporary banking services, VakıfBank contributes to the Turkish economy through the operations of its subsidiaries that span a diverse set of sectors and business lines. The number of VakıfBank subsidiaries and affiliates, which was 24 in 2009, remained unchanged as of year-end 2010.

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

The value of the Bank's subsidiary and affiliate portfolio rose 30.1% in 2010 to TL 895 million from TL 688 million in 2009.

VakıfBank Financial Services Group

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

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

Kıbrıs Vakıflar Bankası Ltd.
VakıfBank participated in Kıbrıs Vakıflar Bankası Ltd. for the purpose of promoting the use of Visa and MasterCard/Eurocard credit cards issued also by VakıfBank and for increasing foreign currency revenues. VakıfBank owns a 15% stake in Kıbrıs Vakıflar Bankası Ltd., which has a capital of TL 40 million.

Türkiye Sınai Kalkınma Bankası A.Ş.
Established in 1950, Türkiye Sınai Kalkınma Bankası A.Ş. provides long-term funds for medium and large-scale investment projects, engages in banking activities, and offers corporate finance services. VakıfBank owns an 8.38% stake in the Bank's share capital of TL 700 million.

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

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

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

Vakıf Finansal Kiralama A.Ş.
Vakıf Finansal Kiralama A.Ş. was founded in 1988 to render the full range of leasing services. VakıfBank owns a 58.71% stake in the Company's share capital of TL 25 million.

Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.
Established in 1991 as a publicly-held company, Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. is an investment trust that operates to manage the savings of small and individual investors professionally in the Stock Market, profiting through trading of marketable securities, and maximizing the returns of its portfolio by closely monitoring foreign exchange, stock and money markets. VakıfBank owns an 11.75% stake in the Company's share capital of TL 7.5 million.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was founded under the guidance of VakıfBank as the first real estate investment trust in Turkey with an issued capital of TL 250 thousand.

The company was set up to establish and manage a portfolio of real estate properties and real estate-backed capital markets instruments and make changes as needed. VakıfBank owns a 27.63% stake in the Company's share capital of TL 20.8 million.

VakıfBank contributes to the Turkish economy through the operations of its 24 subsidiaries that span a diverse set of sectors and business lines in addition to banking.

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

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

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

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

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

Bankalararası Kart Merkezi A.Ş.
Bankalararası Kart Merkezi A.Ş. was founded in 1990 to conduct card-based payment systems, clearing and provisioning services. VakıfBank owns a 9.70% stake in the Company's share capital of TL 6 million.

Kredi Garanti Fonu A.Ş.
Kredi Garanti Fonu A.Ş. was established in 1991 to provide all kinds of loan guarantees for SMEs, farmers, artisans, craftsmen and the self-employed. VakıfBank participated in the Company in 1999 and owns a 1.67% stake in its share capital of TL 240 million.

VakıfBank Non-Financial Services Group

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

Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi A.Ş.
Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret Sanayi A.Ş. was established in 1989 under the direction of VakıfBank and operates in the areas of printing, sales of stationery and computer consumables as well as sales and maintenance of copiers and fax machines. VakıfBank owns a 73% stake in the Company's share capital of TL 3 million.

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

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

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

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

Vakıf Pazarlama ve Ticaret A.Ş.
Vakıf Pazarlama ve Ticaret A.Ş. engages in the purchase, sales, exports and imports of ships, tankers, sea-going vessels and shipyard construction equipment. VakıfBank owns a 68.55% stake in the Company's share capital of TL 24,950 thousand.

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

PART II: MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

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Board of Directors and Statutory Auditors

HASAN SEZER
Chairman
Having graduated from the Department of Banking Foreign Trade and Exchange at Ankara Academy of Economic and Commercial Sciences, Hasan Sezer started his business life in the private sector in 1982, and joined Ziraat Bank in 1983 as an assistant auditor. Following his latest post as a Department Head in this enterprise, Hasan Sezer served as the General Manager of Ziraat Yatırım A.Ş. (Ziraat Investment) from 1997 and of Halk Yatırım A.Ş. (Halk Investment) from 2001. Having been elected as a member on the Board of Directors of Halk Bank in 2003 and functioned as Deputy Chairman of the Board, Mr. Sezer was elected Chairman of the VakıfBank Board of Directors at the Ordinary General Assembly meeting held on March 19, 2010, a position from which he resigned on February 21, 2011.

AHMET CANDAN
Deputy Chairman
Having graduated from the Department of Finance, Faculty of Political Sciences at Ankara University in 1987, Ahmet Candan started his career as an assistant auditor on the Board of Auditors of the Ministry of Finance the same year. He functioned as an auditor and legislation and tax consultant for Kuveyt Türk Özel Finans Kurumu (Kuveyt Türk Private Financial Institution). He held the positions of assistant general manager and general manager at various private sector companies and Ziraat Leasing, and was elected as a member of the Board of Directors and a full member of the credit committee at Ziraat Bank in 2006. Mr. Candan was elected Deputy Chairman of the VakıfBank Board of Directors at the Ordinary General Assembly meeting held on March 19, 2010, and a full member of the Credit Committee of VakıfBank, in which positions he still serves.

SÜLEYMAN KALKAN
General Manager
After graduating from the Department of International Relations, Faculty of Political Sciences at Ankara University in 1981, Süleyman Kalkan started to work as an assistant auditor at İşbank in 1983, where he later functioned as the assistant manager of retail loans, regional manager of commercial loans, manager of non-performing loans, and branch manager. Having served as a member on the board of directors of various establishments, Mr. Kalkan was appointed as the Managing Director and General Manager of VakıfBank on March 19, 2010, in which capacity he presently serves.

İSMAİL ALPTEKİN
Board Member
Having graduated from the Faculty of Law at İstanbul University in 1968, İsmail Alptekin began his career as a self-employed lawyer. He later worked as an attorney at Türkiye Zirai Donatım Kurumu (Agricultural Equipment Agency of Turkey) and auditor at Scientific and Technological Research Council of Turkey (TÜBİTAK). He served as a Member of the VakıfBank Board of Directors for two terms (1975-1978, 1996-1997), Council Member of Ankara Metropolitan Municipality, Member of Parliament in 21st term representing Bolu, Member of Parliament in 22nd term representing Ankara as well as the Deputy Speaker of the Parliament during the same term. Mr. Alptekin was elected Member of the VakıfBank Board of Directors at the Ordinary General Assembly meeting on April 3, 2009. He is also a member of the Bank's Corporate Governance and Nominating Committee.

ADNAN ERTEM, Ph.D.
Board Member
Adnan Ertem, Ph.D. graduated from the Department of Public Administration, Faculty of Political Sciences at İstanbul University in 1987, and got his Ph.D. in sociology in 1997. After joining T.C. Vakıflar Genel Müdürlüğü (Republic of Turkey General Directorate of Foundations as an assistant auditor in 1988, he was promoted to chief auditor in 1991 and head chief auditor in 2002. He deputized the İstanbul Regional Director of Foundations from 2002 until 2007. After serving as the Deputy Undersecretary of the T.R. Prime Ministry from 2007 until 2010, Adnan Ertem was appointed as the General Director of T.R. Prime Ministry General Directorate of Foundations in October 2010. Elected to a seat as a member on the VakıfBank Board of Directors on October 27, 2010, Mr. Ertem is also an alternate member of VakıfBank's Credit Committee.

RAMAZAN GÜNDÜZ
Independent Board Member
Beginning his career at VakıfBank in 1977 as an intern, Ramazan Gündüz served as assistant auditor, auditor and manager at various levels, Executive Vice President and Member of the Board of Directors at the Bank during the following years. Also holding the position of General Manager at two VakıfBank subsidiaries, Vakıf Finansal Kiralama A.Ş. (Vakıf Leasing) and Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (Vakıf Real Estate Investment Trust), Mr. Gündüz was elected Member of the VakıfBank Board of Directors at the Ordinary General Assembly meeting on April 3, 2009. He is also a full member of the Bank's Credit Committee.

SELAHATTİN TORAMAN
Board Member
After joining VakıfBank in 1977, Selahattin Toraman served at various positions in the Bank until his voluntary retirement in 2000 when holding a manager title. Having served as a member of the Bank's Board of Directors from December 31, 2003 until March 21, 2008, he graduated from Çorum Vocational School, Department of Social Sciences in 1980. A member of the Bank's Corporate Governance and Nominating Committee, Selahattin Toraman has been re-elected member of the VakıfBank Board of Directors on March 19, 2010.

SERDAR TUNÇBİLEK
Board Member
A graduate of Ankara University, Faculty of Political Sciences, Department of Economics, Serdar Tunçbilek started as an assistant auditor at Emlak Bank in 1985. After serving at various positions at this bank, he worked for BRSA and SDIF from 2001. Elected to a seat as a member on the VakıfBank Board of Directors on July 24, 2007, Serdar Tunçbilek is also a member of the Bank's Audit Committee.

HALİM KANATÇI
Board Member
After graduating from the Department of Business Administration, Academy of Economic and Commercial Sciences in 1976, Halim Kanatçı worked as a Branch Manager for Garanti Bank (13 years), Finansbank and Toprakbank (3 years). He served as the CEO of İstanbul Marmara Eğitim Sağlık Kurumları A.Ş. (İstanbul Marmara Education and Health Institutions Inc.) and a Member of the Board of Trustees at Maltepe University, and assumed the position of Deputy Mayor of Maltepe, İstanbul, from 2004 until 2009. Mr. Kanatçı was appointed a Member of the VakıfBank Board of Directors by the Office of the Prime Minister on April 28, 2009. He is also a member of the Bank's Credit Committee.

MEHMET HALTAŞ
Statutory Auditor
A graduate of Ankara İ.T.A. Başkent School of Economic and Commercial Sciences, Mehmet Haltaş worked as an auditor and head chief auditor at the Republic of Turkey, General Directorate of Foundations for 24 years, where he currently functions as the Head of the Consultant and Audit Services Department. At the Ordinary General Assembly meeting on March 19, 2010, Mehmet Haltaş was elected as a statutory auditor of VakıfBank.

YUNUS ARINCI
Statutory Auditor
A graduate of the Department of Public Administration, Faculty of Political Sciences at Ankara University, Yunus Arıncı started his career as an assistant auditor at the Prime Ministry in 1997 and pursued his graduate studies at the Indiana University from 2007 until 2009. Following his posts as an auditor and chief auditor at the Prime Ministry, Yunus Arıncı was appointed as the Chairman of the Supervisory Board of the Prime Ministry, a position he currently holds. He was elected as a statutory auditor of VakıfBank at the Ordinary General Assembly meeting on March 19, 2010.

(*) Yusuf Beyazıt, former Chairman of the Board, Hasan Özer, former Board member, and Ragıp Doğu, former Board member and former member of the Audit Committee, left their positions at the Bank after the expiration of their terms of office. Sabahattin Birdal, former Board member and former member of the Audit Committee, resigned from his position on October 26, 2010.

Senior Management

MEHMET CANTEKİN
Senior Executive Vice President
(Loans Follow-Up, Regional Directorates)
Having joined VakıfBank as an Assistant General Manager on December 28, 2007, Mehmet Cantekin worked for various banks and public institutions. His latest position was with BRSA, as a Department Head. He is a graduate of Department of Finance, Faculty of Political Sciences at Ankara University. Holding a graduate degree in accounting from the University of Illinois, Mehmet Cantekin is fluent in English and French.

Şahin UĞUR
Executive Vice President
(Support Services)
Şahin Uğur began his career at VakıfBank as a trainee of foreign exchange officer in 1984. After serving in various capacities at the Bank, Mr. Uğur was appointed Executive Vice President in 2004. A graduate of Erzurum Atatürk University, Faculty of Business, Department of Business Administration; Şahin Uğur is fluent in Arabic and English in addition to his native language Turkish.

FEYZİ ÖZCAN
Executive Vice President
(Retail Loans, Retail Banking, Corporate Payroll, Credit Cards, Card and Member Merchant Operations)
Feyzi Özcan joined VakıfBank in 1989 as an assistant auditor and served as manager, deputy director and director at various branches and units of the Bank before being appointed Executive Vice President in 2005. A graduate of Gazi University, Faculty of Economic and Administrative Sciences; Mr. Özcan is fluent in English in addition to his native language Turkish.

REMZİ ALTINOK
Executive Vice President
(Commercial Loans, Corporate Loans, Enquiry)
He joined VakıfBank in 1991 and worked as a manager and chairman of various branches and departments of the Bank before being appointed as an assistant general manager on April 15, 2010. A graduate of the Department of Public Administration, Faculty of Political Sciences at İstanbul University, Remzi Altınok is fluent in English.

İBRAHİM BİLGİÇ
Executive Vice President
(Commercial Banking, Corporate Banking, Corporate Branches, Cash Management)
Having joined VakıfBank as an assistant auditor in 1992, İbrahim Bilgiç worked as a manager and regional manager at the Bank's various branches before being appointed as an assistant general manager on April 15, 2010. A graduate of the Department of Finance, Faculty of Economics and Administrative Sciences at Gazi University, İbrahim Bilgiç is fluent in English.

SERDAR SATOĞLU
Executive Vice President
(Human Resources)
After joining VakıfBank in 1995 as an assistant auditor, Serdar Satoğlu served as the chairman of the Board of Internal Auditors and the general manager of Vakıf Yatırım Menkul Değerler A.Ş., and as an assistant general manager for Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş., and a Board member for İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank), followed by his appointment as an assistant general manager on June 17, 2010. A graduate of Department of Finance, Faculty of Political Sciences at Ankara University, Serdar Satoğlu has a graduate degree in capital markets and stock exchange from Marmara University, and a Ph.D. in banking from Marmara University, Institute of Banking and Insurance.

METİN RECEP ZAFER
Executive Vice President
(Accounting and Financial Affairs, Planning and Performance, Treasury and Foreign Operations, Subsidiaries, Alternative Distribution Channels, Banking Operations)
Metin Recep Zafer joined VakıfBank on June 13, 2006 as Executive Vice President after serving in various capacities for several banks, most recently as Manager of the Department of Financial Management at T.C. Ziraat Bankası A.Ş. A graduate of Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics; he holds a PhD in banking and insurance from Marmara University. Dr. Zafer is fluent in English in addition to his native language Turkish.

BİRGÜL DENLİ
Executive Vice President
(International Banking and Investor Relations, Private Banking)
Joining VakıfBank in November 2003 as Head of the Correspondent Banking and International Finance Department at VakıfBank International AG in Vienna, Birgül Denli was appointed Executive Vice President on June 15, 2006. Having served in various capacities in many banks and companies both in Turkey and abroad, Ms. Denli most recently was a Member of the Board of Directors of VakıfBank International AG / Vienna. Birgül Denli is a graduate of Middle East Technical University, Department of Statistics and holds a post-graduate degree in Financial Markets and Derivatives from London Metropolitan University. She is fluent in English, German and French in addition to her native language Turkish.

ÖMER ELMAS
Executive Vice President
(Legal Affairs, Legal Proceedings)
After graduating from the Faculty of Law, Istanbul University, Ömer Elmas got his graduate degree in Private Law, in which field he is currently pursuing his doctorate studies. He worked as a self-employed lawyer, Legal Coordinator for Emlak Bank in liquidation, and as an executive for many companies. When he was serving as Chief Legal Consultant for Ziraat Bank, he joined VakıfBank in 2006 as Chief Legal Counsel and was appointed as an Executive Vice President on January 5, 2009. Ömer Elmas is fluent in German and English.

HASAN ECESOY
Executive Vice President
(Treasury, Investment Banking)
After joining Ziraat Bank in October 1993, Hasan Ecesoy worked as a specialist, manager, chairman and general manager for Sümerbank A.Ş., Bayındırbank A.Ş., Anadolubank A.Ş., and Halk Yatırım Menkul Değerler A.Ş. He was appointed an executive vice president of VakıfBank on May 28, 2010. He graduated from the Department of Electronics Engineering, Faculty of Engineering and Architecture at Uludağ University. Holding a graduate degree in Business Administration, Institute of Social Sciences from İstanbul Technical University and a doctorate degree in Economics, Institute of Social Sciences from Marmara University, Hasan Ecesoy is fluent in English.

ALİ ENGİN EROĞLU
Executive Vice President
(Software Development, System Management, IT Operation and Support, IT Services Planning, IT Process Management and Compliance, Project Management, Information Security)
After holding various positions as a software engineer, project manager, manager and assistant general manager at various companies since 1996, Ali Engin Eroğlu was appointed as the Bank's Executive Vice President on July 29, 2010. He holds a degree in Computer Engineering from the Faculty of Engineering at Boğaziçi University. Pursuing his graduate studies in Computer Engineering at Gebze Institute of Technology, Ali Engin Eroğlu is fluent in English.

(*) Serving as the Bank's Executive Vice Presidents, İhsan Çakır resigned on March 25, 2010, M. Kürşat Demirkol on June 30, 2010, and Tanju Yüksel retired on July 16, 2010, thus leaving their positions at the Bank.

Heads of Internal Systems

MUSTAFA SAYDAM
Head of the Board of Internal Auditors
Mustafa Saydam started as an assistant auditor on the Board of Internal Auditors on September 10, 1993. After serving as a manager at various branches and units of VakıfBank, he was appointed Head of the Board of Internal Auditors on April 1, 2010 when he was serving as the Head of Human Resources. He is a graduate of the Department of Business Administration, Faculty of Economic and Administrative Sciences at Gazi University.

RAMAZAN SIRYOL
Head of Internal Control
Ramazan Sıryol began his career at VakıfBank as an Assistant Auditor on the Board of Internal Auditors on September 13, 1993. After serving as Branch Manager in a number of the Bank's branches, he was appointed Head of Internal Control on January 10, 2008. Ramazan Sıryol is a graduate of Istanbul University, Faculty of Economics, Department of Public Finance

ZEKİ SÖZEN
Head of Risk Management
Zeki Sözen began his career at VakıfBank as a Programmer in the Electronic Business Intelligence Systems (EBIS) Department on September 9, 1987. After serving as Senior Programmer, Deputy Manager, Manager and Director in a number of units of the EBIS Department; Mr. Sözen was appointed Head of Risk Management on August 7, 2008. Zeki Sözen is a graduate of Middle East Technical University, Department of Computer Engineering and holds a Master's degree in Computer Engineering from Middle East Technical University, Institute of Sciences.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Committees

Audit Committee

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

The Audit Committee has assumed the following duties and functions:

• Monitoring the effectiveness and adequacy of the internal control systems of the Bank; functioning of these systems as well as the accounting and reporting systems in accordance with laws and related regulations; and the integrity of the information generated by these systems on behalf of the Board of Directors,

• Performing the preliminary assessments required for the selection of the independent audit firms by the Board of Directors,

• Monitoring the activities of the independent audit firms selected by the Board of Directors on a regular basis,

• Ensuring the consolidated functioning and coordination of the internal audit functions of the institutions subject to consolidated audit,

• Preparing reports on the functioning of internal audit, internal control and risk management system for the annual report.

Credit Committee

VakıfBank's Credit Committee consists of two full members and two alternate members. The full members are Ahmet Candan and Ramazan Gündüz; alternate members are Hasan Sezer and Dr. Adnan Ertem.

The functions of the Credit Committee are as follows:

• Performing the tasks stipulated in the Banking Law in accordance with the principles set by the Board of Directors,

• Soliciting the written recommendation of the Head Office in lending decisions, and providing the financial analysis and news and intelligence reports about those applying for loans with respect to recommendations for loans that require the procurement of account status document,

• Providing any sort of information that may be requested by any of the members of the Board of Directors about the Committee's activities and cooperating in the performance of any checks and controls since the Committee's activities are audited by the Board of Directors,

• Recording the Committee's decisions on a daily basis and obtaining signatures of the Committee members.

Corporate Governance and Nominating Committee

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

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

• Monitoring the degree of compliance with the corporate governance principles within the Bank and determining the reasons in case of noncompliance as well as determining the negative impacts resulting from incomplete adherence to these principles and recommending corrective actions to be taken in respect thereof,

• Formulating methods that will provide transparency in the identification of the candidates for the Board of Directors to be recommended to the Board of Directors,

• Undertaking research and developing recommendations about the number of executives in the senior management positions,

• Formulating recommendations and monitoring the implementations regarding principles and practices for performance evaluation and compensation of the members of the Board of Directors and the executives,

• Providing recommendations to the Board of Directors regarding the persons to be appointed to the Bank's senior management positions consisting of Executive Vice Presidents and equivalents,

• Investigating the independence of the members of the Board of Directors and uncovering any conflicts of interest,

• Providing assessments and recommendations regarding the structure and operating principles of the committees reporting to the Board of Directors,

• Preparing the Corporate Governance Principles Compliance Report for the annual report,

• Providing detailed information about the activities of the Corporate Governance and Nominating Committee within the scope of the Board of Directors' Annual Report.

Asset-Liability Management Committee

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

Committee Meeting Times and Attendance in Meetings

Board of Directors: It generally convenes every 15 days and more frequently in case of emergencies. The Board of Directors convened for a total of 48 meetings and passed 1,780 resolutions in 2010.

Audit Committee: The Audit Committee generally convenes once a month. The Audit Committee convened for 23 meetings and passed 23 resolutions in 2010.

Credit Committee: It generally convenes every 15 days and holds extraordinary meetings in case of emergencies. The meeting time is determined by the CEO based on the number of agenda items received by the meeting secretariat and their emergency status. The Committee convened for 55 meetings and passed 233 resolutions in 2010.

Asset-Liability Management Committee: Convening weekly, the Committee had 50 meetings in 2010.

Corporate Governance and Nominating Committee: It convenes at the dates specified by the Committee Chairman at least twice a year, generally every three months but not to exceed six months between meetings. The Committee convened for 6 meetings and passed 6 resolutions in 2010.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Human Resources Applications

Fully aware of the fact that human resources play the most important role in achieving its sustainable growth strategy as well as the objectives of its restructuring project, VakıfBank carried on with its improvement efforts in recruitment, promotion, performance evaluation, career planning and training processes in 2010.

The number of domestic branches of the Bank increased to 634 at year-end 2010 from 543 at the beginning of 2010. A total of 1,496 employees were recruited due to the personnel needs of the newly-established units and newly-opened branches in 2010 whereas 572 employees left the Bank due to retirement, resignation or other reasons. The number of employees rose 9.1% to 11,077 as of year-end 2010 from 10,153 at year-end 2009.

As part of the new employee recruitment process, the Bank accepted applications from candidates with degrees from four-year banking-related departments and institutes of Turkey's leading universities; candidates who try to improve themselves, hold advanced degrees, and are fluent in foreign languages were preferred.

Share of employees with undergraduate degrees increased from 70% at year-end 2009 to 77% at the end of 2010.

After the promotion trainings and exams conducted in 2010, of those having succeeded;
- 273 supervisors were promoted to assistant manager,
- 384 office chiefs were promoted to supervisor,
- 379 assistant office chiefs were promoted to office chief,
- 693 officers were promoted to assistant office chief in 2009.

The trainings identified in accordance with the training need analyses performed by the Training Department were conducted in a manner that meets the requests of all employees as well. 52,553 employees attended 1,821 classroom training sessions in 300 subjects in 2010; all in all, the employees received 384,546 hours of classroom training.

With an average number of 10,615 employees during the year, the number of employees who received classroom training was 8,224 while 6,047 employees attended multiple training sessions. Besides the classroom sessions, 736 e-learning sessions were conducted in 51 unique subjects, which were attended by 96,343 participants in total. The number of e-learning session hours totaled 134,677, while the entire personnel received several e-learning training programs.

The strategic goals of the Human Resources Department for 2011 are as follows:
- In order to meet staffing needs of the existing units and branches as well as the newly-created units and branches; VakıfBank will continue to recruit assistant financial analysts, assistant specialists and trainee officers in 2011.
- Specialist employees (assistant financial analysts and assistant specialists) who have completed their qualification periods will be given qualification exams.
- In order to ensure the advancement of the Bank's employees along their career paths and to meet staffing needs regarding authorized personnel, title promotion exam will be given to employees who became eligible to be promoted to an upper title in terms of tenure in 2011.
- For conducting human resources application processes more efficiently and more objectively, revisions will be made to the Bank Personnel Bylaws, Specialist Employees Bylaws, Foreign Language Bylaws and Human Resources Department Duties Bylaws.
- A schedule will be designed to make sure that employees take their leaves carried over from earlier years.
- Performance of the employees who are already eligible for retirement or will become eligible in 2011 will be monitored. Those with declining performance will be retired while the ones who are still performing effectively will be retained.
- The trainings identified in accordance with the training need analyses performed by the Training Department will continue with an emphasis on e-learning application.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Outsourced Support Services

VakıfBank procures support services from various companies in order to improve its service quality and maximize customer satisfaction. Support services are procured from the following companies for POS operation; check book printing; cash transportation services from the companies within the scope of Law No. 5188 on Private Security Services; maintenance of information systems software services; issuance of debit and credit cards, check book and account statement printing, and electronic distribution of statements; and Call Center operations.

For POS operation:
• Fujitsu Siemens Computers Bilişim Teknolojileri Ürün Hizm. A.Ş.
• Teknoser Bilgisayar Teknik Hizmetler Sanayi ve Dış Ticaret A.Ş.
• Servus Bilgisayar A.Ş.

For cash transportation services received from the companies within the scope of Law No. 5188 on Private Security Services:
• Securverdi Güvenlik Hizmetleri A.Ş. (the agreement has been terminated on 24 October 2010)
Group 4 Securicor Güvenlik Hizmetleri A.Ş.
Desmer Güvenlik Hizmetleri A.Ş.
Erk Armored Güvenlik Hizmetleri A.Ş.

For cheque book printing: MTM Holografi Güvenlikli Basım ve Bilişim Tekn. San. ve Tic. A.Ş.

For Call Center services:
CMC İletişim Bilgisayar Reklam ve Danışmanlık Hizmetleri San. ve Tic. A.Ş.

Bilgi sistemleri yazılım hizmetlerinin idame ettirilmesi için:
İnternet Bilgi İşlem Programlama Tasarım Ltd. Şti.
Eretim Bilgisayar Hizmetleri ve Danışmanlık Ltd. Şti.
Biznet Bilişim Sistemleri ve Danışmanlık San. Tic. A.Ş.
Global Bilişim Yaz. Dan. Tic. Ltd. Şti.
Ortadoğu Yazılım Hizmetleri A.Ş.
SPSS Yazılım Eğitim Danışmanlık Tic. Ltd. Şti.
Bilge Adam Bilgisayar ve Eğitim Hizmetleri San. Tic. A.Ş.
IBM Global Services İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.
NCR Bilişim Sistemleri Ltd. Şti.
Sybase Yazılım Ürünleri ve Bilişim Hizmetleri Ltd. Şti.
Sothis Yazılım Danışmanlık ve Tic. Ltd. Şti.
İnnova Bilişim Çözümleri A.Ş.
Oracle Bilgisayar Sistemleri Ltd. Şti.
Infotech Bilişim ve İletişim Teknolojileri San. Tic. A. Ş.
Netlab Uluslararası Bilgi İşlem ve Haber. Hiz. San. Tic. A.Ş.
Etcbase Yazılım ve Bilişim Teknolojileri Ltd. Şti.
4S Bilgisayar İth. İhr. Yaz. Dan. Ltd. Şti.
ITD İletişim Teknoloji Danışmanlık Ticaret A.Ş.
V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Danış. Hizm. Tic. A.Ş.
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.
Pro-G Proje Bilişim Güvenliği Araştırma Tic. San. Ltd. Şti.
Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.
Vega Bilgisayar Hizmetleri Ltd. Şti.
Microsoft Bilgisayar Yazılım Hizmetleri Ltd. Şti.
Sentim Bilişim Teknolojileri Sanayi ve Tic. A.Ş.
Sigma Danışmanlık ve Uygulama Merkezi A.Ş.
Kartek Kart ve Bilişim Teknolojileri Ltd. Şti.
Finar Yazılım Geliştirme Sanayi ve Tic. A.Ş.
Univera Bilgisayar Sistemleri Sanayi ve Tic. A.Ş.
Routers Enformasyon Ltd. Şti.
İstanbul Pazarlama A.Ş.
BT Yazılım Donanım Danışmanlık Bilişim Tek. Tic. Ltd. Şti.
ISB Bilişim Teknolojileri Danışmanlık Ltd. Şti.
Hewlett-Packard Teknoloji Çözümleri Ltd. Şti.
Prota Bilgisayar A.Ş.
Pixel İnternet ve Reklam Hizmetleri Ltd. Şti.
Turatel Mobil Medya İletişim ve Bil. Sis. Elek. San. Tic. Ltd. Şti.
Gantek Teknoloji Bilişim Çözümleri A.Ş.
Eastnets Eastern Networks Çözümleri Tic. A.Ş.
Kobil Bilgisayar Enerji ve Elektrik Sis. San. Tic. Ltd. Şti.
ATP Ticari Bilg. Ağı ve Elek. Güç Kaynak. Üret. ve Paz. Tic. A.Ş.
BİL-HAN Müh. Bil. San. ve Tic. Ltd. Şti.

For issuance of debit and credit cards, check book and account statement printing, and electronic distribution of statements:
Provus Bilişim Hizmetleri A.Ş.

Related Party Transactions

The details and the related notes about the transactions conducted by the Bank with its risk group in 2010 are presented in the Note No. VII in Section Five of the unconsolidated independent audit report provided within the annual report.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Corporate Governance Principles Compliance Report

Pursuant to the resolution passed at the Bank's Extraordinary General Assembly Meeting dated October 24, 2005, VakıfBank committed to compliance with Corporate Governance Principles with the addition of an article (Article 75) to the Articles of Incorporation.

Pursuant to Resolution No. 80059 passed by the Bank's Board of Directors on March 19, 2010, Selahattin Toraman and independent director İsmail Alptekin, were elected to the Corporate Governance and Nominating Committee. By the virtue of being an independent member of the Board of Directors, İsmail Alptekin serves as the Chairman of this Committee.

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

I – SHAREHOLDERS

Shareholder Relations Unit

VakıfBank is committed to the Corporate Governance Principles published by the Capital Markets Board and expends maximum efforts to comply with these principles.

The Bank's investor relations activities are organized under two different groups to serve domestic and international investors in the most effective manner.

Shareholder relations are administered by a separate group under the Investment Banking and Subsidiaries Department, which operates as a Head Office unit and reports to Executive Vice President Hasan Ecesoy.

The names and the contact information of the personnel working in the Shareholder Relations Group are as follows.

Name & Surname	Title	Phone Number	E-mail Address
Dr. Adnan GÜZEL	Head	+90 312-455 88 00	adnan.guzel@vakifbank.com.tr
Nurullah CENSUR	Manager	+90 312-455 87 67	nurullah.censur@vakifbank.com.tr
Hasan COŞKUNER	Manager	+90 312-455 88 55	hasan.coskuner@vakifbank.com.tr
Deniz Varan	Assistant Manager	+90 312-455 88 56	deniz.varan@vakifbank.com.tr
Nihal ARSLANBULUT	Assistant Manager	+90 312-455 88 43	nihal.arslanbulut@vakifbank.com.tr
Vedat PASLI	Assistant Manager	+90 312-455 89 29	vedat.pasli@vakifbank.com.tr
Kübra ŞEN	Specialist	+90 312-455 89 27	kubra.sen@vakifbank.com.tr

Fax: +90-312-455 88 34

The Shareholder Relations Group primarily conducts the following activities to serve domestic investors:
• Transmitting accurate, clear, comprehensive and complete information simultaneously to the Bank's shareholders and investors excluding the information that are considered confidential and trade secrets,
• Organizing periodic meetings with the participation of the Bank's management for informing the Bank's shareholders and investors,
• Ensuring that the General Assembly meetings are conducted in accordance with the legislation, Articles of Incorporation and the internal regulations of the Bank,
• Preparing the documents for the General Assembly meetings and transmitting them to the shareholders,
• Taking all necessary actions and measures to ensure the provision of the Bank's services to the satisfaction of the investors,
• Performing the Bank's capital increase transactions and ensuring the use of bonus share rights and the tracking of existing shares in the dematerialized system,

• Carrying out the transactions needed to make dividend payments to shareholders should the Bank decide to pay a dividend,
• Sending material disclosures about VakıfBank to the Istanbul Stock Exchange and announcing material disclosures and other news to the investors by means of the Bank's website.
The "Investor Relations" section with Turkish content published on the http://www.vakifbank.com.tr website was regularly updated and kept current with respect to its content in order to make available the necessary information and documents to the investors, shareholders and other related parties.

120 information requests were submitted to the Shareholder Relations Group in 2010 and all of these requests were answered via the fastest means of communications.

Information requests of the Bank's foreign shareholders and investors are responded to by the Head Office Department responsible for International Banking and Investor Relations.

The names and contact information of the personnel working in the International Banking and Investor Relations Department that reports to Executive Vice President Birgül Denli are as follows.

