



*We feel the same  
Change is our strength*

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**We completed our relocation to Istanbul.  
We continued to change and grow.**

We opened 64 new branches and increased our branch network to 744 locations. All across Turkey, we continued to offer compassionate and advanced banking solutions. Our goal is to reach 850 branches in 2013 and 1,000 branches by 2015.

We added 1,968 new and idealistic employees to our workforce and shared our excitement of growth and change. We conveyed our strong corporate culture and our ambitious objectives to them, while taking pride in contributing to our country's labor market growth.

Our "SME Friends" worked overtime more than ever before. We provided increasing financial support to the foot soldiers of Turkey's economy.

Our loans, assets and shareholders' equity continued to grow at rates that outpace the sector. Our asset quality increases every year.

We embarked on the biggest technological transition program in our history, VIT, which will secure our strong market position in the future. In 2013, we aim to implement a significant part of this initiative.

We are the "most private" bank of the public sector.

Our approach to business and our goals make us special. Our job is to understand and our goals are ambitious.

Wherever the location in Turkey, we will always stand by any establishment or individual, who produces value for society and the environment and who has the power to help our country further grow and develop.

To produce value and to grow together!

**Onur Erdoğan**  
8 months at VakıfBank,  
Istanbul

We feel the same  
Know-how is our strength!

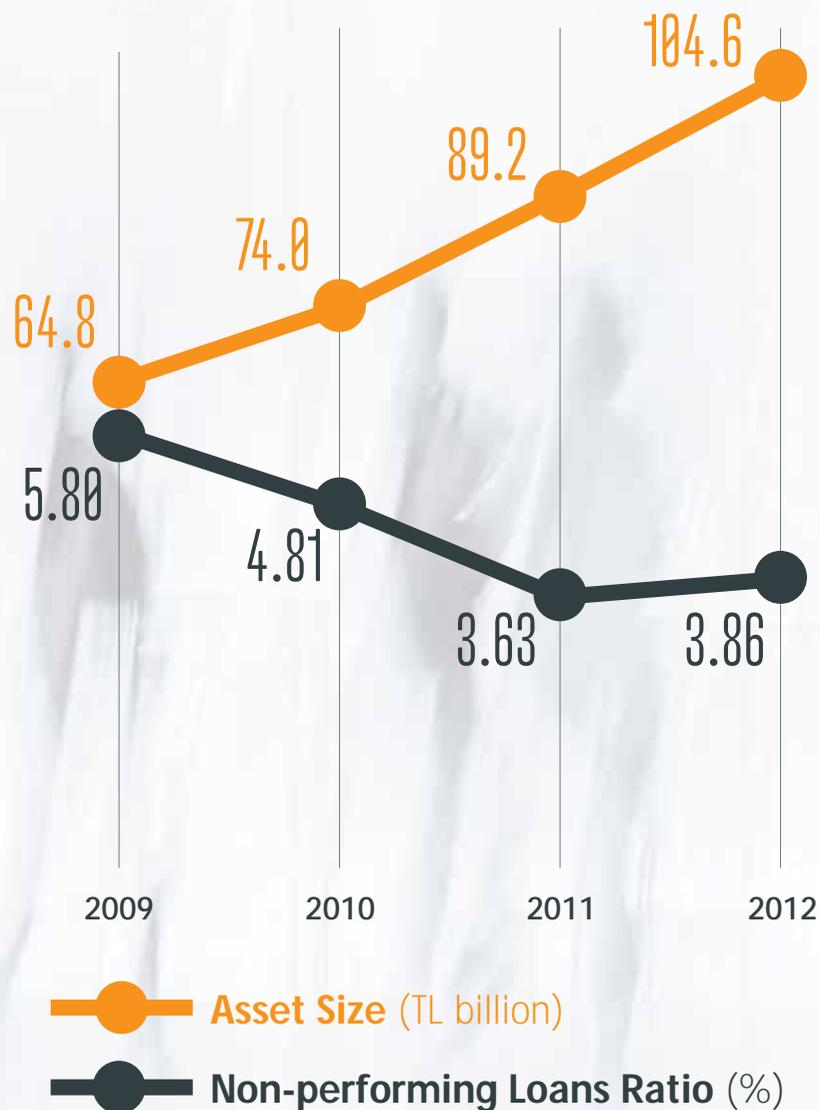
We have increased shareholders' equity from **TL 7.4 billion** to **TL 11.9 billion** over the last three years. This significant rise confirms the appropriateness of the Bank's strategy, to use its capital in the most effective way. The Bank's unconsolidated capital adequacy ratio was **16.1%**, well above the legal requirement.



**Didem Güzelaydın**  
8 months at VakıfBank,  
İzmir

We feel the same  
Enhancement is our strength!

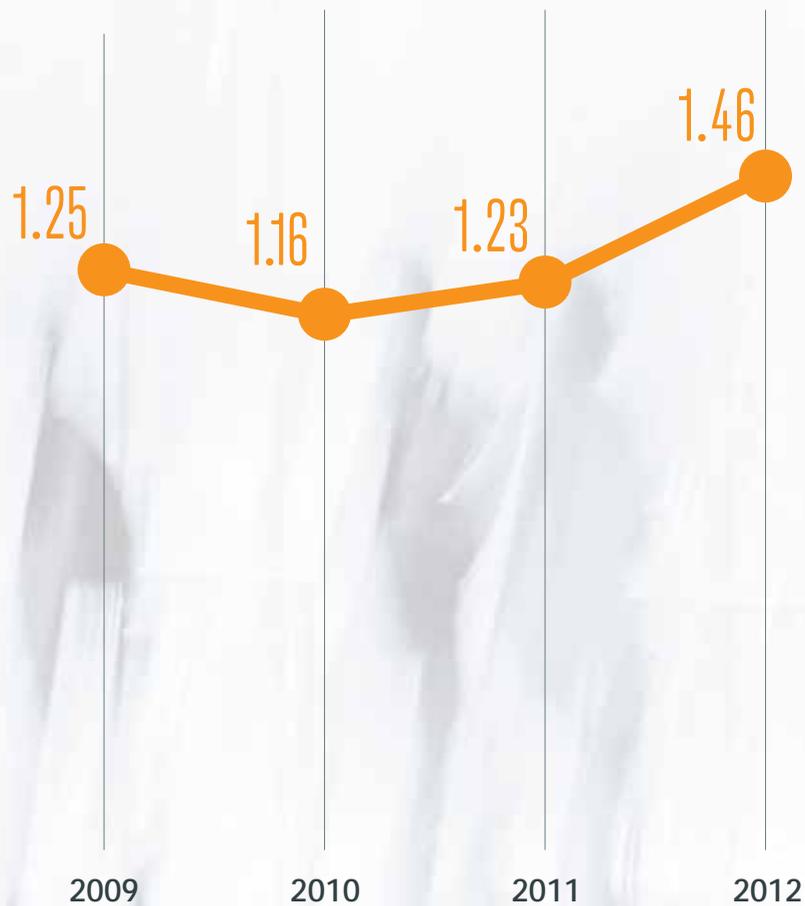
In 2012, we increased total assets to **TL 104.6 billion**, up from **TL 64.8 billion** in 2009; in addition, our NPL ratio decreased to **3.86%**, down from **5.80%** in 2009, without resorting to any asset sales or write-offs.



**Çağatay Kumru**  
8 months at VakıfBank,  
Bursa

We feel the same  
Growth is our strength!

Our growth strategy of focusing on improving the return on and quality of assets continued to show positive results in 2012. We achieved a historic high rate of growth over the last three years, increasing our net profit from **TL 1.25 billion** to **TL 1.46 billion**.



 **Net Profit** (TL billion)

**Elif Özmen**  
8 months at VakıfBank,  
Istanbul

We feel the same  
Prestige is our strength!

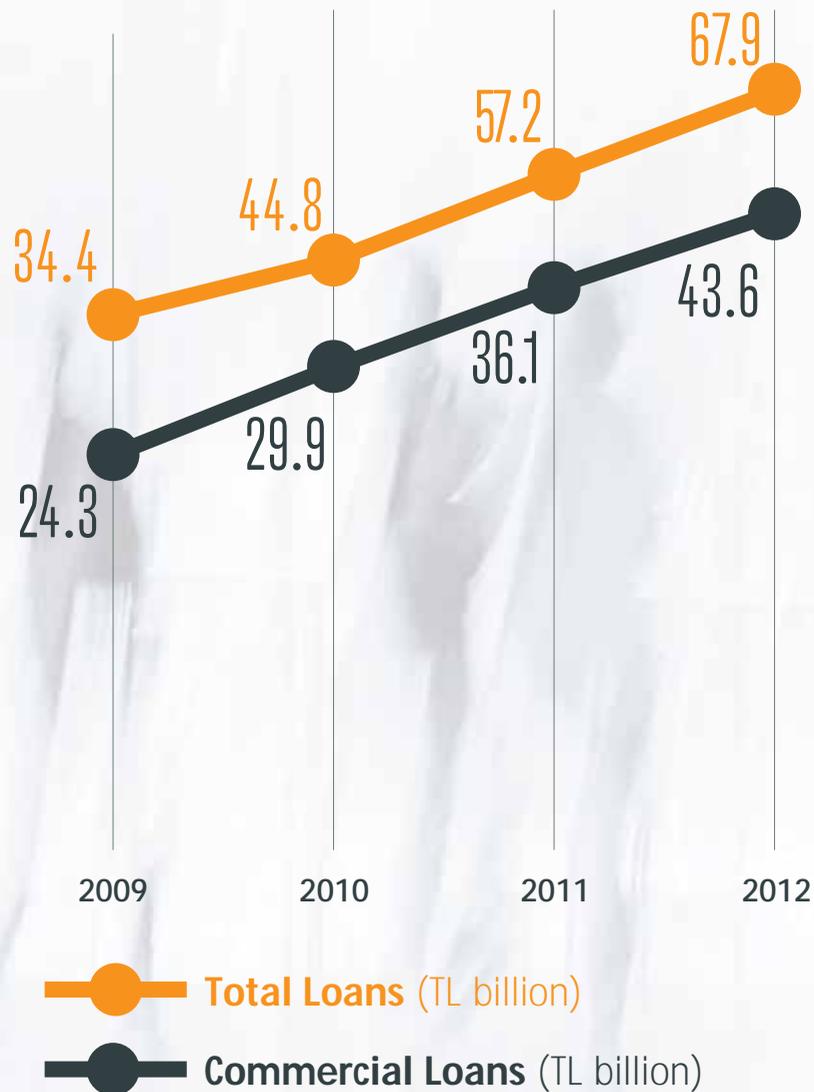
Our total deposits, an area of great importance for the Bank given our extensive customer base, have risen to **TL 67.2 billion** from **TL 44.7 billion** over the last three years. In order to further diversify our funding sources, we issued subordinated bonds that generated high investor demand within the capital markets and additional resources for the Bank of **USD 915 million**.



**ibrahim Memiş**  
8 months at VakıfBank,  
Istanbul

We feel the same  
Support is our strength!

We have increased total loans to **TL 67.9 billion**, up from **TL 34.4 billion**, over the last three years. Our support to SMEs continued to rise; nearly half of our loan growth in 2012 stemmed from the SME segment, the driving force of Turkey's economy.



# Agenda of the 59<sup>th</sup> Ordinary General Assembly Meeting of Türkiye Vakıflar Bankası T.A.O.

## Agenda of the Ordinary General Assembly Meeting dated March 29, 2013

1. Opening and election of the Presidential Board,
2. Authorization of the Presidential Board to sign the meeting minutes of the General Assembly,
3. Reading and discussion of the Board of Directors' Annual Report, Auditors' Report and the Supreme Audit Board's Report regarding the operations and accounts of 2012,
4. Reading, discussion and approval of the independently audited Financial Statements of 2012,
5. Releasing of members of the Board of Directors from liability with regard to the operations and activities in 2012,
6. Releasing Statutory Auditors from liability with regard to their operations and activities in 2012,
7. Submitting amendments in articles 5, 22, 24, 25, 29, 32, 37, 41, 43, 44, 45, 46, 50, 53, 54, 57, 59, 60, 63, 72, 74, 84, 85 and the Temporary Article 1 of the Bank's Articles of Incorporation, and addendum of Article 74/A, for the approval of the General Assembly,
8. Submitting the "Internal Directive on Working Principles and Procedures of the General Assembly of Türkiye Vakıflar Bankası T.A.O." for the approval of the General Assembly,
9. Submitting the Board of Directors' proposal for distribution of 2012 profit for the approval of the General Assembly,
10. Election of the members of the Board of Directors,
11. Election of the Statutory Auditors,
12. Determination of the remuneration of the Chairman, members of the Board of Directors and Statutory Auditors,
13. Ratification of the independent audit firm in accordance with the applicable regulation of the Capital Markets Board (CMB),
14. Presentation of information to shareholders about donations made during the year,
15. Wishes and requests,
16. Closing.

## 2012 Profit Distribution Proposal and Profit Distribution Policy

At its meeting dated March 14, 2013, the Bank's Board of Directors reached the following resolution:

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

To distribute TL 1,436,164,469.51, calculated by subtracting TL 23,915,051 of non-distributable net income from deferred tax assets, from TL 1,460,079,520.51 of balance sheet profit from 2012 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 105,300,000 that was booked as an expense and set aside to be paid to the employees in 2012, 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 dividends,

To transfer TL 3,075,370.89, which is 75% of the TL 4,100,494.52 in proceeds received from the sale of subsidiaries and real estate properties disposed of during 2012, to be tracked in a special liability-side reserve account pursuant to Article 5/1-e of Corporate Tax Law No. 5520.

At its meeting dated March 4, 2010, the Bank's Board of Directors made the following decision and submitted to the General Assembly:

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 Chief Executive Officer and approved by the Board of Directors, and in accordance with regulations of the Capital Markets Board (CMB) and the Banking Regulation and Supervision Agency (BRSA) and other applicable laws and regulations, while also taking into account the Bank's capital adequacy ratio, overall economic environment and future outlook."

### 2012 Profit Distribution Table (TL)

Balance Sheet Profit	1,460,079,520.51
Deferred Tax Assets	(-) 23,915,051.00
Distributable Net Profit	1,436,164,469.51
I- Legal Reserves	143,616,446.96
1. First Legal Reserve (T.C.C. 466/1)	71,808,223.48
2. Legal Reserves set aside as per the Bank's Charter Act and Articles of Incorporation	71,808,223.48
II- Profit Distributable to Shareholders	1,292,548,022.55
III- Special Reserves	3,075,370.89
IV- Extraordinary Reserves (Bank's Charter Act 9/E)	1,189,472,651.66
V- Dividend to be Paid to Shareholders	100,000,000.00

## Compliance Opinion on the Annual Report

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

We have been authorized to audit the Annual Report of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı as of December 31, 2012. The Annual Report is under the responsibility of the Bank management. Our responsibility as the independent audit firm is to express an opinion on the compliance of the financial information presented in the Annual Report with the independently audited financial statements and explanatory notes.

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

In our opinion, the consolidated financial statements in the accompanying Annual Report present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its subsidiaries as of December 31, 2012 in accordance with the principles and standards described in Article 40 of Turkish Banking Law No. 5411, and include the Summary Report of the Board of Directors and the independent audit opinion presented to us; all of which are in compliance with the information presented in the independently audited financial statements and explanatory notes.

Istanbul, March 14, 2013

Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik  
Anonim Şirketi

### **Erdal Tıkmak**

Responsible Partner, Chief Auditor

## Declaration of Responsibility

We have examined the Bank's "2012 Annual Report" and we acknowledge and state that:

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

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

**Halil Aydođan**  
Chairman of the  
Board of Directors

**Ali Fuat Tařkesenliođlu**  
Audit Committee Member

**Ramazan Gündüz**  
Audit Committee Member

**Süleyman Kalkan**  
CEO

**Mitat řahin**  
Deputy CEO

**N. Ender İmamođlu**  
Head of Planning and  
Performance

## VakıfBank in Brief

Date of Incorporation	: April 13, 1954
Head Office	: Istanbul
Paid-in Capital	: TL 2,500,000,000
Number of Employees	: 13,463
Number of Domestic Branches	: 741 (645 branches, 96 satellite branches)
Number of Branches Abroad	: 3 (New York, Bahrain and Arbil branches)
Number of Regional Headquarters	: 22
Number of Subsidiaries and Affiliates	: 23
Independent Audit Company	: Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A. Ş.
Address	: Türkiye Vakıflar Bankası T.A.O. Head Office Levent Mahallesi, Hacı Adil Yolu, Çayır Çimen Sokak, No: 2, 1. Levent Beşiktaş/İstanbul
Telephone	: (90 212) 316 70 00
Fax	: (90 212) 316 72 32
Website	: <a href="http://www.vakifbank.com.tr">http://www.vakifbank.com.tr</a>

## **VakıfBank's Cornerstones**

VakıfBank continues to strengthen its market position by developing effective and profitable business solutions based on its mission, vision and core values.

### **VakıfBank's Mission**

Continuously increasing the value delivered to clients, employees, shareholders and society at large by managing the assets and values the Bank has been entrusted with in an effective and efficient manner through strength derived from the Vakıf culture.

### **VakıfBank's Vision**

Becoming the best, most preferred and most value-creating Bank in the region.

### **VakıfBank's Core Values**

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

## History and Ownership Structure

Representing a well-established tradition in the Turkish banking sector, VakıfBank is one of the most profitable banks in the country.

### The Bank's historical development and highlights of the accounting period

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

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

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

As of end-2012, VakıfBank conducts its operations through a robust and widespread distribution network that includes 744 branches (741 domestic and three overseas) and with a workforce of 13,463 employees.

One of the most important milestones in VakıfBank's development was its initial public offering. The Bank's IPO issued new shares via a capital increase; these shares were then sold to domestic and international investors. As a result, the public offering generated more than USD 1.2 billion for both the Bank and the Turkish economy.

With the Change and Restructuring Program implemented in 2005, VakıfBank undertook a comprehensive transformation and development process. After conducting a thorough review of its business, VakıfBank collected all its operational procedures into a single center; this served to increase the service quality at branches, which became primarily sales and marketing oriented.

VakıfBank's renewed corporate identity in 2008 reflected the great success of the Bank's radical transformation. A customer-oriented banking philosophy was expressed in the slogan "This is the place for you," which accompanied the Bank's promotional campaigns starting in 2009.

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

In order to further differentiate VakıfBank within the sector, gain a competitive advantage and adjust to ever changing market conditions, the Bank implemented VIT, the VakıfBank Innovative Transformation. This initiative includes the transformation of the Company's main banking applications as well as all the banking IT infrastructure.

In 2012, VakıfBank completed Eurobond and subordinated bond issues in international markets to diversify funding sources, reduce interest rate risk and generate additional resources. The Eurobond issue in April generated USD 500 million. The 10-year term subordinated debt issue in November was the first by a public bank in Turkey; and with additional bond issues in December, a total of USD 915 million was generated for the Bank. As a result, VakıfBank received nearly USD 1.5 billion in funding from foreign markets in 2012.

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

### Shareholding Structure of Türkiye Vakıflar Bankası T.A.O.

Group	Shareholders	Capital (TL)	Share Capital (%)	Number of Shareholders
A	Registered Foundations Represented by the General Directorate of Foundations	1,075,058,639.562	43.002346	1
B	Foundations	386,224,784.722	15.448991	1
B	Other Foundations	3,157,817.623	0.126313	272
B	Other Registered Foundations	1,453,084.546	0.058123	198
C	VakıfBank Mem. ve Hizm. Em. ve Sağ. Yard. San. Vakfı	402,552,666.422	16.102107	1
C	Other Real Persons and Legal Entities	1,560,320.397	0.062413	444
D	Free Float	629,992,686.728	25.199707	-
	<b>Total</b>	<b>2,500,000,000.00</b>	<b>100.00</b>	<b>917</b>



### Shares owned by the Chairman, Board Members, CEO and Executive Vice Presidents:

İsmail ALPTEKİN, a Member of the Bank's Board of Directors, holds VakıfBank "Class C" stock representing TL 59.36 of share capital. (0.00000237%).

Mitat ŞAHİN, Executive Vice President, holds VakıfBank "Class C" stock representing TL 24.47 of share capital. (0.00000098%).

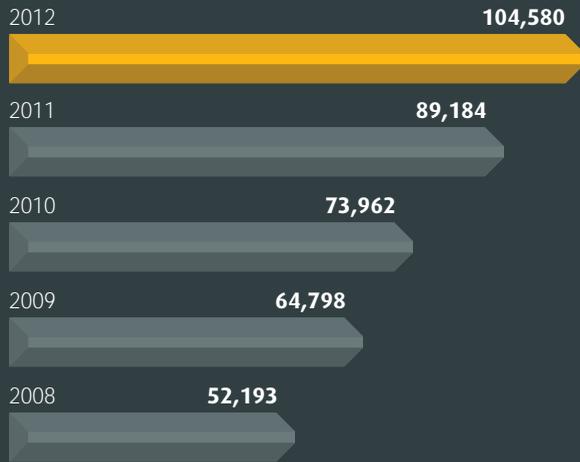
### Disclosures made to the Istanbul Stock Exchange (ISE) as part of the Bank's disclosure to shareholders and material information:

Pursuant to Communiqué Series: VIII No: 39 re: "Principles for Material Disclosures to Public" issued by the Capital Markets Board, VakıfBank made a total of 157 Material Event Disclosures in 2012; these disclosures were concurrently published on the ISE Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)) and on the Bank's website ([www.vakifbank.com.tr](http://www.vakifbank.com.tr)).

## Key Financial Indicators

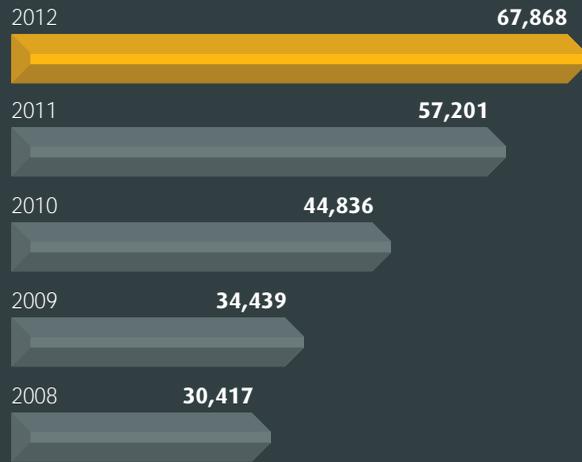
Well known for its strong asset structure, VakıfBank's total assets climbed to TL 104.6 billion in 2012, up 17.26% over the prior year.

### Total Assets (TL million)



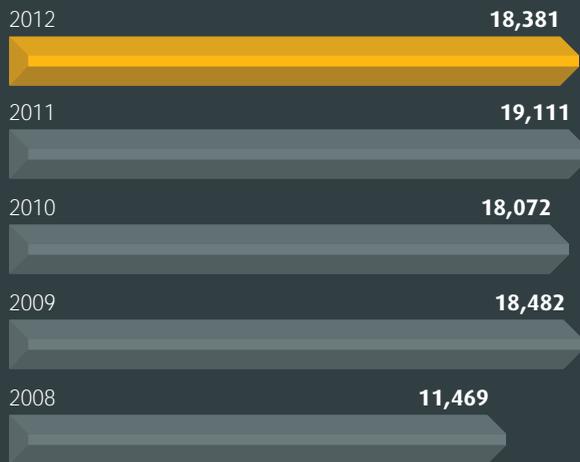
+17.26%

### Loans (TL million)



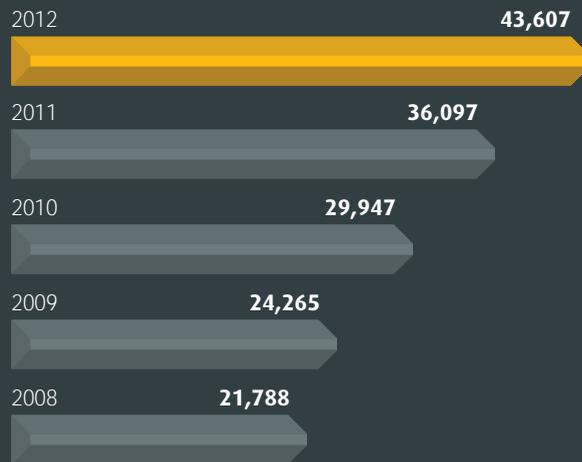
+18.65%

### Securities Portfolio (TL million)

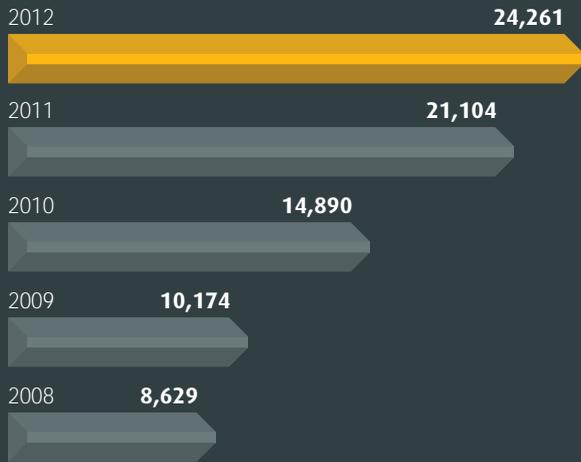


-3.82%

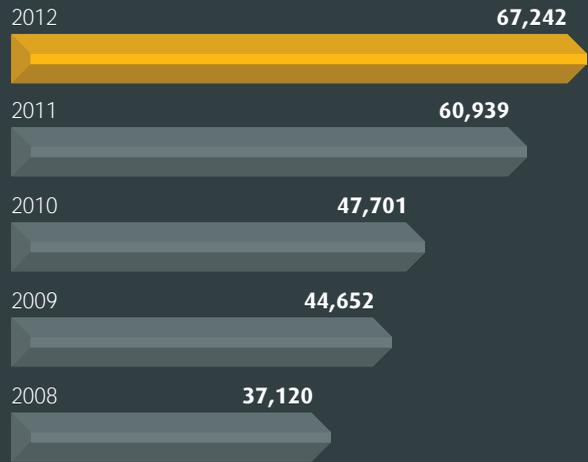
### Commercial Loans (TL million)



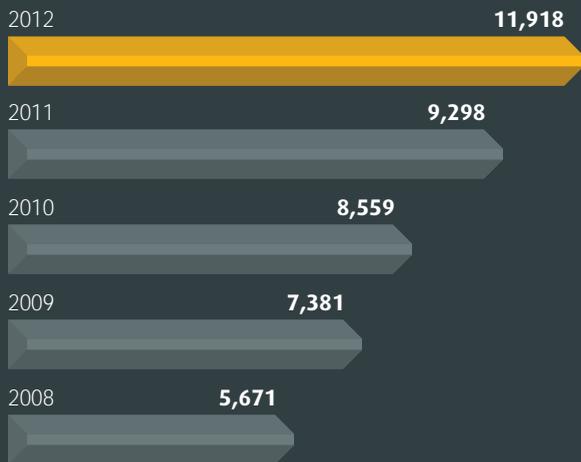
+20.81%

**Retail Loans (TL million)**

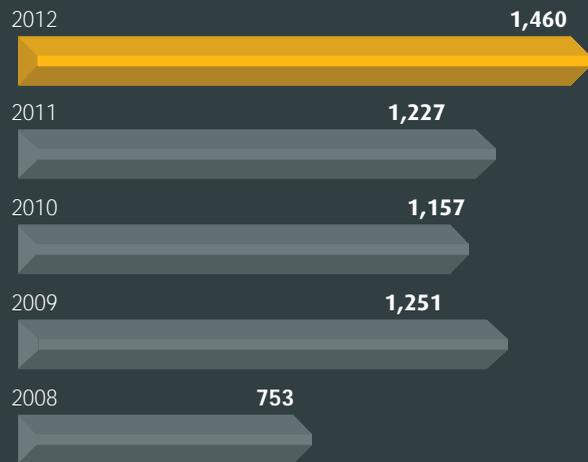
**+14.96%**

**Deposits (TL million)**

**+10.34%**

**Shareholders' Equity (TL million)**

**+28.17%**

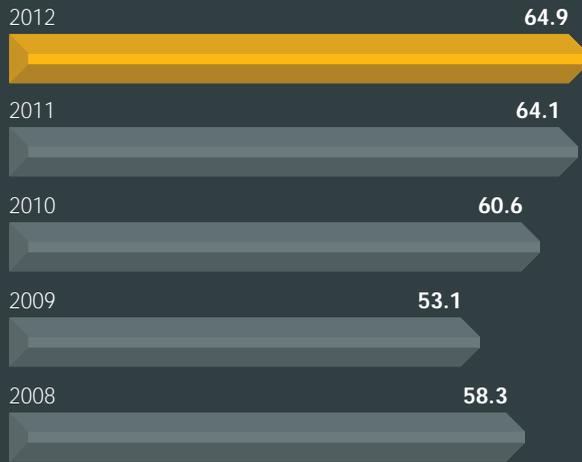
**Profit (TL million)**

**+19.02%**

## Key Ratios

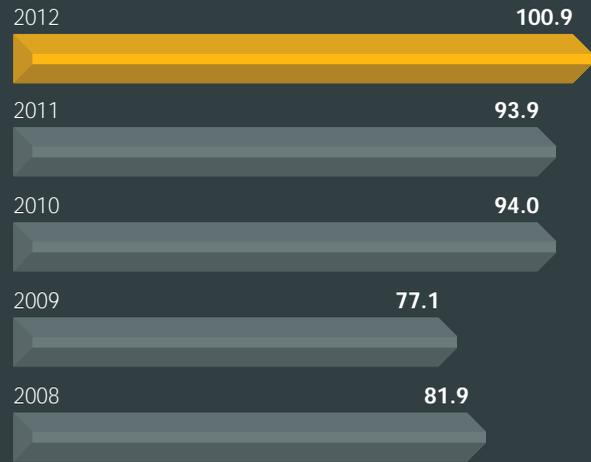
With a widespread branch network across Turkey, VakıfBank's loans per branch totaled TL 91.2 million, rising 8.4% in 2012.

### Loans / Total Assets (%)



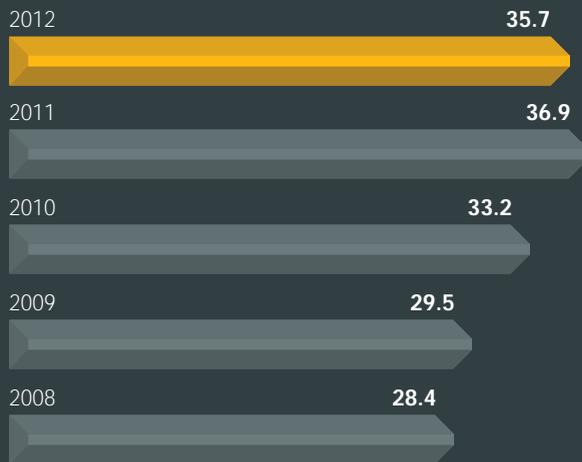
**+76 bp**

### Loans / Deposits (%)



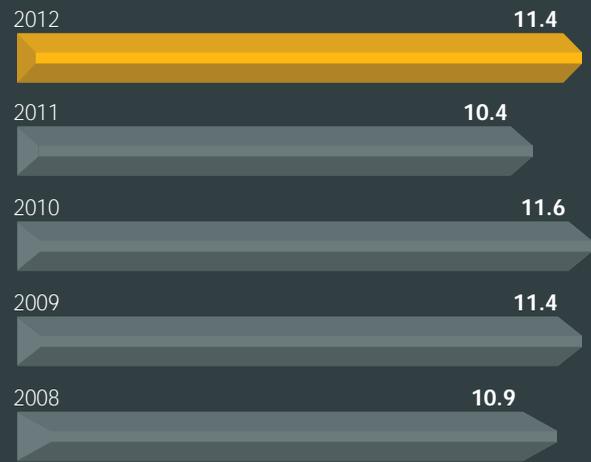
**+706 bp**

### Retail Loans / Total Loans (%)

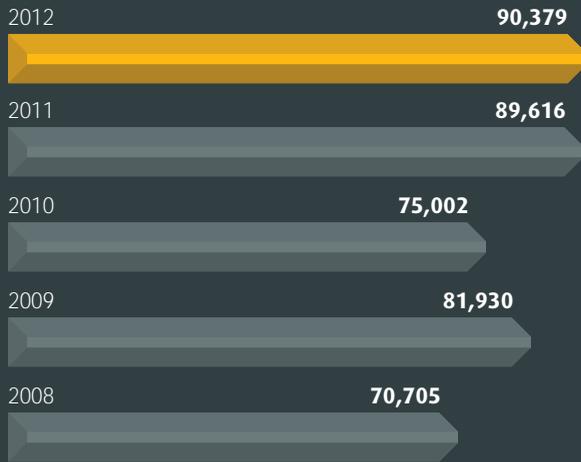
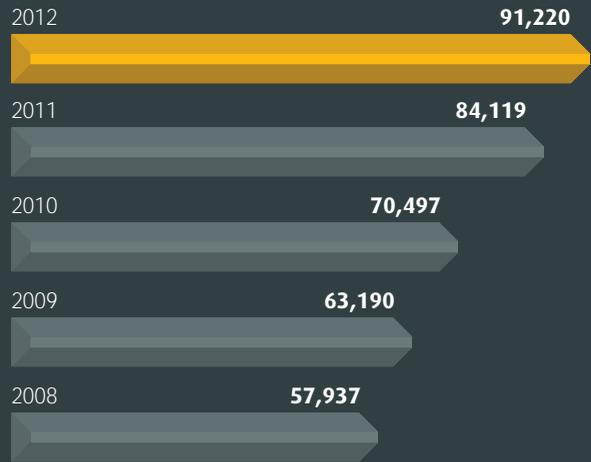
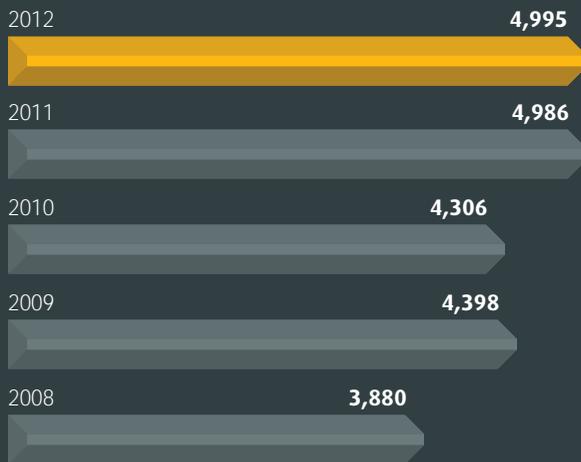
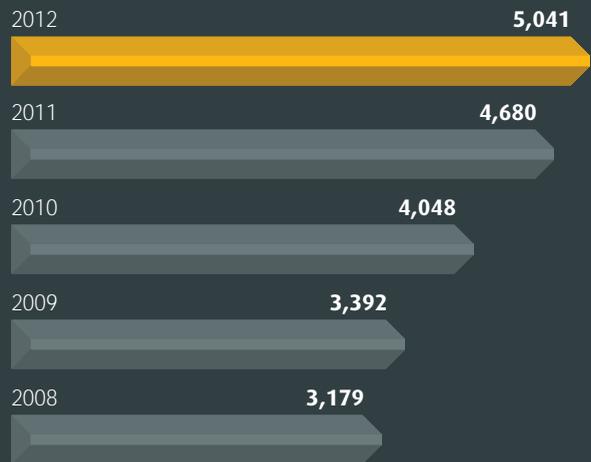


**-114 bp**

### Shareholders' Equity / Total Assets (%)



**+97 bp**

**Deposits per Branch** (TL thousand)**+763****Loans per Branch** (TL thousand)**+7,101****Deposits per Employee** (TL thousand)**+9****Loans per Employee** (TL thousand)**+361**



**The dream of Şamil Şener** was to build a school in the Ziyaret district of Muş, after many years of taking the village children to the nearest school with his tractor under all weather conditions. In the end, he decided to build a school with his own hands and finance construction by selling 22 cattle he owned. His efforts did not fail; VakıfBank provided support to the local school project that lacked even the most basic necessities under its **“Compassionate”** project.

At the 2,000-meter-high village, daylight fades behind a mountain at three o'clock in the afternoon. By five o'clock in the summer, everyone calls it a day and returns home. Even during those times, Mr. Şener did not give up and he worked on the school construction solo. He mixed cement in the dim light of an oil lamp, a nostalgic relic that urban dwellers had forgotten about long ago. Neither living through nor telling of these challenging conditions comes difficult to Mr. Şener. When the fateful day came, after having stoically labored through extreme hardships of all kinds, he proudly hung a sign on that building: BUZLUGÖZE VILLAGE ZİYARET MEZRASI ELEMENTARY SCHOOL...

ANLIĞI  
KÖYÜ  
ZRASİ  
OKULU

Şamil Şener  
Farmer

We feel the same  
Şamil Şener's dream  
is our strength!

## Message from the Chairman

As a result of effective macroeconomic policies, Turkey achieved a significant decline in the current account deficit and in inflation, and recorded positive developments in its labor market.

# 43.6

TL billion

Thanks to a steadily expanding corporate customer base, VakıfBank's **commercial loan** portfolio **increased 20.81%** over the previous year and reached TL 43,607 million.

Shareholders' Equity (TL million)

2012 **11,918**

2011 **9,298**

# 28.17%

VakıfBank **shareholders' equity** increased at a much faster pace than its assets in 2012; with a **28.17% rise**, Bank shareholders' equity jumped to **TL 11,918 million**.

Dear Stakeholders,

2012, much like the preceding year, was a very challenging time for global markets. The main topics of focus during the reporting year were the difficulties related to high levels of public debt in some Euro zone countries, the unstable economic recovery in developed countries and lower than expected growth in emerging markets. Another important item on the global agenda was the measures taken to restore financial stability and economic growth by the governing authorities of the countries concerned, in particular by central banks.

Throughout the year, the world's financial markets followed developments in Greece very closely. An intense debate ensued around issues related to the financial bailout of the country, the scope and content of the rescue package, keeping the country in the Euro area or not, the adequacy of austerity policies implemented and the release of the credit tranches envisaged under the rescue package. In addition, global markets anxiously observed rising borrowing costs in Italy and Spain as well as the recapitalization of Spanish banks. In third quarter 2012, concerns in the markets eased a little with the expansion of the Bank of England's bond purchase program and the European Central Bank's (ECB) announcement to purchase unlimited amounts of 1-3 year maturity bonds from the secondary markets. In addition, the implementation the new expansionary policies by the U.S. Federal Reserve (Fed) and by the central banks of other developed countries including the Bank of Japan helped calm jittery markets.

Unfortunately, the advanced economies did not show a strong growth performance in 2012. Despite positive developments in the housing and labor markets, the US economic recovery did not have staying power. For this reason, the Fed decided to continue its expansionary monetary policies throughout the year. The Federal Reserve also implemented an additional bond purchase program in the third quarter. During this period, the US central bank first announced that its low-interest rate policy would continue until 2015, and then later indicated that it would continue to implement expansionary policies as well, until a permanent improvement in the employment rates is achieved. Even though Fed policies have provided the markets with some relief, ongoing debates on the so-called fiscal cliff in the US dominated the American economic agenda toward the end of the year. Agreement on the fiscal cliff issue, although difficult to reach, postponed the immediate risks to the recovery until new items come to the fore, such as the budget debt ceiling.

In Europe, both on an individual country basis and in the Euro zone as a whole, economic contraction prevailed, while some economies did demonstrate very limited growth. Although the ECB tried to stimulate economic growth and to reassure the financial markets with interest rate cuts and bond purchase programs, these policies fell short due to the austerity policies implemented by various countries and a not yet fully established climate of trust.



## Message from the Chairman

With the wide participation of the managerial staff, we reviewed the Bank's vision, mission and values and reconfigured the future of VakıfBank.

1,460  
TL million

The Bank recorded strong results in 2012, **posting profits** of TL 1,460 million, **up 19.02%**.

Japan was unable to shake off the low growth cycle it has been in for many years. While the Bank of Japan's expansionary monetary policies failed to ignite strong growth, the Liberal Party, which rose to power in the elections held late last year, drew much public attention with its statements about inflation and the effect of the value of the Japanese yen on the country's competitiveness. Following this development, the Bank of Japan made an upward revision in its inflation target and declared an open-ended expansionary monetary policy.

Up until 2012, emerging markets played a major role in reducing the effects of the global economic crisis that began in 2008. During 2012, however, developing economies demonstrated slower than expected growth. In particular, the slowing Chinese economy stoked anxiety in the global markets throughout the year.

In my personal opinion, while volatility in the global markets will increase from time to time, ensuring steady economic growth will remain the top priority around the world in 2013. However, new risks may arise from increased liquidity and thus should be monitored closely.

Turkey started 2012 in the shadow of various debates surrounding its economy. The country's growing current account deficit and rising inflation were seen as the principal risks especially by global markets. Policies related to the management of these risks and whether they could achieve the desired effects were the subject of much discussion. However, before the end of the first half of the year, a pro-active approach and policies implemented by policy-makers and governing authorities proved to be effective. In fact, the current account deficit and the inflation rate fell rapidly; the labor market also improved significantly. Thanks to these developments, and although a somewhat belated decision, Fitch upgraded Turkey's credit rating to investment level. Starting with the expectation of the upgrade in the sovereign credit rating and then its official announcement, Turkey accomplished many positive economic and financial achievements, especially in the second half of the year. Government domestic borrowings were helped by historic low interest rates. Annual inflation fell to its lowest level in the last 44 years. The sovereign credit rating rise paved the way for higher levels of cost-effective and longer-term foreign capital inflows into the country. In 2013, I believe that Turkey's credit rating will be raised to investment grade by other international rating agencies.

**104,580**  
TL million

The Bank's **total assets** rose 17.26% in 2012, climbing to TL 104,580 million. As a result, we assumed our place alongside **the largest Turkish banks** with total assets of over TL 100 billion.

VakıfBank had a very successful 2012. We started the year by taking a step that will reshape the future of the Bank. With the wide participation of managers, we reviewed the Bank's vision, mission and values and, in effect, reconfigured the future of VakıfBank. We defined our new vision as "Becoming the best, most preferred and most value-creating Bank in the region." I believe that the Bank will achieve this goal quickly with the strength of our foundation-based corporate culture, the dedicated efforts of our employees and the confidence of our customers. In fact, the steps we took and the successful results we achieved in 2012 are the clearest evidence that VakıfBank is rapidly moving toward this objective.

Total assets of the Bank increased 17.26% in 2012, climbing to TL 104,580 million. As a result, we assumed our place among Turkish banks with total assets of over TL 100 billion. The increase in loans was the most important source of the rise in total assets. Despite the country's slowing GDP growth, compared to the previous year, we continued to generate funds for the Turkish economy, and in particular for SMEs. During 2012, we increased commercial loans by 20.81% and retail loans by 14.96%. As a result, our total loan portfolio grew 18.65% and reached TL 67,868 million. In the reporting period, deposits increased 10.34% and totaled TL 67,242 million. Thus, we converted all the deposits we collected into loans. In addition, with both domestic and foreign bonds and

bills issues, we successfully diversified our funding source structure. In line with the strategic objectives of the Bank, we took very important steps to achieving profitable and sustainable growth.

Shareholders' equity rose 28.17% during the year, much more than the increase in the Bank's assets. In the fourth quarter, we completed a subordinated bond issue totaling USD 915 million. In doing so, our capital adequacy ratio, which was 13.38% at 2011 year-end, increased to 16.14% by the end of this reporting year.

The Bank posted a strong performance in 2012, with profits of TL 1,460 million, up 19.02% year-on-year. I would like to share my deep faith that in 2013, in line with our vision and strategic objectives, VakıfBank will continue to move forward quickly and with determination, adding new achievements to our successful track record.

On this occasion, on behalf of the Bank, I would like to thank our valued customers and dedicated employees for their contributions to our achievements, and our shareholders and investors for their trust.

Yours sincerely,

**Halil Aydođan**  
Chairman of the Board of Directors

## Message from the CEO

Once again, the Turkish economy proved itself dynamic and strong.

# +2.6%

During the year, net exports were the driving force of **economic growth**. In the first three quarters of 2012, the Turkish economy expanded **2.6%** over the previous year.

Dear Stakeholders,

We left behind a troublesome year for the world's financial markets. The difficulties experienced by some European Union member states due to their high public debt levels, caused turmoil and serious concern in the global markets. Developed countries continued to feel the lingering effects of the economic crisis that started in 2008.

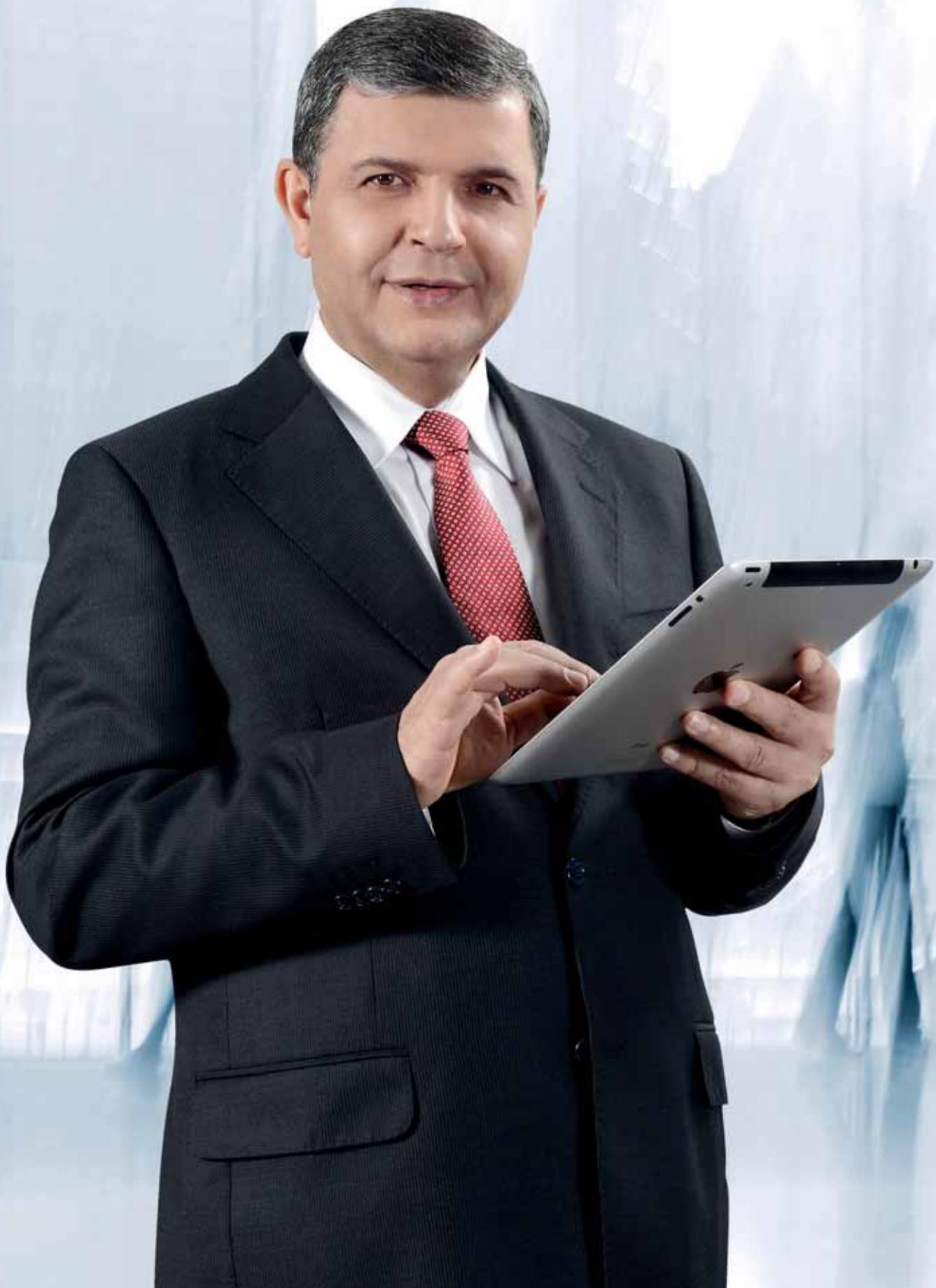
During the year, even with the positive data from the housing and labor markets of developed economies, especially in the United States, growth levels were far from satisfactory. In addition, economic growth in emerging markets, and in China in particular, remained below expectations. The expansionary monetary policies adopted by the world's leading central banks, in Europe, America, Japan, the United Kingdom and China, reduced some of the tension in financial markets, especially in the second half of the year. However, these policies were not sufficient to completely eradicate the effects of the global crisis. In fact, the United States ended 2012 with heated discussions surrounding the impending fiscal cliff. I think the global economic crisis and the counteractive measures taken will continue to top the world's agenda in 2013.

As these challenges persisted across the globe in 2012, Turkey positively decoupled itself from other markets especially in the second half of the year. In 2011, the Turkish economy grew at a particularly robust annual rate of 8.8%. However, due to this very rapid growth, the country's current account deficit ballooned to 10% of GDP and inflation climbed to double digits once again. The nation's economy needed to slow in a controlled manner and its resilience to external shocks had to improve. To

these ends, while taking into account the need to achieve financial stability, Turkey's Central Bank began to use a number of unconventional monetary policy tools starting in the last quarter of 2011. At the beginning of 2012, the effects of policies implemented by the Central Bank and whether a soft landing would be achieved were questioned, especially by foreign capital markets. However, with the proactive and effective use of such tools as the interest rate corridor and the reserve option mechanism (ROM) by the Central Bank, along with other key measures taken by policy-makers, Turkey's economy gradually slowed in a controlled manner. In the meantime, the Turkish economy has proven its dynamism once again. To counteract the impact of the slowdown in European countries, Turkey rapidly diversified its export markets. The country's share of exports to North Africa and the Middle East in particular significantly increased. The positive effects of the various measures and policy implementations on macroeconomic indicators started to be seen clearly by the second quarter of the year.

Turkey's GDP growth rate began to decline gradually and in a controlled manner. This gradual decrease in economic expansion mainly resulted from a rapid slowdown in domestic demand. During the year, net exports were the driving force of the country's economic growth. In the first three quarters of 2012, the Turkish economy grew 2.6% over the previous year.

Despite the contraction in domestic demand and difficulties in the EU's economies, Turkey's current account deficit fell sharply thanks to strong exports. In the last quarter of the year, the country's current account deficit to GDP ratio dropped below 7%.



## Message from the CEO

Thanks to having a better understanding of our customers, we reported the strongest balance sheet in the Bank's history.

# 67,868

## TL million

With an increase of 20.81% in commercial loans and a 14.96% rise in retail lending, our total loan portfolio expanded by **18.65%**; we transferred TL 67,868 million in **total funding** for Turkey's economic growth and development in 2012.

During the reporting year, inflation also significantly improved. The headline inflation rate dropped rapidly, especially in the second half of the year, and stood at 6.2% at end-2012. As the lowest year-end inflation rate in the last 44 years, this rate indicates the extent and the importance of progress made in this key area of the economy. Turkey also achieved historically low rates of unemployment in 2012. The country's unemployment rate, which had risen to a high of 10.4% in February 2012, improved to 8.0% by June.

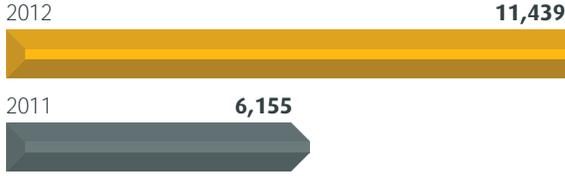
Central Bank monetary policies, as well as the government's tight fiscal policies applied consistently for many years, both played major roles in achieving these positive developments.

As a result of improved macroeconomic indicators coupled with effective and stable monetary and fiscal policies, Fitch upgraded Turkey's sovereign credit rating to investment level, albeit belatedly.

In 2012, we were proud of our country's success in managing macroeconomic risks, as well as our Bank's success in achieving strong results. We started 2012 with a renewed vision. And in line with our new vision of "Becoming the best, most preferred and most value-creating Bank in the region," we took important steps toward this goal.

VakifBank continued to invest in the future: we increased our branch network from 680 to 744 locations. We opened 43 new branches in August 2012 alone. In fact, VakifBank is the first in the sector to open as many new branches in one single month as in the total branch network of a medium-sized bank. In addition, we expanded our workforce from 12,222 to 13,463 employees in 2012 by providing bright career opportunities in the banking sector to many new graduates. After expanding our branch network and bolstering our human resources, we focused on our information technology infrastructure. We expended great efforts throughout the year to renew our IT infrastructure in order to provide our customers with all the opportunities made possible through today's advanced technology. I believe that we will start to see the results of our hard work in 2013. Following the completion of total renovation of our information technology infrastructure, the greatly improved quality of service will position us even closer to our customers.

In 2012, the Bank's total assets climbed to over TL 100 billion for the first time. By the end of the year, our total asset size amounted to TL 104,580 million, surpassing a major milestone, and increasing 17.26% for the year. This notable achievement confirmed the strength and importance of VakifBank in the Turkish banking sector.

**SME Loans** (TL million)

SME Loans amounted to TL 11,439 million, **up 85.85%** compared to the previous year.

We had declared 2012 as the Year of the SME. Despite the slowing economy, and consistent with our target, we stepped up our support to SMEs throughout the year. In fact, by reaching an SME customer base of 460,000, we expanded our small and medium sized business loan portfolio to TL 11,439 million, up 85.85% over the previous year. Also during this period, we increased our commercial credit card transaction volume by a whopping 246.60% to TL 576 million.

In 2012, we maintained our strength in retail loans. Our credit card business recorded an increase in turnover for the year well above the sector average with the help of creative solutions and effective marketing campaigns. The Bank's "81 Cars to 81 Cities" and "Facebook as the 82nd City" campaigns used social media effectively to promote our credit cards. These campaigns earned recognition in the international arena: together they received a "Silver Midas" in the Midas Awards, the only international marketing and advertising competition exclusively for the financial services sector. In addition, our innovative solutions in payment systems garnered widespread attention across the country. Our prepaid card designed for the Municipality of Kocaeli, "VakifBank 41 Card," placed second in the Golden Ant Municipal Awards in social responsibility projects.

Thanks to a 20.81% increase in commercial loans and a 14.96% rise in retail lending, our total loan portfolio grew 18.65%. In total, we transferred TL 67,868 million in total funding in 2012 for Turkey's economic growth and development.

In addition, we accomplished major objectives on the liabilities side of the Bank's balance sheet in 2012. Our total deposits increased 10.34% and totaled TL 67,242 million. While maintaining a strong deposit base, we focused on bonds and bills issues in order to diversify our funding resources and to extend the average funding terms. While total securities issued was TL 495 million at year's end 2011, this figure rose to TL 2,430 million by the end of 2012, up a strong 391.09%. Taking advantage of low cost and long term funding generated by the positive expectations of and the actual upgrade of Turkey's credit rating, we issued a subordinated bond generating a total of USD 915 million, in two tranches. With the help of this bond issue and the 28.17% increase in shareholders' equity, our capital adequacy ratio rose to 16.14% in 2012. As a result, we created the capital base necessary to achieve our vision and strategic goals more quickly and assuredly in the coming years.

Our profitability set a new record for the Bank in 2012. We increased our profit by 19.02% to TL 1,460 million, the all-time highest annual profit in the Bank's history. In 2011, we enjoyed the success of increasing the Bank's profit while profits for the industry as a whole fell. Managing the same success again this year, as well as improving the Bank's average rate of return on assets and return on equity, we know that we are taking the appropriate steps for sustainable and profitable growth.

Our commitment to and support for sports also continued in 2012. We provided ongoing support to Turkish women's volleyball at both club and national team levels. The VakifBank Women's Volleyball Team, which our employees also enthusiastically support, made us very proud of their impressive achievements.

Sharing my belief that 2013 will be an even more successful year for the Bank, I extend my deepest gratitude to our customers and our shareholders for their trust, to our employees for their efforts and to our Board of Directors for their support.

Sincerely yours,

**Süleyman Kalkan**  
General Manager

**Özgün Aksel**  
8 months at VakıfBank,  
Bursa

We feel the same  
Our new branches  
is our strength!

To become even closer to our customers, we have opened **219** new branches since the end of 2009, expanding our domestic and overseas branch network to **744** locations. In the last three years, we have increased our number of branches as much the entire branch network of many banks.



## 2012 in the World and Turkey

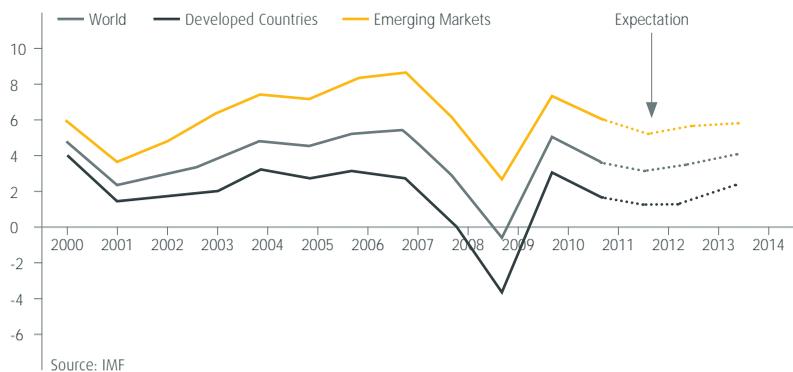
Although the global economic outlook for 2013 is more positive than the reporting year, the rates of growth seen in 2011 will not likely be reached.

### The world economy slowed...

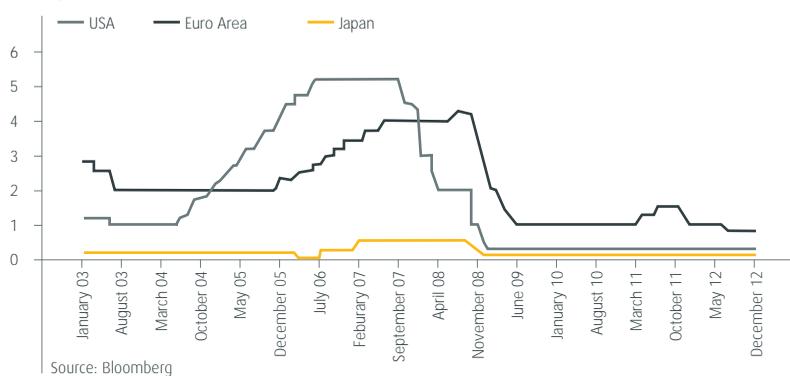
Despite economies around the world recording slower growth in 2012 than a year earlier, the slowdown did not reach such an extent as to constitute a significant risk. While economic activities in both developed countries and emerging markets cooled, a loss of forward momentum in the Euro zone in particular was noticeable. Playing an important role in driving global economic growth, the Chinese economy also continued to signal it was cooling down. After expanding 9.3% in 2011, the Chinese economy grew 7.8% in 2012. In this decelerating environment, the Bank of China continued to implement an expansionary monetary policy. Although the global economic outlook for 2013 is more positive than the preceding year, the rates of growth seen in 2011 will not likely be reached. The IMF forecasts the world's economy to grow 3.5% in 2013, up from 3.2% a year earlier.

The weak pace of recovery resulted in further loosening of central banks' monetary policies. While the US Federal Reserve and the Bank of Japan continued to keep interest rates low, the European Central Bank decreased its policy interest rate to 0.75% in 2012. In addition, central banks continued to implement policies aimed at expanding the monetary supply. The US economy, despite positive data from problematic areas that played an important role in the global crisis, such as housing and employment, did not experience a robust recovery. So, while the Fed continued to adopt a loose monetary stance, it also announced that interest rates would be kept at current levels until 2015. Within the framework of the recently stated monetary expansion policy, the Fed remained committed

### Growth (y-y,%)



### Policy Interest Rates (%)



to providing the markets with open-ended funding until there is a lasting improvement in the labor market.

Following the re-election of Barack Obama in the US presidential elections, the “fiscal cliff” emerged as the most important item on the country’s economic agenda. Although Congress resolved the issue at the last minute, high levels of government debt continue to pose a significant risk to macroeconomic outlook of the US. The steps taken to revive the country’s economy in the wake of the global crisis resulted in a greater financial burden on the government coffers, which necessitated the implementation of policy measures to address this issue.

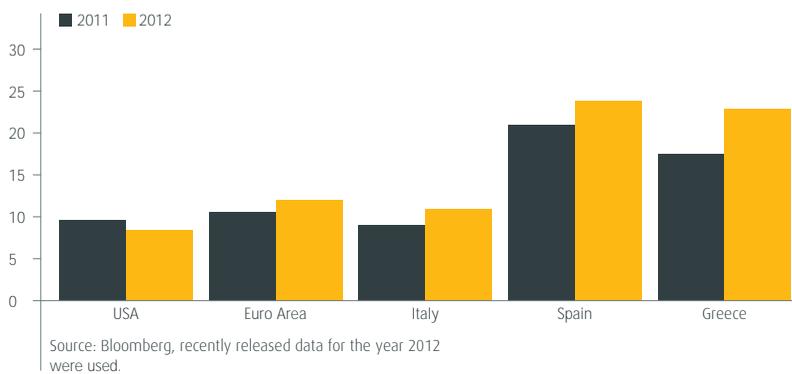
In 2012, developments in the Euro area significantly impacted the global economy. Deepening and severe macroeconomic problems in Greece received the lion’s share of attention throughout the year. Both government changes and negotiations taking place around the country had significant impacts on the world economy and financial markets. Following the agreement on a rescue package for Greece, in the last month of the year it was announced that the second tranche of the package would be released.

In addition to major developments in Greece, there was an increase in the risk perceptions related to the economies of Spain and Italy. While the debate centered on the capitalization of the Spain’s banking system, Italy’s deteriorating budget balances increased pressure on the debt dynamics there. As a result, the borrowing costs of troubled Euro zone countries increased. All these developments in Europe also had a negative effect on the labor

**Effect of Fiscal Cliff on Growth 2013 (Point)**



**Unemployment Rate (%)**



## 2012 in the World and Turkey

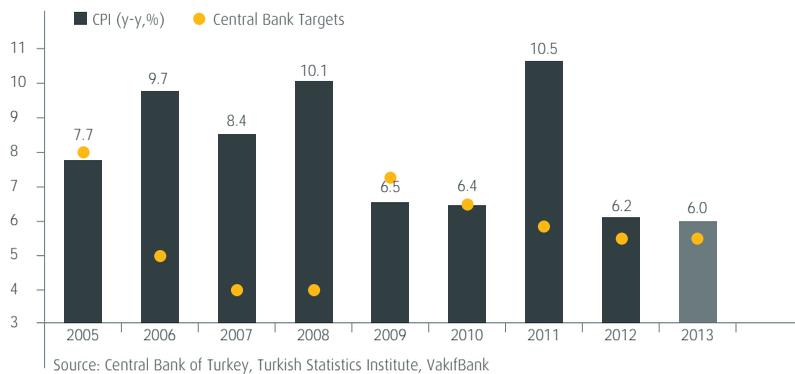
With the increasing severity of the problems in Italy, Spain and Greece, unemployment rates rose significantly in 2012.

market. With the rising severity of the problems in Italy, Spain and Greece in 2012, unemployment rates worsened considerably. Despite the increased risk perceptions of these countries, the European Central Bank eased some concerns related to the region by assisting the problematic banking systems, announcing that it will buy treasury bonds from these countries if needed and signaling that no exit from the Euro area will be allowed. Since indicators still point to an economic contraction, the structural problems still require close monitoring.

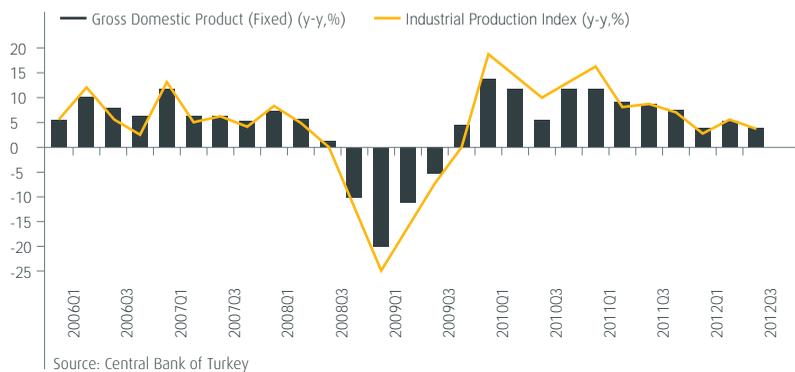
### Turkey's economy grew 1.6% in the third quarter of 2012...

After strong growth in 2010 and 2011, and a slowdown in 2012, the Turkish economy managed to achieve a "soft landing." In the first two quarters of the year, the Turkish economy grew at annual rates of 3.0% and 3.4%, respectively; in the third quarter, the economic growth rate slowed sharply to 1.6%. Thus, the annualized growth rate of 3.2% in the first half of the year declined to 2.6% by the end of the third quarter. The accelerated slowdown in investment expenditures and 0.5% decrease in household spending in first three quarters contributed to the lower rate of growth. In addition, the positive impact of net exports on growth was lower in the third compared to the first two quarters of the year. A slowdown in the increase of manufacturing industry output and a loss of forward momentum in the agricultural sector also impacted the country's economic growth.

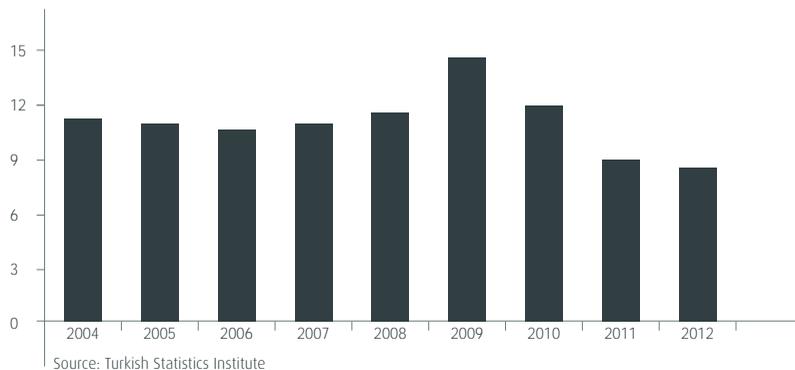
### Consumer Price Index



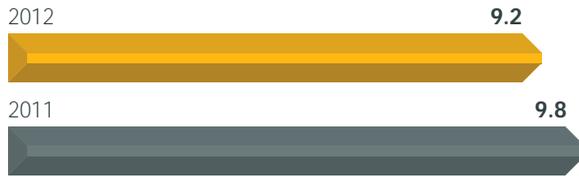
### Gross Domestic Product



### Annual Unemployment Rate (%)



## Unemployment Rate (%)



Turkey's unemployment rate in 2012 was **9.2%**, down **0.6 percentage points** from the previous year.

While weakening wholesale and retail trade in the third quarter indicates that stagnant domestic consumption may prevail, a 0.2% rise in the seasonal and calendar adjusted growth rate, even though a bit slower than the second quarter, may signal an uptick in fourth quarter growth. However, a modest increase in industrial production in the last quarter of the year, 0.6% on an annualized basis, indicates that a cautious approach for the last quarter is prudent. In this environment, the downside risks appear to be increased on our growth expectation of 2.9% for the Turkish economy in 2012.

### Unemployment rate improved to 9.2% in 2012...

The annual unemployment rate, which reached 14% in 2009, accelerated its downtrend that began in 2010 and dropped to 9.2% in 2012. The country's non-agricultural unemployment rate fell from 12.4% in 2011 to 11.5% in 2012. Over the same period, the labor force participation rate was 50%, showing a modest rise of 0.1 point. The female labor force participation rate however showed a strong increase while that for men fell. Given these developments, unemployment is expected to continue to improve in 2013 and reach 8.7%.

### Year-end inflation was the lowest of the inflation-targeting period...

During the first four months of the year, inflation remained at double-digit levels, due to both the lagging exchange rate pass-through effect and rising energy prices. Later in the year, with the easing of pressures on both demand and cost inflation, headline inflation dropped from double-digits and fluctuated for a time. By the fourth quarter of the year, inflation reached a level to support the existing monetary policy. The positive base effect from the prior year and below seasonal trend movements of raw food prices supported the improved outlook in the last quarter. Inflation, beginning 2012 in double-digits, finished the year at 6.16%. As a result, year-end inflation was at the lowest level in the inflation-targeting period.

In 2013, movements in food prices and developments in the exchange rate are the two key factors to consider in terms of inflation. The possibility of a correction in food prices in 2013 results in a cautious approach against the inflation outlook. The growth performance of the world economy is expected to improve in the coming year compared to 2012. In such an environment, there is a possibility of a rise in energy demand. This in turn will result in an increase in oil prices from current levels. This scenario would lead to the possibility of increased domestic inflation, however exchange rate movements would be expected to balance the impact of energy price increases on the inflation side. As a result, a moderate stance on inflation expectations continues. At the end of 2013, the annual headline inflation rate is projected to be around 6.0%.

### Foreign trade and current account deficit declined...

Both domestic and foreign developments contributed to the recovery in Turkey's trade deficit in 2012. While growth concerns in global markets maintained downward pressure on oil prices, a 10% decrease in oil prices in 2012 positively affected energy imports. On the other hand, weakening domestic demand also reduced the demand for imports, and therefore supported the fall in the trade deficit. In addition, the foreign trade of gold played an important role in the improvement in the current trade deficit. In 2012, with USD 16 billion in exports, Turkey achieved a trade surplus of USD 7.8 billion in the gold trade, thus demonstrating the importance gold played in reducing the country's foreign trade deficit in 2012. The fact that the current account balance excluding energy, another key component of the current account deficit, is in surplus also signals a robust recovery.

The current account deficit, which totaled USD 77.2 billion in 2011, started on a gradual downtrend and declined to USD 48.8 billion in 2012, lower than the expectations of the country's Medium Term Program (MTP). A strong exports performance helped by the gold trade, and falling imports helped by softening domestic demand, played major roles in the improvement of the current account deficit. In addition, downward pressure on oil prices resulting from ongoing global growth concerns further supported the improved current account balance. USD 5.9 billion rise in 2012 tourism revenues, which resulted from the change in the calculation method of tourism statistics used by the Turkish Statistics Institute, will also cause a downward revision in the country's 2012 current account deficit.

## 2012 in the World and Turkey

The Central Bank is expected to continue following a financial stability policy without compromising on price stability in 2013.



“With the expected economic upturn in 2013, the current account deficit is likely to increase slightly.”

**Sema Gök**  
8 months at VakıfBank,  
Antalya

With increased economic activity in 2013, Turkey's current account deficit is expected to rise to USD 56.3 billion, but a significant structural deterioration is not likely.

### **The Central Bank of Turkey used the reserve option coefficient in 2012, the first time in the world...**

Following a somewhat unorthodox monetary policy since the end of 2010, the Central Bank of Turkey (CBT), continued the experimental monetary policy prescription that overweighs primary instruments in 2012. For example, the Central Bank started to implement the Reserve Option Mechanism (ROM) in 2011. ROM allows banks to keep a certain percentage of their Turkish lira reserve requirements in foreign exchange and/or gold; and the CBT continued the use of ROM through 2012.

Under this mechanism, banks may hold up to 60% of their TL required reserves in foreign currency and up to 30% in gold. In addition, CBT started to use Reserve Option Coefficient (ROC) application in 2012, the first time ROC was used in the world.

The amount of FX or gold that can be held per unit of Turkish lira is called the reserve option coefficient. As per an adjustment made in ROCs, if a bank's tendency increases to hold its TL required reserves in foreign currency and/or gold, its ROC increases accordingly.

This policy provided a cautious liquidity injection into the markets as well as an increase in the Central Bank's FX and gold reserves. By the end of 2012, the Central Bank's reserves reached USD 120.29 billion. The CBT continued to use the interest rate corridor to control short-term interest rates; and, while keeping the borrowing rate at the 5% level, the Central Bank decreased the lending rate by 350 basis points to 9%. This approach resulted in the easing of liquidity in the market, especially in the banking sector. With the help of the positive trend in inflation, the Central Bank decreased its policy interest rate by 25 basis points to 5.5% and undertook moderate tightening measures in the required reserve ratios at the last Monetary Policy Committee (MPC) meeting of the year.

The Central Bank is expected to continue to follow a financial stability oriented policy without compromising price stability in 2013. Within this framework, the CBT will also continue to use interest rate as well as primary instruments. In light of the lessening inflationary pressures, the Central Bank has started to focus more on financial stability. As a result, there is an increased possibility that the Central Bank will continue the use of primary instruments for tightening purposes in 2013. In particular, the CBT may raise reserve requirements even further. However, growth indicators signal the need for the CBT to follow a flexible monetary policy.

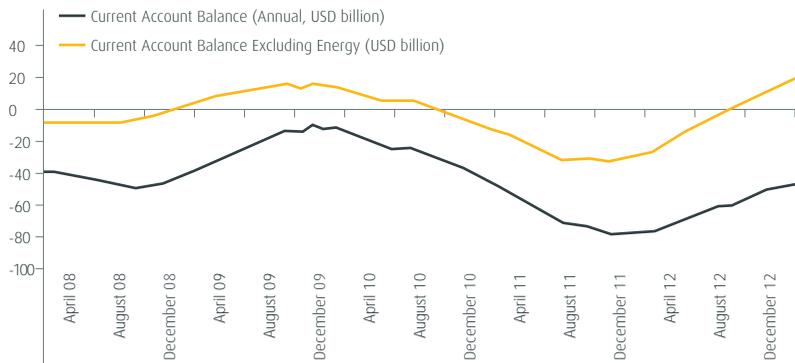
The Central Bank's reports frequently repeat the need to maintain a flexible monetary policy. Depending upon the reserve requirement level, the CBT most likely will continue its active use of ROCs in 2013. In this way, the recent record increases posted in the gross foreign exchange reserves is expected to continue in 2013. However, the Central Bank has no plans to open FX auctions in the coming year.

### In 2012, Turkey's budget deficit was below the Maastricht Criteria...

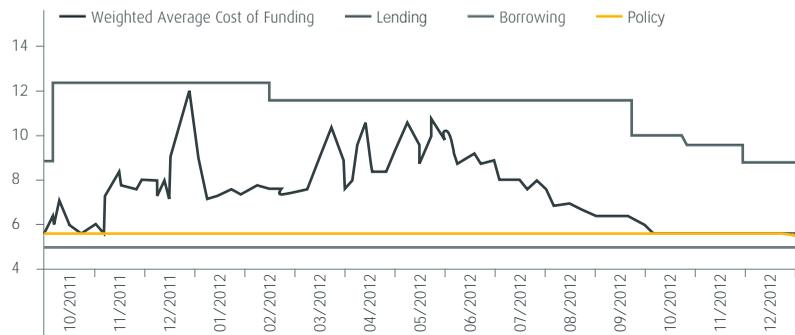
Amounting to TL 18.7 billion in 2011, the country's budget deficit rose to TL 28.8 billion in 2012, but remained at 2% of GDP, well below the EU's Maastricht Criteria of 3%. During the year, the primary surplus decreased 19.7% to TL 19.6 billion. Meanwhile, the central government budget expenditures and tax revenues increased 15.1% and 9.9%, respectively, in 2012 over the prior year.

According to the latest budget figures released, the annual growth rate of revenues rose slightly while annual spending growth fell. Central government expenditures for 2012 totaled TL 360.5 billion, some 99.4% of the figure expected in the Medium Term Program (2013-2015) of TL 362.7 billion. Interest expense rose 14.7% and amounted to TL 48.42 billion in 2012. The sharp increase in the current transfers account in December was the main factor in the rise in central government budget expenditures. During the year, current transfers account increased 17% compared to 2011, and totaled TL 129.3 billion. The current transfers to GDP ratio, which was 9.3% in 2010 and 8.8% in 2011, is expected to be 9% in 2012 according to Ministry of Finance projections.

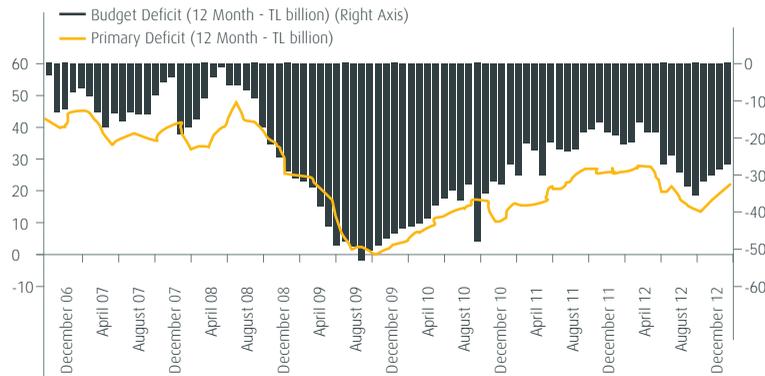
### Current Account Balance



### Central Bank Interest Rates (%)



### Budget Deficit



## 2012 in the World and Turkey

The Turkish economy's continuing improvement in debt indicators and decreasing budget deficit provide important opportunities for policy flexibility.

### The central government's gross debt stock decreased 3.3% in real terms in December 2012, compared to the same month a year earlier...

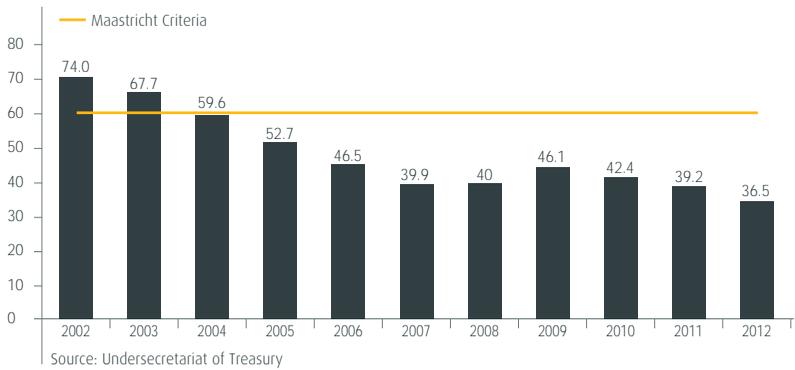
The central government's gross debt stock decreased from TL 532 billion at year's end 2011 to TL 518.4 billion at end-2012; of which, TL 386.5 billion was local currency and TL 145.5 billion was foreign currency denominated.

Some 73% of the central government gross debt stock, amounting to TL 386.5 billion, was domestic debt, while 27%, amounting to TL 145.5 billion, was external debt. The domestic debt stock, which consisted of only government bonds by the end of 2011, was composed of TL 382.9 billion in government bonds and TL 3.7 billion in treasury bills in 2012. As of December 2012, external debt stock was composed of TL 91.3 billion in international bonds and TL 54.2 billion in foreign loans. The average maturity of domestic borrowing, which was 24.3 months in 2011, declined to 21.7 months by the 2012 year-end.

Tight fiscal policies resulted in significant gains in the budget balance and debt indicators. During a time when many developed economies and emerging markets face significant budget deficit related risks, the Turkish economy's improving debt indicators and budget deficit provide important opportunities for policy flexibility. The debt stock (as defined by the EU) to GDP ratio fell under 40%, far below the Maastricht Criteria of 60%.

When reviewing real annual changes in the inflation-adjusted total internal and external debt stocks, one sees that domestic debt contracted 6% in 2007 in real terms compared to 2006 and increased 12.7% in December 2009 over the same month of the previous

### Debt Stock (as Defined by EU) / GDP (%)



Real Changes (%) *	Total Domestic Debt Stock	Total External Debt Stock
Dec. 06-Dec. 07	-6.33	-22.90
Dec. 07-Dec. 08	22.60	-2.19
Dec. 08-Dec. 09	12.70	-0.80
Dec. 09-Dec. 10	0.48	1.75
Dec. 10-Dec. 11	12.18	-5.37
Dec. 11-Dec. 12	-1.27	-8.40

\* Real changes were calculated using the Fisher equation.  
Sources: Undersecretariat of Treasury, VakıfBank

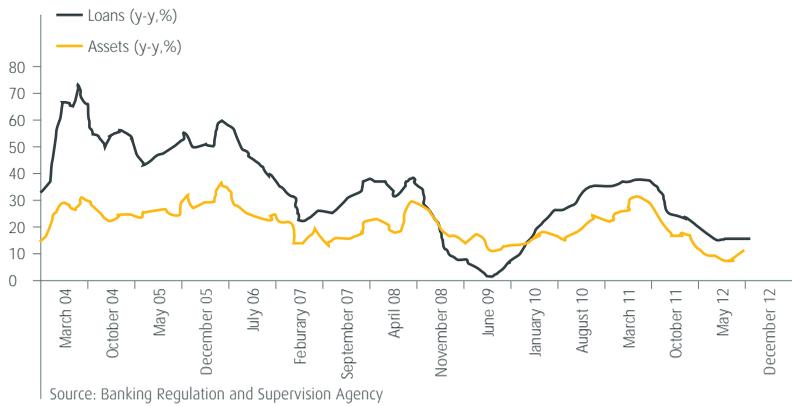
year. Domestic debt stock decreased 8.4% in December 2012 compared to the same month of the previous year. Notably, domestic debt, which had dropped dramatically by the end of 2012, only declined 1.27% in the month of December. Total external debt contracted at a real annual rate of 22.9% in 2007, expanded by 22.6% and 12.2% in 2008 and 2011, respectively. However, by the end of 2012, total external debt contracted 8.4% compared to the same period of the prior year.

**The banking sector’s loan-based growth continued in 2012 ...**

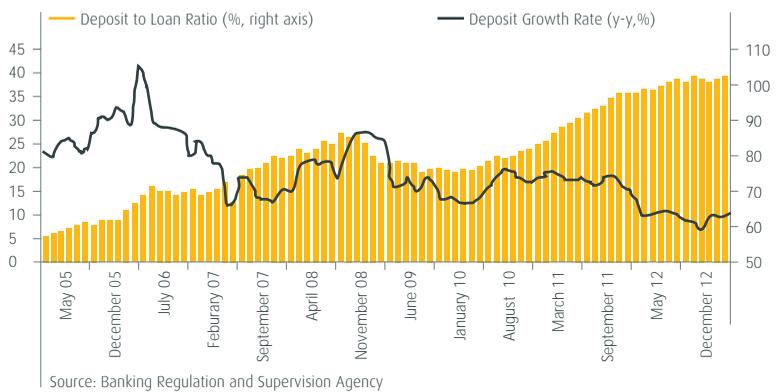
The Turkish banking sector has maintained its solid structure and growing dynamism over the years despite the lingering effects of the global crisis; the banking sector continued to provide support to Turkey’s economy in 2012, during its soft landing.

The Turkish banking sector’s total assets increased 12.6% and climbed to TL 1.37 trillion in 2012. The sector’s total assets to GDP ratio, which was 93.6% in the third quarter of the year, is expected to rise to 96.8% in the fourth quarter. Sector growth is fueled mainly through provision of loans. With a 57.9% share in total assets, loans increased 16.4% in 2012 and reached TL 794.7 billion. As a result, the annual growth rate of loans, which had followed a downward trend since September 2011, rose to 16.4% in November and to 14.7% in December.

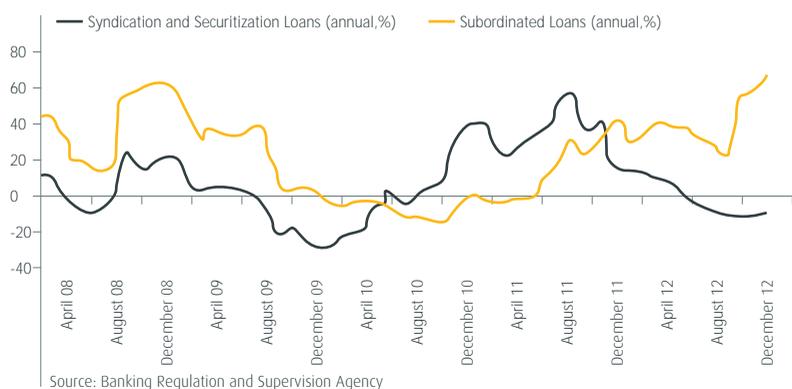
**Loans**



**Deposit to Loan Ratio**



**Syndication, Securitization and Subordinated Loans**



## 2012 in the World and Turkey

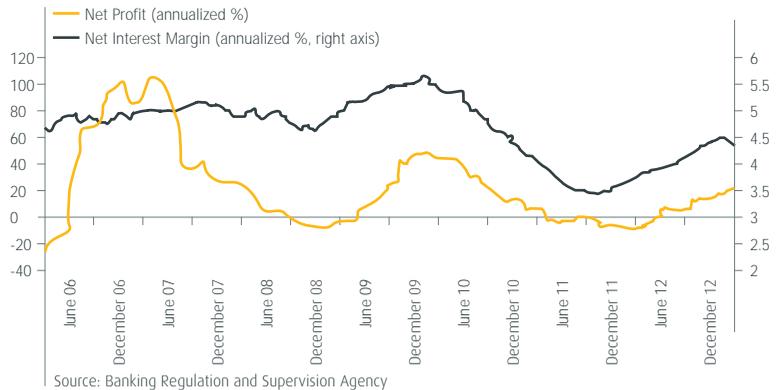
The banking sector's total net profit, which depends primarily on growth in net interest income, rose 18.8% in 2012 over the prior year.



"The banking sector's deposits to securities ratio, which stood at 41% at end-2011, decreased to 34.9% at year's end 2012."

**Hayrettin Karadağ**  
8 months at VakıfBank,  
Aydın

### Net Profit



The sector's securities portfolio decreased 5.3% in December compared to the same month of the previous year and totaled TL 269.9 billion. The ratio of the securities portfolio to total assets, which has seen a slowing annualized growth rate since May 2012, fell to a historic low of 19.7% as of December 2012.

Total deposits, which hold the highest share in the funding resources of the banking sector with 56.3%, rose 11% in 2012 compared to the previous year. Due to the Central Bank's high reserve requirements for deposits, banks did not actively compete to collect customer deposits during the year.

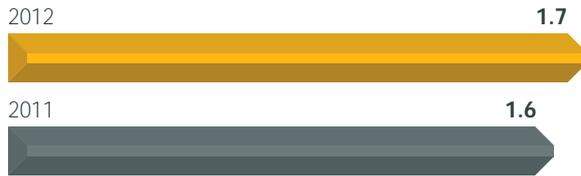
The sector's average deposit to loan ratio was 101.7% in 2012. The deposits to securities ratio, which stood at 41% at end-2011, decreased to 34.9% in 2012.

### Domestic and international bonds issues and foreign loans stand out as major funding sources...

While there was no significant change in the share of non-deposit foreign sources in banks' balance sheets, the funding preferences of banks show some changes parallel to changing market conditions. As a result, the increase in securities issues accelerated from the beginning of the year, jumping 105.2% year-on-year by December 2012. The banks' bill and bond issues reached their highest levels by the end of the year in line with the ongoing decline in market interest rates and the presence of appropriate demand conditions.

After Basel II came into force in July, the changes made in the risk weighting of banks' assets under the accord's rules resulted in a fall in capital adequacy ratios; as a result, the need to raise more capital became apparent. During the last quarter of the year, when Turkey's credit rating was raised to investment grade, banks placed significant efforts on providing

### Banking Sector Return on Assets (%)



The Turkish banking sector's return on assets increased from **1.6% to 1.7% in 2012**.

subordinated loans abroad. By the year end, the subordinated loans portfolio, which tended to decline throughout 2012 and posted only modest rises during August and September, grew 69.2% over the previous year.

The total of syndication and securitization loans obtained from abroad, another important foreign funding source for banks, decreased 9.8% in December 2012 compared to a year earlier. Banks then proceeded to take advantage of favorable domestic market conditions for the issuance of TL denominated bonds and to show preference for subordinated loans in foreign borrowings. With the rise of Turkey's sovereign credit rating to investment grade in November and the continuation of expansionary monetary policies in developed economies, Turkish banks are expected to avail themselves of favorable foreign credit facilities in the coming periods.

The Banking sector's total shareholders' equity, which tended to increase during the year due to falling interest rates, in December recorded its highest annualized increase since April 2012, rising 25.7%.

#### **The steady rise in net interest income boosted profitability during the year...**

The banking sector's net profit, which depends mostly on growth in net interest income, increased 18.8% in 2012 over the previous year. As a result, the sector posted total profit of TL 23.6 billion in 2012. The increase in the risk weightings of foreign currency assets on banks' balance sheets according to Basel II rules resulted in the reduction of such assets in the portfolios. Sales of foreign currency denominated securities, coupled with the drop in market

interest rates, increased the income generated from securities, and therefore contributed to the rise in profits.

The relative decrease in interest income from loans was below the interest paid on deposits; as a result, the effective net interest margin remained at 4.5% as of December 2012. The increase in interest income on securities also boosted the net interest margin.

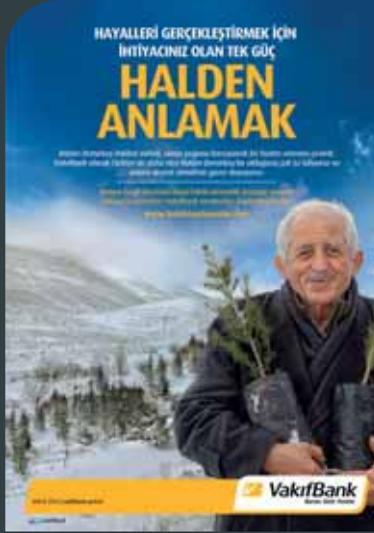
#### **The pace of economic growth in Turkey will determine the performance of the banking sector in 2013...**

The banking sector's return on assets and return on equity which were 1.6% and 13.7%, respectively, at the end of 2011, stood at 1.7% and 13%, respectively, at end-2012. The sector's capital adequacy ratio, which was 16.3% in July when Basel II entered into force, rose to 17.9% at the end of the year after the restructuring of banks' balance sheets.

The Turkish banking sector's total asset size, which lost growth momentum in line with the slowing economy in 2012, is expected to rebound in 2013 to an extent depending on the pace of the country's economic growth. The largest contributor to the growth of banking sector assets is expected to come from loans in 2013, as has been the case since 2010. In the event of large global liquidity inflows into Turkey in search of high returns, regulatory authorities may implement additional measures to protect financial stability, which, in turn, may curb the growth of the banking sector in 2013. Already at low levels, the decline in net interest margins and additional policy steps taken by policy-makers to curtail loan growth are expected to be the main factors that will affect the sector's performance in the coming year.

## 2012 at a Glance

VakıfBank achieved significant accomplishments in 2012 and took steps to move its solid organizational structure forward into the future.



### "Our job is being compassionate..."

We proudly stand by all our customers that we continued to serve effectively with all our business lines 2012, as per our motto "Being Compassionate."



### Expanding branch network and growing workforce...

In 2010, VakıfBank had 636 branches, and the number of branches increased to 680 in 2011. In 2012, by opening 64 new branches, the Bank increased its branch network to 744 locations and achieved growth equivalent to the size of a medium-sized bank. In line with the rising number of branches, the Bank's workforce climbed to 13,463 personnel. Responsible for 26.4% of total net employment growth in the banking sector in 2012, VakıfBank has created the most employment opportunities of all Turkish banks over the last three years.



### Moving to Istanbul boosted our energy.

The positive outcomes of the Bank's transformation strategy initiated in 2010, and subsequently, the relocation of our headquarters to Istanbul, continued to emerge in 2012. With the increasing growth momentum of the last three years, VakıfBank once again demonstrated a strong performance during the reporting year and set new records. Both for the final quarter and the whole year, VakıfBank's net profit figures reached record levels. Posting TL 450.7 million in profit for fourth quarter 2012, VakıfBank achieved its highest ever quarterly profit figures. By the end of 2012, the Bank's net profit for the year increased 19% and amounted to TL 1.46 billion.

## Leader in credit card growth...

According to Interbank Card Center (BKM) data, VakıfBank was the fastest growing bank in 2012 in terms of both the number of credit card transactions and turnover. While growth in the sector as a whole stood at 24%, VakıfBank grew 42% with credit card turnover of TL 13.7 billion in 2012. The Bank's number of credit card transactions increased by more than twice the sector rate and rose to 120 million transactions.



## We declared 2012 the Year of the SME.

Significantly investing in the branch network and the headquarters since 2010 in order to provide solutions more quickly and effectively to meet the needs of SMEs, VakıfBank expanded its small and medium-sized business loan portfolio by 86% in 2012. At year's end, the share of SME loans in total loans approached 20% for the first time. VakıfBank will continue to provide support to small and medium enterprises and maintain its strong position in this segment in 2013.

## Two gold awards for the VakıfBank 2011 Annual Report...

The VakıfBank 2011 Annual Report received the gold prize at the Annual Reports Competition (ARC) Awards, one of the world's most prestigious awards in the field; the Bank also won the gold at the League of American Communications Professionals LLC (LACP) Spotlight Awards competition in the financial category.

## We continue to provide support to the real sector.

At end-of-year 2012, VakıfBank's total loan portfolio increased by about 19% compared to the prior year and amounted to TL 68 billion. This level was nearly double the total loans amount of TL 34.4 billion in 2009. In 2012, our commercial loan portfolio expanded by 21% and reached TL 43.6 billion; retail lending increased 15% and totaled TL 24.3 billion. Retail loans climbed 138% over the last three years. In addition, by extending TL 3.3 billion in new mortgage loans in 2012, VakıfBank became one of the first banks to exceed TL 10 billion in housing loan placements.



Rahim the teacher sold his houses and training center for the sake of a forest that he personally grew by carrying water drop by drop. Planting **32 thousand trees in 15 years**, he turned an area thought to be where “no grass would grow” into a verdant heaven on earth, thanks to his perseverance and determination. VakıfBank is walking along with **Rahim in pursuit of his dream.**

Rahim the teacher taught two things very well to children for many years: two times two is four, and one tree is an entire world. His eyes searched for a tree wherever he went as he roved around Turkey after his retirement. One day, Rahim the teacher returned to the land of his ancestry. At the village of Beyören, Eregli, Konya, instead of gazing upon the mighty oak trees of his childhood, he saw a barren, rocky land; then and there, he started to plant trees. He sums up his motives thusly: “If I would have constructed a fountain here, it would only help those in the immediate neighborhood. However, if I would plant a tree, it would supply oxygen to whole world. ”

Rahim Demirbaş  
Retired Teacher

We feel the same  
Rahim Demirbaş's ambition  
is our strength!

## 2012 Activities

Acting with the vision of “becoming the most preferred bank of its customers,” VakıfBank increased its customer transaction volume in 2012.



“VakıfBank expanded its corporate banking customer base by nearly 5% in 2012.”

**Alp Kutlu**  
9 months at VakıfBank,  
Istanbul

### Corporate Banking

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

VakıfBank has adopted the strategy of restructuring its balance sheet along business lines. To this end, Corporate Banking developed a strategy and action plan that emphasized improving asset quality and profitability, selecting customers and transactions judiciously, and, in particular, focusing on clients who use a large number of products. With this approach, Corporate Banking significantly increased the number of its clients, cross-selling volume, and profitability as a business line. In 2012, the Bank’s corporate banking customer base expanded by about 5%.

#### New customer acquisition

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

As a result of this strategy, VakıfBank increased the number of DDS customer by 161% in 2012; in addition, the Bank’s reference customers, firms that are either suppliers/dealers of existing corporate customers, or operate in other areas of the financial value chain, reached 7,372.

The Bank’s new reference customer acquisition increased 17%.

#### Effective and efficient work in corporate banking with the vision of “Becoming the preferred bank of its customers”...

VakıfBank serves its corporate clients with a long-term business partnership approach by developing customer-focused sales and marketing strategies and company-specific services.

In 2012, VakıfBank continued its effective and efficient work in corporate banking with the vision of “Becoming the preferred bank of its customers”...

VakıfBank maintained its high asset quality in 2012, by supporting real economy companies chosen via selection criteria that ensure an efficient and healthy customer portfolio.

VakıfBank continued to provide high-quality and efficient services to corporate clients with significant foreign trade volumes, through its wide network of correspondent banks abroad, expert sales and operational team, renewed foreign trade business processes and advanced technology infrastructure.

As in prior years, the Bank focused on lowering funding costs and non-deposit products in 2012; this created resources that lengthened the average maturity term on the liability side of Bank’s balance sheet and reduced borrowing



“During the year, and in line with the restructuring of its cash management activities, VakıfBank focused on the cash management and supply chain needs of customers and developed new products to meet those needs.”

**Oğuzhan Soysal**  
4 months at VakıfBank,  
Istanbul

costs. As a result, the Bank’s low cost fund inflow increased 28% in 2012 compared to a year earlier.

Thanks to the strategy to increase cross selling to corporate segment customers, VakıfBank increased the volume of salary payments intermediated by the Bank by 17%, the volume of tax and social security collections by 18%, and the number of customers using Gümkart by 30%.

VakıfBank sees its customer relations as the foundation of long-term partnerships and stands by its customers under all circumstances and market conditions. In 2013, VakıfBank aims to further strengthen cooperation with existing customers and gain new customers with its innovative products and cash/non-cash credit facilities. For this purpose, the Bank established two new Corporate Service Centers, with one located in the capital Ankara to serve public institutions.

### Cash management

In line with its restructured cash management activities in 2012, VakıfBank aimed to further improve customer satisfaction by developing new products and increasing the quality of existing offerings by focusing on the cash management and supply chain needs of its customers.

In 2012, the Bank extensively marketed Gümkart, a product that enables customers to make in-the-field customs duty payments, and gained a significant number of new customers. The Bank’s total customs duty collections increased 22% for the year thanks to this convenient product.

2012 was also a successful year for the marketing of the Direct Debit System (DDS), which manages the collection

system between a company and its dealers. New customer acquisition increased 141% in corporate and commercial parent companies and 171% in dealers.

Thanks to the implementation of the Fuel Collection System in 2012, the Bank gained new customers.

With new agreements in place, VakıfBank expanded its corporate collection customer portfolio by 12% in 2012. Two of the most important areas, social security and tax collections, grew 59% and 30%, respectively.

After the establishment of the infrastructure for the Market Hall Registration System, which enables recordkeeping in the fresh fruits and vegetables trade, collections of Market Hall receipts started in 2012.

The transaction volume of Mass Payment System, which reduces the operational overhead of both banks and customers, increased 118% while the number of transactions rose 110%.

In 2012, the Bank allocated Cheque Scanning Devices to branches experiencing a heavy cheque transaction volume and completed the system integration of the devices with the Mass Cheque Collection System. As a result, the number of customers using the Mass Cheque Collection System increased 1,408%.

In the coming year, the Bank plans to increase cooperation opportunities with customers and offer new and diversified technology platforms in Cash Management. VakıfBank’s primary objective is to enrich the customer service channels and diversify the product range.

## 2012 Activities

# VakıfBank provides customers with high value-added, high quality services and solutions in project finance.

The Bank also plans to introduce new features on the existing Direct Debit System and Dealer Collection System, and to launch a new product, Supplier Financing, in 2013.

To enable integration of the Bank's system with the systems of the firms that use various accounting software packages, VakıfBank made the necessary legal and technical arrangements with accounting software supplier companies. The integration is scheduled for implementation in 2013.

Under a new setup, VakıfBank will enable customers to perform receipt and payment transactions for law enforcement and bankruptcy offices via the Bank's branch network and alternative distribution channels.

### Project finance

VakıfBank offers high value-added solutions and quality services in the project finance area to a broad spectrum of clients, in both the public and private sector. During the year, in addition to extending loans funded from the Bank's own resources, VakıfBank also continued to provide loans to customers from other lending institutions, including SME Loans from the European Investment Bank (EIB); Midseff (medium-sized energy projects) loans from the European Bank for Reconstruction and Development (EBRD) and EIB, Turseff (renewable energy and energy efficiency projects) loans from the EBRD.

VakıfBank also participates in syndicated loans for the project financing of power plant, highway, railroad, port, airport and other infrastructure investments in large scale government tenders or privatizations. The Bank's role is either as a mandated lead arranger

or as a consortium member under the mandate of other banks. During the year, VakıfBank participated in syndicated loans totaling USD 1,800 million; in addition, the Bank disbursed a total of USD 263 million. Including the syndicated loan agreements, VakıfBank secured and extended some USD 1,715 million in loans to the real economy in 2012, from its own resources or from international sources.

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

VakıfBank, in 2013 and beyond, aims to continue providing support to projects in a range of sectors depending on the developments in market conditions. The Bank places priority on participating in the financing of privatizations (coal plants, electricity and natural gas distribution) and build-operate-transfer investments (airports, highways, bridges) that launched in 2012 and are scheduled for completion in 2013. The Bank plans to supply the funding requirements for these projects, which have relatively high investment costs and therefore high financing needs, via syndicated facilities with domestic and foreign banks. Discussions and negotiations with customers, as well as with the other banks, are ongoing.

### Corporate payroll operations

Corporate payroll operations are an intensely competitive area within the banking sector. VakıfBank has become one of the leading banks in this business and intermediates the salary payments of over 1 million employees.

The Bank achieved its 2012 targets, namely, to retain high margin existing customers, acquire new customers and increase the Bank's share in private sector salary payments.

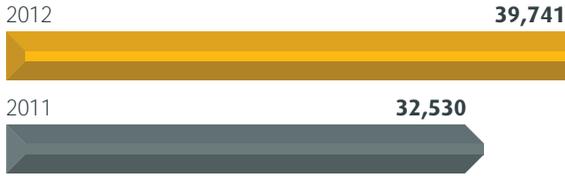
In 2012, the Bank's total number of salary payment customers for the year exceeded the target amount. By the end of the accounting year, VakıfBank intermediated the salary payments of 1,065,395 public and private sector employees, up 7% from 2011. The acquisition of 50,000 more salary payment customers above the targeted amount was a result of effective strategies applied to increase the private sector share sector. Including payments to pensioners, the Bank provides payment services to some 2,219,869 individuals.

During the year, the Bank's total average monthly corporate salary payment amounted to TL 3.237 billion. The total annual salary payment volume increased 17.5% in 2012 and climbed to TL 38.851 billion, exceeding the Bank's target.

In the reporting year, VakıfBank renewed salary payment agreements with 259 companies and signed new contracts with 335 firms. By the end of 2012, the Bank provided salary payment services to 5,247 enterprises.

Intermediating the salary payments of high-margin, low-risk companies increases VakıfBank's competitive advantage in this very competitive area. The Bank aims to capture additional market share in corporate salary payments while maintaining its healthy margins.

## Number of Commercial Banking Customers



VakifBank's commercial banking customer base expanded to **39,741 in 2012, up 22%**.

## Commercial Banking

VakifBank Commercial Banking increased its lending to medium-sized companies by 55% during the year.

The strategic goals of VakifBank's Commercial Banking Unit in 2012 were to expand its medium-sized enterprise customer base, increase product penetration and deepen relationships with existing customers.

With 16 regions, 741 branches and 786 commercial sales experts, VakifBank Commercial Banking focuses on the medium-sized enterprise (MSE) segment, companies with annual turnover volume between TL 7.5 million and TL 65 million. As a result of this focus to meet the needs of medium-sized firms that have strategic importance for the Turkish economy, the Bank accomplished many achievements within this segment in 2012. These include: expanding the MSE loan customer portfolio by 30%, growing the total mid-sized company customer base by 34%, increasing cash loans to MSEs by 48% and increasing non-cash loans to medium-sized firms by 52% during the year.

While the total number of commercial banking customers rose 22% during 2012, the rate of increase in the number of loan and deposit customers stood at 24% and 7.5%, respectively. The Bank's loan portfolio recorded a strong performance in the reporting year with 17% growth in cash loans and 16% growth in non-cash lending. In addition, the Bank expanded the deposits volume by 15%, more than double the pace of sector growth.

Commercial Banking also increased its market share in business cards in 2012: the Bank achieved growth of 51% in the number of cards issued and a 110% rise in revenue collection. With an expert team focused on card holders, the Bank's turnover in this segment climbed 48% in 2012.

VakifBank strives to deliver effective solutions to meet the special financial needs of companies that operate in international markets with a wide range of products and with high added value. The Bank provided close monitoring of the intensely competitive and constantly changing capital markets as well as company-specific funding solutions for its clients. With effective cost and profitability management, the Bank also expended utmost efforts to serve customers through Eximbank loans, letters of credit, pre-export credits and other import/export related instruments.

As a result, VakifBank increased its total foreign trade volume by 10% in USD terms, and expanded the customer base by 39%.

Consistent with its focus on cash management products, VakifBank increased the number of parent companies included in the DDS system by 35%. While the dealer base expanded 145%, the total limit extended to these companies grew 176%. Payment cheques rose 27% in volume and 20% in number of transactions. Additionally, the Bank increased collection cheques by 63% in volume and by 39% in number of transactions.

In 2012, VakifBank continued to capitalize its strong relationships with international institutions and extended credit facilities to real sector under favorable conditions. These lending facilities were provided from the European Investment Bank (EIB), the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD) and the World Bank.

As the leading bank in Environmental Banking, and within the framework the Turkey Sustainable Energy Financing Facility (TurSEFF) of the EBRD, VakifBank extended USD 60 million to finance energy efficiency projects. As a result of its success in this burgeoning area, VakifBank was honored with six awards for its efforts.

Always standing by its customers under any circumstances while developing effective, customized solutions, VakifBank plans to continue expanding the customer base and deepening client relationships in 2013, in line with its target of becoming the preferred bank of its customers.



**Ahmed Tartur**  
8 months at VakıfBank,  
Istanbul

We feel the same  
Our human resources  
is our strength!

Today, our workforce totals nearly **14,000** employees, up from **10,153** in 2009. VakıfBank's most important asset is its people and we provided the sector with more than **1,968** new and talented young employees this year. We presented a bright, sparkling future to highly capable young people while making a positive contribution to our country's employment market.



## 2012 Activities

Making a difference in the sector with innovative banking products, VakıfBank continued to provide advisory services to SMEs with experienced staff members and an extensive branch network.



## 24% Number of SME Customers

In 2012, the Bank's number of SME customers **increased 24%** over the previous year.

## SME Banking

VakıfBank declared 2012 as "The Year of the SME" and positioned the Bank within the market as "the most important business partner of SMEs." VakıfBank continued to achieve steady growth in 2012 with a wide range of products and a customer-oriented service approach through 1,473 SME Portfolio Managers under the "KOBİDOST" (Friends of SMEs) concept, and spread all across Turkey.

Differentiating itself within the sector with innovative and alternative banking products designed to meet the specific needs of customers, VakıfBank continued to provide consulting services to SMEs with its extensive branch network and experienced staff.

### 2012 Performance

VakıfBank SME Banking serves companies with annual turnover of up to TL 7.5 million.

Closing a strong year in 2012, VakıfBank:

- Continued to expand within the segment and grew its SME customer base by 24% to 461,000.
- Achieved 86% growth in cash loans and a 90% rise in non-cash loans, demonstrating ongoing growth momentum in the small and medium enterprise segment.
- Posted a 17% increase in time deposits and 22% growth in demand deposits, continuing the steady expansion of the Bank's deposit base.
- Recorded a 121% rise in the number of BusinessCard customers, which rose to 72,600. Strengthening its position in the credit card market, the Bank became one of the top six banks in this area by growing its card customer base faster than the sector.

### Increasing number of KOBİDOSTs

VakıfBank's SME Portfolio Manager staff grew to 1,473 in 2012, up 21% over the prior year. The Bank places utmost importance on reaching out to more SMEs, achieving more effective portfolio management and increasing customer satisfaction and customer visits.

### Special campaigns targeting SMEs in 2012

During the reporting year, VakıfBank continued to develop innovative and targeted solutions that meet the needs of SME customers.

- To acquire new merchant customers and provide existing merchants with other banking products, the Bank launched the "Merchant FRIENDS" ("DOST Üye İşyeri") campaign. And with the "Spend on Card, Win at POS" ("Karttan Harca POS'ta Kazan") campaign, merchants using the BusinessCard and POS products together receive the advantage of a refund on their commission fees, in proportion to their card charges and POS transactions.
- VakıfBank's BusinessCard customer base expanded 121% compared to 2011. The "Installments for Cash" and "Installments for Advance Payment" campaigns attracted great attention from BusinessCard customers. With "Installments for Cash," cardholders may take advantage of the convenience of installment repayments for their cash advances. While the "Installments for Advance Payment" campaign allows BusinessCard customers to opt for installment repayment with special interest and commission rates on advance purchases they made using BusinessCard.
- The "KOBİDOST Debt Transfer" campaign allows SMEs to transfer their loans from other banks to

VakifBank with affordable and flexible payment options. This feature continued to be widely used by the Bank's small and medium business customers during the year.

- For the tradesmen within the SME segment, the Bank developed "The Tradesmen's Double Feast" campaign, to finance cash needs that arise during the Ramadan and Sacrifice feast holidays, with favorable interest rates.
- Designed for the professional subset of SMEs, the "Expert Credit" campaign provided quick solutions to meet working capital needs with four different customized options according to payment capabilities/needs of these customers: interest-free, low interest, no-cost and standard.

### Special financing solutions for SMEs in 2012

- VakifBank implemented the "Tourism Friendly Package" for SMEs operating in the tourism sector, to meet their financial needs for pre-season preparations and in-season activities with the advantage of a grace repayment period of up to eight months a year.
- To meet the additional working capital needs of those small and medium enterprises that choose to invest in residential real estate, the "KOBİDOST Capital Loan" offers a variety of repayment options at up to a 120-month term.
- With the "Postponed Installment Loan," SMEs can delay one or two installments for a given month, in which they may have low cash inflows, within the credit term, and therefore, and receive relief in their repayment schedule.