Name & Surname	Title	Phone Number	E-mail Address
Selçuk GÖZÜAK	Head	+90 212-316 73 90	selcuk.gozuak@vakifbank.com.tr
Mustafa TURAN	Manager	+90 212-316 71 20	mustafa.turan@vakifbank.com.tr
Nergis ÖZER	Associate	+90 212-316 73 85	nergis.ozer@vakifbank.com.tr
Zeynep Nihan CANDAN	Associate	+90 212-316 73 83	zeynepnihan.candan@vakifbank.com.tr

Primary activities conducted by the International Banking and Investor Relations Unit in this area include the following:
• Responding to the information requests that are not Bank or client secrets of existing and potential investors residing abroad, the rating agencies and the related parties in international borrowings, participating in the meetings held in Turkey and abroad in representation of VakıfBank,
• Making presentations about VakıfBank to the investors and other related institutions residing abroad,
• Making available the required information and documents to investors, shareholders and other related parties via the "Investor Relations" section with English content published on the www.vakifbank.com.
tr website and keeping the website content up-to-date,
• Furthermore, yatirimciiliskileri@vakifbank.com.tr and investor.relations@vakifbank.com.tr e-mail addresses were set up to make it easier for investors to reach the Bank.

The primary activities conducted by the International Banking and Investor Relations Unit geared toward investors residing abroad in 2009 are listed below.

The Unit participated in 9 investor information conferences; 5 in London and New York, 4 in Istanbul, Bodrum and Göcek.

126 meetings were held at the conferences and road shows as well as at the Bank's Istanbul office and a total of 260 investors/analysts were met with.

Following the investor information conferences attended, the Unit prepared reports in accordance with the information received from the investors and submitted them to the senior management.

The Unit organized conference calls at certain times to present current information about the Bank to investors.

Quarterly investor presentations were prepared to be used during these meetings.

Press releases were prepared pertaining to important developments regarding the Bank and the regulatory authorities and the public were informed about such developments in coordination with the Communications and Media Relations Department and the Investment Banking Department. In addition, international institutional investors were also informed about these developments by means of the investor announcements sent to the mail group created for this purpose.

The Unit was in close contact with all analysts authoring reports about the Bank, provided accurate and healthy information to the analysts regarding the Bank to assist them in drafting the reports and transmitted the Bank's views and opinions about the reports to the analysts.

The "Investor Relations" section with English content published on the http://www.vakifbank.com.tr website was regularly updated and kept current with respect to its content in order to make available the necessary information and documents to the investors, shareholders and other related parties.

Information requests submitted to the e-mail addresses above mentioned are directly responded to by Executive Vice Presidents Birgül Denli and Hasan Ecesoy as well as Dr. Adnan Guzel, Head of the Investment Banking and Subsidiaries Department.

In addition, the International Banking and Investor Relations Group received nearly 702 information requests and all of these requests were responded to by means of the fastest means of communication.

Exercise of Shareholders' Rights to Obtain Information
A total of 822 information requests received by the Shareholder Relations Group and the International Banking and Investor Relations Group were responded to in 2010. The information and events about the Bank such as the dates of the general assembly meetings, the minutes of the general assembly meetings, financial reports, material disclosures, etc. that are of interest to shareholders are made available to the related parties on a regular basis by means of the Bank's website, newspaper ads, mail and telephone. In addition, investors residing abroad are also informed about these developments and events via e-mails by the International Banking and Investor Relations Group.

The information and announcements regarding the Bank's capital increases and dividend payments are published via material disclosures on the Bank's website after the resolution of the Board of Directors and following the completion of the related legal authorizations.

The capital increases and the announcements regarding the General Assembly meetings are disclosed to the shareholders by means of the press in accordance with the provisions of the Turkish Commercial Code and Capital Markets Law.

The agenda of and the letter of invitation for the General Assembly meeting are transmitted via mail to the shareholders who have their addresses registered in the Bank's records at least 15 days prior to the date of the General Assembly meeting.

The necessary announcements are made via the Bank's website before VakıfBank's capital increase transactions commence and these announcements are kept on the website until the completion of the related capital increase transactions.

With respect to the profit distribution activities; the dividends of the Bank's non-publicly traded A, B and C group shareholders are deposited in their dedicated investment accounts at VakıfBank and these funds are invested in VakıfBank's Type B Liquid Mutual Fund until their application for those shareholders who have dematerialized their shares at the Central Registry Agency (CRA). Dividend payments of the publicly-traded D group shareholders are made through the CRA.

During the period, the shareholders' requests for converting their Class B or Class C shares into Class D shares as well as the transfer of Class C shares to their beneficiaries as a result of inheritance were performed; these transactions were recorded into the share register book, dematerialized through the Central Registry Agency and the shareholders were informed regarding these transactions.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Corporate Governance Principles Compliance Report

While the activities toward enhancing the "Investor Relations" concept created on the Bank's website in order to facilitate the exercise of shareholders' rights to obtain information and the other shareholding rights are ongoing, the following categories of information are provided to the investors on the Bank's website.

Information about VakıfBank;
- Shareholding structure,
- Information about the Board of Directors and Senior Management,
- VakıfBank's Charter Act and Articles of Incorporation,
- Information on credit ratings,
- Ethics principles,
- Registry information

Financial information;
- Annual reports,
- Consolidated reports,
- IFRS reports,
- Subsidiary consolidation balance sheet for financial and non-financial participations in the BRSA format

Material Disclosures;
Corporate Governance Report;
VakıfBank's Information Disclosure Policy;

General Assembly;
- Information regarding invitation to shareholders, agenda, proxy forms and blockage (for the current year),
- Attendee lists,
- Meeting minutes

News from VakıfBank

The information and documents specified above are updated regularly.

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

Pursuant to Article 24 of the Banking Law and Article 73 of VakıfBank's Articles of Incorporation, Board Members Halim Kanatcı and Serdar Tunçbilek also serve as the members of the "Audit Committee".

In addition, İsmail Alptekin and Selahattin Toraman serve as the members of the "Corporate Governance and Nominating Committee" to perform the functions stipulated in Article 74 of VakıfBank's Articles of Incorporation.

Information about the General Assembly

During 2010, the Bank's 56th Ordinary General Assembly Meeting was held on March 19, 2010 and the Extraordinary General Assembly Meeting was held on October 22, 2010. The arrangements about the meetings of the Bank's General Assembly are stipulated in the Charter Act and Articles of Incorporation of VakıfBank, which are available on the Bank's website for the viewing of the public.

For the purpose of informing the shareholders prior to the General Assembly meetings, the announcements about the General Assembly meetings are published in the newspaper stipulated in Article 37 of the Turkish Commercial Code and in at least two daily national newspapers as determined by the Board of Directors no later than 15 days prior to the date of the meeting, excluding the dates of the announcement and the meeting. Information about the General Assembly meetings, letters of invitation and proxy forms are published on the Bank's website. Furthermore, these documents are mailed to the shareholders whose current address information is registered in the Bank's records.

The Annual Report produced for submission to the General Assembly is also presented for the information and examination of the Bank's shareholders prior to the date of General Assembly meeting. In addition, the Bank's balance sheet and the profit and loss statements, the agenda of the General Assembly and proxy forms are made available for viewing by the shareholders at all VakıfBank branches. Shareholders who have the right to participate in the General Assembly meetings and performed the required procedures for participation attended the 55th Ordinary General Assembly.

In the letters of announcement and invitation published before the General Assembly meetings, the following information is announced to the shareholders:
- Date, hour and location of the meeting,
- Agenda of the Meeting,
- The body inviting the General Assembly for a meeting (The Bank's Board of Directors),
- The addresses at which the annual report and the balance sheet and profit and loss statements will be made available for the examination of shareholders in case of ordinary meeting announcements (Head Office and VakıfBank branches),
- Proxy forms for shareholders who cannot attend the meeting in person.

The Annual Report prepared for this meeting contains information such as the activities of the Bank in 2010, information about senior management, the Bank's balance sheets, notes to the balance sheet, independent audit report, statutory auditors' report, profit distribution proposal of the Board of Directors, Report on Compliance with Corporate Governance Principles, etc. Upon request, shareholders are given a copy of the annual report by the Investment Banking Shareholder Relations Group before or after the General Assembly meeting.

In both the ordinary and extraordinary meetings of the Bank's General Assembly, all of the shareholders have the right to speak, declare opinion and ask questions about the agenda items regardless of the number of their shares they own. Shareholders can submit proposals on the issues on the agenda of the General Assembly, and these proposals are voted on and resolved by the General Assembly under the procedure in accordance with the legislation and the Bank's Articles of Incorporation.

The minutes of the General Assembly meetings are published in the Trade Registry Gazette of Turkey. The minutes of the General Assembly meetings are sent to shareholders upon request by the Investment Banking Shareholder Relations Group.

The agenda, place, hour and minutes of the General Assembly meetings and the resolutions passed are also announced to the public and our shareholders by way of "Material Disclosures" after the meeting of the General Assembly.

Voting Rights and Minority Rights
VakıfBank is divided into Class (A), (B), (C) and (D) group shares. The nominal values and voting rights of the share certificates of all classes are equal.

Class (D) consists of publicly held shares.

A shareholder who owns or represents ten shares has one vote at the meetings of the General Assembly. Those with more than ten shares have number of votes determined based on the proportion specified above without any limitation.

The Bank's Board of Directors consists of nine members including the CEO. One of the members of the Class (A) is elected by the Prime Minister to represent the General Directorate of Foundations; the other three members of Class (A) and one member of Class (B) and two members of Class (C) are elected by the General Assembly from among the candidates nominated by a majority of their own groups and one member is elected from among the candidates nominated by the shareholders.

Class (D) group has priority in determined this member.

One member elected to the Board of Directors by the General Assembly and one member per each of Class (A) and Class (C) groups are independent members. There is not any member on the Board of Directors elected by minority shares.

In the absence of the Bank's CEO, the Deputy CEO is the ex officio member of the Board of Directors. The CEO and the Chairman of the Board of Directors of the Bank cannot be the same person.

Dividend Distribution Policy and Dividend Distribution Timeline
The principles governing the Bank's profit distribution are stipulated in detail in the Articles of Incorporation of the Bank. The Articles of Incorporation of the Bank is made available on the VakıfBank website for information and examination of the public and shareholders.

The Board of Directors of VakıfBank presents its dividend proposal to the General Assembly and to the information of the shareholders by means of the annual report prior to the General Assembly meeting each year. The dividend distribution proposal of the Board of Directors is discussed and resolved at VakıfBank's General Assembly meeting.

The dividend distribution approved by the General Assembly of VakıfBank is performed within the timeline specified by legislation.

Transfer of Shares
The shares are divided into Class (A), (B), (C), and (D) groups and all of them are registered shares.

The Council of Ministers is authorized to sell and to determine the procedures and principles about the sale of Class (A) shares of the Bank as well as the
Class (B) shares owned by the foundations that are represented by the General Directorate of Foundations.

There is no provision in VakıfBank's Articles of Incorporation limiting the transfer of remaining Class (B) shares (shares owned by foundations that are not controlled by the General Directorate of Foundations), or the shares representing Class (C) and (D) groups.

However, VakıfBank's Board of Directors is authorized to convert Class (B) shares that are owned by registered and added foundations (upon the consent of the General Directorate of Foundations) as well as Class (C) shares into Class (D) shares upon the demand of the shareholders.

II - PUBLIC DISCLOSURE AND TRANSPARENCY

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

The following categories of information are disclosed to the public within the scope of the Bank's information disclosure policy:
• Announcement of issues (agenda, proxy, invitation to shareholders) to be discussed at the General Assembly meeting via the press and Internet,
• Making the mandatory announcements via the Trade Registry Gazette of Turkey and daily newspapers for changes in Articles of Incorporation, General Assembly meetings, capital increases and dividend payments,
• In accordance with the Banking Regulation and Supervision Agency (BRSA) regulations; the annual report is prepared with the statutorily required information and announcements prior to the General Assembly meeting each year, provided to the shareholders for their examination, published

on the Bank's website (http://www.vakifbank.com.tr) and hard copies are made available by the Investor Relations Group upon request or at the Bank's branches,
• Disclosure of the Bank's dividend policy via the Istanbul Stock Exchange (ISE) and the Bank's website,
• Submitting quarterly unconsolidated and consolidated financial statements and notes to these statements prepared in accordance with BRSA regulations as well as the independent audit report to the ISE within the statutorily stipulated timeline and publishing these reports and information on the Bank's website,
• Timely submission of Material Disclosures to the ISE as required by Capital Markets Board (CMB) regulations,
• The Bank makes press releases via the print or visual media when necessary. These print or visual media press releases can only be prepared by the Chairman of the Board of Directors, the CEO, the Deputy CEO or a person officially authorized by either one of them.

Material Disclosures
Pursuant to the Communiqué on the Principles Regarding the Public Disclosure of Material Events issued by the Capital Markets Board, 84 material disclosures were made in 2010 pertaining to issues affecting the Bank or the Bank's operations.

The material disclosures that are prepared and made centrally by the Investment Banking Group are also forwarded regularly to the overseas-based fund managers, institutional investors and other investors via e-mail by the International Banking and Investor Relations Group. The Bank did not receive any request for supplemental material disclosures from the Istanbul Stock Exchange with respect to its material disclosures.

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

VakıfBank Website and Its Content
The Bank's website can be reached at http://www.vakifbank.com.tr.

The Investor Relations section of VakıfBank's website contains the following information:

Information about the Bank
• Shareholding Structure
• Board of Directors and Senior Management
• VakıfBank Articles of Incorporation
• VakıfBank Charter Act
• Credit Ratings
• Ethics Principles
• Trade Registry Information

Financial Information
• Annual Reports
• Consolidated Reports
• Unconsolidated Reports
• IFRS Reports
• Subsidiary Consolidated Balance Sheet for Financial and Non-financial Participations in the BRSA Format

Material Disclosures
• Material disclosures made in 2005, 2006, 2007, 2008, 2009, 2010.

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Corporate Governance Principles Compliance Report

Corporate Governance Report
• Corporate Governance Report

General Assembly
• Ordinary General Assembly Agenda, Invitations to Shareholders, Proxy Forms
• Annual Report
• General Assembly List of Attendees
• General Assembly List of Attendees for 2005, 2006, 2007, 2008, 2009, 2010
• General Assembly Meeting Minutes
• Minutes from 2005, 2006, 2007, 2008, 2009, 2010

News from VakıfBank

Disclosure of Real Person Ultimate Controlling Shareholder(s)
There is no real person controlling shareholder in the Bank. None of the Bank's real person shareholders own more than 5% of the Bank's outstanding shares.

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

Public Disclosure of Persons with Access to Inside Information
Pursuant to Article 73 of the Banking Law; banks' partners, Members of their Board of Directors, their relatives and persons assigned to act on behalf of them are prevented from disclosing the secrets about the banks and their clients that they learn as a result of their positions and duties to any parties other than the people and entities that are clearly authorized by law in this respect.

Information about the Bank's financial, economic, credit and cash position that are known by the members of the Bank's executive and audit functions, their relatives and other officials consist of;
• Bank's customer potential,
• names of its customers,
• lending, deposit collection and strategic management principles,
• information that would potentially harm the Bank's competitive position if it were acquired by its rivals and thus that should not be disclosed to third parties or to the public,
• research and product development initiatives,
• operating strategy, pricing policy and marketing tactics,
• all information, documents, electronic records and data regarding its major contracts and risk positions.

With deference to principles and limitations stipulated in the Banking Law and other laws, Bank's secrets cannot be revealed, used or given to third parties by the Bank's official bodies and their officers. This responsibility continues after the termination of employment.

The Bank prepared a list of individuals who work for the Bank pursuant to an employment contract or other means and have regular access to insider information, updates this list when there is change and stands ready to send the list to the Capital Markets Board and the Istanbul Stock Exchange. This list kept confidential for at least eight years.

A separate list of persons with access to insider information is not disclosed. The members of the Board of Directors and members of the senior management who can be in that position are listed in the annual reports and on the Bank's website.

III – STAKEHOLDERS

Disclosure of Information to Stakeholders
VakıfBank stakeholders and investors are informed in accordance with the public disclosure principles.
In addition, the corporate website is also used for giving stakeholders access to information about which they need to be informed.

Information requests, wishes and complaints of customers about the Bank's products and as well as customers' problems are tended to and resolved by all units of the Bank in the most effective manner.

An Information System Portal was created for providing information to the employees. All of the announcements were migrated to a system-based format by means of this portal, which is an intra-Bank information sharing system. Since access to all information within the company is available over the system, employees can reach any information they need quickly and from various points in the most efficient manner. Therefore, this platform enhances employee satisfaction as well as preventing loss of time and effort. VakıfBank's purpose in launching this portal was to cut costs and achieve faster communication.

Stakeholder Participation in Management
The Bank's stakeholders are represented in its management as stipulated in the Articles of Incorporation as follows:

The Bank's Board of Directors consists of nine members including the CEO. One of the members of the Class (A) is elected by the Prime Minister to represent the General Directorate of Foundations; the other three members of Class (A) and one member of Class (B) and two members of Class (C) are elected by the General Assembly among the candidates nominated by the majority of their own groups and one member is elected amongst the members nominated by the shareholders; the latter member is determined taking into consideration the preferences of Class (D) group. Three of the nine Members of the Board of Directors are elected as independent members.

The employees and pensioners of VakıfBank participate in the management by means of the Türkiye Vakıflar Bankası T.A.O. Employees Pension and Health Benefits Fund Foundation, which owns 16.10% of the Bank's share capital.

Activities toward enhancing the communication among the Bank's personnel are carried out with the purpose of establishing efficient and productive work relations and creating team spirit among the employees of the Bank. Participation in management is always encouraged and the employees are provided with means and opportunities to have access to and to express their wishes and recommendations to the senior management. To this effect, an e-mail address was created as part of the Bank's restructuring efforts in order to enable all employees at every level and with any title to participate in the Bank's management with the purpose of ensuring efficiency in the implementation of restructuring operations and increasing productivity, effectiveness and performance. The suggestions submitted to this e-mail address are examined and evaluated.

Human Resources Policy

Aware of the fact that the success of the growth strategy it has adopted in the recent years, and the achievement of the targets set in line with the still ongoing restructuring project are mostly dependent on its human resource; the Bank is continuously undertaking improvement efforts in the recruitment, promotion, performance evaluation, career planning and training processes.

VakıfBank recruits new personnel in order to meet the staffing needs arising from the creation of new branches and new units, and expanding business volume in connection with the Bank's growth strategy and its restructuring project. The Bank accepts applications from candidates with degrees from four-year banking-related departments and institutes of Turkey's leading universities; candidates who try to improve themselves, hold advanced degrees, and are fluent in foreign languages are preferred.

Employees to be recruited in assistant auditor, assistant financial analyst, assistant specialist and officer positions are given at least one written and one oral exam. The Bank's personnel by-laws clearly stipulate the operation and conditions of the recruitment process. The same bylaws also set out career steps for the Bank's employees and the required qualifications; the employees are promoted in accordance with these predetermined plans.

As part of the restructuring project, performance evaluations are conducted for branch employees who have assumed TPY (Commercial Portfolio Manager), BPY (Individual Portfolio Manager) and SS (Sales Representative) roles, as well as for the branches, regional directorates and the Head Office. Performance-based bonuses are paid to the entire personnel of the Bank.

Furthermore, employee performance is measured according to objective criteria, and their qualifications and the fields in which they can be productive are evaluated. A record model is in place, which is aimed at assessing the employees in view of their roles and responsibilities; the model is updated at certain intervals, and the Bank aims to assess its employees from every aspect.

The training programs are developed and carried out in line with the analyses made to identify training needs of the personnel and the training requests received.

The Bank's personnel are subject to the provisions and principles of private law and their employment is governed by the provisions of the Labor Law No. 4857, which is still in force. The Bank's personnel are members of the Union of Bank and Insurance Workers (BASS), and the employment conditions of the personnel are determined by the Collective Bargaining Agreements (TIS) concluded between the Bank and this union. Currently, the 19th Period TIS, which is effective from May 1, 2009 until April 30, 2011, is in force.

The relations between the employees and the employer are conducted by means of the managers and representatives of this union.

Requests and complaints of the Bank's employees regarding their working conditions, benefits, duties and responsibilities are transmitted to the employer via the union representatives and followed up closely. The full names and positions of the union administrators are listed below.

Name & Surname	Title
Turgut YILMAZ	General Secretary
Erol DEMİR	General Secretary
Salih KALFA	General Secretary of Education
Mustafa EREN	General Secretary of Finance
Gökhan EYGÜN	General Secretary of Organization

Relations with Customers and Suppliers

A "Customer Problems Solution Centre" unit was established within the Bank in order to ensure customer satisfaction. This unit can be reached on the Internet and all requests, complaints or gratifications about the Bank's products and services can be transmitted to the related unit via e-mail. Furthermore, clients can resolve all of their banking transactions with a single call through the Vakıfbank-724 branch via by dialing 444 0 724.

All practices regarding the suppliers are conducted in accordance with the Labor Law and other legislation. The recruitment, promotion and dismissal policies are documented in writing in the personnel by-laws.

Social Responsibility

In addition to the successful results attained in 2010, VakıfBank extended support to sports and athletes, to various assistance and solidarity associations and organizations that will contribute to financial and technological advancement of our country, and also sponsored various cultural, artistic and educational events and projects.

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VakıfBank sustained its long-lasting support to the Turkish arts and artists by opening 61 exhibitions throughout 2010 at art galleries in Ankara and İstanbul. The Bank also reinforced its contribution to the arts by extending support and opportunities for the continued activities and concerts of the Turkish Art Music and Turkish Folk Music choirs comprised of VakıfBank employees.

The importance attached by the Bank to the press has found further evidence in the support extended by VakıfBank to the "TFMD Press Photo of the Year 2009" competition organized by the Turkish Photojournalists Association (TFMD) from March 12, 2010 until December 31, 2010.

One of the major supporters of the Turkish sports for nearly 25 years with VakıfBank Güneş Sigorta Women's Volleyball Team, our Bank continued to support sports also during 2010. Becoming the main sponsor of Turkey's Women's National Volleyball Team, the Bank led the significant achievements of our National Team and the promotion of the Turkish sports to an important level. The Bank also gave support to Ahi Evran Summer Biathlon Turkey Championships, the second leg of the Biathlon World Championships and the Turkish National Team qualifications.

Our Bank showed that it stands by our handicapped citizens, who are unfortunately always regarded of secondary importance in our country, by sponsoring Ayvalık 18th Handicapped Cultural and Artistic Activities organized by the Federation for the Handicapped between September 14-19, 2010. Fulfilling more than its share of social responsibility, VakıfBank was also honored with an award by TEMADER, an association of terror victims and their families whose activities have been long receiving support from the Bank.

One of the greatest supporters of Turkey's most deep-rooted establishments and of the SMEs, VakıfBank also sponsored the 23rd Ahi Week Celebrations held in İstanbul and Kırşehir on October 11-17, 2010, co-organized by the Ministry of Industry and Trade, Directorate General for Craftsmen and Tradesmen, and the Association of Craftsmen and Tradesmen. This was yet another endorsement of the Bank's constant support to tradesmen and artisans.

In 2010, VakıfBank continued to spend its best efforts to support the financial progress of our country by taking part in national and international events. The Bank sponsored the ADFIMI Development Forum 2010 organized on October 5-6, 2010 by ADFIMI (Association of National Development Finance Institutions in Member Countries of The Islamic Development Bank), of which it is a member.

In addition, the Bank sponsored Euromoney Turkey Finance&Invesment Forum held on June 16th, and the Active Academy 8th International Finance Summit organized on December 8th and 9th, thus playing a major role in the financial development of Turkey in the international platform. VakıfBank was honored with an award at the Finance Summit for its contributions to foreign trade.

During the course of 2010, VakıfBank continued to give support in the fields of sports, education, finance, culture and the arts, and gave financial and moral support for the realization of various activities.

V – BOARD OF DIRECTORS

Structure, Composition and Independent Members of the Board of Directors

Name & Surname	Position	Appointed on
Hasan SEZER	Chairman of the Board of Directors Member of the Board of Directors (A) (Credit Committee Alternate Member)	19.03.2010
Ahmet CANDAN	Deputy Chairman of the Board of Directors Member of the Board of Directors (A) (Credit Committee Member)	19.03.2010 01.04.2010
Süleyman KALKAN	CEO Ex Officio Member of the Board of Directors	19.03.2010
Halim KANATCI	Member of the Board of Directors (A) (Audit Committee Member)	28.04.2009 05.11.2010
İsmail ALPTEKİN	Member of the Board of Directors (A)- Independent (Corporate Governance and Nominating Committee Member)	06.04.2009 07.04.2009
Dr. Adnan ERTEM	Member of the Board of Directors (B) (Credit Committee Alternate Member)	27.10.2010 03.11.2010
Ramazan GÜNDÜZ	Member of the Board of Directors (C)- Independent (Credit Committee Member)	06.04.2009 07.04.2009
Selahattin TORAMAN	Member of the Board of Directors (C) (Corporate Governance and Nominating Committee Member)	19.03.2010
Serdar TUNÇBİLEK	Member of the Board of Directors (D)- Independent (Audit Committee Member)	24.07.2007 01.04.2010

Qualifications of the Members of the Board of Directors
The minimum qualifications required to be eligible to serve on the Bank's Board of Directors are identical to the qualifications stipulated in Articles 3.1.1, 3.1.2 and 3.1.5 of Section IV of Corporate Governance Principles of the Capital Markets Board.

Mission, Vision and Strategic Goals of the Bank

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

Vision
With the products and services we offer, as well as the trust we inspire, our vision is to become Turkey's leading bank and be the 'primary banking partner' of customers.

Goals
- Increasing our market share by creating change via the Restructuring Program,
- Ensuring healthy growth,
- Achieving unconditional customer satisfaction,
- Addressing any and all financing needs,
- Adhering to a broad-based deposit policy,
- Developing and launching new products and services,
- Increasing non-interest income,
- Reducing costs,
- Enhancing employee development and motivation while pursuing these goals, since employees are the Bank's most valuable asset.

Risk Management and Internal Control Mechanism

Internal Control
Pursuant to Article 29 of the Banking Law; in order to monitor the risks they are exposed to and to keep these risks under control, banks are obligated to establish and operate an adequate and effective internal control, risk management and internal audit system that is compatible with the scope and structure of their operations, that adapts to changing conditions and that covers all branches and consolidated subsidiaries.

The Bank conducts its internal control activities within the framework of the provisions of the Regulation on Banks' Internal Systems, which was published in the Official Gazette issue 26333, dated November 1, 2006, regarding internal control, risk management and internal audit systems of the banks, and these activities cover all of the Bank's domestic and international branches, consolidated subsidiaries, Head Office units and all of the Bank's operations.

The Bank's internal control activities are executed under the supervision of the Audit Committee, which consists of certain members of the Board of Directors.

The internal control system was formulated from the procedures, principles and methods put forth by the Internal Control Department. It was structured to ensure that the Bank's activities are conducted in line with legislation and regulations, as well as the Bank's strategies, policies, principles and targets; account and record-keeping system is functioning reliably; and financial and operational risks are kept at a manageable level.

In this scope, systems were created so as to prevent errors and fraud by way of implementation procedures, business flows, separation of authorities, duties and responsibilities, authorization and approval mechanisms, cross checks, signature authorities, rules geared toward safeguarding cash and countable securities, and systematic self controls. Necessary reviews and updates are performed in line with changing needs and circumstances, and technological developments.

The internal control system protects the Bank from financial losses and legal sanctions stemming from flawed operation of implementation processes and systems, personal errors and fraud, while identifying potential exposure and taking actions against them.

Prior to introduction new products, services and related processes and systems are evaluated, and risk analyses are performed thereon, thereby aiming to establish self-control and systemic controls in processes. Risk-oriented systemic and standard controls are developed and implemented, which will make sure that the Bank's activities are conducted in line with the Board of Directors decisions, Head Office instructions, predetermined guidelines and restrictions.

Internal control activities are carried out in view of the Bank's scale and activities, by an adequate number of auditors possessing the qualifications as required by their duties, powers and responsibilities. Regulatory arrangements concerning the conduct of activities are monitored and necessary actions and measures are taken.

Risk Management
Pursuant to Regulation on Banks' Internal Systems; the Board of Directors is responsible for the development of internal systems and ensuring effective, adequate and appropriate operation of these systems.

In this context; Board of Internal Auditors, Internal Control Department and Risk Management Department were created such that the duties and responsibilities of each are clear, there is no conflict of duties between them and they will work together in a coordinated fashion.

Structured to report directly to the Board of Directors via an Audit Committee member, the Risk Management Department operates in accordance with local legislation and international regulations and standards.

Authorities and Responsibilities of the Members of the Board of Directors and the Executives
The duties, authorities and responsibilities of the members of the Bank's Board of Directors are specified in Articles 56 and 59 of the Bank's Articles of Incorporation in accordance with the principles determined as per the provisions of the Turkish Commercial Code and the Banking Law.

Operating Principles of the Bank's Board of Directors
The Bank's Board of Directors is obliged to convene no fewer than twice a month upon the invitation of the Chairman or the request of at least two members as required by the Bank's operations and business. However, in the case that there are no issues to be discussed in the agenda, the meeting can be postponed for one time only upon the approval of the Chairman (Article 53 of the Bank's Articles of Incorporation).

The meeting agendas are set according to the memorandums received from the Head Office departments; reports requested by the Board of Directors from the Bank's executives and various issues brought up by the Members of the Board are discussed during the meetings. The agenda and the related documents are distributed to the members before the meeting.

The information and communication services for the Members of the Bank's Board of Directors are carried out by the Board of Directors' Office.

The Board of Directors held 48 meetings in 2010. All of the opinions and objections expressed by the members during the meetings of the Board of Directors are recorded in the minutes. The members participate in person at the meetings where issues specified in Article 2.17.4 of Section IV of Corporate Governance Principles published by the Capital Markets Board are to be discussed.

Prohibition from Doing Business or Competing with the Bank
Pursuant to Article 60 of the Bank's Articles of Incorporation, the members of the Board of Directors cannot be engaged in any business relationship with the bank directly or indirectly for themselves or on behalf of others or become an executive member of any other company or institution doing business with the Bank without the permission of the Bank's General Assembly.

Ethics Rules
Embracing the principles of preventing unfair competition and maintaining stability and confidence in the banking industry, increasing the service quality, and maintaining the existing distinguished image of the banking profession in the society; the Bank's Board of Directors has adopted the Banking Ethics Rules that were formulated by the Banks Association of Turkey with resolution No. 74205 dated February 16, 2006 and committed to adhere to these principles. This resolution was approved at the Bank's General Assembly held on March 31, 2006.

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Number, Structure and Independence of the Committees established by the Board of Directors
Audit Committee, Credit Committee and Corporate Governance and Nominating Committee were formed from among the members of the Board of Directors in accordance with the Banking Law No. 5411, the Regulation on the Banks' Corporate Governance Principles issued by BRSA (Banking Regulation and Supervising Agency), the Corporate Governance Principles issued by CMB (Capital Markets Board) and the Bank's Articles of Incorporation.

The Audit Committee consists of Serdar Tunçbilek, who was appointed on April 1, 2010, and Halim Kanatcı, who was appointed on November 11, 2010. The Audit Committee convenes at the times specified by the Chairman of the Audit Committee at least once a month.

The Credit Committee consists of two full and two alternate members. Ramazan Gündüz and Ahmet Candan are the full members whereas Hasan Sezer and Dr. Adnan Ertem are the alternate members. The Credit Committee convenes every 15 days in general but holds extraordinary meetings in case of emergencies. The date of meeting is determined by the CEO according to the number and the urgency of the items on the agenda received by the secretariat of the meeting.

The Corporate Governance and Nominating Committee consists of Selahattin Toraman and the Independent Board Member İsmail Alptekin. The Corporate Governance and Nominating Committee convenes at the dates specified by the Committee Chairman at least twice a year, generally every three months but not to exceed six months between meetings.

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

Yours sincerely;

İsmail ALPTEKİN
Member of the Corporate
Governance and Nominating
Committee

Selahattin TORAMAN
Member of the Corporate
Governance and Nominating
Committee

PART III: ASSESSMENT ON FINANCIAL INFORMATION AND RISK MANAGEMENT

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Assessment of the Functioning of Internal Systems and Activities Performed during the Year

Audit activities in 2010 consisted of on-site audits, central audits and information technology application audits.

The audit of the units that are responsible for the operation of the Bank's internal systems are performed within the framework of the Regulation on Banks' Internal Systems that was published by the Banking Regulation and Supervision Agency on November 1, 2006, under the direct oversight of the Board of Directors via the Audit Committee and in a way to cover all operations of the Bank.

Internal Audit Activities

In line with the Internal Audit Plan for 2010, audit activities in 2010 consisted of on-site audits, central audits and information technology application audits.