### Fees that understand SMEs

For small and medium businesses that do not want to pay a separate fee for

bank transactions and want to save money when conducting basic banking operations, the Bank developed a group of special service packages called "Compassionate Fees" ("Halden Anlayan Tarifeler").

Within this group of packages, "Nette Mini," "Mini," "Unlimited Standard," "Unlimited Silver," "Unlimited Gold" and "Unlimited Platinum" received great interest from customers and were taken up rapidly by 26,000 SMEs. Small and medium enterprise customers, who choose one of these packages under the "Compassionate Fees" service line, do not pay fees for money orders, EFTs, cheque collections, cheque books, account statement fees and account management fees, up to the limit defined in their packages.

### Technological innovations that help SMEs work more easily

With the cooperation of TÜRMOB, VakifBank implemented the LUCA - Bank Account Movements Integration Project in 2012. With the LUCA accounting system, TÜRMOB member Public Accountants, Independent Accountants and Financial Advisors can record the commercial transactions of taxpayers electronically on a daily basis for accounting purposes.

The KKB (Kredi Kayıt Bürosu or Credit Bureau of Turkey) Cheque Report, includes the number and amounts of cheques that drawers submitted and were paid since 2007, along with detailed information on returned cheques since 2009. The Bank made this application, which eliminates the trust issue surrounding cheques in commercial transactions, immediately available to SMEs. In addition, the Bank implemented an application to provide small and medium enterprise customers with related KKB Risk Reports, upon request.

VakifBank is working on a joint initiative with KKB that will enable the transmission of KKB cheque/risk reports via SMS, in accordance with applicable laws and regulations. With the completion of this project, scheduled for early 2013, SMEs will have fast access of cheque drawers' past payment history before accepting cheques.

### Interest support, in conjunction with the Ministry of Economy 's Incentive System, is available to SME customers

Within the framework of a protocol with the Ministry of Economy, VakifBank provided interest support to small and medium enterprises that invest in target geographic regions, as per the "Government Supports for Investments" program.

### With "Energy Efficiency Financing Support," the Bank helped prevent some 131,000 tons of CO<sub>2</sub> emission annually, and planted a new forest of 330,000 trees.

VakifBank helped provide financial support to SME energy efficiency projects at very affordable cost with USD 60 million in funding from the European Bank for Reconstruction and Development (EBRD) earmarked for this purpose. These energy efficiency projects prevented an estimated 131,000 tons in CO<sub>2</sub> emissions.

### Including the EBRD's "Award for Excellence in Sustainable Energy Financing" and "Most Active Banker" designation, VakifBank received awards in six different categories thanks to its achievements.

To increase the skill level and experience of the SME sales team, the Bank conducted training in "Energy Efficiency and Renewable Energy Sources with ESCO and EPC Financing" under Turkey Sustainable Energy

## 2012 Activities

Vakıfbank updated and expanded its portfolio of 12 different sector specific solution packages that were designed to meet the cash flow needs of growing small and medium enterprise customers.



# 38

## TL million

In 2012, the Bank provided a total of **TL 38 million in funding to 607 SMEs** affected by the earthquake in Van and the surrounding area.

Financing (Turseff) Program and with the cooperation of the EBRD. In addition, the Bank's SME sales team members received a one-week long "SME Lending Training" administered by Frankfurt School of Finance experts. A select group of the SME sales staff, chosen on the basis of their strong performance in these trainings, later participated in training in Germany on the latest developments in SME lending and benefited from knowledge transfer in an international environment.

### Moving toward agricultural banking...

With the aim of meeting the financing needs of small and medium enterprises operating in Turkey's agribusiness sector, the Bank implemented the "TurAFF - Turkey Agribusiness SME Financing Facility" in conjunction with the EBRD. The initiative provided EUR 20 million in low cost financing support to SMEs that "provide input to agricultural and animal production, produce agricultural and animal products, process food and beverages, engage in the packaging, distribution and wholesale/retail trade of food and beverage."

With the cooperation of the Agriculture and Rural Development Support Institution (TKDK), Vakıfbank provided EU "Instrument for Pre-Accession Assistance Rural Development Program" (IPARD) funding to customers in 2012; and through an agreement with the Turkish Grain Board (TMO), the Bank also offered "Loan against TMO Receipt" products to eligible customers during the year.

### Sector-specific solutions continue with SME packages

Throughout the reporting year, the Bank updated and expanded its portfolio of 12 different sector specific solution packages that were designed to meet the cash flow needs of growing small and medium enterprise customers.

### Cooperation with development agencies and chambers

In order to better serve SMEs, Vakıfbank renewed its agreements with the development agencies, chambers and Organized Industrial Zones in the operating regions of these customers.

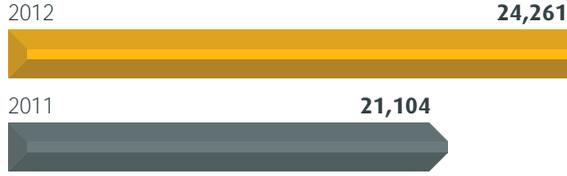
### Cooperation with KOSGEB

Vakıfbank's ongoing cooperation with the Small and Medium Enterprises Development Organization (KOSGEB) continued in 2012. With team members expert on KOSGEB offerings and a wide network of branches, the Bank continued to provide services as an "SME Consulting Center."

To support SMEs in the six provinces affected by the Van earthquake (Van, Hakkari, Şırnak, Siirt, Bitlis, Ağrı), and pursuant to an agreement between Vakıfbank and KOSGEB, 607 small and medium enterprises impacted by the disaster received a total of TL 38 million in funding in 2012.

### Vakıfbank SME Banking in 2013

After declaring 2012 as "The Year of the SME," Vakıfbank plans to continue expanding its customer base and being the "Compassionate Bank" of this key segment in 2013. The Bank will accomplish these objectives by providing SME customers with a comprehensive range of banking products and services including loan, deposit, cash management and foreign trade offerings.

**Retail Loans** (TL million)

VakıfBank increased total retail loans **14.96% to TL 24,261 million.**



"In order to increase the diversity of retail loan products in 2012, VakıfBank developed the "2/B Land Purchase Loan" for the financing of the purchases of 2/B lands that were offered for sale."

**Tuğba Tuğçe Şeker**  
8 months at VakıfBank,  
Istanbul

## Retail Banking

**By the end of 2012, VakıfBank's retail loans portfolio had increased 14.96% and totaled TL 24,261 million, up from TL 21,104 million the prior year.**

VakıfBank's total consumer loan volume expanded 12.30% during the year, rising from TL 19,254 million at end-2011 to TL 21,622 million at year's end 2012. Of the total consumer loans portfolio, the share of general-purpose retail loans was 50.16%; the housing loans share was 47.56% and auto loans had a 2.28% share.

### Special loan products for different customer groups

In order to further diversify the retail loan product offering in 2012, VakıfBank developed the "2/B Land Purchase Loan." This innovative product finances the purchase of 2/B classified lands that went up for sale; the Bank was the first to offer a long-term lending facility for this purpose. In addition to the growth achieved in retail lending with special occasion "Anniversary Loan," "Holiday Loan" and "New Year's Loan" products, VakıfBank also offered other credit facilities to meet the specific needs of customers; these included the "Loan for House Insulation," "Mini Loan," and "Prepaid Rent Payment Loan."

VakıfBank continued to improve its auto loan market position in 2012 with innovative and pioneering applications;

the Bank achieved a 33.38% increase in this lending category in 2012, well above the industry growth rate. VakıfBank diversified and extended its auto loan products offering; the Bank also worked on expanding and increasing the efficiency of its dealer network.

VakıfBank had a brilliant year in terms of housing loans: the Bank increased its total placements by 16.72% and maintained its second place position in the market. Thanks to new product launches, company-specific campaigns, active marketing in housing development projects and effective use of real estate agents, the Bank's market share in mortgage lending rose from 11.81% to 11.95% in 2012.

### VakıfBank continues to rank among the top three banks in general-purpose consumer loans.

The Bank's general-purpose consumer loans increased 7.65% and totaled TL 10,846 million in 2012. At year's end, VakıfBank's market share in this segment stood at 10.82%.

As a result of the BRSA's increase in credit reserve requirements on June 18, 2011, general-purpose consumer loans growth slowed due to a rise in interest rates. However, VakıfBank maintained its position among the top three banks in this segment thanks to a customer-oriented approach, rapid loan processing and effective promotional campaign management.



### Consumer Loans

 (TL million)

Loan Types	2011	2012
General Purpose Consumer Loans	10,074	10,846
Auto	370	493
Housing	8,810	10,283
Total	19,254	21,622

## 2012 Activities

The benefits and features of the Golden Age Account, a safe haven investment product VakıfBank launched in December 2011, further expanded in 2012.

### Rapid increase in auto loans

VakıfBank increased the amount of loan placements originating from the affiliated dealer network with its "Auto-matic Loan" product. The Bank also introduced new products to meet different customer needs; these included the "Autumn Special Automotive Loan" with a range of payment options and the "Nature-Friendly Auto Loan" with low interest financing for hybrid and LPG vehicles.

During the reporting year, VakıfBank increased its market share in auto loans from 5.02% to 6.13% thanks to the effective strategies implemented. While the sector's total auto loan placements rose 9.18% in 2012, VakıfBank's auto lending grew a robust 33.38%.

### Housing loans

In line with the declining interest rate environment in the second half of 2012, housing loan interest rates continued to decrease and fell below 1% per month. As a result, demand for mortgage loans surged. As total housing loans for the sector increased 15.35%, VakıfBank's mortgage loan portfolio rose 16.72% in 2012. The Bank's market share in housing loans, inched up from 11.81% at end-2011, to 11.95% at year's end 2012.

### New products for a diversified portfolio

Launched in 2009, the Bank continued its "Easy Yellow-Shutter" campaign, which included "Discount Easy Yellow-Shutter Housing Loan," "Fee-Free Easy Yellow-Shutter Housing Loan" and "Fixed Easy Yellow-Shutter Housing Loan" product options. VakıfBank also extended its "Yellow-Shutter" campaign, first introduced in 2010, which offers 12 different mortgage loan product

options. In 2012, the Bank launched the Bosch Discount Campaign for Yellow-Shutter housing loan customers as well as Mortgage Loans and Housing Debt Transfer for Polsan (Police Solidarity and Assistance Fund) members and Police Department personnel.

### "Golden Age" of gold banking

In late December 2011, VakıfBank started to offer customers the advantages of a safe haven investment with the convenient "Golden Age Account." During the reporting year, the Bank further expanded the advantages of this innovative product by enabling customers to perform gold transactions easily via alternative distribution channels and place automatic gold deposit orders. By the end of 2012, the Bank had acquired 132,000 gold banking customers and eight tons of gold.

In order to provide customers with innovative approaches in the intensely competitive environment, the Bank rolled out a variety of promotional campaigns during the year. These included the "Golden Age Account Reward Campaign" and the "Gold-Gift Anniversary Loan Campaign." VakıfBank awarded Golden Age Account holders with one gram of gold to the first 50,000 customers that used the Anniversary Loan, which greatly contributed to the successful uptake of the product.

### Special packages to professional groups

The Bank targeted different professional groups with products tailored to meet their specific financing needs. These offerings included the "Family Physicians Loan Packages" to finance the facility and technical needs of family

health centers while the "Lawyers' Special Product Package" consists of banking services exclusively for the legal profession.

### A leader in overdraft accounts for many years

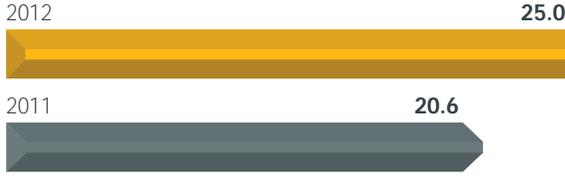
In 2012, VakıfBank maintained its leadership in overdraft overdraft accounts, which significantly contribute to the Bank's profitability, by offering more attractive interest rates and by effectively marketing advantages over competitive products. Linking school, rent and housing fee payments to the overdraft overdraft account, VakıfBank further expanded its customer base.

### VakıfBank became the bank that best meets the needs of retirees in 2012

At year's end 2012, VakıfBank intermediated pension payments of nearly 1.2 million retirees, and also offered this growing segment with special products and services. The "Retiree Banking Package" presented many attractive features to retired persons and served to increase their loyalty to the Bank.

### VakıfBank Retail Banking in 2013

VakıfBank aims to increase its market share in consumer loans in 2013, with new products that will reach new customer segments. The Bank also plans to implement promotional campaigns to maximize customer acquisition, capitalizing on its investments in an advanced technological infrastructure. Additionally, VakıfBank aims to move its competitive position in the sector to a higher level by continuing to increase non-interest income, improving the rate of cross-selling and strengthening customer loyalty.

**Savings Deposits Amount** (TL billion)

VakıfBank's total savings deposits increased 21.2% during the year, rising from TL 20.6 billion at end-2011 to TL 25.0 billion at end-2012.



The Bank's savings deposits to total deposits ratio rose from 33.9% in 2011 to 37.2% in 2012.

**Özkan İslam**  
8 months at VakıfBank,  
Trabzon

## Treasury Management

**Thanks to a prudent and flexible securities management policy, VakıfBank achieved a significant improvement in profit from capital market transactions.**

While the slowdown in global economic activity continued to run its course as expected in 2012, global risk appetite improved significantly on easing concerns about the Euro area.

While weakening global economic activity reduces inflation risks, the uneven stability in the world economy and ongoing imbalances continued to adversely affect the economic outlook. As a result of this scenario, growth and financial stability concerns prevailed and central banks continued to implement expansionary monetary policies.

Despite the global vulnerabilities and fluctuations in risk appetite, Turkey experienced a decrease in its macro-financial risks in 2012. During a period of growing concern about government finances in developed countries, Turkey's public deficit and debt level posted improvements. In addition, the country's robust banking system coupled with a strong and sustainable economic growth trend resulted in a rise of its sovereign credit rating to investment grade and capital inflows Turkey gained momentum.

Due to these developments, the Central Bank of Turkey added the target of financial stability to its prior-stated goal of price stability, and began to use new policy instruments to achieve its objectives. In addition to using the policy interest rate, interest rate corridor, liquidity management and the reserve requirement ratio, the Central Bank introduced a new monetary policy tool, the Reserve Option Mechanism, in 2012.

### **Dynamic and effective liquidity management**

In 2012, in line with the new Central Bank policy implementation, VakıfBank pursued a dynamic and effective liquidity management strategy and continued its balance sheet flexibility within the Bank's existing strategies.

### **The Bank effectively managed its securities portfolio by maintaining a cautious and profit focused strategy.**

As one of the 12 market-maker banks as determined by the Turkish Treasury, VakıfBank continued to play an active role in the primary and secondary bill-bond markets in 2012. With a prudent and flexible management strategy carried out in line with the developments in domestic and foreign markets, the Bank's securities trading profit rose significantly.

## 2012 Activities

Thanks to effective marketing of treasury products to customers across all segments, the Bank has achieved steady growth in its customer base and transaction volume.

### **VakıfBank's total deposits climbed to TL 67.2 billion in 2012.**

During the year, the Bank's total deposit base expanded 10.3% to TL 67.2 billion, of which TL 49.6 billion was in local currency and TL 17.7 billion was in foreign currency.

As a result of the policies to increase the share of savings deposits in total deposits, VakıfBank's savings deposits rose to TL 25 billion at the end of 2012, up 21.2% from the TL 20.6 billion recorded at the end of the prior year; this rate of growth was well above the sector average of 11%. The Bank's TL deposits increased 13.8% and totaled TL 17.1 billion, while foreign currency deposits climbed to TL 7.9 billion, up 41.3%.

The Bank's saving deposits to total deposits ratio increased from 33.8% in 2011 to 37.2% in 2012.

VakıfBank's demand deposits rose 20.3% and totaled TL 10.9 billion in 2012, up from TL 9.1 billion. The demand deposits to total deposits ratio increased to 16.2% during the year, up from 14.9% in 2011. With the Central Bank policy change that allowed keeping TL required reserves in gold in the third quarter of 2011, the importance of precious metals deposit accounts increased.

The Bank launched gold deposit account products at the beginning of 2012 as an important instrument to diversify the composition of the deposit base. The contribution of these accounts to demand deposits amounted to TL 802 million for the year.

The Bank plans to continue growing the deposit base by rapidly expanding the branch network and maintaining cost-oriented resource management in 2013.

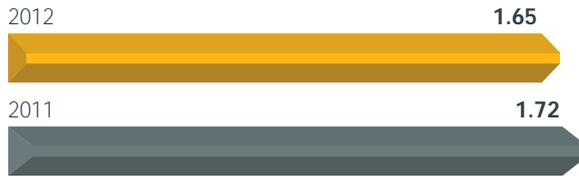
### **In 2013, VakıfBank Treasury plans to continue marketing and extending its products to a wider customer base.**

As a result of effective marketing of treasury products to customers across all segments, the Bank has seen steady growth in the customer portfolio and transaction volume.

VakıfBank offered a wide range of treasury products for specific customer needs and adopted a competitive pricing strategy in 2012. The Bank provided derivatives products to meet customer product demands for balance sheet and financial risk management.

VakıfBank plans to continue its efforts to market and extend treasury products designed to customer needs, to a broad range of clients with the help of its rapidly expanding branch network.

## Syndicated Loans (USD billion)



VakıfBank secured syndicated loans amounting to **USD 1.65 billion** in 2012.

## Foreign Trade and Correspondent Banking

**VakıfBank continues to provide support to the Turkish economy with long-term and low-cost funds obtained from foreign markets.**

### Foreign trade and correspondent banks

VakıfBank continued to expand its international banking operations in 2012, and completed a successful year in terms of foreign trade financing despite the problems in global markets. The Bank tapped a wide array of foreign funding sources and executed long-term and cost-effective financing agreements. During the year, the Bank maintained its sector leading position and strengthened its presence in international markets with the help of its longstanding experience and strong foreign banking relationships.

VakıfBank maintains its strong position in the sector by adjusting to changing global market conditions and increasing the quality of service offered to its customers. The Bank continues to provide long-term funding solutions to meet the growing funding needs of its clients with its correspondent network built on mutual trust and solid reputation in international markets, and its solution and customer oriented team. VakıfBank plays important roles in Turkey's foreign trade and in international markets in general.

### Alternative financing solutions in foreign trade

VakıfBank maintained its position among Turkey's leading institutions in foreign trade transactions. The Bank increased its market share in 2012 with the help of solutions-oriented and innovative

alternative financing instruments. The Bank continued to provide support to the foreign trade activities of its clients via a wide variety of financial instruments.

VakıfBank meets all of the foreign trade related needs of its customers with a widespread network of correspondent banks. The Bank is also a member of the risk-sharing programs of the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), and therefore can serve any region in the world with foreign trade services.

VakıfBank provides its customers with funding for their foreign trade finance needs, and post-financing in particular, in different foreign currencies with a wide range of instruments. The Bank's market leadership position in corporate and commercial banking, and breakthrough achievements in SME Banking especially, contributed positively to the expanding foreign trade volume. The Bank's import and export volumes, as well as other foreign trade related customer transactions, increased in 2012 over the prior year.

### Well-established and widespread correspondent relations based on mutual trust and cooperation

VakıfBank's worldwide network of correspondent banks, 1,816 banks in 120 countries, is managed by a team of dynamic, creative and relationship-oriented experts; these banking relationships are based on the principles of mutual trust, co-operation and transparency. With new relationships created regularly, this network continues to expand with each passing day. VakıfBank is one of the most preferred banks by foreign trade customers with its widespread network of correspondents and attractive credit facilities.

VakıfBank has developed close relationships in international financial markets thanks to its well-established and extensive correspondent network; as a result, the Bank provides customers with effective, innovative and secure solutions to meet their foreign trade needs. VakıfBank further improved its existing correspondent relationships in 2012, and increased the volume of transactions with new relationships built on strong foundations.

### Structured finance

In 2012, VakıfBank performed a Eurobond and a subordinated bond issuance in international markets. The Eurobond issue in April 2012 amounted to USD 500 million; with a five-year maturity and coupon rate of 5.75%, the issue generated total demand of USD 2.6 billion. The 10-year term 6.00% coupon rate subordinated loan issue, in November 2012, became the first such transaction by a public bank in Turkey; and with the additional issues in December 2012, the issuance totaled USD 915 million. These transactions provided VakıfBank with nearly USD 1.5 billion in funds from foreign markets in 2012.

In April 2012, VakıfBank secured the second largest syndicated loan in its history with the participation of 41 banks: a one-year term syndicated loan facility totaling USD 920 million and consisting of two tranches of USD 152 million and EUR 586.7 million. The total cost of the loan secured, for use in the financing of foreign trade, was Libor/Euribor + 1.45%. In the second half of 2012, with the participation of 24 banks, VakıfBank secured another one-year syndicated loan facility amounting to USD 735 million with two tranches of USD 151 million and EUR 444.5 million at Libor/Euribor + 1.35%. With these transactions, the Bank obtained a total of USD 1.65 billion in syndicated loans in 2012.

## 2012 Activities

In order to support the real economy, VakıfBank continued its collaborations with the World Bank, the European Bank for Reconstruction and Development and the European Investment Bank.

By the year end, VakıfBank's securitization loan portfolio amounted to approximately USD 800 million. The Bank contributes to Turkey's sustainable growth making available its securitization loans with maturities up to 12 years, for the use of long-term financing of the real economy.

VakıfBank's collaborations with the World Bank, the European Bank for Reconstruction and Development and the European Investment Bank also helped the Bank continue providing long-term, low-cost funding to the real economy in 2012. With the World Bank's SMEs Access to Finance II initiative, the Bank provided funds with favorable conditions for the financing of small and medium-sized enterprises and enabled the distribution of relevant funding to its client base. By the end of 2012, 75% of the USD 200 million credit facility had been disbursed. The Bank continues negotiations with the World Bank regarding a loan to be provided in the area of energy efficiency in 2013.

VakıfBank was the first bank to extend a loan and the bank to disburse the most energy efficiency loans under the TurSEFF program; the initiative targets small and medium-sized firms and is jointly executed by the European Bank for Reconstruction and Development with five banks. A total of USD 25 million in loans was provided from EBRD to support agricultural development in 2012. VakıfBank also secured EUR 75 million from the European Investment Bank under the Climate Change project and EUR 50 million for the Greater Anatolia Guarantee Facility II initiative. In addition, the Bank signed a loan agreement amounting to EUR 200 million in December for disbursement to eligible SMEs and mid-sized companies.

### **VakıfBank's international organization**

VakıfBank's international organization is comprised of:

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

### **Vakıf International AG**

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

### **New York Branch**

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

### **Bahrain Branch**

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

### **Arbil Branch**

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

### **Effective communications with investors**

During 2012, VakıfBank regularly provided information about the Company and its operations to investors and securities firms.

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

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



"VakıfBank Worldcard turnover climbed to TL 13.7 billion in 2012, growing 42% over the prior year."

**Nihan Şevran**  
8 months at VakıfBank,  
İzmit

## Payment Systems

In 2012, VakıfBank continued its customer-oriented service approach in credit cards and steadily increased its market share.

VakıfBank continued to increase its market share with new products and product features, installment options, Worldpoints and discount shopping campaigns and effective brand cooperations.

While the sector grew at an average rate of 24%, VakıfBank Worldcard's turnover increased 42% from last year and totaled TL 13.7 billion in 2012. In terms of number of transactions, Worldcard's transaction volume rose more than twice the pace of the sector, climbing to 120 million transactions annually.

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

- VakıfBank Platinum, equipped with special services designed for high-income individuals,
- Rail&Miles, for those who prefer to travel by train,
- Beşiktaş, Fenerbahçe, Galatasaray, Trabzonspor, Gaziantepspor and Diyarbakırspor Team Credit Cards, for sports fans who want to support their favorite teams,

- Öğretmenim, ASES and KAMUSEN credit cards, designed to meet the needs of specific professional groups,
- VakıfBank BusinessCard, to meet the needs of commercial enterprises,
- VakıfBank University Campus Card designed for university students.
- VakıfBank Classic and Gold credit cards are available for customers who are not in any of the segments listed above. VakıfBank credit card holders are eligible to take advantage of all opportunities offered by member merchants in both the VakıfBank and World networks.

Most cards in the VakıfBank portfolio are equipped with the contactless payment feature to be used for small value purchases, in line with market trends. The Bank's contactless cards are enabled with a fast payment feature for purchases of up to TL 35.

### Special prizes for pre-paid social assistance cards

During the year, VakıfBank added "Social Assistance Cards" to its portfolio of prepaid cards, which the Bank first introduced in 2011. The Bank continued its efforts in this area in 2012 with initiatives implemented with the Kocaeli Metropolitan Municipality and the Sarıyer, Samsun İlkadım, Konya Karatay and Kadirli municipalities.

Credit Cards	2008	Market Share	2009	Market Share	2010	Market Share	2011	Market Share	2012*	Market Share
Total Credit Card										
Receivables (TL million)	737	2.17%	982	2.68%	1,387	3.18%	1,850	3.33%	2,639	3.69%
Credit Cards Turnover (TL million)	3,800	2.05%	4,960	2.45%	7,096	3.03%	9,671	3.33%	13,699	3.79%
Number of Credit Cards	2,026,962	4.67%	2,245,011	5.06%	2,398,943	5.11%	2,626,880	5.11%	2,768,491	5.09%

\* According to an Interbank Card Center (BKM) report dated January 2013, VakıfBank was the fastest growing bank in 2012 in terms of credit card turnover and number of transactions.

## 2012 Activities

Growing 42% during the year, VakıfBank's credit card turnover totaled TL 13.7 billion in 2012.



"BusinessCard turnover continued to rise in 2012, as it had the prior year."

**Veysel Çetinkol**  
8 months at VakıfBank,  
İzmir



The "VakıfBank 41 Card" was developed by VakıfBank Payment Systems under the "Card System for Food" assistance project of Kocaeli Municipality. The card allows the exchange of food for the amount charged to the card by the municipality at the negotiated rates in markets. This initiative received the "Golden Ant Municipality Award" from the Marmara Association of Municipalities.

At the fifth edition of the competition held in 2012, 512 projects competed in six different categories, and 203 projects remained to compete for the final. "VakıfBank 41 Card" placed second in the social responsibility projects category.

### VakıfBank Campus Card for universities

VakıfBank Campus Card continued to provide solutions for institutions of higher learning in 2012 and expanded its portfolio to cover Tunceli and Sivas Cumhuriyet universities. This initiative provides various on-campus solutions while helping students learn to manage their spending. Campus cards can be used at turnstiles of universities, cafeterias, car parks and libraries as an identification card, as well as a means of payment.

### A credit card for young people: Like Card

As a product created especially for university students, Like Card is equipped with special services and features. Like Card customers, who benefit from World and VakıfBank credit card promotional campaigns such as earning Worldpoints and installment options, can also benefit from campaigns specific to this product. Like Card customers can earn Likepoints

as well as Worldpoints. Card holders earn 1 Likepoint for each TL 1 of spending, and with the Likepoints they accumulate, customers can participate in prize drawings through a specially designed web page at [www.likecard.com.tr](http://www.likecard.com.tr).

Like Card functionality is defined to all credit cards delivered within the Campus Card program. With this targeted product that meets many needs of young adults, the Bank's card customer portfolio is expected to further grow in the youth segment.

### Debit cards

With a high share in the debit card market, VakıfBank launched efforts to increase customer satisfaction and card usage in 2012 with new campaigns.

Debit cards were loaded with the POSPara feature in 2012, which enables cash withdrawal at the same time of payment through a POS device. To promote this new feature and educate customers, the Bank held POSPara campaigns.

With the increase of online shopping in recent years, VakıfBank completed its technical infrastructure to enable debit cards to perform e-commerce transactions and became one of the pioneering banks in this area.

### Account balance inquiry by SMS

With this new service, Bank customers can learn their account balances and remaining limits of their overdraft accounts by sending an SMS from their registered mobile phone numbers.

### Growth of business cards continues

The Bank maximized customer satisfaction by adding new products and services to VakıfBank BusinessCards, which target existing and new credit card customers within the corporate, commercial, and SME segments.

In 2012, BusinessCard turnover continued its robust growth trend which started a year earlier. By the end of the current reporting year, BusinessCard turnover climbed 129%, cards issued increased 92% and total credit balance rose 247%. BusinessCard's market share jumped to 7.35% at end-2012, up 2.56 points for the year.

### 81 cars to 81 cities campaign

In 2012, VakıfBank implemented its traditional 81 cars to 81 cities promotional campaign for new customer acquisition and for existing credit card holders. The Bank carried out the campaign from February 1 to May 31, and a 2012 model Volkswagen Golf was given to one lucky customer from each province in Turkey.

### Facebook 82nd city campaign

In keeping with today's innovation and technology trends, and as an extension of the 81 cars to 81 cities campaign, the Bank launched the "With Facebook, Car to 82nd City" campaign on social media, one of the most effective communication tools today. The campaign was accessible on Facebook at [www.facebook.com/vakifbank](http://www.facebook.com/vakifbank) to all users in Turkey. Through a national drawing among those who visited the

site, the Bank presented a Volkswagen Golf Trendline car to one lucky winner.

With this campaign, close relations with customers were made possible using emerging technology communication channels.

### Thanks to MilPlus, VakıfBank credit card holders fly everywhere easily.

Customers who prefer traveling by air were presented with the opportunity to purchase round-trip tickets from all airlines with TL 99 in Worldpoints for domestic destinations, TL 169 in Worldpoints for Europe and TL 399 in Worldpoints for elsewhere in the world. MilPlus continued to be the most advantageous travel program in the sector by allowing the use of Worldpoints, received from shopping and campaigns, at three times their value while purchasing air tickets.

### Regular automatic bill payment infrastructure from credit card

VakıfBank continued to develop its regular automatic bill payment infrastructure in 2012 to increase customer loyalty. The Bank added new partners to its bill payment portfolio, including ISKI, IGDAS and D-Smart.

### One out of 10 shopping transactions is free campaign

Remaining one step ahead of its competitors, VakıfBank implemented a promotional campaign that had never been done before: one out of every 10 shopping transactions was returned to customers as Worldpoints throughout

the month of July. The campaign was promoted through TV advertising and via other communications channels.

### With the Payments Delay service, payments can be deferred now

VakıfBank offered credit card holders flexibility in scheduling payments with the "Payments Delay" service. This innovation allowed customers to delay their shopping payments on amounts up to TL 5,000 for up to three months; now, cardholders can schedule their payment plans based on their cash flow.

### Exclusive services especially for Platinum card holders

The Bank's Platinum Credit Card product, offered to upper income customers, was equipped with new features to meet the special needs of these card holders in 2012. To make domestic and overseas trips more comfortable and enjoyable, customers, with one guest if they wish, may enjoy the free use of the passenger lounges in the domestic and international terminals at Sabiha Gökçen and Esenboğa airports. In addition, Platinum card holders receive a 50% discount on parking at İşpark at Istanbul Sabiha Gökçen Airport and a 25% discount and 10% Worldpoints bonus from Avis car rentals. Free overseas travel insurance coverage from Güneş Sigorta is also provided to Premium Card customers traveling abroad. As a standard campaign, international spending of the customers has the privilege of a 10% discount and three months deferment.

Merchants	2010	Market Share (%)	2011	Market Share (%)	2012	Market Share (%)
NUMBER OF POS	73,871	4.05	81,625	4.13	104,776	4.91
Merchant Turnover (TL million)	8,272	3.50	12,070	4.11	16,563	4.53

## 2012 Activities

In addition to Visa and MasterCard, Amex credit cards are now accepted at merchant businesses.



"In 2012, the Bank implemented a new generation of applications and promotional campaigns to increase the size, revenue and productivity of its merchant member network."

**Yilmaz Mutlu**  
8 months at VakıfBank,  
İzmir

In addition to travel-related services, the Platinum world continues to expand with benefits that make life easier. Platinum card holders receive a 25% discount on dry-cleaning service at DryCenter and on VIP transfer service with comfortable vehicles from/to the airport or into the city. Card holders also benefit from personalized food plans prepared by nutritionists for a sufficient, well-balanced and healthy diet.

### **New products and developments in merchant services**

VakıfBank had a 90,103 strong merchant member network at year-end 2012. The Bank's merchant turnover increased 37% compared to the prior year; with a market share of 4.53%, the Bank ranks eighth among those that offer merchant services. VakıfBank's merchant business totaled TL 364 billion, a rise of 24% over 2011.

In 2012, the Bank developed new applications and implemented campaigns to increase the size, revenue and productivity of the merchant member network.

### **Amex credit cards are now accepted on the merchant network**

In order to increase uptake of American Express (Amex) cards by merchants, VakıfBank entered into an agreement with the bank that holds the license for Amex in Turkey. Following the completion of processing system upgrades, the Amex application was installed on the Bank's merchant network. As a result, Amex cards are now accepted at merchant businesses, joining Visa and MasterCard. VakıfBank became the third bank in Turkey to accept Amex cards through its POS device network.

### **E-commerce made easy and safe with BKM Express**

BKM Express is a payment system initiative, developed with the leadership of BKM (Interbank Card Center) in collaboration with banks and leading e-commerce companies to make internet purchases fast, easy and enjoyable. VakıfBank was the one of the first banks included in this credit cards system. Under this project, after registering their cards with the BKM Express system, card holders can enjoy more secure and easier online shopping without sharing card information over the internet.

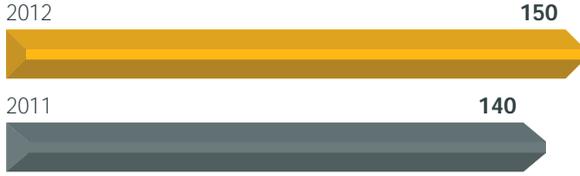
### **School payments - Instant Card service**

The Bank introduced Instant Card to quickly meet the immediate needs and expectations of parents during enrollment periods at private schools and universities. Approved new applicants instantly receive a VakıfBank credit card and the Bank's existing card holders have their credit limits increased instantly in accordance with their needs.

### **Spend on the card, Win at the POS! When VakıfBank merchants make corporate purchases using VakıfBank BusinessCards, they earn discounts on POS commissions!**

Thanks to the new service designed to increase the loyalty of POS owner merchants to the Bank, the merchants that use the Bank's POS for sales and BusinessCard for their corporate spending will receive a discount on POS commissions.

This service encourages commercial customers to use VakıfBank products and aims to improve customer loyalty while merchant businesses earn extra income.

**Number of ATM Transactions** (million)

Customers conducted about 150 million transactions via VakıfBank ATMs in 2012.



“In 2013, VakıfBank will implement new initiatives to increase the number of transactions completed through Alternative Distribution Channels.”

**Emine Çağrı Çalışkan**  
8 months at VakıfBank,  
Osmaniye

## Alternative Distribution Channels

To reduce operating costs and workload, VakıfBank continues efforts to shift its operational workload from the branches to Alternative Delivery Channels. Providing a wide variety of products via these channels will also further enhance customer satisfaction. In 2012, VakıfBank customers performed over 70% of their transactions over Alternative Distribution Channels. The Bank plans to introduce new initiatives in 2013 to further increase this percentage.

### ATM

About 150 million financial transactions were carried out via VakıfBank ATMs in 2012.

In order to better serve customers, the Bank continued efforts to renew and expand the ATM network during the year. VakıfBank provides service with 2,660 ATMs, of which 2,654 are located across Turkey, with six in the Turkish Republic of Northern Cyprus. The total number of ParaBankomats went up from 1,181 in 2011, to 1,378 in 2012, an increase of 17%.

Of transactions performed through VakıfBank ATMs, the number of cash withdrawals, payments and cash deposits increased by 7%, 19% and 23%, respectively during the year. The Bank launched many new ATM applications in 2012 to increase the variety of services on offer and to reduce the operational workload at the branch level. VakıfBank implemented the following projects and initiatives to achieve these objectives:

- To help integrate disabled citizens into mainstream society in all aspects, the Bank rolled out Accessible (Engelsiz Yaşam) ATMs. A first in Turkey, these ATMs serve customers with visual disabilities at 69 service points in 60 cities. The visually impaired can now make cash withdrawals and account balance inquiries through ATMs with voice transaction capabilities by using a headset and without the need of any extra assistance.
- VakıfBank introduced the “Golden Age Investment Operations” service that enables the sale and purchase of gold in grams via ATMs. Clients benefit from favorable foreign exchange rates and can perform gold transactions through VakıfBank ATMs in a much easier and more practical way.
- The Bank implemented the “ATM Electronic Journal Application” project to reduce the operational workload at branches and to reduce costs. This application has removed the need to use paper in ATM internal systems resulting in significant savings in labor and materials costs.
- VakıfBank made many new improvements to the process flows and screens of ATMs to provide customers with faster and easier transactions.
- The Bank enabled the use of pre-paid cards at ATMs.

VakıfBank also launched a project to completely replace the ATM software infrastructure in order to respond more quickly to the changing needs of today; increase competitiveness with a flexible and state of the art automated banking platform; and save time and money on operational activities.



**Pharmacist Hülya Bostanođlu**, in order to keep her promise to a blind musician she came to know, left her professional career after 30 years and began studies at the conservatory ... With her retirement pension payment, she opened an art school and opened the door to a different world for the physically disabled yet musically inclined. We are proud to provide support to her and this model project.

Hülya Bostanođlu, after studying five years in the Department of Turkish Classical Music, pursued her dream of offering musical instruction to the physically disabled through choral work, finally realizing her dream at the age of 60. Ms. Bostanođlu today operates a school that has "Antalya Disabled Art House" inscribed on its front door. It is not an easy task to make a location easily accessible for disabled persons. Still, the number of disabled citizens visiting the Art School increases every day and providing only music instruction is not enough. The number of students with disabilities attending the school rises each day, as does the number of volunteers who teach. There, everyone reveals what is in his or her heart.

Hülya Bostanoğlu  
Pharmacist

We feel the same  
Hülya Bostanoğlu's belief  
is our strength!

## 2012 Activities

With the aim of providing effective and efficient services with an extensive branch network across the country, VakıfBank opened 64 new branches in 2012.



"Home of the sector's most highly educated call center team, VakıfBank's Telephone Banking Unit expanded 10% in 2012 with the addition of new personnel."

**Selen Batuk**  
8 months at VakıfBank,  
Adana

### Internet Banking

VakıfBank Internet Banking, launched in 2000, expanded the active customer base by 27% in 2012 while making the lives of users easier and reducing the branch workload. Internet Banking intermediates the payments of over 250 institutions; customers used the online service to perform more than 600 million transactions in 2012. VakıfBank customers conducted over 90% of their stock trading and 50% of gold transactions via Internet Banking. The Bank targets VakıfBank Internet Banking to be the most preferred channel for more transactions.

### Mobile Banking

VakıfBank Mobile Banking application launched in June 2012 and allows customers to access many banking transactions easily from anywhere they want.

Along with other mobile apps scheduled for launch in 2013, the VakıfBank Mobile Banking application is expected to be one of the fastest growing and developing alternative distribution channels for the Bank.

### Call Center

Home of the sector's most highly educated call center team, VakıfBank's Telephone Banking Unit expanded 10% in 2012 with the addition of new personnel. Thanks to a special line dedicated to providing exceptional service for retired customers, members of this growing segment can quickly connect to a call center representative and perform transactions easily.

In 2012, VakıfBank Call Center conducted approximately 15 million customer communications.

VakıfBank Telephone Banking's in-house "You Ask, We Solve" (Sorun Çözelim) channel allows the gathering of customer requests for all kinds of products and services in a single center and facilitates the provision of solutions as soon as possible.

The use of social media channels has developed rapidly in recent years especially in the banking sector. During the reporting year, VakıfBank started to actively manage its Facebook page and Twitter account. Trained staff members quickly replied to and addressed all kinds of client suggestions, complaints and issues submitted through social media.

### Branch Network

Committed to providing efficient and high quality service through an extensive domestic branch network, VakıfBank opened 64 branches in 2012. Of these, 55 were new branches (10 converted from satellite branches) and nine were new satellite branch locations. As a result, the Bank expanded the domestic branch network to 741 locations, comprised of 645 regular branches and 96 satellites. VakıfBank plans to continue extending the branch network in 2013.

The Bank installed internet kiosks in 92 branch locations. This alternative distribution channel provides customers with access to daily financial information and a web site that enables credit card applications and loan related calculations. The Bank plans to expand its internet kiosk network in the coming period.



"In 2012, most of the VIT infrastructure work carried out in accounting and customer modules was put into operation."

**Bekir Örkmez**  
4 months at VakıfBank,  
Istanbul

## Information Technology

VakıfBank's IT (Information Technology) Department, known as EBIS, carries out planning, acquisition, installation and operation of the Bank's Information and Communication Technologies infrastructure and services. EBIS is also responsible for taking necessary measures for continuous and active support of the Bank's business processes and maintaining a technologically advanced infrastructure. VakıfBank IT serves the Bank and its subsidiaries in order to increase customer satisfaction in line with their respective business goals and strategies.

### Information Technology Department

The Bank's IT Department is organized to perform planning, application development, and systems management of IT services; IT operations support, project management, process and compliance; and system security.

VakıfBank has adopted the following standards for its IT operations model: COBIT for corporate governance framework, CMMI for software development processes, PMI for project management processes and ISO/IEC 27001, PCI DSS for information technology security.

### VIT Program

The Bank implemented VIT (VakıfBank Innovative Transformation) in order to differentiate VakıfBank within the sector, gain a competitive advantage and support the vision of continuous

transformation. The program includes the transformation of the Bank's core banking application as well as the entire banking IT infrastructure. To date, the Bank has launched 14 sub-programs and 51 projects under the VIT framework.

Upon the completion of VIT, VakıfBank will have more than a new core banking application system and application infrastructure. This transformation program's full implementation will result in the following:

- The new banking software will support the strategies of the Bank's business units.
- The Bank will gain a competitive advantage by speeding up product development and sales processes.
- More effective and consistent reporting will make follow-up and management easier.
- The open system architecture will make information accessible on other platforms, include different solutions, and integrate easily with applications.
- The unification of implementation and system park will reduce maintenance costs.
- Standardization will be achieved.
- The new infrastructure will provide uninterrupted service.
- Any type of service interruptions that create customer dissatisfaction will be minimized.

In 2012, most of the VIT infrastructure work carried out in accounting and customer modules was put into operation. The Bank continues to work on other VIT related projects.

**Burcu Ataç**  
7 months at VakıfBank,  
Istanbul

We feel the same  
Innovation is our strength!

## **“VakıfBank Innovative Transformation”**

With the VIT transformation program, we took a step forward to convert the potential strength of the Bank into active growth and sustainable profitability. Upon the full implementation of VIT, we will have a core banking application which is customer- and profit-oriented and with a continuously developing service quality, a technology platform that can respond quickly to requests, and a secure and robust system infrastructure. With the increased service quality, we will have a stronger market position in today’s highly competitive environment.

## 2012 Activities

VakifBank improved the speed and quality of its IT infrastructure with new applications launched in 2012.

Program	Content
Core Banking Program	Core banking projects such as customer, deposits and money transfers
Accounting Program	Accounting modules to work independently and interact with accounting infrastructure initiatives
Sales and Marketing Program	Projects that will increase the Bank's sales and marketing capability, CRM, dynamic pricing, campaign management, profitability, funds transfer pricing
ADC Program	ATM, Internet Banking, Call Center initiatives to strengthen and activate alternative distribution channels
Consumer and Commercial Loans Projects	Consumer and commercial loan projects to update the processes of collateral allocation and drawing
Credit Monitoring Program	Credit Monitoring initiative that will monitor bank loans more closely and immediately
Foreign Operations Program	Projects that encompass all of the Bank's international related operations such as Foreign Operations, Swift, Vostro, Nostro
Integration Program	External software integration initiatives such as Banksoft and YTS for the integration of software to be used after VIT implementation.
Treasury and Investment Program	Treasury and securities transactions related projects which will provide adaptation of the software used by the Bank's treasury units to VIT and provide flexibility to these softwares
Cash Management Program	Payment and collection initiatives to provide cash management unit applications with a more flexible and parametric structure
Reporting and Notifications Program	Legal reporting initiatives that enable the rapid and standard reporting to internal audit units, and Data Warehousing (DWH) and MIS projects that enables Bank's units to take out their own reporting online
System Infrastructure Program	Infrastructure modernization initiatives which will provide the VakifBank system infrastructure with a more modern, reliable, low-cost, flexible, accessible and linearly growing infrastructure
Application Infrastructure Program	Application infrastructure projects, which will provide a fast and reliable application framework and a rapid startup for all kinds of modules that are to be used in the Bank's core banking system
Product Catalog Program	Product catalog initiatives that allow product-based development of each module forming a parametric product tree infrastructure



With the centralization of the Bank's Information Technology teams, the level of IT service provided to banking units is expected to increase.

**Müge Saime Yaman**  
8 months at VakıfBank,  
Bursa

VakıfBank completed the following IT related projects in 2012:

- **Mobile Branch:** Customers can now perform transactions in mobile environments.
- **BKM Express:** With the introduction of customer credit cards to the BKM express system, the Bank enabled easy and secure online shopping without giving additional credit card information over the internet. VakıfBank was the first bank to provide this platform.
- **AMEX Integration:** Amex credit cards can now be used at the Bank's POS devices.
- **ATM e-journal Project:** ATM process flows can now be recorded electronically in the files within the ATM system, not physically on paper. As a result, service interruptions due to lack of journal paper at ATMs were prevented and operational costs and ATM supplies expenses were reduced.
- **Other ATM Projects:** Social Security payments and installment for cash withdrawals applications started to be provided through ATMs. 60 ATMs for visually impaired customers were made available as a social responsibility initiative.

### **VakıfBank Technology Center**

With the centralization of VakıfBank's Information Technology teams, the level of IT service provided to banking units is expected to increase. To this end, the Bank has largely completed the relocation of IT teams to the new building leased in Istanbul Ümraniye. This facility, with the addition of a new data center, will serve as the VakıfBank Technology Center.

### **Developments in IT infrastructure**

The Bank continued to invest in IT systems, to achieve an infrastructure that is equipped with the latest technology, cost optimized, more secure, accessible, safer and dynamic.

Work has started on the new data center location at the new IT facility in Istanbul, so that the possibility of interruption has dropped to very low levels and within world banking standards. Upon completion, the Bank will have a fully backed up data center with early warning systems, online and centralized monitoring ability, high availability values, low operating cost and quick and easy growth capabilities.

## 2012 Activities

VakıfBank's private banking branch structuring that began in 2011, continued with the opening of the Istanbul Anadolu and Izmir Private Banking branches in July 2012.

## Private Banking

VakıfBank's Private Banking business line serves high-income customers with total assets of over TL 300,000; the Bank's Private Banking portfolio managers are specialized in creating tailor-made financial solutions. In addition to the standard array of banking products, Private Banking provides alternative investment options to meet the needs and expectations of high net worth customers at service points designed for utmost comfort.



VakıfBank's private banking branch structuring that began in 2011, continued with the opening of the Istanbul Anadolu and Izmir Private Banking branches in July 2012. With the launch of the Istanbul Yeşilköy Private Banking branch in first quarter 2013 and scheduled openings of Bursa and Adana Private Banking branches in the second half of the year, VakıfBank Private Banking will be available in Turkey's major cities via eight service locations, and will continue providing exceptional service to this client segment.

VakıfBank Private Banking based its 2012 growth strategies on new customer acquisition and increased client satisfaction. While creating a new funding source of more than half a billion Turkish lira for the Bank, VakıfBank Private Banking also formed the basis of a long-term relationship with customers, with the exclusive service approach.

With the existing Private Banking branches having become more established and the synergy resulting from the addition of new locations, the business line's increasing growth momentum is expected to continue in 2013. In addition to the new customer acquisition strategies implemented in 2012, VakıfBank Private Banking also plans to focus on the Bank's existing customers who meet the private banking client criteria in 2013.

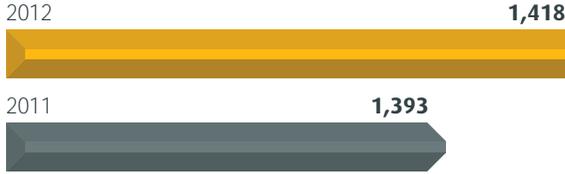
VakıfBank Private Banking not only provides customers with traditional banking products and services with exclusive pricing options, but also continues to expand the product range with private investment and credit products appropriate for prevailing market dynamics and the expectations of the target group.

The Bank's "Private Banking Yacht Loan" and "Private Banking Yacht Insurance" products were made available to customers in order to compete effectively in the market, reach clients in this segment based on their interests and lifestyle, and increase profitability. In addition, VakıfBank rolled out specially designed Private Pension and Group Pension Plans for Private Banking clients available exclusively at Private Banking branches.

VakıfBank Private Banking plans to continue diversifying the investment, credit and insurance product offerings in 2013.

VakıfBank Private Banking also differentiates itself by offering non-financial benefits and tailor-made boutique activities designed in parallel with customer interests. For example, Private Banking organized numerous events and activities centered around history and the arts in 2012, and thus laid the foundations for long-term relationships with existing and potential customers. During the year, the Bank organized exclusive painting workshops, exhibition tours and history talks, among other activities for its private banking clientele.

VakıfBank Private Banking plans to continue to growing its market share in this area in 2013. Well-known for its strong and trustworthy corporate brand, VakıfBank strives to make a difference in private banking with its exclusive customer service.

**Total Funds Managed** (TL million)

In 2012, VakıfBank managed funds totaling **TL 1,418 million**.



VakıfBank serves the needs of customers with products and services in the area of investment banking.

**Emre Çakır**  
4 months at VakıfBank  
Antalya

## Investment Banking

Capital markets play an active role in the economic development of countries. They help accelerate capital accumulation, the driving force of development, and make effective use of this force. Additionally, they can closely monitor the rapid developments in global capital markets. Today, it is more important than ever for capital markets to maintain a competitive edge in the global market, which evolves and changes rapidly due to its structural dynamics. With its important market leading position in the banking sector, VakıfBank is an active player in money and capital markets. The Bank's business strategies focus on investing customer assets to generate optimum results, developing customized solutions, and attaining greater expertise in the use of advanced investment techniques. As a result, VakıfBank is a preferred business partner in money and capital markets for retail and corporate customers.

While offering capital market instruments aimed at corporate and individual investors, VakıfBank Investment Banking also aims to: follow developments and innovations in banking and capital markets in order to provide more efficient services; develop investment banking products and services in line with the Bank's overall aims, objectives and policies, prevailing market conditions; and customer demands and needs, for individual and corporate clients, carry out securitizations and set up new funds by evaluating developments in the market and client needs, issue securities, conduct General Assembly related

procedures as necessary, and manage shareholder and domestic investor relations, perform brokerage services, either directly or as an agent, for the Bank's customers in their transactions on the ISE, VOB, IGE, and other markets, work in coordination with the Bank's sales and marketing departments to identify targets in order to increase the profitability and efficiency of investment products; and achieve these targets, by designing products and organizing sales campaigns.

### Brokerage services for capital market instruments

VakıfBank Investment Banking offers brokerage services to clients for their transactions in capital markets instruments such as stocks, mutual funds, gold, bank bills and bonds. Developments in the markets are closely monitored as per customer needs and expectations, and new products and services are delivered to clients through various channels.

All capital market instrument transactions other than equities can be performed through Investment Centers, Private Banking Branches, ATMs, mobile branches (Çep Şubem), Internet Branch (Web Şubem) and Call Center. Stock transactions can be conducted via Investment Centers, Private Banking branches, mobile branches, Internet Branch and the Call Center. To diversify the distribution channels and provide better capital markets services to clients, VakıfBank opened two new investment centers in İzmir and İstanbul in 2012; with the existing investment center in Ankara, three Investment Centers currently offer capital market services.

**VAKIFBANK BONUSU HALKA ARZ EDİLİYOR!**

Kültürümüzü hak edenler için VakıfBank sunar!  
Kampanya ile katılım sağlayan müşterilerimiz için VakıfBank'a değer sunuyoruz.

Talep toplama tarihi  
**25-26-27 Ocak 2012**

Şartlar & Süreçler	Arz Süreci
• VakıfBank'a katılım için	• VakıfBank'a katılım
• VakıfBank'a katılım için	• VakıfBank'a katılım
• VakıfBank'a katılım için	• VakıfBank'a katılım
• VakıfBank'a katılım için	• VakıfBank'a katılım

**VakıfBank**  
Banka Her Yerde

## 2012 Activities

The Bank issued eight bank bonds and one bank bill with a total nominal value of TL 3.9 billion in 2012.

Ongoing infrastructure-related development and upgrades continue to increase the use of alternative distribution channels, especially for stock market transactions. To improve the platform for stock trading operations, the Bank effected system modification and banking system integration in 2012. The Bank modified the system infrastructure to accommodate the new products that are planned and implementation of the trading platforms. Specially trained personnel in the Investment Centers helped clients perform transactions directly via user-friendly screens; with faster processing and increased speed of access to the markets, the Bank minimizes trading costs.

During the year, VakıfBank Internet Branch (Web Şubem) users were given the opportunity to monitor ISE and market data in real-time.

The Bank continues work on developing an investment portal that enables investors to access information about investment products and capital market data easily. With this new web portal, the Bank plans to strengthen the perception of the corporate brand and increase its share in capital market activities.

Through an agency agreement with its subsidiary Vakıf Yatırım Menkul Değerler A.Ş., the Bank acts an intermediary in public offerings of equities and corporate bonds, capital increases and dividend payment transactions.

### Bank bonds and bills

In 2012, VakıfBank planned to issue a total nominal value of TL 3 billion in bank bonds and/or bills at various types and maturities in domestic and/or international markets. The issues were intended to diversify the Bank's sources of funding, control costs, reduce interest rate risk, contribute to liquidity management, extend the source maturity, and provide additional resources.

Including the revolving credit facility from 2011, the Bank issued eight bank bonds and one bank bill with a total nominal value of TL 3.9 billion during the year; and, both institutional and individual investors were presented with an alternative investment instrument.

### Mutual funds

As one of the first institutions in Turkey to launch investment funds, VakıfBank established and currently manages 11 mutual funds (two A-type and nine B-type) in accordance with the diverse risk and return preferences of investors. In 2012, the Bank set up a Type B Short-Term Bond/Bill Fund and increased the capital in the Liquid Pool Fund to TL 200 million. The mutual funds can be traded without any volume limitation via all branches and investment centers as well as through alternative distribution channels.

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

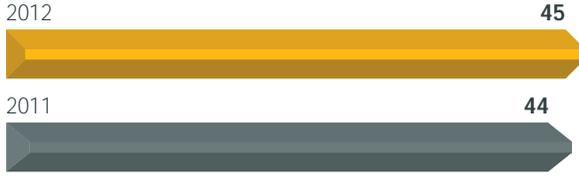
In order to meet customer expectations and acquire new customers, VakıfBank established the Principal Protected Umbrella Fund. Two additional sub-funds were set up under its umbrella: Principal Protected Sub-Fund No. 3 (increase in price of gold) and Sub-Fund No. 4 (increase in the USD/TL exchange rate). Both sub-funds were offered to the public in 2012.

VakıfBank holds a 5.45% market share in mutual funds; the Bank expends great effort to optimally manage its mutual funds in line with the needs of its customers. The Bank managed funds totaling TL 1,418 million at year's end 2012.

### Precious metals

VakıfBank was one of the first banks to introduce gold trading; the Bank has been active in gold banking for 25 years. VakıfBank issues gold bars (in 2-, 5-, 10-, 50-, and 100-gram weights); the Bank also issues one-ounce GAP and Osmanlı commemorative coins and 20-gram Sinan commemorative coins in Switzerland and provides to its investors via its branches. These products are available to investors at all VakıfBank branches.

VakıfBank provides brokerage services to local and international investors on the Istanbul Gold Exchange; gold purchased by customers is deposited in their investment account. No restriction applies to investors in these transactions. Investors may purchase at any time and in any amount of gold, and maintain their savings in gold.

**Gold Trading Volume (tons)**

VakıfBank's gold trading volume approached 45 tons and the reserve volume exceeded 10 tons in 2012.



"In 2012, the Bank continued to intensively market its gold transaction related offerings and evaluated new customer acquisition and cross-selling opportunities."

**Pinar Aydur**  
4 months at VakıfBank,  
Afyonkarahisar

VakıfBank also launched a Gold Fund, which is professionally managed by the Bank. For investors who do not want to risk the principal but take advantage of gold yield, the Bank issued Principal Protected Gold Sub-Funds. In addition, at the beginning of 2012, the Bank launched the Gold Deposit Account (the Golden Age).

VakıfBank's gold trading volume approached 45 tons and the reserve volume exceeded 10 tons in 2012.

In 2012, the Bank continued to intensively market its gold transaction related offerings and evaluated new customer acquisition and cross-selling opportunities. VakıfBank plans to launch new gold banking products in 2013 to increase the customer base, transaction volume and profitability.

**Shareholder relations**

The Bank manages shareholder relations by maintaining its records in a robust, secure and up-to-date manner, and by ensuring that written information requests of shareholders that pertain to the Bank are fulfilled in accordance with applicable legislation. The Bank convenes and holds General Assembly meetings as required, prepares documents to be presented to shareholders at General Assembly meetings, and ensures that meeting minutes are recorded. Additionally, the Bank closely observes and monitors that its public disclosures in accordance with all legal requirements. VakıfBank also strives to actively use electronic communications and the Bank's web site in all its shareholder relations activities.

**Dematerialization of securities and settlement operations**

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

Since the introduction of the dematerialization process, VakıfBank's 11 mutual funds consist of Type A and Type B, and all of the shares representing the Bank's capital have been dematerialized.

**VakıfBank Investment Banking in 2013**

VakıfBank Investment Banking aims to closely follow developments in the capital markets in 2013 in order to expand its product portfolio, improve the service quality with the help of experienced staff and strong technical infrastructure, acquire new customers and strengthen customer loyalty.

VakıfBank aims to offer new investment options to customers in 2013. The Bank will achieve this objective by developing new gold banking products, diversifying investment fund products, creating new capital-protected derivative investment funds and issuing VakıfBank or private sector bonds/bills.

In 2013, the Bank targets the implementation of a trading platform where all investment products can be traded under the VakıfBank corporate identity, following the completion of the integration that will enable equity transactions on data monitoring screens.

## 2012 Activities

With the further development of the “Compassionate Bank” concept, VakıfBank featured real-life, sympathetic persons in its new advertising campaign.



## Communications and Media Relations

2012 was a productive year for VakıfBank; in addition to posting strong financial results, the Bank had a successful year in terms of corporate image work and brand awareness. As in prior years, VakıfBank continued efforts to ensure the appropriate representation of the Bank in print, broadcast, online, social and outdoor media, and to increase the perception of the Bank as a valuable brand for existing and potential customers.

In line with the strategy adopted in 2011, VakıfBank continued corporate image activities under the umbrella of the “compassionate bank” concept. This concept was supported with advertising campaigns featuring Turkey’s most popular and beloved figures who matched with the “compassionate” idea. By year’s end, this concept was paired with a new ad campaign with people from everyday life, who clearly embodied the qualities of sympathy and compassion.

For the promotion of banking services and products, the Bank continued to conduct different campaigns based on the main brands. VakıfBank Worldcard advertising was based on the concept of the “generous card that understands shopping.” In the Worldcard advertising campaigns, the “Generous Man” role is assumed by Öner Erkan, a popular Turkish actor.

The KOBİDOST (SME Friend) brand continued to be used in communications efforts to promote product and services for the SME segment. Advertising in relevant broadcast, print and outdoor

media for the target audience yielded positive results: the brand perception and awareness of KOBİDOST strengthened during the year.

The “Ben Varım” concept that started to be used in 2011 for consumer loan promotion, also continued in the reporting year. Both above- and below-the-line advertising efforts supported the Bank’s loan marketing and promotional activities.

VakıfBank continues to provide support to women’s volleyball as an important investment in its brand positioning. As a first in Turkish sports history, the Women’s Volleyball National Team participated in the Olympic Games in London in 2012; and VakıfBank’s support to this historic achievement as the main sponsor was announced effectively with field and advertising efforts. Ads prepared for the VakıfBank Women’s Volleyball Team, supported by the Bank for more than 26 years, were also used in the Bank’s marketing and communications.

In 2012, all of the Bank’s communications activities, carried out through the media to increase VakıfBank’s positive public perception, proved very effective. With these wide-ranging efforts to introduce the Bank’s products and services and strengthen the Bank’s image, VakıfBank has become one of the leading banks in the sector in terms of media coverage.

One of the most important media-related developments in 2012, VakıfBank started to become active on social media platforms via its corporate accounts. Adapting to the requirements and technology of the ever-changing modern world, VakıfBank opened Twitter and Facebook accounts. Thanks to these social media efforts, the Bank now has faster, closer and more intimate contact with existing and potential customers.

## Corporate Social Responsibility

Thanks to its past history of operating as a foundation and in keeping with its corporate image of a bank that understands customers who are in need, VakıfBank implemented important initiatives in the area of social responsibility in 2012.

Among the Bank's varied efforts that span widely diverse areas from education to sports sponsorships, cultural publications to international events, these initiatives stood out in their scope and importance during the reporting year:

The "VakıfBank ZİÇEV Boarding School and Rehabilitation Center for Mentally Impaired Children" commenced construction in Manisa in July and is scheduled for completion by year's end. The facility will provide comprehensive services to 50 students who are in need of specialized care. The Center will include the training and medical equipment necessary for the treatment and rehabilitation of mentally impaired children. Since it is also a boarding school, the facility will also provide a solution to a huge problem suffered by families of these youth in need. The Center has received a budget allocation for a promotional and donations campaign for this year to ensure that the Bank's shareholders make a contribution to this important project. The rehabilitation facility has attracted attention as offering the most advanced services of the 30 similar schools that are spread across Turkey to begin operations in 2013.

VakıfBank's primary sponsorship of the Women's National Volleyball Teams that began in October 2010 became the source of additional pride for the Bank in 2012. The Women's A National

Volleyball Team made Turkish sports history when it became the champions of the Olympic Games Continental Elimination Tournament. In addition, the Young Girls Volleyball Team, comprised of the players of the Young Women's National Volleyball Team that won the 2011 European and World Championships, again broke new ground by becoming the European Champions in 2012.

The VakıfBank Sports Club, which became the European Women's Volleyball Champion and World's Second Place Club in 2011, played in the finals in the Turkish League in 2012; the Club also played in the semi-finals of the Turkish Cup and the quarter-finals of the European Champions League. The Club also continues to send the highest number of players to the national teams from all of the age categories.

VakıfBank's art gallery in İstanbul continued to host artists and arts lovers in 2012. In addition to the exhibitions held at the gallery throughout the year, the Bank's own Turkish Folk Music and Turkish Classical Music choir, comprised of Bank personnel, continued to enrich the country's arts and cultural scene through its various concerts.

VakıfBank was once again the main sponsor of the "VakıfBank TFMD 2012 Press Photos of the Year" contest organized by the Photojournalists Association of Turkey (TFMD). Use of the VakıfBank name in the title of this competition, considered among the leading events in the field, ensured that this prestigious contest is closely identified with the Bank.

The İstanbul Finance Summit – 2012, which played host to leading finance experts, renowned institute leaders and investment consultants from around the world, was another landmark event held under the VakıfBank sponsorship banner. In keeping with its vision of becoming "The most preferred bank of the region," VakıfBank participated in this important global financial summit and also had the opportunity to directly network with the important representatives from the finance world during the event.

VakıfBank, a corporate supporter of the public footrace held by the İzmir Karşıyaka Municipality, also ranked among the sponsors of the "Women in Business Summit" organized by the Aegean Business Women Association.

Additionally, VakıfBank was the promotional sponsor of the new uniforms of Ministry of Customs personnel and the Bank continued its support of TEMADER, an association of terrorism victims and their families. The Bank also sponsored a seminar conducted by TEBİAT (Tourism, Economy, Scientific Research and Introduction Center) on the new Turkish Commercial Code. Furthermore, the Bank sponsored the International Regional Collaboration and Development Symposium and the Third Mass Transportation Week organized by İETT, the İstanbul transit authority.

VakıfBank, having moved its Head Office to İstanbul, crowned this historic event with the publication of a book titled "World Heritage İstanbul."

In the coming years, VakıfBank plans to continue its support to initiatives in the fields of education, sports, arts and culture as well as in finance, which the Bank has proudly supported for many years.

## Affiliates and Subsidiaries

The value of the Bank's subsidiary and affiliate portfolio increased 51.56% and totaled TL 1,310 million in 2012, up from TL 865 million in 2011.

VakıfBank further contributes to the Turkish economy through the operations of its subsidiaries that span a diverse range of sectors and business lines. The number of VakıfBank subsidiaries and affiliates, which was 23 in 2011, remained unchanged in 2012.

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

The value of the Bank's subsidiary and affiliate portfolio increased 51.56% and totaled TL 1,310 million in 2012, up from TL 865 million in 2011.

### VakıfBank Financial Services Group

#### VakıfBank International AG

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

#### World Vakıf UBB Ltd.

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

#### Kıbrıs Vakıflar Bankası Ltd.

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

#### Türkiye Sınai Kalkınma Bankası A.Ş.

Established in 1950, Türkiye Sınai Kalkınma Bankası A.Ş. Provides long-term funds for medium and large-scale investment projects, engages in investment banking activities, and offers corporate finance services. VakıfBank owns an 8.38% stake in the Bank's share capital of TL 1,100 million.

#### İMKB Takas ve Saklama Bankası A.Ş.

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

#### Güneş Sigorta A.Ş.

Güneş Sigorta is a general (nonlife) 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. On August 1, 2003, the Company acquired a license to sell private pensions pursuant to Private Pension Savings and Investment System Law No. 4632; on September 5, 2003, the Company received a license to establish private pension funds. VakıfBank owns a 53.90% stake in the Company's share capital of TL 26.5 million.

#### Vakıf Finansal Kiralama A.Ş.

Vakıf Finansal Kiralama A.Ş. was founded in 1988 to provide a comprehensive range of leasing services. VakıfBank owns a 58.71% stake in the Company's share capital of TL 60 million.

#### Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı A.Ş.

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

#### Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was founded under the guidance of VakıfBank as the first real estate investment trust in Turkey and with issued capital of TL 250,000. The Company was set up to establish and manage a portfolio of real estate properties and real estate backed capital markets instruments. VakıfBank owns a 27.63% stake in the Company's share capital of TL 105 million.

#### Vakıf Finans Factoring Hizmetleri A.Ş.

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

**Vakıf Yatırım Menkul Değerler A.Ş.**

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

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

**Vakıf Portföy Yönetimi A.Ş.**

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

**Kredi Garanti Fonu A.Ş.**

Kredi Garanti Fonu A.Ş. was established in 1991 to provide all types of loan guarantees for SMEs, farmers, artisans, craftsmen and the self-employed. VakıfBank participated in the Company in 2009 and owns a 1.75% stake in its share capital of TL 240 million.

**VakıfBank Non-Financial Services Group****Taksim Otelcilik A.Ş.**

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

**Vakıf Gayrimenkul Değerleme A.Ş.**

Vakıf Gayrimenkul Değerleme A.Ş. was established in 1995 to provide appraisal and evaluation services for all types of real estate properties. VakıfBank owns a 54.29% stake in the Company's share capital of TL 7 million.

**Vakıf Enerji ve Madencilik A.Ş.**

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

**Kredi Kayıt Bürosu A.Ş. (KKB)**

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

**Bankalararası Kart Merkezi A.Ş.**

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

**Roketsan Roket Sanayii ve Ticaret A.Ş.**

Roketsan Roket Sanayii ve Ticaret A.Ş. engages in the production, manufacturing and sale of rocket fuel as well as missiles, rockets and rocket launchers, and their engines. VakıfBank owns a 9.93% stake in the Company's share capital of TL 147.1 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 Sanayi ve Ticaret A.Ş.**

Vakıf Pazarlama ve Ticaret A.Ş. engages in the sale of printing, stationery and computer consumables; and the sale and maintenance of photocopy and fax machines. VakıfBank owns a 69.33% stake in the Company's share capital of TL 30.2 million.

**İzmir Enternasyonal Otelcilik A.Ş.**

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

## Summary Report of the Board of Directors

Dear Shareholders,

Similarly to 2011, uncertainties in the Euro area have ranked among the most important developments in the global economy in 2012. In the Euro zone, Italy and Spain joined Greece, with their high levels of public debt and banking sector problems, at the top of the agenda. Global financial markets have been under pressure especially because of the uncertainty of Spain's application for a financial bailout. While the steps taken to solve the structural problems in the Euro area in 2012 slightly decreased risk perceptions, confidence that these problems will be resolved does not seem to have been fully established yet.

2012 saw slow growth for both developed countries and emerging markets relative to the preceding year. As a result, monetary expansion policies in advanced economies and capital inflows to developing countries, which had previously demonstrated relatively high growth, continued in 2012. Tight fiscal policy measures taken to address the growing problems resulted in a negative impact on economic growth; therefore, the Euro zone economy grew slow in the last two quarters of the year. With deteriorating growth in the Euro area, European Central Bank continued its low interest rate and monetary expansion policy in 2012.

Following the US presidential elections in 2012, the "fiscal cliff" issue emerged as the most important item on the economic agenda there. The United States, one of the leading countries that continued to pursue an expansionary monetary policy in 2012, decided to

implement the third quantitative easing program in September. And instead of implementing "Operation Twist" and replacing short-term borrowing instruments ending in December with long-term debt instruments, the US Federal Reserve launched an open-ended bond purchase program. However, in the last weeks of 2012, the Fed modified its prior statement of keeping interest rates low until mid-2015 to continuing to pursue a loose monetary policy until the unemployment rate drops to 6.5% and as long as the inflation rate does not exceed 2.5%. This change in the Fed's stance, together with the positive employment data, led to discussions in the markets about the possibility of the Central Bank's implementation of an early exit strategy.

After the Turkish economy grew 8.5% in 2011, it expanded 3.4% in the first quarter, 3.0% in the second quarter and 1.6% in the third quarter of 2012. As a result, the country achieved an annual economic growth rate of 2.6% in the first nine months of the year. The most important contribution to Turkey's growth came from the increase in net exports during the year. This helped the current account deficit make a significant recovery in 2012. The current account deficit declined from USD 77 billion in 2011, almost 10% of GDP, to USD 48.9 billion in 2012. Developments related to the gold trade and oil prices played important roles in the improved foreign trade deficit, which constitutes a major part of the current account. Parallel with ongoing economic expansion, the country's unemployment rate decreased from 9.8% in 2011 to 9.2% in 2012.

Annual CPI, which had risen to 10.45% at 2011 year-end, continued at double-digit levels in the first months of 2012. Thanks to declining commodity prices later in the year, annual CPI fell back to single digits once again. 2012 saw CPI improve dramatically to 6.16% for the year, with the help of the base effect and the steep drop in food prices in the last quarter of the year. Thus, the year closed with the lowest year-end inflation of the inflation targeting period.

Turkey's Central Bank continued to use interest rate and primary monetary policy tools together during the year. The Central Bank increased liquidity in the market by gradually reducing the lending rate, using the upper band of the interest rate corridor and decreasing the level of the policy interest rate to 5.50%. In order to decrease the destabilizing effects of capital inflows that rose in the fourth quarter, a limited increase in reserve requirements was implemented in December.

In 2012, the banking sector continued to contribute to the positive performance of the Turkish economy with its robust structure. The sector's total assets increased 12.6% compared to 2011 and rose to USD 1,371 billion as of December 2012. Loan volume made the highest contribution to the growth of the sector and increased 16.4% to reach TL 794.8 billion during the year. On the other hand, due to the slowdown in the Turkish economy, non-performing loans (NPL) continued to grow; the sector's total NPL portfolio increased 23.5% over 2011 and amounted to USD 23.4 billion as of December 2012. The banking sector's securities portfolio decreased 5.3% compared to last year, due to profit taking.

Deposits continued to be the most important source of funding of Turkey's banking sector in the reporting year; total deposits of the sector rose 11.0% and amounted to TL 771.9 billion as of December 2012. The increased cost of deposits prompted banks to find alternative funding sources. As a result, the sector's share of total deposits in total liabilities, which was 57.1% in 2011, decreased to 56.3% by the end of 2012. Term deposits, which comprise 82.1% of total deposits, rose 10.3%, while demand deposits increased 14.2%.

During the reporting year, the second most important funding resource, after deposits, was borrowings. At the same time, as another primary funding source, subordinated loans increased significantly. Consequently, while the total borrowings of the sector rose 3.6% in 2012, subordinated loans increased 69.2%. While the shareholders' equity of the sector grew 25.8% in 2012, the capital adequacy ratio stood at 17.89%.

Over the course of the year, Turkey's banking sector managed to reverse the downward trend in profitability, which began in 2010 and continued throughout 2011. The rise in net interest margins was the most important factor for the improved profitability, while the rise in fee and commission income also contributed to the positive results. As a result, the sector's net profit totaled TL 23.6 billion in 2012, up 18.8% from the prior year.

VakıfBank also demonstrated a strong performance in 2012: the Bank's assets expanded 17.3% and climbed to TL 104.6 billion. During the year, the most important growth driver was loans. The Bank's loans totaled TL 67.9 billion, up 18.7%; meanwhile, the share of loans in total assets rose to 65.15%. Retail loans increased 15.0%. Housing loans were up 16.7% and exceeded USD 10 billion while credit card placements increased 42.7%; both of these fueled the growth in retail lending.

During the reporting period, VakıfBank's commercial loans increased 20.8%. As the Bank declared 2012 as the Year of the SME, SME lending expanded 85.6% and that segment's customer base increased to over 460,000 during the year. In addition, the Bank's credit cards issued rose a brisk 246.6% in 2012.

The Bank's securities portfolio decreased 3.8% in line with the sector. As of December 2012, the securities portfolio amounted to TL 18.4 billion and its share in total assets was 17.6%.

VakıfBank's total deposits expanded by 10.3% and amounted to TL 67.2 billion in 2012. The Bank recorded a rise in demand deposits of 20.33%, while term deposits increased 8.60%. In order to diversify its funding sources, VakıfBank continued the securities issuance program that started in 2011. The Bank issued a range of maturities and types of bonds and bills, and increased the amount of securities issued by 391% over the prior year. VakıfBank issued an average of USD 915 million in subordinated bonds in 2012 in order to diversify and extend the maturity terms of its funding source structure.

During the year, VakıfBank increased shareholders' equity by 28.2% to TL 11.9 billion, with the contribution of rising profits; the Bank's capital adequacy ratio was 16.1% in 2012, up from 13.4% a year earlier, with the help of the subordinated bonds issuance.

Thanks to these positive developments, VakıfBank's net profit increased 19.02% and amounted to TL 1,460 million in 2012. The Bank's 41% rise in net interest income also helped drive profit growth. The Bank achieved average return on equity of 13.8% and a 1.5% return on assets in 2012.

In addition to the successful financial results, VakıfBank increased its branch network to 744 locations by opening 64 new branches in 2012. Furthermore, with the highest employee growth in the sector, VakıfBank increased its total workforce to 13,463 personnel.

VakıfBank, in keeping with the foundation culture from its historical beginnings and with its reputation as "the Bank that understands the needs of customers," continued its corporate social responsibility activities within a wide range of areas, ranging from education to sports, from cultural publications to international events.

We would like to thank our customers, whom we serve proudly, our employees, who contributed with their utmost efforts to our success and our valued shareholders, who always support us.

Best regards,

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

## Board of Directors and Auditors



**Halil Aydoğan**  
Board Chairman

Halil Aydoğan was born in Afyonkarahisar in 1950 and graduated from İstanbul University, Faculty of Economics, Department of Business Administration – Finance in 1976. He started his career at T. Vakıflar Bankası T.A.O. as Assistant Auditor in 1977. Subsequently, he served as Auditor from 1980 to 1983; Deputy Manager in the Mecidiyeköy Branch between 1983 and 1985; and Branch Manager in the Kadıköy, Mecidiyeköy, Taksim, İstanbul and Şişli branches from 1985 until 1996. Mr. Aydoğan assumed the positions of Executive Vice President at T. Vakıflar Bankası T.A.O. between 1996 and 1999 and General Manager at Vakıf Finansal Kiralama A.Ş. from 1999 to 2000. He was also elected as member of Parliament for Afyonkarahisar during the 22nd and 23rd terms. In addition, Mr. Aydoğan serves as the Board Chairman and Remuneration Committee member at T. Vakıflar Bankası T.A.O. since his appointment on January 5, 2012. He also serves as the Board Chairman of Taksim Otelcilik A.Ş., Vakıf Finansal Kiralama A.Ş. and Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.



**Halim Kanatçı**  
Vice-Chairman of the Board

Halim Kanatçı graduated from the Academy of Economics and Commercial Sciences, Department of Business Administration in 1976. He worked at Garanti Bankası for 24 years in total, including 13 years of service as Executive, and as Branch Manager at Finansbank and Toprakbank for three years. After serving as the CEO of İstanbul Marmara Education and Health Institutions Inc., and member of the Board of Trustees at Maltepe University, he held the position of Deputy Mayor of Maltepe/İstanbul from 2004 to 2009. Mr. Kanatçı was appointed Board member of T. Vakıflar Bankası T.A.O. by the Prime Minister on April 28, 2009. He also serves as the Vice-Chairman of the Board of T. Vakıflar Bankası T.A.O., member of the Bank's Audit Committee and alternate member of the Credit Committee.



**Süleyman Kalkan**  
Executive Director,  
General Manager

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



**İsmail Alptekin**  
Independent Board Member

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



**Ahmet Candan**  
Board Member

Born in Konya in 1963, Ahmet Candan graduated from Ankara University, Faculty of Political Sciences, Department of Finance in 1987. He began his professional career the same year as Assistant Auditor on the Board of Auditors at the Ministry of Finance. Subsequently, Mr. Candan served as Auditor and Legislation and Tax Consultant in Kuveyt Türk Private Financial Institution from 1992 to 1996, as Executive Vice President and General Manager at Baykur Gıda San. ve Tic. A.Ş. between 1996 and 2003, as Executive Vice President at Ziraat Finansal Kiralama A.Ş. in 2003, and as Executive Vice President at Öztay Triton Tekn. Konf. San.ve Pz. A.Ş. in 2004. In 2006, he was appointed Board Member and member of the Credit Committee at Ziraat Bank. He was appointed Vice-Chairman and Credit Committee member at VakıfBank in 2010 and General Manager at İller Bankası in 2012. Mr. Candan has served as Board Member at T. Vakıflar Bankası T.A.O., since his appointment by the Ordinary General Assembly in March 2010. He is married with four children.



**Dr. Adnan Ertem**  
Board Member

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

## Board of Directors and Auditors



### **Ramazan Gündüz** Independent Board Member

Ramazan Gündüz began his banking career as an intern at VakıfBank in 1977. Subsequently, he worked as Assistant Auditor and Auditor. He then served in various managerial level positions including Assistant Manager of İstanbul Region, Manager of İstanbul Financial Analysis and Intelligence Department, Manager of Şişli Branch, Manager of Medium-Sized Loans Directorate, Head of Loans Department, Manager of İstanbul Regional Directorate. Later, Mr. Gündüz was appointed Executive Vice President and Board Member. He then served as General Manager at two VakıfBank affiliates, Vakıf Leasing Inc. and Vakıf Real Estate Investment Trust. In addition, Mr. Gündüz acted as insurance broker for a certain period. At the Ordinary General Assembly in April 2009, he was appointed Board Member of T.Vakıflar Bankası T.A.O. Currently, Mr. Gündüz also serves as a full member of the Bank's Credit Committee and member of the Corporate Governance and Nominating Committee.



### **Sadık Tiltak** Board Member

Sadık Tiltak graduated from Ankara University, Faculty of Political Sciences, Department of Public Finance. He began his professional career in 1988 as Assistant Auditor on the Audit Board of T. Garanti Bankası A.Ş.; he later served as Branch Manager and Manager in various head Office units of the same bank. Mr. Tiltak was appointed Board Member of T. Vakıflar Bankası T.A.O. in March 2012; in addition, he serves as full member of the Bank's Credit Committee and member of the Corporate Governance and Nominating Committee.



### **Ali Fuat Taşkesenlioğlu** Independent Board Member

Ali Fuat Taşkesenlioğlu graduated from Atatürk University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He began his professional career at Yenidoğan Yayın Dağıtım Şirketi in 1988 and then served as Chief Specialist at Faisal Finans Kurumu A.Ş. between 1988 and 1996. Subsequently, from October 1996, Mr. Taşkesenlioğlu worked in the following positions respectively at Asya Katılım Bankası A.Ş.: Assistant Project Marketing Manager, Manager of the Merter Branch and Sultanhamam Branch, Manager of the Loan Allocation Unit at the Head Office and Executive Vice President of the Loan Allocation Unit. Mr. Taşkesenlioğlu was appointed Board Member of T. Vakıflar Bankası T.A.O. in March 2012; in addition, he serves as Audit Committee member and alternate member of the Credit Committee of the Bank. He is married with three children.

- Halil Aydoğan resigned from his position as Member of the Remuneration Committee on January 3, 2013.
- Halim Kanatcı resigned from his position as Member of the Audit Committee, and was elected Full Member of the Credit Committee.
- Ahmet Candan was elected Alternate Member of the Credit Committee on January 3, 2013, and elected Member of the Corporate Governance and Nominating Committee on January 16, 2013.
- İsmail Alptekin was elected as the Member of the Remuneration Committee on January 3, 2013.
- Ramazan Gündüz resigned from his position as the Full Member of the Credit Committee and Member of the Corporate Governance and Nominating Committee, and elected Member of the Audit Committee on January 3, 2013.
- Halil Aydoğan was elected Chairman of the Board of Directors in accordance with the resolution adopted on January 5, 2012. Ahmet Candan, who was serving as the Vice-Chairman, resigned from his position.
- Serdar Tunçbilek and Selahattin Toraman resigned from their positions in Toraman Banka in accordance with the resolutions adopted at the Ordinary General Meeting held on March 30, 2012, and Ali Fuat Taşkesenlioğlu and Sadık Tiltak were elected Members of the Board of Directors.
- Halim Kanatcı was elected Vice-Chairman of the Board in accordance with the resolution adopted at the Board meeting held on April 6, 2012. Ali Fuat Taşkesenlioğlu was elected Member of the Audit Committee on the same date.



**Mehmet Haltaş**  
Statutory Auditor

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



**Yunus Arıncı**  
Statutory Auditor

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

## Executive Management



### **Süleyman Kalkan**

#### **General Manager**

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



### **Mehmet Cantekin**

#### **Chief Executive Vice President (Loan Monitoring-Regional Directorates-Strategy Development-Economic Research)**

Mehmet Cantekin graduated from Ankara University, Faculty of Political Sciences, Department of Finance and completed his post graduate degree at the University of Illinois. He joined VakıfBank in December 2007 as Executive Vice President after holding positions at various banks and public institutions. Most recently, Mr. Cantekin served as Department Head at the Banking Regulation and Supervision Agency. He is fluent in English and French.



### **Şahin Uğur**

#### **Executive Vice President (Corporate Payroll)**

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



#### **Feyzi Özcan**

**Executive Vice President  
(Retail Loans-Retail Banking-  
Payment Systems-Payment Systems  
Operations-Bank Insurance)**

Feyzi Özcan graduated from Gazi University, Faculty of Economics and Administrative Sciences. He joined VakıfBank in 1989 as Assistant Auditor and subsequently served as Manager, Deputy Director and Director at various branches and units of the Bank prior to his appointment as Executive Vice President in 2005. Mr. Özcan is fluent in English.



#### **Metin Recep Zafer**

**Executive Vice President (General  
Accounting and Financial Affairs-  
Treasury and Overseas Operations-  
Alternative Distribution Channels-  
Banking Operations)**

Metin Recep Zafer graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics; he also completed post graduate and PhD degrees there. Mr. Zafer worked at various banks from 1992 and joined VakıfBank in June 2006 as Executive Vice President. He is fluent in English.



#### **Ömer Elmas**

**Executive Vice President  
(Legal Affairs-Legal Proceedings)**

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

## Executive Management



**İbrahim Bilgiç**  
Executive Vice President  
(Corporate Banking-Corporate Loans-Corporate Centres-Cash Management Operations)

İbrahim Bilgiç graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Finance. He joined VakıfBank as Deputy Inspector in 1992 and served as Manager and Regional Manager at different Bank branches before his appointment as Executive Vice President in April 2010. Mr. Bilgiç is fluent in English.



**Hasan Ecesoy**  
Executive Vice President  
(Treasury-Investment Banking)

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



**Dr. Serdar Satoğlu**  
Executive Vice President  
(Private Banking-Affiliates)

Serdar Satoğlu graduated from Ankara University, Faculty of Political Sciences, Department of Finance. Subsequently, he obtained his post graduate degree from Marmara University, Institute of Banking and Insurance, Department of Capital Markets and Stock Exchange; in addition, he received a PhD from the Institute's Department of Banking. Dr. Satoğlu joined VakıfBank in 1995 as Assistant Auditor. He was appointed Head of the Audit Committee at Vakıf Investment Securities Inc. in 2001 and he later served as General Manager at the same company for seven years. In June 2010, he was appointed Executive Vice President at T. Vakıflar Bankası, a position he currently holds. Dr. Satoğlu served as VOB Board Member between 2011 and 2012. Since 2011, he has held the position of TSPAKB Audit Board Member; since March 2012, he has been a Board Member of the Central Registry Agency. Dr. Satoğlu is fluent in English.



#### **Ali Engin Eroğlu**

Executive Vice President  
(Software Development-System Management-IT Operation and Support-IT Services Planning-IT Process Management and Compliance-Project Management-Information Security)

Ali Engin Eroğlu graduated from Boğaziçi University, Faculty of Engineering, Department of Computer Engineering. He is pursuing post graduate study in Computer Engineering at Gebze Institute of Technology. After holding a variety of positions including Software Engineer, Project Manager, Manager and Executive Vice President at various companies since 1996, Mr. Eroğlu was appointed the Bank's Executive Vice President in July 2010. He is fluent in English.



#### **Osman Demren**

Executive Vice President  
(Commercial Banking-SME Banking-Support Services)

Osman Demren graduated from 9 September University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He joined VakıfBank in December 1996 as Assistant Auditor, and later served as Branch Manager and Regional Manager. Mr. Demren was appointed Executive Vice President at VakıfBank in April 2011. He is fluent in English.



#### **Mitat Şahin**

Executive Vice President  
(Human Resources-Planning and Performance)

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

## Executive Management



### **Yıldırım Eroğlu**

**Executive Vice President  
(Commercial Loans-Intelligence)**

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



### **Numan Bek**

**Executive Vice President  
(International Banking and Investor Relations)**

Numan Bek graduated from Cukurova University, Faculty of Economics and Administrative Sciences, Department of Economics. He joined VakıfBank as Assistant Auditor in 1993, assumed the position of General Manager at VakıfBank's New York Branch and served as General Manager and Board Member at VakıfBank International AG, respectively, after working as Assistant Manager in the Bank's Department of Treasury. Prior to his appointment as the Bank's Executive Vice President in July 2012, Mr. Bek had served as Executive Vice President responsible for International Banking at T.C. Ziraat Bankası A.Ş. and as Board Member, Audit Committee Member and Supervisory Board Member in its affiliates. He is fluent in English and German.

\* In accordance with the resolution adopted at the Board of Directors meeting held on June 28, 2012, Birgün Denli, International Banking and Investor Relations, resigned from her position as the Bank's Executive Vice President, and was appointed Executive Vice President of Güneş Sigorta A.Ş., a VakıfBank affiliate. In accordance with the resolution adopted on July 4, 2012, Numan Bek was appointed Executive Vice President, and took office as of July 18, 2012.

## Internal Systems Executives

### **Mustafa Saydam**

#### **Head, Board of Internal Auditors**

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

### **Ramazan Sıryol**

#### **Head, Internal Control**

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

### **Zeki Sözen**

#### **Head, Risk Management**

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

## Committees

### Audit Committee

Ali Fuat Taşkesenlioğlu and Halim Kanatçı were elected to the Audit Committee that was established to assist VakıfBank Board of Directors in executing its auditing and oversight functions.

The Audit Committee has assumed the following duties and functions:

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

### Credit Committee

VakıfBank's Credit Committee consists of the General Manager and two full members and two substitute members. The full members are Sadık Tiltak and Ramazan Gündüz; substitute members are Halim Kanatçı and Ali Fuat Taşkesenlioğlu.

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 documentation,
- Providing any type of information that may be requested by any of the members of the Board of Directors about the Committee's activities and cooperating in the performance of any checks and controls since the Committee's activities are audited by the Board of Directors,
- Recording the Committee's decisions on a daily basis and obtaining signatures of the Committee members.

### Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is responsible for overseeing the Bank's compliance with corporate governance principles. The Committee consists of three members of the Board of Directors: İsmail Alptekin, Ramazan Gündüz and Sadık Tiltak.

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

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

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

#### **Remuneration Committee**

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

#### **Asset Liability Management Committee**

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

#### **Committee Meeting Times and Attendance at Meetings**

**Board of Directors:** It generally convenes every 15 days and more frequently in case of emergencies. The Board of Directors convened for 38 meetings and passed 1,197 resolutions in 2012.

**Audit Committee:** The Audit Committee generally convenes once a month. The Audit Committee convened for 37 meetings and passed 160 resolutions in 2012.

**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 urgency status. The Committee convened for 30 meetings and passed 83 resolutions in 2012.

**Asset Liability Management Committee:** Convening weekly, the Committee held 52 meetings in 2012.

**Corporate Governance and Nominating Committee:** It convenes at the dates specified by the Committee Chairman generally every three months or at least twice a year, but not to exceed six months between meetings. The Committee convened for 4 meetings and passed 4 resolutions in 2012.

**Remuneration Committee:** It meets at least once a year. The Committee convened once and passed 3 resolutions in 2012.

- Mr. Halil Aydoğan resigned from his Compensation Committee member position on March 1, 2013.
- Mr. Halim Kanatçı, resigned from his Audit Committee member position, and was assigned as a full member of the Credit Committee from the substitute member position on March 1, 2013.
- Mr. Ahmet Candan was appointed as a substitute member of the Credit Committee on March 1, 2013, and as a member of the Corporate Governance and Nominating Committee on January 16, 2013.
- Mr. İsmail Aptekin was appointed as a member of the Remuneration Committee on March 1, 2013.
- Mr. Ramazan Gündüz resigned from his full member of the Credit Committee and member of the Corporate Governance and Nominating Committee positions, and was appointed as member of the Audit Committee on March 1, 2013.

## Human Resources Practices

VakıfBank sees its employees as capital that should be invested in, not as a resource to be managed; and the Company takes this strategic approach to make a difference within the banking sector, one of the most competitive sectors in the developing world. The Bank continued to implement human resource practices that aim to help employees acquire new skills and accomplish achievements, while instilling VakıfBank values and corporate culture among the workforce in 2012.

With the assistance of competence and performance assessments, VakıfBank continuously monitored employees and supported their personal development with various trainings, based on their assessment results. Due to the growing need for personnel, driven by the expansion of the branch network across the country, the Bank recruited 1,968 new staff members in 2012; as a result, VakıfBank ranked among those banks that provided the most new employment opportunities. During the year, 727 employees left the Bank due to retirement, resignation or other reasons. At year's end, VakıfBank employed 13,463 personnel, up 10.2% from 2011.

VakıfBank accepts applications from candidates who graduated from Turkey's leading universities with a banking related degree. The Bank gives preference to those candidates who strive to improve themselves, hold advanced degrees, speak a foreign language, have personality traits that suggest easy adaptability to the corporate culture, can quickly identify internal/external customer needs and who can create solutions. The ratio of employees holding a two-year college degree and above to total personnel rose from 81% at end-2011 to 84% at year's end 2012.

The Bank planned and carried out trainings for the entire workforce in 2012, with the Training Department determining the subject areas and content covered based on a performance needs analysis. In 2012, 1,866 classroom training sessions were conducted on 403 different topics; some 44,583 participants received a total of 397,005 hours of training. With a workforce that averaged 12,616 employees during the year, the Bank administered classroom training to 10,739 personnel while 7,214 staff members attended multiple training sessions. In addition, 179,251 participants attended e-learning sessions in 72 different subject areas in 2012.

VakıfBank also places utmost importance on internationally recognized certifications and actively encourages employees to enroll in these certificate programs. Currently, a large number CDCS (Certified Documentary Credit Specialist), CTF (Certificate of Trade Finance) and CAMS (Certified Anti-Money Specialist) certified employees serve in the Bank's various departments.

Taking into account their competencies and respective job positions, Bank personnel are given measurable, attainable and realistic performance targets; and, in line with these targets, employee performance is measured with an objective and fair evaluation, and bonus payments are made accordingly. The Bank makes these cash payouts, which aim to incentivize employees, after a six-month performance follow-up.

VakıfBank's Human Resources Department has set the following strategic goals for 2013:

- Continue hiring activities in 2013 in line with personnel needs that will result from the Bank's growth strategy,
- Administer advancement exams to meet growing need for managers arising from the opening of new branches while simultaneously fulfilling employee career target expectations,
- Create an organizational structure based on specialization of personnel in roles suitable for their capabilities,
- Plan career paths of employees based on their skills, performance and the trainings received,
- Continue efforts to increase corporate loyalty in order to create an organization of employees who have all adopted the corporate culture,
- Conduct the "Internal Customer Satisfaction Survey" which reveals the satisfaction levels and expectations of Bank personnel with the branches, business units and the operations of these units, in order to strengthen the coordination between the branches and the Bank's Head Office departments and monitor their performance,
- Make the necessary modifications to the Bank's Human Resources Bylaws, Specialized Personnel Bylaws and Human Resources Department Tasks Bylaws to make the Bank's human resources practices more effective and objective,
- Ensure that employees continue to use their remaining annual leave from previous years, pursuant to a set plan,
- Monitor the performance of personnel who are or will become eligible for retirement in 2013; Those with declining performance will be retired while the ones who are still performing effectively will be retained.
- Conduct a training program as determined by the Training Department in line with its training needs analysis, with an emphasis on e-learning.

## Outsourced Support Services

VakıfBank procures support services from various companies in order to improve its service quality and maximize customer satisfaction pursuant to the Regulation on Procurement of Support Services of Banks, Banking Law No. 5411 dated May 11, 2011 and numbered 28106.

The Bank receives support services from the following companies with the condition that the authority of governance, content, access, control, supervision and update remains with the Bank:

### **For private security and cash transportation services received from companies in accordance with Law No. 5188 on Private Security Services:**

- Group 4 Securicor Güvenlik Hizmetleri A.Ş.
- Desmer Güvenlik Hizmetleri A.Ş.
- Loomis Güvenlik Hizmetleri A.Ş.
- Ekol Grup Güvenlik Ltd. Şti.
- Oran Güvenlik ve Eğitim Dan. Hizm. A.Ş.
- Securitas Güvenlik Hizmetleri A.Ş.

### **For the maintenance of IT systems software services:**

- Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.
- Basistek Bilgi Teknolojileri Sanayi ve Ticaret Ltd. Şti.
- Diebold ATM Cihazları Tic. A.Ş.
- Emse Elektronik Mek. Sis. End. Müh. San. ve Tic. A.Ş.
- Eretim Bilgisayar Hizmetleri ve Danışmanlık Ltd. Şti.
- Etcbase Yazılım ve Bilişim Teknolojileri Ltd. Şti.
- Finar Enformasyon ve Dan. San. Tic. A.Ş.
- Gantek Teknoloji Bilişim Çözümleri A.Ş.
- Hayat Teknoloji Bilgisayar Sistemleri Kart Basım Hizmetleri Sanayi ve Tic. Ltd. Şti.
- IBM Global Services İş ve Teknoloji Hizmetleri Tic. Ltd. Şti.
- Ics Financial Systems Ltd.
- Innova Bilişim Çözümleri A.Ş.
- Infina Yazılım A.Ş.
- Kartek Kart ve Bilişim Teknolojileri Tic. Ltd. Şti.
- Key İnternet Hizmetleri Bilgisayar Yazılım Don. Mühendislik Müh. San. ve Tic. Ltd. Şti.
- Onuss Ortak Nokta Uluslararası Haberleşme Sistem Servis Bilgisayar Yaz. Dan. ve Dış Tic. Ltd. Şti.
- Pozitron Yazılım A.Ş.
- Sigma Danışmanlık ve Uygulama Merkezi A.Ş.

- Softtech Yazılım Teknolojileri Araştırma Geliştirme ve Paz. Tic. A.Ş.
- Software Ag Bilgi Sistemleri Ticaret A.Ş.
- Turktrust Bilgi İletişim ve Bilişim Güvenliği Hiz. A.Ş.
- Provus Bilişim Hizmetleri A.Ş.
- Uzman Bilişim Danışmanlık A.Ş.
- V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Dan. Hiz. Tic. A.Ş.
- Verifone Elektronik ve Danışmanlık Ltd. Şti.
- Troy Trm Enformasyon ve Yazılım Ltd. Şti.

### **For Call Center services:**

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

### **For marketing and data entry services:**

- Infoverify Danışmanlık Hizmetleri A.Ş.
- Eml Elektronik Sistemleri San. A.Ş.

### **For the printing of valuable papers:**

- Mtm Holografi Güvenlikli Basım ve Bilişim Teknolojileri San. ve Tic. A.Ş.

### **For human resources services:**

- Vakıf Pazarlama Sanayi ve Ticaret A.Ş.
- Gny Tanıtım İletişim Hizmetleri ve Dış Tic. Ltd. Şti.

### **For credit cards distribution services:**

- Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.

## **Transactions with the Bank's Risk Group**

The details of the transactions with the Bank's risk group in 2012 and related explanations are presented in the annual report as a footnote to Section VII of the independent audit report on unconsolidated financial statements.

# Corporate Governance Principles Compliance Report

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

Pursuant to resolution No.: 83139 dated April 6, 2012 of the Bank's Board of Directors, İsmail Alptekin, independent member, Ramazan Gündüz, independent member, and Sadık Tiltak are each appointed as members of the Corporate Governance and Nominating Committee. İsmail Alptekin serves as the Chairman of this Committee.

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

## CHAPTER I - SHAREHOLDERS

### 1. Shareholder Relations Unit

Türkiye Vakıflar Bankası T.A.O. has adopted the Corporate Governance Principles issued by the Capital Markets Board and works diligently to comply with these principles.

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

1- A separate unit at the Bank Head Office under the Department of Investment Banking is responsible for shareholder relations. The Shareholder Relations Unit reports to Executive Vice President Dr. Hasan Ecesoy.

Personnel serving in the Shareholder Relations Unit are listed below.

Name & Surname	Title	Telephone Number	E-mail Address
Dr. Adnan Güzel	Head	+90 212 398 12 40	adnan.guzel@vakifbank.com.tr
Özlem Öz	Manager	+90 212 398 12 60	ozlem.oz@vakifbank.com.tr
Hakan Dereli	Assistant Manager	+90 212 398 12 53	hakan.dereli@vakifbank.com.tr
Sezin Canbulat	Specialist	+90 212 398 12 28	sezin.canbulat@vakifbank.com.tr
Korcan Temur	Assistant Specialist	+90 212 398 12 46	korcan.temur@vakifbank.com.tr
Levent Yavuz	Assistant Specialist	+90 212 398 12 39	levent.yavuz@vakifbank.com.tr
Aykut Olcay Ülke	Assistant Specialist	+90 212 398 12 38	aykutolcay.ulke@vakifbank.com.tr

Fax: +90 212 398 12 75

The main activities of the Shareholder Relations Unit that serves domestic investors includes:

Providing accurate, clear, comprehensive and complete information concurrently to the Bank's shareholders and investors, excluding information that is considered confidential and trade secret:

- Organizing periodic meetings with the participation of the Bank's management to provide information to the Bank's shareholders and investors;
- Ensuring that the General Assembly meetings are held in accordance with applicable legislation, the Articles of Incorporation and the internal regulations of the Bank;
- Preparing and delivery of the documents to be presented to shareholders during the General Assembly meetings;
- Taking all necessary actions and measures to ensure investor satisfaction through provision of Bank services;

## Corporate Governance Principles Compliance Report

- Executing capital increase transactions and ensuring the use of bonus share rights and the tracking of existing shares in the dematerialized system;
- Ensuring the flow and execution of procedures required for dividend payment to shareholders, if the General Assembly adopts the resolution on dividend distribution;
- Publishing of the material event disclosures of Türkiye Vakıflar Bankası T.A.O. and other communications to the investors and the Istanbul Stock Exchange on the Bank's website;
- Disclosing of all types of necessary information and documents to the investors, shareholders and other related parties in the Investor Relations section on the Company's website ([www.vakifbank.com.tr](http://www.vakifbank.com.tr)), published in Turkish, and regularly updating the website.

In 2012, a total of 604 requests for information were received by the Shareholder Relations Unit and the Customer Problems Solution Unit; all requests were responded to via the fastest communication channel possible.

2- Personnel serving in the Investor Relations Department, reporting to Executive Vice President Numan Bek, are listed below with their contact information.

Name & Surname	Title	Telephone Number	E-mail Address
Mustafa Turan	Head	+90 212 316 73 90	mustafa.turan@vakifbank.com.tr
Ali Tahan	Assistant Manager	+90 212 316 73 36	ali.tahan@vakifbank.com.tr
Zeynep Nihan Candan	Associate	+90 212 316 73 83	zeynepnihan.candan@vakifbank.com.tr
Nergis Yüksel	Associate	+90 212 316 73 84	nergis.yuksel@vakifbank.com.tr
Sedat Erdoğan	Assistant Associate	+90 212 316 73 85	sedat.erdogdu@vakifbank.com.tr
Ayçenur Kilerci	Officer	+90 212 316 73 92	aycenur.kilerci@vakifbank.com.tr

The main activities of the Investor Relations Department include:

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

Additionally, the Bank provides the email addresses [yatirimciiliskileri@vakifbank.com.tr](mailto:yatirimciiliskileri@vakifbank.com.tr) and [investorrelations@vakifbank.com.tr](mailto:investorrelations@vakifbank.com.tr) to its investors for dedicated access.

The main activities of the Investor Relations Department devoted to international investors in 2012 are stated below:

The Department participated in a total of 11 Investor Relations Conferences: four in Istanbul, three in London, and one each in New York, Dubai, Miami and Göcek, Turkey.

A total of 91 meetings took place during conferences, road shows and at the Bank's Istanbul office; one-to-one meetings were held with a total of 273 investors/analysts.

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

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

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

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

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

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

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

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

The Investor Relations Group received approximately 1,200 information requests in 2012 and all requests were responded to via the fastest communication channel.

## 2. Exercise of Shareholders' Right to Obtain Information

In 2012, the Investment Banking Shareholder Relations Group and the International and Investor Relations Group responded to a combined total of 1,804 requests for information. All information and developments related to the date of the General Shareholders' meeting, minutes of General Shareholders' meetings, financial statements, material event disclosures and other Bank affairs are disclosed to relevant parties via the Bank's website, press releases, mailings and by phone. The International and Investor Relations Unit makes announcements to investors outside the country via email.

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

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

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

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

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

## Corporate Governance Principles Compliance Report

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

The Bank continues to conduct studies to improve the investor relations function on the Bank's website to expedite the exercise of shareholders' rights to obtain information and other shareholding rights.

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

Pursuant to Article 24 of the Banking Law and Article 73 of Türkiye Vakıflar Bankası Articles of Incorporation, Board Members Halim Kanatçı and Ali Fuat Taşkesenlioğlu are also serving as members of the Audit Committee.

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

### 3. Information on the General Assembly Meetings

During the calendar year 2012, the Bank's 58th Ordinary General Shareholders' meeting was held on March 30, 2012. The regulations on General Shareholders' meetings are stipulated in the Charter and the Articles of Incorporation of Türkiye Vakıflar Bankası T.A.O., which are available on the Bank's website for review.

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

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

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

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

The annual report contains information on the 2012 operations of the Bank, information on the executive management, the Bank's balance sheets, notes to the balance sheet, independent auditors' report, auditor's report, Board of Directors' dividend distribution proposal, with Corporate Governance Principles Compliance Report and other relevant information. Upon request, the Investment Banking Shareholder Relations Group provides shareholders with a copy of the annual report before or after the General Shareholders' meeting.

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

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

The agenda, place, time of the General Assembly, the minutes of the meeting and the resolutions adopted are also made public and disclosed to shareholders by way of Material Event Disclosures following the General Shareholders' meeting and at the same time are published on the Bank's website at [www.vakifbank.com.tr](http://www.vakifbank.com.tr).

#### 4. Voting Rights and Minority Rights

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

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

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

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

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

#### 5. Dividend Payment Policy and Timing

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

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

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

#### 6. Transfer of Shares

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

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

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

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

### CHAPTER II - PUBLIC DISCLOSURE AND TRANSPARENCY

#### 7. Bank Information Disclosure Policy

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

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

- Announcement of issues (agenda, proxy, invitation to shareholders) to be discussed at the General Shareholders' meeting via print media and the Internet;
- Announcements and disclosure of amendments to the Articles of Incorporation, General Assembly meetings, capital increase and dividend distribution through the Turkish Trade Registry Gazette and daily newspapers;
- Annual reports are prepared before the annual General Assembly meeting, in accordance with the Banking Regulation and Supervision Agency (BRSA) regulations; contain statutorily required information and announcements; are made available to shareholders for review; are published on the Bank's website (<http://www.vakifbank.com.tr>); and hard copies are provided upon request by the Investor Relations Group and branches;
- Disclosure of the Bank's dividend policy via the Istanbul Stock Exchange (Public Disclosure Platform-PDP) at [www.kap.gov.tr](http://www.kap.gov.tr) and on the Bank's website at [www.vakifbank.com.tr](http://www.vakifbank.com.tr);
- Submission of quarterly unconsolidated and consolidated financial statements and notes to the statements prepared in accordance with BRSA regulations, and the independent audit report, to the Public Disclosure Platform within the statutorily defined period and the announcement of these reports and information on the Bank's website;
- Submission of Material Event Disclosures to the ISE's Public Disclosure Platform in a timely manner, as required by Capital Markets Board (CMB) regulations;
- The Bank issues press releases via print or visual media when necessary. Such press statements are made only by the Chairman of the Board of Directors, the General Manager or the Executive Vice President or other executives to be authorized by the Chairman of the Board of Directors, the General Manager or the Executive Vice President.

#### 8. Disclosure of Material Events

The Bank issued 157 material event disclosures in 2012, pursuant to the Communiqué on the Principles Related to the Public Disclosure of Material Events issued by the Capital Markets Board. These material disclosures pertained to issues affecting the Bank or the Bank's operations.

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

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

#### 9. Bank Website and its Contents

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

**A- About the Bank**

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

**B- Financial Highlights**

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

**C- Material Event Disclosures**

- Disclosures made in 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012.

**D- Corporate Governance Report**

- Corporate Governance Report.

**E- Information Disclosure Policy****F- General Assembly**

- Ordinary General Shareholders' Meeting Agenda, Invitation to Shareholders, Sample Power of Attorney and Annual Report,
- General Assembly List of Attendees,
- Minutes of General Assembly Meetings,
- Dividend Distribution.

**G- Issuance of Debt Instruments****H- Notices and Disclosures****10. Disclosure of Real Person Ultimate Controlling Shareholder(s)**

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

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

**11. Public Disclosure of People with Access to Insider Information**

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

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

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

## Corporate Governance Principles Compliance Report

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

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

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

### CHAPTER III - STAKEHOLDERS

#### 12. Disclosure of Information to Stakeholders

Vakıfbank stakeholders and investors are informed in accordance with the public disclosure principles. In addition, the corporate website is also used to make disclosures to stakeholders.

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

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

#### 13. Stakeholder Participation in Management

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

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

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

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

#### 14. Human Resources Policy

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

The Bank recruits new personnel in order to meet the staffing needs from the opening of new branches and business units, and from expanding business volume in connection with the Bank's growth strategy. Staffing needs include the positions of Assistant Auditors, Financial Analysts, Assistant Specialists and Bank Officers. The Bank accepts applications from candidates with four-

year banking related degrees from Turkey's top universities; candidates who hold advanced degrees, who are fluent in foreign languages and who are motivated for self-development were preferred.

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

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

VakifBank strives to create a human resources structure based on job specialization within an employee's competencies. As a result, the Bank maps out the career advancement of personnel based on their job performance measurement and training results in his/her field. VakifBank has adopted a human resources culture that develops future executives from within its own ranks. To this end, the Bank assesses and monitors employees with management potential and provides them with training to acquire the skills necessary to assume executive positions. VakifBank actively works to foster employee loyalty and encourage adoption of the corporate culture by personnel.

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

Relations between the employees and the employer are managed through the Union directors and representatives. Requests and complaints of Bank employees that pertain to working conditions, benefits, duties and responsibilities are notified to the employer by the union representatives and then followed up closely. Up until this date, employees have filed no complaint concerning discrimination. The names and positions of the union directors are listed below.