As part of the on-site audit activities in 2010; operations of 442 branches, 98 satellite branches, 47 Head Office units, two overseas branches and one overseas subsidiary were audited with respect to whether these operations were performed in line with the Banking Law and other laws and regulations as well as the Bank's internal strategies, policies, principles and targets. Within the scope of Article 32 of the Regulation on Banks' Internal Systems, monitoring activities were carried out regarding the issues that were brought up in auditors' reports following the audits and conveyed by the Board of Internal Auditors to the Executive Vice Presidents and/or Head Office Units authorized to take necessary corrective measures.

In line with the regulations of the Banking Regulation and Supervision Agency as well as the risk-based periodic audit vision, the Board of Internal Auditors focused on central audit activities. The enquiries formulated as part of the central audit were revised in 2009 and the audits of branches and units that carry higher risk were given higher priority. The effectiveness of the coordination between the internal audit and internal control functions was enhanced by allowing Internal Control employees access to central audit findings regarding their branches via the audit portal that is created and kept current by the central audit staff.

Efforts were expended to correct the deficiencies identified during these audits and to eliminate or insure the Bank's losses resulting from operational risks. In addition, the necessary survey and investigation reports about the responsible parties were generated and submitted for the information of the senior management along with recommendations to prevent similar risk-bearing activities.

As part of the compliance audits; all operations, new transactions and products developed or planned by the Bank were assessed for compliance with the Banking Law, other legislation, Bank's internal policies and rules and banking trends and the conclusions reached were reported.

Internal Control Activities

The internal control system has been set up to protect the Bank's assets; to conduct the Bank's activities in compliance with legislation, internal bylaws, arrangements, the Bank's policies, strategies and objectives; to soundly establish the accounting and recording structure and the financial reporting system. It has been structured so as to enable its monitoring, evaluation and reporting based on an approach that will enable prevention of financial and operational risks.

Internal control activities were performed to cover all of the Bank's domestic and overseas branches and all the operations of the Head Office units.

Based on auxiliary documents created at the internal control center, priority was given to branches with rapid increases in their amounts and intense operational errors such as in loans, deposits, follow-up and delinquency risks, also taking into consideration their impact on the Bank's balance sheet; in addition, such branches were assigned different control durations and periods, auditors were referred to centrally identified risky areas and the control activities were caused to be carried out in shorter time periods, employing more efficient methods.

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Assessment of the Functioning of Internal Systems and Activities Performed during the Year

Operational errors and deficiencies that were identified during the internal control activities were first shared with the employees who perform the tasks; it was ensured that supplementary and preventative measures were taken rapidly. The operational errors and deficiencies that were not fixed were mentioned in reports and were recorded in the database with predetermined codes. An assessment of the data quantified in this database was performed, and a report was created and submitted to the senior management featuring the frequent operational errors and deficiencies as well as opinions and recommendations regarding process improvements for the elimination of these errors and deficiencies.

Major violations, transactions that caused the Bank to incur losses, and irregular, fraudulent transactions and those involving misconduct which are deemed to incorporate high risks were referred to the Board of Internal Auditors.

Findings of the central audit team regarding selected transactions were examined in detail at branches before the risk arose, and physical document checks were performed, upon which conclusions were reported on the Central Audit system.

New products and new implementations planned to be introduced at the Bank and the revisions to be made in the systems, along with related designs and projects were reviewed in terms of their compliance with the Bank's overall practices and rules of conduct, legislation and regulations; feedbacks were provided on control points deemed necessary, taking into consideration the potential risks involved and their impact on practices and processes. The Bank aimed to implement new products and new projects without giving rise to risks.

Audit trails and worksheets were maintained, which allow monitoring internal control activities, control fields, methodology, documents used, and control outcomes together with their interrelations; this enabled retrospective follow-up and auditing of operations.

By closely monitoring the progresses in audit and control methods and in information technologies, it is targeted to make use of information technologies in audit activities, perform international audit methods, consider IT risks as part of the Bank's risk management, thus carrying out the IT controls in relation to processes as a part and continuation of process implementation controls.

Internal control activities are planned in coordination with business units, consultancy is furnished to the same regarding their activities, process improvement and operational efficiency are ensured, and risk awareness and necessary controls are provided in an effort to support the Bank to capitalize on development opportunities.

Risk Management Policies by Types of Risks

During 2010, risk management activities continued in parallel with risk management policies approved by the Board of Directors, legislation and international practices. The Bank closely monitored the BRSA's Basel II draft guidelines and the capital adequacy guidelines of the Basel Committee (Basel III), and studies were carried out in relation to the possible effects of these guidelines upon the Bank's capital adequacy ratio.

Scenario analyses also continued during the reporting period regarding the impacts of economic developments and outlook on capital adequacy standard ratio. Structural interest rate risk was monitored closely through gap/duration analyses and standard interest rate shock analyses. These research findings that are reported to the Audit Committee and the Bank's senior management are also discussed at the Asset-Liability Management Committee meetings.

Credit Risk Management Policy Document, Operational Risk Policy and Implementation Principles Document, and Operational Risk Framework were reviewed and updated.

As part of operational risk management, the Bank collects operational risk loss and potential risk data that will allow the application of advanced measurement approaches. Currently, the Bank has collected eight years of operational risk data. Operational loss data were analyzed in order to identify the risk factors, and the findings were reported to the management levels of the Bank. The efforts to improve the technical infrastructure of the Operational Risk Database and to convert it into a web-based platform were brought to completion and are now ready for data input by relevant units.

The Impact Analysis activities are in progress, which cover the Head Office units and seek to take operational risks under control through analysis of business processes by the Risk Management Department, identification of ineffective and inadequate controls, and adoption of necessary measures.

The operational risk management approach of the Bank is to create a proactive control culture that encourages all employees to identify and assess the risks in their tasks, report the risk-related issues to their managers, and take the necessary steps to make the control function more effective. The Impact Analysis efforts within this scope are performed in task force meetings, employing self-assessment method.

In addition to impact analysis work, as part of the information systems risk management initiative, the Bank is conducting efforts for determining the recovery time objective (RTO) and recovery point objective (RPO) for the information systems in business processes, determining alternative systems and analyzing the impacts of risks that may arise.

Reports issued as a result of the abovementioned efforts and improvement action plans are reported to the relevant unit, the Audit Committee, senior management, the Board of Internal Auditors and the Internal Control Department. Action plans determined and approved to be implemented are monitored to establish whether they are implemented properly. The initiative is planned to be repeated at certain intervals.

The Risk Management Department's activities in compliance with Basel II and the European Union capital adequacy regulations and developing the risk management applications in accordance with international best practices are still ongoing.

Risk Management Policies by Types of Risk

Market Risk: Market risk exposure occurs as a result of the changes and fluctuations that may occur in the foreign exchange rates, interest rates and stock prices. The market risk exposure of the Bank stemming from its trading activities is measured and monitored using the standard method and internal models in parallel to the local and international practices.

The market risk measurement results that are calculated as of the end of each month using the standard method within the framework of the provisions of "Regulation on the Measurement and Assessment of Banks' Capital Adequacy" are reported to the Bank's Senior Management and the Banking Regulation and Supervising Agency monthly on unconsolidated basis and quarterly on consolidated basis.

Risk Management Policies by Types of Risks

In addition, Historical and Simulation methods are used for internal model-based VaR calculations. This method meets the needs of the Bank considering the structure of the Bank's portfolio and the market environment in Turkey.

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

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

The Bank started working on creating a new VAR model, taking into consideration the developments in the Bank's portfolio structure and the possible changes in national and international regulations; these efforts are almost completed. Upon finalization of these efforts, VAR will be calculated using one of the Parametric, Historical Simulation or Monte Carlo Simulation methods.

In order to ensure restriction of market risks, the Overall Bank Limit and VAR-Based Limit practices are in place, which are monitored on a daily basis.

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

Liquidity Risk: The Bank's approach to liquidity risk management is based on the principle of monitoring the liquidity risk throughout the day on a continuous basis. To this effect, cash inflows and outflows in TL and FX are closely monitored every minute, long-term cash flow tables are created, and scenario analysis and stress tests based on the previous experiences and expectations are performed in order to determine the Bank's resilience against sudden crises. In addition, the bank also adheres to the liquidity-related regulations of the regulatory authorities.

Operational Risk: Operational risk is the possibility of incurring loss that may result from factors such as overlooking the errors and irregularities as a result of the defects in the Bank's internal audits, the failure of the Bank's management and personnel to act timely and in accordance with the market conditions, the judgment errors of the Bank's management, the errors and breakdowns in the information technology systems, the acts of God such as earthquake, fire, flood as well as terror attacks.

Oversight of operational risks is performed by the Board of Internal Auditors and the Internal Control Department whereas the Risk Management Department is responsible for the evaluation and analysis of the data obtained and the creation of the operational risk database. In addition, joint work is conducted with the Board of Internal Auditors to create the "VakıfBank Risk Map".

The operational loss data collected from the Board of Internal Auditors, Internal Control Department, General Accounting and Financial Affairs Department, Human Resources Department, Treasury Operations Department, Credit Cards Department and Banking Operations Department are analyzed regularly by the Risk Management Department and the risk factors that the Bank is exposed during the course of its operations are identified. These findings are reported to the Board of Directors, Audit Committee and the Bank's Senior Management.

Operational Risk Framework, which is a common dictionary that comprehensively identifies all major risks the Bank is exposed to by category and includes definitions and examples, and the Operational Risk Policy and Implementation Principles were updated in 2010.

The operational risk capital requirement is calculated on unconsolidated and consolidated basis within the scope of the Key Indicator Approach pursuant to the "Regulation on the Measurement and Assessment of Banks' Capital Adequacy", and Value at Operational Risk is reported annually to the Bank's senior management and the Banking Regulation and Supervision Agency. Our ultimate goal is to use advanced measurement approach in operational risk measurement.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Risk Management Policies by Types of Risks

Credit Risk: Credit risk arises from the failure of counterparty to partially or entirely fulfill its commitments in accordance with contractual requirements. The credit risk definition of the Bank is based on the credit risk definition of the Banking Law and includes the credit risk involved in all products and activities.

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

The Bank uses rating and scoring models for assessing the borrower's credit quality. During 2010, the Risk Management Department carried out a work to validate the Credit Rating Model and shared the outcomes with relevant units and the Audit Committee. In order to determine the risks resulting from concentration of loans and create a balanced loan portfolio, sector-based concentration limits and country risk limits were set, which are updated in view of the Bank's credit policy and economic developments. A key target in the Bank's credit risk management is to implement credit risk internal methods in accordance with Basel II, the European Union Capital Adequacy Regulation and the international best practices.

Legal Compliance

The Bank's Board of Directors established the Legal Compliance Department with its resolution dated January 22, 2009 in an attempt to fight more effectively against the laundering of proceeds of crime and to prevent the use of the financial system by criminals, within the frame of the Law No. 5549 on Prevention of Laundering Proceeds of Crime and related regulations,

Approved by the Board of Directors and enforced as of May 14, 2009, the Bank's Policy Document on the Prevention of Laundering Proceeds of Crime and the Financing of Terrorism has been revised and renamed as "Policy Document on the Prevention of Laundering Proceeds of Crime and Financing of Terrorism and Implementation Principles" in an effort to set forth the principles and approaches that will form the basis for the prevention of proceeds of crime and financing of terrorism, and the implementation principles. The said document has been approved and enforced by the Board of Directors on October 15, 2010.

Within the frame of training activities that we are obliged to provide pursuant to applicable legislation, face-to-face and e-learning training programs were developed by the joint efforts of the Legal Compliance Department and the Training Department for the entire personnel including new hires, so as to create awareness on the prevention of laundering proceeds of crime and financing of terrorism.

The policy document mentioned above will be converted into a training module and assigned to all of the Bank employees within the scope of e-learning trainings as of 2011. In addition to in-house training programs, VakıfBank employees attend training sessions on this issue organized by the Financial Crimes Investigation Board (MASAK) of the Ministry of Finance of Turkey and the Banks Association of Turkey.

Furthermore, the Bank is represented at the MASAK task force of the Banks Association of Turkey by the Legal Compliance Department.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Independent Auditors' Report

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

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

We have audited the consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its financial subsidiaries as at 31 December 2010 and the related consolidated statements of income, cash flows, changes in equity and a summary of significant accounting policies and notes to the consolidated financial statements. We did not audit the financial statements of certain consolidated companies as at 31 December 2010, which statements reflect total assets constituting 4 percent; and total operating income constituting (2.35) percent as at and for the year ended 31 December 2010 of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our audit report, insofar as it relates to the amounts included for those companies is based solely on the reports of the other auditors.

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Independent Auditors' Opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its financial subsidiaries as at 31 December 2010 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 Articles 37 and 38 of (Turkish) Banking Law No. 5411 and the statements and guidances published by the BRSA on accounting and financial reporting principles.

Istanbul, Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

23 March 2011

Özkan Genç
Partner

Additional paragraph for convenience translation to English:

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries Consolidated Financial Report as at and for the Year Ended 31 December 2010

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The consolidated financial report as at and for the year ended 31 December 2010 prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE YEAR
- INFORMATION RELATED TO THE FINANCIAL POSITION OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

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

23 March 2011

Ahmet CANDAN Deputy Chairman of Board of Directors	Serdar TUNÇBİLEK Board Member Audit Committee Member	Halim KANATÇI Board Member Audit Committee Member	Süleyman KALKAN General Manager and Executive Director of the Board
Metin Recep ZAFER Executive Vice President		Mitat ŞAHİN Director of Accounting and Financial Affairs	

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

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

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

SECTION ONE

General Information

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

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

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

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

As at 31 December 2010 and 2009, The Bank's paid-in capital is TL 2,500,000, divided into 250.000.000.000 shares with each has a nominal value of 1 Kuruş.

The Bank's shareholders' structure as at 31 December 2010 is stated below:

Shareholders	Number of Shares-100 shares	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Foundations represented by the General Directorate of the Foundations (Group A)	1.075.058.640	1,075,059	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402.552.666	402,553	16.10
Appendant foundations (Group B)	386.224.785	386,225	15.45
Other appendant foundations (Group B)	4.623.522	4,623	0.19
Other real persons and legal entities (Group C)	1.797.832	1,798	0.07
Publicly traded (Group D)	629.742.555	629,742	25.19
Total	**2.500.000.000**	**2,500,000**	**100.00**

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

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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Business Administration
Board of Directors				
Hasan Sezer*	Chairman	19 March 2010	University	27 years
Ahmet CANDAN	Deputy Chairman	19 March 2010	University	23 years
Süleyman KALKAN	Member – General Manager	19 March 2010	University	27 years
Serdar TUNÇBİLEK	Member	24 July 2007	University	27 years
İsmail ALPTEKİN	Member	6 April 2009	University	12 years
Ramazan GÜNDÜZ	Member	6 April 2009	University	32 years
Halim KANATCI	Member	28 April 2009	University	37 years
Selahattin TORAMAN	Member	19 March 2009	University	33 years
Dr. Adnan ERTEM	Member	27 October 2010	PHD	22 years
Audit Committee				
Serdar TUNÇBİLEK	Member	1 April 2010	University	27 years
Halim KANATCI	Member	5 November 2010	University	37 years
Auditors				
Mehmet HALTAŞ	Auditor	19 March 2010	University	33 years
Yunus ARINCI	Auditor	19 March 2010	Master	13 years
Executive Vice Presidents				
Mehmet CANTEKİN (Senior Executive Vice President)	Loans Follow-up, Directorates of the Regions	28 December 2007	Master	18 years
Şahin UĞUR	Support Services	9 August 2004	University	25 years
Feyzi ÖZCAN	Retail Banking, Retail Loans, Corporate Salary Payments, Credit Cards ,Cards and Member Business Operations	20 September 2005	University	21 years
Metin Recep ZAFER	Accounting and Financial Affairs, Planning and Performance, Subsidiaries, Treasury and Foreign Operations, Banking Operations, Alternative Distribution Channels	13 June 2006	PHD	15 years
Birgül DENLİ	Private Banking, International Relations and Investor Relations	15 June 2006	Master	17 years
Ömer ELMAS	Legal Services, Loans Follow-up	5 January 2009	Master	9 years
Remzi ALTINOK	Commercial Loans, Corporate Loans, Intelligence	7 May 2010	University	19 years
İbrahim BİLGİÇ	Commercial Banking, Corporate Banking, Corporate Centers, Liquid Management	7 May 2010	University	19 years
Hasan ECESOY	Treasury, Investment Banking	18 June 2010	PHD	17 years
Serdar SATOĞLU	Human resources	17 June 2010	PHD	15 years
Ali Engin EROĞLU	Software Development, Systems Management, Information Technologies Businesses and Support, Information Services Planning	18 August 2010	Master	15 years

* Resigned on 21 February 2011.

In accordance with the 17 March 2010 dated approval of Prime Ministry, Süleyman Kalkan has been appointed as the General Manager and he has come into office on 19 March 2010.

As per the 19 March 2010 dated resolution of the Annual General Assembly of the shareholders, Hasan Sezer and Ahmet Candan representing Group (A), Sabahattin Birdal representing Group (B), Selahattin Toraman representing Group (C), and İsmail Alptekin, Ramazan Gündüz and Serdar Tunçbilek as independent members have been appointed as members of the Board of Directors of the Bank in accordance with the 48th article of the Articles of Association of T. Vakıflar Bankası T.A.O. Hasan Sezer has been appointed as Chairman and Ahmet Candan has been appointed as Deputy Chairman of the Board in accordance with the 52th article of Articles of Association of T. Vakıflar Bankası T.A.O. Hasan Sezer resigned on 21 February 2011.

Yusuf Beyazıt, former Chairman of the Board; Hasan Özer, former member of the Board; and Ragıp Doğu, former member of the Board and the Audit Committee, resigned pursuant to the end of their term of office.

Sabahattin Birdal, former Member of Board and Audit Committee resigned on 26 October 2010. Subsequently Dr. Adnan Ertem has been appointed as Member of Board on 27 October 2010, and on 5 November 2010 Halim Kanatcı has taken up the position of Member of Audit Committee besides being Member of Board.

Former Assistant General Managers İhsan Çakır and M. Kürşat Demirkol resigned on 25 March 2010 and on 30 June 2010 respectively; and Tanju Yüksel retired on 16 July 2010.

İsmail Alptekin, member of the Board, holds a Group C non-publicly traded share of the Bank amounting of TL 59. The remaining members of the top management listed above do not hold any unquoted shares of the Bank.

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

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

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

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

• Lending loans by obtaining securities and real estate as collateral,

• Establishing or participating in all kinds of insurance corporations,

• Trading real estates,

• Servicing all banking operations and services,

• Investing in various corporations handed over by the foundations and the General Directorate of the Foundations in accordance with conditions stipulated by agreements if signed.

• To render banking services to the foundations and carry out cashier transactions of the General Directorate of Foundations in compliance with the agreements signed by the General Directorate of the Foundations.

As at 31 December 2010, the Parent Bank has 634 domestic, 2 foreign, in total 636 branches (31 December 2009: 543 domestic, 2 foreign, in total 545 branches). As at 31 December 2010, the Parent Bank has 11,077 employees (31 December 2009: 10,153 employees).

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Balance Sheet (Statement of Financial Position) As at 31 December 2010

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

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

			Audited Current Year 31 December 2010			Audited Previous Year 31 December 2009		
	ASSETS	**Notes**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**CASH AND BALANCES WITH THE CENTRAL BANK**	V-I-1	**2,609,792**	**2,041,241**	**4,651,033**	**1,657,012**	**1,396,356**	**3,053,368**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)**	V-I-2	**181,921**	**36,140**	**218,061**	**98,236**	**42,084**	**140,320**
2.1	Financial assets held for trading purpose		181,921	36,140	218,061	98,236	42,084	140,320
2.1.1	Debt securities issued by the governments		176,801	12,489	189,290	95,265	21,258	116,523
2.1.2	Equity securities		79	-	79	27	-	27
2.1.3	Derivative financial assets held for trading purpose	V-I-2	1,343	23,651	24,994	698	20,826	21,524
2.1.4	Other securities		3,698	-	3,698	2,246	-	2,246
2.2	Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1	Debt securities issued by the governments		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Other securities		-	-	-	-	-	-
2.2.4	Loans		-	-	-	-	-	-
III.	**BANKS**	V-I-3	**944,049**	**1,226,835**	**2,170,884**	**668,611**	**2,625,436**	**3,294,047**
IV.	**RECEIVABLES FROM INTERBANK MONEY MARKETS**		**2,101,584**	**-**	**2,101,584**	**3,401,294**	**-**	**3,401,294**
4.1	Interbank money market placements		-	-	-	3,400,614	-	3,400,614
4.2	Istanbul Stock Exchange money market placements		-	-	-	680	-	680
4.3	Receivables from reverse repurchase agreements		2,101,584	-	2,101,584	-	-	-
V.	**AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)**	V-I-4	**11,258,914**	**2,655,333**	**13,914,247**	**12,978,890**	**2,286,436**	**15,265,326**
5.1	Equity securities		-	12,295	12,295	6,815	12,227	19,042
5.2	Debt securities issued by the governments		11,258,009	2,534,145	13,792,154	12,972,075	2,213,330	15,185,405
5.3	Other securities		905	108,893	109,798	-	60,879	60,879
VI.	**LOANS AND RECEIVABLES**	V-I-5	**30,864,839**	**13,751,403**	**44,616,242**	**23,326,720**	**11,201,232**	**34,527,952**
6.1	Performing loans and receivables		30,840,214	13,748,757	44,588,971	23,192,802	11,198,101	34,390,903
6.1.1	Loans provided to the same risk group	V-VII-1	1,141	7,837	8,978	708	8,879	9,587
6.1.2	Debt securities issued by the governments		-	-	-	-	-	-
6.1.3	Others		30,839,073	13,740,920	44,579,993	23,192,094	11,189,222	34,381,316
6.2	Loans under follow-up		2,328,805	14,172	2,342,977	2,190,679	75,791	2,266,470
6.3	Specific provisions (-)		2,304,180	11,526	2,315,706	2,056,761	72,660	2,129,421
VII.	**FACTORING RECEIVABLES**		**450,170**	**15,203**	**465,373**	**351,438**	**2,370**	**353,808**
VIII.	**HELD-TO-MATURITY INVESTMENTS (Net)**	V-I-6	**2,911,012**	**1,451,233**	**4,362,245**	**2,075,831**	**1,502,387**	**3,578,218**
8.1	Debt securities issued by the governments		2,911,012	1,412,065	4,323,077	2,075,831	1,455,711	3,531,542
8.2	Other securities		-	39,168	39,168	-	46,676	46,676
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	V-I-7	**157,313**	**3**	**157,316**	**136,014**	**3**	**136,017**
9.1	Associates, consolidated per equity method		127,072	-	127,072	106,209	-	106,209
9.2	Unconsolidated associates		30,241	3	30,244	29,805	3	29,808
9.2.1	Financial associates		15,786	-	15,786	15,786	-	15,786
9.2.2	Non-Financial associates		14,455	3	14,458	14,019	3	14,022
X.	**INVESTMENTS IN SUBSIDIARIES (Net)**	V-I-8	**147,436**	**-**	**147,436**	**144,722**	**-**	**144,722**
10.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated non-financial subsidiaries		147,436	-	147,436	144,722	-	144,722
XI.	**INVESTMENTS IN JOINT-VENTURES (Net)**	V-I-9	**-**	**-**	**-**	**-**	**-**	**-**
11.1	Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2	Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1	Financial joint-ventures		-	-	-	-	-	-
11.2.2	Non-financial joint-ventures		-	-	-	-	-	-
XII.	**LEASE RECEIVABLES**	V-I-10	**39,318**	**261,662**	**300,980**	**25,301**	**217,287**	**242,588**
12.1	Finance lease receivables		46,857	291,966	338,823	33,136	252,253	285,389
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		7,539	30,304	37,843	7,835	34,966	42,801
XIII.	**DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE**	V-I-11	**-**	**-**	**-**	**-**	**-**	**-**
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	-	-	-	-	-
13.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV.	**TANGIBLE ASSETS (Net)**	V-I-12	**1,190,467**	**3,251**	**1,193,718**	**1,179,050**	**1,841**	**1,180,891**
XV.	**INTANGIBLE ASSETS (Net)**	V-I-13	**57,225**	**28**	**57,253**	**47,293**	**29**	**47,322**
15.1	Goodwill		-	-	-	-	-	-
15.2	Other intangibles		57,225	28	57,253	47,293	29	47,322
XVI.	**INVESTMENT PROPERTIES (Net)**	V-I-14	**53,659**	**-**	**53,659**	**55,452**	**-**	**55,452**
XVII.	**TAX ASSETS**		**136,003**	**-**	**136,003**	**124,493**	**29**	**124,522**
17.1	Current tax assets		4,860	-	4,860	7,534	-	7,534
17.2	Deferred tax assets	V-I-15	131,143	-	131,143	116,959	29	116,988
XVIII.	**ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)**	V-I-16	**1,446**	**-**	**1,446**	**3,023**	**-**	**3,023**
18.1	Assets held for sale		1,446	-	1,446	3,023	-	3,023
18.2	Assets related to the discontinued operations		-	-	-	-	-	-
XIX.	**OTHER ASSETS**	V-I-17	**2,142,427**	**144,995**	**2,287,422**	**1,564,685**	**242,820**	**1,807,505**
	TOTAL ASSETS		**55,247,575**	**21,587,327**	**76,834,902**	**47,838,065**	**19,518,310**	**67,356,375**

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Balance Sheet (Statement of Financial Position) As at 31 December 2010

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

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

			Audited Current Year 31 December 2010			Audited Previous Year 31 December 2009		
	LIABILITIES AND EQUITY	**Notes**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	V-II-1	**35,040,273**	**13,012,495**	**48,052,768**	**31,489,891**	**13,610,976**	**45,100,867**
1.1	Deposits of the same risk group	V-VII-1	993,748	54,475	1,048,223	1,330,837	98,627	1,429,464
1.2	Other deposits		34,046,525	12,958,020	47,004,545	30,159,054	13,512,349	43,671,403
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE**	V-II-2	**21,237**	**82,130**	**103,367**	**9,549**	**32,998**	**42,547**
III.	**FUNDS BORROWED**	V-II-3	**224,266**	**6,462,736**	**6,687,002**	**155,188**	**4,458,039**	**4,613,227**
IV.	**INTERBANK MONEY MARKET**		**6,146,833**	**2,097,415**	**8,244,248**	**4,664,659**	**1,502,724**	**6,167,383**
4.1	Interbank Money Market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		30,616	-	30,616	22,031	-	22,031
4.3	Obligations under repurchase agreements		6,116,217	2,097,415	8,213,632	4,642,628	1,502,724	6,145,352
V.	**SECURITIES ISSUED (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
5.1	Bills		-	-	-	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	**FUNDS**		**61,203**	**-**	**61,203**	**83,383**	**-**	**83,383**
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		61,203	-	61,203	83,383	-	83,383
VII.	**MISCELLANEOUS PAYABLES**		**2,070,811**	**149,882**	**2,220,693**	**1,318,482**	**128,333**	**1,446,815**
VIII.	**OTHER EXTERNAL RESOURCES PAYABLE**	V-II-4	**163,586**	**375,212**	**538,798**	**180,914**	**152,521**	**333,435**
IX.	**FACTORING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
X.	**LEASE PAYABLES**	V-II-5	**-**	**-**	**-**	**-**	**-**	**-**
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE**	V-II-6	**-**	**-**	**-**	**-**	**-**	**-**
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XII.	**PROVISIONS**	V-II-7	**2,026,935**	**108,381**	**2,135,316**	**1,768,337**	**38,035**	**1,806,372**
12.1	General provisions	V-II-7	424,374	3,502	427,876	319,100	3,889	322,989
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		353,198	898	354,096	305,616	622	306,238
12.4	Insurance technical provisions (Net)		1,047,068	82,507	1,129,575	969,850	10,473	980,323
12.5	Other provisions	V-II-7	202,295	21,474	223,769	173,771	23,051	196,822
XIII.	**TAX LIABILITIES**	V-II-8	**208,341**	**4,083**	**212,424**	**179,930**	**3,837**	**183,767**
13.1	Current tax liabilities	V-II-8	204,993	3,941	208,934	176,146	3,837	179,983
13.2	Deferred tax liabilities	V-I-15	3,348	142	3,490	3,784	-	3,784
XIV.	**PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)**	V-II-9	**-**	**-**	**-**	**-**	**-**	**-**
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
XV.	**SUBORDINATED LOANS**	V-II-10	**-**	**-**	**-**	**-**	**-**	**-**
XVI.	**EQUITY**		**8,286,879**	**292,204**	**8,579,083**	**7,402,365**	**176,214**	**7,578,579**
16.1	**Paid-in capital**	V-II-11	**2,500,000**	**-**	**2,500,000**	**2,500,000**	**-**	**2,500,000**
16.2	**Capital reserves**		**846,672**	**187,884**	**1,034,556**	**977,301**	**99,502**	**1,076,803**
16.2.1	Share premium		726,722	-	726,722	726,691	-	726,691
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-11	113,366	187,884	301,250	235,420	99,502	334,922
16.2.4	Revaluation surplus on tangible assets		5,033	-	5,033	13,639	-	13,639
16.2.5	Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6	Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures		1,551	-	1,551	1,551	-	1,551
16.2.8	Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		-	-	-	-	-	-
16.3	**Profit reserves**		**3,542,070**	**54,760**	**3,596,830**	**2,381,974**	**53,886**	**2,435,860**
16.3.1	Legal reserves		504,005	2,549	506,554	379,012	2,549	381,561
16.3.2	Status reserves		3,094	-	3,094	2,361	-	2,361
16.3.3.	Extraordinary reserves		2,789,810	4,593	2,794,403	1,774,530	4,593	1,779,123
16.3.4.	Other profit reserves		245,161	47,618	292,779	226,071	46,744	272,815
16.4	**Profit or loss**		**1,172,344**	**32,563**	**1,204,907**	**1,309,272**	**16,095**	**1,325,367**
16.4.1	Previous years' profit/loss		16,005	24,605	40,610	3,187	27,439	30,626
16.4.2	Current year's profit/loss		1,156,339	7,958	1,164,297	1,306,085	(11,344)	1,294,741
16.5	**Non-controlling interest**		**225,793**	**16,997**	**242,790**	**233,818**	**6,731**	**240,549**
	TOTAL LIABILITIES AND EQUITY		**54,250,364**	**22,584,538**	**76,834,902**	**47,252,698**	**20,103,677**	**67,356,375**

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Off-Balance Sheet Items

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

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

			Audited Current Year 31 December 2010			Audited Previous Year 31 December 2009		
		Notes	**TL**	**FC**	**TOTAL**	**TL**	**FC**	**TOTAL**
A.	**OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)**		**19,634,089**	**9,286,071**	**28,920,160**	**13,291,214**	**7,019,051**	**20,310,265**
I.	**GUARANTEES AND SURETIES**	V-III-2-4	**6,477,511**	**4,882,317**	**11,359,828**	**4,277,216**	**4,832,823**	**9,110,039**
1.1	Letters of guarantee	V-III-1	6,450,635	1,776,292	8,226,927	4,269,944	1,925,236	6,195,180
1.1.1	Guarantees subject to State Tender Law		1,001,341	407,089	1,408,430	856,655	555,653	1,412,308
1.1.2	Guarantees given for foreign trade operations		215,578	-	215,578	161,158	-	161,158
1.1.3	Other letters of guarantee		5,233,716	1,369,203	6,602,919	3,252,131	1,369,583	4,621,714
1.2	Bank acceptances		8,587	188,036	196,623	-	357,489	357,489
1.2.1	Import letter of acceptance		-	27,800	27,800	-	45,760	45,760
1.2.2	Other bank acceptances		8,587	160,236	168,823	-	311,729	311,729
1.3	Letters of credit		3,750	2,908,250	2,912,000	4,130	2,526,463	2,530,593
1.3.1	Documentary letters of credit		3,750	2,908,250	2,912,000	4,130	2,526,463	2,530,593
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Guaranteed pre-financings		-	6,823	6,823	-	18,355	18,355
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Marketable securities underwriting commitments		-	-	-	-	-	-
1.7	Factoring related guarantees		14,539	2,143	16,682	64	1,051	1,115
1.8	Other guarantees		-	773	773	-	1,061	1,061
1.9	Other sureties		-	-	-	3,078	3,168	6,246
II.	**COMMITMENTS**		**9,854,827**	**652,056**	**10,506,883**	**7,827,412**	**240,202**	**8,067,614**
2.1	Irrevocable commitments		9,854,682	652,056	10,506,738	7,819,730	240,202	8,059,932
2.1.1	Asset purchase commitments	V-III-1	412,537	492,288	904,825	61,292	237,385	298,677
2.1.2	Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries	V-III-1	2,000	-	2,000	2,000	-	2,000
2.1.4	Loan granting commitments	V-III-1	3,679,208	19,140	3,698,348	2,839,124	2,817	2,841,941
2.1.5	Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Commitments for cheque payments	V-III-1	655,194	-	655,194	735,839	-	735,839
2.1.8	Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9	Commitments for credit card limits	V-III-1	4,880,798	-	4,880,798	4,043,910	-	4,043,910
2.1.10	Commitments for credit card and banking operations promotions		201,107	-	201,107	135,591	-	135,591
2.1.11	Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12	Payables from "short" sale commitments on securities		-	-	-	1,970	-	1,970
2.1.13	Other irrevocable commitments	V-III-1	23,838	140,628	164,466	4	-	4
2.2	Revocable commitments		145	-	145	7,682	-	7,682
2.2.1	Revocable loan granting commitments		145	-	145	7,682	-	7,682
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	V-III-5	**3,301,751**	**3,751,698**	**7,053,449**	**1,186,586**	**1,946,026**	**3,132,612**
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		3,301,751	3,751,698	7,053,449	1,186,586	1,946,026	3,132,612
3.2.1	Forward foreign currency purchases/sales		39,955	64,916	104,871	66,090	197,741	263,831
3.2.1.1	Forward foreign currency purchases		19,983	32,459	52,442	33,051	98,888	131,939
3.2.2.2	Forward foreign currency sales		19,972	32,457	52,429	33,039	98,853	131,892
3.2.2	Currency and interest rate swaps		3,135,142	3,557,743	6,692,885	924,063	1,521,349	2,445,412
3.2.2.1	Currency swaps-purchases		1,319,674	1,772,455	3,092,129	-	804,489	804,489
3.2.2.2	Currency swaps-sales		1,575,468	1,489,384	3,064,852	447,000	363,686	810,686
3.2.2.3	Interest rate swaps-purchases		120,000	154,367	274,367	180,959	238,390	419,349
3.2.2.4	Interest rate swaps-sales		120,000	141,537	261,537	296,104	114,784	410,888
3.2.3	Currency, interest rate and security options		126,654	129,039	255,693	196,433	212,036	408,469
3.2.3.1	Currency call options		63,327	64,518	127,845	98,216	106,017	204,233
3.2.3.2	Currency put options		63,327	64,519	127,846	98,217	106,017	204,234
3.2.3.3	Interest rate call options		-	-	-	-	-	-
3.2.3.4	Interest rate put options		-	-	-	-	-	-
3.2.3.5	Security call options		-	2	2	-	2	2
3.2.3.6	Security put options		-	-	-	-	-	-
3.2.4	Currency futures		-	-	-	-	-	-
3.2.4.1	Currency futures-purchases		-	-	-	-	-	-
3.2.4.2	Currency futures-sales		-	-	-	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sales		-	-	-	-	-	-
3.2.6	Others		-	-	-	-	14,900	14,900