Name & Surname	Position
Turgut Yılmaz	Chairman
Mustafa Eren	General Secretary
Salih Kalfa	General Secretary for Finance

#### 15. Relations with Customers and Suppliers

The Bank established the Customer Problems Solution Unit, accessible via the Internet, to ensure customer satisfaction. All suggestions, complaints or positive feedback about the Bank's products and services are communicated to the relevant unit via email. Additionally, customers can perform all banking transactions through a direct call to Vakifbank 7-24 branch at 444 0 724.

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

#### 16. Social Responsibility

Thanks to its past history of operating as a foundation and in keeping with its corporate image of a bank that understands customers who are in need, Vakifbank implemented important initiatives in the area of social responsibility in 2012.

Among the Bank's varied efforts that span widely diverse areas from education to sports sponsorships, cultural publications to international events, these initiatives stood out in their scope and importance during the reporting year:

## Corporate Governance Principles Compliance Report

The “VakıfBank ZİÇEV Boarding School and Rehabilitation Center for Mentally Impaired Children” commenced construction in Manisa in July and is scheduled for completion by year’s end. The facility will provide comprehensive services to 50 students who are in need of specialized care. The Center will include the training and medical equipment necessary for the treatment and rehabilitation of mentally impaired children. Since it is also a boarding school, the facility will also provide a solution to a huge problem suffered by families of these youth in need. The Center has received a budget allocation for a promotional and donations campaign for this year to ensure that the Bank’s shareholders make a contribution to this important project. The rehabilitation facility has attracted attention as offering the most advanced services of the 30 similar schools that are spread across Turkey to begin operations in 2013.

VakıfBank’s primary sponsorship of the Women’s National Volleyball Teams that began in October 2010 became the source of additional pride for the Bank in 2012. The Women’s A National Volleyball Team made Turkish sports history when it became the champions of the Olympic Games Continental Elimination Tournament. In addition, the Young Girls Volleyball Team, comprised of the players of the Young Women’s National Volleyball Team that won the 2011 European and World Championships, again broke new ground by becoming the European Champions in 2012.

The VakıfBank Sports Club, which became the European Women’s Volleyball Champion and World’s Second Place Club in 2011, played in the finals in the Turkish League in 2012; the Club also played in the semi-finals of the Turkish Cup and the quarter-finals of the European Champions League. The Club also continues to send the highest number of players to the national teams from all of the age categories.

VakıfBank’s art gallery in Istanbul continued to host artists and arts lovers in 2012. In addition to the exhibitions held at the gallery throughout the year, the Bank’s own Turkish Folk Music and Turkish Classical Music choir, comprised of Bank personnel, continued to enrich the country’s arts and cultural scene through its various concerts.

VakıfBank was once again the main sponsor of the “VakıfBank TFMD 2012 Press Photos of the Year” contest organized by the Photojournalists Association of Turkey (TFMD). Use of the VakıfBank name in the title of this competition, considered among the leading events in the field, ensured that this prestigious contest is closely identified with the Bank.

The Istanbul Finance Summit – 2012, which played host to leading finance experts, renowned institute leaders and investment consultants from around the world, was another landmark event held under the VakıfBank sponsorship banner. In keeping with its vision of becoming “The most preferred bank of the region,” VakıfBank participated in this important global financial summit and also had the opportunity to directly network with the important representatives from the finance world during the event.

VakıfBank, a corporate supporter of the public footrace held by the İzmir Karşıyaka Municipality, also ranked among the sponsors of the “Women in Business Summit” organized by the Aegean Business Women Association.

Additionally, VakıfBank was the promotional sponsor of the new uniforms of Ministry of Customs personnel and the Bank continued its support of TEMADER, an association of terrorism victims and their families. The Bank also sponsored a seminar conducted by TEBİAT (Tourism, Economy, Scientific Research and Introduction Center) on the new Turkish Commercial Code. Furthermore, the Bank sponsored the International Regional Collaboration and Development Symposium and the Third Mass Transportation Week organized by İETT, the Istanbul transit authority.

VakıfBank, having moved its Head Office to Istanbul, crowned this historic event with the publication of a book titled “World Heritage İstanbul.”

In the coming years, VakıfBank plans to continue its support to initiatives in the fields of education, sports, arts and culture as well as in finance, which the Bank has proudly supported for many years.

## CHAPTER IV – BOARD OF DIRECTORS

### 17. Structure and Formation of the Board of Directors and Independent Members

Name & Surname	Position	Start Date
Halil AYDOĞAN	Board Chairman	05.01.2012
	Board Member (A)	04.01.2012
	Member of Remuneration Committee	26.01.2012
Halim KANATCI	Board Member (A)	28.04.2009
	Board Vice-Chairman	06.04.2012
	Member of Audit Committee	03.11.2010
	Alternate Member of Credit Committee	06.04.2012
Süleyman KALKAN	General Manager Managing – Ordinary Member of the Board	19.03.2010
İsmail ALPTEKİN	Board Member (A) – Independent	06.04.2009
	Member of Corporate Governance and Nominating Committee	07.04.2009
Ahmet CANDAN	Board Member (A)	19.03.2010
Dr. Adnan ERTEM	Board Member (B)	28.10.2010
	Member of Remuneration Committee	26.01.2012
Ramazan GÜNDÜZ	Board Member (C) – Independent	06.04.2009
	Full Member of the Credit Committee	07.04.2009
	Member of the Corporate Governance and Nominating Committee	06.04.2012
Sadık TILTAK	Board Member (C) – Independent	30.03.2012
	Full Member of the Credit Committee	06.04.2012
	Member of the Corporate Governance and Nominating Committee	06.04.2012
Ali Fuat TAŞKESENLİOĞLU	Board Member (D) – Independent	30.03.2012
	Member of the Audit Committee	06.04.2012
	Substitute Member of the Credit Committee	06.04.2012
<b>AUDITORS</b>		
Mehmet HALTAŞ	Auditor (A)	19.03.2010
Yunus ARINCI	Auditor (C)	19.03.2010

### 18. Qualifications of the Board Members

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

## Corporate Governance Principles Compliance Report

### 19. Mission, Vision and Core Values

**Mission:** Continuously increasing the value delivered to clients, employees, shareholders and society at large by managing the assets and values the Bank has been entrusted with in an effective and efficient manner through strength derived from the Vakif culture.

**Vision:** Becoming the best, most preferred and most value creating bank in the region.

#### Core Values:

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

### 20. Risk Management and Internal Control Mechanism

#### Internal Control and Compliance

Pursuant to Articles 23, 24, 29, 30, 31 and 32 of the Banking Law, banks are obliged to establish and operate an efficient and effective internal control and risk management system that is compatible with the scope and composition of their operations and with changing conditions, covering all branches and consolidated subsidiaries, with the purpose of monitoring risk exposures and ensuring risk control.

Within this framework, the internal control activities of the Bank are performed covering the Bank's domestic and overseas branches as well as Head Office departments, consolidated subsidiaries and all of banking operations pursuant to the provisions of the "Regulation on the Banks' Internal Systems" published by the BRSA in the Official Gazette numbered 28337, dated June 28, 2012.

The Bank's internal control activities are carried out under the supervision and inspection of the Audit Committee in such a way as to safeguard the Bank's assets and to ensure that the Bank's operations are carried out on a regular, effective and efficient basis in accordance with the Banking Law and other applicable legislation, the Bank's internal policies, rules and banking practices; and that the internal control activities are executed to ensure that the accounting records are complete and valid and the financial reporting system provides reliable, consolidated and timely information.

Within this scope, the implementation procedures, work flows, authorization and approval mechanisms, cross checks, signing authority and automatic controls are defined to prevent errors and misconduct in office.

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

The Bank evaluates the projects of its business units and defines necessary audit points; in addition, the Bank performs a thorough audit and monitors these projects, with the aim of regularly increasing the effectiveness of audit activities, improving the internal-control mechanisms and decreasing operational risks.

The Compliance Department operates in accordance with the provisions of the Regulation Regarding Banks' Internal Systems and other applicable legislation in order to manage the compliance process at the Bank more effectively and efficiently. The Department also conducts its activities pursuant to Law No. 5549 Regarding Prevention of Laundering Proceeds of Crime and implements the required legal actions to prevent laundering of proceeds of crime and financing of terrorism. In addition, the Compliance Department ensures that the Bank complies with legislative changes by closely monitoring the current legislative developments that relate to banking activities.

Pursuant to the “Regulation on the Supervision of the Bank Information Systems and Banking Processes and the Circular on the Governance Statement” issued by the BRSA and to executed independent audit firms, the Bank’s Board of Directors is required to present a governance statement about internal controls on information systems and banking processes to the Bank’s independent audit firm; to this end, the Bank presented the governance statement covering the 2012 audit period in January 2013.

#### **Risk Management**

The Board of Directors is responsible for establishing internal systems pursuant to the “Regulation on Banks’ Internal Systems” and to ensure the effective, efficient and relevant operation of these systems.

In this context, the Board of Auditors, the Internal Control Department and the Risk Management Department have been established to work in collaboration with each other, each having clearly defined duties and responsibilities, and to avoid conflicts of duty.

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

#### **21. Powers and Responsibilities of the Board Members and Executives**

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

#### **22. Operating Principles of the Board of Directors**

The Bank’s Board of Directors shall convene when deemed necessary for the operations of the Bank, upon the invitation of the Chairman or at the request of at least two members, no less than twice every month. However, if there is no issue on the agenda, the meeting may be postponed, at the Chairman’s discretion, for only once (Article 53 of the Articles of Incorporation).

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

Briefing and communications activities for the Bank’s Board of Directors are carried out by the Board of Director’s Secretariat Office.

During 2012, the Board of Directors convened 38 times. All opinions and oppositions expressed by the members during the Board meetings are reported in the minutes of the meeting. Board Members physically attend the meetings held to discuss the items listed in Article 2.17.4 of the Corporate Governance Principles, Part IV, issued by the Capital Markets Board.

#### **23. Prohibition on Engaging in Transactions and Competing with the Company**

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

#### **24. Ethical Rules**

Pursuant to its objectives of protecting stability and reliability in the banking sector by preventing unfair competition, improving service quality and maintaining the reputation of the banking profession before the public, the Board of Directors adopted the Bank’s Banking Ethical Rules, issued by the Banks Association of Turkey with Board resolution numbered 74205, dated February 16, 2006, and the Bank has undertaken to comply with these rules. This resolution was approved by the General Assembly held on March 31, 2006.

## Corporate Governance Principles Compliance Report

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

The Audit Committee, Credit Committee, Corporate Governance and Nominating Committee and Remuneration Committee were established by the Board of Directors in accordance with Banking Law No. 5411, the Regulation on the Banks' Corporate Governance Principles issued by the Banking Regulation and Supervision Agency (BRSA), the Corporate Governance Principles issued by the Capital Markets Board (CMB) and pursuant to the Bank's Articles of Incorporation.

The Audit Committee is comprised of Halim Kanatçı, appointed on November 3, 2010, and Ali Fuat Taşkesenlioğlu, appointed on April 6, 2012. The Audit Committee convenes at minimum once in a month on a date set by the Chairman of the Audit Committee.

The Credit Committee is comprised of a Chairman, two full members and two substitute members. Full members of the Credit Committee are Ramazan Gündüz and Sadık Tiltak; substitute members are Ali Fuat Taşkesenlioğlu and Halim Kanatçı. The Credit Committee generally convenes once every 15 days, and holds an extraordinary meeting in urgent cases. The Committee's meeting date is set by the Chairman according to the number and urgency of the agenda items that are received by the meeting secretary.

The Corporate Governance and Nominating Committee is comprised of Ramazan Gündüz, Sadık Tiltak and İsmail Alptekin. The Committee generally convenes once every three months or at minimum twice in a year on semi-annual basis on a date determined by the Committee Chairman.

The Remuneration Committee was established on January 26, 2012; the members of this Committee are Halil Aydoğan and Dr. Adnan Ertem.

### 26. Remuneration to the Board of Directors

The Chairman, Vice-Chairman and Members of the Board of Directors receive an annual salary that is determined by the General Assembly annually and that is implemented with the approval of the Prime Minister.

**İsmail ALPTEKİN**  
Corporate Governance and  
Nominating Committee Member

**Ramazan GÜNDÜZ**  
Corporate Governance and  
Nominating Committee Member

**Sadık TILTAK**  
Corporate Governance and  
Nominating Committee Member

## Statutory Auditor's Report

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

The activities of Türkiye Vakıflar Bankası T.A.O. for 2012 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 2012. The Bank's issued capital is TL 2,500,000,000 within the authorized capital limit of TL 5,000,000,000. The Bank's total shareholders' equity grew 28.17% over the previous year and reached TL 11,918,154,000.

The unconsolidated capital adequacy ratio rose 2.76 points and stood at 16.14% at year-end 2012.

In 2012, the Bank's total assets increased 17.26% compared to the previous year and amounted to TL 104,580,263,000. The loan portfolio rose 18.89% while total deposits grew 10.34% over the previous year. The Bank's total deposits to total loans ratio, which was 94.04% in 2011, grew to 101.32% in 2012.

The Bank issued TL 2,430,313,000 in bonds and bills in order to provide long-term funding to its customers. The Bank renewed its syndicated loan facility in 2012 and total borrowings decreased 9.25% compared to last year and amounted to TL 7,475,483,000. The Bank also obtained TL 1,639,549,000 in long-term subordinated loans in 2012. As result of its loan allocation and marketing strategy focused on small and medium enterprises, the Bank increased SME loan placements by 95.66% and SME lending totaled TL 17,038,400,000 in 2012. The Bank recorded profit of TL 1,460,080,000 in 2012, a 19.02% rise from the prior year.

The Bank continued to invest in improvements and enhancements to its information technology infrastructure in 2012; progress has been made in the in-house project underway to update the main banking software.

The Bank opened 64 new branches in the current period and the number of domestic branch locations increased to 741. In parallel, the Bank recruited 1,241 new employees in assistant controller, assistant financial analyst, assistant specialist and officer positions by way of examinations offered in the reporting period; as a result, the Bank increased its total workforce to 13,463 personnel. In line with the Bank's commitment to provide continuous training for its personnel, it has been observed that Bank employees attended internal on-the-job training sessions as well as external domestic and international training programs.

It has also been observed that the Bank's audit mechanisms function effectively and that utmost care is exercised to keep any risky and fraudulent transactions under control. This is achieved by means of continuous on-site audits performed by the internal control unit as well as on-site and centralized audits performed by the Bank's internal auditors. In 2012, the issues identified by the internal control units have also been presented in the Management Statement, which was prepared in compliance with relevant BRSA regulations and approved by the Board of Directors.

VakıfBank's records and documents were kept in compliance with applicable laws and regulations; therefore, we kindly request that the independently audited balance sheet and the profit and loss accounts for 2012 are ratified, and that Board of Directors is released from liability.

Yours sincerely,

**Mehmet HALTAŞ**  
Auditor for Class "A" Group

**Yunus ARINCI**  
Auditor for Class "C" Group

## Evaluation of the Operation of Internal Systems and Operations

### Internal Audit Operations

During the year, the Internal Audit Department conducted on-site audits, centralized control, and information technology implementation audits in line with the Internal Audit Plan for 2012 which was developed with a risk-based audit approach.

In 2012, the Internal Audit Department performed on-site audits at all Bank branches, domestic and abroad; at the Bank's selected consolidated subsidiaries, which were determined according to the results of risk assessment studies; and at the companies that provide support services to the Bank's Head Office departments. The Department also audited the activities of the Bank's Information Technology Department. The audits were conducted to ascertain: whether or not the operations of the various organizational entities are performed in compliance with the Banking Law and other statutory regulations and in line with the Bank's strategies, policies, principles and objectives; the accuracy of financial data; adequacy of practices for the protection of assets; and the effectiveness of internal control and risk management systems.

Furthermore, centralized controls are conducted, with the help of computer-assisted remote audit techniques, at the Bank's branches and Head Office units for the early detection of conditions that create an element of risk for the Bank, in order to take necessary precautions as soon as possible.

To assist branch and department audit operations, the results of the inquiries that are carried out at the Head Office and that contain scenarios for the presence of risky situations, are forwarded to inspectors and to the Internal Control Department on a regular basis.

In 2012, the Bank's central audit team started to more closely monitor the risk situations within the branch network, to quickly intervene and to audit more specifically those branches with growing risk factors as detected by means of early warning mechanisms.

The Internal Audit Department regularly monitors the issues identified during audits until these issues are shared with authorized managers and corrective measures are taken.

Audits relating to information technologies are performed by auditors trained in this area and who have internationally recognized certifications.

In addition, the Internal Audit Department audits and investigates those activities of Bank personnel that are in violation of the law and those fraudulent activities of third parties against the Bank.

Through ongoing inspection and investigation activities, detection and elimination of risks are achieved, and the necessary measures are taken to preclude the occurrence of similar events in the future.

The Internal Audit Department provides auditors with in-house and external training opportunities that contribute to their professional development; the Department also encourages staff to obtain relevant certifications. In doing so, the Bank is ensured to have a skilled and well-trained internal audit team.

### Internal Control Operations

The Internal Control Department, reporting to the Audit Committee, works to ensure the protection of the Bank's assets; the performance of Bank operations in an efficient and effective manner and in compliance with the Banking Law and other applicable legislation, the Bank's policies and rules as well as banking practices; and the release of information by the accounting and financial reporting system in a reliable, complete and timely manner.

The Bank's internal control operations are performed within the scope of the "Regulation on the Internal Systems of the Banks" issued by the BRSA.

The internal control system is structured to cover the Bank's domestic and overseas branches and Head Office departments, consolidated subsidiaries and all operations.

Internal control activities include, at minimum, control and compliance inspections of operational activities, information and communication systems and the financial reporting system.

The Bank has adopted a proactive and preventive approach in internal control operations. The effectiveness of the internal control system is observed through the financial, operational and other control points, and necessary measures are taken for system development and to cover new, not-previously encountered or unspecified risks.

The internal control system is configured to keep risks, that may arise in the Bank's financial and operational activities, at a minimum level and under control, and to prevent them when necessary. Internal control operations and procedures are revised in accordance with rules and requirements that determine these activities.

Control programs for the branch locations are prepared in keeping with a risk focused controlling approach and by taking into account the changes in volumes, loan, deposit and non-performing loan volumes, and the results of the previous control period. The branches with a high level of operation related errors and riskiness are prioritized and differentiated in terms of allocated control time while programming the internal control activities.

Findings, opinions and recommendations that resulted from the internal control operations are initially shared and evaluated with the employees performing these operations. Therefore, the effectiveness of the internal control system increases by taking preventive and complementary measures, and the improvement of internal control processes and operations is provided. The deficiencies found as a result of these studies, along with comments and suggestions for process improvements, are subject to the Internal Control Reports. These reports are shared with the relevant units and senior management to make sure that necessary actions are taken.

With regards to the projects submitted by the Bank's business units related to existing and planned activities, and the implementation of new applications and processes, the Internal Control Department delivers opinion on the compliance of these projects with the Bank's internal policies and regulations, the Banking Law and other relevant legislation. Opinions on the possible risks and control points that should be formed relating to the applications and processes are provided.

Any findings identified during the internal control activities which gives rise to liabilities; which are contrary to legislation; which bear a high level of risk; which are considered to be unlawful, fraudulent or misconduct; and which are found out to cause the Bank's loss have been communicated to the Internal Audit Department.

In 2012, the staff of the Internal Control Department was supported by the recruitment of trainee controllers. In addition, by encouraging controllers to take open managerial positions, some Department personnel have been appointed to these positions; thus, the Bank maintained its policy of providing qualified personnel for managerial positions.

## Evaluation of the Operation of Internal Systems and Operations

Pursuant to the "Regulation on the Audit of the Bank Information Systems and Banking Processes by Independent Audit Firms and the Circular on Governance Statement," issued by the BRSA, the Bank's Board of Directors is required to present a governance statement about internal controls on information systems and banking processes to the Bank's independent audit firm. The studies were carried out to present the governance statement in January 2013, which covers the audit period of 2012.

In summary, the Bank's internal control activities are carried out in accordance with the objectives, policies and strategies of the Bank in an orderly, efficient and effective manner and pursuant to existing legislation and regulations. By monitoring the changing requirements, risks and technological developments and by taking the necessary measures related to internal control operations, The Bank aims to increase the efficiency of control activities and to reduce operational risks.

With regard to all activities carried out within the Bank, the aim is to provide systemic and organizational arrangements that enable departments to make controls within their own organizational entity and at the time of the execution of transactions; and therefore, to create an effective internal control system, to ensure that all personnel understand the importance of internal control and to create a corporate control culture involving all employees.

### Compliance Operations

The Bank established the Compliance Department pursuant to Law No. 5549 on Prevention of Laundering of Crime Proceeds and related regulations. The Bank reorganized the Department under the Internal Control Department after a Board of Directors resolution dated June 28, 2012, in order to have a more effective force against the laundering of crime proceeds and to prevent the use of the financial system by criminals.

By means of daily monitoring of the legislative changes related to banking activities, the Bank makes the necessary amendments to its internal regulations and practices. The Bank seeks clarification of those issues that are not clearly described and explained in the legislation through direct correspondence with official authorities. As such, the Bank implements the coordination required to keep the bylaws and regulations prepared by the Bank's business units up to date. The Compliance Department organizes the preparation of the Bank's view on draft legislation and on other banking related regulations prepared by the official authorities; the Department also submits these views to the Banks Association of Turkey. The Bank makes provisions to ensure the effective coordination and communication between the Bank and the Banks Association of Turkey.

The Bank fulfills all necessary legal obligations in accordance with legislation for the prevention of laundering proceeds of crime and financing of terrorism; the Bank also makes all necessary provisions for compliance with the legislation. The obligation to provide information and documents is fulfilled via the necessary communication and coordination with MASAK (Financial Crimes Investigation Board); the required research related to suspicious transactions is performed and transactions that are deemed suspicious are reported to MASAK. The Compliance Department represents the Bank in the MASAK the study group formed within the Banks Association of Turkey.

For the prevention of laundering proceeds of crime and financing of terrorism, the Bank closely monitors domestic and international legislation. The decisions made and the sanctions imposed by international organizations are followed and reflected in the Bank's business practices. In addition, the Bank engages in a mutual exchange of information with the correspondent bank network.

For new products and services, the Compliance Department submits its view in accordance with Law No. 5549 on Prevention of Laundering Proceeds of Crime and related regulations and communiqués.

In collaboration with the Training Department, classroom and e-learning trainings are administered to employees in order to raise awareness about the prevention of laundering proceeds of crime and the financing of terrorism.

## Management Policies Applied According to Risk Types

In 2012, risk management efforts continued in line with the Bank's risk management policies approved by the Board of Directors, pursuant to regulations, and in accordance with international practices. Basel II-based capital adequacy regulations, launched in parallel with the Basel I-based capital adequacy calculations in July 2011, became official with the regulations issued by Banking Regulation and Supervision Agency (BRSA) on June 28, 2012 and started officially to be reported as of July 2012.

The Bank prepared new policy and procedure documents, pursuant to applicable regulations, their appendixes, and the "Risk Management Strategy Document" and "Capital Requirements Internal Evaluation Process Document" by seeking the recommendations of the relevant units. These documents were then approved by the Board of Directors, announced within the Bank and disclosed to the BRSA.

The Bank followed the draft regulations of the Basel Committee, referred to as "Basel III," studied the possible effects of the regulations on the Bank's capital adequacy ratio and performed quantitative impact studies as requested by the BRSA.

The Bank also continued to conduct scenario analysis studies on the effects of economic developments and expectations on the capital adequacy ratio.

Within the framework of the "Regulation on Measurement and Assessment of Interest Rate Risk in the Banking Book by Standard Shock Method" published by the BRSA on August 23, 2011, the Bank started to calculate the standard ratio of the banking book interest rate risk on a monthly basis and reported the results to the BRSA. In order to monitor the ratio, which must be below 20%, and to take the required precautions on time, the Bank must perform these calculations on a weekly basis.

The Bank also closely monitors structural interest rate risk through gap/duration analyses. All analyses are presented to the Audit Committee and the Bank's executive management for their review and are discussed at the meetings of the Asset-Liabilities Management Committee.

In addition, the Bank completed studies on the VaR (Value at Risk) model by taking into account the changes in the structure of the Bank's portfolio and developments in domestic and international regulations.

Regarding operational risk management, the Bank continued collection and analysis of operational loss data and impact analysis on business processes in 2012.

Studies are ongoing to ensure compliance with Basel Committee and European Union Capital Adequacy Regulations and to develop risk management applications in accordance with international best practices.

**Market Risk:** The Bank is exposed to market risk depending on potential changes in foreign exchange rates, interest rates and the market price of stocks resulting from fluctuations in financial markets. The market risk arising from the Bank's trading activities is measured and monitored using the standard method and internal models in line with local and international banking practices. Market risk management is carried out pursuant to the "Market Risk Management Policy Document."

The market risk measurement results are calculated at the end of each month on an unconsolidated basis and in quarterly periods on a consolidated basis. The calculation uses the standard method under the provisions of the "Regulation on the Measurement and Evaluation of the Banks' Capital Adequacy." The results are reported to the Bank's executive management and to the Banking Regulation and Supervision Agency. The portfolio, which is used in the calculation, is determined under the Bank's "Trading Strategy, Policy and Implementation Procedures Document."

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

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

## Management Policies Applied According to Risk Types

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

**Structural Interest Rate Risk:** Interest rate risk, which the Bank may be exposed to due to maturity mismatch on its balance sheet, is managed pursuant to the "Structural Interest Rate Risk Management Policy Document." The standard ratio of the interest rate risk on the banking book is calculated on a monthly basis and reported to the BRSA; in order to monitor the ratio, which must be below 20%, and to take the required precautions, these calculations can be performed on a weekly basis. In addition, liquidity-gap analysis and duration results are analyzed. All analyses are reported to the Board of Directors, the Audit Committee and the Bank's executive management.

**Liquidity Risk:** The Bank's liquidity risk is managed in accordance with the "Liquidity Risk Management Policy Document." The Bank's approach for liquidity risk management is to monitor liquidity risk throughout the day on a continuous basis. To this end, cash inflows and outflows in both Turkish lira and foreign exchange are tried to be kept under control at any moment, long-term cash flow tables are prepared, and scenario analysis and stress tests based on the experiences and expectations are performed in order to determine the Bank's strength against sudden crises. The Bank also complies with liquidity-related regulations as established by regulatory authorities.

**Operational Risk:** Operational risk refers to the likelihood of damage, including legal risk, which may arise from inadequate or failed internal processes, people and systems or from external events.

The management of operational risks is performed in accordance with the "Operational Risk Framework," which was created for the determination and definition of all the significant risks faced by the Bank in comprehensive categories and which is a common dictionary containing examples of these risks, and the Bank's "Operational Risk Management Policy and Implementation Guidelines" document.

The evaluation of the operational risks is carried out by Internal Audit and Internal Control Departments.

In the management of operational risk, the Bank collects operational risk loss and potential risk data, which also enable the implementation of the advanced measurement approaches. Currently, the Bank has collected operational risk data for a 10-year period. The Bank analyzed operational loss data in order to identify the risk factors; the findings were presented to the Bank's executive management.

The Risk Management Department continued to conduct "Impact Analysis" studies, which cover the Head Office departments. These studies seek to take operational risks under control by identifying inefficient and inadequate controls and taking necessary measures through the analysis of the business processes. The operational risk management approach of the Bank aims to create a forward-looking control culture that encourages all employees to identify and evaluate the risks involved in their tasks, to report the risk-related issues to their managers, and to take necessary steps towards enhancement of the control function. The Impact Analysis studies are performed at working group meetings, using the self-evaluation method for use by the employees.

With regard to information systems risk management, in addition to the Impact Analysis activities, studies are carried out to define alternative systems with recovery time objective (RTO) and recovery point objective (RPO) related to the information systems used in business processes and to examine the effects of possible risks.

Reports and corrective action plans, issued upon completion of prior referenced studies, are reported to the relevant unit, the Audit Committee, executive management, the Internal Audit Department and the Internal Control Department. Action plans, which were developed, approved and implemented, are monitored to ensure whether they are implemented in the prescribed manner. The Bank plans to repeat the study at regular intervals.

In accordance with the "Regulation on Internal Systems of Banks" published in the Official Gazette No. 28337 dated June 28, 2012 by the BRSA, related to the transition to Basel II, the Bank updated the "New Product Development Bylaw" in 2012. The risk assessment of new products is carried out by the Risk Management Department.

Pursuant to the "Regulation on Procurement of Support Services by Banks" by the BRSA published in Official Gazette No. 28106 dated May 11, 2011, the Risk Management Department carries out risk assessments related to the purchase of support services in accordance with the updated "Application Procedures for Procurement of Support Services and Risk Management Program."

In keeping with the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" No. 28337 dated June 28, 2012 issued by the BRSA, the Bank calculates "Value at Operational Risk" using the Basic Indicator Approach on unconsolidated and consolidated bases; this information is reported to the Bank's senior management and the Banking Regulation and Supervision Agency annually. Our ultimate goal is the use of an advanced measurement approach in measuring operational risk.

**Credit Risk:** Credit risk arises from the failure of a counterparty to fulfill its obligations, partially or completely, in accordance with contractual requirements. The credit risk definition of the Bank takes the credit risk definition of the Banking Law as a basis and comprises the credit risks involved in all products and activities. Credit risk is managed pursuant to the "Credit Risk-Credit Risk Reduction-Residual Risk-Country Risk Management Policy Document."

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

The Bank uses rating and scoring models for assessing the borrower's credit quality. Sector concentration limits and country risk limits are fixed with an aim to define the risks resulting from credit concentrations and to create a well-balanced credit portfolio. These limits are updated taking into consideration the Bank's credit policy and macroeconomic developments.

In 2012, in line with BRSA regulations, the Bank started to use the standard approach under Basel II to measure credit risk. The Bank closely monitors the capital adequacy ratio, which is calculated daily and reported to senior management after scenario analysis/stress tests are applied.

The Bank's ultimate goal is to use credit risk internal methods in accordance with Basel II, the European Union Capital Adequacy Regulations and international best practices.

**Counterparty Credit Risk:** Counterparty credit risk is the risk that a counterparty to a mutual transaction, that obligates both parties, will default before the date of final payment of such transaction is due. This risk type is managed pursuant to the "Counterparty Credit Risk Management Policy Document."

Counterparty credit risk exposures are calculated on the basis of the banking book and the trading book portfolios, in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and using the fair value valuation method. Within the context of the capital adequacy calculations, the exposure values are reported to BRSA monthly on an unconsolidated basis and quarterly on a consolidated basis.

**Concentration Risk:** Concentration risk arises due to a specific concentration of the Bank's assets, liabilities, business lines, and the like; this risk type is managed pursuant to the "Concentration Risk Management Policy Document." The Bank establishes concentration limits, which are closely monitored and reported to senior management. Limits are controlled on a regular basis and revised if needed, in parallel with economic developments, expectations, and the Bank's objectives and strategies.



**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**  
**Unconsolidated Financial Statements**  
**as at and for the Year Ended 31 December 2012**  
**with Independent Auditors' Report Thereon**



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
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**Convenience Translation of the Auditors' Report  
Originally Prepared and Issued in Turkish (See Section 3 Note I)**

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

We have audited the unconsolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") as at 31 December 2012, the unconsolidated statement of income, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

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

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

**Disclosure for the Responsibility of the Authorized Audit Firm:**

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

**Independent Auditors' Opinion:**

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı as at 31 December 2012 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of (Turkish) Banking Law No 5411 and other regulations, circulars and communiqués published by Banking Regulation and Supervision Board and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Istanbul,  
14 February 2013

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Erdal Tıkmak  
Partner

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI**  
**UNCONSOLIDATED FINANCIAL REPORT**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

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

14 February 2013

Halil AYDOĞAN  
Chairman of  
Board of Directors

Ramazan Gündüz  
Board Member and  
Audit Committee Member

Ali Fuat TAŞKESENLIOĞLU  
Board Member and  
Audit Committee Member

Süleyman KALKAN  
General Manager and  
Board Member

Metin Recep ZAFER  
Assistant General Manager

Murat KOYGUN  
Director of Accounting and  
Financial Affairs

The authorized contact person for questions on this financial report:  
Name-Surname/Title : S. Buğra SÜRÜEL/Manager  
Phone no : 0 312 591 11 48  
Fax no : 0 312 591 20 01

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### SECTION ONE

#### General Information

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

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

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

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Balance Sheet (Statement of Financial Position)

### as at 31 December 2012

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Balance Sheet (Statement of Financial Position)

### as at 31 December 2012

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Off-Balance Sheet Items

### as at 31 December 2012

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Off-Balance Sheet Items

### as at 31 December 2012

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Statement of Gains and Losses Recognized in Shareholders' Equity for the Year Ended 31 December 2012

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Statement of Changes in Shareholders' Equity

### for the Year Ended 31 December 2012

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

CHANGES IN SHAREHOLDERS' EQUITY	Notes	Capital		Share Cancellation Premium	Share Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Year Net Profit/ (Loss)	Prior Year Net Profit/ (Loss)	Valuation Difference of the Marketable Securities	Revaluation Surplus on Tangible Assets and Investment Property	Bonus Shares of Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surplus on Assets Held for Sale	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
		Reserve from Inflation Adjustments to Paid-in Capital	Reserve																
Prior Year - 31 December 2011																			
I. Balances at the beginning of the year		2,500,000	-	723,918	-	476,116	-	2,696,515	226,590	1,157,140	-	706,661	5,033	66,530	-	-	8,558,503	-	8,558,503
Changes during the year																			
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Associates, Subsidiaries and "Available-for-sale"-securities		-	-	-	-	-	-	-	-	-	-	(453,357)	-	-	-	-	(453,357)	-	(453,357)
IV. Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	788	-	-	788	-	788
VIII. Translation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes resulted from disposal of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from reclassifications of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on the Bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in-capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current year's net profit/loss		-	-	-	-	-	-	-	1,226,785	1,226,785	-	-	-	-	-	-	1,226,785	-	1,226,785
XVIII. Profit distribution		-	-	-	-	114,382	-	992,598	13,315	(1,157,140)	-	2,531	-	-	-	-	(34,314)	-	(34,314)
18.1 Dividends		-	-	-	-	114,382	-	992,598	13,315	(1,128,826)	-	2,531	-	-	-	-	(34,314)	-	(34,314)
18.2 Transferred to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the year		2,500,000	-	723,918	-	590,498	-	3,689,113	239,905	1,226,785	-	253,304	7,564	67,318	-	-	9,298,405	-	9,298,405
Current Year - 31 December 2012																			
I. Balances at the beginning of the year		2,500,000	-	723,918	-	590,498	-	3,689,113	239,905	1,226,785	-	253,304	7,564	67,318	-	-	9,298,405	-	9,298,405
Changes during the year																			
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Associates, Subsidiaries and "Available-for-sale"-securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes resulted from disposal of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from reclassifications of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on the Bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in-capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current year's net profit/loss		-	-	-	-	-	-	-	1,460,080	1,460,080	-	-	-	-	-	-	1,460,080	-	1,460,080
XVIII. Profit distribution		-	-	-	-	120,126	-	1,010,638	25,524	(1,226,785)	-	33,497	-	-	-	-	(37,000)	-	(37,000)
18.1 Dividends	VW-5	-	-	-	-	120,126	-	1,010,638	25,524	(1,189,785)	-	33,497	-	-	-	-	(37,000)	-	(37,000)
18.2 Transferred to reserves	VW-5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the year		2,500,000	-	723,918	-	710,624	-	4,699,751	265,429	1,460,080	-	1,449,973	41,061	67,318	-	-	11,918,154	-	11,918,154

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Statement of Cash Flows

### for the Year Ended 31 December 2012

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

	Notes	Audited Current Year 31 December 2012	Audited Prior Year 31 December 2011
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>		<b>3,122,905</b>	<b>1,173,997</b>
<b>Operating profit before changes in operating assets and liabilities</b>			
1.1.1		8,762,501	6,150,151
1.1.2		(4,664,904)	(3,506,550)
1.1.3		22,793	20,881
1.1.4		709,741	559,307
1.1.5		156,143	172,935
1.1.6	V-I-5	426,555	548,693
1.1.7		(2,168,815)	(1,867,002)
1.1.8		(358,258)	(392,941)
1.1.9	V-VI-1	237,149	(511,477)
<b>1.2</b>		<b>(7,809,875)</b>	<b>(2,245,494)</b>
<b>Changes in operating assets and liabilities</b>			
1.2.1		-	-
1.2.2		-	-
1.2.3		(4,759,563)	(2,894,613)
1.2.4		(11,848,243)	(12,667,820)
1.2.5		(68,859)	(146,453)
1.2.6		686,707	1,585,672
1.2.7		5,652,617	11,568,677
1.2.8		(768,102)	1,900,297
1.2.9		-	-
1.2.10	V-VI-1	3,295,568	(1,591,254)
<b>I.</b>		<b>(4,686,970)</b>	<b>(1,071,497)</b>
<b>Net cash flow from banking operations</b>			
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>		<b>1,255,059</b>	<b>(829,911)</b>
<b>Net cash flow from investing activities</b>			
2.1	V-I-7	(1,211)	(22,553)
2.2		-	-
2.3		(89,365)	(104,893)
2.4		171,788	206,023
2.5		(1,202,309)	(3,995,052)
2.6		2,340,733	2,807,497
2.7		(210,825)	(1,337,879)
2.8	V-I-6	275,294	1,634,696
2.9	V-VI-1	(29,046)	(17,750)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>		<b>3,499,543</b>	<b>444,064</b>
<b>Net cash flow from financing activities</b>			
3.1		6,157,509	478,378
3.2		(2,620,966)	-
3.3		-	-
3.4	V-V-5	(37,000)	(34,314)
3.5		-	-
3.6		-	-
<b>IV.</b>	V-VI-1	<b>(1,666)</b>	<b>3,796</b>
<b>Effect of change in foreign exchange rates on cash and cash equivalents</b>			
<b>V.</b>		<b>65,966</b>	<b>(1,453,548)</b>
<b>Net increase in cash and cash equivalents</b>			
<b>VI.</b>	V-VI-4	<b>4,933,906</b>	<b>6,387,454</b>
<b>Cash and cash equivalents at the beginning of the year</b>			
<b>VII.</b>	V-VI-4	<b>4,999,872</b>	<b>4,933,906</b>
<b>Cash and cash equivalents at the end of the year</b>			

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Statement of Profit Distribution

### for the Year Ended 31 December 2012

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

	Note	Current Year 31 December 2012	Prior Year 31 December 2011
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>			
1.1 CURRENT YEAR'S PROFIT		1,885,361	1,575,181
1.2 TAXES PAYABLE AND LEGAL DUTIES		(425,281)	(348,396)
1.2.1 Corporate tax (income tax)	V-IV-11	(449,196)	(373,920)
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties	V-IV-11	23,915	25,524
<b>A. NET PROFIT FOR THE YEAR</b>		<b>1,460,080</b>	<b>1,226,785</b>
1.3 DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES	V-IV-11	(23,915)	(25,524)
<b>B. NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME</b>		<b>1,436,165</b>	<b>1,201,261</b>
1.4 ACCUMULATED LOSSES		-	-
1.5 FIRST LEGAL RESERVES	V-V-5	-	(60,063)
1.6 OTHER STATUTORY RESERVES	V-V-5	-	(60,063)
<b>C. NET PROFIT AVAILABLE FOR DISTRIBUTION <sup>(*)</sup></b>		<b>-</b>	<b>1,081,135</b>
1.7 FIRST DIVIDEND TO SHAREHOLDERS		-	37,000
1.7.1 To owners of ordinary shares		-	37,000
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 <sup>(*)</sup>		-	-
1.9 DIVIDENDS TO BOARD OF DIRECTORS		-	-
1.10 SECOND DIVIDEND TO SHAREHOLDERS		-	-
1.10.1 To owners of ordinary shares		-	-
1.10.2 To owners of privileged shares		-	-
1.10.3 To owners of redeemed shares		-	-
1.10.4 To profit sharing bonds		-	-
1.10.5 To holders of profit and loss sharing certificates		-	-
1.11 SECOND LEGAL RESERVES		-	-
1.12 STATUS RESERVES		-	-
1.13 EXTRAORDINARY RESERVES	V-V-5	-	1,010,638
1.14 OTHER RESERVES		-	-
1.15 SPECIAL FUNDS	V-V-5	-	33,497
<b>II. DISTRIBUTION FROM RESERVES</b>			
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 <sup>(*)</sup>		-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS		-	-
<b>III. EARNINGS PER SHARE</b>			
3.1 TO OWNERS OF ORDINARY SHARES		0.5840	0.4907
3.2 TO OWNERS OF ORDINARY SHARES ( % )		58.40	49.07
3.3 TO OWNERS OF PRIVILEGED SHARES		-	-
3.4 TO OWNERS OF PRIVILEGED SHARES ( % )		-	-
<b>IV. DIVIDEND PER SHARE</b>			
4.1 TO OWNERS OF ORDINARY SHARES		-	0.0148
4.2 TO OWNERS OF ORDINARY SHARES ( % )		-	1.48
4.3 TO OWNERS OF PRIVILEGED SHARES		-	-
4.4 TO OWNERS OF PRIVILEGED SHARES ( % )		-	-

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

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

# **Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**

## **Unconsolidated Financial Report as at and for the Year Ended 31 December 2012**

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

### **SECTION THREE**

#### **Accounting Policies**

##### **I. Basis of presentation**

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

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

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

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

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

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

###### **Strategy for the use of financial instruments**

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

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

### Information on foreign currency transactions

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

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

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

### III. Information on forwards, options and other derivative transactions

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

Derivatives are initially recorded at their purchase costs including the transaction costs.

The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts.

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

#### IV. Information on interest income and expenses

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

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

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

#### V. Information on fees and commissions

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

#### VI. Information on financial assets

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

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

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

##### Financial assets at fair value through profit or loss

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

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

*Available-for-sale financial assets* are the financial assets other than loans and receivables, held-to-maturity investments and assets held for trading purposes.

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

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

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

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

### Associates and subsidiaries

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

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

### VII. Information on impairment of financial assets

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### VIII. Information on offsetting of financial instruments

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

### IX. Information on sales and repurchase agreements and securities lending

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

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

### X. Information on assets held for sale and discontinued operations

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

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

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

The Bank's intangible assets consist of software.

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

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

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

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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

### XII. Information on tangible assets

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

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

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

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

Depreciation rates and estimated useful lives are:

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

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

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

### XIII. Information on leasing activities

#### Finance leases

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

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

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

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### Finance leasing activities as the lessor

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

### Operational leases

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

### XIV. Information on provisions and contingent liabilities

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

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

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

#### Reserve for employee termination benefits

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

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

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

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

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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### Other benefits to employees

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

### Pension fund

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

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

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

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

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

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

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

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

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

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### XVI. Information on taxation

#### Corporate tax

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

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

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

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

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

#### Deferred taxes

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

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

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

#### Transfer Pricing

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

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

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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### XVII. Additional information on borrowings

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

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

### XVIII. Information on issuance of equity securities

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

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

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

### XX. Information on government incentives

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

### XXI. Information on segment reporting

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

### XXII. Other disclosures

#### Earnings per shares

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

As at and for the year ended 31 December 2012, earnings per 100 share is TL 0.5840 (31 December 2011: TL 0.4907).

#### Related parties

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

#### Cash and cash equivalents

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

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## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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### SECTION FOUR

#### Information Related to Financial Position of the Bank

##### I. Capital adequacy ratio

The Bank's unconsolidated capital adequacy ratio is 16.14%.

##### Risk measurement methods in calculation of capital adequacy ratio

Capital adequacy ratio is calculated within the scope of the "Regulation on the Measurement and Assessment of Capital Adequacy Ratios of Banks (Regulation)", "Regulation on Credit Risk Mitigation Techniques" and "Communiqué on Risk Weighted Amounts for Securitization Exposures" published in Official Gazette no. 28337 dated 28 June 2012 and "Regulation on the Equity of Banks" published in Official Gazette no. 26333 dated 1 November 2006.

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

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

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

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

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

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### Information on unconsolidated capital adequacy ratio

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

### Summary information related to unconsolidated capital adequacy ratio

	Current Year
Capital Obligation Required for credit risk (COCR)	6,069,014
Capital Obligation Required for market risk (COMR)	48,413
Capital Obligation Required for operational risk (COOR) <sup>(1)</sup>	587,602
Equity	13,527,730
<b>Equity/ ((COCR+COMR+COOR)*12.5*100)</b>	<b>16.14%</b>

<sup>(1)</sup>In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BSA circular, capital adequacy ratio as at 2011 was measured by taking value at operational risk calculated based on gross incomes for the years ended 2010, 2009 and 2008 into consideration. For the year 2012, value at operational risk is being calculated based on gross incomes for the years ended 2011, 2010 and 2009.

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## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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### Information on equity items

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

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

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

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

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

## II. Credit risk

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

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

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

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

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

For credit risk management purposes, Risk Management Department operates in

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

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

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

The Bank classifies its past due and impaired receivables as shown below in accordance with the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables and Provisions to be Set Aside".

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

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

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

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

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

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

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

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

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

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

<sup>(1)</sup>Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for July-December 2012 period.

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

Current Period	Claims on sovereigns and central banks	Claims on regional governments and other administrative bodies	Claims on multilateral non-commercial development undertakings	Claims on international banks organizations	Claims on banks and intermediary institutions	Claims on regulatory bodies	Claims included in the regulatory portfolios	Claims secured by residential property	Claims due to past years	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Other receivables	Total
Domestic	32,474,530	1,101,897	35,955	-	2,031,360	30,402,125	19,225,542	20,183,039	265,390	6,610,388	-	-	-	-	4,446,387	116,725,413
EU countries (*)	625	-	-	-	5,592,047	19,030	76	276	-	-	-	-	-	-	-	5,612,654
OECD countries	-	-	-	-	89,341	41,773	816	416	-	-	-	-	-	-	-	132,346
Off-shore banking regions	-	-	-	-	-	100	-	-	-	-	-	-	-	-	-	100
USA, Canada	53,495	-	-	-	1,540,337	110,574	-	-	4	-	-	-	-	-	-	1,704,410
Other countries	-	-	-	-	222,914	27,296	39	385	-	221,331	-	-	-	-	-	471,985
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>32,528,025</b>	<b>1,102,122</b>	<b>35,955</b>	<b>-</b>	<b>9,476,099</b>	<b>30,600,798</b>	<b>19,226,473</b>	<b>20,184,116</b>	<b>265,394</b>	<b>6,831,919</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,445,387</b>	<b>124,696,288</b>

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

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

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

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

Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total
Agricultural	-	179	16	-	-	-	1,211,192	128,979	377,581	3,566	-	-	-	-	-	-	1,267,796	453,667	1,721,463
Farming and raising livestock	-	179	16	-	-	-	908,660	99,132	314,245	3,225	-	-	-	-	-	-	1,165,319	160,138	1,325,457
Forestry	-	-	-	-	-	-	284,913	8,675	42,578	340	-	-	-	-	-	-	64,543	271,903	336,446
Fishing	-	-	-	-	-	-	17,619	21,122	20,818	1	-	-	-	-	-	-	37,934	21,626	59,560
Manufacturing	-	164	3,219	-	-	-	9,470,642	930,560	1,640,496	17,801	-	-	-	-	-	-	3,825,219	8,237,663	12,062,882
Mining	-	-	-	-	-	-	416,466	83,046	77,539	1,099	-	-	-	-	-	-	307,224	270,906	578,130
Production	-	55	3,209	-	-	-	6,118,709	539,473	1,518,414	16,111	-	-	-	-	-	-	2,661,495	5,532,476	8,193,971
Electric, Gas, Water	-	109	10	-	-	-	2,937,487	308,041	44,543	591	-	-	-	-	-	-	856,500	2,434,281	3,290,781
Construction	430	-	-	-	-	-	4,465,823	591,669	1,591,794	35,883	-	-	-	-	-	-	4,037,431	2,648,168	6,685,599
Services	11,356,733	6,126	27,966	-	-	9,476,099	11,226,829	2,395,087	9,417,685	106,401	-	-	-	-	-	-	20,645,354	23,367,572	44,012,926
Wholesale and retail trade	-	270	43	-	-	-	4,970,667	1,272,803	8,096,205	66,544	-	-	-	-	-	-	8,591,535	2,814,997	11,406,532
Hotel, food and beverage services	75	26	-	-	-	-	698,277	452,424	325,802	3,014	-	-	-	-	-	-	625,489	854,129	1,479,618
Transportation and telecommunication	-	-	3,398	-	-	-	2,794,667	272,254	2,590,243	18,134	-	-	-	-	-	-	3,739,149	1,999,547	5,678,696
Financial institutions	11,323,156	-	4	-	-	9,476,099	16,394	4,445	31,046	56	-	-	-	-	-	-	4,852,228	15,998,972	20,851,200
Real estate and renting services	7,465	5,417	9,863	-	-	-	1,396,050	94,959	160,280	2,183	-	-	-	-	-	-	614,360	1,039,129	1,653,489
Self-employment services	121	38	539	-	-	-	951,231	208,056	935,394	13,461	-	-	-	-	-	-	1,530,225	600,662	2,130,887
Education services	25,916	375	14,102	-	-	-	138,735	43,304	54,943	905	-	-	-	-	-	-	779,332	57,253	236,585
Health and social services	21,170,862	1,095,653	4,754	-	-	9,476,099	262,808	46,842	223,772	2,104	-	-	-	-	-	-	513,036	62,883	575,919
Other	-	-	-	-	-	-	4,226,312	15,180,228	7,156,560	101,743	6,831,919	-	-	-	-	-	4,445,387	54,176,906	60,636,512
<b>Total</b>	<b>32,528,025</b>	<b>1,102,122</b>	<b>35,955</b>	<b>-</b>	<b>9,476,099</b>	<b>30,600,798</b>	<b>19,226,473</b>	<b>20,184,116</b>	<b>265,394</b>	<b>6,831,919</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,445,387</b>	<b>83,952,706</b>	<b>40,743,582</b>	<b>124,696,288</b>

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

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

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

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

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

Risk balances according to risk weights

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

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

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

### Information According to Sectors and Counterparties

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

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

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

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	The opening Balance	Provisions amounts set aside during the period	The cancelation of the provisions	Other Adjustments <sup>(1)</sup>	Close out Balance
Specific Provisions	2,048,257	735,227	(358,648)	34,733	2,459,569
General Provisions	671,180	284,755	-	124	956,059

<sup>(1)</sup> Determined according to exchange rate differences, business combinations, acquisitions and disposals of subsidiaries.

### Fair value of collateral held against impaired loans

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

<sup>(1)</sup> As a policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral and promissory note are shown as zero in the table above.

<sup>(2)</sup> Sureties obtained for impaired loans are presented in this row to the extent that the amount does not exceed the amount of impaired loans.

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

Cash loans	31 December 2012	31 December 2011
Secured Loans:	50,107,487	40,510,545
Secured by mortgages	19,467,443	19,638,381
Secured by cash collateral	579,192	454,204
Guarantees issued by financial institutions	220,545	313,371
Secured by government institutions or government securities	172,801	219,080
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	29,667,506	19,885,509
Unsecured Loans	17,760,158	16,690,065
<b>Total performing loans</b>	<b>67,867,645</b>	<b>57,200,610</b>
<b>Non-cash loans</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
Secured Loans:	7,664,652	6,487,511
Secured by mortgages	666,081	1,063,506
Secured by cash collateral	122,716	102,656
Guarantees issued by financial institutions	7,901	7,079
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	6,867,954	5,314,270
Unsecured Loans	9,552,095	9,176,518
<b>Total non-cash loans</b>	<b>17,216,747</b>	<b>15,664,029</b>

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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### III. Market risk

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

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

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

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

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

#### Value at market risk

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

#### Average values at market risk

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

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### Information on Counterparty Credit Risk

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

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

### Information about counterparty risk

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

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

### IV. Operational risk

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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### V. Foreign currency exchange risk

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

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

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

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

As at 31 December 2012 the Bank does not have derivate financial instruments held for risk management.

#### Foreign exchange risk management policy

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

In the light of the national legislations and international applications, the Bank has established a foreign currency risk management policy that enables the Bank to take position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the Bank. The Bank's effective exchange rates at the date of balance sheet and for the last five working days of the year announced by the Bank in TL are as follows:

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

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### Information on currency risk

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

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

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

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### Exposure to currency risk

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

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

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

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

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

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

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

### VI. Interest rate risk

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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

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

<sup>(1)</sup> Subsidiaries, associates and tangible and intangible assets have been included in non-interest bearing column.

<sup>(2)</sup> Shareholders' equity has been included in non-interest bearing column of other liabilities line.

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

Average interest rates applied to monetary financial instruments:

Current Year	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
<b>Assets:</b>				
Cash and Central Bank	-	-	-	-
Banks	0.87	0.54	-	8.24
Financial Assets at Fair Value through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	5.68	7.14	-	7.53
Loans and Receivables	4.77	5.47	-	15.28
Held-to-Maturity Investment Securities	-	1.16	-	10.05
<b>Liabilities:</b>				
Bank Deposits	1.80	1.40	-	6.68
Other Deposits	3.06	2.77	-	7.25
Interbank Money Market Takings	0.43	1.31	-	5.52
Miscellaneous Payables	-	-	-	-
Securities Issued	-	5.75	-	7.64
Funds Borrowed	1.19	1.85	-	7.73
<b>Prior Year</b>				
	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
<b>Assets:</b>				
Cash and Central Bank	-	-	-	-
Banks	0.15	0.50	-	8.90
Financial Assets at Fair Value through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	5.64	6.95	-	8.41
Loans and Receivables	5.20	4.99	-	14.92
Held-to-Maturity Investment Securities	5.58	7.34	-	9.96
<b>Liabilities:</b>				
Bank Deposits	2.56	1.93	-	11.00
Other Deposits	4.03	4.21	-	9.62
Interbank Money Market Takings	1.96	1.98	-	8.76
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	8.70
Funds Borrowed	2.03	1.75	-	7.45

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

The interest rate risk of the banking book items:

### Measurement Rate of Interest Rate Risk

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

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

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

Stock position risks arising from banking book items:

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

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

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

### Equity price risk

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

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

	Change in index	31 December 2012	31 December 2011
ISE- 100 (IMKB-100)	10%	20,786	31,013

### VII. Liquidity risk

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

<sup>(1)</sup> Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, intangible assets, associates, subsidiaries, miscellaneous receivables and shareholder's equity in the liabilities have been included in this column.

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### Residual contractual maturities of the financial liabilities

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

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

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

### Securitisation Positions

None.

### Credit risk mitigation techniques

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

### Applications on guarantees' valuation and method

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

### Types of main guarantees received

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

### Main guarantors, credit derivatives' counterparties and their credit worthiness

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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

Market risk and credit risk concentrations are carefully avoided.

### Information about guarantees according to risk classifications

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

Risk Classification	Amount	Financial Guarantees	Other/Physical Guarantees	Guarantees and credit derivatives
Contingent and non-contingent claims on sovereigns and Central Banks	32,553,260	2,089,145	-	-
Contingent and non-contingent claims on regional governments or local authorities	1,200,670	2,088	-	-
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	58,899	11,622	-	-
Contingent and non-contingent claims on multilateral development banks	-	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-
Contingent and non-contingent claims on banks and intermediary institutions	10,228,328	5,439,356	-	-
Contingent and non-contingent claims on corporate	75,820,733	2,823	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	26,288,465	43	-	-
Contingent and non-contingent claims secured by residential property	20,738,887	-	-	-
Past due loans	265,394	-	-	-
Higher risk categories decided by the Agency	6,831,919	-	-	-
Marketable securities secured by mortgages	-	-	-	-
Securitization exposures	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other claims	4,445,387	-	-	-
<b>Total</b>	<b>178,431,942</b>	<b>7,545,077</b>	-	-

### Risk management strategies and policies

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

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

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

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

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

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### VIII. Fair values of financial assets and liabilities

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

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

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

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

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

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

#### Classification of Fair Value Measurement

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	-	86,186	-	<b>86,186</b>
Derivative financial assets held for trading purpose	-	86,186	-	<b>86,186</b>
Available-for-sale financial assets	14,116,670	103	-	<b>14,116,773</b>
Debt securities	14,116,670	103	-	<b>14,116,773</b>
Investments in associates and subsidiaries	548,148	-	731,211 <sup>(1)</sup>	<b>1,279,359</b>
<b>Total Financial Assets</b>	<b>14,664,818</b>	<b>86,289</b>	<b>731,211</b>	<b>15,482,318</b>
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(199,692)	-	<b>(199,692)</b>
<b>Total Financial Liabilities</b>	-	<b>(199,692)</b>	-	<b>(199,692)</b>
31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	-	174,138	-	<b>174,138</b>
Derivative financial assets held for trading purpose	-	174,138	-	<b>174,138</b>
Available-for-sale financial assets	11,849,954	1,278,285	-	<b>13,128,239</b>
Debt securities	11,849,954	1,278,285	-	<b>13,128,239</b>
Investments in associates and subsidiaries	342,631	-	492,194 <sup>(1)</sup>	<b>834,825</b>
<b>Total Financial Assets</b>	<b>12,192,585</b>	<b>1,452,423</b>	<b>492,194</b>	<b>14,137,202</b>
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(342,374)	-	<b>(342,374)</b>
<b>Total Financial Liabilities</b>	-	<b>(342,374)</b>	-	<b>(342,374)</b>

<sup>(1)</sup> This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended 31 December 2012 is as follows:

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

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

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

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### X. Segment reporting

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

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

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

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

Major financial statement items according to business lines:

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

<sup>(1)</sup> Undistributed expenses consist of other interest income, short term employee benefit provisions, general loan loss provisions and other operating expenses

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## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### SECTION FIVE

#### Disclosure and Footnotes on Unconsolidated Financial Statements

##### I. Information and disclosures related to assets

##### 1. Cash and balances with Central Bank

	Current Year		Prior Year	
	TL	FC	TL	FC
Cash	792,976	186,191	604,222	107,073
Central Bank of Turkey <sup>(1)</sup>	1,452,478	9,870,679	1,465,064	4,959,763
Others	4,448	20,853	-	998
<b>Total</b>	<b>2,249,902</b>	<b>10,077,723</b>	<b>2,069,286</b>	<b>5,067,834</b>

<sup>(1)</sup> TL 8,108,813 (31 December 2011: TL 4,269,727) of the foreign currency deposit at Central Bank of Turkey is comprised of foreign currency reserve deposits and related interest income accruals.

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

##### Balances at CBT

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

The Bank and CBT had disagreement about the reserve requirements deposited at CBT regarding the syndication loans obtained by foreign branches of the Bank. Subsequent to the decision, CBT required the Bank to provide reserve requirement for loans obtained by foreign branches, the Bank filed a claim in Ankara 15th Administrative Court for the suspension of execution and cancellation of the decision. As at 15 June 2011, the court decided on refusal of the claim with the right to appeal on State Council. CBT requested the Bank to provide additional reserves amounting to USD 384 million in average for 3.5 years period with the 4 May 2011 dated communique. In this context, the Bank has begun to provide additional reserve requirements at 27 May 2011.

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

*Trading securities blocked/provided as collateral*

None.

*Trading securities subject to repurchase agreements*

None.

*Positive fair values of trading purpose derivatives*

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

### 3. Information on banks

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

*Due from foreign banks*

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

<sup>(\*)</sup> OECD countries other than European Union countries, USA and Canada

<sup>(\*)</sup> Restricted balances that occur from securitization loans and other common banking activities

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#### 4. Information on available-for-sale financial assets

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

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

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

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

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

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

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### 5. Information on loans

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

	Current Year		Prior Year	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct loans granted to the Bank's shareholders</b>	-	37,919	-	6,572
Legal entities	-	37,919	-	6,572
Real persons	-	-	-	-
<b>Indirect loans granted to the Bank's shareholders</b>	-	-	-	-
<b>Loans granted to the employees</b>	68,559	-	55,529	-
<b>Total</b>	68,559	37,919	55,529	6,572

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

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

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

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

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

Maturity analysis of cash loans

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### Installment based commercial loans and corporate credit cards

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

### Allocation of loan customers

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

### Allocation of domestic and foreign loans

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

### Loans granted to associates and subsidiaries

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### Specific provisions for loans

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

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

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

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

### Movements in non-performing loans

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

<sup>(1)</sup> Loans that are transferred from restructured loans to non-performing loans and from non-performing loans to restructured loans are presented in the Transfers from and to other categories of loans under follow-up lines.

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

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

### Write-off policy for uncollectible loans and receivables

None.

### Loan customer concentration of non-performing loans

	Group III Loans and receivables with limited collectibility	Group IV Loans and receivables with doubtful collectibility	Group V Uncollectible loans and receivables
<b>Current Year (Net)</b>	<b>265,394</b>	<b>-</b>	<b>-</b>
Consumer and Commercial Loans (Gross)	328,992	514,666	1,834,895
Special Provision (-)	65,798	514,666	1,834,895
Consumer and Commercial Loans (Net)	263,194	-	-
Banks (Gross)	-	-	1,551
Special Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	2,750	4,795	37,314
Special Provision (-)	550	4,795	37,314
Other Loans and Receivables (Net)	2,200	-	-
<b>Prior Year (Net)</b>	<b>108,622</b>	<b>-</b>	<b>-</b>
Consumer and Commercial Loans (Gross)	155,483	174,471	1,788,064
Special Provision (-)	47,132	174,471	1,788,064
Consumer and Commercial Loans (Net)	108,351	-	-
Banks (Gross)	-	-	1,551
Special Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	339	1,452	35,519
Special Provision (-)	68	1,452	35,519
Other Loans and Receivables (Net)	271	-	-

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### 6. Information on held-to-maturity investments

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

	Current Year		Prior Year	
	TL	FC	TL	FC
Government Bonds	4,198,301	-	4,343,224	-
Treasury Bills	-	-	-	-
Other Government Securities	-	1,858	-	1,573,727
<b>Total</b>	<b>4,198,301</b>	<b>1,858</b>	<b>4,343,224</b>	<b>1,573,727</b>

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

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

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

	Current Year	Prior Year
<b>Balances at the Beginning of the Year</b>	<b>5,971,527</b>	<b>4,306,696</b>
Foreign Currency Differences On Monetary Assets	(114,082)	214,454
Purchases During the Year	210,825	3,102,225
Transfers to available for sale portfolio <sup>(1)</sup>	(1,474,294)	-
Disposals Through Sales/Redemptions	(275,294)	(1,634,696)
Impairment Losses	(29,209)	(12,152)
Change in Amortized Costs <sup>(2)</sup>	(35,867)	(5,000)
<b>Balances at the End of the Year</b>	<b>4,253,606</b>	<b>5,971,527</b>

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

<sup>(2)</sup> Differences in the amortized costs of the marketable securities are included in this column.

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### Information about held-to-maturity investments

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

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

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

### 7. Investments in associates

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

	Total Assets	Tangible Assets	Interest Income	Income on Securities Portfolio
1	778,386	8,548	58,699	5,544
2	14,657	66	808	1,591
3	192,847	140,282	1,551	2,333
4	9,929,275	267,775	256,623	180,410
5	1,827,527	224,016	27,644	-
6	32,354	15,161	858	217
7	65,251	4,769	1,517	-
8	126,488	765	273	-
9	101,052	96,935	44	-
10	3,586,501	13,751	65,646	2,084
11	247,800	3,113	8,322	1
12	1,529	-	4	-

<sup>(1)</sup> Financial information as at and for the nine-month period ended 30 September 2012 has been presented for these associates.

<sup>(2)</sup> Figures are obtained from reviewed financial statements as at and for the nine-month period ended 30 September 2012 disclosed in Public Disclosure Platform.

<sup>(3)</sup> Figures are obtained from audited financial statements as at and for period ended 31 December 2012 disclosed in Public Disclosure Platform.

### Movement table of investments in associates

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

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

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

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

### *Quoted associates*

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

### *Investments in associates sold during the current year*

There is no disposal in associates during the current year.

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### *Investments in associates acquired during the current year*

There is not any associate acquired in the current period.

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

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

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

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

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

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

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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

### 8. Investments in subsidiaries

#### Information on financial subsidiaries (\*)

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

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

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

#### Investments in subsidiaries

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

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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

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

<sup>(1)</sup> Financial information as at and for the nine-month period ended 30 September 2012 has been presented for these subsidiaries.

<sup>(2)</sup> Figures are obtained from reviewed financial statements as at and for the nine-month period ended 30 September 2012 disclosed in Public Disclosure Platform.

<sup>(3)</sup> Financial information as at and for the six-month period ended 30 June 2012 has been presented for these subsidiaries.

### Movement of investments in subsidiaries

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

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

With the merger, the legal entity of Vakıf Sistem Pazarlama Yazılım AŞ has ended. The title of the Company has been amended as Vakıf Pazarlama Sanayi ve Ticaret AŞ and the new capital has realized as TL 30,241. The share of the Bank in Vakıf Pazarlama Sanayi ve Ticaret AŞ has been 69.33% that amounts to TL 20,966 after the merger.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### Valuation methods of investments in subsidiaries

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

### Sectoral distribution of financial investments in subsidiaries

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

### Quoted subsidiaries

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

### Investments in subsidiaries disposed during the current year

There is no disposal in subsidiaries in the current period.

### Investments in subsidiaries purchased during the current year

There is no subsidiary acquired in the current period.

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

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

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

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### 9. Investments in joint-ventures

None.

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

None

### 11. Information on hedging purpose derivatives

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

None.

### 12. Information on tangible assets

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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### 13. Information on intangible assets

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

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

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

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

### 14. Information on investment property

None.

### 15. Information on deferred tax asset

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

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

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

None.

### 17. Information on other assets

Details of other assets as at 31 December 2012 and 2011 are as follows:

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

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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### II. Information and disclosures related to liabilities

#### 1. Information on maturity profile of deposits

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

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

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

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

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

	Current Year		Prior Year	
Deposits and other accounts at foreign branches		14,724		7,231
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children		-		-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children		2,352		1,859
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26.09.2004		-		-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking		-		-

### 2. Information on derivative financial liabilities held for trading purposes

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

	Current Year		Prior Year	
	TL	FC	TL	FC
Forwards	2,134	2,063	3,399	4,574
Swaps	4,853	190,187	973	333,331
Futures	-	-	-	-
Options	178	277	4	93
Others	-	-	-	-
<b>Total</b>	<b>7,165</b>	<b>192,527</b>	<b>4,376</b>	<b>337,998</b>

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

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

#### *Maturity information of funds borrowed*

	Current Year		Prior Year	
	TL	FC	TL	FC
Short-term <sup>(1)</sup>	68,245	4,257,409	60,706	2,883,277
Medium and long term <sup>(1)</sup>	18,729	3,131,100	14,548	5,278,776
<b>Total</b>	<b>86,974</b>	<b>7,388,509</b>	<b>75,254</b>	<b>8,162,053</b>

<sup>(1)</sup> The maturity profile of funds borrowed has been presented taking the original maturities into account.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 8.1% (31 December 2011: 10.3%) of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

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

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

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

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

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

### *Information on securities issued*

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

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

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

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

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

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

5. Information on lease payables (net)

*Obligations under financial leases*

None.

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

*Negative fair values of hedging purpose derivatives*

None.

7. Information on provisions

*Information on general provisions*

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

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

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

The Bank has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 16,623 (31 December 2011: TL 2,419) and has reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.

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

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

*Information on other provisions*

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

Information on other provisions exceeding 10% of total provisions

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

### 8. Taxation

Current Taxes

Tax provision

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

Information on taxes payable

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

Information on premiums payable

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### Information on deferred tax liability

Disclosed in Note 15 of information and disclosures for assets.

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

None.

### 10. Information on subordinated debt

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

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

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

### 11. Information on shareholders' equity

#### Paid-in capital

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

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

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

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

*Information on share capital increases from revaluation funds*

None.

*Capital commitments for current financial year and following year*

None.

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

None.

*Information on the privileges given to stocks representing the capital*

None.

*Valuation differences of marketable securities*

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

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

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

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

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

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

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

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

#### 2. Non-cash Loans

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

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

Prior Year	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	8,914,681	2,049,109	40,559	297
Confirmed Bills of Exchange and Acceptances	29,056	454,538	-	-
Letters of Credit	732	4,098,201	-	467
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	6,784	-	-
<b>Non-cash Loans</b>	<b>8,944,469</b>	<b>6,608,632</b>	<b>40,559</b>	<b>764</b>

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### 5. Information on derivative transactions

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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

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

### 6. Contingent assets and liabilities

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

### 7. Services rendered on behalf of third parties

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### IV. Information and disclosures related to the income statement

#### 1. Interest income

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

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

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

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

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

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

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

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

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

### 2. Interest Expense

#### *Interest expenses on funds borrowed*

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

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

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

#### *Interest expense on securities issued*

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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

### 3. Dividend Income

	Current Year	Prior Year
Trading Purpose Financial Assets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	322	82
Others	56,756	44,735
<b>Total</b>	<b>57,078</b>	<b>44,817</b>

### 4. Trading income/losses

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

Net gains arising from changes in foreign exchange rate that relate to the Bank's derivative financial instruments based on foreign exchange rate is TL 12,869 for the year ended 31 December 2012 (31 December 2011: net gain amounting to TL 60,117).

### 5. Other operating income

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

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

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

<sup>(1)</sup>Other provision expenses amounting to TL 164,039 (31 December 2011: TL 157,865) is comprised of provision expenses for dividends to the personnel amounting to TL 105,300 (31 December 2011: TL 97,000), provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 52,391 (31 December 2011: TL 58,924) and other provision expenses amounting to TL 6,348 (31 December 2011 : TL 2,571).

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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### 7. Other operating expenses

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

### 8. Information on income/loss from discontinued and continuing operations

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

### 9. Information on tax provision from discontinued and continuing operations

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

### 10. Information on net profit/loss from discontinued and continuing operations

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

### 11. Provision for taxes on income

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

In the current year, the Bank recorded current tax provision of TL 449,196 (31 December 2011: TL 373,920) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

### 12. Information on net profit and loss

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

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

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

None.

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

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

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

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

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

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

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

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

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

None.

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

None.

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

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

#### 5. Information on profit distribution

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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### VI. Information and disclosures on statement of cash flows

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

"Other" balance under the "operating profit before changes in operating assets and liabilities" amounting to TL 237,149 (31 December 2011: TL 511,477) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

"Net increase/decrease in other liabilities" amounting to TL 3,295,568 (31 December 2011: TL 1,591,254) under "changes in operating assets and liabilities" is mainly comprised of cash inflows from repurchase agreements.

"Other" balance under "net cash flow from investing activities" amounting to TL 29,046 (31 December 2011: TL 17,750) is comprised of purchases of intangible assets.

Since unrealized gains and losses arising from foreign exchange rate changes are not regarded as cash flows, the effect of changes in foreign exchange rate on cash and cash equivalents in foreign currency has been calculated as TL 1,666 (31 December 2011: TL 3,796) and presented in the statement of cash flows in order to reconcile cash and cash equivalents balances at the beginning and end of the year.

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

- The Bank has paid TL 1,000 of amount capital commitment to its associate Kredi Garanti Fonu AŞ with respect to funding requirement of the associate in the current year. Per General Assembly of the Kredi Garanti Fonu a subsidiary of the Bank held on 30 May 2012, the decision for merger of Türk Ekonomi Bankası AŞ and Fortisbank AŞ has taken. Due to this merger, the shares of the Fortisbank have been transferred to Türk Ekonomi Bankası AŞ hence the principle of equality in partnership between banks has been invalidated. In result, the shares are decided to be distributed equally between banks. The TL 211 which is the amount corresponding to Bank share has been paid in the current year. The related amount has been presented in "Cash paid for purchase of associates, subsidiaries and joint-ventures" line of "Net cash flow from investing activities" section of the Cash flow statement.
- In year 2011, capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Bank, has been decided to increase by TL 78,000 from TL 22,000 to TL 100,000. Bank, has decided to fully exercise the preemptive right of the Bank's shares which corresponds to TL 21,553. The amount has been presented under "Net cash flow from Investment Operations" line of "Cash paid for purchase of associates, subsidiaries and joint-ventures" section.
- In year 2011, the Bank has paid TL 1,000 of TL 2,000 capital commitment to its associate Kredi Garanti Fonu AŞ with respect to funding requirement of the associate. The amount has been presented under "Net cash flow from Investment Operations" line of "Cash paid for purchase of associates, subsidiaries and joint-ventures" section.

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

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

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#### 4. Information on cash and cash equivalents

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

	Current Year 31 December 2012	Prior Year 31 December 2011
<b>Cash on hand</b>	<b>711,295</b>	<b>655,339</b>
Cash in TL	604,222	571,538
Cash in foreign currency	107,073	83,801
<b>Cash equivalents</b>	<b>4,222,611</b>	<b>5,732,115</b>
CBT	6,424,827	3,990,880
Bank deposits	2,129,590	1,271,673
Interbank money market placements	190,127	2,101,584
Other	998	661
Loans and advances to banks having maturity of more than 3 months	(4,000)	(46,350)
Restricted cash and cash equivalents	(4,518,564)	(1,581,601)
Unrealised foreign exchange rate differences on cash equivalents	(367)	(4,732)
<b>Total</b>	<b>4,933,906</b>	<b>6,387,454</b>

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

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

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

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

Foreign currency bank deposits amounting to TL 102,366 (31 December 2011: TL 248,837) is restricted due to securitization loans and other ordinary banking operations of the Bank.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

	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
<b>Prior Year</b>						
Loans and Other Receivables						
Balance at the Beginning of the Year	914,750	340,525	-	563	8,978	2,371
Balance at the End of the Year	293,552	614,114	-	6,572	4,443	1,540
Interest and Commission Income Received	23,737	623	-	30	382	46

Information on deposits held by the Bank's risk group

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

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

None.

### 2. Disclosures of transactions with the Bank's risk group

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

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

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

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

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

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

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

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

Domestic and foreign branches and representative offices

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## Unconsolidated Financial Report as at and for the Year Ended 31 December 2012

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### SECTION SIX

#### Other Disclosures and Footnotes

##### I. Other explanations on the Bank's operations

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

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

January 2013 <sup>(*)</sup>	Standard & Poors
Foreign Currency Credit Rating	BB/Stable/B
Foreign Currency Deposit Rating	BB/Stable/B
National	trAA/--/trA-1
July 2012 <sup>(*)</sup>	Moody's Investors' Service
Financial Strength Rating	D+
Local Currency Deposit Rating	Baa2/P-2
Local Currency Outlook	Stable
Foreign Currency Deposit Rating	Ba2/NP
Foreign Currency Outlook	Stable
November 2012 <sup>(*)</sup>	Fitch Ratings
Long Term Foreign Currency	BBB-
Short Term Foreign Currency	F3
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB
Short Term Local Currency	F3
Local Currency Outlook	Stable
National Long Term	AAA (tur)
National Outlook	Stable
Individual	WD
Support	2
Base Support Rating	BBB-
December 2012 <sup>(*)</sup>	Capital Intelligence
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB
Support Rating	2
Outlook	Stable

<sup>(\*)</sup> Dates represent the last change dates of credit ratings and outlook.

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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

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

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

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

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

None.

## SECTION SEVEN

### I. Independent Auditors' Report

#### 1. Information on the independent auditors' report

The Bank's unconsolidated financial statements and footnotes as at 31 December 2012, have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International) and an unqualified opinion has been issued in their independent auditors' report dated 14 February 2013.

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

None.



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

# **Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries**

**Consolidated Financial Report as at and  
for the Year Ended 31 December 2012**

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



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
Kavacak Rüzgarlı Bahçe Mah.  
Kavak Sok. No: 29  
Beykoz 34805 İstanbul

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

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

We have audited the consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its financial subsidiaries as at 31 December 2012 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information. The financial statements of a consolidated subsidiary which constitutes 1.6 % of total assets and 1.1% of consolidated operating income for the year ended 31 December 2012, were audited by another auditor whose report has been furnished to us, and our audit report, insofar as it relates to the amounts included for this company is based solely on the report of the other auditor.

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

The Bank's Board of Directors is responsible for designing, implementing 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 other communiqués, disclosures and circulars on accounting and financial reporting principles issued by the Banking Regulation and Supervision Board and explanations by Banking Regulation and Supervision Agency.

**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 2012 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 and Article 38 of the (Turkish) Banking Law No 5411; and other communiqués, disclosures and circulars on accounting and financial reporting principles issued by the Banking Regulation and Supervision Board and explanations by Banking Regulation and Supervision Agency.

İstanbul,  
14 March 2013

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Erdal Tıkmak  
Partner

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

As explained in Section 3 Note I, the accompanying 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.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED FINANCIAL REPORT  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012**

Address : Levent Mahallesi, Hacı Adil Yolu Çayır Çimen Sokak, No:2, 1.Levent Beşiktaş/ İstanbul  
Telephone : 0212 316 70 00  
Fax : 0212 316 72 32  
Electronic web site : www.vakifbank.com.tr  
Electronic mail address : posta@vakifbank.com.tr

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

- GENERAL INFORMATION ABOUT THE 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 subsidiaries and associates included in the consolidated financial report are as follows:

**SUBSIDIARIES**

Güneş Sigorta AŞ  
Vakıf Emeklilik AŞ  
Vakıf Finans Factoring Hizmetleri AŞ  
Vakıf Finansal Kiralama AŞ  
Vakıf Portföy Yönetimi AŞ  
Vakıf Yatırım Menkul Değerler AŞ  
Vakıfbank International AG  
Vakıf Gayrimenkul Yatırım Ortaklığı AŞ  
Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ

**ASSOCIATES**

Kıbrıs Vakıflar Bankası Ltd.  
Türkiye Sınai Kalkınma Bankası AŞ

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").

14 March 2013

Halil AYDOĞAN  
Chairman of  
Board of Directors

Ramazan GÜNDÜZ  
Board Member and  
Audit Committee Member

Ali Fuat TAŞKESENLİOĞLU  
Board Member and  
Audit Committee Member

Süleyman KALKAN  
General Manager and  
Board Member

Metin Recep ZAFER  
Assistant General Manager

Murat KOYGUN  
Director of Accounting and  
Financial Affairs

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

Name-Surname/Title : S. Buğra SÜRÜEL/Manager

Phone no : 0312 591 11 48

Fax no : 0312 591 20 01

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

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

### SECTION ONE

#### General Information

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

The Bank's shareholders' structure as at 31 December 2012 is stated below:

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and

## for the Year Ended 31 December 2012

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

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

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

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

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

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

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

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

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

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

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

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

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

- Lending loans by 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 2012, the Parent Bank has 741 domestic, 3 foreign, in total 744 branches (31 December 2011: 677 domestic, 3 foreign, in total 680 branches). As at 31 December 2012, the Parent Bank has 13,463 employees (31 December 2011: 12,222 employees).

### VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institutions subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods

As at and for the year ended 31 December 2012, the financial statements of T. Vakıflar Bankası TAO, Vakıf International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik AŞ, Vakıf Finans Faktoring Hizmetleri AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

As at and for the year ended 31 December 2012, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

İMKB 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 Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

Vakıf Enerji ve Madencilik AŞ, Taksim Otelcilik AŞ, Vakıf Pazarlama Sanayi ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme AŞ have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values; the ones whose fair values cannot be reliably measured are reflected at their costs.

### VII. The existing or potential, actual or legal obstacles on the transfer of shareholders' equity between the Parent Bank and its subsidiaries or the reimbursement of liabilities

The transfer of equities between the Bank and its subsidiaries is not immediate. Distribution of profits within equity as dividends complies with respective regulations. There are not any actual or foreseen juristical obstacles against the Bank and its subsidiaries on repayments of debts in between.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Balance Sheet (Statement of Financial Position) as at 31 December 2012

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

ASSETS	Notes	Audited Current Year 31 December 2012			Audited Previous Year 31 December 2011		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	V-I-1	2,249,946	10,081,548	12,331,494	2,069,331	5,072,531	7,141,862
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	V-I-2	213,829	82,661	296,490	177,477	184,145	361,622
2.1 Financial assets held for trading purpose		213,829	82,661	296,490	177,477	184,145	361,622
2.1.1 Debt securities issued by the governments		121,695	14,820	136,515	137,725	14,189	151,914
2.1.2 Equity securities		2,709	-	2,709	2,096	-	2,096
2.1.3 Derivative financial assets held for trading purpose	V-I-2	21,584	67,841	89,425	4,182	169,956	174,138
2.1.4 Other securities		67,841	-	67,841	33,474	-	33,474
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
<b>III. BANKS</b>	V-I-3	740,354	1,916,136	2,656,490	408,679	2,132,656	2,541,335
<b>IV. RECEIVABLES FROM INTERBANK MONEY MARKETS</b>		6,645	-	6,645	190,467	-	190,467
4.1 Interbank money market placements		2,928	-	2,928	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	340	-	340
4.3 Receivables from reverse repurchase agreements		3,717	-	3,717	190,127	-	190,127
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	V-I-4	10,277,762	4,057,019	14,334,781	10,434,795	2,920,048	13,354,843
5.1 Equity securities		-	12,246	12,246	-	11,919	11,919
5.2 Debt securities issued by the governments		10,275,713	3,937,935	14,213,648	10,431,988	2,759,495	13,191,483
5.3 Other securities		2,049	106,838	108,887	2,807	148,634	151,441
<b>VI. LOANS AND RECEIVABLES</b>	V-I-5	51,358,116	17,958,583	69,316,699	38,871,737	19,297,116	58,168,853
6.1 Performing loans and receivables		51,052,492	17,956,408	69,008,900	38,763,115	19,294,387	58,057,502
6.1.1 Loans provided to the same risk group	V-VII-1	2,006	7,366	9,372	1,650	2,793	4,443
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		51,050,486	17,949,042	68,999,528	38,761,465	19,291,594	58,053,059
6.2 Loans under follow-up		2,803,919	12,908	2,816,827	2,195,075	16,208	2,211,283
6.3 Specific provisions (-)		2,498,295	10,733	2,509,028	2,086,453	13,479	2,099,932
<b>VII. FACTORING RECEIVABLES</b>		167,927	17,870	185,797	577,291	40,513	617,804
<b>VIII. HELD-TO-MATURITY INVESTMENTS (Net)</b>	V-I-6	4,198,301	62,759	4,261,060	4,343,224	1,636,014	5,979,238
8.1 Debt securities issued by the governments		4,198,301	9,312	4,207,613	4,343,224	1,581,438	5,924,662
8.2 Other securities		-	53,447	53,447	-	54,576	54,576
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	V-I-7	197,977	3	197,980	167,001	3	167,004
9.1 Associates, consolidated per equity method		170,692	-	170,692	140,112	-	140,112
9.2 Unconsolidated associates		27,285	3	27,288	26,889	3	26,892
9.2.1 Financial associates		14,952	-	14,952	17,546	-	17,546
9.2.2 Non-Financial associates		12,333	3	12,336	9,343	3	9,346
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	V-I-8	165,521	-	165,521	148,290	-	148,290
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		165,521	-	165,521	148,290	-	148,290
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>	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		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES</b>	V-I-10	95,702	581,217	676,919	69,712	433,729	503,441
12.1 Finance lease receivables		121,044	655,648	776,692	85,542	489,873	575,415
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		25,342	74,431	99,773	15,830	56,144	71,974
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	V-I-12	1,351,514	3,574	1,355,088	1,170,784	4,997	1,175,781
<b>XV. INTANGIBLE ASSETS (Net)</b>	V-I-13	99,837	199	100,036	79,782	206	79,988
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		99,837	199	100,036	79,782	206	79,988
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	V-I-14	19,646	-	19,646	159,204	-	159,204
<b>XVII. TAX ASSETS</b>		208,167	-	208,167	195,867	1,803	197,670
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets	V-I-15	208,167	-	208,167	195,867	1,803	197,670
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)</b>	V-I-16	2,093	-	2,093	2,159	-	2,159
18.1 Assets held for sale		2,093	-	2,093	2,159	-	2,159
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	V-I-17	1,595,908	328,598	1,924,506	2,427,064	243,919	2,670,983
<b>TOTAL ASSETS</b>		72,949,245	35,090,167	108,039,412	61,492,864	31,967,680	93,460,544

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

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Balance Sheet (Statement of Financial Position) as at 31 December 2012

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

LIABILITIES AND EQUITY	Notes	Audited Current Year 31 December 2012			Audited Previous Year 31 December 2011		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	V-II-1	<b>49,467,915</b>	<b>18,918,889</b>	<b>68,386,804</b>	<b>43,028,280</b>	<b>18,813,696</b>	<b>61,841,976</b>
1.1 Deposits of the same risk group	V-VII-1	746,250	590,694	1,336,944	1,061,432	608,796	1,670,228
1.2 Other deposits		48,721,665	18,328,195	67,049,860	41,966,848	18,204,900	60,171,748
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>	V-II-2	<b>7,165</b>	<b>192,527</b>	<b>199,692</b>	<b>4,376</b>	<b>340,427</b>	<b>344,803</b>
<b>III. FUNDS BORROWED</b>	V-II-3	<b>271,385</b>	<b>7,829,596</b>	<b>8,100,981</b>	<b>350,774</b>	<b>8,561,523</b>	<b>8,912,297</b>
<b>IV. INTERBANK MONEY MARKET</b>		<b>2,298,496</b>	<b>6,384,324</b>	<b>8,682,820</b>	<b>3,031,108</b>	<b>3,000,144</b>	<b>6,031,252</b>
4.1 Interbank Money Market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		191,929	-	191,929	49,577	-	49,577
4.3 Obligations under repurchase agreements		2,106,567	6,384,324	8,490,891	2,981,531	3,000,144	5,981,675
<b>V. SECURITIES ISSUED (Net)</b>		<b>1,481,611</b>	<b>891,137</b>	<b>2,372,748</b>	<b>493,000</b>	<b>-</b>	<b>493,000</b>
5.1 Bills		1,379,768	-	1,379,768	493,000	-	493,000
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		101,843	891,137	992,980	-	-	-
<b>VI. FUNDS</b>		<b>31,368</b>	<b>-</b>	<b>31,368</b>	<b>40,699</b>	<b>-</b>	<b>40,699</b>
6.1 Funds against borrower's note		-	-	-	-	-	-
6.2 Others		31,368	-	31,368	40,699	-	40,699
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>2,197,932</b>	<b>241,224</b>	<b>2,439,156</b>	<b>2,749,696</b>	<b>224,750</b>	<b>2,974,446</b>
<b>VIII. OTHER EXTERNAL RESOURCES PAYABLE</b>	V-II-4	<b>472,082</b>	<b>546,845</b>	<b>1,018,927</b>	<b>181,463</b>	<b>460,709</b>	<b>642,172</b>
<b>IX. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. LEASE PAYABLES (Net)</b>	V-II-5	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred finance leasing expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE</b>	V-II-6	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	-	-	-	-	-
11.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	V-II-7	<b>2,953,305</b>	<b>44,197</b>	<b>2,997,502</b>	<b>2,348,817</b>	<b>79,325</b>	<b>2,428,142</b>
12.1 General provisions	V-II-7	953,052	3,007	956,059	668,297	2,883	671,180
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		473,619	719	474,338	402,990	578	403,568
12.4 Insurance technical provisions (Net)		1,261,803	10,344	1,272,147	1,078,213	46,573	1,124,786
12.5 Other provisions	V-II-7	264,831	30,127	294,958	199,317	29,291	228,608
<b>XIII. TAX LIABILITIES</b>	V-II-8	<b>344,677</b>	<b>5,552</b>	<b>350,229</b>	<b>148,347</b>	<b>5,208</b>	<b>153,555</b>
13.1 Current tax liabilities	V-II-8	340,668	2,885	343,553	144,681	5,208	149,889
13.2 Deferred tax liabilities	V-I-15	4,009	2,667	6,676	3,666	-	3,666
<b>XIV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)</b>	V-II-9	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Payables related to the assets held for sale		-	-	-	-	-	-
14.2 Payables related to the discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	V-II-10	<b>-</b>	<b>1,630,188</b>	<b>1,630,188</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. EQUITY</b>		<b>11,107,708</b>	<b>721,289</b>	<b>11,828,997</b>	<b>9,335,716</b>	<b>262,486</b>	<b>9,598,202</b>
16.1 Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2 Capital reserves		944,141	555,621	1,499,762	541,878	109,679	651,557
16.2.1 Share premium		726,720	-	726,720	726,722	-	726,722
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Valuation differences of the marketable securities	V-II-11	165,190	555,621	720,811	(200,633)	109,679	(90,954)
16.2.4 Revaluation surplus on tangible assets		50,452	-	50,452	14,010	-	14,010
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		1,779	-	1,779	1,779	-	1,779
16.2.8 Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9 Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		-	-	-	-	-	-
16.3 Profit reserves		5,837,547	75,980	5,913,527	4,673,086	80,909	4,753,995
16.3.1 Legal reserves		749,617	4,324	753,941	624,013	3,266	627,279
16.3.2 Status reserves		5,050	-	5,050	3,980	-	3,980
16.3.3 Extraordinary reserves		4,797,750	4,593	4,802,343	3,785,486	4,593	3,790,079
16.3.4 Other profit reserves		285,130	67,063	352,193	259,607	73,050	332,657
16.4 Profit or loss		1,452,150	65,939	1,518,089	1,282,952	50,648	1,333,600
16.4.1 Previous years' profit/loss		45,047	49,591	94,638	(3,293)	32,579	29,286
16.4.2 Current year's profit/loss		1,407,103	16,348	1,423,451	1,286,245	18,069	1,304,314
16.5 Non-controlling interest		373,870	23,749	397,619	337,800	21,250	359,050
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>70,633,644</b>	<b>37,405,768</b>	<b>108,039,412</b>	<b>61,712,276</b>	<b>31,748,268</b>	<b>93,460,544</b>

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## and Its Financial Subsidiaries

### Consolidated Off-Balance Sheet Items

#### as at 31 December 2012

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

	Notes	Reviewed Current Period 31 December 2012			Audited Previous Year 31 December 2011		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>48,138,895</b>	<b>34,442,488</b>	<b>82,581,383</b>	<b>39,955,958</b>	<b>33,878,278</b>	<b>73,834,236</b>
<b>I. GUARANTEES AND SURETIES</b>	<b>V-III-2-4</b>	<b>10,554,546</b>	<b>6,696,491</b>	<b>17,251,037</b>	<b>9,048,197</b>	<b>6,801,185</b>	<b>15,849,382</b>
1.1 Letters of guarantee	V-III-1	10,520,455	2,120,048	12,640,503	8,988,954	2,234,154	11,223,108
1.1.1 Guarantees subject to State Tender Law		1,556,195	1,172,213	2,728,408	1,421,940	735,091	2,157,031
1.1.2 Guarantees given for foreign trade operations		379,638	-	379,638	323,046	-	323,046
1.1.3 Other letters of guarantee		8,584,622	947,835	9,532,457	7,243,968	1,499,063	8,743,031
1.2 Bank acceptances		19,554	786,278	805,832	29,056	454,538	483,594
1.2.1 Import letter of acceptance		-	36,632	36,632	375	40,122	40,497
1.2.2 Other bank acceptances		19,554	749,646	769,200	28,681	414,416	443,097
1.3 Letters of credit		693	3,774,016	3,774,709	732	4,098,668	4,099,400
1.3.1 Documentary letters of credit		693	3,774,016	3,774,709	732	4,098,668	4,099,400
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	2,705	2,705	-	6,941	6,941
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Marketable securities underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		13,844	11,910	25,754	29,455	5,546	35,001
1.8 Other guarantees		-	1,104	1,104	-	1,166	1,166
1.9 Other sureties		-	430	430	-	172	172
<b>II. COMMITMENTS</b>		<b>34,404,641</b>	<b>16,294,339</b>	<b>50,698,980</b>	<b>26,651,228</b>	<b>18,132,775</b>	<b>44,784,003</b>
2.1 Irrevocable commitments		12,369,462	1,089,293	13,458,755	10,807,644	1,070,943	11,878,587
2.1.1 Asset purchase commitments	V-III-1	813,896	880,456	1,694,352	768,919	857,919	1,626,838
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	-	-	-	1,000	-	1,000
2.1.4 Loan granting commitments	V-III-1	4,950,300	8,248	4,958,548	4,574,348	5,515	4,579,863
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments	V-III-1	1,154,273	-	1,154,273	829,640	-	829,640
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	4,938,035	-	4,938,035	4,322,604	-	4,322,604
2.1.10 Commitments for credit card and banking operations promotions		306,109	-	306,109	246,030	-	246,030
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments	V-III-1	206,849	200,589	407,438	65,103	207,509	272,612
2.2 Revocable commitments		22,035,179	15,205,046	37,240,225	15,843,584	17,061,832	32,905,416
2.2.1 Revocable loan granting commitments		22,035,179	15,205,046	37,240,225	15,843,584	17,061,832	32,905,416
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>V-III-5</b>	<b>3,179,708</b>	<b>11,451,658</b>	<b>14,631,366</b>	<b>4,256,533</b>	<b>8,944,318</b>	<b>13,200,851</b>
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		3,179,708	11,451,658	14,631,366	4,256,533	8,944,318	13,200,851
3.2.1 Forward foreign currency purchases/sales		335,127	580,218	915,345	241,499	730,482	971,981
3.2.1.1 Forward foreign currency purchases		167,612	290,134	457,746	120,798	365,252	486,050
3.2.2.2 Forward foreign currency sales		167,515	290,084	457,599	120,701	365,230	485,931
3.2.2 Currency and interest rate swaps		2,418,898	8,548,598	10,967,496	3,895,134	7,555,347	11,450,481
3.2.2.1 Currency swaps-purchases		939,499	3,966,967	4,906,466	2,939,954	2,250,643	5,190,597
3.2.2.2 Currency swaps-sales		1,479,399	1,654,769	3,134,168	955,180	3,642,588	4,597,768
3.2.2.3 Interest rate swaps-purchases		-	1,463,431	1,463,431	-	837,023	837,023
3.2.2.4 Interest rate swaps-sales		-	1,463,431	1,463,431	-	825,093	825,093
3.2.3 Currency, interest rate and security options		425,683	650,910	1,076,593	119,900	127,334	247,234
3.2.3.1 Currency call options		212,841	325,454	538,295	59,950	63,666	123,616
3.2.3.2 Currency put options		212,842	325,454	538,296	59,950	63,666	123,616
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	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		-	1,671,932	1,671,932	-	531,155	531,155
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>520,142,409</b>	<b>149,801,020</b>	<b>669,943,429</b>	<b>358,000,449</b>	<b>124,532,124</b>	<b>482,532,573</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>164,855,739</b>	<b>1,662,037</b>	<b>166,517,776</b>	<b>124,679,261</b>	<b>1,965,815</b>	<b>126,645,076</b>
4.1 Customers' securities held		33,686	17,314	51,000	655,668	18,287	673,955
4.2 Investment securities held in custody		157,929,261	373,569	158,302,830	119,737,183	8,216	119,745,399
4.3 Checks received for collection		5,334,631	606,676	5,941,307	3,209,909	488,732	3,698,641
4.4 Commercial notes received for collection		954,298	224,610	1,178,908	685,346	175,092	860,438
4.5 Other assets received for collection		2,152	71	2,223	2,152	75	2,227
4.6 Assets received through public offering		-	5,231	5,231	-	5,570	5,570
4.7 Other items under custody		309	202,904	203,213	309	919,351	919,660
4.8 Custodians		601,402	231,662	833,064	388,694	350,492	739,186
<b>V. PLEDGED ITEMS</b>		<b>117,754,980</b>	<b>38,351,806</b>	<b>156,106,786</b>	<b>80,334,810</b>	<b>33,528,833</b>	<b>113,863,643</b>
5.1 Securities		334,204	26,537	360,741	153,809	36,226	190,035
5.2 Guarantee notes		668,146	98,231	766,377	524,250	153,762	678,012
5.3 Commodities		19,180,436	624,899	19,805,335	13,878,556	551,059	14,429,615
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		91,069,499	30,568,630	121,638,129	61,561,438	25,580,459	87,141,897
5.6 Other pledged items		5,723,364	6,887,220	12,610,584	3,823,085	7,144,193	10,962,278
5.7 Pledged items-depository		779,331	146,289	925,620	393,672	63,134	456,806
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>237,531,690</b>	<b>109,787,177</b>	<b>347,318,867</b>	<b>152,986,378</b>	<b>89,037,476</b>	<b>242,023,854</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>568,281,304</b>	<b>184,243,508</b>	<b>752,524,812</b>	<b>397,956,407</b>	<b>158,410,402</b>	<b>556,366,809</b>

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

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

# 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 2012 (Currency: Thousands of Turkish Lira ("TL"))

	Notes	Audited Current Year 31 December 2012	Audited Previous Year 31 December 2011
<b>I. INTEREST INCOME</b>		<b>8,999,981</b>	<b>6,695,600</b>
1.1 Interest income from loans	V-IV-1	7,003,040	4,947,762
1.2 Interest income from reserve deposits		-	-
1.3 Interest income from banks	V-IV-1	60,537	61,752
1.4 Interest income from money market transactions		3,576	4,144
1.5 Interest income from securities portfolio	V-IV-1	1,807,144	1,542,170
1.5.1 Trading financial assets	V-IV-1	32,459	23,392
1.5.2 Financial assets at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets	V-IV-1	1,114,511	1,055,954
1.5.4 Held-to-maturity investments	V-IV-1	660,174	462,824
1.6 Finance lease income		47,303	25,590
1.7 Other interest income		78,381	114,182
<b>II. INTEREST EXPENSE</b>		<b>4,744,503</b>	<b>3,661,368</b>
2.1 Interest expense on deposits	V-IV-2	3,946,141	2,951,304
2.2 Interest expense on funds borrowed	V-IV-2	178,898	173,151
2.3 Interest expense on money market transactions		350,006	483,234
2.4 Interest expense on securities issued	V-IV-2	173,243	16,088
2.5 Other interest expenses		96,215	37,591
<b>III. NET INTEREST INCOME (I -II)</b>		<b>4,255,478</b>	<b>3,034,232</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>418,105</b>	<b>561,369</b>
4.1 Fees and commissions received		683,235	749,512
4.1.1 Non-cash loans		104,370	65,313
4.1.2 Others		578,865	684,199
4.2 Fees and commissions paid		265,130	188,143
4.2.1 Non-cash loans		131	318
4.2.2 Others		264,999	187,825
<b>V. DIVIDEND INCOME</b>	<b>V-IV-3</b>	<b>6,916</b>	<b>4,732</b>
<b>VI. TRADING INCOME/LOSSES (Net)</b>	<b>V-IV-4</b>	<b>339,391</b>	<b>51,384</b>
6.1 Trading account income/losses	V-IV-4	250,923	77,657
6.2 Income/losses from derivative financial instruments	V-IV-4	(23,660)	(13,547)
6.3 Foreign exchange gains/losses	V-IV-4	112,128	(12,726)
<b>VII. OTHER OPERATING INCOME</b>	<b>V-IV-5</b>	<b>1,298,661</b>	<b>1,473,505</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>6,318,551</b>	<b>5,125,222</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	<b>V-IV-6</b>	<b>1,451,568</b>	<b>938,214</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-7</b>	<b>3,032,355</b>	<b>2,506,087</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>1,834,628</b>	<b>1,680,921</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>26,953</b>	<b>21,624</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>	<b>V-IV-8</b>	<b>1,861,581</b>	<b>1,702,545</b>
<b>XVI. CONTINUING OPERATIONS PROVISION FOR TAXES</b>	<b>V-IV-9</b>	<b>(437,961)</b>	<b>(341,536)</b>
16.1 Current tax charges	V-IV-11	(463,099)	(387,387)
16.2 Deferred tax credits	V-IV-11	25,138	45,851
<b>XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>V-IV-12</b>	<b>1,423,620</b>	<b>1,361,009</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from investment properties		-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3 Other income from discontinued activities		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Investment property expenses		-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3 Other expenses from discontinued activities		-	-
<b>XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-
<b>XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES (±)</b>		-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge		-	-
<b>XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	<b>V-IV-12</b>	<b>1,423,620</b>	<b>1,361,009</b>
23.1 Equity holders of the Bank		1,423,451	1,304,314
23.2 Non-controlling interest	V-IV-13	169	56,695
Earnings per 100 share (full TL)	III-XXIV	0.5694	0.5444

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 2012

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

GAINS AND LOSSES RECOGNIZED IN EQUITY		Notes	Audited	Audited
			Current Year	Previous Year
			31 December 2012	31 December 2011
I.	VALUATION DIFFERENCES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF THE MARKETABLE SECURITIES	V-V-6	910,213	(478,270)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS		-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS		-	-
IV.	CURRENCY TRANSLATION DIFFERENCES		(6,641)	28,260
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		14,619	(290)
IX.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES	V-V-6	(81,821)	92,520
X.	NET GAINS/(LOSSES) RECOGNIZED DIRECTLY IN EQUITY		836,370	(357,780)
XI.	CURRENT YEAR'S PROFIT/(LOSS)		1,423,620	1,361,009
11.1	Change in fair value of marketable securities (transfers to the statement of income)	V-V-6	39,939	132,267
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		1,383,681	1,228,742
XII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE YEAR		2,259,990	1,003,229

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

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

# 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 2012

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

CHANGES IN EQUITY	Capital Reserves			Share Cancellation Premium	Share Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Year's Net Profit/ (Loss)	Previous Year's Net Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible Assets and Investment Property	Bonus Shares of Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surplus on Sale of Subsidiaries and Assets of Subsidiaries	Shareholders' Equity before Minority Shares	Non-controlling interests	Total Equity
	Paid-in Capital	Reserves	Reserves																
I. Balances at the beginning of the year	2,500,000	506,954	3,094	2,794,403	292,779	1,104,297	40,610	301,210	5,033	1,551	-	-	-	-	-	-	8,336,293	242,790	8,579,083
II. Changes during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation differences of the marketable securities	-	-	-	-	-	-	-	-	-	-	-	(388,889)	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	25,433	-	-	-	-	-	-	-	-	228
IX. Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,433
X. Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(417)
XI. Effect of change in equities of associates on the Group's equity	-	-	-	-	-	-	-	(590)	-	21,624	-	(3,315)	-	-	-	-	-	-	17,711
XII. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,449
12.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,335
12.2 Intangible sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,863
XIII. Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,500)
XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	261
XV. Share cancellation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(51)
XVII. Current year's profit/loss	-	-	-	-	-	-	-	-	-	1,282,690	-	-	-	-	-	-	-	-	1,282,690
XVIII. Profit distribution	-	-	-	-	-	-	-	996,274	14,445	(1,164,297)	(11,324)	8,977	-	-	-	-	-	-	(34,314)
18.1 Dividends	-	-	-	-	-	-	-	-	-	(34,314)	-	-	-	-	-	-	-	-	(65)
18.2 Transferred to reserves	-	-	-	-	-	-	-	996,274	14,445	-	(11,324)	-	-	-	-	-	-	-	(34,314)
18.3 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(65)
IX. Balances at the end of the year	2,500,000	506,954	3,094	2,794,403	292,779	1,104,297	40,610	301,210	5,033	1,551	-	-	-	-	-	-	-	-	8,336,293
X. Balances at the end of the year	2,500,000	506,954	3,094	2,794,403	292,779	1,104,297	40,610	301,210	5,033	1,551	-	-	-	-	-	-	-	-	8,336,293
Current year - 31 December 2012	2,500,000	506,954	3,094	2,794,403	292,779	1,104,297	40,610	301,210	5,033	1,551	-	-	-	-	-	-	-	-	8,336,293
Current year - 31 December 2012	2,500,000	506,954	3,094	2,794,403	292,779	1,104,297	40,610	301,210	5,033	1,551	-	-	-	-	-	-	-	-	8,336,293
Changes during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation differences of marketable securities	-	-	-	-	-	-	-	-	-	-	-	801,997	-	-	-	-	-	-	801,997
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,988)
X. Changes resulted from reclassifications of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on the Group's equity	-	-	-	-	-	-	-	(452)	-	26,953	524	9,768	-	-	-	-	-	-	36,719
XII. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,070)
12.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,070)
12.2 Intangible sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,070)
XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share cancellation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current year's profit/loss	-	-	-	-	-	-	-	-	-	1,396,498	-	-	-	-	-	-	-	-	1,396,498
XVIII. Profit distribution	-	-	-	-	-	-	-	1,012,716	25,524	(1,304,314)	64,828	36,442	-	-	-	-	-	-	(37,000)
18.1 Dividends	-	-	-	-	-	-	-	-	-	(37,000)	-	-	-	-	-	-	-	-	(507)
18.2 Transferred to reserves	-	-	-	-	-	-	-	1,012,716	25,524	-	(64,828)	-	-	-	-	-	-	-	(37,000)
18.3 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(507)
IX. Balances at the end of the year	2,500,000	506,954	3,094	2,794,403	292,779	1,104,297	40,610	301,210	5,033	1,551	-	-	-	-	-	-	-	-	8,336,293
X. Balances at the end of the year	2,500,000	506,954	3,094	2,794,403	292,779	1,104,297	40,610	301,210	5,033	1,551	-	-	-	-	-	-	-	-	8,336,293
Current year - 31 December 2012	2,500,000	506,954	3,094	2,794,403	292,779	1,104,297	40,610	301,210	5,033	1,551	-	-	-	-	-	-	-	-	8,336,293
Current year - 31 December 2012	2,500,000	506,954	3,094	2,794,403	292,779	1,104,297	40,610	301,210	5,033	1,551	-	-	-	-	-	-	-	-	8,336,293
Changes during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation differences of marketable securities	-	-	-	-	-	-	-	-	-	-	-	801,997	-	-	-	-	-	-	801,997
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,988)
X. Changes resulted from reclassifications of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on the Group's equity	-	-	-	-	-	-	-	(452)	-	26,953	524	9,768	-	-	-	-	-	-	36,719
XII. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,070)
12.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,070)
12.2 Intangible sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,070)
XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share cancellation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current year's profit/loss	-	-	-	-	-	-	-	-	-	1,396,498	-	-	-	-	-	-	-	-	1,396,49

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

## and Its Financial Subsidiaries

### Statement of Profit Distribution

#### for the Year Ended 31 December 2012

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

	Notes	Audited Current Year 31 December 2012	Audited Previous Year 31 December 2011
<b>A.</b>			
<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>		<b>3,334,357</b>	<b>1,565,039</b>
<b>Operating profit before changes in operating assets and liabilities</b>			
1.1.1		8,972,650	6,324,323
1.1.2		(4,704,969)	(3,579,789)
1.1.3		4,916	4,185
1.1.4		683,235	561,369
1.1.5		933,012	667,673
1.1.6		430,467	574,443
1.1.7	V-I-5	(2,878,209)	(2,406,736)
1.1.8		(390,459)	(404,330)
1.1.9	V-VI-1	283,714	(176,099)
<b>1.2</b>		<b>(7,663,603)</b>	<b>(3,388,521)</b>
<b>Changes in operating assets and liabilities</b>			
1.2.1		611	(149,678)
1.2.2		-	-
1.2.3		(4,751,472)	(3,102,549)
1.2.4		(11,907,485)	(14,318,393)
1.2.5		(526,755)	(377,457)
1.2.6		600,296	691,282
1.2.7		5,949,518	13,040,004
1.2.8		(824,226)	2,213,548
1.2.9		-	-
1.2.10	V-VI-1	3,795,910	(1,385,278)
<b>I.</b>		<b>(4,329,246)</b>	<b>(1,823,482)</b>
<b>Net cash flow from banking operations</b>			
<b>B.</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>		<b>1,265,690</b>	<b>(818,251)</b>
<b>Net cash flow from investing activities</b>			
2.1	V-VI-2	(1,211)	(1,000)
2.2		-	-
2.3		(99,100)	(289,377)
2.4		177,971	341,454
2.5		(1,416,750)	(3,995,052)
2.6		2,572,263	2,807,497
2.7		(210,825)	(1,337,879)
2.8		275,294	1,688,257
2.9	V-VI-1	(31,952)	(32,151)
<b>C.</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>		<b>3,434,911</b>	<b>495,957</b>
<b>Net cash flow from financing activities</b>			
3.1		6,093,384	476,493
3.2		(2,620,966)	-
3.3		-	-
3.4		(37,507)	(34,379)
3.5		-	-
3.6		-	53,843
<b>IV.</b>	V-VI-1	<b>(1,666)</b>	<b>3,796</b>
<b>Effect of change in foreign exchange rates on cash and cash equivalents</b>			
<b>V.</b>		<b>369,689</b>	<b>(2,141,980)</b>
<b>Net increase in cash and cash equivalents</b>			
<b>VI.</b>	V-VI-4	<b>5,006,108</b>	<b>7,148,088</b>
<b>Cash and cash equivalents at the beginning of the year</b>			
<b>VII.</b>	V-VI-4	<b>5,375,797</b>	<b>5,006,108</b>
<b>Cash and cash equivalents at the end of the year</b>			

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

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

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

	Notes	Current Year 31 December 2012	Previous Year 31 December 2011
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT<sup>(*)</sup></b>			
1.1	CURRENT YEAR'S PROFIT	1,885,361	1,575,181
1.2	TAXES AND LEGAL DUTIES PAYABLE	(425,281)	(348,396)
1.2.1	Corporate tax (income tax)	(449,196)	(373,920)
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	23,915	25,524
<b>A.</b>	<b>NET PROFIT FOR THE YEAR</b>	<b>1,460,080</b>	<b>1,226,785</b>
1.3	DEFERRED TAX INCOME TRANSFERRED TO OTHER RESERVES	(23,915)	(25,524)
<b>B.</b>	<b>NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME</b>	<b>1,436,165</b>	<b>1,201,261</b>
1.4	ACCUMULATED LOSSES	-	-
1.5	FIRST LEGAL RESERVES	-	(60,063)
1.6	OTHER STATUTORY RESERVES	-	(60,063)
<b>C.</b>	<b>NET PROFIT AVAILABLE FOR DISTRIBUTION</b>	<b>-</b>	<b>1,081,135</b>
1.7	FIRST DIVIDEND TO SHAREHOLDERS	-	37,000
1.7.1	To owners of ordinary shares	-	37,000
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 <sup>(*)</sup>	-	-
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	-	1,010,638
1.14	OTHER RESERVES	-	-
1.15	SPECIAL FUNDS	-	33,497
<b>II. DISTRIBUTION FROM RESERVES</b>			
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	-	-
<b>III. EARNINGS PER SHARE</b>			
3.1	TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)	0.5840	0.4907
3.2	TO OWNERS OF ORDINARY SHARES ( % )	58.40	49.07
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>			
4.1	TO OWNERS OF ORDINARY SHARES	-	0.0148
4.2	TO OWNERS OF ORDINARY SHARES ( % )	-	1.48
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES ( % )	-	-

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

<sup>(\*\*)</sup> Profit distribution table has been presented according to unconsolidated financial statements of the Parent Bank.