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Off-Balance Sheet Items

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

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

			Audited Current Year 31 December 2010			Audited Previous Year 31 December 2009		
		Notes	TL	FC	TOTAL	TL	FC	TOTAL
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**89,266,330**	**26,456,146**	**115,722,476**	**72,945,771**	**22,080,666**	**95,026,437**
IV.	**ITEMS HELD IN CUSTODY**		**21,004,663**	**722,012**	**21,726,675**	**16,041,213**	**411,568**	**16,452,781**
4.1	Customers' securities held		490,862	15,028	505,890	462,656	14,493	477,149
4.2	Investment securities held in custody		18,033,907	6,752	18,040,659	13,726,000	3,531	13,729,531
4.3	Checks received for collection		1,532,918	265,691	1,798,609	1,040,224	144,495	1,184,719
4.4	Commercial notes received for collection		407,287	128,834	536,121	276,588	66,382	342,970
4.5	Other assets received for collection		2,152	62	2,214	70,643	60	70,703
4.6	Assets received through public offering		-	4,860	4,860	-	4,709	4,709
4.7	Other items under custody		302,245	125,066	427,311	267,726	57,537	325,263
4.8	Custodians		235,292	175,719	411,011	197,376	120,361	317,737
V.	**PLEDGED ITEMS**		**68,261,667**	**25,734,134**	**93,995,801**	**56,904,558**	**21,669,098**	**78,573,656**
5.1	Securities		838,790	61,103	899,893	1,330,209	71,781	1,401,990
5.2	Guarantee notes		266,934	110,761	377,695	261,065	92,769	353,834
5.3	Commodities		10,550,064	105,548	10,655,612	9,234,986	45,375	9,280,361
5.4	Warranties		-	-	-	-	-	-
5.5	Real estates		51,609,715	21,778,197	73,387,912	41,635,886	18,625,220	60,261,106
5.6	Other pledged items		4,235,061	3,497,190	7,732,251	3,897,552	2,677,275	6,574,827
5.7	Pledged items-depository		761,103	181,335	942,438	544,860	156,678	701,538
VI.	**CONFIRMED BILLS OF EXCHANGE AND SURETIES**		**-**	**-**	**-**	**-**	**-**	**-**
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)		**108,900,419**	**35,742,217**	**144,642,636**	**86,236,985**	**29,099,717**	**115,336,702**

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Income as at and for the Year Ended 31 December 2010

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

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

		Notes	Audited Current Year 31 December 2010	Audited Previous Year 31 December 2009
I.	**INTEREST INCOME**		**6,027,885**	**6,552,695**
1.1	Interest income from loans	V-IV-1	4,105,417	4,487,910
1.2	Interest income from reserve deposits		68,446	112,716
1.3	Interest income from banks	V-IV-1	61,633	30,657
1.4	Interest income from money market transactions		60,005	92,515
1.5	Interest income from securities portfolio	V-IV-1	1,621,404	1,749,305
1.5.1	Trading financial assets	V-IV-1	33,371	11,320
1.5.2	Financial assets at fair value through profit or loss		-	-
1.5.3	Available-for-sale financial assets	V-IV-1	1,222,506	1,282,809
1.5.4	Held-to-maturity investments	V-IV-1	365,527	455,176
1.6	Finance lease income		22,349	26,624
1.7	Other interest income		88,631	52,968
II.	**INTEREST EXPENSE**		**3,172,750**	**3,366,519**
2.1	Interest expense on deposits	V-IV-2	2,627,930	2,916,306
2.2	Interest expense on funds borrowed	V-IV-2	106,186	157,493
2.3	Interest expense on money market transactions		387,372	263,835
2.4	Interest expense on securities issued	V-IV-2	-	-
2.5	Other interest expenses		51,262	28,885
III.	**NET INTEREST INCOME (I -II)**		**2,855,135**	**3,186,176**
IV.	**NET FEES AND COMMISSIONS INCOME**		**447,099**	**432,710**
4.1	Fees and commissions received		556,821	641,865
4.1.1	Non-cash loans		62,811	70,856
4.1.2	Others		494,010	571,009
4.2	Fees and commissions paid		109,722	209,155
4.2.1	Non-cash loans		247	145
4.2.2	Others		109,475	209,010
V.	**DIVIDEND INCOME**	V-IV-3	**3,535**	**12,384**
VI.	**TRADING INCOME/LOSSES (Net)**	V-IV-4	**320,986**	**210,410**
6.1	Trading account income/losses	V-IV-4	367,536	155,617
6.2	Income/losses from derivative financial instruments	V-IV-4	(71,527)	(6,115)
6.3	Foreign exchange gains/losses	V-IV-4	24,977	60,908
VII.	**OTHER OPERATING INCOME**	V-IV-5	**1,140,111**	**776,548**
VIII.	**TOTAL OPERATING PROFIT (III+IV+V+VI+VII)**		**4,766,866**	**4,618,228**
IX.	**PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)**	V-IV-6	**976,178**	**1,009,699**
X.	**OTHER OPERATING EXPENSES (-)**	V-IV-7	**2,364,855**	**2,069,707**
XI.	**NET OPERATING PROFIT/LOSS (VIII-IX-X)**		**1,425,833**	**1,538,822**
XII.	**INCOME RESULTED FROM MERGERS**		**-**	**-**
XIII.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**20,681**	**23,192**
XIV.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XV.	**INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)**	V-IV-8	**1,446,514**	**1,562,014**
XVI.	**CONTINUING OPERATIONS PROVISION FOR TAXES**	V-IV-9	**(313,152)**	**(267,280)**
16.1	Current tax charges		(325,272)	(321,025)
16.2	Deferred tax credits		12,120	53,745
XVII.	**NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)**	V-IV-12	**1,133,362**	**1,294,734**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
18.1	Income from investment properties		-	-
18.2	Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3	Other income from discontinued activities		-	-
XIX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
19.1	Investment property expenses		-	-
19.2	Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3	Other expenses from discontinued activities		-	-
XX.	**INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)**		**-**	**-**
XXI.	**DISCONTINUED OPERATIONS PROVISION FOR TAXES (±)**		**-**	**-**
21.1	Current tax charge		-	-
21.2	Deferred tax charge		-	-
XXII.	**NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)**			**-**
XXIII.	**NET PROFIT/LOSS (XVII+XXII)**	V-IV-12	**1,133,362**	**1,294,734**
23.1	Equity holders of the Bank		1,164,297	1,294,741
23.2	Non-controlling interest	V-IV-13	(30,935)	(7)
	Earnings per share (full TL)	III-XXII	0.4533	0.5179

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Gains and Losses Recognized in Equity as at and for the Year Ended 31 December 2010

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

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

	GAINS AND LOSSES RECOGNIZED IN EQUITY	Notes	Audited Current Year 31 December 2010	Audited Previous Year 31 December 2009
I.	**VALUATION DIFFERENCES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF THE MARKETABLE SECURITIES**	V-V-1	**(40,738)**	**421,851**
II.	**REVALUATION SURPLUS ON TANGIBLE ASSETS**		**(18,772)**	**-**
III.	**REVALUATION SURPLUS ON INTANGIBLE ASSETS**		**-**	**-**
IV.	**CURRENCY TRANSLATION DIFFERENCES**		**912**	**1,253**
V.	**GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)**			**-**
VI.	**GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)**			**-**
VII.	**EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS**			**-**
VIII.	**OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS**		**15,912**	**(7,705)**
IX.	**DEFERRED TAXES DUE TO VALUATION DIFFERENCES**	V-V-1	**21,647**	**(63,261)**
X.	**NET GAINS/(LOSSES) RECOGNIZED DIRECTLY IN EQUITY**		**(21,039)**	**352,138**
XI.	**CURRENT YEAR'S PROFIT/(LOSS)**		**1,133,362**	**1,294,734**
11.1	Change in fair value of marketable securities (transfers to the statement of income)	V-V-1	101,747	(10,189)
11.2	Gains/losses recognized in the consolidated statement of income due to reclassification of derivatives which have previously designated as hedging instrument in a cash flow hedge			-
11.3	Gains/losses recognized in the consolidated statement of income due to reclassification of net foreign investment hedges			-
11.4	Others		1,031,615	1,304,923
XII.	**TOTAL GAINS AND LOSSES RECOGNIZED DURING THE YEAR**		**1,112,323**	**1,646,872**

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Changes in Equity as at and for the Year Ended 31 December 2010

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

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

	CHANGES IN EQUITY	Notes	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Current Year's Net Profit/(Loss)
	Previous year – 31 December 2009										
I.	**Balances at the beginning of the year**		2,500,000	-	726,691	-	303,514	1,863	1,109,553	249,831	791,310
	Changes during the year										
II.	**Mergers**		-	-	-	-	-	-	-	-	-
III.	**Valuation differences of the marketable securities**	V-V-1	-	-	-	-	-	-	-	-	-
IV.	**Hedging reserves**		-	-	-	-	-	-	-	-	-
4.1	Cash flow hedges		-	-	-	-	-	-	-	-	-
4.2	Net investment hedges		-	-	-	-	-	-	-	-	-
V.	**Revaluation surplus on tangible assets**		-	-	-	-	-	-	-	-	-
VI.	**Revaluation surplus on intangible assets**		-	-	-	-	-	-	-	-	-
VII.	**Bonus shares of associates, subsidiaries and joint-ventures**		-	-	-	-	-	-	-	-	-
VIII.	**Translation differences**		-	-	-	-	-	-	-	1,106	-
IX.	**Changes resulted from disposal of the assets**		-	-	-	-	-	-	-	-	-
X.	**Changes resulted from reclassifications of the assets**		-	-	-	-	-	-	-	-	-
XI.	**Effect of change in equities of associates on the Group's equity**		-	-	-	-	-	-	-	-	23,192
XII.	**Capital increase**		-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-	-	-	-
XIII.	**Share issuance**		-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-
XV.	**Capital reserves from inflation adjustments to paid-in capital**		-	-	-	-	-	-	-	-	-
XVI.	**Others**		-	-	-	-	-	-	-	-	-
XVII.	**Current year's profit/loss**		-	-	-	-	-	-	-	-	1,271,549
XVIII.	**Profit distribution**		-	-	-	-	78,047	498	669,570	21,878	(791,310)
18.1	Dividends		-	-	-	-	-	-	-	-	-
18.2	Transferred to reserves		-	-	-	-	78,047	498	669,570	21,878	(791,310)
18.3	Others		-	-	-	-	-	-	-	-	-
	Balances at the end of the year		2,500,000	-	726,691	-	381,561	2,361	1,779,123	272,815	1,294,741
	Current year – 31 December 2010										
I.	**Balances at the beginning of the year**		2,500,000	-	726,691	-	381,561	2,361	1,779,123	272,815	1,294,741
	Changes during the year										
II.	**Mergers**		-	-	-	-	-	-	-	-	-
III.	**Valuation differences of marketable securities**	V-V-1	-	-	-	-	-	-	-	-	-
IV.	**Hedging Reserves**		-	-	-	-	-	-	-	-	-
4.1	Cash flow hedges		-	-	-	-	-	-	-	-	-
4.2	Net investment hedges		-	-	-	-	-	-	-	-	-
V.	**Revaluation surplus on tangible assets**		-	-	-	-	-	-	-	-	-
VI.	**Revaluation surplus on intangible assets**		-	-	-	-	-	-	-	-	-
VII.	**Bonus shares of associates, subsidiaries and joint-ventures**		-	-	-	-	-	-	-	-	-
VIII.	**Translation differences**		-	-	-	-	-	-	-	873	-
IX.	**Changes resulted from disposal of assets**		-	-	-	-	-	-	-	-	-
X.	**Changes resulted from reclassifications of assets**		-	-	-	-	-	-	-	-	-
XI.	**Effect of change in equities of associates on the Group's equity**		-	-	31	-		-			20,681
XII.	**Capital increase**		-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-	-	-	-
XIII.	**Share issuance**		-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-
XV.	**Capital reserves from inflation adjustments to paid-in capital**		-	-	-	-	-	-	-	-	-
XVI.	**Others**		-	-	-	-	-	-	-	-	-
XVII.	**Current year's profit/loss**		-	-	-	-	-	-	-	-	1,143,616
XVIII.	**Profit distribution**		-	-	-	-	124,993	733	1,015,280	19,091	(1,294,741)
18.1	Dividends		-	-	-	-	-	-	-	-	(120,765)
18.2	Transferred to reserves	V-V-5	-	-	-	-	124,993	733	1,015,280	19,091	(1,173,976)
18.3	Others		-	-	-	-	-	-	-	-	-
	Balances at the end of the year		2,500,000	-	726,722	-	506,554	3,094	2,794,403	292,779	1,164,297

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Changes in Equity as at and for the Year Ended 31 December 2010

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

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

Previous Years' Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s	Shareholders' Equity before Minority Shares	Non-controlling Interest	Total Equity
10,422	(10,008)	12,526	1,551	-	-	5,697,253	234,975	5,932,228
-	-	-	-	-	-	-	-	-
-	338,057	-	-	-	-	338,057	5,325	343,382
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,106	147	1,253
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	6,873	-	-	-	-	30,065	630	30,695
-	-	-	-	-	-	-	2,317	2,317
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,317	2,317
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,271,549	(7)	1,271,542
20,204	-	1,113	-	-	-	-	(2,838)	(2,838)
-	-	-	-	-	-	-	(2,838)	(2,838)
20,204	-	1,113	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
30,626	334,922	13,639	1,551	-	-	7,338,030	240,549	7,578,579
30,626	334,922	13,639	1,551	-	-	7,338,030	240,549	7,578,579
-	-	-	-	-	-	-	-	-
-	(33,461)	-	-	-	-	(33,461)	24,334	(9,127)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	(12,501)	-	-	-	(12,501)	(6,271)	(18,772)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	873	39	912
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
	(211)	-	-	-	-	20,501	6,128	26,629
-	-	-	-	-	-	-	4,702	4,702
-	-	-	-	-	-	-	4,702	4,702
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,573	4,573
-	-	-	-	-	-	1,143,616	(30,935)	1,112,681
9,984	-	3,895	-	-	-	(120,765)	(329)	(121,094)
-	-	-	-	-	-	(120,765)	(329)	(121,094)
9,984	-	3,895	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
40,610	301,250	5,033	1,551	-	-	8,336,293	242,790	8,579,083

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Statement of Cash Flows for the Year Ended 31 December 2010

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

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

		Notes	Audited Current Year 31 December 2010	Audited Previous Year 31 December 2009
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**2,843,618**	**3,000,770**
1.1.1	Interests received		6,128,774	6,889,353
1.1.2	Interests paid		(3,268,052)	(3,432,756)
1.1.3	Dividends received		3,535	12,384
1.1.4	Fee and commissions received		447,099	432,710
1.1.5	Other income		663,760	260,207
1.1.6	Collections from previously written-off loans and other receivables	V-I-5	542,244	450,795
1.1.7	Payments to personnel and service suppliers		(1,813,425)	(1,616,003)
1.1.8	Taxes paid		(272,401)	(324,416)
1.1.9	Others	V-VI-1	412,084	328,496
1.2	**Changes in operating assets and liabilities**		**(4,498,620)**	**5,347,316**
1.2.1	Net (increase) decrease in financial assets held for trading purpose		159,148	(27,512)
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		(784,710)	8,234
1.2.4	Net (increase) decrease in loans		(11,233,418)	(5,142,810)
1.2.5	Net (increase) decrease in other assets		(823,775)	(141,784)
1.2.6	Net increase (decrease) in bank deposits		622,287	1,382,550
1.2.7	Net increase (decrease) in other deposits		2,322,895	6,074,156
1.2.8	Net increase (decrease) in funds borrowed		2,074,766	(1,467,629)
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities	V-VI-1	3,164,187	4,662,111
I.	**Net cash flow from banking operations**		**(1,655,002)**	**8,348,086**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash flow from investing activities**		**175,679**	**(6,716,325)**
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures	V-VI-2	-	(2,000)
2.2	Proceeds from disposal of associates, subsidiaries and joint-ventures	V-VI-3	-	2,150
2.3	Cash paid for purchase of tangible assets		(99,512)	(73,409)
2.4	Proceeds from disposal of tangible assets		71,849	53,694
2.5	Cash paid for purchase of available-for-sale financial assets		(10,511,253)	(12,057,180)
2.6	Proceeds from disposal of available-for-sale financial assets		9,308,261	4,742,295
2.7	Cash paid for purchase of held-to-maturity investments		(109,389)	(512,145)
2.8	Proceeds from disposal of held-to-maturity investments		1,532,959	1,151,688
2.9	Others		(17,236)	(21,418)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash flow from financing activities**		**(121,094)**	**-**
3.1	Cash obtained from funds borrowed and securities issued		-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Equity instruments issued		-	-
3.4	Dividends paid		(121,094)	-
3.5	Re-payments for finance leases		-	-
3.6	Others		-	-
IV.	**Effect of change in foreign exchange rates on cash and cash equivalents**	V-VI-1	**1,202**	**7,961**
V.	**Net increase in cash and cash equivalents**		**(1,599,215)**	**1,639,722**
VI.	**Cash and cash equivalents at the beginning of the year**	V-VI-4	**8,747,303**	**7,107,581**
VII.	**Cash and cash equivalents at the end of the year**	V-VI-4	**7,148,088**	**8,747,303**

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Statement of Profit Distribution for the Year Ended 31 December 2010

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

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

		Notes	Current Year 31 December 2010	Previous Year 31 December 2009
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT(**)**			
1.1	**CURRENT YEAR'S PROFIT**		**1,462,774**	**1,542,174**
1.2	**TAXES AND LEGAL DUTIES PAYABLE**		**(305,634)**	**(290,968)**
1.2.1	Corporate tax (income tax)	V-IV-11	(318,948)	(311,128)
1.2.2	Withholding tax		-	-
1.2.3	Other taxes and duties	V-IV-11	13,314	20,160
A.	**NET PROFIT FOR THE YEAR**		**1,157,140**	**1,251,206**
1.3	**DEFERRED TAX INCOME TRANSFERRED TO OTHER RESERVES**	V-IV-11	**(13,314)**	**(20,160)**
B.	**NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME**		**1,143,826**	**1,231,046**
1.4	**ACCUMULATED LOSSES**		**-**	**-**
1.5	**FIRST LEGAL RESERVES**	V-V-5	**(57,192)**	**(61,552)**
1.6	**OTHER STATUTORY RESERVES**	V-V-5	**(57,191)**	**(61,552)**
C.	**NET PROFIT AVAILABLE FOR DISTRIBUTION**		**1,029,443**	**1,107,941**
1.7	**FIRST DIVIDEND TO SHAREHOLDERS**	V-V-5	**-**	**120,765**
1.7.1	To owners of ordinary shares		-	120,765
1.7.2	To owners of privileged shares		-	-
1.7.3	To owners of redeemed shares		-	-
1.7.4	To profit sharing bonds		-	-
1.7.5	To holders of profit and loss sharing certificates		-	-
1.8	**DIVIDENDS TO PERSONNEL (*)**		**-**	**-**
1.9	**DIVIDENDS TO BOARD OF DIRECTORS**		**-**	**-**
1.10	**SECOND DIVIDEND TO SHAREHOLDERS**		**-**	**-**
1.10.1	To owners of ordinary shares		-	-
1.10.2	To owners of privileged shares		-	-
1.10.3	To owners of redeemed shares		-	-
1.10.4	To profit sharing bonds		-	-
1.10.5	To holders of profit and loss sharing certificates		-	-
1.11	**SECOND LEGAL RESERVES**		**-**	**-**
1.12	**STATUS RESERVES**		**-**	**-**
1.13	**EXTRAORDINARY RESERVES**	V-V-5	**-**	**983,282**
1.14	**OTHER RESERVES**		**-**	**-**
1.15	**SPECIAL FUNDS**	V-V-5	**-**	**3,895**
II.	**DISTRIBUTION FROM RESERVES**			
2.1	**DISTRIBUTION OF RESERVES**		**-**	**-**
2.2	**SECOND LEGAL RESERVES**		**-**	**-**
2.3	**DIVIDENDS TO SHAREHOLDERS**		**-**	**-**
2.3.1	To owners of ordinary shares		-	-
2.3.2	To owners of privileged shares		-	-
2.3.3	To owners of redeemed shares		-	-
2.3.4	To profit sharing bonds		-	-
2.3.5	To holders of profit and loss sharing certificates		-	-
2.4	**DIVIDENDS TO PERSONNEL**		**-**	**-**
2.5	**DIVIDENDS TO BOARD OF DIRECTORS**		**-**	**-**
III.	**EARNINGS PER SHARE**			
3.1	**TO OWNERS OF ORDINARY SHARES**		**0.4629**	**0.5005**
3.2	**TO OWNERS OF ORDINARY SHARES (%)**		**46.29**	**50.05**
3.3	**TO OWNERS OF PRIVILEGED SHARES**		**-**	**-**
3.4	**TO OWNERS OF PRIVILEGED SHARES (%)**		**-**	**-**
IV.	**DIVIDEND PER SHARE**			
4.1	**TO OWNERS OF ORDINARY SHARES**		**-**	**-**
4.2	**TO OWNERS OF ORDINARY SHARES (%)**		**-**	**-**
4.3	**TO OWNERS OF PRIVILEGED SHARES**		**-**	**-**
4.4	**TO OWNERS OF PRIVILEGED SHARES (%)**		**-**	**-**

(*) As at and for the year ended 31 December 2010, dividends to be paid to the personnel amounting to TL 83,250 (31 December 2009: TL 79,200) has been accounted for in the consolidated statement of income through recording in the current year's profits/losses in accordance with TAS 19 – **Employee Benefits.**

(**) Consolidated statement of profit distribution has been prepared in accordance with the unconsolidated financial statements of the Parent Bank.

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

SECTION THREE

Accounting Policies

I. Basis of presentation

As per the Articles 37 and 38 of "Accounting and Recording Rules" and "Consolidated Financial Reports", respectively of the Turkish Banking Law no. 5411 published on the Official Gazette no. 25983 dated 1 November 2005 and became effective, Türkiye Vakıflar Bankası TAO ("the Bank" or "the Parent Bank") and its Financial Subsidiaries (collectively "the Group") keeps its accounting records and prepares its consolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulation and Supervision Agency ("BRSA") and in effect since 1 November 2006, Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and the related statements and guidance (collectively "Reporting Standards").

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

Additional paragraph for convenience translation to English

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

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

Strategy for the use of financial instruments

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

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

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

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

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

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

Information on foreign currency transactions

Transactions of the Bank and its consolidated subsidiaries located in Turkey are recorded in TL, the functional currency of the Bank and the related subsidiaries. Foreign currency transactions are recorded using the foreign exchange rates ruling at the transaction date. At the end of the periods, foreign currency denominated monetary assets and liabilities are measured at the Parent Bank's spot purchase rates in the financial statements of the Parent Bank; and at the spot purchase rates announced by the Central Bank of Turkey ("CBRT") in the financial statements of the other subsidiaries. The foreign exchange rate differences are recognized as foreign exchange gains or losses in the statement of income.

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

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

Foreign currency differences arising from the translation of the financial statements of the net investment in foreign operations into TL for consolidation purpose are classified as "foreign currency differences arising from associates, subsidiaries, and joint ventures" sub account under "other profit reserves" presented in equity.

III. Information on companies subject to consolidation

As at and for the year ended 31 December 2010, the financial statements of T. Vakıflar Bankası TAO, Vakıf International AG, Vakıf Finansal Kiralama AŞ, Vakıf Pazarlama ve Ticaret AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik AŞ, Vakıf Finans Factoring Hizmetleri AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ, Kıbrıs Vakıflar Bankası Ltd, and Türkiye Sınai Kalkınma Bankası AŞ have been included in the consolidated financial statements of the Group.

Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorization of World Vakıf UBB Ltd, a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at 31 December 2010, but its equity until the liquidation decision date has included in the accompanying consolidated financial statements.

Vakıf International AG, was established in 1999 to operate in the banking sector in foreign countries, in line with the Bank's globalization policy. Its head office is in Vienna.

Vakıf Finansal Kiralama AŞ, was established in 1988 to enter into finance lease operations and related transactions and contracts. Its head office is in Istanbul.

Vakıf Pazarlama ve Ticaret AŞ was established in 1993 to enter into finance lease operations through the acquisition of vessels like cargo and ro-ro ships and make related transactions and contracts. In accordance with the 4th subclause of temporary Article 1 of "Regulation on Establishment and Operations of Leasing, Factoring and Finance Companies", licence of Vakıf Pazarlama ve Ticaret AŞ for operating in finance lease sector has been revoked by Banking Regulation and Supervision Agency on 25 June 2009. Thereupon, the title of Vakıf Deniz Finansal Kiralama AŞ has been changed as Vakıf Pazarlama ve Ticaret AŞ based on the resolution of 55 th Annual General Assembly held on 29 September 2009. The firm's head office is in Istanbul.

Güneş Sigorta AŞ was established under the leadership of the Bank and Toprak Mahsulleri Ofisi in 1957. The Company has been operating in nearly all non-life insurance branches like fire, accident, transaction, engineering, agriculture, health, forensic protection, and loan insurance. Its head office is in Istanbul.

Vakıf Emeklilik AŞ was established under the name Güneş Hayat Sigorta AŞ in 1991. In 2003 the Company has taken conversion permission from Treasury and started to operate in private pension system. Its head office is in Istanbul.

Vakıf Finans Factoring Hizmetleri AŞ was established in 1998 to perform factoring transactions and any kind of financing transactions. Factoring, the main operation of the Company, is a financing method that includes the trade receivables of production, distribution and service companies to be sold to intermediary institutions. Its head office is in Istanbul.

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ was established as the first real estate investment partnership in finance sector under the adjudication of Capital Markets Law in 1996. The Company's main operation is in line with the scope in the Capital Markets Board's regulations relating to real estate investment trusts like, real estates, capital market tools based on real estates, real estate projects and investment on capital market tools. Its head office is in Istanbul.

Vakıf Yatırım Menkul Değerler AŞ was established in 1996 to provide service to investors through making capital markets transactions, issuance of capital market tools, commitment of repurchase and sales, and purchase and sales of marketable securities, operating as a member of stock exchange, investment consultancy, and portfolio management. Its head office is in Istanbul.

Vakıf Portföy Yönetimi AŞ operates in investment fund management, portfolio management and pension fund management. Its head office is in Istanbul.

Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ was established in 1991 in Istanbul. The main operation of the Company is to invest a portfolio including marketable debt securities, equity securities without having managerial power in the partnerships whose securities have been acquired; and gold and other precious metals traded in national and international stock exchange markets or active markets other than stock exchange markets, in accordance with the principles and regulations promulgated by Capital Markets Board. Its head office is in Istanbul.

Kıbrıs Vakıflar Bankası Ltd. was established in 1982 in Turkish Republic of Northern Cyprus, mainly to encourage the credit cards issued by the Bank, and increase foreign exchange inflow, and carry on retail and commercial banking operations. Its head office is in Lefkosa.

Türkiye Sınai Kalkınma Bankası AŞ was established in 1950 to support investments in all economical sectors. Its head office is in Istanbul.

In cases where the accounting policies for the preparation of the financial statements of Financial Subsidiaries are different than those of the Parent Bank, the differences have been adjusted to the accounting policies of the Parent Bank, taking the materiality principle into account. The financial statements of local Financial Subsidiaries, and foreign Financial Subsidiaries preparing their financial statements according to the principles of the countries which they are located in, have been adjusted in accordance with Reporting Standards as at the related reporting dates. Inter-company balances and transactions, and any unrealized gains and losses arising from inter-company transactions, are eliminated in preparing these consolidated financial statements.

IV. Information on forwards, options and other derivative transactions

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency forward contracts and foreign currency options. The Group has classified its derivative transactions as "trading derivatives" in accordance with the TAS 39 – Financial Instruments: Recognition and Measurement.

Derivatives are initially recorded at their acquisition costs including the transaction costs.

The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts stated on the related derivative contracts.

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

V. Information on interest income and expenses

Banking activities

Interest income and expense are recognized according to the effective interest method based on accrual basis. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. Effective interest rate is calculated when a financial asset or a liability is initially recorded and is not modified thereafter.

The computation of effective interest rate comprises all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are additional costs that are directly related to the acquisition, emition or disposal of financial assets or liabilities.

As per relevant legislation, the accrued interest income on non-performing loans are reversed and subsequently recognized as interest income only when collected.

Finance leasing activities

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

Factoring operations

Factoring receivables are initially recorded at their historical costs less transaction costs. They are amortized using the effective interest method, taking their historical costs and future cash flows into account and the amortized amounts are recognized as "other interest income" in the consolidated statement of income.

VI. Information on fees and commissions

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

VII. Information on financial assets

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

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

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

Financial assets at fair value through profit or loss

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

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

Held to maturity investments are the financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables.

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

Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any.

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity investments and loans and receivables.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses calculated as the difference between the fair values and the discounted values of available for sale financial assets are recorded in "valuation differences of the marketable securities" under the equity. In case of sales, the realized gain or losses are recognized directly in the consolidated statement of income.

Purchase and sale transactions of securities are recognized at settlement dates.

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

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

Factoring receivables

Factoring receivables are recorded at cost and measured at amortized cost by using effective interest method after deducting unearned interest income and impairment losses, if any. Factoring receivables are reviewed regularly and specific provisions are recorded in order to present impaired factoring receivables at their collectable amounts. A doubtful factoring receivable is written off after all legal procedures are completed and net loss is measured.

Associates and subsidiaries

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

Associates have been reclassified as available-for-sale financial assets in the unconsolidated financial statements of the Bank and associates which are not traded in an active market and whose fair value cannot be reliably measured are reflected in the unconsolidated financial statements with their costs after deducting impairment losses, if any. In the accompanying consolidated financial statements financial associates of the Group, whose total assets, and net operating profit/(loss) individually or as a whole do not comprise a material portion within the consolidated assets and operation results, have not been subject to consolidation; remaining financial associates have been consolidated using the equity method. Non-financial associates are accounted for in accordance with TAS 39 in the accompanying consolidated financial statements.

VIII. Information on impairment of financial assets

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

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

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

IX. Information on netting of financial instruments

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

X. Information on repurchase and resale agreements and securities lending

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

Securities purchased under resale agreements are classified under "Receivables from Interbank Money Markets" separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

XI. Information on assets and liabilities arising from assets held for sale and discontinued operations

A tangible asset (or a disposal group) classified as "asset held for sale" is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Group's business which is sold or classified as held-for-sale. The operating results of the discontinued operations are disclosed separately in the consolidated income statement. The Group has no discontinued operations as at the balance sheet date.