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

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

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### SECTION THREE

#### Accounting Policies

##### I. Basis of presentation

As per the Article 37 and 38 of "Accounting and Recording Rules" of the Turkish Banking Law no. 5411 published on the Official Gazette no. 25983 dated 1 November 2005 and became effective, Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("Bank" or "Parent Bank") and its Financial Subsidiaries ("Group") keep its accounting records and prepares its unconsolidated and 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 effective since 1 November 2006, Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and the related statements and guidance (collectively "Reporting Standards") promulgated by Turkish Accounting Standards Board ("TASB").

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

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

##### Additional paragraph for convenience translation to English

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

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

###### Strategy for the use of financial instruments

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

The most important fund sources of the Bank other than the deposits are its equity, 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.

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

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Investments in marketable securities and lending loans generate higher return than the average rate of return of the Bank's operating activities on the basis of maturity structures and market conditions. When bank placements are considered, they have short term maturity in terms of liquidity management but earn lower return. The Bank takes position against short-term foreign exchange risk, interest rate risk and market risk in money and capital markets, by considering market conditions, within specified limits set by regulations.

The Bank hedges itself and controls its position against the foreign exchange risk being exposed due to foreign currency available-for-sale investments, investments in other portfolios and other foreign currency transactions by various derivative transactions and setting the equilibrium between foreign currency denominated assets and liabilities. Foreign currency position is closely followed taking the legal limits and the Bank's internal control regulations, formed in a balanced basket taking the market conditions into account.

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

### Information on foreign currency transactions

Transactions of the Parent Bank and its consolidated subsidiaries located in Turkey are recorded in TL, the functional currency of the Parent Bank and the related subsidiaries. Foreign currency transactions are recorded using the foreign exchange rates ruling at the transaction date. At the end of the periods, foreign currency denominated monetary assets and liabilities are measured at the Parent Bank's spot purchase rates in the financial statements of the Parent Bank; and at the spot purchase rates announced by the Central Bank of Turkey ("CBT") in the financial statements of the other subsidiaries. The foreign exchange rate differences are recognized as foreign exchange gains or losses in the statement of income.

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

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

Foreign currency differences arising from the translation of the financial statements of the net investment in foreign operations into TL for consolidation purpose are classified as "foreign currency differences arising from associates, subsidiaries, and joint ventures" sub account under "other profit reserves" presented in equity.

### III. Information on companies subject to consolidation

#### Investments in consolidated companies

As at and the year ended 31 December 2012, the financial statements of T. Vakıflar Bankası TAO, Vakıf International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik AŞ, Vakıf Finans Factoring Hizmetleri AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ve Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

*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.

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*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 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 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 B Tipi 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.

Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd, a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at 30 September 2012 and 31 December 2011 but its equity until the liquidation decision date has included in the accompanying consolidated financial statements.

As per the resolution of the Board of Directors of the Bank held on 8 September 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at 30 September 2012 and 31 December 2011, but its equity until the merger date has been included in the accompanying consolidated financial statements.

### Investments in associates consolidated per equity method

As at and for the year ended 31 December 2012, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

*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.

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*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, emission 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.

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### 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.

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

*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.

### Associates and subsidiaries

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.

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; are accounted for in accordance with TAS 39 together with non-financial associates in the accompanying consolidated financial statements.

### VIII. Information on impairment of financial assets

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

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

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

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### IX. Information on netting of financial instruments

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

### X. Information on repurchase and resale agreements and securities lending

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

Securities purchased under resale agreements are classified under "Receivables from Interbank Money Markets" separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

### XI. Information on assets and liabilities arising from assets held for sale and discontinued operations

A tangible asset (or a disposal group) classified as "asset held for sale" is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Group's business which is sold or classified as held-for-sale. The operating results of the discontinued operations are disclosed separately in the consolidated income statement. The Group has no discontinued operations as at the balance sheet date.

### XII. Information on goodwill and other intangible assets

The Group's intangible assets consist of software.

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

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

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

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### XIII. Information on tangible assets

The costs of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets purchased after 1 January 2005 are recorded at their historical costs after deducting financing expenses and foreign exchange differences if any.

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

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

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

Depreciation rates and estimated useful lives are:

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

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

At each balance sheet date, the Group evaluates whether there is objective evidence of impairment on its assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 - *Impairment of Assets* and if the recoverable amount is less 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 through its real estate company and insurance companies, consolidated in the accompanying consolidated financial statements.

Investment properties are initially recorded at their acquisition costs including transaction costs.

Subsequent to initial recognition, the Group measures all investment property based on the cost model in accordance with the cost model for property and equipment (i.e. at cost less accumulated depreciation and less any accumulated impairment losses).

### XV. Information on leasing activities

Finance leasing activities as the lessee

Tangible assets acquired through finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the consolidated balance sheet of the Group. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

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If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through finance lease is calculated in the same manner as tangible assets.

### Finance leasing activities as the lessor

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

### Operational lease activities

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

## XVI. Information on provisions and contingent liabilities

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in consolidated financial statements but are assessed continuously to ensure that related updates are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset.

## XVII. Information on obligations of the Group concerning employee rights

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

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

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

	Current Year	Previous Year
Discount rate	1.91%	3.78%
Expected rate of salary/limit increase	5.00%	5.00%
Estimated employee turnover rate	1.93%	1.61%

### Other benefits to employees

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 Parent 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,

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

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

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

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The technical financial statements of the Fund are audited by the certified actuary according to the the "Actuaries Regulation" which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 2012 which is prepared for the period 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 are 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.

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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 corporate 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.

The clause "The amount which to be deducted as investment incentive to estimate tax base can not exceed 25% of related income" which has been added by Constitutional Court to first clause of the temporary 69th article of Law No: 193 with 5th article of 23 July 2010 dated Law No: 6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the 9 February 2012 dated decisions no: E.2010/93 and K.2012/20. Accordingly, the Group's subsidiary operating in finance lease sector have taken these effects into account while arranging corporate tax declaration for the year 2011.

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### XIX. Additional information on borrowings

Group obtains funding resources such as syndication and securitization transactions in case of need. In the current period, the Parent Bank obtained funds through issuance of bonds and bills domestically and internationally.

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

### XX. Information on issuance of equity securities

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

### 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 2012, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 272,445 (31 December 2011: TL 274,080).

### XXIII. Segment reporting

Operational segments are determined based the structure of the Group's risks and benefits and presented in Section Four Note X.

### XXIV. Other disclosures

#### Earnings per shares

Earning per share has been 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 2012, earning per 100 shares is TL 0.5694 (31 December 2011: TL 0.5444).

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### 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 ("CBT") 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 annuities 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 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.

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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 recognised, the first step is to reduce any intangible item arising from business combinations related to insurance. If there is still a loss remaining, then the deferred acquisition cost is reduced to the extent that expense loadings are considered not recoverable. Finally, if there is a still remaining amount of loss, this should be booked as an addition to the reserve for premium deficiency.

### Individual pension business

*Individual pension system receivables* presented under 'other assets' in the accompanying consolidated financial statements consists of 'receivable from pension investment funds for investment management fees', 'entrance fee receivable from participants'. Pension funds are the mutual funds that the individual pension companies invest in, by the contributions of the participants. Shares of the participants are kept at the clearing house on behalf of the participants.

'*Receivable from pension investment funds for investment management fees*' are the fees charged to the pension funds for the administration and portfolio management services provided. 'Receivables from the clearing house on behalf of the participants' is the receivable from the clearing house on pension fund basis against the contributions of the participants. The same amount is also recorded as payables to participants for the funds acquired against their contributions under the 'individual pension system payables'.

In addition to the 'payables to participants' account, mentioned in the previous paragraph, individual pension system payables also includes participants' temporary accounts, and payables to individual pension agencies. The temporary account of participants includes the contributions of participants that have not yet been invested. Individual pension system payables are presented under other liabilities and provisions in the accompanying consolidated financial statements.

Fees received from individual pension business consist of investment management fees, fees levied on contributions and entrance fees. Fees received from individual pension business are recognised in other income in the accompanying consolidated statement of comprehensive income.

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### SECTION FOUR

#### Information Related to Financial Position of the Group

##### I. Consolidated capital adequacy ratio

The Bank's consolidated capital adequacy ratio is 15.56% (The Parent Bank: 16.14%).

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

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

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

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

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

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

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### Information on consolidated capital adequacy ratio

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

### Summary information related to unconsolidated capital adequacy ratio

	Current Period
Capital Obligation Required for credit risk (COCR) (Value at Risk*0.08)	6,069,014
Capital Obligation Required for market risk (COMR)	48,413
Capital Obligation Required for operational risk (COOR) <sup>(1)</sup>	587,602
Equity	13,527,730
<b>Equity/ ((COCR+COMR+COOR)*12,5*100)</b>	<b>16.14%</b>

<sup>(1)</sup> In accordance with the BDDK BYD:126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio for the year 2011 was measured by taking value at operational risk calculated based on average of gross incomes for the years ended 31 December 2010, 2009 and 2008 into consideration. For the year 2012, value at operational risk is being calculated based on average of gross incomes for the years ended 31 December 2011, 2010 and 2009.

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### Information on consolidated capital adequacy ratio

	Consolidated Risk Weights – 31 December 2012									
	0%	10%	20%	50%	75%	100%	150%	200%	1250%	
<b>Surplus credit risk weighted</b>	<b>36,343,955</b>	<b>-</b>	<b>2,783,258</b>	<b>25,141,605</b>	<b>19,262,891</b>	<b>37,742,502</b>	<b>1,979,962</b>	<b>4,851,957</b>	<b>-</b>	
Risk classifications:										
Contingent and non-contingent claims on sovereigns and Central Banks	28,941,391	-	-	4,029,976	-	1	-	-	-	
Contingent and non-contingent claims on regional governments or local authorities	9,128	-	1,002,273	137,598	-	-	-	-	-	
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	13,080	-	-	248	-	22,627	-	-	-	
Contingent and non-contingent claims on multilateral development banks	82,169	-	-	-	-	-	-	-	-	
Contingent and non-contingent claims on international organizations	-	-	-	-	-	-	-	-	-	
Contingent and non-contingent claims on banks and intermediary institutions	5,449,876	-	1,776,536	2,639,075	-	626,734	-	-	-	
Contingent and non-contingent claims on corporate regulatory retail portfolios	548,476	-	-	-	-	32,189,359	-	-	-	
Contingent and non-contingent claims included in the regulatory retail portfolios	88,035	-	-	-	19,262,891	-	-	-	-	
Contingent and non-contingent claims secured by residential property	-	-	-	18,334,708	-	1,849,409	-	-	-	
Past due loans	-	-	-	-	-	316,900	-	-	-	
Higher risk categories decided by the Agency	-	-	-	-	-	-	1,979,962	4,851,957	-	
Marketable securities secured by mortgages	-	-	-	-	-	-	-	-	-	
Securitization exposures	-	-	-	-	-	-	-	-	-	
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	
Other claims	1,211,800	-	4,449	-	-	2,737,472	-	-	-	

### Summary information related to consolidated capital adequacy ratio

	Current Period
Capital Obligation Required for credit risk (COCR) (Value at Risk*0.08)	6,239,279
Capital Obligation Required for market risk (COMR)	64,811
Capital Obligation Required for operational risk (COOR) <sup>(1)</sup>	685,147
Equity	13,595,507
<b>Equity/ ((COCR+COMR+COOR)*12,5*100)</b>	<b>15.56%</b>

<sup>(1)</sup> In accordance with the BDDK BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio for the year 2011 was measured by taking value at operational risk calculated based on average of gross incomes for the years ended 31 December 2010, 2009 and 2008 into consideration. For the year 2012, value at operational risk is being calculated based on average of gross incomes for the years ended 31 December 2011, 2010 and 2009.

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### Information on consolidated equity

	Current Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	2,500,000	2,500,000
Nominal Capital	2,500,000	2,500,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-
Share Premium	723,918	726,720
Share Cancellation Profits	-	-
Reserves	5,675,804	5,913,527
Reserves from Inflation Adjustments to Reserves	-	-
Profit	1,460,080	1,518,089
Current Period's Profit	1,460,080	1,423,451
Prior Years' Profit	-	94,638
Provision for Possible Losses up to 25% of Core Capital	92,887	92,887
Income on Sale of Equity Shares and Real Estates	41,061	50,452
Primary Subordinated Debt up to 15% of Core Capital	-	-
Minority shares	-	320,280
Loss excess of Reserves (-)	-	-
Current Year's Loss	-	-
Prior Years' Loss	-	-
Leasehold Improvements (-)	67,299	68,567
Intangible Assets (-)	81,747	100,036
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)	-	-
<b>Total Core Capital</b>	<b>10,344,704</b>	<b>10,953,352</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	956,059	956,059
45% of Revaluation Surplus on movables	-	-
45% of Revaluation Surplus on Immovables	-	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	67,318	1,779
Primary Subordinated Debt excluding the Portion included in Core Capital	-	-
Secondary Subordinated Debt	1,628,814	1,619,541
45% of value increase fund of financial assets available for sale and associates and subsidiaries	652,488	324,365
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves)	-	-
Minority share	-	34,849
<b>Total Supplementary Capital</b>	<b>3,304,679</b>	<b>2,936,593</b>
<b>CAPITAL</b>	<b>13,649,383</b>	<b>13,889,945</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>121,653</b>	<b>294,438</b>
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors exceeding 10% of ownership	-	-
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-	170,692
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 Of the Banking Law but Retained more than Five Years	121,435	123,528
Securitisation positions that is deducted -preferably- from the shareholders' equity	-	-
Others	218	218
<b>TOTAL EQUITY</b>	<b>13,527,730</b>	<b>13,595,507</b>

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

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

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

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

In assessment process of internal capital requirement, credit risk, market risk, operational risk, interest rate risk arising from banking accounts, liquidity risk, reputation risk, residual risk, concentration risk, counterparty credit risk, sovereign risk and settlement risk are considered, and policies and implementing procedures for assessing and managing these risks are defined and approved by Board of Directors of the Parent Bank. Assessment process of internal capital requirement is handled as a developing process, action plans according to aforementioned policies and implementing procedures are formed and studies are in progress.

## II. Consolidated credit risk

Credit risk is defined as the counterparty's possibility of failing to fulfil its obligations on the terms set by the agreement. Credit risk means risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. It covers the possible risks arising from futures and option agreements and other agreements alike and the credit risks arising from credit transactions that have been defined by the Banking Law.

In compliance with the articles 51 and 54 set forth in Banking Law and ancillary regulation, credit limits are set by the Parent Bank for the financial position and credit requirements of customers within the authorization limits assigned for branches, regional directorates, lending departments, assistant general manager responsible of lending, general manager, credit committee and board of directors and credits are given regarding these limits in order to limit credit risk in lending facilities.

Credit limits are determined separately for the individual customer, company, group of companies, risk groups on a product basis. In accordance with the related Lending Policy, several criteria are used in the course of determining these credit limits. Customers should have a long-standing and a successful business past, a high commercial morality, possess a good financial position and a high morality, the nature of their business should be appropriate to use the credit, possess their commercial operations in an affirmative and a balanced manner, have experience and specialization in their profession, be able to adopt themselves to the economic conditions, to be accredited on the market, have sufficient equity capital, possess the ability to create funds with their operations and finance their placement costs. Also the sector and the geographical position of customers, where they operate and other factors that may effect their operations are considered in the evaluation process of loans. Apart from ordinary intelligence operations, the financial position of the customer is mainly analysed based on the balance sheets and the income statements for the six-months periods (June and December) provided by the loan customer, the documents received in accordance with the related regulation for their state of accounts and other related documents. Credit limits are subject to revision regarding the overall economic developments and the changes in the financial information and operations of the customers.

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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 classifies its past due and impaired receivables as shown below in accordance with the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables and Provisions to be Set Aside".

- for which recovery of principal and interest or both delays from their terms or due dates are more than ninety days but not more than one hundred eighty days are classified as "Group Three- Loans and Other Receivables With Limited Recovery",
- for which recovery of principal and interest or both delays from their terms or due dates are more than one hundred and eighty days but not more one year are classified as "Group Four- Loans and Other Receivables With Suspicious Recovery",
- for which recovery of principal and interest or both delays from their terms or due dates are more than one year are classified as "Group Five-Loans and Other Receivables Having the Nature of Loss",

Regardless of the guarantees and pledges received, the Bank provides 20% provision for the Loans and Other Receivables classified in Group Three, and 100% provision for the Loans and Other Receivables classified in Group Four and Group Five. The provision amount is recognized in profit and loss statement of the period.

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The Group's largest 100 cash loan customers compose 19.25% of the total cash loan portfolio.

The Group's largest 100 non-cash loan customers compose 59.22% of the total non-cash loan portfolio.

The Group's largest 100 cash loan customers compose 12.21% of total assets of the Group's and the Group's largest 100 non-cash loan customers compose 12.37% of total off-balance sheet items.

The Group's largest 200 cash loan customers compose 25.22% of the total cash loan portfolio.

The Group's largest 200 non-cash loan customers compose 69.57% of the total non-cash loan portfolio.

The Group's largest 200 cash loan customers compose 15.99% of total assets of the Group and the Group's largest 200 non-cash loan customers compose 14.53% of total off-balance sheet items.

The general provision for credit risk amounts to TL 956,059 (31 December 2011: TL 671,180).

<b>Risk Classification:</b>	<b>Current Year Risk Amount</b>	<b>Average Risk Amount<sup>(C)</sup></b>
Contingent and non-contingent claims on sovereigns and Central Banks	32,971,368	32,424,668
Contingent and non-contingent claims on regional governments or local authorities	1,148,999	1,013,781
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	35,955	69,093
Contingent and non-contingent claims on multilateral development banks	82,169	94,979
Contingent and non-contingent claims on international organizations	-	-
Contingent and non-contingent claims on banks and intermediary institutions	10,492,221	9,439,046
Contingent and non-contingent claims on corporate	32,737,835	32,083,542
Contingent and non-contingent claims included in the regulatory retail portfolios	19,350,926	17,850,500
Contingent and non-contingent claims secured by residential property	20,184,117	20,680,298
Past due loans	316,900	303,469
Higher risk categories decided by the Agency	6,831,919	6,421,998
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other claims	3,953,721	3,769,132

<sup>(C)</sup>Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for July-December 2012 period.

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### Risk profile according to the geographical concentration (\*\*\*)

Current Period	Claims on sovereigns and Central Banks	Claims on governments or local authorities	Claims on administrative or other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included by the regulatory portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short term claims and short term corporate banks and intermediary institutions	Underlings for investments in mutual funds	Other receivables	Total
Domestic	32,757,262	1,148,374	35,955	-	-	3,118,232	32,356,783	19,337,744	20,183,040	316,896	6,610,588	-	-	-	-	3,953,721	119,808,595
EU countries <sup>(1)</sup>	155,252	625	-	82,169	-	5,474,815	140,079	11,239	276	-	-	-	-	-	-	-	5,864,955
OECD countries	-	-	-	-	-	89,241	43,484	1,029	416	-	-	-	-	-	-	-	134,270
Off-shore banking regions	-	-	-	-	-	100	5,332	225	-	-	-	-	-	-	-	-	5,657
USA, Canada	53,495	-	-	-	-	15,540,013	112,057	382	-	4	-	-	-	-	-	-	1,713,951
Other countries	4,859	-	-	-	-	26,1720	80,100	307	385	-	22,1331	-	-	-	-	-	568,702
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed/Assets/ Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>32,971,368</b>	<b>1,148,999</b>	<b>35,955</b>	<b>82,169</b>	<b>-</b>	<b>10,492,221</b>	<b>32,737,835</b>	<b>19,350,926</b>	<b>20,184,117</b>	<b>316,900</b>	<b>6,631,919</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,953,721</b>	<b>128,106,130</b>

<sup>(1)</sup> EU countries, OECD countries except USA and Canada

<sup>(2)</sup> The assets and liabilities that can not be distributed according to a consistent base.

<sup>(\*\*\*)</sup> Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

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Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total
Agricultural	-	179	16	-	-	-	1,219,057	134,706	377,581	3,566	-	-	-	-	-	-	1,268,661	466,444	1,735,105
<i>Farming and raising livestock</i>	-	179	16	-	-	-	916,216	104,909	314,245	3,225	-	-	-	-	-	-	1,166,113	172,677	1,338,790
<i>Forestry</i>	-	-	-	-	-	-	284,984	8,675	42,518	340	-	-	-	-	-	-	64,614	271,903	336,517
<i>Fishing</i>	-	-	-	-	-	-	17,857	21,122	20,818	1	-	-	-	-	-	-	37,934	21,864	59,798
Manufacturing	-	164	3,219	-	-	-	10,220,194	935,409	1,640,496	17,801	-	-	-	-	-	-	3,956,024	8,861,259	12,817,283
<i>Mining</i>	-	-	-	-	-	-	448,213	83,046	77,539	1,099	-	-	-	-	-	-	308,220	301,677	609,897
<i>Production</i>	-	55	3,209	-	-	-	6,655,506	544,322	1,518,414	16,111	-	-	-	-	-	-	2,707,049	6,030,568	8,737,617
<i>Electric Gas, Water</i>	-	109	10	-	-	-	3,116,475	308,041	44,543	591	-	-	-	-	-	-	940,755	2,529,014	3,469,769
Construction	430	-	-	-	-	-	4,575,868	595,174	1,591,794	35,883	-	-	-	-	-	-	4,061,448	2,737,701	6,799,149
Services	11,459,584	6,126	27,966	82,169	-	10,449,504	11,849,519	2,592,679	9,417,685	106,401	-	-	-	-	-	-	21,411,383	24,580,250	45,991,633
<i>Wholesale and retail trade</i>	-	270	43	-	-	-	5,097,329	1,273,041	5,096,205	66,544	-	-	-	-	-	-	8,607,250	2,926,182	11,533,432
<i>Hotel, Food and Beverage Services</i>	75	26	-	-	-	-	708,437	452,424	325,802	3,014	-	-	-	-	-	-	631,341	858,437	1,489,778
<i>Transportation and Telecommunication</i>	-	-	3,398	-	-	-	2,988,529	272,258	2,590,243	18,134	-	-	-	-	-	-	3,760,708	2,111,854	5,872,562
<i>Financial institutions</i>	11,426,007	-	4	82,169	-	10,449,504	205,443	201,606	31,046	56	-	-	-	-	-	-	5,565,797	16,830,038	22,395,835
<i>Real Estate and renting services</i>	-	-	17	-	-	-	1,439,856	94,959	160,280	2,183	-	-	-	-	-	-	614,411	1,082,884	1,697,295
<i>Self-employment services</i>	7,465	5,417	9,863	-	-	-	951,768	208,056	935,394	13,461	-	-	-	-	-	-	1,530,762	600,662	2,131,424
<i>Education services</i>	121	38	539	-	-	-	152,951	43,304	54,943	905	-	-	-	-	-	-	179,740	73,061	252,801
<i>Health and social services</i>	25,916	375	14,102	-	-	-	305,206	47,031	223,772	2,104	-	-	-	-	-	-	521,374	97,132	618,506
Other	21,511,354	1,142,530	4,754	-	-	42,717	4,873,197	15,092,958	7,156,561	153,249	6,831,919	-	-	-	-	-	54,290,277	6,472,683	60,762,960
<b>Total</b>	<b>32,971,368</b>	<b>1,148,999</b>	<b>35,955</b>	<b>82,169</b>	<b>-</b>	<b>10,492,221</b>	<b>32,737,835</b>	<b>19,350,926</b>	<b>20,184,117</b>	<b>316,900</b>	<b>6,831,919</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84,987,793</b>	<b>43,118,337</b>	<b>128,106,130</b>

(\*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

- 1- Claims on sovereigns and Central Banks
- 2- Claims on regional governments or local authorities
- 3- Claims on administrative bodies and other non-commercial undertakings
- 4- Claims on multilateral development banks
- 5- Claims on international organizations
- 6- Claims on banks and intermediary institutions
- 7- Claims on corporates
- 8- Claims included in the regulatory retail portfolios
- 9- Claims secured by residential property
- 10- Past due loans
- 11- Higher risk categories decided by the Board
- 12- Secured by mortgages
- 13- Securitization positions
- 14- Short-term claims and short term corporate claims on banks and intermediary institutions
- 15- Undertakings for collective investments in mutual funds
- 16- Other receivables

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Distribution of maturity risk factors according to their outstanding maturities <sup>(\*)</sup>

Risk Classifications	According to their outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
Contingent and non-contingent claims on sovereigns and Central Banks	24,027	3,978	3,708	1,621	32,938,034
Contingent and non-contingent claims on regional governments or local authorities	95,535	8,684	11,845	60,612	972,323
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	11,207	1,093	1,711	4,392	17,552
Contingent and non-contingent claims on multilateral development banks	-	-	-	-	82,169
Contingent and non-contingent claims on international organizations	-	-	-	-	-
Contingent and non-contingent claims on banks and intermediary institutions	1,721,475	400,009	259,757	306,738	7,804,242
Contingent and non-contingent claims on corporate	7,299,526	2,656,805	3,120,158	5,703,630	13,957,716
Contingent and non-contingent claims included in the regulatory retail portfolios	590,155	302,671	378,554	770,836	17,308,710
Contingent and non-contingent claims secured by residential property	2,417,434	886,628	1,253,439	2,871,372	12,755,244
Past due loans	-	-	-	-	316,900
Higher risk categories decided by the Agency	-	-	-	-	6,831,919
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other claims	-	-	-	-	3,953,721
<b>Total</b>	<b>12,159,359</b>	<b>4,259,868</b>	<b>5,029,172</b>	<b>9,719,201</b>	<b>96,938,530</b>

<sup>(\*)</sup>Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

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Risk balances according to risk weights

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	30,160,556	-	6,559,951	26,828,174	19,424,671	38,300,859	1,979,962	4,851,957	-	463,041
Amount after Credit Risk Mitigation	36,343,955	-	2,783,258	25,141,605	19,262,891	37,742,502	1,979,962	4,851,957	-	463,041

In determination of counterparty credit risk of the receivables from Banks operated abroad, ratings given by International Credit Rating Agency Fitch Rating are considered. Rating of the same company is also used in the assessment of risks from foreign currency investment securities issued by Turkish Treasury and other foreign currency risks associated with Central Administration of Turkish Republic.

Ratings Matched	Credit Quality Rank	Fitch
Long Term Credit Ratings	1	AAA between AA-
	2	A+ between A-
	3	BBB+ between BBB-
	4	BB+ between BB-
	5	B+ between B-
	6	CCC+ and below
Short Term Credit Ratings	1	F1+ between F1
	2	F2
	3	F3
	4	F3 and below
	5	-
	6	-

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## Information According to Sectors and Counterparties

	Loans			
	Impaired <sup>(*)</sup>	Past Due <sup>(**)</sup>	Value Adjustments	Provisions
Agricultural	44,092	13,495	135	40,459
<i>Farming and raising livestock</i>	34,396	10,963	110	31,104
<i>Forestry</i>	4,768	1,153	11	4,428
<i>Fishing</i>	4,928	1,379	14	4,927
Manufacturing	703,438	70,474	812	659,806
<i>Mining</i>	30,811	2,443	15	29,712
<i>Production</i>	669,305	65,002	767	627,363
<i>Electric, Gas, Water</i>	3,322	3,029	30	2,731
Construction	305,311	159,375	5,097	262,780
Services	872,606	630,635	9,071	765,686
<i>Wholesale and retail trade</i>	492,256	295,029	4,725	425,712
<i>Hotel, Food and Beverage Services</i>	22,857	25,970	483	19,843
<i>Transportation and telecommunication</i>	190,775	188,733	2,027	172,641
<i>Financial Institutions</i>	9,100	1,195	12	9,044
<i>Real estate and renting services</i>	37,401	23,402	813	35,218
<i>Self-employment services</i>	103,276	71,842	767	89,815
<i>Education services</i>	4,612	6,562	66	3,707
<i>Health and social services</i>	12,329	17,902	178	9,706
Other	891,380	3,977,859	163,656	780,297
<b>Total</b>	<b>2,816,827</b>	<b>4,851,838</b>	<b>178,771</b>	<b>2,509,028</b>

<sup>(\*)</sup> Impaired loans are composed of group three, four and five loans.

<sup>(\*\*)</sup> Past due loans and other receivables consist of loans and other receivables that are past due up to ninety days.

	The opening Balance	Provisions amounts set aside during the period	The cancelation of the provisions	Other Adjustments <sup>(*)</sup>	Close out Balance
Specific Provisions	2,099,932	749,678	(362,560)	21,978	2,509,028
General Provisions	671,180	284,755	-	124	956,059

<sup>(\*)</sup> Determined according to exchange rate differences, business combinations, acquisitions and disposals of subsidiaries.

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### Fair value of collateral held against impaired loans

	31 December 2012	31 December 2011
Cash collateral <sup>(*)</sup>	-	-
Mortgage	758,704	650,387
Promissory note <sup>(*)</sup>	172	26,479
Others <sup>(**)</sup>	2,057,951	1,534,417
<b>Total</b>	<b>2,816,827</b>	<b>2,211,283</b>

<sup>(\*)</sup> As a policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral and promissory note are shown as zero in the table above.

<sup>(\*\*)</sup> Sureties obtained for impaired loans are presented in this row to the extent that the amount does not exceed the amount of impaired loans.

### The detail of collateral held against performing cash and non-cash loans by the Bank

Cash loans	31 December 2012	31 December 2011
Secured Loans:	50,544,148	41,046,672
Secured by mortgages	19,751,313	19,723,627
Secured by cash collateral	587,270	467,184
Guarantees issued by financial institutions	273,443	386,275
Secured by government institutions or government securities	172,801	219,080
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	29,759,321	20,250,506
Unsecured Loans	19,327,468	18,132,075
<b>Total performing loans</b>	<b>69,871,616</b>	<b>59,178,747</b>

Non-cash loans	31 December 2012	31 December 2011
Secured Loans:	7,669,050	6,492,300
Secured by mortgages	669,759	1,063,506
Secured by cash collateral	123,436	106,879
Guarantees issued by financial institutions	7,901	7,079
Secured by government institutions or government securities	-	566
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	6,867,954	5,314,270
Unsecured Loans	9,581,987	9,357,082
<b>Total non-cash loans</b>	<b>17,251,037</b>	<b>15,849,382</b>

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### III. Market risk

The Parent Bank calculates market risk using standard method and allocates legal capital in compliance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in 28 June dated 2012 Official Gazette no. 28337.

The market risk is defined as the potential risk of loss due to changes in interest rates, foreign exchange rates and equity prices on balance sheet and off-balance sheet positions of the banks.

The capital needed for general market risk and specific risks is calculated using the standard method defined by the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and reported monthly.

In addition to the standard method, the Parent Bank also uses internal models like Historical and Monte Carlo Simulations in measuring market risk. The Parent 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

	<b>Amount</b>
(I) Capital Obligation against General Market Risk-Standard Method	14,179
(II) Capital Obligation against Specific Risks-Standard Method	7,959
Capital to be employed for specific risk in securitisation positions- Standard Method	-
(III) Capital Obligation against Currency Risk-Standard Method	40,208
(IV) Capital Obligation against Stocks Risks-Standard Method	-
(V) Capital Obligation against Exchange Risks-Standard Method	-
(VI) Capital Obligation against Market Risks of Options-Standard Method	-
(VII) Capital Obligation Calculated for Counterparty Credit Risk-Standard Method	2,465
(VIII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(IX) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI+VII)	64,811
<b>(X) Value-At-Market Risk (12.5xVIII) or (12.5xIX)</b>	<b>810,138</b>

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### Average values at market risk

	Current Year			Prior Year		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	89,337	134,503	20,406	145,713	160,160	138,107
Common Share Risk	1,989	2,512	1,284	3,079	3,930	2,143
Currency Risk	43,272	56,347	36,504	21,190	31,594	15,366
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	266	669	-	690	1,707	40
Counterparty Credit Risk	2,637	2,808	2,465	-	-	-
<b>Total Value at Risk</b>	<b>1,702,270</b>	<b>2,171,075</b>	<b>810,137</b>	<b>2,133,397</b>	<b>2,250,413</b>	<b>2,041,100</b>

### Information on Counterparty Credit Risk

Counterparty credit risk is the probability of an economic loss that Bank could face because the counterparty to a transaction bringing liabilities to both parties could default before the final settlement of the transaction.

In calculation of the counterparty credit risk "Valuation Method on the Basis of Fair Value" is implemented in the scope of "Regulation on Calculation and Assessment of Capital Adequacy of the Banks". The counterparty credit risk of the derivatives includes current replacement cost and potential future credit exposure. Replacement cost is calculated on fair value of the contracts, whilst potential future credit risk exposure is calculated by multiplication of contract amounts with the credit conversion rates stated in the appendices of the regulation.

### Information about counterparty risk

	Amount <sup>(1)</sup>
Contracts based on Interest rate	11,853
Contracts based on currency	35,772
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	47,625
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	-
The net position of derivatives	47,625

<sup>(1)</sup> Counterparty risk related on held for trading accounts is presented.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### IV. Operational risk

The Parent Bank calculated the value at operational risk in accordance with the third section of "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" that is "Computation of Value of Operational Risk" published in 28 June 2012 dated Official Gazette no. 28337. The operational risk which the Bank is exposed to is calculated according to the "Basic Indicator Method" hence by multiplying the average of the 15% of last three years' actual gross income with 12.5, in line with the effective legislation practices in the country.

	31 December 2009	31 December 2010	31 December 2011	Total/Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	4,414,478	4,371,279	4,917,176	3	15	685,147
<b>Amount subject to operational risk (Total*12,5)</b>						<b>8,564,338</b>

### 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 2012 and 2011, 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
<b>The Bank's foreign currency purchase rate at the balance sheet date</b>	<b>1.7800</b>	<b>2.3514</b>
Foreign currency rates for the days before balance sheet date;		
Day 1	1.7400	2.3043
Day 2	1.7700	2.3438
Day 3	1.7500	2.3072
Day 4	1.7500	2.3070
Day 5	1.7700	2.3339
<b>Last 30-days arithmetical average rate</b>	<b>1.7492</b>	<b>2.2829</b>

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### Information on currency risk

Current Year	Euro	US Dollar	Other FCs	Total
<b>Assets:</b>				
Cash and balances with the Central Bank of Turkey	3,110,658	4,546,522	2,424,368	10,081,548
Banks	208,823	1,623,945	83,368	1,916,136
Financial assets at fair value through profit or loss <sup>(1)</sup>	5,218	54,074	-	59,292
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	994,976	3,062,043	-	4,057,019
Loans and receivables <sup>(2)</sup>	7,624,206	12,014,804	56,031	19,695,041
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	7,454	55,305	-	62,759
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,437	2,137	-	3,574
Intangible assets	66	133	-	199
Other assets <sup>(3)(4)</sup>	440,846	474,750	8,664	924,260
<b>Total assets</b>	<b>12,393,687</b>	<b>21,833,713</b>	<b>2,572,431</b>	<b>36,799,831</b>
<b>Liabilities:</b>				
Bank deposits	518,050	1,453,817	2,177	1,974,044
Foreign currency deposits	6,922,353	9,162,650	859,842	16,944,845
Interbank money market takings	545,611	5,838,713	-	6,384,324
Funds borrowed <sup>(5)</sup>	3,813,045	3,990,731	25,820	7,829,596
Securities issued	-	891,137	-	891,137
Miscellaneous payables	95,835	139,338	6,051	241,224
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities <sup>(1)(6)</sup>	64,101	2,317,700	4,593	2,386,394
<b>Total liabilities</b>	<b>11,958,995</b>	<b>23,794,086</b>	<b>898,483</b>	<b>36,651,564</b>
<b>Net 'on balance sheet' position</b>	<b>434,692</b>	<b>(1,960,373)</b>	<b>1,673,948</b>	<b>148,267</b>
<b>Net 'off-balance sheet' position</b>	<b>(333,160)</b>	<b>2,344,524</b>	<b>(1,676,440)</b>	<b>334,924</b>
Derivative assets <sup>(7)</sup>	744,260	5,427,272	161,987	6,333,519
Derivative liabilities <sup>(7)</sup>	1,077,420	3,082,748	1,838,427	5,998,595
Non-cash loans <sup>(8)</sup>	1,357,615	5,040,781	298,095	6,696,491
<b>Previous Year</b>				
Total assets	10,827,868	21,714,774	658,821	33,201,463
Total liabilities	11,432,492	19,667,246	125,932	31,225,670
<b>Net 'on balance sheet' position</b>	<b>(604,624)</b>	<b>2,047,528</b>	<b>532,889</b>	<b>1,975,793</b>
<b>Net 'off-balance sheet' position</b>	<b>559,790</b>	<b>(2,087,169)</b>	<b>147</b>	<b>(1,527,232)</b>
Derivative assets	910,626	2,921,104	40,195	3,871,925
Derivative liabilities	350,836	5,008,273	40,048	5,399,157
Non-cash loans <sup>(8)</sup>	1,449,366	4,962,322	238,729	6,650,417

<sup>(1)</sup> Foreign exchange rates based accruals of derivative financial assets and liabilities which respectively are not included.

<sup>(2)</sup> Foreign currency indexed loans amounting to TL 1,736,458 (31 December 2011: TL 1,204,076) presented in TL in the financial statements are included in the above table.

<sup>(3)</sup> Foreign currency indexed factoring receivables amounted to TL 21,726 (31 December 2011: 100,611) presented in TL column in the accompanying consolidated balance sheet are included.

<sup>(4)</sup> Prepaid expenses amounting to TL 25,151 (31 December 2011: TL 16,647) are not included.

<sup>(5)</sup> Unearned income amounting to TL 22,900 (31 December 2011: TL 25,460) and deferred tax liability amounting to 2,667 are not included.

<sup>(6)</sup> Asset purchase commitments amounting to TL 287,531 (31 December 2011: TL 355,339) and asset sales commitments amounting to TL 592,925 (31 December 2011: TL 502,580) are included.

<sup>(7)</sup> Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(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 2012 and 2011 would effect consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2012		31 December 2011	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	(8,959)	38,188	(17,061)	(6,310)
EUR	(8,351)	20,816	(24,279)	(12,291)
Other currencies	(249)	(249)	53,207	53,207
<b>Total, net</b>	<b>(17,559)</b>	<b>58,755</b>	<b>11,867</b>	<b>34,606</b>

<sup>(\*)</sup> 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 2012 and 2011 would effect consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	31 December 2012		31 December 2011	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	10,594	(36,553)	19,129	8,378
Euro	8,351	(20,816)	24,279	12,291
Other currencies	1,003	1,003	(52,453)	(52,453)
<b>Total, net</b>	<b>19,948</b>	<b>(56,366)</b>	<b>(9,045)</b>	<b>(31,784)</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of 10% revaluation of TL against related currencies.

### VI. Consolidated interest rate risk

Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the weekly Assets-Liabilities Committee meetings taking into account the developments in market conditions.

The Parent Bank's interest rate risk is measured by the standard method.

Measurements for standard method are carried out monthly using the maturity ladder table.

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

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(Currency: Thousands of Turkish Lira ("TL"))

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
<i>Assets:</i>							
Cash and balances with CBT	-	-	-	-	-	12,331,494	12,331,494
Banks	1,840,727	294,710	146	-	-	520,907	2,656,490
Financial assets at fair value through profit/loss	34,048	37,319	41,966	168,898	11,550	2,709	296,490
Interbank money market placements	6,645	-	-	-	-	-	6,645
Available-for-sale financial assets	4,765,314	2,098,405	1,900,238	3,088,839	2,469,739	12,246	14,334,781
Loans and receivables	21,944,720	15,107,662	11,994,426	12,926,108	7,035,984	307,799	69,316,699
Held-to-maturity investments	368,474	776,415	640,988	1,254,479	1,220,704	-	4,261,060
Other assets <sup>(1)</sup>	26,051	127,048	193,088	513,453	43,208	3,932,905	4,835,753
<b>Total assets</b>	<b>28,985,979</b>	<b>18,441,559</b>	<b>14,770,852</b>	<b>17,951,777</b>	<b>10,781,185</b>	<b>17,108,060</b>	<b>108,039,412</b>
<i>Liabilities:</i>							
Bank deposits	2,792,890	880,011	364,596	-	-	15,263	4,052,760
Other deposits	33,991,113	15,098,710	3,634,010	550,332	12,928	11,046,951	64,334,044
Interbank money market takings	6,769,186	233,673	1,679,961	-	-	-	8,682,820
Miscellaneous payables	353	-	-	-	-	2,438,803	2,439,156
Securities issued	608,070	161,954	711,587	891,137	-	-	2,372,748
Funds borrowed	1,961,676	3,629,530	2,295,949	116,193	97,633	-	8,100,981
Other liabilities <sup>(2)</sup>	39,071	4,629	3,842	107,809	1,705,898	16,195,654	18,056,903
<b>Total liabilities</b>	<b>46,162,359</b>	<b>20,008,507</b>	<b>8,689,945</b>	<b>1,665,471</b>	<b>1,816,459</b>	<b>29,696,671</b>	<b>108,039,412</b>
On balance sheet long position	-	-	6,080,907	16,286,306	8,964,726	-	31,331,939
On balance sheet short position	(17,176,380)	(1,566,948)	-	-	-	(12,588,611)	(31,331,939)
Off-balance sheet long position	490,457	1,637,600	331,215	294,353	36,863	-	2,790,488
Off-balance sheet short position	(37,380)	(90,990)	(369,465)	(1,566,532)	(659,863)	-	(2,724,230)
<b>Position, Net</b>	<b>(16,723,303)</b>	<b>(20,338)</b>	<b>6,042,657</b>	<b>15,014,127</b>	<b>8,341,726</b>	<b>(12,588,611)</b>	<b>66,258</b>

<sup>(1)</sup> Subsidiaries, associates and tangible and intangible assets are included in non-interest bearing column.

<sup>(2)</sup> Equity is included in non-interest bearing column in other liabilities line.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(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
<i>Assets:</i>							
Cash and balances with CBT	-	-	-	-	-	7,141,862	7,141,862
Banks	1,440,909	285,832	2,108	-	-	812,486	2,541,335
Financial assets at fair value through profit/loss	90,885	126,566	13,828	108,150	20,097	2,096	361,622
Interbank money market placements	190,467	-	-	-	-	-	190,467
Available-for-sale financial assets	4,216,825	2,207,753	1,968,148	2,615,781	2,334,417	11,919	13,354,843
Loans and receivables	16,398,510	8,534,741	15,123,875	11,951,813	6,048,563	111,351	58,168,853
Held-to-maturity investments	393,491	810,574	745,303	1,634,477	2,395,393	-	5,979,238
Other assets (*)	13,126	70,436	602,015	544,910	888,715	3,603,122	5,722,324
<b>Total assets</b>	<b>22,744,213</b>	<b>12,035,902</b>	<b>18,455,277</b>	<b>16,855,131</b>	<b>11,687,185</b>	<b>11,682,836</b>	<b>93,460,544</b>
<i>Liabilities:</i>							
Bank deposits	2,806,127	581,887	32,739	-	-	34,116	3,454,869
Other deposits	33,481,477	12,490,392	2,866,843	395,629	3,367	9,149,399	58,387,107
Interbank money market takings	3,985,979	1,269,469	775,804	-	-	-	6,031,252
Miscellaneous payables	-	1,789	6,914	-	-	2,965,743	2,974,446
Securities issued	-	493,000	-	-	-	-	493,000
Funds borrowed	361,305	6,042,808	2,296,083	189,521	22,580	-	8,912,297
Other liabilities (**)	88,308	79,296	139,996	11,790	65,433	12,822,750	13,207,573
<b>Total liabilities</b>	<b>40,723,196</b>	<b>20,958,641</b>	<b>6,118,379</b>	<b>596,940</b>	<b>91,380</b>	<b>24,972,008</b>	<b>93,460,544</b>
On balance sheet long position	-	-	12,336,898	16,258,191	11,595,805	-	40,190,894
On balance sheet short position	(17,978,983)	(8,922,739)	-	-	-	(13,289,172)	(40,190,894)
Off-balance sheet long position	132,758	1,391,200	99,600	-	79,423	-	1,702,981
Off-balance sheet short position	(55,272)	(77,100)	(140,500)	(673,238)	(596,423)	-	(1,542,533)
<b>Position, Net</b>	<b>(17,901,497)</b>	<b>(7,608,639)</b>	<b>12,295,998</b>	<b>15,584,953</b>	<b>11,078,805</b>	<b>(13,289,172)</b>	<b>160,448</b>

(\*) Subsidiaries, associates and tangible and intangible assets are stated in non-interest bearing column.

(\*\*) Equity is included in non-interest bearing column in other liabilities line.

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(Currency: Thousands of Turkish Lira ("TL"))

Average interest rates applied to monetary financial instruments:

Current Year	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
<b>Assets:</b>				
Cash and balance with CBT	-	-	-	-
Banks	1.62	2.38	-	10.38
Financial assets at fair value through profit/loss	7.54	1.84	-	6.32
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	5.34	7.13	-	7.53
Loans and receivables	4.67	5.46	-	15.36
Held-to-maturity investments	6.50	1.16	-	10.05
<b>Liabilities:</b>				
Bank deposits	1.79	1.40	-	6.69
Other deposits	3.26	3.15	-	8.79
Interbank money market takings	0.43	1.31	-	5.57
Miscellaneous payables	-	-	-	-
Securities issued	-	5.75	-	7.64
Funds borrowed	1.45	2.09	-	9.37
<b>Previous Year</b>				
	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
<b>Assets:</b>				
Cash and balance with CBT	-	-	-	-
Banks	0.90	0.52	-	11.37
Financial assets at fair value through profit/loss	5.47	8.50	-	10.91
Interbank money market placements	-	-	-	12.16
Available-for-sale financial assets	5.27	6.93	-	8.41
Loans and receivables	5.15	4.98	-	14.92
Held-to-maturity investments	5.62	7.34	-	9.96
<b>Liabilities:</b>				
Bank deposits	2.56	1.93	-	11.00
Other deposits	3.76	4.21	-	9.62
Interbank money market takings	1.91	1.98	-	8.80
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	8.70
Funds borrowed	2.12	1.75	-	10.67

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The interest rate risk of the banking book items:

### Measurement Rate of Interest Rate Risk

Interest rate risk arising from banking book accounts is calculated in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standart Shock Technique" published in the 23 August 2011 dated Official Gazette no. 28034. Legal limit is monthly monitored and reported accordingly.

The economic value changes arising from the interest rate fluctuations which are measured according to "Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standart Shock Technique" are presented in the below table:

Currency Unit	Applied Shock (+/- x base point)	Gain/ Loss	Gain/Equity- Loss/Equity
1. TRY	500/-400	(2,133,853)/2,169,218	(15.8%)/16.0%
2. EURO	200/-200	(28,821)/22,552	(0.2%)/0.2%
3. USD	200/-200	227,439/(174,372)	1.7%/(1.3%)
<b>Total (For Negative Shocks)</b>	-	<b>2,017,398</b>	<b>14.90%</b>
<b>Total (For Positive Shocks)</b>	-	<b>(1,935,335)</b>	<b>(14.30%)</b>

Stock position risks arising from banking book items:

Information on separations of risks according to objectives including their relation with gains presented under equity and strategical reasons, accounting techniques and general information about valuation methods with the related assumptions and factors that affect the valuation and significant changes

If carrying value is substantially different from fair value and for publicly traded shares if market value is substantially different from fair value, the comparison with the market prices are shown in the table below:

Stock Investments	Comparison		
	Carrying Value	Fair Value <sup>(*)</sup>	Market Value <sup>(*)</sup>
Stocks quoted in exchange			
1.Stocks Investments Group A	1,496	1,496	1,496
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
<b>Stocks unquoted in exchange</b>	<b>213,486</b>	<b>213,486 <sup>(**)</sup></b>	<b>-</b>

<sup>(\*)</sup> The values of stocks traded in Stock Exchange are included to both columns assuming the market value is approximate to fair value.

<sup>(\*\*)</sup> Includes equity securities investments amounting to TL 47,069 whose fair value can not be measured reliably and are recognized at cost accordingly in the accompanying financial statements.

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Total unrealized gain or loss, total revaluation surplus and values included to principal and supplementary capital

Total unrealized gain or loss, total appraisal surplus and values included to principal and supplementary capital are given in the below table:

Portfolio	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss		
		Total (*)	Included in Supplementary Capital	Total (*)	Included in Core Capital	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-	-
3. Other Stocks	-	(36,590)	-	-	-	-
<b>4. Total</b>	<b>-</b>	<b>(36,590)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) Amounts are presented including the effect of deferred tax.

### Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of the changes in the levels of equity indices and the value of individual stocks.

The fair value effect of a 10% increase/decrease in price of equity securities (all other variables held constant) which are recognized at market value and are presented under available for sale assets in the accompanying financial statements as at 31 December 2012, makes an effect of TL 150 on equity of the Group (31 Aralık 2011: 117 TL).

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### 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	Upto 1Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Undistributed <sup>(1)</sup>	Total
<b>Assets:</b>								
Cash and balance with CBT	12,331,494	-	-	-	-	-	-	12,331,494
Banks	1,429,952	931,682	294,710	146	-	-	-	2,656,490
Financial assets at fair value through profit/loss	4,057	29,164	16,151	45,125	187,733	11,551	2,709	296,490
Interbank money market placements	-	6,645	-	-	-	-	-	6,645
Available-for-sale financial assets	-	76,242	157,191	1,264,769	9,017,231	3,807,102	12,246	14,334,781
Loans and receivables	-	6,013,553	531,273	13,110,633	32,202,425	17,151,016	307,799	69,316,699
Held-to-maturity investments	-	-	35,600	1,281,298	1,685,376	1,258,786	-	4,261,060
Other assets	-	617,338	185,237	236,973	648,180	43,207	3,104,818	4,835,753
<b>Total assets</b>	<b>13,765,503</b>	<b>7,674,624</b>	<b>1,220,162</b>	<b>15,938,944</b>	<b>43,740,945</b>	<b>22,271,662</b>	<b>3,427,572</b>	<b>108,039,412</b>
<b>Liabilities:</b>								
Bank deposits	15,263	2,792,890	880,011	364,596	-	-	-	4,052,760
Other deposits	11,046,951	33,991,113	15,098,710	3,634,010	550,332	12,928	-	64,334,044
Funds borrowed	-	287,959	377,626	4,254,119	2,041,181	1,140,096	-	8,100,981
Interbank money market takings	-	6,769,186	233,673	1,679,961	-	-	-	8,682,820
Securities issued	-	608,070	161,954	711,587	891,137	-	-	2,372,748
Miscellaneous payables	-	2,124,680	85,174	93,109	985	-	135,208	2,439,156
Other liabilities	-	423,698	182,596	8,635	124,791	1,724,934	15,592,249	18,056,903
<b>Total liabilities</b>	<b>11,062,214</b>	<b>46,997,596</b>	<b>17,019,744</b>	<b>10,746,017</b>	<b>3,608,426</b>	<b>2,877,958</b>	<b>15,727,457</b>	<b>108,039,412</b>
<b>Net Liquidity Gap</b>	<b>2,703,289</b>	<b>(39,322,972)</b>	<b>(15,799,582)</b>	<b>5,192,927</b>	<b>40,132,519</b>	<b>19,393,704</b>	<b>(12,299,885)</b>	<b>-</b>
<b>Previous Year</b>								
Total assets	8,905,390	5,464,615	3,773,670	14,407,187	41,518,542	16,762,906	2,628,234	93,460,544
Total liabilities	9,183,515	42,519,194	17,063,787	6,727,464	2,628,943	2,624,084	12,713,557	93,460,544
<b>Net Liquidity Gap</b>	<b>(278,125)</b>	<b>(37,054,579)</b>	<b>(13,290,117)</b>	<b>7,679,723</b>	<b>38,889,599</b>	<b>14,138,822</b>	<b>(10,085,323)</b>	<b>-</b>

<sup>(1)</sup> Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash on short period such as tangible assets, intangible assets, associates, subsidiaries, miscellaneous receivables and equity are included in this column.

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### Residual contractual maturities of monetary liabilities

Current year	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	4,052,760	4,063,583	15,263	2,794,719	886,791	366,810	-	-
Other deposits	64,334,044	64,723,597	11,046,951	34,067,776	15,251,225	3,730,789	611,031	15,825
Funds borrowed	8,100,981	8,556,970	-	288,586	381,136	4,313,607	2,230,115	1,343,526
Money market takings	8,682,820	8,706,596	-	6,773,608	234,179	1,698,809	-	-
Issued Securities (Net)	2,372,748	2,623,486	-	610,517	164,324	728,357	1,120,288	-
Miscellaneous payables	2,439,156	2,439,156	135,208	2,124,680	85,174	93,109	985	-
Other liabilities	2,646,534	2,646,534	532,109	252,953	9,788	8,635	118,115	1,724,934
<b>Total</b>	<b>92,629,043</b>	<b>93,759,922</b>	<b>11,729,531</b>	<b>46,912,839</b>	<b>17,012,617</b>	<b>10,940,116</b>	<b>4,080,534</b>	<b>3,084,285</b>
<b>Non-Cash Loans</b>	<b>17,251,037</b>	<b>17,251,037</b>	<b>7,631,920</b>	<b>1,136,877</b>	<b>1,567,553</b>	<b>4,183,700</b>	<b>2,047,339</b>	<b>683,648</b>

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	3,454,869	3,464,812	34,116	2,808,512	588,099	33,863	222	-
Other deposits	58,387,107	58,815,936	9,149,399	33,573,979	12,679,537	2,964,571	444,217	4,233
Funds borrowed	8,912,297	9,621,929	-	368,812	2,109,076	2,807,422	2,375,159	1,961,460
Money market takings	6,031,252	6,046,235	-	3,990,490	1,216,863	838,882	-	-
Issued Securities (Net)	493,000	496,581	-	-	496,581	-	-	-
Miscellaneous payables	2,974,446	2,974,446	133,580	1,683,573	149,540	104,294	35,396	868,063
Other liabilities	951,238	951,238	477,197	112,907	86,435	144,583	44,586	85,530
<b>Total</b>	<b>81,204,209</b>	<b>82,371,177</b>	<b>9,794,292</b>	<b>42,538,273</b>	<b>17,326,131</b>	<b>6,893,615</b>	<b>2,899,580</b>	<b>2,919,286</b>
<b>Non-Cash Loans</b>	<b>15,849,382</b>	<b>15,849,382</b>	<b>9,724,999</b>	<b>1,062,360</b>	<b>770,703</b>	<b>2,442,300</b>	<b>1,189,150</b>	<b>659,870</b>

This table shows the undiscounted cash flows on the 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.