XII. Information on goodwill and other intangible assets

The Group's intangible assets consist of software.

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

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

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

XIII. Information on tangible assets

The costs of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets purchased after 1 January 2005 are recorded at their historical costs after deducting financing expenses and foreign exchange differences if any.

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

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

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

Depreciation rates and estimated useful lives are:

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

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

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

XIV. Information on investment properties

Investment property is a property held either to earn rental income or for capital appreciation or for both. The Group holds investment property as a consequence of operations of its real estate company and insurance companies, consolidated in the accompanying consolidated financial statements.

Investment properties are initially recorded at their acquisition costs including transaction costs.

Subsequent to initial recognition, the Group measures all investment property based on the cost model in accordance with the cost model for property and equipment (i.e. at cost less accumulated depreciation and less any accumulated impairment losses).

XV. Information on leasing activities

Finance leasing activities as the lessee

Tangible assets acquired through finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the consolidated balance sheet of the Group. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through finance lease is calculated in the same manner as tangible assets.

Finance leasing activities as the lessor

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

Operational leases

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

XVI. Information on provisions and contingent liabilities

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

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

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

XVII. Information on obligations of the Group concerning employee rights

In accordance with existing Turkish Labor 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 2010 is TL 2,517 (full TL) (31 December 2009: TL 2,365 (full TL)).

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

As at 31 December 2010 and 2009, the major actuarial assumptions used in the calculation of the total liability are as follows:

	Current Year	Previous Year
Discount rate	4.66%	5.92%
Expected rate of salary/limit increase	5.10%	4.80%
Estimated employee turnover rate	1.13%	0.94%

Other benefits to employees

In the accompanying consolidated financial statements, the Group has provided provision in compliance with TAS 19, for undiscounted other employee benefits earned during the financial period as per services rendered.

Pension fund

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

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

Constitutional Court has indicated the probable losses in acquired rights of fund members as the reason of the cancellation decision. Following the publication of the ruling, the Turkish Parliament started to work on new legal arrangements and the Social Security Law no. 5754 ("the Law") has been approved on 17 April 2008. The Law is enacted by the approval of the President of Turkey and issued on the 8 May 2008 dated and 26870 numbered Official Gazette.

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

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

a) The technical interest rate to be used for the actuarial calculation is 9.80%

b) Income and expenditures in respect to fund's insurance division are considered in the calculation of discounted liability.

Law requires the transfer to be completed in three years beginning from 1 January 2008.

At 19 June 2008, Cumhuriyet Halk Partisi, opposition party, appealled to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. As at the report date, there is no arbitrement of the Constitutional Court published.

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 "Actuaries Regulation" which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 2011 which is prepared in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against.

XVIII. Information on taxation

Corporate tax

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

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

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

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

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

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

Deferred taxes

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

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

In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the consolidated statement of income, then the related current and/or deferred tax effects are also recognized in the consolidated statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Transfer pricing

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

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

Investment incentive

As per the provisional Article no. 69, effective from 1 January 2006, added to the Income Tax Law no. 193 by Law no. 5479 dated 8 April 2006 and published in Official Gazette no. 26133, tax payers could deduct investment incentives which were calculated according to the legislative provisions (including tax rate related provisions) in force on 31 December 2005, only from the taxable income for the years 2006, 2007, and 2008. The rights of tax payers who could not deduct investment incentives fully or partially due to insufficient taxable income during those years, were lost as at 31 December 2008.

In accordance with the decision taken by the Turkish Constitutional Court on 15 October 2009, the "2006, 2007 and 2008 ...." clause of the provisional Article no. 69 of the Income Tax Law mentioned above, is repealed and the time limitation for the use of the investment incentive is removed. The repeal related to the investment incentive was enacted and issued in the 8 January 2010 Official Gazette number 27456. Accordingly, the Group's subsidiary operating in finance leasing business will be able to deduct its remaining investment incentives from taxable income in the future without any time limitation.

As per "Law regarding amendments to the Income Tax Law and Some Other Certain Laws and Decree Laws" accepted on 23 July 2010 at the Grand National Assembly of Turkey, the expression of "can be deducted from the earnings again in the context of this legislation (including the legislation regarding the tax rate) valid at this date" has been amended as "can be deducted from the earnings again in the context of this legislation (including the legislation regarding the tax rate as explained in the second clause of the temporary article no 61 of the Law) valid at this date" and the following expression of " Investment incentive amount used in determination of the tax base shall not exceed 25% of the associated taxable income. Tax is computed on the remaining income per the enacted tax rate" has been added. This Law has been published in the Official Gazette on 1 August 2010.

XIX. Additional information on borrowings

Financial liabilities at fair value through profit or loss and derivative financial liabilities are measured at their fair values. All other financial liabilities are carried at amortized cost using effective interest method.

As at 31 December 2010 and 2009, there are no convertible bonds or any other securities issued by the Group.

XX. Information on issuance of equity securities

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

XXI. Confirmed bills of exchange and acceptances

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

XXII. Government incentives

As at 31 December 2010 and 2009, the Group does not have any government incentives.

XXIII. Segment reporting

Operational segments are determined based the structure of the Group's risks and benefits and presented in Section Four Note X.

XXIV. Other disclosures

Adjustments on the previous year consolidated financial statements

The Group has presented insurance technical provisions in gross amounts, which were presented net of reinsurer shares in the previous periods. In accordance with this amendment, reinsurer share of reserve for unearned insurance premiums as at 31 December 2009 amounting to TL 171,086 has been added to the reserve for unearned insurance premiums balance; and reinsurer share of provision for outstanding claims as at 31 December 2009 amounting to TL 140,713 has been added to the provision for outstanding claims balance. Receivables from insurance activities which are presented under other assets in the accompanying consolidated financial statements have been increased by the total amount of the reinsurer shares of insurance technical provisions amounting to TL 311,799. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

The Group has presented deferred commission income and deferred commission expense in gross amounts, which were offseted in the previous periods. In accordance with this amendment, deferred commission expense balance as at 31 December 2009 has been increased by TL 34,738 which is presented under other assets and the same amount is presented as deferred commission income under miscellaneous payables in the accompanying consolidated financial statements. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Earnings per shares

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

As at and for the year ended 31 December 2010, earning per share is TL 0.4533 (31 December 2009: TL 0.5179).

Related parties

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

Cash and cash equivalents

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

Insurance operations of the Group

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

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

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

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

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

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

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

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

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

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

Individual pension business

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

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

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

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

SECTION FOUR

Information Related to Financial Position of the Group

I. Consolidated capital adequacy ratio

The Bank's consolidated capital adequacy ratio is 13.94% (The Parent Bank: 14.35%).

Risk measurement methods in calculation of capital adequacy ratio

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

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

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

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

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

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

Information on consolidated capital adequacy ratio

	Unconsolidated – The Parent Bank's Risk Weights – 31 December 2010							Consolidated – Group's Risk Weights – 31 December 2010						
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
Balance Sheet Items (Net)	**11,762,805**	**-**	**995,242**	**12,449,212**	**34,320,227**	**61,533**	**1,875**	**12,071,279**	**-**	**2,126,836**	**12,449,212**	**35,274,057**	**61,533**	**1,875**
Cash on hand	655,997	-	3	-	-	-	-	660,150	-	3	-	-	-	-
Securities in redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	2,564,379	-	-	-	-	-	-	2,564,379	-	-	-	-	-	-
Domestic and foreign banks, foreign head offices and branches	482,025	-	628,884	-	159,977	-	-	504,369	-	1,364,597	-	292,383	-	-
Interbank money market placements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from reverse repurchase agreements	2,101,000	-	-	-	-	-	-	2,101,000	-	-	-	-	-	-
Reserve deposits	1,423,140	-	-	-	-	-	-	1,423,140	-	-	-	-	-	-
Loans	168,770	-	275,019	12,357,646	31,642,237	61,533	1,875	179,580	-	454,412	12,357,646	31,205,717	61,533	1,875
Loans under follow-up (Net)	-	-	-	-	24,625	-	-	-	-	-	-	27,271	-	-
Lease Receivables	-	-	-	-	-	-	-	3,490	-	-	-	295,355	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Held-to-maturity investments	4,125,495	-	37,080	-	-	-	-	4,175,161	-	39,151	-	-	-	-
Receivables from term sale of assets	-	-	-	-	87,974	-	-	-	-	-	-	87,974	-	-
Miscellaneous receivables	-	-	37,763	-	349,899	-	-	165,342	-	242,104	-	1,308,261	-	-
Accrued interests and income	149,603	-	16,493	91,566	236,539	-	-	153,503	-	26,569	91,566	245,294	-	-
Investments in associates, subsidiaries and joint-ventures (Net)	-	-	-	-	895,183	-	-	-	-	-	-	177,671	-	-
Tangible assets	-	-	-	-	892,317	-	-	-	-	-	-	1,024,654	-	-
Other assets	92,396	-	-	-	31,476	-	-	141,165	-	-	-	609,477	-	-
Off-Balance Sheet Items	**223,407**	**-**	**774,002**	**433,976**	**7,397,016**	**-**	**-**	**223,407**	**-**	**774,870**	**433,976**	**7,450,448**	**-**	**-**
Non-cash loans and commitments	223,407	-	630,793	433,976	7,393,977	-	-	223,407	-	630,793	433,976	7,447,409	-	-
Derivative financial instruments	-	-	143,209	-	3,039	-	-	-	-	144,077	-	3,039	-	-
Non risk-weighted accounts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Risk-Weighted Assets	**11,986,212**	**-**	**1,769,244**	**12,883,188**	**41,717,243**	**61,533**	**1,875**	**12,294,686**	**-**	**2,901,706**	**12,883,188**	**42,724,505**	**61,533**	**1,875**

Summary information related to capital adequacy ratio

	Unconsolidated		Consolidated	
	Current Year	Previous Year	Current Year	Previous Year
Value at Credit Risk (VaCR)	48,608,735	37,706,171	49,842,490	38,684,473
Value at Market Risk (VaMR)	1,781,375	1,889,513	1,853,063	1,914,000
Value at Operational Risk (VaOR) (*)	5,795,900	4,756,200	6,766,363	5,609,963
Equity	8,065,195	6,837,925	8,150,498	7,028,463
Equity/(VaCR+VaMR+VaOR)*100	**14.35%**	**15.42%**	**13.94%**	**15.21%**

(*) In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio as at 31 December 2009 was measured by taking value at operational risk calculated based on average of gross incomes for the years ended 31 December 2008, 2007 and 2006 into consideration. For the year 2010, value at operational risk is being calculated based on average of gross incomes for the years ended 31 December 2009, 2008 and 2007.

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

Information on consolidated equity

	Current Year	Previous Year
CORE CAPITAL		
Paid-in capital	2,500,000	2,500,000
Nominal capital	2,500,000	2,500,000
Capital commitments (-)	-	-
Capital reserves from inflation adjustments to paid-in capital	-	-
Share premiums	726,722	726,691
Share cancellation profits	-	-
Legal reserves	506,554	381,561
I. Legal reserve (Turkish Commercial Code 466/1)	268,496	205,055
II. Legal reserve (Turkish Commercial Code 466/2)		-
Reserves allocated as per special legislations	238,058	176,506
Status reserves	3,094	2,361
Extraordinary reserves	3,087,182	2,051,938
Reserve allocated as per the decision held by the General Assembly	2,794,403	1,779,123
Retained earnings	292,779	272,815
Accumulated losses	-	-
Exchange rate differences on foreign currency capital	-	-
Reserves from inflation adjustments to legal, status and extraordinary reserves	-	-
Profit	1,204,907	1,325,367
Current year's profit	1,164,297	1,294,741
Previous years' profit	40,610	30,626
Free provision for possible losses (up to 25% of Core Capital)	65,428	-
Income on sale of equity shares and real estates to be used up for capital increase	5,033	1,138
Primary subordinated loans (up to 15% of Core Capital)	-	-
Non-controlling interest	203,757	219,579
Loss excess of reserves (-)	-	-
Current year's loss	-	-
Previous years' loss	-	-
Leasehold improvements (-) (*)	75,703	82,719
Prepaid expenses (-) (*)	326,278	256,478
Intangible assets (-) (*)	57,253	47,322
Deferred tax asset excess of 10% of core capital (-)	-	-
Limit excesses as per the 3rd paragraph of the Article 56 of the Banking Law (-)	-	-
Goodwill (net) (-)	-	-
Total core capital	**7,843,443**	**6,822,116**

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

	Current Year	Previous Year
SUPPLEMENTARY CAPITAL		
General provisions	427,876	322,989
45% of revaluation surplus on movables	-	5,625
Bonus shares of associates, subsidiaries and joint-ventures	1,551	1,551
Primary subordinated loans excluding the portion included in core capital	-	-
Secondary subordinated loans	-	-
45% of valuation differences of marketable securities	135,563	150,715
Associates and subsidiaries	(5,797)	680
Available-for-sale financial assets	141,360	150,035
Inflation adjustment differences of capital reserves, profit reserves and previous years' profit/(loss)	-	-
Non-controlling interest	17,612	9,483
Total supplementary capital	**582,602**	**490,363**
TIER III CAPITAL	**-**	-
CAPITAL	**8,426,045**	**7,312,479**
DEDUCTIONS FROM CAPITAL	**275,547**	**284,016**
Unconsolidated investments in entities (domestic/foreign) operating in banking and financial sectors exceeding 10% of ownership	9	9
Investments in entities (domestic/foreign) operating in banking and financial sectors at less than 10% exceeding 10% or more of the total core and supplementary capitals	127,072	106,209
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated loans 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	148,466	177,798
Others	-	-
TOTAL EQUITY	**8,150,498**	**7,028,463**

II. Consolidated credit risk

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

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

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

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

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

For credit risk management purposes, Risk Management Department operates in

• the determination of credit risk policies in coordination with the Bank's other units,

• the determination and monitoring of the distribution of concentration limits with respect to sector, geography and credit type,

• contribution to the formation of rating and scoring systems,

• submitting to the Board of Directors and the senior management of not only credit risk management reports about credit portfolio's distribution (borrower, sector, geographical region), credit quality (impaired loans, credit risk ratings) and credit concentration but also scenario analysis reports, stress tests and other analyses,

• studies regarding the formation of advanced credit risk measurement approaches.

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

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

The Bank's largest 200 cash loan customers compose 40.84% of the total cash loan portfolio.

The Bank's largest 200 non-cash loan customers compose 75.19% of the total non-cash loan portfolio.

The Bank's largest 200 cash loan customers compose 23.70% of total assets of the Bank and the Bank's largest 200 non-cash loan customers compose 29.53% of total off-balance sheet items.

The general provision for credit risk amounts to TL 427,876 (31 December 2009: TL 322,989).

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

Sectoral and geographical concentration of the credit risk

	Personal and Commercial Loans		Banks and Other Financial Institutions		Marketable Securities(*)		Other Loans(**)	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Sectoral Concentration								
Private Sector	26,458,843	21,219,105	2,654,575	1,859,935	22,355	17,341	4,155,596	3,261,390
Public Sector	1,176,903	1,775,779	5,650	-	18,304,521	18,833,470	1,541,305	686,290
Banks	-	-	8,445,368	9,169,556	130,309	92,460	329,311	225,653
Consumers	14,904,604	10,253,166	-	-	-	-	1,901	1,632
Equity Securities	-	-	-	-	12,374	19,069	304,752	280,739
Total	**42,540,350**	**33,248,050**	**11,105,593**	**11,029,491**	**18,469,559**	**18,962,340**	**6,332,865**	**4,455,704**
Geographical Concentration								
Domestic	42,381,884	33,118,663	9,831,008	8,393,624	18,245,183	18,831,021	4,438,031	3,424,608
EU Countries	82,452	67,374	541,091	1,358,139	142,886	84,803	967,562	486,401
OECD Countries (***)	-	-	58,106	4,178	-	-	365	163,668
Off-Shore Banking Regions	-	-	39	131,529	-	-	-	-
USA, Canada	60,683	42,968	629,779	1,129,911	47,842	46,516	219,765	34,551
Other Countries	15,331	19,045	45,570	12,110	33,648	-	707,142	346,476
Total	**42,540,350**	**33,248,050**	**11,105,593**	**11,029,491**	**18,469,559**	**18,962,340**	**6,332,865**	**4,455,704**

(*) Includes marketable securities (debt securities and equity shares other than associates and subsidiaries) at fair value through profit or loss, marketable securities classified as available-for-sale, and investment securities held-to-maturity.

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

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

31 December 2010	Assets	Liabilities	Non- Cash Loans	Capital Expenditures	Net Profit
Domestic	74,602,424	67,521,512	7,418,272	116,672	1,124,545
EU Countries	762,281	7,757,485	2,126,706	76	9,301
OECD Countries (*)	54,403	74,582	731	-	-
Off-Shore Regions	309,204	239,691	-	-	(484)
USA, Canada	738,304	967,285	426,733	-	-
Other Countries	63,534	274,347	1,387,386	-	-
Subsidiaries, Affiliates and Joint-Ventures	304,752	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
Total	**76,834,902**	**76,834,902**	**11,359,828**	**116,748**	**1,133,362**

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

31 December 2009	Assets	Liabilities	Non- Cash Loans	Capital Expenditures	Net Profit
Domestic	64,101,919	58,866,333	7,597,693	96,743	1,307,457
EU Countries	1,586,812	7,384,416	615,374	84	(10,491)
OECD Countries (*)	4,178	54,464	163,688	-	-
Off-Shore Regions	131,529	59,574	-	-	(2,232)
USA, Canada	1,220,043	260,445	47,343	-	-
Other Countries	31,155	731,143	685,941	-	-
Subsidiaries, Affiliates and Joint-Ventures	280,739	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
Total	**67,356,375**	**67,356,375**	**9,110,039**	**96,827**	**1,294,734**

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

Sectoral distribution of cash loans

	31 December 2010				31 December 2009			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	**283,333**	**0.92**	**106,840**	**0.78**	**153,682**	**0.66**	**128,696**	**1.15**
Farming and Stockbreeding	143,514	0.47	48,486	0.35	84,311	0.36	63,927	0.57
Forestry	130,669	0.42	738	0.01	60,720	0.26	780	0.01
Fishery	9,150	0.03	57,616	0.42	8,651	0.04	63,989	0.57
Manufacturing	**4,198,842**	**13.62**	**6,243,957**	**45.42**	**2,864,469**	**12.35**	**4,469,449**	**39.91**
Mining	121,942	0.40	135,093	0.98	218,766	0.94	230,699	2.06
Production	3,844,444	12.47	5,074,498	36.92	2,560,823	11.04	3,698,957	33.03
Electricity, Gas, Water	232,456	0.75	1,034,366	7.52	84,880	0.37	539,793	4.82
Construction	1,178,181	**3.82**	1,113,586	**8.10**	**935,361**	**4.03**	**905,431**	**8.09**
Services	**7,352,861**	**23.83**	**4,537,369**	**32.99**	**5,606,467**	**24.17**	**4,594,383**	**40.67**
Wholesale and Retail Trade	3,537,067	11.47	1,696,739	12.34	2,929,809	12.63	2,057,950	18.38
Hotel, Food and Beverage Services	170,003	0.55	843,173	6.13	140,057	0.60	739,188	6.60
Transportation and Telecommunication	1,097,467	3.56	1,128,551	8.21	1,198,213	5.17	889,654	7.94
Financial Institutions	2,187,183	7.09	655,062	4.76	1,107,455	4.77	768,843	6.51
Real Estate and Renting Services	71,942	0.23	130,828	0.95	32,712	0.14	69,843	0.62
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Educational Services	62,527	0.20	8,615	0.06	57,087	0.25	14,133	0.13
Health and Social Services	226,672	0.73	74,401	0.54	141,134	0.61	54,772	0.49
Others	**17,826,997**	**57.81**	**1,747,005**	**12.71**	**13,632,823**	**58.79**	**1,100,142**	**10.18**
Total	**30,840,214**	**100.00**	**13,748,757**	**100.00**	**23,192,802**	**100.00**	**11,198,101**	**100.00**

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

Gross and net (after deducting allowances for impairment losses) amounts of individually impaired assets by risk grade

	Loans		Other assets (*)	
31 December 2010	**Gross**	**Net**	**Gross**	**Net**
Grade 3: Impaired	91,382	73,105	49,645	496
Grade 4: Impaired	218,622	-	679	-
Grade 5: Impaired	1,969,884	2646	61741	-
Total	**2,279,888**	**75,751**	**112,065**	**496**

	Loans		Other assets (*)	
31 December 2009	**Gross**	**Net**	**Gross**	**Net**
Grade 3: Impaired	216,401	173,121	44,066	2,223
Grade 4: Impaired	338,637	-	1,864	-
Grade 5: Impaired	1,639,720	3,131	67,208	-
Total	**2,194,758**	**176,252**	**113,138**	**2,223**

(*) Other assets include non-performing factoring receivables and leasing receivables amounting to TL 63,089 (31 December 2009: TL 71,712), and lawsuit and court expenses amounting to TL 48,976 (31 December 2009: TL 41,426) undertaken by the Parent Bank due to non-performing loans and receivables for which specific provision amounting to TL 48,480 (31 December 2009: TL 39,203) has been recorded.

Performing cash and non-cash loans by type of collateral held by the Bank

Cash loans (*)	31 December 2010	31 December 2009
Secured Loans:	29,231,568	23,557,596
Secured by cash collateral	79,628	88,423
Secured by mortgages	12,543,373	9,978,634
Secured by government institutions or government securities	100,028	123,870
Guarantees issued by financial institutions	326,086	344,992
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	16,182,453	13,021,677
Unsecured Loans	16,123,756	11,429,703
Total performing loans	**45,355,324**	**34,987,299**

(*) Includes amounts presented as loans, factoring receivables and leasing receivables in the accompanying consolidated financial statements.

Non-cash loans	31 December 2010	31 December 2009
Secured Loans:	5,137,199	4,003,521
Secured by cash collateral	123,136	87,452
Secured by mortgages	868,285	965,319
Secured by government institutions or government securities	-	123
Guarantees issued by financial institutions	374,391	357,208
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	3,771,387	2,593,419
Unsecured Loans	6,222,629	5,106,518
Total non-cash loans	**11,359,828**	**9,110,039**

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

Fair value of collateral held against impaired loans

	31 December 2010	31 December 2009
Cash collateral (*)	-	-
Mortgage	800,755	973,611
Promissory note (*)	28,654	4,927
Others(**)	1,513,568	1,287,932
Total	**2,342,977**	**2,266,470**

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

(**) Sureties obtained for impaired loans are presented in this raw in the amount not exceeding total of impaired loans.

Sectoral and geographical concentration of impaired loans

Sectoral	**31 December 2010**	**31 December 2009**
Consumer loans	403,412	205,972
Textile	305,916	210,709
Food	238,153	147,300
Construction	366,455	201,277
Durable consumer goods	95,544	135,511
Agriculture and stockbreeding	46,768	73,567
Metal and metal products	43,476	28,336
Service sector	43,195	46,798
Financial institutions	11,206	12,132
Others	788,852	1,204,868
Total impaired loans and receivables	**2,342,977**	**2,266,470**

Geographical	**31 December 2010**	**31 December 2009**
Turkey	2,328,805	2,250,019
Austria	14,172	16,451
Total non-performing loans	**2,342,977**	**2,266,470**

Past due but not impaired loans and receivables

	31 December 2010(*)	31 December 2009(*)
Grade 1: Low risk loans and receivables	191,913	194,132
Grade 2: Loans and receivables under follow-up	99,670	166,672
Total	**291,583**	**360,804**

(*)Includes amounts presented as loans, factoring receivables and leasing receivables in the accompanying consolidated financial statements.

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

Aging of past due but not impaired loans and receivables

	31 December 2010(*)	31 December 2009(*)
0-30 days	202,726	200,802
30-60 days	38,128	133,556
60-90 days	50,729	26,446
Total	**291,583**	**360,804**

(*)Includes amounts presented as loans, factoring receivables and leasing receivables in the accompanying consolidated financial statements.

Undue and not impaired loans and receivables

	31 December 2010(*)	31 December 2009(*)
Grade 1: Low risk loans and receivables	42,962,925	31,715,174
Grade 2: Loans and receivables under follow-up	1,473,294	2,626,220
Total	**44,436,219**	**34,341,394**
Restructured loans	627,522	285,101
Total	**45,063,741**	**34,626,495**

(*)Includes amounts presented as loans, factoring receivables and leasing receivables in the accompanying consolidated financial statements.

III. Consolidated market risk

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

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

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

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

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

Value at market risk

	Amount
(I) Capital obligation against general market risk - standard method	125,711
(II) Capital obligation against specific risks - standard method	15,543
(III) Capital obligation against currency risk - standard method	6,847
(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	144
(VII) Capital obligation against market risks of banks applying risk measurement models	-
(VIII) Total capital obligations against market risk (I+II+III+IV+V+VI)	148,245
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	**1,853,063**

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

Monthly average value at market risk

	Current Year			Previous Year		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	136,443	151,077	122,119	99,814	126,144	62,973
Common Share Risk	4,222	6,956	3,201	1,652	3,320	36
Currency Risk	15,482	24,322	6,847	15,334	24,175	9,319
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	510	1,259	144	7,022	15,950	2,594
Total Value at Risk	**1,958,216**	**2,113,213**	**1,853,063**	**1,547,779**	**2,118,538**	**937,688**

Equity price risk

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

The effect on equity (except for tax effect) as a result of change in the fair value of equity instruments quoted to Istanbul Stock Exchange ("ISE") held as associates and subsidiaries in the accompanying financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, is nil (31 December 2009: nil).

IV. Consolidated operational risk

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

The amount calculated as TL 541,309 (31 December 2009: TL 448,797 from gross income for the years ended 31 December 2009, 2008 and 2007 and used for the calculation of capital adequacy ratio as at 31 December 2010, represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk. Value at operational risk amounting to TL 6,766,363 (31 December 2009: TL 5,609,963) presented in the table included in Note I of this section is calculated as 12.5 times of the operational risk.

	31 December 2010	31 December 2009	31 December 2008	31 December 2007
(I) Net Interest Income	2,855,135	3,186,176	2,080,146	1,765,252
(II) Net Fees and Commission Income	447,099	432,710	468,475	360,414
(III) Dividends Income	3,535	12,384	6,508	33,306
(IV) Net Trading Income/(Loss)	320,986	210,410	149,507	242,144
(V) Other Operating Income	1,140,111	799,740	733,812	742,144
(VI) Income/(Loss) from sale of AFS and HTM Marketable Securities	358,200	146,468	98,412	93,445
(VII) Extraordinary Income	24,172	42,347	2,883	13,392
(VIII) Gross Income (I+II+III+IV+V-VI-VII)	**4,384,494**	**4,452,605**	**3,337,153**	**3,036,423**
(IX) Capital Requirement (Gross Income x 15%)	**657,674**	**667,891**	**500,573**	**455,463**
(X) Average Operational Risk Capital Requirement	**608,713**	**541,309**	**-**	**-**
(XI) Value at Operational Risk (X x 12.5)	**7,608,913**	**6,766,363**	**-**	**-**

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

V. Consolidated foreign currency exchange risk

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

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

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

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

As at 31 December 2010 and 2009, the Group does not have derivate financial instruments held for risk management purpose.

Foreign exchange risk management policy

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

	US Dollar	**Euro**
The Bank's foreign currency purchase rate at the balance sheet date	1.5450	2.0703
Foreign currency rates for the days before balance sheet date;		
Day 1	1.5200	2.0105
Day 2	1.5100	1.9817
Day 3	1.5000	1.9841
Day 4	1.5000	1.9752
Day 5	1.5000	1.9688
Last 30-days arithmetical average rate	1.4720	1.9511

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

Information on currency risk

Current Year	Euro	US Dollar	Japanese Yen	Other FCs	Total
Assets:					
Cash and balances with the Central Bank of Turkey	906,085	1,128,937	28	6,191	**2,041,241**
Banks	297,939	881,705	1,260	45,931	**1,226,835**
Financial assets at fair value through profit or loss (1)	6,280	15,581	-	-	**21,861**
Interbank money market placements	-	-	-	-	**-**
Available-for-sale financial assets	736,858	1,918,475	-	-	**2,655,333**
Loans and receivables (2)	5,690,865	8,439,045	3,294	61,715	**14,194,919**
Associates, subsidiaries and joint-ventures	3	-	-	-	**3**
Held-to-maturity investments	256,442	1,194,791	-	-	**1,451,233**
Derivative financial assets held for risk management purpose	-	-	-	-	**-**
Tangible assets	1,487	1,764	-	-	**3,251**
Intangible assets	28	-	-	-	**28**
Other assets (3) (4)	200,116	343,717	17,087	2,273	**563,193**
Total assets	**8,096,103**	**13,924,015**	**21,669**	**116,110**	**22,157,897**
Liabilities:					
Bank deposits	150,434	510,094	-	15	**660,543**
Foreign currency deposits	4,339,261	7,968,956	1,683	42,052	**12,351,952**
Interbank money market takings	245,649	1,851,766	-	-	**2,097,415**
Funds borrowed (5)	3,236,623	3,305,851	3,287	41,144	**6,586,905**
Securities issued	-	-	-	-	**-**
Miscellaneous payables	51,278	98,481	-	123	**149,882**
Derivative financial liabilities held for risk management purpose	-	-	-	-	**-**
Other liabilities(1) (6)	107,975	416,664	85	23,597	**548,321**
Total liabilities	**8,131,220**	**14,151,812**	**5,055**	**106,931**	**22,395,018**
Net 'on balance sheet' position	**(35,117)**	**(227,797)**	**16,614**	**9,179**	**(237,121)**
Net 'off-balance sheet' position	**122,293**	**126,228**	**453**	**(4,218)**	**244,756**
Derivative assets(7)	369,060	1,863,759	551	11,001	**2,244,371**
Derivative liabilities(7)	246,767	1,737,531	98	15,219	**1,999,615**
Non-cash loans (8)	1,506,310	3,155,668	90,106	130,233	**4,882,317**

Previous Year	Euro	US Dollar	Japanese Yen	Other FCs	Total
Total assets	**6,806,275**	**12,665,618**	**6,059**	**97,787**	**19,575,739**
Total liabilities	**7,055,348**	**12,765,732**	**1,764**	**89,428**	**19,912,272**
Net 'on balance sheet' position	**(249,073)**	**(100,114)**	**4,295**	**8,359**	**(336,533)**
Net 'off-balance sheet' position	**359,143**	**208,333**	**(3,063)**	**33**	**564,446**
Derivative assets	419,475	797,226	-	31,085	**1,247,786**
Derivative liabilities	60,332	588,893	3,063	31,052	**683,340**
Non-cash loans(8)	1,958,583	2,731,973	11,538	130,729	**4,832,823**

(1) Foreign exchange rates based accruals of derivative financial assets and liabilities are not included.
(2) Foreign currency indexed loans amounting to TL 443,516 (31 December 2009: TL 77,011) presented in TL in the financial statements are included in the above table.
(3) Foreign currency indexed factoring receivables amounted to TL 155,611 (31 December 2009: nil) presented in TL column in the accompanying consolidated balance sheet are included.
(4) Prepaid expenses amounting to TL 14,278 (31 December 2009: TL 18,579) are not included.
(5) Foreign currency indexed funds borrowed amounted to TL 124,169 (31 December 2009: 9,464) presented in TL column in the accompanying consolidated balance sheet are included.
(6) Unearned income amounting to TL 19,581(31 December 2009: TL 23,733) and deferred tax liabilities amounting to TL 142 are not included.
(7) Asset purchase commitments amounting to TL 220,570 and asset sales commitments amounting to TL 271,718 are included.
(8) Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

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

Exposure to currency risk

10 percent devaluation of the TL against the following currencies as at and for the years ended 31 December 2010 and 2009 would affect consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

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

	31 December 2010		31 December 2009	
	Profit or loss	**Equity (*)**	**Profit or loss**	**Equity (*)**
US Dollar	(16,881)	(193)	2,754	10,742
EUR	(8,577)	9,054	1,541	3,514
Other currencies	424	424	962	962
Total, net	**(25,034)**	**9,285**	**5,257**	**15,218**

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

10 percent revaluation of the TL against the following currencies as at and for the years ended 31 December 2010 and 2009 would affect consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	31 December 2010		31 December 2009	
	Profit or loss	**Equity (*)**	**Profit or loss**	**Equity (*)**
US Dollar	(12,749)	3,939	1,365	(6,623)
Euro	4,449	(9,054)	(1,393)	(3,366)
Other currencies	330	330	(204)	(204)
Total, net	**(7,970)**	**(4,785)**	**(232)**	**(10,193)**

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

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

VI. Consolidated interest rate risk

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

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

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

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

Current Year	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets:							
Cash and balances with CBRT	-	-	-	-	-	4,651,033	**4,651,033**
Banks	1,409,438	395,857	47,029	-	-	318,560	**2,170,884**
Financial assets at fair value through profit/loss	18,932	24,650	37,635	126,769	9,996	79	**218,061**
Interbank money market placements	2,101,584	-	-	-	-	-	**2,101,584**
Available-for-sale financial assets	4,425,280	2,670,463	3,204,305	1,363,721	2,238,183	12,295	**13,914,247**
Loans and receivables	14,312,313	9,213,160	8,337,008	9,127,571	3,598,919	27,271	**44,616,242**
Held-to-maturity investments	594,696	1,062,472	816,733	311,319	1,577,025	-	**4,362,245**
Other assets (*)	85,230	336,746	79,469	385,443	5,202	3,908,516	**4,800,606**
Total assets	**22,947,473**	**13,703,348**	**12,522,179**	**11,314,823**	**7,429,325**	**8,917,754**	**76,834,902**
Liabilities:							
Bank deposits	1,382,792	142,796	421,561	-	-	12,578	**1,959,727**
Other deposits	25,473,441	10,368,525	2,633,710	363,335	239	7,253,791	**46,093,041**
Interbank money market takings	5,840,307	1,253,350	1,150,591	-	-	-	**8,244,248**
Miscellaneous payables	-	4,601	20,332	-	-	2,195,760	**2,220,693**
Securities issued	-	-	-	-	-	-	-
Funds borrowed	205,976	4,864,117	1,397,873	219,036	-	-	**6,687,002**
Other liabilities (**)	11,539	1,360	21,611	98,706	17,926	11,479,049	**11,630,191**
Total liabilities	**32,914,055**	**16,634,749**	**5,645,678**	**681,077**	**18,165**	**20,941,178**	**76,834,902**
On balance sheet long position	-	-	6,876,501	10,633,746	7,411,160	-	**24,921,407**
On balance sheet short position	(9,966,582)	(2,931,401)	-	-	-	(12,023,424)	**(24,921,407)**
Off-balance sheet long position	208,483	757,781	7,539	30,223	-	-	**1,004,026**
Off-balance sheet short position	(58,401)	(5,331)	(140,331)	(662,168)	(115,875)	-	**(982,106)**
Position, Net	**(9,816,500)**	**(2,178,951)**	**6,743,709**	**10,001,801**	**7,295,285**	**(12,023,424)**	**21,920**

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

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

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

Previous Year	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets:							
Cash and balances with CBRT	1,148,099	-	-	-	-	1,905,269	**3,053,368**
Banks	3,091,172	52,448	895	-	-	149,532	**3,294,047**
Financial assets at fair value through profit/loss	6,351	14,899	52,085	46,439	20,519	27	**140,320**
Interbank money market placements	3,401,294	-	-	-	-	-	**3,401,294**
Available-for-sale financial assets	3,063,598	3,428,083	4,298,973	3,094,475	1,361,155	19,042	**15,265,326**
Loans and receivables	9,765,350	9,835,578	6,361,204	6,204,795	2,223,976	137,049	**34,527,952**
Held-to-maturity investments	527,451	652,383	746,959	426,038	1,225,387	-	**3,578,218**
Other assets (*)	13,981	374,671	92,339	276,140	1,706	3,337,013	**4,095,850**
Total assets	**21,017,296**	**14,358,062**	**11,552,455**	**10,047,887**	**4,832,743**	**5,547,932**	**67,356,375**
Liabilities:							
Bank deposits	1,618,275	450,325	56,144	-	-	9,372	**2,134,116**
Other deposits	25,822,329	9,150,222	1,888,579	199,820	28	5,905,773	**42,966,751**
Interbank money market takings	754,768	3,934,522	1,403,218	74,875	-	-	**6,167,383**
Miscellaneous payables	-	9,497	32,677	-	-	1,404,641	**1,446,815**
Securities issued	-	-	-	-	-	-	-
Funds borrowed	255,471	3,642,212	708,778	6,766	-	-	**4,613,227**
Other liabilities (**)	24,146	15,369	26,144	29,096	11,561	9,921,767	**10,028,083**
Total liabilities	**28,474,989**	**17,202,147**	**4,115,540**	**310,557**	**11,589**	**17,241,553**	**67,356,375**
On balance sheet long position	-	-	7,436,915	9,737,330	4,821,154	-	**21,995,399**
On balance sheet short position	(7,457,693)	(2,844,085)	-	-	-	(11,693,621)	**(21,995,399)**
Off-balance sheet long position	180,959	184,045	-	54,345	-	-	**419,349**
Off-balance sheet short position	(68,838)	(9,496)	(40,453)	(292,101)	-	-	**(410,888)**
Position, Net	**(7,345,572)**	**(2,669,536)**	**7,396,462**	**9,499,574**	**4,821,154**	**(11,693,621)**	**8,461**

(*) Subsidiaries, associates and tangible and intangible assets are stated in non-interest bearing column.

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

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

Average interest rates applied to monetary financial instruments:

	Euro	US Dollar	Japanese Yen	TL
Current Year	%	%	%	%
Assets:				
Cash and balance with CBRT	-	-	-	-
Banks	0.92	1.27	-	8.88
Financial assets at fair value through profit/loss	4.11	4.34	-	8.02
Interbank money market placements	-	-	-	6.97
Available-for-sale financial assets	5.15	7.00	-	9.24
Loans and receivables	4.37	4.18	3.49	14.18
Held-to-maturity investments	6.44	7.38	-	9.72
Liabilities:				
Bank deposits	2.24	0.99	-	8.36
Other deposits	2.70	2.73	-	8.08
Interbank money market takings	1.24	1.28	-	7.01
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds borrowed	1.75	1.53	0.49	7.51

	Euro	US Dollar	Japanese Yen	TL
Previous Year	%	%	%	%
Assets:				
Cash and balance with CBRT	-	-	-	5.20
Banks	0.28	0.34	-	8.51
Financial assets at fair value through profit/loss	6.12	11.68	-	10.65
Interbank money market placements	-	-	-	6.50
Available-for-sale financial assets	5.09	6.70	-	9.85
Loans and receivables	4.73	4.91	6.79	15.62
Held-to-maturity investments	7.08	7.44	-	11.93
Liabilities:				
Bank deposits	2.25	0.81	-	8.69
Other deposits	2.80	2.74	-	8.73
Interbank money market takings	1.00	1.30	-	8.99
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds borrowed	1.86	1.56	-	10.85

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

Interest rate sensitivity

Interest rate sensitivity of the consolidated statement of income is the effect of the changes in interest rates assumed as follows on the fair values of financial assets at fair value through profit or loss and on net interest income without tax effect of floating rate non-trading financial assets and liabilities held as at 31 December 2010.

Interest rate sensitivity of equity is calculated by considering the effects of the assumed changes in interest rates on the fair values of fixed rate available-for-sale financial assets as at 31 December 2010.

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

This analysis is performed on the same basis for 31 December 2009.

	Profit or loss		Equity (*)	
31 December 2010	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets at fair value through profit or loss	20,448	(19,586)	20,448	(19,586)
Available-for-sale financial assets	137	(138)	(206,959)	225,245
Floating rate financial assets	258,224	(258,224)	258,224	(258,224)
Floating rate financial liabilities	(64,739)	64,739	(64,739)	64,739
Total, net	**214,070**	**(213,209)**	**6,974**	**12,174**

	Profit or loss		Equity (*)	
31 December 2009	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets at fair value through profit or loss	(7,742)	8,541	(7,742)	8,541
Available-for-sale financial assets	22,204	(22,287)	(191,672)	203,417
Floating rate financial assets	224,650	(224,650)	224,650	(224,650)
Floating rate financial liabilities	(59,307)	59,307	(59,307)	59,307
Total, net	**179,805**	**(179,089)**	**(34,071)**	**46,615**

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

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

VII. Consolidated liquidity risk

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Year	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Undistributed(*)	Total
Assets:								
Cash and balance with CBRT	4,651,033	-	-	-	-	-	-	**4,651,033**
Banks	795,200	932,798	395,857	47,029	-	-	-	**2,170,884**
Financial assets at fair value through profit/loss	983	16,139	24,333	37,635	128,579	10,313	79	**218,061**
Interbank money market placements	-	2,101,584	-	-	-	-	-	**2,101,584**
Available-for-sale financial assets	-	703,082	61,378	2,200,850	6,002,816	4,933,826	12,295	**13,914,247**
Loans and receivables	-	7,201,532	2,175,036	8,542,575	21,024,583	5,645,245	27,271	**44,616,242**
Held-to-maturity investments	-	217,132	590,274	816,733	1,161,081	1,577,025	-	**4,362,245**
Other assets	-	402,208	264,031	369,900	522,674	17,547	3,224,246	**4,800,606**
Total assets	**5,447,216**	**11,574,475**	**3,510,909**	**12,014,722**	**28,839,733**	**12,183,956**	**3,263,891**	**76,834,902**
Liabilities:								
Bank deposits	12,578	1,382,792	142,796	421,561	-	-	-	**1,959,727**
Other deposits	7,253,791	25,473,441	10,368,525	2,633,710	363,335	239	-	**46,093,041**
Funds borrowed	-	194,728	1,634,973	1,890,886	1,886,609	1,079,806	-	**6,687,002**
Interbank money market takings	-	5,722,507	1,129,166	1,228,184	164,391	-	-	**8,244,248**
Securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	1,241,034	59,551	26,868	33,856	-	859,384	**2,220,693**
Other liabilities	-	186,078	534,233	299,911	208,544	17,926	10,383,499	**11,630,191**
Total liabilities	**7,266,369**	**34,200,580**	**13,869,244**	**6,501,120**	**2,656,735**	**1,097,971**	**11,242,883**	**76,834,902**
Net Liquidity Gap	**(1,819,153)**	**(22,626,105)**	**(10,358,335)**	**5,513,602**	**26,182,998**	**11,085,985**	**(7,978,992)**	-

Previous Year	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Undistributed(*)	Total
Total assets	4,299,733	12,197,714	3,795,723	11,965,865	25,800,528	6,303,209	2,993,603	**67,356,375**
Total liabilities	5,915,145	29,294,430	13,786,895	4,916,180	1,911,371	1,295,416	10,236,938	**67,356,375**
Net Liquidity Gap	**(1,615,412)**	**(17,096,716)**	**(9,991,172)**	**7,049,685**	**23,889,157**	**5,007,793**	**(7,243,335)**	**-**

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

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

Residual contractual maturities of monetary liabilities

Current year	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	1,959,727	1,977,922	12,578	1,384,621	144,416	436,307	-	-
Other deposits	46,093,041	46,406,276	7,253,791	25,655,301	10,443,763	2,662,113	390,976	332
Funds borrowed	6,687,002	6,993,036	-	201,407	1,663,595	1,923,383	1,967,336	1,237,315
Money market takings	8,244,248	11,442,208	-	8,359,164	1,677,663	1,235,014	170,367	-
Miscellaneous payables	2,220,693	2,220,693	859,384	1,241,034	59,551	26,868	33,856	-
Other liabilities	622,901	622,901	377,596	89,770	5,925	21,850	109,834	17,926
Total	**65,827,612**	**69,663,036**	**8,503,349**	**36,931,297**	**13,994,913**	**6,305,535**	**2,672,369**	**1,255,573**
Non-Cash Loans	**11,359,828**	**11,359,828**	**6,993,322**	**598,232**	**820,728**	**1,699,003**	**1,168,428**	**80,115**

Prior year	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	2,134,116	2,142,969	9,372	1,620,621	455,531	57,445	-	-
Other deposits	42,966,751	43,210,393	5,905,773	25,960,456	9,202,351	1,916,371	225,408	34
Funds borrowed	4,613,227	4,949,531	-	215,041	163,136	1,514,698	1,629,818	1,426,838
Money market takings	6,167,383	6,175,522	-	755,038	3,889,087	1,408,969	122,428	-
Miscellaneous payables	1,446,815	1,446,815	609,073	702,059	44,310	43,953	47,420	-
Other liabilities	336,987	336,987	116,532	88,045	8,309	37,664	68,752	17,685
Total	**57,665,279**	**58,262,217**	**6,640,750**	**29,341,260**	**13,762,724**	**4,979,100**	**2,093,826**	**1,444,557**
Non-Cash Loans	**9,110,039**	**9,110,039**	**4,767,616**	**53,817**	**154,574**	**1,291,543**	**2,633,322**	**209,167**

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

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

VIII. Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Year	Prior Year	Current Year	Prior Year
Financial Assets				
Receivables from Interbank Money Markets	2,101,584	3,401,294	2,101,584	3,401,294
Banks	2,170,884	3,294,047	2,170,884	3,294,047
Available-for-Sale Financial Assets	13,914,247	15,265,326	13,914,247	15,265,326
Held-to-Maturity Investments	4,362,245	3,578,218	4,454,786	3,783,271
Loans	44,616,242	34,527,952	44,663,673	34,526,368
Financial Liabilities				
Bank Deposits	1,959,727	2,134,116	1,959,727	2,134,116
Other Deposits	46,093,041	42,966,751	46,093,041	42,966,751
Funds Borrowed	6,687,002	4,613,227	6,687,002	4,613,227
Securities Issued	-	-	-	-
Miscellaneous Payables	2,220,693	1,446,815	2,220,693	1,446,815

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

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

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

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

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

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

31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	176,484	15,521	-	**192,005**
Derivative financial assets held for trading purpose		24,994	-	**24,994**
Investment funds		983	-	**983**
Equity securities	52		27	**79**
Available-for-sale financial assets				
Debt securities	13,679,072	222,880	-	**13,901,952**
Investments in associates and subsidiaries	-	-	154,263	**154,263**
Total Financial Assets	**13,855,608**	**264,378**	**154,290**	**14,274,276**
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	**-**	(103,367)	-	**(103,367)**
Total Financial Liabilities	-	**(103,367)**	**-**	**(103,367)**

31 December 2009	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	100,539	15,984	-	**116,523**
Derivative financial assets held for trading purpose	-	21,524	-	**21,524**
Investment funds	-	2,246	-	**2,246**
Equity securities	-	-	27	**27**
Available-for-sale financial assets				
Debt securities	14,850,870	395,414	-	**15,246,284**
Equity securities	1,477	-	6,814	**8,291**
Investments in associates and subsidiaries	-	-	48,744	**48,744**
Total Financial Assets	**14,748,854**	**435,168**	**55,585**	**15,443,639**
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(42,547)	-	**(42,547)**
Total Financial Liabilities	**-**	**(42,547)**	**-**	**(42,547)**

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

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 2010 is as follows:

	Level 3 Amount
Balance at the beginning of the year	55,585
Total gains or losses for the year recognized in profit or loss	(13,535)
Total gains or losses for the year recognized under equity	112,240
Balance at the end of the year	**154,290**

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

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

X. Consolidated segment reporting

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

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

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

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

Major financial statement items according to business lines:

Current Year	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Operating profit	1,009,588	155,671	1,507,042	1,374,976	4,047,277
Undistributed expenses	-	-	-	(2,624,979)	(2,624,979)
Operating profit	**1,009,588**	**155,671**	**1,507,042**	**(1,250,003)**	**1,422,298**
Income from associates					24,216
Income before taxes					1,446,514
Provision for taxes					(313,152)
Net profit					**1,133,362**
Segment assets	14,914,096	29,693,707	25,814,603	1,843,827	72,266,233
Investment in associates and subsidiaries	-	-	-	304,752	304,752
Undistributed assets	-	-	-	4,263,917	4,263,917
Total assets	**14,914,096**	**29,693,707**	**25,814,603**	**6,412,496**	**76,834,902**
Segment liabilities	17,187,779	30,864,989	14,769,454	351,299	63,173,521
Equity	-	-	-	8,579,083	8,579,083
Undistributed liabilities	-	-	-	5,082,298	5,082,298
Total liabilities and equity	**17,187,779**	**30,864,989**	**14,769,454**	**14,012,680**	**76,834,902**

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

SECTION FIVE

Disclosure and Footnotes on the Consolidated Financial Statements

I. Information and disclosures related to consolidated assets

1. Information on cash and balances with the Central Bank

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Cash	571,665	87,505	508,880	85,901
Central Bank of Turkey (*)	2,037,805	1,953,075	1,148,099	1,309,753
Others	322	661	33	702
Total	**2,609,792**	**2,041,241**	**1,657,012**	**1,396,356**

(*) TL 1,423,140 (31 December 2009: TL 872,785) of the foreign currency deposit at Central Bank of Turkey is comprised of foreign currency reserve deposits and related interest income accruals; TL 3,361 (31 December 2009: TL 21,013) of Turkish Lira balances is comprised of interest income accruals from unrestricted portion of the deposit at Central Bank of Turkey held as reserve requirement.

In accordance with "Announcement on Reserve Deposits" of CBRT numbered 2005/1, all banks operating in Turkey should provide a reserve amounting to 6% (31 December 2009: 5%) of liabilities in Turkish Lira and 11% (31 December 2009: 9%) of liabilities in foreign currencies.

Interest rate given by CBRT is nil for TL reserve deposits and foreign currency reserve deposits as at 31 December 2010 (31 December 2009: TL 5.2%, FC nil).

Balances with the Central Bank of Turkey

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Unrestricted demand deposits	2,034,444	529,935	1,127,086	436,968
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Reserve Deposits	3,361	1,423,140	21,013	872,785
Total	**2,037,805**	**1,953,075**	**1,148,099**	**1,309,753**

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

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

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	125,996	10,795	97	-
Others	-	-	-	-
Total	**125,996**	**10,795**	**97**	-

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

Trading securities subject to repurchase agreements

	Current Year		Previous Year	
	TL	FC	TL	FC
Government bonds	2,533	-	2,080	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	-
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Others	-	-	-	-
Total	**2,533**	-	**2,080**	-

Trading purpose derivative financial assets

	Current Year		Previous Year	
	TL	FC	TL	FC
Forward transactions	907	99	456	920
Swap transactions	356	22,194	-	19,205
Futures	-	-	-	-
Options	80	1,358	242	701
Others	-	-	-	-
Total	**1,343**	**23,651**	**698**	**20,826**

3. Information on banks

	Current Year		Previous Year	
	TL	FC	TL	FC
Banks	944,049	1,226,835	668,611	2,625,436
Domestic	902,831	82,925	556,799	209,606
Foreign	41,218	1,143,910	111,812	2,415,830
Foreign head offices and branches	-	-	-	-
Total	**944,049**	**1,226,835**	**668,611**	**2,625,436**

Due from foreign banks

	Unrestricted Balance		Restricted Balances	
	Current Year	Previous Year	Current Year	Previous Year
EU Countries	348,435	1,247,648	138,392	34,187
USA, Canada	619,722	1,053,375	9,254	68,526
OECD Countries (*)	54,402	4,178	-	-
Off-shore Banking Regions	39	110,157	-	-
Others	3,327	8,783	11,557	788
Total	**1,025,925**	**2,424,141**	**159,203**	**103,501**

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

Bank deposits of the Group amounting to TL 292,054 (31 December 2009: TL 103,501) is restricted due to securitization loans of the Parent Bank and other ordinary operations and is comprised of TL 159,203 in foreign banks and TL 132,851 in domestic banks.

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

4. Information on available-for-sale financial assets

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

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	1,660,529	68,530	3,124,343	300,450
Others	-	-	-	-
Total	**1,660,529**	**68,530**	**3,124,343**	**300,450**

Available-for-sale financial assets subject to repurchase agreements

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Government bonds	5,074,766	-	3,958,401	-
Treasury bills	-	-	205,312	-
Other debt securities	-	1,527,078	-	823,038
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Total	**5,074,766**	**1,527,078**	**4,163,713**	**823,038**

Information on available-for-sale financial assets

	Current Year	Previous Year
Debt securities	**13,912,962**	**15,270,722**
Quoted	13,912,962	15,270,722
Unquoted	-	-
Equity securities	**12,462**	**71,377**
Quoted	1,545	1,477
Unquoted	10,917	69,900
Provisions for impairment losses (-)	**11,177**	**76,773**
Total	**13,914,247**	**15,265,326**

5. Information on loans

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

	Current Year		Previous Year	
	Cash	**Non-Cash**	**Cash**	**Non-Cash**
Direct loans provided to the shareholders	-	**563**	-	**549**
Legal entities	-	563	-	549
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	**45,918**	**31**	**40,120**	**32**
Total	**45,918**	**594**	**40,120**	**581**

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

Information about loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled

	Performing Loans and Other Receivables		Loans and Other Receivables under Follow-Up	
Cash Loans	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Loans	**42,363,672**	-	**1,541,563**	**627,522**
Discounted bills	23,274	-	-	1
Export loans	3,085,643	-	121,751	78,262
Import loans	-	-	-	12
Loans to the financial sectors	2,841,918	-	327	-
Overseas loans	135,645	-	10,870	-
Consumer loans	12,851,968	-	525,722	130,493
Credit cards	1,340,056	-	89,534	7,193
Precious metal loans	-	-	-	-
Others	22,085,168	-	793,359	411,561
Specialization loans	**47,774**	-	-	-
Other receivables	**8,440**	-	-	-
Total	**42,419,886**	-	**1,541,563**	**627,522**

Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans and Other Receivables under Follow-Up	
Cash loans	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Short-term Loans and Other Receivables	**13,351,796**	-	**531,149**	**208,092**
Loans	13,343,356	-	531,149	208,092
Specialization loans	-	-	-	-
Other Receivables	8,440	-	-	-
Medium, Long-term Loans and Other Receivables	**29,068,090**	-	**1,010,414**	**419,430**
Loans	29,020,316	-	1,010,414	419,430
Specialization loans	47,774	-	-	-
Other Receivables	-	-	-	-

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

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

	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	**259,514**	**12,632,569**	**12,892,083**
Housing loans	5,265	5,933,287	5,938,552
Automobile loans	3,722	201,897	205,619
General purpose loans	72,083	3,174,136	3,246,219
Others	178,444	3,323,249	3,501,693
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Consumer loans – FC	**614**	**4,073**	**4,687**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	614	4,073	4,687
Others	-	-	-
Retail credit cards – TL	**1,360,706**	**1,793**	**1,362,499**
With installment	484,065	1,793	485,858
Without installment	876,641	-	876,641
Retail credit cards – FC	**856**	-	**856**
With installment	-	-	-
Without installment	856	-	856
Personnel loans – TL	**538**	**21,955**	**22,493**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	492	21,955	22,447
Others	46	-	46
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Personnel loans – FC	**264**	-	**264**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	264	-	264
Others	-	-	-
Personnel credit cards – TL	**23,120**	-	**23,120**
With installment	8,094	-	8,094
Without installment	15,026	-	15,026
Personnel credit cards – FC	**41**	-	**41**
With installment	-	-	-
Without installment	41	-	41
Overdraft Checking Accounts – TL (Real persons)	**588,656**	-	**588,656**
Overdraft Checking Accounts – FC (Real persons)	-	-	-
Total	**2,234,309**	**12,660,390**	**14,894,699**

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

Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based commercial loans – TL	**220,059**	**5,155,836**	**5,375,895**
Real estate loans	485	92,825	93,310
Automobile loans	16,707	359,347	376,054
General purpose loans	202,867	4,703,664	4,906,531
Others	-	-	-
Installment-based commercial loans – FC indexed	**726**	**171,682**	**172,408**
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	726	171,682	172,408
Others	-	-	-
Installment-based commercial loans – FC	**169,655**	**243,222**	**412,877**
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	169,586	-	169,586
Others	69	243,222	243,291
Corporate credit cards – TL	**49,956**	**82**	**50,038**
With installment	7,736	82	7,818
Without installment	42,220	-	42,220
Corporate credit cards – FC	**229**	-	**229**
With installment	-	-	-
Without installment	229	-	229
Overdraft Checking Accounts – TL (Corporate)	**206,348**	-	**206,348**
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	**646,973**	**5,570,822**	**6,217,795**

Allocation of loan customers

	Current Year	Previous Year
Public Sector	1,140,703	1,772,596
Private Sector	43,448,268	32,618,307
Total	**44,588,971**	**34,390,903**

Allocation of domestic and overseas loans

	Current Year	Previous Year
Domestic loans	44,346,489	34,225,967
Overseas loans	242,482	164,936
Total	**44,588,971**	**34,390,903**

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

Loans to associates and subsidiaries

As at 31 December 2010 and 2009 there are not loans given to the associates and subsidiaries by the Group.

Specific provisions for loans

Specific Provisions	Current Year	Previous Year
Loans and receivables with limited collectibility	67,426	85,123
Loans and receivables with doubtful collectibility	219,301	340,501
Uncollectible loans and receivables	2,028,979	1,703,797
Total	**2,315,706**	**2,129,421**

Information on non-performing loans (Net)

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current year	**12,885**	**56,475**	**159,362**
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	12,885	56,475	159,362
Previous year	**7,438**	**46,766**	**115,357**
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	7,438	46,766	115,357

Movements in non-performing loan groups

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Balance at the beginning of the year	**219,041**	**340,501**	**1,706,928**
Additions (+)	759,409	11,501	30,361
Transfers from other categories of loans under follow-up (+)(*)	-	1,029,844	661,307
Transfers to other categories of loans under follow-up (-)(*)	766,904	1,011,147	28,952
Collections (-)	119,495	151,398	271,351
Write-offs (-)	-	-	66,156
Corporate and commercial loans	-	-	59,341
Retail loans	-	-	-
Credit cards	-	-	-
Others	-	-	6,815
Currency differences	-	-	(512)
Balance at the end of the year	**92,051**	**219,301**	**2,031,625**
Specific provisions (-)	67,426	219,301	2,028,979
Net balance on balance sheet	**24,625**	-	**2,646**

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

(*)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.

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Year			
Balance at the end of the year	3,356	9,852	369,112
Specific provisions (-)	1,206	9,852	366,466
Net balance on balance sheet	**2,150**	**-**	**2,646**
Previous Year			
Balance at the end of the year	10,693	11,933	401,845
Specific provisions (-)	2,139	11,933	398,714
Net balance on balance sheet	**8,554**	**-**	**3,131**

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

Write-off policy for uncollectible loans and receivables

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

Loan customer concentration of non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Year (Net)	**24,625**	-	**2,646**
Consumer and commercial loans (Gross)	91,167	214,723	1,927,927
Specific provisions (-)	66,714	214,723	1,925,281
Consumer and commercial loans (Net)	24,453	-	2,646
Banks (Gross)	-	-	8,794
Specific provisions (-)	-	-	8,794
Banks (Net)	-	-	-
Other loans and receivables (Gross)	884	4,578	94,904
Specific provisions (-)	712	4,578	94,904
Other loans and receivables (Net)	172	-	-
Previous Year (Net)	**133,918**	-	**3,131**
Consumer and commercial loans (Gross)	214,619	336,847	1,601,765
Specific provisions (-)	82,127	336,847	1,598,634
Consumer and commercial loans (Net)	132,492	-	3,131
Banks (Gross)	-	-	10,637
Specific provisions (-)	-	-	10,637
Banks (Net)	-	-	-
Other loans and receivables (Gross)	4,422	3,654	94,526
Specific provisions (-)	2,996	3,654	94,526
Other loans and receivables (Net)	1,426	-	-

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

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Government bonds	2,911,012	-	2,075,831	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	1,412,065	-	1,455,711
Total	**2,911,012**	**1,412,065**	**2,075,831**	**1,455,711**

Information on held-to-maturity investment securities

	Current Year	Previous Year
Debt Securities	**4,392,223**	**3,601,256**
Quoted at stock exchanges	4,355,131	3,565,490
Unquoted at stock exchanges	37,092	35,766
Impairment losses (-)	**29,978**	**23,038**
Total	**4,362,245**	**3,578,218**

The movement table of the held-to-maturity investments

	Current Year	Previous Year
Balances at the beginning of the year	**3,578,218**	**3,683,920**
Foreign currency differences on monetary assets	41,486	(19,011)
Acquisitions during the year	2,276,240	1,519,383
Disposals through sales/redemptions	(1,532,959)	(1,543,275)
Impairment losses	(17,166)	(20,419)
Change in amortized costs of the securities (*)	16,426	(42,380)
Balances at the end of the year	**4,362,245**	**3,578,218**

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

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

Additionally, the Parent Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 675,000 to its held-to-maturity investment securities portfolio at their fair values of TL 610,161 as at their reclassification dates, in 2009. These reclassifications are presented in "purchases during the period" line in the movement table of held-to-maturity investment securities. The value increases of such securities amounting to TL 1,118 are recorded under equity and will be amortized through the statement of income until their maturities.

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

Information about held-to-maturity investments

Current Year	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	401,847	37,080	405,031	37,092
Investments subject to repurchase agreements	1,267,246	927,119	1,321,006	942,923
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others (*)	1,145,838	464,838	1,184,975	471,218
Total	**2,814,931**	**1,429,037**	**2,911,012**	**1,451,233**

Previous Year	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	668,259	35,760	694,386	35,766
Investments subject to repurchase agreements	645,938	1,001,983	685,565	1,017,238
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others (*)	680,170	437,115	695,880	449,383
Total	**1,994,367**	**1,474,858**	**2,075,831**	**1,502,387**

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

7. Investments in associates

Unconsolidated investments in associates

	Title	Address (City/Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Roketsan Roket Sanayi ve Ticaret AŞ	Ankara/Turkey	10.00	10.00
2	Bankalararası Kart Merkezi AŞ	İstanbul/Turkey	9.70	9.70
3	Kredi Kayıt Bürosu AŞ	İstanbul/Turkey	9.09	9.09
4	Güçbirliği Holding AŞ	İzmir/Turkey	0.07	0.07
5	İzmir Enternasyonel Otelcilik AŞ	İstanbul/Turkey	5.00	5.00
6	İMKB Takas ve Saklama Bankası AŞ	İstanbul/Turkey	4.86	5.28
7	Kredi Garanti Fonu AŞ	Ankara/Turkey	1.67	1.67
8	World Vakıf UBB Ltd	Lefkosa/NCTR	82.00	85.24

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Year's Profit/Loss	Company's Fair Value
1	1,057,634	201,550	167,191	16,033	-	41,658	14,153	-
2	21,011	15,865	6,737	912	-	1,465	1,067	-
3	41,622	36,856	2,476	2,558	-	13,630	9,289	-
4	116,426	24,879	146	294	-	(9,203)	(8,289)	-
5	107,314	46,732	101,281	45	-	(2,620)	(830)	-
6	1,504,735	297,695	10,750	31,641	7,624	28,048	37,528	-
7	138,176	132,761	2,953	5,908	-	4,321	3,713	-
8	2,670	(24,000)	-	10	-	(2,428)	(2,200)	-

In accordance with the directives of BRSA, the shares of IMKB Takas ve Saklama Bankası AŞ, previously presented as "Equity securities" under "Available for sale financial assets" with carrying value of TL 9,181 were reclassified as "Investments in associates" in 2009.

The shares on İşkur İşçi İşadamı Kimya Kuruluşları AŞ which have a carrying value of TL 0 are classified to "Uncollectible Loans and Receivables", which were previously presented as "Investment in associates".

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 authorization of World Vakıf UBB Ltd, a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified "Investments in associates". The financial statements of the Company have not been consolidated as at 30 September 2010, but its equity until the liquidation decision date has been included in the accompanying consolidated financial statements.

As per the resolution of the Board of Directors of the Bank on 3 April 2008, the Bank is working on disposal process for Roketsan Roket Sanayi AŞ ("Roketsan"), in which the Bank currently owns 10% of the shares representing TL 14,600 nominal shares out of the capital of TL 146,000.

Unconsolidated associates, reasons for not consolidating such investments and accounting treatments applied for such investments

Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, IMKB Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ have not been consolidated since their total assets and net operating profit/(loss) individually or as a whole, do not comprise a material portion within the consolidated totals. Since Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonel AŞ are not financial associates; these associates have not been consolidated. Associates whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values; the ones whose fair values cannot be realiably measured are reflected at their costs.

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

Consolidated investments in associates

	Title	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Kıbrıs Vakıflar Bankası Ltd.	Lefkosa/NCTR	15.00	15.00
2	Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ	İstanbul/Turkey	11.75	21.77
3	Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/Turkey	27.63	29.47
4	Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Turkey	8.38	8.38

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Years' Profit/Loss	Company's Fair Value
1	649,284	59,411	8,075	58,847	10,506	11,793	10,261	-
2	16,381	15,507	27	378	2,085	1,187	2,773	19,515
3	83,245	82,653	54	920	2,454	4,960	6,879	71,350
4	8,362,560	1,398,521	26,758	230,193	232,036	227,755	260,898	1,870,537

Movement of consolidated investments in associates

	Current Year	Previous Year
Balance at the beginning of the year	**120,202**	**46,155**
Movements during the year	**64,675**	**74,047**
Acquisitions and capital increases	-	-
Bonus shares received	10,477	9,691
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	54,198	64,356
Impairment losses	-	-
Balance at the end of the year	**184,877**	**120,202**
Capital commitments	**-**	**-**
Share percentage at the end of year (%)	**-**	**-**

Sectoral distribution of consolidated investments and associates

	Current Year	Previous Year
Banks	162,870	94,446
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	22,007	25,756
Total	**184,877**	**120,202**

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

Quoted associates

	Current Year	Previous Year
Quoted at domestic stock exchanges	178,758	116,183
Quoted at international stock exchanges	-	-
Total	**178,758**	**116,183**

Investments in associates disposed during the year

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

Investments in associates acquired during the year

Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Bank subject to consolidation, increased its paid-in capital from TL 600,000 to TL 700,000 in the current period. The share of the Bank amounting to TL 8,377 is presented in the movement table of investments in associates as bonus shares received.

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

In 2009, Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Bank, increased its paid-in capital from TL 500,000 to TL 600,000. The share of the Bank amounting to TL 8,377 is presented in the movement table of consolidated investments in associates as bonus shares received.

In 2009, Kıbrıs Vakıflar Bankası Ltd, an associate of the Bank, increased its paid-in capital from TL 20,000 to TL 26,000. The share of the Bank amounting to TL 900 is presented in the movement table of consolidated investments in associates as bonus shares received.

In 2009, 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 19,300 to TL 20,800, by the General Assembly of the company, the share of the Bank amounting to TL 414 is presented in the movement table of consolidated investments in associates as bonus shares received.

As per the 11 June 2009 dated resolution of the Board of Directors of the Parent Bank, it was decided to invest in Kredi Garanti Fonu AŞ ("the Company") which was established in order to provide guarantee and ease credit conditions for Small and Medium size entities. Based on this resolution, the Bank purchased one share of Kredi Garanti Fonu AŞ at a nominal value of TL 50 (full TL) from Turkish Union of Chambers and Commodity Exchanges on 9 September 2009. As per the 9 September 2009 dated resolution of the Extraordinary General Assembly of Kredi Garanti Fonu AŞ, it was decided to increase share capital of Kredi Garanti Fonu AŞ from TL 60,000 to TL 240,000 by TL 180,000 through TL 19,110 from internal sources and TL 160,890 by cash injection of the shareholders. Accordingly, the Parent Bank made a commitment of TL 4,000 of which TL 2,000 was paid on 15 October 2009. The remaining balance, TL 2,000 is followed under "Share capital commitments to associates and subsidiaries" in the off-balance sheet commitments and contingencies, to be paid upon the request of Board of Directors of the Company within three years.

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

8. Investments in subsidiaries

Unconsolidated investments in subsidiaries

Title		Address (City/ Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Vakıf Enerji ve Madencilik AŞ	Ankara/Turkey	65.50	84.92
2	Taksim Otelcilik AŞ	Istanbul/Turkey	51.00	51.52
3	Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ	Ankara/Turkey	73.00	79.85
4	Vakıf Gayrimenkul Değerleme AŞ	Ankara/Turkey	54.29	58.54

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Years' Profit/(Loss)	Company's Fair Value
1	8,806	8,679	1,062	317	1	(51)	(351)	12,500
2	210,771	205,294	90,755	7,904	(17)	(2,441)	(1,916)	212,968
3	14,686	7,826	421	867	38	862	869	12,000
4	16,079	11,902	410	788	65	5,147	3,884	32,000

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

As per the 4 September 2009 dated resolution of the Board of Directors, it has been decided to sale the shares of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ owned by the Group, comprising 31.15% of the company's share capital to Rhea Gayrimenkul Proje Geliştirme İnşaat Sanayi ve Ticaret AŞ in accordance with sales agreement signed on 25 August 2009. The application to Capital Market Board ("CMB") dated 7 September 2009 regarding the sale of the shares has been approved and stated at the CMB Bulletin dated 13 November 2009 and numbered 2009/49. In order for the Bank and the counter party to obtain economic benefits expected from the transfer of the shares it has been decided to apply to the CMB for the permission for operations of the Company as a venture-capital trust to be extended for one- year starting from 31 December 2009. Following the approval of the sale of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ by CMB, the shares have been transferred on 10 December 2009 and the Bank's portion from the sales amounting to TL 2,150 has been received in cash. As a result of this sales transaction, the Group has recorded gain on sale of subsidiaries amounting to TL 1,592.

The shares of Ataköy Mağazacılık Ticaret AŞ, previously presented as "Investment in subsidiaries", that is in liquidation process and has a carrying value of TL 0, have been written off as at 30 April 2009.

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments:

Vakıf Enerji ve Madencilik AŞ, Taksim Otelcilik AŞ, Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme AŞ have not been consolidated since they are not among the financial subsidiaries of the Parent Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values; the ones whose fair values cannot be realiably measured are reflected at their costs.

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

Investments in consolidated subsidiaries

Title	Address(City/ Country)	Bank's Share –If Different Voting Rights (%)	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 Faktoring Hizmetleri AŞ	Istanbul/Turkey	78.39	86.97
4- Vakıf Finansal Kiralama AŞ	Istanbul/Turkey	58.71	64.40
5- Vakıf Pazarlama ve Ticaret AŞ	Istanbul/Turkey	68.55	73.95
6- Vakıf Yatırım Menkul Değerler AŞ	Istanbul/Turkey	99.00	99.44
7- Vakıfbank International AG	Vienna/Austria	90.00	90.00
8- Vakıf Portföy Yönetimi AŞ	Istanbul/Turkey	99.99	99.99

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Year's Profit/(Loss)	Company's Fair Value
1	1,091,652	170,263	53,823	11,513	-	(65,520)	(34,640)	324,894
2	1,190,918	107,994	24,319	19,941	31,177	7,483	17,690	194,500
3	823,018	74,613	480	68,195	-	12,665	13,878	70,000
4	575,589	86,127	3,512	36,242	56	17,442	30,395	110,654
5	55,579	8,508	205	4,294	-	3,450	5,792	-
6	97,294	62,581	369	6,942	669	5,761	5,818	55,298
7	1,093,660	156,884	1,515	31,075	8,133	9,301	(10,491)	166,683
8	5,976	5,799	10	523	9	1,376	1,536	19,621

As per the resolution of the Board of Directors of the Bank on 22 August 2006, it is decided to merge Vakıf Deniz Finansal Kiralama AŞ and Vakıf Finansal Kiralama AŞ. In accordance with the "Regulation on Establishment and Operations of Leasing, Factoring and Finance Companies", temporary 1^{st} clause and 4^{th} subclause, permission for operations of Vakıf Deniz Finansal Kiralama AŞ was revoked on 25 June 2009. The application for the merge of Vakıf Finansal Kiralama AŞ with Vakıf Deniz Finansal Kiralama AŞ was not approved by Capital Market Board. As a result, activities regarding the merger were stopped. Thereupon, the registered name of Vakıf Deniz Finansal Kiralama AŞ was changed as Vakıf Pazarlama ve Ticaret AŞ on 29 September 2009. Pursuant to the BRSA decision dated 25 March 2010, all rights and obligations arising from 3226 numbered Leasing Law can continue until the termination of the existing leasing contracts of the Company.

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

Movement table of consolidated investments in subsidiaries in unconsolidated financial statements

	Current Year	Previous Year
Balance at the beginning of the year	**401,528**	**333,977**
Movements during the year	**146,433**	**67,551**
Acquisitions and capital increases	42,320	-
Bonus shares received	-	4,436
Share of current year profit	-	-
Sales and liquidations	-	-
Fair value changes	104,113	63,115
Impairment losses	-	-
Balance at the end of the year	**547,961**	**401,528**
Capital commitments	**-**	**-**
Share percentage at the end of the year (%)	**-**	**-**

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Year	Previous Year
Measured at cost	-	40,334
Measured at fair value	547,961	361,194
Equity method of accounting	-	-
Total	**547,961**	**401,528**

Sectoral distribution of consolidated investments in subsidiaries

	Current Year	Previous Year
Banks	150,015	100,158
Insurance companies	214,617	188,268
Factoring companies	50,368	33,708
Leasing companies	64,965	39,058
Financing companies	-	-
Other financial subsidiaries	67,996	40,336
Total	**547,961**	**401,528**

Quoted consolidated subsidiaries

	Current Year	Previous Year
Quoted at domestic stock exchanges	183,064	154,104
Quoted at international stock exchanges	-	-
Total	**183,064**	**154,104**

Consolidated subsidiaries disposed during the year

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

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

Consolidated investments in subsidiaries acquired during the period

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

In 2009, Vakıf Finansal Kiralama AŞ, a subsidiary of the Bank, increased its paid-in capital from TL 20,000 to TL 25,000. The share of the Bank amounting to TL 2,936 is presented in the movement table of consolidated investments in subsidiaries as bonus shares received.

In 2009, Vakıf Portföy Yönetimi AŞ, a subsidiary of the Bank, increased its paid-in capital from TL 1,500 to TL 3,000. The share of the Bank amounting to TL 1,500 is presented in the movement table of consolidated investments in subsidiaries as bonus shares received.

9. Investments in joint-ventures

There is not any investment in joint-ventures of the Group.

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

	Current Year		Previous Year	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	37,066	36,058	93,221	76,640
Between 1-4 years	223,923	197,661	172,000	147,528
Longer than 4 years	77,834	67,261	20,168	18,420
Total	**338,823**	**300,980**	**285,389**	**242,588**

Net investments in finance lease receivables

	Current Year	**Previous Year**
Gross finance lease receivables	338,823	285,389
Unearned income on finance lease receivables (-)	(37,843)	(42,801)
Terminated lease contracts (-)	-	-
Net finance lease receivables	**300,980**	**242,588**

Finance lease agreements

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

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

Positive differences on derivative financial instruments held for risk management purposes

None.

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

12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the Previous year:					
Cost	1,208,962	224,316	39,409	507,927	1,980,614
Accumulated depreciation(-)	259,906	176,220	27,686	335,911	799,723
Net book value	**949,056**	**48,096**	**11,723**	**172,016**	**1,180,891**
Balance at the end of the current year:					
Net book value at the beginning of the current year	949,056	48,096	11,723	172,016	1,180,891
Additions	111,079	1,271	2,757	92,780	207,887
Disposals (-)	78,515	36	98	5,319	83,968
Impairment losses (-) (*)	3,472	-	-	-	3,472
Depreciation of the current year (-)	31,104	12,570	4,167	59,788	107,629
Currency translation diff. on foreign operations	7	-	-	2	9
Cost at the end of the current year	1,238,061	225,551	42,068	595,390	2,101,070
Accumulated depreciation at the end of the year (-)	291,010	188,790	31,853	395,699	907,352
Net book value at the end of the current year	**947,051**	**36,761**	**10,215**	**199,691**	**1,193,718**

(*) In conjunction with the 5th subclause of "Regulation on the procedures and principles for sales and purchase of precious metal and disposal of tangible assets that have been acquired due to receivables by Banks" of BRSA which has been published in the Official Gazette no. 26333 on 1 November 2006, in case assets that are not subject to amortization are not disposed within three years following the acquisition date, they shall be amortized through recording provisions at a rate of 5% for each year after the acquisition date. In this frame, the Parent Bank has booked TL 12,881 provision as at 31 December 2010 (31 December 2009: 9,409) taking the temporary clause of the regulation defining the acquisition date into account.

13. Information on intangible assets

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

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

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

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

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

14. Information on investment properties

As at 31 December 2010, the Group has investment property amounting to TL 53,659 (31 December 2009: TL 55,452) in total which consists of the net book value amounting to TL 36,126 (31 December 2009: TL 36,763) for the subsidiaries operating in the field of real estate investment sector and the net book value amounting to TL 17,533 (31 December 2009: TL 18,689) for the subsidiaries operating in the insurance business.

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

15. Information on deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at 31 December 2010 and 2009:

	Current Year	Previous Year
Provision for employee termination benefits and unused vacations	44,055	38,284
Other provisions	29,447	21,698
Investment incentives	25,342	21,384
Valuation difference for associates and subsidiaries	18,733	16,453
Reporting Standards - Tax Code depreciation differences	16,999	18,706
Valuation differences of financial assets and liabilities	13,582	16,491
Tax losses carried forward	567	3,797
Other differences	1,582	2,567
Deferred tax assets	**150,307**	**139,380**
Net-off of the deferred tax assets and liabilities from the same entity	(19,164)	(22,392)
Deferred tax assets, (net)	**131,143**	**116,988**

	Current Year	Previous Year
Valuation differences of financial assets and liabilities	21,250	17,678
Valuation difference for associates and subsidiaries	758	951
Reporting Standards - Tax Code depreciation differences	201	2,274
Adjustment for leased tangible assets	-	3,342
Other differences	445	1,931
Deferred tax liabilities	**22,654**	**26,176**
Net-off of the deferred tax assets and liabilities from the same entity	(19,164)	(22,392)
Deferred tax liabilities, (net)	**3,490**	**3,784**

As further detailed in the accounting policies (see Section Three Note XVIII), temporary Article no. 69, added to Income Tax Law by Law no. 5479, stating that investment incentive calculated in accordance with the legislative provisions effective as at 31 December 2005 could only be deducted from the profits of 2006, 2007 and 2008, has been amended following a decision taken by the Turkish Constitutional Court on 15 October 2009 since the clause restricting the deduction to 2006, 2007 and 2008 ... was in contradiction of Constitutional Law. The Turkish Constitutional Court's decision was published in the 8 January 2010 Official Gazette number 27456. Based on this decision the Group's subsidiary operating in the finance lease business will be able to deduct investment incentives from future taxable profit without any time limitation. Hence, the Group has recognized deferred tax assets amounting to TL 25,342 as at 31 December 2010 (31 December 2009: TL 21,384).

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

As at 31 December 2010, net book value of assets held for sale of the Group is amounting to TL 1,446 (31 December 2009: TL 3,023).

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

17. Information on other assets

As at 31 December 2010 and 2009, the details of other assets are as follows:

	Current Year	Previous Year
Receivables from private pension business	701,303	534,122
Receivables from insurance operations	627,453	567,433
Prepaid expenses	326,278	256,478
Receivables from credit cards	292,504	113,010
Receivables from term sale of assets	87,974	125,323
Deferred acquisition costs	79,402	79,860
Receivables from lawsuit and court expenses	52,062	41,796
Receivables from derivative financial instruments	37,763	56,006
Others	82,683	33,477
Total	**2,287,422**	**1,807,505**

The Parent Bank has recorded specific provision amounting to TL 48,480 (31 December 2009: TL 39,203) for TL 48,976 (31 December 2009: TL 41,426) lawsuit and court expenses undertaken due to loans and advances under follow-up loans of total TL 52,062 lawsuit and court expenses.

II. Information and disclosures related to consolidated liabilities

1. Information on maturity profile of deposits

Current Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	**1,460,236**	**-**	**1,235,236**	**9,402,828**	**245,339**	**25,332**	**44,923**	**-**	**12,413,894**
Foreign currency deposits	**1,077,084**	**-**	**1,824,133**	**6,768,853**	**681,869**	**228,177**	**1,771,836**	**-**	**12,351,952**
Residents in Turkey	1,040,000	-	1,759,213	6,683,137	653,594	120,414	1,253,338	-	11,509,696
Residents in abroad	37,084	-	64,920	85,716	28,275	107,763	518,498	-	842,256
Public sector deposits	**2,100,660**	**-**	**971,257**	**3,174,130**	**635,535**	**10,981**	**8,260**	**-**	**6,900,823**
Commercial deposits	**1,094,317**	**-**	**2,467,484**	**5,907,425**	**453,906**	**471**	**1,589**	**-**	**9,925,192**
Others	**1,521,494**	**-**	**758,990**	**1,898,088**	**293,835**	**9,048**	**19,725**	**-**	**4,501,180**
Precious metal deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Bank deposits	**12,578**	**-**	**603,026**	**889,135**	**33,427**	**421,561**	**-**	**-**	**1,959,727**
Central Bank	123	-	-	-	-	-	-	-	123
Domestic banks	5,432	-	578,270	384,135	33,427	150,133	-	-	1,151,397
Foreign banks	1,837	-	24,756	505,000	-	271,428	-	-	803,021
Participation banks	5,128	-	-	-	-	-	-	-	5,128
Others	58	-	-	-	-	-	-	-	58
Total	**7,266,369**	**-**	**7,860,126**	**28,040,459**	**2,343,911**	**695,570**	**1,846,333**	**-**	**48,052,768**

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

Previous Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	**1,044,253**	**-**	**799,491**	**6,689,074**	**177,812**	**21,785**	**32,249**	**-**	**8,764,664**
Foreign currency deposits	**1,034,270**	**-**	**2,286,296**	**7,606,146**	**624,510**	**313,891**	**1,325,028**	**-**	**13,190,141**
Residents in Turkey	1,001,988	-	2,227,986	7,478,873	618,457	135,487	784,674	-	12,247,465
Residents in abroad	32,282	-	58,310	127,273	6,053	178,404	540,354	-	942,676
Public sector deposits	**1,431,736**	**-**	**1,238,093**	**2,915,113**	**123,913**	**249**	**3,217**	**-**	**5,712,321**
Commercial deposits	**955,588**	**-**	**1,938,012**	**6,568,624**	**646,249**	**227**	**1,315**	**-**	**10,110,015**
Others	**1,439,926**	**-**	**800,571**	**2,696,795**	**238,527**	**2,171**	**11,620**	**-**	**5,189,610**
Precious metal deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Bank deposits	**9,372**	**-**	**817,312**	**1,037,591**	**194,955**	**56,144**	**18,742**	**-**	**2,134,116**
Central Bank	49	-	-	-	-	-	-	-	49
Domestic banks	1,133	-	758,936	497,421	82,411	4	-	-	1,339,905
Foreign banks	4,733	-	58,376	540,170	112,544	56,140	18,742	-	790,705
Participation banks	3,457	-	-	-	-	-	-	-	3,457
Others	-	-	-	-	-	-	-	-	-
Total	**5,915,145**	**-**	**7,879,775**	**27,513,343**	**2,005,966**	**394,467**	**1,392,171**	**-**	**45,100,867**

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Year	**Previous Year**	**Current Year**	**Previous Year**
Saving deposits	5,664,532	4,726,338	6,749,362	4,038,326
Foreign currency saving deposits	1,378,766	1,397,224	2,759,321	3,006,765
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	**7,043,298**	**6,123,562**	**9,508,683**	**7,045,091**

Saving deposits out of insurance coverage limits

	Current Year	Previous Year
Deposits and other accounts at foreign branches	6,604	1,715
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	3,486	3,852
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	4,808

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

2. Information on derivative financial liabilities held for trading purpose

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

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Forwards	845	94	424	882
Swaps	20,297	80,716	8,868	31,367
Futures	-	-	-	-
Options	95	1,320	257	749
Others	-	-	-	-
Total	**21,237**	**82,130**	**9,549**	**32,998**

3. Information on banks and other financial institutions

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	139,492	323,562	74,746	314,092
Foreign banks, institutions and funds	84,774	6,139,174	80,442	4,143,947
Total	**224,266**	**6,462,736**	**155,188**	**4,458,039**

Maturity information of funds borrowed

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Short-term (*)	187,802	3,488,644	154,675	1,403,643
Medium and Long-term (*)	36,464	2,974,092	513	3,054,396
Total	**224,266**	**6,462,736**	**155,188**	**4,458,039**

(*) Maturity profile of funds borrowed has been prepared in accordance with their original maturities.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 9.8% (31 December 2009: 7.8%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On 24 March 2010, the Parent Bank has obtained syndication loan of USD 170 million and Euro 566.5 million with cost of Libor + 1.50% and Euribor + 1.50%, with the participation of 33 banks under the coordination of West LB AG.

On 19 August 2009, the Parent Bank has obtained a syndication loan having an amount of USD 203.5 million and Euro 372.5 million and interest rates of Libor + 2.50% and Euribor + 2.50%, with the participation of 29 banks and with a maturity of one year. The loan was repaid on 24 August 2010. On 7 September 2010, the Bank has obtained and renewed a syndication loan having an amount of USD 135 million and Euro 408 million and interest rates of Libor + 1.30% and Euribor + 1.30%, and the second tranche at the amount of US Dollar 10 million and Euro 45 million with the interest rates of US Libor + 1.75% and Euribor + 1.75% respectively.

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

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

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

5. Criteria used in the determination of lease installments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Obligations under finance leases

None.

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

Negative differences related to the derivative financial liabilities held for risk management purpose

None.

7. Information on provisions

Information on general provisions

	Current Year	Previous Year
Provisions for loans and receivables in Group I	350,017	238,772
Provisions for loans and receivables in Group II	40,852	56,869
Provisions for non-cash loans	35,922	27,151
Others	1,085	197
Total	**427,876**	**322,989**

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

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

	Balance sheet items		Off balance sheet items	
31 December 2009	**Carrying value**	**Provision**	**Carrying value**	**Provision**
Grade 1: Low risk loans and receivables	30,999,103	233,873	16,717,082	25,770
Grade 2: Loans under follow-up	2,886,339	55,586	352,974	1,381
Restructured loans	180,043	1,283	-	-
Other not graded assets	1,247,501	4,899	1,372,048	197
Total	**35,312,986**	**295,641**	**18,442,104**	**27,348**

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

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

	Current Year	Previous Year
Provision for currency exchange gain/loss on foreign currency indexed loans	715	209

The Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 715 (31 December 2009: 209) and has reflected the related foreign exchange loss amount in the consolidated financial statements by offsetting from related loans.

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

	Current Year	Previous Year
Non-cash Loans with Limited Collectibility	233	1,215
Non-cash Loans with Doubtful Collectibility	3,636	7,646
Uncollectible Non-cash Loans	88,379	93,868
Total	**92,248**	**102,729**

Information on other provisions

As at 31 December 2010, Parent Bank has recorded provision for possible loan losses amounting to TL 65,428 which corresponds to 3% of loans under follow up. The related balance has been recorded as provisions for miscellaneous risks under other provisions in the accompanying financial statements.

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Specific provisions for non-cash loans	92,248	102,729
Provision for loans under follow-up	65,428	-
Provision for World Vakıf UBB Ltd with regard to its negative equity	19,920	-
Provision for cheques	16,251	12,000
Provisions for lawsuits against the Group	15,486	37,496
Provisions for credit card promotions	7,873	8,246
Other provisions	6,563	36,351
Total	**223,769**	**196,822**

8. Taxation

Current Taxes

Tax provision

As at and for the year ended 31 December 2010, the tax liability of the Group is amounting to TL 115,123 (31 December 2009: TL 84,360).

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

Information on taxes payable

	Current Year	Previous Year
Corporate taxes payable	115,123	84,360
Taxation on securities	38,770	44,597
Capital gains tax on property	1,047	717
Banking and Insurance Transaction Tax (BITT)	22,863	27,729
Taxes on foreign exchange transactions	-	-
Value added tax payable	1,540	1,222
Others	23,890	18,975
Total	**203,233**	**177,600**

Information on premiums payable

	Current Year	Previous Year
Social security premiums- employee share	446	723
Social security premiums- employer share	2,839	637
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	3	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	375	335
Unemployment insurance- employer share	781	679
Others	1,257	9
Total	**5,701**	**2,383**

Information on deferred tax liabilities

Disclosed in Note 15 of information and disclosures for consolidated assets.

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

None.

10. Information on subordinated loans

None.

11. Information on shareholders' equity

Paid-in capital

	Current Year	Previous Year
Common stock	2,500,000	2,500,000
Preferred stock	-	-

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

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

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

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

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

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

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

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

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following year

None.

Previous period indicators of the Parent Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the securities

	Current Year		Previous Year	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	(12,882)	-	1,510	-
Fair value differences of available-for-sale securities	126,248	187,884	233,910	99,502
Foreign exchange differences	-	-	-	-
Total	**113,366**	**187,884**	**235,420**	**99,502**

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

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

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

	Current Year	Previous Year
Commitments for credit card limits	4,880,798	4,043,910
Loan granting commitments	3,698,348	2,841,941
Asset purchase commitments	904,825	298,677
Commitments for cheque payments	655,194	735,839
Share capital commitments to associates and subsidiaries	2,000	2,000
Total	**10,141,165**	**7,922,367**

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

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

The Bank provided specific provision amounting to TL 92,248 (31 December 2009: TL 102,729) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 93,180 (31 December 2009: TL 106,264).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Year	Previous Year
Provisional letters of guarantee	627,236	186,588
Final letters of guarantee	3,480,369	3,317,010
Letters of guarantee for advances	1,215,050	1,186,749
Letters of guarantee given to custom offices	215,578	161,158
Other letters of guarantee	2,688,694	1,343,675
Total	**8,226,927**	**6,195,180**

2. Non-cash loans

	Current Year	Previous Year
Non-cash loans given for cash loan risks	309,128	461,812
With original maturity of 1 year or less	197,708	287,978
With original maturity of more than 1 year	111,420	173,834
Other non-cash loans	11,050,700	8,648,227
Total	**11,359,828**	**9,110,039**

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

3. Sectoral risk concentrations of non-cash loans

	Current Year				Previous Year			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**34,489**	**0.53**	**168,629**	**3.46**	**30,798**	**0.72**	**100,974**	**2.09**
Farming and cattle	30,764	0.47	154,865	3.17	25,451	0.60	87,111	1.80
Forestry	3,252	0.05	3,250	0.07	3,995	0.09	-	-
Fishing	473	0.01	10,514	0.22	1,352	0.03	13,863	0.29
Manufacturing	**2,913,650**	**45.00**	**2,585,483**	**52.96**	**1,944,249**	**45.46**	**2,190,049**	**45.30**
Mining	37,315	0.58	177,128	3.63	35,457	0.83	129,519	2.68
Production	1,974,922	30.50	1,762,739	36.11	1,614,210	37.74	1,537,794	31.80
Electric, gas and water	901,413	13.92	645,616	13.22	294,582	6.89	522,736	10.82
Construction	**1,082,641**	**16.71**	**730,552**	**14.96**	**570,644**	**13.34**	**851,475**	**17.62**
Services	**1,871,905**	**28.89**	**405,121**	**8.29**	**1,520,561**	**35.55**	**943,101**	**19.53**
Wholesale and retail trade	721,816	11.14	179,191	3.67	618,790	14.47	457,975	9.48
Hotel, food and beverage services	42,105	0.65	7,510	0.15	43,000	1.01	10,486	0.22
Transportation and telecommunication	204,053	3.15	186,231	3.81	229,508	5.37	399,433	8.27
Financial institutions	866,234	13.37	18,590	0.38	595,009	13.89	60,754	1.26
Real estate and renting services	2,008	0.03	-	-	2,101	0.05	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	4,925	0.08	-	-	2,398	0.06	-	-
Health and social services	30,764	0.47	13,599	0.28	29,755	0.70	14,453	0.30
Others	**574,826**	**8.87**	**992,532**	**20.33**	**210,964**	**4.93**	**747,224**	**15.46**
Total	**6,477,511**	**100.00**	**4,882,317**	**100.00**	**4,277,216**	**100.00**	**4,832,823**	**100.00**

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

	Group I		Group II	
Current Year	**TL**	**FC**	**TL**	**FC**
Letters of guarantee	6,333,901	1,696,378	87,838	18,993
Confirmed bills of exchange and acceptances	8587	168,833	-	17,070
Letters of credit	3,750	2,908,079	-	171
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	14,539	2,143	-	-
Other guarantees and sureties	-	6,366	-	-
Total Non-Cash Loans	**6,360,777**	**4,781,799**	**87,838**	**36,234**

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

	Group I		Group II	
Previous Year	**TL**	**FC**	**TL**	**FC**
Letters of guarantee	4,122,541	1,857,623	106,714	9,687
Confirmed bills of exchange and acceptances	-	339,719	-	11,306
Letters of credit	4,130	2,505,291	-	21,172
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	64	1,051	-	-
Other guarantees and sureties	3,078	21,399	-	-
Total Non-Cash Loans	**4,129,813**	**4,725,083**	**106,714**	**42,165**

5. Information on derivative transactions

	Current Year	Previous Year
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	**6,517,543**	**2,287,473**
Currency Forwards	104,871	263,831
Currency Swaps	6,156,981	1,615,175
Currency Futures	-	-
Currency Options	255,691	408,467
Interest Rate Derivative Transactions (II)	**535,906**	**830,239**
Interest Rate Forwards	-	-
Interest Rate Swaps	535,904	830,237
Interest Rate Options	-	-
Investment Security Options	2	2
Interest Rate Futures	-	-
Other Trading Derivatives (III)	**-**	**14,900**
A. Total Trading Derivatives (I+II+III)	**7,053,449**	**3,132,612**
Hedging Derivatives		
Fair Value Hedges		
air Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	**-**	-
Derivative Transactions (A+B)	**7,053,449**	**3,132,612**

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

	31 December 2010					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	1,469,388	427,978	465,105	-	-	**2,362,471**
Sale	1,457,371	423,412	463,500	-	-	**2,344,283**
Currency forwards:						
Purchase	33,796	17,447	1,199	-	-	**52,442**
Sale	33,787	17,443	1,199	-	-	**52,429**
Cross currency interest rate swaps:						
Purchase	-	-	-	729,658	-	**729,658**
Sale	-	-	-	720,569	-	**720,569**
Interest rate swaps:						
Purchase	-	731	127,538	30,223	115,875	**274,367**
Sale	-	731	124,600	20,331	115,875	**261,537**
Options:						
Purchase	86,554	41,291	-	-	-	**127,845**
Sale	86,555	41,291	-	-	-	**127,846**
Investment security options:						
Purchase	-	-	-	-	2	**2**
Sale	-	-	-	-	-	**-**
Total purchases	**1,589,738**	**487,447**	**593,842**	**759,881**	**115,877**	**3,546,785**
Total sales	**1,577,713**	**482,877**	**589,299**	**740,900**	**115,875**	**3,506,664**
Total	**3,167,451**	**970,324**	**1,183,141**	**1,500,781**	**231,752**	**7,053,449**

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

	31 December 2009					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	766,057	38,432	-	-	-	**804,489**
Sale	771,379	39,307	-	-	-	**810,686**
Currency forwards:						
Purchase	32,719	51,323	47,897	-	-	**131,939**
Sale	32,713	51,313	47,866	-	-	**131,892**
Cross currency interest rate swaps:						
Purchase	-	-	8,924	291,350	60,959	**361,233**
Sale	-	-	7,774	288,330	68,838	**364,942**
Interest rate swaps:						
Purchase	-	-	-	58,116	-	**58,116**
Sale	-	-	-	45,946	-	**45,946**
Options:						
Purchase	160,602	43,631	-	-	-	**204,233**
Sale	160,722	43,512	-	-	-	**204,234**
Investment security options:						
Purchase	-	-	-	-	2	**2**
Sale	-	-	-	-	-	**-**
Other trading derivatives:						
Purchase	-	14,900	-	-	-	**14,900**
Sale	-	-	-	-	-	**-**
Total purchases	**959,378**	**148,286**	**56,821**	**349,466**	**60,961**	**1,574,912**
Total sales	**964,814**	**134,132**	**55,640**	**334,276**	**68,838**	**1,557,700**
Total	**1,924,192**	**282,418**	**112,461**	**683,742**	**129,799**	**3,132,612**

6. Contingent assets and liabilities

None.

7. Services rendered on behalf of third parties

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

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

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

V. Information on disclosures related to the consolidated statement of income

1. Interest income

Information on interest income received from loans

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Short-term loans	1,251,208	147,288	1,564,187	275,612
Medium and long-term loans	2,207,400	388,707	2,228,877	350,269
Loans under follow-up	110,814	-	68,965	-
Premiums received from resource utilization support fund	-	-	-	-
Total	**3,569,422**	**535,995**	**3,862,029**	**625,881**

Information on interest income received from banks

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Central Bank of Turkey	-	-	-	-
Domestic banks	55,025	1,292	15,361	1,870
Foreign banks	382	4,934	1,325	12,101
Foreign head office and branches	-	-	-	-
Total	**55,407**	**6,226**	**16,686**	**13,971**

Information on interest income received from securities portfolio

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Trading financial assets	30,185	3,186	7,366	3,954
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	1,079,138	143,368	1,165,524	117,285
Held-to-maturity investments	262,106	103,421	341,356	113,820
Total	**1,371,429**	**249,975**	**1,514,246**	**235,059**

Information on interest income received from associates and subsidiaries

	Current Year	Previous Year
Interests received from the associates and subsidiaries	221	86

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

2. Interest Expense

Interest expenses on funds borrowed

	Current Year		Previous Year	
	TL	**FC**	**TL**	**FC**
Banks	**15,448**	**86,411**	**12,170**	**144,652**
Central Bank of Turkey	-	-	-	-
Domestic banks	6,995	6,048	12,170	5,627
Foreign banks	8,453	80,363	-	139,025
Foreign head offices and branches	-	-	-	-
Other institutions	**-**	**4,327**	**90**	**581**
Total	**15,448**	**90,738**	**12,260**	**145,233**

Interest expenses paid to associates and subsidiaries

	Current Year	Previous Year
Interests paid to the associates and subsidiaries	20,346	16,286

Interest expense on securities issued

None.

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

Maturity structure of interest expense on deposits

		Time Deposit						
Account Description	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Month**	**Up to 6 Month**	**Up to 1 Year**	**1 Year and Over**	**Accumulating Deposit Accounts**	**Total**
Turkish Lira:								
Bank Deposits	-	92,715	-	-	-	-	-	**92715**
Saving Deposits	1,444	105,492	653,395	17,843	1,844	3,311	-	**783,329**
Public Sector Deposits	563	71,879	253,790	21,532	72	462	-	**348,298**
Commercial Deposits	788	95,418	419,338	25,480	36	103	-	**541,163**
Other Deposits	2,044	136,984	342,734	37,265	340	804	-	**520,171**
"7 Days Notice" Deposits	-	-	-	-	-	-	-	**-**
Total	**4,839**	**502,488**	**1,669,257**	**102,120**	**2,292**	**4,680**	**-**	**2,285,676**
Foreign Currency:								
Foreign Currency Deposits	105	55,031	202,001	31,380	11,498	36,272	-	**336,287**
Bank Deposits	-	5,967	-	-	-	-	-	**5,967**
"7 Days Notice" Deposits	-	-	-	-	-	-	-	**-**
Precious Metals Deposits	-	-	-	-	-	-	-	**-**
Total	**105**	**60,998**	**202,001**	**31,380**	**11,498**	**36,272**	**-**	**342,254**
Grand Total	**4,944**	**563,486**	**1,871,258**	**133,500**	**13,790**	**40,952**	**-**	**2,627,930**

3. Dividend income

	Current Year	**Previous Year**
Trading financial assets	-	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	195	382
Others	3,340	12,002
Total	**3,535**	**12,384**

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

4. Trading income/losses

	Current Year	Previous Year
Income	**1,371,317**	**2,099,717**
Income from capital market transactions	368,300	159,431
Income from derivative financial instruments	118,013	67,438
Foreign exchange gains	885,004	1,872,848
Losses	**(1,050,331)**	**(1,889,307)**
Losses from capital market transactions	(764)	(3,814)
Losses from derivative financial instruments	(189,540)	(73,553)
Foreign exchange losses	(860,027)	(1,811,940)
Trading income/losses, net	**320,986**	**210,410**

Net loss arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is TL 72,483 as at and for the year ended 31 December 2010 (31 December 2009: net loss of TL 4,189).

5. Other operating income

	Current Year	Previous Year
Earned insurance premiums (net of reinsurance share)	487,599	422,020
Income from reversal of the impairment losses	436,793	155,073
Communication income	76,836	85,553
Rent income	30,540	4,602
Gain on sale of assets	22,315	43,211
Income from private pension business	19,951	15,863
Change in life mathematical provisions	-	13,932
Other income	66,077	36,294
Total	**1,140,111**	**776,548**

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

6. Provision expenses for losses on loans and other receivables

	Current Year	Previous Year
Specific provisions on loans and other receivables	666,476	768,143
Loans and receivables in Group III	52,253	88,567
Loans and receivables in Group IV	214,607	173,290
Loans and receivables in Group V	399,616	506,286
Non-performing commissions and other receivables	-	-
General provision expenses	105,274	65,358
Provision for possible losses	65,428	-
Impairment losses on securities	10,688	17,101
Trading securities	-	5,210
Investment securities available-for-sale	10,688	11,891
Other impairment losses	30,701	20,419
Associates	-	-
Subsidiaries	13,535	-
Joint ventures	-	-
Investment securities held-to-maturity	17,166	20,419
Others (*)	97,611	138,678
Total	**976,178**	**1,009,699**

(*) Other provision expenses amounting to TL 97,611 (31 December 2009: TL 138,678) is comprised of provision expenses for dividends to the personnel amounting to TL 78,358 (31 December 2009: TL 79,200), provision for non-cash loans that are not indemnified or converted to cash amounting to TL 16,324 (31 December 2009: TL 29,980) and other provision expenses amounting to TL 2,929 (31 December 2009: TL 24,229).

7. Other operating expenses

	Current Year	Previous Year
Personnel costs	762,833	697,180
Reserve for employee termination benefits	35,391	18,547
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	98,055	100,147
Impairment losses on intangible assets	-	-
Amortization expenses on intangible assets	8,427	5,891
Impairment losses on assets to be disposed	3,471	9,409
Depreciation expenses on assets to be disposed	9,574	8,975
Impairment losses on assets held for sale	110	-
Other operating expenses	719,729	664,036
Operational lease related expenses	90,751	72,078
Repair and maintenance expenses	15,257	17,110
Advertisement expenses	46,528	49,045
Other expenses	567,193	525,803
Loss on sale of assets	5,160	1,256
Others	722,105	564,266
Total	**2,364,855**	**2,069,707**

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

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

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

9. Information on tax provision from continuing and discontinued operations

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

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

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

11. Provision for taxes on income

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

In the current year, the Group recorded a tax provision of TL 325,272 (31 December 2009: TL 321,025) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

Sources of deferred tax benefit/charge	Current Year	Previous Year
Arising from origination (+)/reversal (-) of deductible temporary differences	13,486	51,376
Arising from origination (-)/reversal (+) of taxable temporary differences	(1,366)	(1,428)
Arising from origination (+)/reversal (-) of tax losses	-	3,797
Arising from tax rate change	-	-
Total	**12,120**	**53,745**

12. Net profit and loss

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

None.

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

None.

13. Income/loss related to non-controlling interest

	Current Year	Previous Year
Income/(losses) related to non-controlling interest	(30,935)	(7)

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

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

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

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

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

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

Valuation differences of available-for-sale financial assets has decreased in the current year. Detailed information about the increase is explained below in Note 6.

2. Information on increases in cash flow hedges

None.

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

As at 31 December 2010, foreign currency translation differences amounting of TL 43,173 (31 December 2009: TL 42,264), arising as a result of the conversion of the financial statements of the foreign subsidiaries into TL, have been booked under other reserves in the consolidated financial statements.

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

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

5. Information on profit distribution

As per the resolution of 56th Annual General Assembly held on 19 March 2010, it was decided to distribute the net profit of the year 2009 after the deduction of deferred tax income amounting to TL 1,231,046 as legal reserves amounting to TL 123,104, dividends to equity holders of the Bank amounting to TL 120,765, extraordinary reserves amounting to TL 983,282 and special funds amounting to TL 3,895.

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

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

Valuation differences of marketable securities	Current Year	Previous Year
Valuation differences at the beginning of the year	333,412	(19,723)
Fair value changes in the current year	80,477	406,397
Effect of deferred and corporate taxes	1,990	(65,043)
Valuation differences transferred to the statement of income	(121,215)	10,129
Effect of deferred and corporate taxes	19,468	1,652
Valuation differences at the end of the year	**314,132**	**333,412**

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

Valuation difference of the subsidiaries and affiliates	Current Year	Previous Year
Valuation differences at the beginning of the year	1,510	9,715
Fair value changes in the current year	(14,581)	(6,743)
Effect of deferred and corporate taxes	189	130
Valuation differences transferred to the statement of income	-	(1,592)
Effect of deferred and corporate taxes	-	-
Valuation differences at the end of the year	**(12,882)**	**1,510**

VI. Information and disclosures on consolidated statement of cash flows

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

"Other" balance under the "Operating profit before changes in operating assets and liabilities" amounting to TL 412,084 (31 December 2009: TL 328,496) 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 3,164,187 (31 December 2009: TL 4,662,111) under "Changes in operating assets and liabilities" is mainly comprised of cash inflows from repurchase agreements.

"Other" balance under the "Net cash flow from investing activities" amounting to TL 17,236 (31 December 2009: 21,418 TL) is compromised of intangibles asset purchases.

Since unrealized gains and losses arising from foreign exchange rate changes are not regarded as cash flows, the effect of changes in foreign exchange rate on cash and cash equivalents in foreign currency has been calculated as TL 1,202 (31 December 2009: TL 7,961) 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 Group has not acquired any subsidiary, associate or other investment in the current year. However, as per the 11 June 2009 dated resolution of the Board of Directors of the Parent Bank, it has been decided to invest in Kredi Garanti Fonu AŞ which has been established in order to provide guarantee and ease credit conditions for small and medium size entities. Based on this resolution, the Bank has purchased one share of Kredi Garanti Fonu AŞ at a nominal value of TL 50 (full TL) from Turkish Union of Chambers and Commodity Exchanges on 9 September 2009. As per the 9 September 2009 dated resolution of the Extraordinary General Assembly of Kredi Garanti Fonu AŞ, it has been decided to increase share capital of Kredi Garanti Fonu AŞ from TL 60,000 to TL 240,000 by TL 180,000 through TL 19,110 from internal sources and TL 160,890 by cash injection of the shareholders. Accordingly, the Bank has made a commitment of TL 4,000 of which TL 2,000 was paid on 15 October 2009. The relevant amount is presented as "Cash paid for purchase of associates, subsidiaries and joint-ventures" under "Net cash flow from investing activities" of the prior year statement of cash flows.

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

There is not an associate, subsidiary or joint-venture disposed in the current year. In year 2009, following the approval of the sale of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ by CMB, the shares were transferred on 10 December 2009 and the Bank's portion from the sales amounting to TL 2,150 was received in cash. The related amount is presented as "Proceeds from disposal of associates, subsidiaries and joint-ventures" under "Net cash flow from investing activities" in the prior year statement of cash flows.

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

4. Information on cash and cash equivalents

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

	Current Year 31 December 2009	Previous Year 31 December 2008
Cash on hand	**594,781**	**443,387**
Cash in TL	508,880	375,956
Cash in Foreign Currency	85,901	67,431
Cash equivalents	**8,152,522**	**6,664,194**
CBRT	2,457,852	1,665,139
Bank deposits	3,294,047	2,835,614
Interbank money market placements	3,401,294	3,201,833
Others	735	576
Loans and advances to banks having maturity of more than 3 months	(548)	(22,937)
Restricted cash and cash equivalents	(976,286)	(964,920)
Income accruals on cash equivalents	(24,572)	(51,111)
Total	**8,747,303**	**7,107,581**

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

	Current Year 31 December 2010	Previous Year 31 December 2009
Cash on hand	**659,170**	**594,781**
Cash in TL	571,665	508,880
Cash in Foreign Currency	87,505	85,901
Cash equivalents	**6,488,918**	**8,152,522**
CBRT	3,990,880	2,457,852
Bank deposits	2,170,884	3,294,047
Interbank money market placements	2,101,584	3,401,294
Others	983	735
Loans and advances to banks having maturity of more than 3 months	(46,350)	(548)
Restricted cash and cash equivalents	(1,715,194)	(976,286)
Income accruals on cash equivalents	(13,869)	(24,572)
Total	**7,148,088**	**8,747,303**

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

Reserve requirements at CBRT amounting to TL 1,423,140 as at 31 December 2010 (31 December 2009: TL 872,785) has not been included in cash and cash equivalents.

Deposits amounting to TL 292,054 (31 December 2009: TL 103,501) are restricted due to securitization loans of the Parent Bank and other ordinary banking operations.

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

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

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

Current Year	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	-	300,094	-	549	9,587	4,122
Balance at the end of the year	-	316,196	-	563	8,978	2,371
Interest and commission income	221	243	-	-	521	69

Previous Year	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	-	9,098	-	668	8,437	5,881
Balance at the end of the year	-	300,094	-	549	9,587	4,122
Interest and commission income	86	92	-	-	829	121

Information on deposits held by the Parent Bank's risk group

The Parent Bank's Risk Group	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Deposits						
Balance at the beginning of the year	456,031	176,458	917,223	977,811	56,210	208,027
Balance at the end of the year	411,915	456,031	581,885	917,223	54,423	56,210
Interest on deposits	20,346	16,286	60,887	93,391	445	705

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

None.

2. Disclosures of transactions with the Parent Bank's risk group

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

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

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

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

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 risk group to the overall cash and non-cash loans are 0.02% (31 December 2009: 0.03%) and 2.81% (31 December 2009: 3.35%).

Current Year	**Amount**	**Compared with the Financial Statement Amount %**
Cash Loans	8,978	0.02
Non-Cash Loans	319,130	2.81
Deposits	1,048,223	2.18

Previous Year	**Amount**	**Compared with the Financial Statement Amount %**
Cash Loans	9,587	0.03
Non-Cash Loans	304,765	3.35
Deposits	1,429,464	3.17

Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts

None.

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

Domestic and foreign branches and representative offices of the Parent Bank

	Number of Branches	**Number of Employees**	**Country**	**Total Assets**	**Legal Capital**
Domestic Branches (*)	634	11,057			
Foreign Representative Offices	-		-		
Foreign Branches	1	15	USA	1,129,679	25,493
Off-shore Branches	1	5	Bahrain	9,195,461	-

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

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

During 2010, 100 (during 2009: 27) new domestic branches have been opened and 9 (during 2009: 7) branches have been closed.

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

SECTION SIX

Other Disclosures and Footnotes

I. Other disclosures on the Parent Bank's activity

• There were monetary losses amounting TL 379,000 incurred in the 2001 financial year as a result of the inflation accounting applied in compliance with the Temporary article no. 4 added to the Banks Law no. 4389 through the Law no. 4743, the tax returns of 2002, 2003 and 2004 were submitted with a condition stating that such losses should have been deducted and the Bank may appeal to the tax court for the tax return. The Bank appealed to the tax court for the corporate tax return on 22 February 2007. Ankara 5th Tax court decided in favor of the Bank and TL 125,187 was transferred to the Bank's accounts on 5 September 2007.

"The Law on the Collection of Some of the Public Receivables by Reconcilement" no. 5736 was passed on 20 February 2008 in the Parliament and approved on 26 February 2008 by the President of the Turkish Republic. In accordance with this law's first sub-clause of the third article, the tax authority will withdraw its counter claims and will not appeal to the High Court for the banks which consider 65 percent of these losses in the determination of revenues for the year 2001 as previous year losses, and admit to correct taxable income for the subsequent years and declare that they abnegated from all of the courts related to this matter in one month after this law came into effect. As per the 27 March 2008 dated resolution of the Board of Directors, the Bank management has taken no decision for any reconcilements for the point in dispute stated in the first paragraph above.

The related tax administration appealed to a higher court and the appeal was partially accepted by the State Council. Based on the decision of the State Council, the exercise of jurisdiction was renewed by the Ankara 5th Tax Court and the related case was partly revoked and partly declined. Consequently, the Parent Bank has filed an appeal against the decision of the Ankara 5th Tax Court which is still in process at the State Council as at the report date. In accordance with the decision of Ankara 5th Tax Court, the Bank paid TL 20,484 accrued by the tax office on 3 December 2009.

• As per the resolution of 56th Annual General Assembly of the Parent Bank held on 19 March 2010, it is decided to distribute the net profit of year 2009 as follows, and the distribution has been completed in the current period:

	Profit Distribution Table of Year 2009
Current year's profit of the Bank's unconsolidated financial statements	**1,251,206**
Deferred tax income not subject to dividend distribution	(20,160)
Net profit of the year subject to distribution before legal reserves	**1,231,046**
Legal reserves	123,104
First Legal Reserves	61,552
Reserves allocated, according to banking law and articles of association.	61,552
Net profit of the year subject to distribution	**1,107,942**
Gain on sale of immovables and shares of associates and subsidiaries	3,895
Extraordinary reserves	983,282
Dividends to the equity holders of the Bank	**120,765**

• In the Extraordinary General Assembly dated 22 October 2010, in order to diminish the maturity mismatch in financial statements resulting from the increase in demand for long term loans in banking sector and particular importance of use of funds other than deposits, it has been decided to issue, if needed, bonds or other debt instruments up to TL 3,000,000 TL (or equivalent foreign currency equivalent to this amount) within 3 years following General Assembly in accordance with the frame of regulations imposed by BRSA and CMB, limitations, form and scope conditions in Turkish Commercial Law and other relevant legislation.

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

February 2010 (*)	Standard & Poors
Foreign Currency Credit Rating	BB/Positive/B
Foreign Currency Deposit Rating	BB/Positive/B
National	trAA/--/trA-1
Continuance Rating	BBB-/--/--

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

December 2010 (*)	Fitch Rating
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Positive
Long Term Local Currency	BB+
Short Term Local Currency	B
Local Currency Outlook	Positive
National Long Term	AA+ (tur)
National Outlook	Stable
Individual	C/D
Support	3
Base Support Rating	BB+

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

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

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

• Pursuant to the 24 January 2011 dated and 2011-03 numbered "Press release related to reserve requirement" by CMBT reserve requirement rates are amended as follows: from 8% to 12% for demand, call and private current accounts, from 8% to 10% for time deposits/participation accounts maturing up to 1 month (1 month included), from 7% to 9% for time deposits, participation accounts and private fund pools maturing up to 3 months (3-month included), from 8% to 9% for liabilities other than deposits and participation funds, 7% for time deposits and participation funds maturing up to 6 months (6-moths included), 5% for time deposits, participation funds and accumulating deposits maturing within and more than 1 year, and for the private time fund pools with maturity longer than 6 months (6 months included) the rates are determined constant as the rate corresponding to its maturity. Announced rates shall be effective beginning from the liability schedule dated 4 February 2011 and the reserve requirements calculated at the new rates shall be set starting from 18 February 2011.

• In order to assess banking opportunities in Iraq Republic, Erbil Branch of the Parent Bank has started its operations at 16 February 2011.

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

None.

SECTION SEVEN

I. Independent Auditors' Report

1. Information on the independent auditors' report

The Bank's and its financial subsidiaries' consolidated financial statements and footnotes as at 31 December 2010, have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and an unqualified opinion has been issued in their independent auditors' report dated 23 March 2011.

Assessment of Financial Position, Profitability and Debt Servicing Ability

Assets

VakıfBank grew 14.1% in 2010 and its assets rose to TL 74.0 billion; the Bank maintained a healthy composition of assets and kept the share of its interest-bearing assets in total assets at 95.1%. In 2010, total assets comprised of Turkish currency and foreign currency assets by 72.0% and 28.0%, respectively.

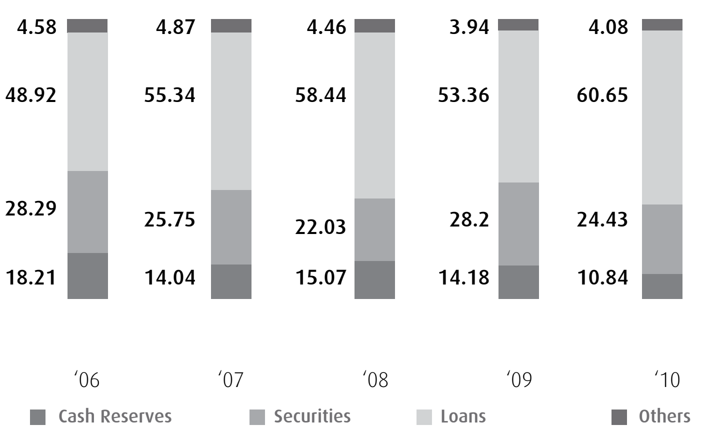
The growth in the Bank's total loans was mainly driven by loans, which increased 30.2% to reach TL 44.8 billion in 2010. Highly outpacing the sector's average, the 46.4% hike in retail loans, led by mortgages and consumer loans, combined with 23.4% rise in commercial loans, resulted in a 60.6% share of loans in total assets. VakıfBank continued to provide financing support to its customers in 2010, through the funds it secured either directly or by way of intermediation within the frame of protocols with other financial institutions and entities, as well as directly from its own funds. The Bank's lending policy has been built on the main components of contributing to the growth of production and employment by financing the real sector with a particular focus on the SMEs while remaining strictly adhered to assets quality, and helping the Turkish economy gain access to international markets through export loans and foreign exchange services.

The 30.2% rise in loans and the collections that were realized in non-performing loans improved the asset quality in 2010, which in turn reduced the share of non-performing loans to total loans from 5.8% in 2009 to 4.8% in 2010.

The alleviation of the negative effects of the global crisis and the rise that started in lending in 2010, coupled with the decline in public borrowing requirements, pushed the share of the securities portfolio in total assets down; along this line, VakıfBank's securities portfolio dwindled by 2.2% year-on to TL 18.1 billion while the share of its securities portfolio in total assets dropped from 28.5% to 24.4%.

The share of the Bank's subsidiaries and affiliates in its total assets rose from 1.1% in 2009 to 1.2% in 2010, and the share of tangible fixed assets in total assets declined from 1.7% to 1.5% in the same period.

Composition of Assets (%)



Assessment of Financial Position, Profitability and Debt Servicing Ability

Liabilities

VakıfBank's interest-bearing assets were worth TL 70.3 billion and interest-bearing liabilities TL 62.2 billion in 2010. As a result, the share of interest-bearing liabilities in total assets was 84.1% while the ratio of interest-bearing assets to interest-bearing liabilities stood at 113.0%.

During 2010, VakıfBank raised its total deposits, its most important source of funding, to TL 47.7 billion with a 6.8% increase. The deposits were made up of Turkish lira deposits by 73.9% and foreign currency deposits by 26.1%, while demand and time deposit accounts had respective ratios of 84.4% and 15.3%. The primary factor that led to maturity mismatch among assets and liabilities for the Bank, as well as for the entire sector, was the fact that more than 90% of the deposits concentrated in demand deposits and time deposits with maturities up to three months.

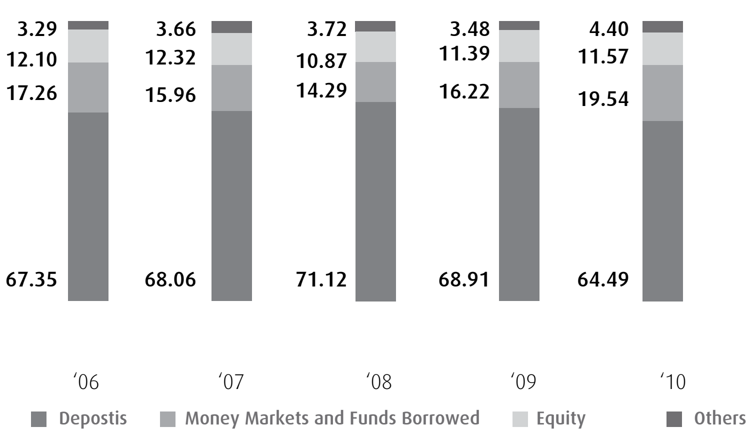
76.7% of VakıfBank's external funds are constituted by deposits, a fact indicative of a solid borrowing structure and a manageable level of risk. Representing the second largest source of funding after deposits and substantially consisting of loans from overseas, loans received grew 44.9% in 2010. In this frame, VakıfBank secured, in March, a syndication loan with a total worth of USD 950 million, which consisted of two tranches of USD 170 million and EUR 566.5 million. Participated by 33 banks, the facility represented the largest syndication loan in the history of the Bank. This was followed by a two-tranche syndication loan of USD 720 million in total, consisting of two maturities in September 2010. Participated by 32 banks, the facility consisted of two tranches of USD 145 million and EUR 453 million. These syndication loans serve as the key indicator of VakıfBank's credibility and reputation in international markets.

To support the real sector with long-term, low-cost funding, VakıfBank continues to cooperate with the European Investment Bank, the World Bank and the European Bank for Reconstruction and Development. VakıfBank is the only bank that offers the loans originating from these three international institutions under a single roof.

At the extraordinary general assembly meeting held in October, VakıfBank authorized the Board of Directors to issue bonds or other borrowing instruments worth TL 3,000,000,000 or its equivalent in a foreign currency in the next three years. The start of the Bank's attempts to issue bonds/bills will positively impact its funding structure, which will provide longer-term financial funds while also representing a safe alternative for the investors.

The Bank's shareholders' equity grew 16.0% to TL 8.6 billion, a result driven by the profit for the period as well as the rise in capital reserves.

Composition of Liabilities (%)



Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Assessment of Financial Position, Profitability and Debt Servicing Ability

Profitability

As a consequence of contracted interest margins resulting from decreased interest rates and intense competition in 2010, net interest income was down 11.3% year-to-year and the ratio of interest income to interest expenses stood at 186.6%. However, non-interest expenses saw a low rise of 5.9%; capital market trading profits derived on disposal of marketable securities and other income items brought a high increase of 42.6% in non-interest income. Thus, net non-interest income went up 17.5% that resulted in the ratio of non-interest income to non-interest expenses to go up from 34.9% to 47.0%.

Provisions worth TL 973 million set aside by reason of non-performing loans and other receivables have been one of the most important factors that adversely affected profitability in 2010, as was the case in 2009.

VakıfBank's net profit for the period was TL 1,157 million in 2010, while its average RoA was 1.7% and RoE was 14.5% in the same period. The Bank's capital adequacy ratio was 14.35% as a result of the risk management and placement policies pursued.

Debt Servicing Ability

VakıfBank preserved its debt servicing capability in 2010 by maintaining the share of interest-bearing assets in total assets at 95.1% and sustaining its strong liquidity position.

Continuing to expand its loan book while maintaining its laser-like focus on risk control, VakıfBank boasted a capital adequacy ratio of 14.35%, which is above the legal limit and target ratio and is yet another indication of its financial strength.

The Bank's strong financial structure has been endorsed by various assessments made on different dates during 2010 by international rating agencies. In February 2010, Standard & Poor's upgraded the Bank's foreign currency credit rating from stable to positive.

In October 2010, Moody's improved the outlook of the Bank's Long Term Foreign Currency Deposit Rating of "Ba3" from stable to positive.

Another international rating agency, Fitch Ratings affirmed the Bank's Long Term Credit Rating for local currency and foreign currency as BB+ and upgraded the outlook from "stable" to "positive". The agency also affirmed the Bank's Individual Rating as "C/D".

In the period ahead, the Bank will increase its alternative channels of access, expand its customer base and grow the diversity of its products, and will better capitalize on growth prospects in and out of Turkey. Achieving growth and increased revenues so as to adjust to contracting margins, as well as reducing costs through increased productivity and effective cost management will continue to be the Bank's other important strategies.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Five-Year Summary Financial Information

(TL million) ASSETS	2006	2007	2008	2009	2010	Change (%) 2009 - 2010
Cash, Cash Equivalents and Banks	6,718	5,952	7,863	9,189	8,020	-12.72
Securities Portfolio	10,435	10,922	11,500	18,482	18,072	-2.22
Cash Loans	18,043	23,470	30,417	34,439	44,836	30.19
Commercial Loans	13,116	16,925	21,788	24,265	29,947	23.41
Retail Loans	4,927	6,545	8,629	10,174	14,890	46.35
Non-Performing Loans (Net)	0	0	85	134	25	-81.62
Non-Performing Loans (Gross)	1,002	1,143	1,456	2,119	2,266	6.92
Special Provisions (-)	1,002	1,143	1,371	1,985	2,241	12.90
Subsidiaries and Affiliates	409	586	539	688	895	30.11
Tangible Fixed Assets	890	906	985	1,083	1,114	2.84
Other Assets	389	572	804	783	1,000	27.72
TOTAL	36,884	42,408	52,193	64,798	73,962	14.14

(TL million) LIABILITIES	2006	2007	2008	2009	2010	Change (%) 2009 - 2010
Deposits	24,842	28,863	37,120	44,652	47,701	6.83
Time Deposits	20,546	25,343	31,798	38,723	40,424	4.39
Demand Deposits	4,296	3,520	5,322	5,929	7,277	22.73
Money Markets	1,370	2,076	1,687	6,143	8,128	32.32
Funds Borrowed	4,997	4,693	5,770	4,366	6,327	44.92
Provisions	391	499	675	808	990	22.51
Shareholders' Equity	4,463	5,226	5,671	7,381	8,559	15.95
Paid-in Capital	2,500	2,500	2,500	2,500	2,500	-
Profit/Loss	813	1,039	753	1,251	1,157	-7.50
Profit/Loss from Previous Years	52	8	0	0	0	-
Net Profit/Loss for the Period	762	1031	753	1,251	1,157	-7.50
Other Liabilities	821	1,051	1,270	1,448	2,256	55.82
TOTAL	36,884	42,408	52,193	64,798	73,962	14.14

(TL million) PROFIT/LOSS	2006	2007	2008	2009	2010	Change (%) 2009 - 2010
Interest Income ,	4,409	5,352	6,414	6,403	5,883	-8.12
Interest Expense	2,824	3,677	4,439	3,326	3,153	-5.21
Net Interest Income	1,585	1,676	1,975	3,077	2,730	-11.28
Net Fee and Commission Income .	288	360	466	466	443	-4.88
Dividend Income	17	35	25	24	35	46.62
Capital Markets Trading Profit (Net)	45	48	51	117	295	152.08
Foreign Exchange Income (Net)	-2	146	38	61	21	-65.00
Other Operating Income	343	357	313	311	601	93.26
Total Operating Income	2,277	2,621	2,869	4,056	4,126	1.72
Provisions for Loans and Other Receivables	308	368	624	981	973	-0.79
Other Operating Expenses .	951	995	1,319	1,533	1,690	10.23
Operating Profit	1,018	1,258	925	1,542	1,463	-5.14
Net Monetary Position Profit/Loss	0	0	0	0	0	-
Profit before Taxes	1,018	1,258	925	1,542	1,463	-5.14
Provision for Taxes	256	227	172	291	306	5.03
Net Profit/Loss for the Period	762	1,031	753	1,251	1,157	-7.50

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Five-Year Summary Financial Information

RATIOS (%)	2006	2007	2008	2009	2010	2010 SECTOR[4]
Securities/Total Assets	28.3	25.8	22.0	28.5	24.4	28.6
Loans (Net)/ Total Assets	48.9	55.3	58.3	53.1	60.6	52.2
Loans/Deposits	72.6	81.3	82.2	77.4	94.0	85.2
Retail Loans/Cash Loans	27.3	27.9	28.4	29.5	33.2	32.8
Non-Performing Loans/Total Loans[1]	5.3	4.6	4.6	5.8	4.8	3.7
Deposits/ Total Liabilities	67.4	68.1	71.1	68.9	64.5	61.3
Demand Deposits/Total Deposits	17.3	12.2	14.3	13.3	15.3	15.9
Shareholders' Equity/ Total Liabilities	12.1	12.3	10.9	11.4	11.6	13.4
Funds Borrowed/ Total Liabilities	13.5	11.1	11.1	6.7	8.6	12.7
Capital Adequacy Ratio	20.7	15.3	14.3	15.4	14.4	19.0
Average ROA[2]	2.2	2.6	1.6	2.1	1.7	2.4
Average ROE[2]	17.3	21.3	13.8	19.2	14.5	18.0
Administrative Expenses/Operating Income[3]	41.0	37.9	46.0	37.8	41.0	41.2
Deposits per Branch (TL million)	57.9	61.7	70.7	81.9	75.0	61.4
Loans per Branch (TL million)	42.1	50.1	57.9	63.2	70.5	52.4
Profit per Branch (TL million)	1.8	2.2	1.4	2.3	1.8	2.2
Deposits per Employee (TL million)	3.2	3.3	3.9	4.4	4.3	3.2
Loans per Employee (TL million)	2.3	2.7	3.2	3.4	4.0	2.8
Profit per Employee (TL thousand)	99.2	118.5	78.7	123.2	104.5	115.8

(1) Non-Performing Loans (gross) are included in the Total Loans figure.
(2) Average figures are calculated as the arithmetic average of the current and prior period figures.
(3) Operating Income = Net Interest Income + Net Fees and Commissions + Dividend Income + Net Commercial Profit/Loss + Other Operating Income + Profit/ Loss from Subsidiaries and Affiliates
(4) Sector ratios are calculated from the Monthly Bulletin of the Banking Regulation and Supervision Agency of Turkey.

MARKET SHARE (%)	2006	2007	2008	2009	2010
SECURITIES PORTFOLIO	6.6	6.6	5.9	7.0	6.3
LOANS	8.2	8.2	8.3	8.8	8.5
Commercial Loans	8.8	8.9	8.7	9.2	8.5
Retail Loans	7.1	6.9	7.4	7.8	8.6
NON-PERFORMING LOANS (NET)	0.0	0.0	3.0	3.7	0.8
Non-Performing Loans (Gross)	11.7	11.0	10.4	9.7	11.4
Special Provisions (-)	13.1	12.7	12.2	10.9	13.4
DEPOSITS	8.1	8.1	8.2	8.7	7.7
Time Deposits	8.1	8.5	8.1	8.9	7.8
Demand Deposits	7.9	6.1	8.5	7.4	7.4
TOTAL FUNDS BORROWED	6.8	6.3	5.8	4.7	4.9
GUARANTEES AND COMMITMENTS	5.6	6.0	6.4	6.8	6.9
TOTAL ASSETS	7.4	7.3	7.1	7.8	7.3
SHAREHOLDERS' EQUITY	7.5	6.9	6.6	6.7	6.4
NET PROFIT/LOSS FOR THE PERIOD	6.7	6.9	5.6	6.2	5.2

Market shares calculated from the Monthly Bulletin of the Banking Regulation and Supervision Agency of Turkey.

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