### Securitisation Positions

None.

### Credit risk mitigation techniques

"Basic Financial Guarantee" method is used for the financial guarantees in accordance with "Communique on Credit Risk Mitigation". Cash or cash equivalent, treasury bill, government bond and guarantees are used in credit risk mitigation.

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### Applications on guarantees' valuation and method

Policies on the valuation of financial guarantees and their evaluation and valuation of immovables that are received as mortgage for loans have been formed. These policies and procedures are prepared in accordance with "Communique on Credit Risk Mitigation" and include minimum conditions regarding guarantee valuation and management.

### Types of main guarantees received

Main types of the guarantees that Bank receives for loans provided are mortgages, guarantees/sureties and financial guarantees.

### Main guarantors, credit derivatives' counterparties and their credit worthiness

Assessment of credit worthiness of main guarantors is determined and monitored in accordance with the lending and intelligence procedures of the Bank.

### Information about market and credit risk concentration in credit risk mitigation

Market risk and credit risk concentrations are carefully avoided.

### Information about guarantees according to risk classifications

Information about guarantees according to risk classifications is shown in the table below:

Risk Classification	Amount	Financial Guarantees	Other/ Physical Guarantees	Guarantees and credit derivatives
Contingent and non-contingent claims on sovereigns and Central Banks	32,996,603	2,089,145	-	-
Contingent and non-contingent claims on regional governments or local authorities	1,247,548	2,088	-	-
Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings	58,899	11,622	-	-
Contingent and non-contingent claims on multilateral development banks	-	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-
Contingent and non-contingent claims on banks and intermediary institutions	11,244,450	5,439,356	-	-
Contingent and non-contingent claims on corporate	78,154,379	9,710	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	26,514,718	116	-	-
Contingent and non-contingent claims secured by residential property	20,738,887	-	-	-
Past due loans	316,900	-	-	-
Higher risk categories decided by the Agency	6,831,919	-	-	-
Marketable securities secured by mortgages	-	-	-	-
Securitization exposures	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other claims	3,953,721	-	-	-
<b>Total</b>	<b>182,058,024</b>	<b>7,552,037</b>	<b>-</b>	<b>-</b>

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### *Risk management strategies and policies*

Risk management strategies are determined so as to support the Bank's objectives and goals and maintain Bank's presence by developing the present risk management strategies and corporate wide risk culture in parallel with the changing business and risk environment and by applying the well accepted national and international risk management practices.

The mission of Bank is to continuously increase the values added to the customers, employees, shareholders and society by managing the entrusted assets and values effectively and productively. In this scope, it is fundamental to adopt forward looking risk based approaches through forming high quality assets and good management of liabilities in all activities aiming high quality gains.

Bank's risk management strategy is mainly based on avoiding high risks and legal risks with high impacts even if the probability of happening is low, taking measures for the risks that may occur due to ordinary banking activities, procuring protection, transferring risks to third parties through techniques like insurance or credit derivatives and accepting risks that have low impact and probability of occurrence.

Risks are defined, measured, reported and managed in compliance with the policies and national and international standards. In this respect, not only legal limits but also in-bank limits are considered. Up-to-dateness and compliance of the limits are monitored regularly. Credit risk mitigation policies are determined and approved by the Board of Directors. Besides, possible risks are considered by following the changes in the market and economic conditions.

Risk management system and organization have been formed in compliance with the Regulation on Internal Systems.

### **VIII. Fair values of financial assets and liabilities**

	Carrying Value		Fair Value	
	Current Year	Prior Year	Current Year	Prior Year
<b>Financial Assets</b>				
Receivables from Interbank Money Markets	6,645	190,467	6,645	190,467
Banks	2,656,490	2,541,335	2,656,490	2,541,335
Available-for-Sale Financial Assets	14,334,781	13,354,843	14,334,781	13,354,843
Held-to-Maturity Investments	4,261,060	5,979,238	4,476,252	6,101,707
Loans	69,316,699	58,168,853	69,384,754	58,203,583
Lease Receivables	676,919	503,441	679,664	486,797
Factoring Receivables	185,797	617,804	185,797	617,804
<b>Financial Liabilities</b>				
Bank Deposits	4,052,760	3,454,869	4,052,760	3,454,869
Other Deposits	64,334,044	58,387,107	64,334,044	58,387,107
Funds Borrowed	8,100,981	8,912,297	8,100,981	8,912,297
Securities Issued	2,372,748	493,000	2,372,748	493,000
Subordinated Loans	1,630,188	-	1,630,188	-
Miscellaneous Payables	2,439,156	2,974,446	2,439,156	2,974,446

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.

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Fair values of fixed-interest loans are calculated by discounting contractual cashflows of the loans with current market interest rates. For the loans with floating interest rate carrying values of these loans also represents fair values.

Fair values of other assets and liabilities are calculated by adding accumulated interest to initial price.

Fair value and carrying value of the borrowings is estimated to be same since most of loans have floating rates.

Fair value and carrying value of the subordinated loan is estimated to be same since the loans has obtained in a recent date compared to balance sheet date.

### Classification of Fair Value Measurement

IFRS 7 – *Financial Instruments*: Disclosures requires the measurements of fair value of financial instruments to be classified in a hierarchy that reflects the significance of the valuation inputs used. This classification prioritises observable data, using market data obtained from independent sources, in preference to unobservable data that relies, for example on the use of predictions and assumptions about market prices by the Group. This sort of categorization generally results in the classifications below:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (i.e. unobservable inputs)

Classification requires using observable market data if possible.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	148,155	52,144	-	200,299
Derivative financial assets held for trading purpose	-	89,425	-	89,425
Investment funds	4,057	-	-	4,057
Equity securities	2,682	-	27	2,709
Available-for-sale financial assets				
Equity securities	1,496	-	-	1,496
Debt securities	14,320,383	2,152	-	14,322,535
Investments in associates and subsidiaries	160,765	-	166,417(*)	327,182
<b>Total Financial Assets</b>	<b>14,637,538</b>	<b>143,721</b>	<b>166,444</b>	<b>14,947,703</b>
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(199,692)	-	(199,692)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(199,692)</b>	<b>-</b>	<b>(199,692)</b>

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31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	151,914	28,336	-	180,250
Derivative financial assets held for trading purpose	-	174,138	-	174,138
Investment funds	-	5,138	-	5,138
Equity securities	2,069	-	27	2,096
Available-for-sale financial assets				
Equity securities	1,169	-	-	1,169
Debt securities	12,061,831	1,281,093	-	13,342,924
Investments in associates and subsidiaries	-	-	150,005 <sup>(*)</sup>	150,005
<b>Total Financial Assets</b>	<b>12,216,983</b>	<b>1,488,705</b>	<b>150,032</b>	<b>13,855,720</b>
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(344,803)	-	(344,803)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(344,803)</b>	<b>-</b>	<b>(344,803)</b>

<sup>(\*)</sup> These amounts consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended 31 December 2012 is as follows:

	Level 3 Amount
Balance at the beginning of the year	150,032
Total gains or losses for the year recognised in profit or loss	-
Total gains or losses for the year recognised under equity	16,412
<b>Balance at the end of the year</b>	<b>166,444</b>

### 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.

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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	1,207,336	1,482,957	1,283,972	1,516,365	5,490,630
Undistributed expenses <sup>(1)</sup>	-	-	-	(3,662,918)	(3,662,918)
<b>Operating profit</b>	<b>1,207,336</b>	<b>1,482,957</b>	<b>1,283,972</b>	<b>(2,146,553)</b>	<b>1,827,712</b>
Income from associates	-	-	-	-	33,869
Income before taxes	-	-	-	-	1,861,581
Provision for taxes	-	-	-	-	(437,961)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,423,620</b>
Segment assets	24,370,526	44,896,307	32,130,389	1,842,746	103,239,968
Investment in associates and subsidiaries	-	-	363,501	-	363,501
Undistributed assets	-	-	-	4,435,943	4,435,943
<b>Total assets</b>	<b>24,370,526</b>	<b>44,896,307</b>	<b>32,493,890</b>	<b>6,278,689</b>	<b>108,039,412</b>
Segment liabilities	26,343,287	42,043,517	18,590,206	818,382	87,795,392
Equity	-	-	-	11,828,997	11,828,997
Undistributed liabilities	-	-	-	8,415,023	8,415,023
<b>Total liabilities and equity</b>	<b>26,343,287</b>	<b>42,043,517</b>	<b>18,590,206</b>	<b>21,062,402</b>	<b>108,039,412</b>

<sup>(1)</sup> Undistributed expenses consist of other interest income, short term employee benefit provisions, general loan loss provisions and other operating expenses

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(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	793,004	190,016	604,234	111,770
Central Bank of Turkey <sup>(1)</sup>	1,452,478	9,870,679	1,465,064	4,959,763
Others	4,464	20,853	33	998
<b>Total</b>	<b>2,249,946</b>	<b>10,081,548</b>	<b>2,069,331</b>	<b>5,072,531</b>

<sup>(1)</sup> TL 8,108,813 (31 December 2011: TL 4,269,727) of the foreign currency deposit at Central Bank of Turkey is comprised of foreign currency reserve deposits and related interest income accruals.

In accordance with "Announcement on Reserve Deposits" of CBT numbered 2005/1, all banks operating in Turkey shall provide a reserve rate of 11% for demand deposits, and the rates decrease to 5% as maturities get longer (31 December 2011: 11% for demand deposits, and the rates decrease to 5% as maturities get longer). For foreign currency liabilities, all banks shall provide a reserve rate of 11.5% in US Dollar or Euro for demand and upto 1 year maturity deposits and rates decrease to 6% as maturities get longer (31 December 2011: 11% in US Dollar or Euro for demand and upto 1 year maturity deposits and rates decrease to 6% as maturities get longer).

##### Balances with the Central Bank of Turkey

	Current Year		Previous Year	
	TL	FC	TL	FC
Unrestricted demand deposits	1,449,530	693,866	1,465,064	690,036
Unrestricted time deposits	-	-	-	-
Restricted time deposits	2,948	1,068,000	-	-
Reserve Deposits	-	8,108,813	-	4,269,727
<b>Total</b>	<b>1,452,478</b>	<b>9,870,679</b>	<b>1,465,064</b>	<b>4,959,763</b>

The Parent Bank and CBT had disagreement about the reserve requirements deposited at CBT regarding the syndication loans obtained by foreign branches of the Parent Bank. Subsequent to the decision, CBT required the Parent Bank to provide reserve requirement for loans obtained by foreign branches, the Parent Bank filed a claim in Ankara 15th Administrative Court for the suspension of execution and cancellation of the decision. As at 15 June 2011, the court decided on refusal of the claim with the right to appeal on State Council. CBT requested the Parent Bank to provide additional reserves amounting to USD 384 million in average for 3.5 years period with the 4 May 2011 dated communique. In this context, the Parent Bank has begun to provide additional reserve requirements at 27 May 2011.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### 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	53,119	10,022	95,711	11,466
Others	-	-	-	-
<b>Total</b>	<b>53,119</b>	<b>10,022</b>	<b>95,711</b>	<b>11,466</b>

*Trading securities subject to repurchase agreements*

	Current Year		Previous Year	
	TL	FC	TL	FC
Government bonds	983	-	3,098	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	-
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>983</b>	<b>-</b>	<b>3,098</b>	<b>-</b>

*Trading purpose derivative financial assets*

	Current Year		Previous Year	
	TL	FC	TL	FC
Forward transactions	2,063	2,047	3,141	4,720
Swap transactions	19,313	65,521	1,038	165,143
Futures	-	-	-	-
Options	208	273	3	93
Others	-	-	-	-
<b>Total</b>	<b>21,584</b>	<b>67,841</b>	<b>4,182</b>	<b>169,956</b>

### 3. Information on banks

	Current Year		Previous Year	
	TL	FC	TL	FC
Banks	740,354	1,916,136	408,679	2,132,656
Domestic	739,761	300,982	406,875	60,978
Foreign	593	1,615,154	1,804	2,071,678
Foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>740,354</b>	<b>1,916,136</b>	<b>408,679</b>	<b>2,132,656</b>

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

*Due from foreign banks*

	Unrestricted Balance		Restricted Balances	
	Current Year	Previous Year	Current Year	Previous Year
EU Countries	228,516	678,632	-	63,976
USA, Canada	1,047,031	1,087,132	102,389	181,327
OECD Countries <sup>(1)</sup>	14,052	23,786	-	3,534
Off-shore Banking Regions	724	1,797	121	293
Others	222,914	33,005	-	-
<b>Total</b>	<b>1,513,237</b>	<b>1,824,352</b>	<b>102,510</b>	<b>249,130</b>

<sup>(1)</sup> Includes OECD countries other than EU countries, USA, and Canada.

#### 4. Information on available-for-sale financial assets

*Available-for-sale financial assets given as collateral or blocked*

	Current Year		Previous Year	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	6,226	184,493	661,402	387,393
Others	-	-	-	-
<b>Total</b>	<b>6,226</b>	<b>184,493</b>	<b>661,402</b>	<b>387,393</b>

*Available-for-sale financial assets subject to repurchase agreements*

	Current Year		Previous Year	
	TL	FC	TL	FC
Government bonds	4,504,521	53,640	1,506,673	61,442
Treasury bills	-	-	-	-
Other debt securities	-	3,292,531	-	1,930,563
Bonds issued or guaranteed by banks	-	42,563	-	54,748
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>4,504,521</b>	<b>3,388,734</b>	<b>1,506,673</b>	<b>2,046,753</b>

*Information on available-for-sale financial assets*

	Current Year	Previous Year
<b>Debt securities</b>	<b>14,418,802</b>	<b>13,513,369</b>
Quoted	14,418,802	13,513,369
Unquoted	-	-
<b>Equity securities</b>	<b>12,246</b>	<b>14,438</b>
Quoted	1,496	1,169
Unquoted	10,750	13,269
<b>Provisions for impairment losses (-)</b>	<b>96,267</b>	<b>172,964</b>
<b>Total</b>	<b>14,334,781</b>	<b>13,354,843</b>

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### 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
<b>Direct loans provided to the shareholders</b>	-	<b>37,919</b>	-	<b>6,572</b>
Legal entities	-	37,919	-	6,572
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>	-	-	-	-
<b>Loans provided to the employees</b>	<b>68,881</b>	<b>34</b>	<b>55,917</b>	<b>31</b>
<b>Total</b>	<b>68,881</b>	<b>37,953</b>	<b>55,917</b>	<b>6,603</b>

*Information about loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled*

Cash Loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Agreement conditions modified		Loans and other receivables	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
	<b>Non-specialized loans</b>	<b>64,859,258</b>	<b>175,833</b>	-	<b>3,273,582</b>	<b>673,939</b>
Loans given to enterprises	17,310,720	151,154	-	915,364	247,730	-
Export loans	3,100,951	21,089	-	190,180	16,884	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1,667,368	-	-	689	-	-
Consumer loans	20,141,102	-	-	1,161,940	327,756	-
Credit cards	3,042,652	-	-	163,074	9,041	-
Other	19,596,465	3,590	-	842,335	72,528	-
<b>Specialized lending</b>	<b>16,652</b>	-	-	-	-	-
<b>Other receivables</b>	<b>9,636</b>	-	-	-	-	-
<b>Total</b>	<b>64,885,546</b>	<b>175,833</b>	-	<b>3,273,582</b>	<b>673,939</b>	-

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

Information related to the changes in the payment plans of loans and other receivables:

	Standard Loans and Other Receivables (*)	Loans and other receivables under close monitoring (*)
<b>Number of modifications to extend payment plans</b>		
Extended for 1 or 2 times	175,833	332,761
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-
<b>Extended period of time</b>		
0-6 Months	24,615	2,550
6 Ay- 12 Months	5,782	3,494
1-2 Years	32,879	18,448
2-5 Years	111,852	139,963
5 Years and Over	705	168,306

(\*) The above tables include the change in the payment plans of loans and other receivables after 28 May 2011.

Maturity analysis of cash loans

Cash loans	Performing Loans and Other Receivables		Loans and Other Receivables under Follow-Up	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
<b>Short-term Loans and Other Receivables</b>	<b>19,393,691</b>	<b>26,972</b>	<b>879,627</b>	<b>109,928</b>
Loans	19,384,055	26,972	879,627	109,928
Specialization loans	-	-	-	-
Other Receivables	9,636	-	-	-
<b>Medium, Long-term Loans and Other Receivables</b>	<b>45,491,855</b>	<b>148,861</b>	<b>2,393,955</b>	<b>564,011</b>
Loans	45,475,203	148,861	2,393,955	564,011
Specialization loans	16,652	-	-	-
Other Receivables	-	-	-	-

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and

## for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

*Consumer loans, retail credit cards, personnel loans and personnel credit cards*

	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>276,570</b>	<b>20,410,276</b>	<b>20,686,846</b>
Housing loans	6,357	10,277,032	10,283,389
Automobile loans	5,202	487,901	493,103
General purpose loans	116,481	5,312,662	5,429,143
Others	148,530	4,332,681	4,481,211
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
<b>Consumer loans – FC</b>	<b>936</b>	<b>7,462</b>	<b>8,398</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	936	7,462	8,398
Others	-	-	-
<b>Retail credit cards – TL</b>	<b>2,597,632</b>	<b>2,319</b>	<b>2,599,951</b>
With installment	1,403,002	2,319	1,405,321
Without installment	1,194,630	-	1,194,630
<b>Retail credit cards – FC</b>	<b>634</b>	-	<b>634</b>
With installment	-	-	-
Without installment	634	-	634
<b>Personnel loans – TL</b>	<b>1,742</b>	<b>28,563</b>	<b>30,305</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,713	28,563	30,276
Others	29	-	29
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
<b>Personnel loans – FC</b>	<b>322</b>	-	<b>322</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	322	-	322
Others	-	-	-
<b>Personnel credit cards – TL</b>	<b>38,192</b>	-	<b>38,192</b>
With installment	17,780	-	17,780
Without installment	20,412	-	20,412
<b>Personnel credit cards – FC</b>	<b>62</b>	-	<b>62</b>
With installment	-	-	-
Without installment	62	-	62
<b>Overdraft Checking Accounts – TL (Real persons)</b>	<b>904,838</b>	-	<b>904,838</b>
<b>Overdraft Checking Accounts – FC (Real persons)</b>	<b>89</b>	-	<b>89</b>
<b>Total</b>	<b>3,821,017</b>	<b>20,448,620</b>	<b>24,269,637</b>

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
<b>Installment-based commercial loans – TL</b>	<b>719,680</b>	<b>11,888,654</b>	<b>12,608,334</b>
Real estate loans	535	175,026	175,561
Automobile loans	24,015	1,320,563	1,344,578
General purpose loans	695,130	10,393,065	11,088,195
Others	-	-	-
<b>Installment-based commercial loans – FC indexed</b>	<b>11,846</b>	<b>686,590</b>	<b>698,436</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	11,846	686,590	698,436
Others	-	-	-
<b>Installment-based commercial loans – FC</b>	<b>406,899</b>	<b>1,872,819</b>	<b>2,279,718</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	402,142	628,131	1,030,273
Others	4,757	1,244,688	1,249,445
<b>Corporate credit cards – TL</b>	<b>575,803</b>	<b>31</b>	<b>575,834</b>
With installment	268,522	31	268,553
Without installment	307,281	-	307,281
<b>Corporate credit cards – FC</b>	<b>94</b>	<b>-</b>	<b>94</b>
With installment	-	-	-
Without installment	94	-	94
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>497,147</b>	<b>-</b>	<b>497,147</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,211,469</b>	<b>14,448,094</b>	<b>16,659,563</b>

### Allocation of loan customers

	Current Year	Previous Year
Public Sector	857,590	961,577
Private Sector	68,151,310	57,095,925
<b>Total</b>	<b>69,008,900</b>	<b>58,057,502</b>

### Allocation of domestic and overseas loans

	Current Year	Previous Year
Domestic loans	68,698,671	57,754,229
Overseas loans	310,229	303,273
<b>Total</b>	<b>69,008,900</b>	<b>58,057,502</b>

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### Loans to associates and subsidiaries

As at 31 December 2012 and 2011, there are no loans given to associates and subsidiaries by the Group.

### Specific provisions for loans

Specific Provisions	Current Year	Previous Year
Loans and receivables with limited collectibility	76,679	48,991
Loans and receivables with doubtful collectibility	519,895	176,438
Uncollectible loans and receivables	1,912,454	1,874,503
<b>Total</b>	<b>2,509,028</b>	<b>2,099,932</b>

### Information on non-performing loans (Net)

#### Information on non-performing loans and other receivables restructured or rescheduled

	Group III Loans and receivables with limited collectibility	Group IV Loans and receivables with doubtful collectibility	Group V Uncollectible loans and receivables
<b>Current year</b>	<b>37,448</b>	<b>55,374</b>	<b>67,590</b>
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	37,448	55,374	67,590
<b>Previous year</b>	<b>18,471</b>	<b>26,240</b>	<b>81,771</b>
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	18,471	26,240	81,771

### Movements in non-performing loan groups

	Group III Loans and receivables with limited collectibility	Group IV Loans and receivables with doubtful collectibility	Group V Uncollectible loans and receivables
<b>Balance at the beginning of the year</b>	<b>157,613</b>	<b>176,438</b>	<b>1,877,232</b>
Additions (+)	1,028,685	33,880	73,650
Transfers from other categories of loans under follow-up (+) <sup>(1)</sup>	-	714,477	288,307
Transfers to other categories of loans under follow-up (-) <sup>(1)</sup>	717,890	308,727	63,503
Collections (-)	98,006	95,619	236,842
Write-offs (-)	-	-	12,130
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Others</i>	-	-	12,130
Currency differences	-	-	(738)
<b>Balance at the end of the year</b>	<b>370,402</b>	<b>520,449</b>	<b>1,925,976</b>
Specific provisions (-)	76,679	519,895	1,912,454
<b>Net balance on balance sheet</b>	<b>293,723</b>	<b>554</b>	<b>13,522</b>

<sup>(1)</sup> Loans that are transferred from restructured loans to non-performing loans and from non-performing loans to restructured loans are presented in the transfers from and to other categories of loans under follow-up lines.

Uncollectible loans and other receivables are collected through liquidation of collaterals and legal follow-up.

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

*Information on non-performing loans and other receivables in foreign currencies*

	Group III Loans and receivables with limited collectibility	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current Year</b>			
Balance at the end of the year	18,304	13,775	301,918
Specific provisions (-)	3,487	13,754	290,607
<b>Net balance on balance sheet</b>	<b>14,817</b>	<b>21</b>	<b>11,311</b>
<b>Previous Year</b>			
Balance at the end of the year	1,414	315	309,702
Specific provisions (-)	672	315	306,973
<b>Net balance on balance sheet</b>	<b>742</b>	<b>-</b>	<b>2,729</b>

Non performing loans due to foreign currency denominated loans provided by the Parent Bank or domestic financial subsidiaries are followed in TL accounts, while non-performing loans provided by subsidiaries in abroad are followed in foreign currency accounts.

*Write-off policy for uncollectible loans and receivables*

The Parent Bank does not have a write-off policy for loan receivables and any related allowances set aside for impairment losses on for related loan receivables.

The subsidiaries subject to consolidation write 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.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and

## for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### 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
<b>Current Year (Net)</b>	<b>293,723</b>	<b>554</b>	<b>13,522</b>
Consumer and commercial loans (Gross)	328,992	514,666	1,842,173
Specific provisions (-)	65,798	514,666	1,839,998
Consumer and commercial loans (Net)	263,194	-	2,175
Banks (Gross)	-	-	7,181
Specific provisions (-)	-	-	7,181
Banks (Net)	-	-	-
Other loans and receivables (Gross)	41,410	5,783	76,622
Specific provisions (-)	10,881	5,229	65,275
Other loans and receivables (Net)	30,529	554	11,347
<b>Previous Year (Net)</b>	<b>108,622</b>	<b>-</b>	<b>2,729</b>
Consumer and commercial loans (Gross)	155,483	174,471	1,796,258
Specific provisions (-)	47,132	174,471	1,793,529
Consumer and commercial loans (Net)	108,351	-	2,729
Banks (Gross)	-	-	9,565
Specific provisions (-)	-	-	9,565
Banks (Net)	-	-	-
Other loans and receivables (Gross)	2,130	1,967	71,409
Specific provisions (-)	1,859	1,967	71,409
Other loans and receivables (Net)	271	-	-

### 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	4,198,301	-	4,343,224	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	9,312	-	1,581,438
<b>Total</b>	<b>4,198,301</b>	<b>9,312</b>	<b>4,343,224</b>	<b>1,581,438</b>

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### Information on held-to-maturity investment securities

	Current Year	Previous Year
<b>Debt Securities</b>	<b>4,332,399</b>	<b>6,021,368</b>
Quoted at stock exchanges	4,278,952	5,966,792
Unquoted at stock exchanges	53,447	54,576
<b>Impairment losses (-)</b>	<b>71,339</b>	<b>42,130</b>
<b>Total</b>	<b>4,261,060</b>	<b>5,979,238</b>

### The movement table of the held-to-maturity investments

	Current Period	Prior Period
<b>Balances at the beginning of the period</b>	<b>5,979,238</b>	<b>4,362,245</b>
Foreign currency differences on monetary assets	(114,339)	223,839
Purchases during the period	210,825	3,102,225
Transfers to available for sale portfolio <sup>(1)</sup>	(1,474,294)	-
Disposals through sales/redemptions	(275,294)	(1,688,257)
Impairment losses	(29,209)	(12,039)
Change in amortized costs of the securities <sup>(2)</sup>	(35,867)	(8,775)
<b>Balances at the end of the period</b>	<b>4,261,060</b>	<b>5,979,238</b>

<sup>(1)</sup> In the scope of "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" which is effective from 1 July 2012, the credit risk weight of foreign currency denominated debt securities has changed and therefore these securities have been reclassified according to the related standard.

<sup>(2)</sup> 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 held-to-maturity portfolio with total face value of USD 706,011,000 (full U.S. dollar) ve EUR 60,002,000 (full EURO) to its available-for-sale investment securities portfolio. The securities reclassified from held-to-maturity portfolio with amortized cost of TL 1,422,452 and fair value of TL 1,733,819 in total to available-for-sale investment securities portfolio as at the reclassification date.

In year 2011, the Parent Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 1,690,000 to its held-to-maturity investment securities portfolio at their fair values of TL 1,764,346 as at their reclassification dates. These reclassifications are presented in "purchases during the period" line in the movement table of held-to-maturity investment securities. The valuation differences of such securities amounting to TL (2,497) are recorded under equity and will be amortized through the statement of income until their maturities.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(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	730,596	53,400	733,880	53,447
Investments subject to repurchase agreements	2,148,261	-	2,184,752	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others <sup>(1)</sup>	1,287,654	8,762	1,279,669	9,312
<b>Total</b>	<b>4,166,511</b>	<b>62,162</b>	<b>4,198,301</b>	<b>62,759</b>

Previous Year	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	-	54,520	-	54,576
Investments subject to repurchase agreements	2,328,425	940,202	2,370,567	962,317
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others <sup>(1)</sup>	1,938,751	619,877	1,972,657	619,121
<b>Total</b>	<b>4,267,176</b>	<b>1,614,599</b>	<b>4,343,224</b>	<b>1,636,014</b>

<sup>(1)</sup> 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)	Bank's Share - If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ <sup>(*)</sup>	Ankara/Turkey	9.93	9.93
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 <sup>(**)</sup>	İstanbul/Turkey	4.86	5.28
7 Kredi Garanti Fonu AŞ <sup>(**)</sup>	Ankara/Turkey	1.75	1.75
8 World Vakıf UBB Ltd.	Lefkoşa/NCTR	82.00	85.24

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(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	Fair Value
1	1,827,527	283,583	224,016	27,644	-	58,556	5,410	-
2	32,354	19,628	15,161	858	217	1,144	2,619	-
3	79,837	67,450	45,452	2,164	-	33,184	18,566	-
4	127,711	7,175	89,474	364	-	(3,706)	(13,948)	-
5	101,052	36,862	96,935	44	-	1,833	(11,703)	-
6	3,586,501	321,866	13,751	65,646	2,084	45,429	24,411	-
7	247,800	242,307	3,113	8,322	1	6,695	7,665	-
8	1,529	(34,546)	-	4	-	(3,639)	3,094	-

<sup>(7)</sup> Financial information as at and for the nine-month period ended 30 September 2012 has been presented for these associates.

Roketsan Roket Sanayi ve Ticaret AŞ, a subsidiary of the Parent Bank, has merged with its subsidiary Tapasan-Hassas Mekanik ve Elektronik Sanayi ve Ticaret AŞ, with dissolution of Tapasan-Hassas Mekanik ve Elektronik Sanayi ve Ticaret AŞ without liquidation. The merge has been registered in trade registry gazette on 29 June 2012. With the merger, the share of the Bank has increased by TL 4 from TL 14,600 to TL 14,604 and the ownership ratio of the Bank has decreased from 10.00% to 9.93% due to two new shareholders from Tapasan-Hassas Mekanik ve Elektronik Sanayi ve Ticaret AŞ.

As per the resolution of the Board of Directors of the Bank held on 1 December 2011, it has been decided to start working on selling the stocks of Roketsan Roket Sanayi AŞ ("Roketsan"), an associate of the Bank that is in the partnership structure of the Bank.

As per 5 April 2012 dated and 4686 numbered decision of the BRSA, Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ has been classified as non-financial subsidiaries. Based on this decision, Kredi Kayıt Bürosu AŞ ve Bankalararası Kart Merkezi have been transferred to "Other Business Enterprises" account from "Other financial investments" account.

The name of World Vakıf Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakıf UBB Ltd. on 4 February 2009. Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to 24 May 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. Due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified "Investments in associates". The financial statements of the Company have not been consolidated as at 31 December 2012 and 31 December 2011, but its equity until the liquidation decision date has been included in the accompanying consolidated financial statements.

*Unconsolidated associates, reasons for not consolidating such investments and accounting treatments applied for such investments:*

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 Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonel AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### Consolidated investments in associates

	Title	Address (City/ Country)	Bank's Share - If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Kıbrıs Vakıflar Bankası Ltd.	Lefkosa/NCTR	15.00	15.00
2	Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Turkey	8.38	8.38

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Years' Profit/Loss	Fair Value
1	960,979	66,190	8,883	71,055	6,793	5,794	5,337	-
2	10,857,318	1,919,002	238,235	364,261	251,594	325,151	258,620	2,523,138

### Movement of consolidated investments in associates

	Current Year	Previous Year
<b>Balance at the beginning of the year</b>	<b>128,267</b>	<b>162,870</b>
<b>Movements during the year</b>	<b>89,296</b>	<b>(34,603)</b>
Acquisitions and capital increases	-	-
Bonus shares received	25,132	8,378
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	64,164	(42,981)
Impairment losses	-	-
<b>Balance at the end of the year</b>	<b>217,563</b>	<b>128,267</b>
<b>Capital commitments</b>	<b>-</b>	<b>-</b>
<b>Share percentage at the end of year (%)</b>	<b>-</b>	<b>-</b>

### Sectoral distribution of consolidated investments and associates

	Current Year	Previous Year
Banks	217,563	128,267
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	-	-
<b>Total</b>	<b>217,563</b>	<b>128,267</b>

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### *Quoted associates*

	Current Year	Previous Year
Quoted at domestic stock exchanges	211,444	122,148
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>211,444</b>	<b>122,148</b>

### *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*

There is not any associate acquired in the current year.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Parent Bank, from TL 800,000 to TL 1,100,000, by the General Assembly of the Company, the share of the Parent Bank amounting to TL 25,132 is presented in the movement table of investments in associates as bonus shares received.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ ("TSKB"), an associate of the Parent Bank, from TL 700,000 to TL 800,000, by the General Assembly of TSKB, the share of the Parent Bank amounting to TL 8,378 is presented in the movement table of investments in associates as bonus shares received.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### 8. Investments in subsidiaries

#### Information on financial subsidiaries

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Finans Factoring Hizm. AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf B Tipi Menkul Kıydetler Yat. Ort. AŞ
<b>Paid in Capital</b>	57,121	60,000	35,000	22,400	150,000	26,500	3,000	105,000	15,000
Share Premium	-	-	-	-	-	-	-	9,759	19
Adjustment to paid-in capital	-	353	137	28,831	-	20,103	16	21,599	93
Valuation changes in marketable securities	8,062	2,553	20,450	-	-	-	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	-	-	-	17,794	20,780	-	-	-
Free shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	-	-	-	-	-
Legal Reserves	4,804	3,479	4,712	4,987	4,949	10,382	662	3,144	395
Extraordinary Reserves	-	35,542	3,788	21,999	-	30,836	2,030	47,315	-
Other Profit Reserves	69,693	-	2,308	-	172,831	833	-	-	-
Profit/Loss	84,702	5,402	2,615	10,281	(37,943)	50,506	2,141	6,218	(1,084)
Prior Years' Profit/Loss	66,537	-	670	-	(17,957)	17,891	6	-	(1,760)
Current Years' Profit/Loss	18,165	5,402	1,945	10,281	(19,986)	32,615	2,135	6,218	676
Minority Rights	-	71	-	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>224,382</b>	<b>107,400</b>	<b>69,010</b>	<b>88,498</b>	<b>307,631</b>	<b>159,940</b>	<b>7,849</b>	<b>193,035</b>	<b>14,423</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>224,382</b>	<b>107,400</b>	<b>69,010</b>	<b>88,498</b>	<b>307,631</b>	<b>159,940</b>	<b>7,849</b>	<b>193,035</b>	<b>14,423</b>
<b>NET AVAILABLE EQUITY</b>	<b>224,382</b>	<b>107,400</b>	<b>69,010</b>	<b>88,498</b>	<b>307,631</b>	<b>159,940</b>	<b>7,849</b>	<b>193,035</b>	<b>14,423</b>

Vakıf Yatırım Menkul Değerler AŞ, a subsidiary of the Bank, calculates capital adequacy in accordance with "Comminique on Capital and Capital Adequacy of Intermediary Firms" of CMB every six months. Güneş Sigorta AŞ ve Vakıf Emeklilik AŞ that operate in insurance business calculate capital adequacy in accordance with "Comminique on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms" published by Undersecretariat of Treasury every six month. According to the calculations at 31 December 2012, there is no capital requirement for the subsidiaries mentioned.

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### Unconsolidated investments in subsidiaries

Title	Address (City/ Country)	Bank's Share -If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Vakıf Enerji ve Madencilik AŞ	Ankara/ Turkey	65.50	84.92
2 Taksim Otelcilik AŞ	Istanbul/ Turkey	51.00	51.52
3 Vakıf Pazarlama Sanayi ve Ticaret AŞ	Istanbul/ Turkey	69.33	74.98
4 Vakıf Gayrimenkul Değerleme AŞ	Ankara/ Turkey	54.29	58.54

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Years' Profit/(Loss)	Fair Value
1 8,208	8,087	1,065	316	-	588	(51)	12,500
2 228,676	225,756	97,588	8,716	521	8,439	8,176	218,159
3 44,851	35,695	682	2,228	154	7,871	2,745	26,000
4 22,889	18,965	671	1,464	82	1,847	7,185	33,567

As per the resolution of the Board of Directors of the Bank held on 8 September 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with article 451 of Turkish Commercial Code.

Legal entity of Vakıf Sistem Pazarlama Yazılım AŞ has ended with the merger. The title of the Company has been amended as Vakıf Pazarlama Sanayi ve Ticaret AŞ and new capital has amounted to TL 30,241. The share of the Parent Bank in Vakıf Pazarlama Sanayi ve Ticaret AŞ has been 69.33% that amounts to TL 20,966 after the merger.

Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at 31 December 2012 and 31 December 2011, but its equity until the merger date has been included in the accompanying consolidated financial statements.

*Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments:*

Vakıf Enerji ve Madencilik AŞ, Taksim Otelcilik AŞ, Vakıf Pazarlama Sanayi ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme AŞ have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values; the ones whose fair values cannot be reliably measured are reflected at their costs.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and  
for the Year Ended 31 December 2012

(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	İstanbul/Turkey	36.35	36.35
2 Vakıf Emeklilik AŞ	İstanbul/Turkey	53.90	75.30
3 Vakıf Finans Factoring Hizmetleri AŞ	İstanbul/Turkey	78.39	86.97
4 Vakıf Finansal Kiralama AŞ	İstanbul/Turkey	58.71	64.40
5 Vakıf Yatırım Menkul Değerler AŞ	İstanbul/Turkey	99.00	99.44
6 Vakıfbank International AG	Vienna/Austria	90.00	90.00
7 Vakıf Portföy Yönetimi AŞ	İstanbul/Turkey	99.99	99.99
8 Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ	İstanbul/Turkey	11.75	21.77
9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/Turkey	27.63	29.47

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Year's Profit/(Loss)	Fair Value
1 927,519	242,569	267,710	16,226	399	(12,581)	26,260	338,996
2 1,866,672	159,913	60,183	24,581	3,360	29,955	14,494	349,100
3 274,803	88,498	2,627	49,675	-	10,281	13,243	97,907
4 806,909	107,400	6,077	48,810	127	5,402	14,390	98,404
5 265,491	69,010	318	6,670	427	1,946	3,995	84,367
6 1,750,097	224,382	1,506	53,113	8,064	18,165	17,865	228,200
7 8,197	7,850	5	687	29	2,135	1,561	21,698
8 14,656	14,423	66	616	1,591	676	(1,760)	16,357
9 195,349	193,035	141,714	1,963	3,068	6,218	25,791	556,605

The name of Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ, a consolidated associate of the Bank, has been changed as Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ on 3 April 2012. Amendment of association regarding this change has been discussed and decided on 28 March 2012 dated General Assembly meeting upon 2 March 2012 dated and 2354 numbered permission by Capital Market Board and 12 March 2012 dated 1814 numbered permission by General Directorate of Domestic Trade in Trade Ministry of Custom and Trade. The name has been registered on 3 March 2012 by İstanbul Trade Registry Office and has been announced on 9 April 2012 and 8044 numbered Turkish Trade Registry Gazette.

## Movement table of consolidated investments in subsidiaries in unconsolidated financial statements

	Current Year	Previous Year
Balance at the beginning of the year	572,343	569,968
Movements during the year	359,148	2,375
Acquisitions and capital increases	-	21,553
Bonus shares received	7,253	15,889
Share of current year profit	(14,389)	(13,038)
Sales and liquidations	-	-
Fair value changes	366,284	(22,029)
Impairment losses	-	-
Balance at the end of the year	931,491	572,343
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Year	Previous Year
Measured at cost	-	-
Measured at fair value	931,491	572,343
Equity method of accounting	-	-
<b>Total</b>	<b>931,491</b>	<b>572,343</b>

### Sectoral distribution of consolidated investments in subsidiaries

	Current Year	Previous Year
Banks	224,648	150,015
Insurance companies	311,390	193,303
Factoring companies	76,752	50,368
Leasing companies	57,773	54,080
Financing companies	-	-
Other financial subsidiaries	260,928	124,577
<b>Total</b>	<b>931,491</b>	<b>572,343</b>

### Quoted consolidated subsidiaries

	Current Year	Previous Year
Quoted at domestic stock exchanges	336,706	220,484
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>336,706</b>	<b>220,484</b>

### Consolidated subsidiaries disposed during the year

There is not any disposal in the consolidated subsidiaries in the current year.

### Consolidated investments in subsidiaries acquired during the period

There are not any acquired consolidated subsidiaries in the current year.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ("Vakıf GYO"), an associate of the Parent Bank, by TL 5,000 from TL 100,000 to TL 105,000, by the General Assembly of the Company, the share of the Parent Bank amounting to TL 1,382 is presented in the movement table of investments in associates as shares received.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Vakıf GYO, an associate of the Parent Bank, by TL 78,000 from TL 22,000 to TL 100,000, by the General Assembly of the Company, the share of the Parent Bank amounting to TL 21,553 is presented in the movement table of investments in associates as shares received.

In year 2011, the capital of Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ, an associate of the Bank has been increased by TL 7,500 from TL 7,500 to TL 15,000. The share of the Bank amounting to TL 882 is presented in the movement table of investments in associates as bonus shares received.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Vakıf GYO, an associate of the Bank, from TL 20,800 to TL 22,000, by the General Assembly of Vakıf GYO, the share of the Bank amounting to TL 332 is presented in the movement table of investments in associates as bonus shares received.

In current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Parent Bank, from TL 50,000 to TL 60,000, by the General Assembly of Vakıf Leasing, the share of the Bank amounting to TL 5,871 is presented as bonus shares received in the movement table of investments in subsidiaries.

In year 2011, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Bank, from TL 25,000 to TL 50,000, by the General Assembly of Vakıf Finansal Kiralama AŞ, the share of the Bank amounting to TL 14,678 is presented as bonus shares received in the movement table of investments in subsidiaries.

### 9. Investments in joint-ventures

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	323,945	277,830	195,121	162,102
Between 1-4 years	410,051	359,094	359,054	320,643
Longer than 4 years	42,696	39,995	21,240	20,696
<b>Total</b>	<b>776,692</b>	<b>676,919</b>	<b>575,415</b>	<b>503,441</b>

*Net investments in finance lease receivables*

	Current Year	Previous Year
Gross finance lease receivables	776,692	575,415
Unearned income on finance lease receivables (-)	(99,773)	(71,974)
Terminated lease contracts (-)	-	-
<b>Net finance lease receivables</b>	<b>676,919</b>	<b>503,441</b>

*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.

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### 12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
<b>Balance at the end of the Previous year:</b>					
Cost	1,197,379	180,427	55,931	585,645	2,019,382
Accumulated depreciation(-)	(270,651)	(153,637)	(28,694)	(376,013)	(828,995)
Impairment losses (-) <sup>(1)</sup>	(14,606)	-	-	-	(14,606)
Net book value	912,122	26,790	27,237	209,632	1,175,781
<b>Balance at the end of the current year:</b>					
Net book value at the beginning of the current year	912,122	26,790	27,237	209,632	1,175,781
Additions	197,687	-	2,925	93,904	294,516
Transfers from Investment Properties (Cost)	143,420	-	-	-	143,420
Transfers from Investment Properties (Accumulated Depreciation)	(1,895)	-	-	-	(1,895)
Transfers to Investment Properties	(843)	-	-	-	(843)
Cost of Disposals (-)	(125,073)	(25,284)	(4,803)	(10,710)	(165,870)
Accumulated Depreciation of Disposals (-)	5,293	24,422	4,136	5,197	39,048
Impairment losses (-) <sup>(1)</sup>	(31,579)	(9,007)	(7,629)	(75,436)	(123,651)
Depreciation for the current year (-)	(5,341)	-	-	-	(5,341)
Currency translation difference on foreign operations	(41)	-	(4)	(32)	(77)
Cost at the end of the current year	1,412,529	155,143	54,049	668,807	2,290,528
Accumulated depreciation at the end of the year (-)	(298,832)	(138,222)	(32,187)	(446,252)	(915,493)
Impairment (-) <sup>(1)</sup>	(19,947)	-	-	-	(19,947)
<b>Net book value at the end of the current year</b>	<b>1,093,750</b>	<b>16,921</b>	<b>21,862</b>	<b>222,555</b>	<b>1,355,088</b>

<sup>(1)</sup> In conjunction with the 5th subclause of "Regulation on the procedures and principles for sales and purchase of precious metal and disposal of tangible assets that have been acquired due to receivables by Banks" of BRSA which has been published in the Official Gazette no. 26333 on 1 November 2006, in case assets that are not subject to amortization are not disposed within three years following the acquisition date, they shall be amortized through recording provisions at a rate of 5% for each year after the acquisition date. In this frame, the Parent Bank has booked TL 19,947 provision as at 31 December 2012 (31 December 2011: 14,606) taking the temporary clause of the regulation defining the acquisition date into account.

### 13. Information on intangible assets

Bank's intangible assets consist of computer softwares. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis through the estimated useful lives over their costs adjusted for inflation for the items purchased before 31 December 2004, over their initial costs for the items purchased after 31 December 2004.

In the current year an intangible asset that presents severity for the financial statements does not exist.

Additionally Bank does not have intangible assets, which are obtained by government incentives, recorded at fair value, have utilisation restrictions or have been pledged.

The Group has not declared a commitment to purchase intangible assets. In the current year the Group has not capitalised research and development expense.

### 14. Information on investment properties

As at 31 December 2012, the Group has investment property amounting to the net book value amounting to TL 19,646 for the subsidiaries operating in the insurance business.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012 (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 2012 and 2011:

	Current Year	Previous Year
Provision for employee termination benefits and unused vacations	61,564	50,125
Other provisions	47,237	40,736
Valuation differences of financial assets and liabilities	45,149	62,824
Valuation difference for associates and subsidiaries	28,531	31,382
Investment incentives	26,052	28,436
Tax losses carried forward	13,479	7,029
Reporting Standarts-Tax Code depreciation differences	13,005	16,030
Other differences	2,165	1,606
<b>Deferred tax assets</b>	<b>237,182</b>	<b>238,168</b>
Net-off of the deferred tax assets and liabilities from the same entity	(29,015)	(40,498)
<b>Deferred tax assets, (net)</b>	<b>208,167</b>	<b>197,670</b>
	Current Year	Previous Year
Valuation differences of financial assets and liabilities	28,908	32,898
Valuation difference for associates and subsidiaries	1,389	3,227
Other differences	5,394	8,039
<b>Deferred tax liabilities</b>	<b>35,691</b>	<b>44,164</b>
Net-off of the deferred tax assets and liabilities from the same entity	(29,015)	(40,498)
<b>Deferred tax liabilities, (net)</b>	<b>6,676</b>	<b>3,666</b>

### 16. Information on assets held for sale and assets related to the discontinued operations

As at 31 December 2012 net book value of assets held for sale of the Group is amounting to TL 2,093(31 December 2011: TL 2,159).

### 17. Information on other assets

As at 31 December 2012 and 2011, the details of other assets are as follows:

	Current Year	Previous Year
Receivables from reinsurance companies	482,067	446,440
Prepaid expenses	412,879	398,979
Receivables from credit cards	387,146	392,479
Receivables from insurance operations	272,070	266,178
Receivables from derivative financial instruments	134,520	20,177
Deferred insurance premium acquisition costs	77,015	79,501
Receivables from term sale of assets	47,410	103,778
Others	111,399	963,451
<b>Total</b>	<b>1,924,506</b>	<b>2,670,983</b>

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### 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	2,046,323	-	280,169	12,493,455	2,056,054	99,207	115,769	-	17,090,977
Foreign currency deposits	1,900,860	-	1,514,141	8,111,572	1,391,423	656,744	2,567,856	-	16,142,596
Residents in Turkey	1,524,472	-	1,401,368	8,008,775	1,295,488	408,496	714,272	-	13,352,871
Residents in abroad	376,388	-	112,773	102,797	95,935	248,248	1,853,584	-	2,789,725
Public sector deposits	2,706,233	-	2,065,023	6,205,313	709,706	19,216	14,654	-	11,720,145
Commercial deposits	1,297,597	-	2,737,007	4,185,386	2,462,054	463,272	4,181	-	11,149,497
Others	2,293,689	-	2,211,287	1,894,945	953,617	60,847	14,195	-	7,428,580
Precious metal deposits	802,249	-	-	-	-	-	-	-	802,249
Bank deposits	15,263	-	2,608,713	676,526	385,456	356,339	10,463	-	4,052,760
Central Bank	402	-	-	-	-	-	-	-	402
Domestic banks	689	-	2,459,111	491,591	149,017	-	10,463	-	3,110,871
Foreign banks	7,547	-	149,602	184,935	236,439	356,339	-	-	934,862
Participation banks	6,625	-	-	-	-	-	-	-	6,625
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11,062,214</b>	<b>-</b>	<b>11,416,340</b>	<b>33,567,197</b>	<b>7,958,310</b>	<b>1,655,625</b>	<b>2,727,118</b>	<b>-</b>	<b>68,386,804</b>

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	1,671,682	-	362,643	11,508,016	1,195,391	216,923	75,894	-	15,030,549
Foreign currency deposits	1,593,247	-	1,713,252	8,198,861	1,827,824	435,120	2,256,902	-	16,025,206
Residents in Turkey	1,393,685	-	1,711,511	8,140,988	1,805,721	352,134	1,147,847	-	14,551,886
Residents in abroad	199,562	-	1,741	57,873	22,103	82,986	1,109,055	-	1,473,320
Public sector deposits	2,766,392	-	1,885,113	4,837,879	835,509	38,441	32,799	-	10,396,133
Commercial deposits	1,187,064	-	2,457,318	5,169,390	954,209	336,589	1,718	-	10,106,288
Others	1,931,014	-	681,617	2,936,530	966,888	294,692	18,190	-	6,828,931
Precious metal deposits	-	-	-	-	-	-	-	-	-
Bank deposits	34,116	-	1,666,239	833,548	916,823	2,069	2,074	-	3,454,869
Central Bank	116	-	-	-	-	-	-	-	116
Domestic banks	3,185	-	1,599,705	302,618	481,791	2,069	2,074	-	2,391,442
Foreign banks	19,066	-	66,534	530,930	435,032	-	-	-	1,051,562
Participation banks	11,749	-	-	-	-	-	-	-	11,749
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9,183,515</b>	<b>-</b>	<b>8,766,182</b>	<b>33,484,224</b>	<b>6,696,644</b>	<b>1,323,834</b>	<b>2,387,577</b>	<b>-</b>	<b>61,841,976</b>

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

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*Information on saving deposits insured by Saving Deposit Insurance Fund and the total amounts of the deposits exceeding the insurance coverage limit*

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Year	Previous Year	Current Year	Previous Year
Saving deposits	7,156,786	6,344,011	9,934,191	8,678,865
Foreign currency saving deposits	2,158,935	1,485,189	5,755,729	4,116,656
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
<b>Total</b>	<b>9,315,721</b>	<b>7,829,200</b>	<b>15,689,920</b>	<b>12,795,521</b>

*Saving deposits out of insurance coverage limits*

	Current Year	Previous Year
Deposits and other accounts at foreign branches	14,724	7,231
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	2,352	1,859
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

## 2. Information on derivative financial liabilities held for trading purpose

*Negative differences related to the derivative financial liabilities held for trading purpose*

	Current Year		Previous Year	
	TL	FC	TL	FC
Forwards	2,134	2,063	3,399	4,574
Swaps	4,853	190,187	973	335,760
Futures	-	-	-	-
Options	178	277	4	93
Others	-	-	-	-
<b>Total</b>	<b>7,165</b>	<b>192,527</b>	<b>4,376</b>	<b>340,427</b>

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### 3. Information on banks and other financial institutions

	Current Year		Previous Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	238,899	319,996	238,436	551,187
Foreign banks, institutions and funds	32,486	7,509,600	112,338	8,010,336
<b>Total</b>	<b>271,385</b>	<b>7,829,596</b>	<b>350,774</b>	<b>8,561,523</b>

#### Maturity information of funds borrowed

	Current Year		Previous Year	
	TL	FC	TL	FC
Short-term <sup>(*)</sup>	209,631	4,258,071	330,858	2,902,663
Medium and Long-term <sup>(*)</sup>	61,754	3,571,525	19,916	5,658,860
<b>Total</b>	<b>271,385</b>	<b>7,829,596</b>	<b>350,774</b>	<b>8,561,523</b>

<sup>(\*)</sup> 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 8.4% (31 December 2011: 10.6%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On 1 September 2010, the Parent Bank obtained a syndication loan at the amount of US Dollar 135 million with interest rate of Libor + 1.30% and Euro 408 million with interest rate of Euribor + 1.30% at 1 year maturity; and syndication loan at the amount of US Dollar 10 million with interest rate of Libor + 1.75% and Euro 45 million with interest rates of Euribor + 1.75% at 2 years maturity with the participation of 32 banks under the coordination of West LB AG. The Bank has repaid the part of the loan with one year maturity on 6 September 2011. On 6 September 2011, repayment of loan's one year maturity segments was realized. On 31 August 2012, two years maturity segments were paid off. This loan has been renewed with a syndicated loan at the amount of US Dollar 145 million and Euro 433 million with interest rates of US Libor + 1.00 % and Euribor + 1.00 % at a maturity of one year, with the participation of 26 banks under the coordination of ING Bank NV on 7 September 2011. The syndicated loan was repaid on 10 September 2012. This loan has been renewed with a syndicated loan at the amount of USD 151 million and EURO 444.5 million with the interest rate of US Libor + 1.35% and Euribor + 1.35% at a maturity of one year, with the participation of 24 banks with the coordination and agency of INGBank N.V. on 18 September 2012.

On 28 March 2011, the Parent Bank has obtained syndication loan of USD 192.5 million and Euro 573.5 million with one year maturity at the cost Libor + 1.10% for USD and Euribor + 1.10% for EUR, with the participation of 34 banks under the coordination of West LB AG, the loan was repaid on 29 March 2011. This loan has been renewed with a syndicated loan at the amount of US Dollar 152 million and Euro 586.7 million with interest rates of US Libor + 1.45 % and Euribor + 1.45 % at a maturity of one year, with the participation of 41 banks under the coordination of Wells Fargo Bank NA on 10 April 2012.

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### *Information on securities issued*

On 8 August 2011, the Parent Bank has issued discounted bonds with a nominal value of TL 500,000 and 176 days maturity. The bond has matured as at 31 January 2012.

On 31 January 2012, the Parent Bank has issued discounted bonds with a nominal value of TL 1,000,000 and 178 days maturity. The bond has matured as at 27 July 2012.

On 1 June 2012, the Parent Bank has issued discounted bonds with a nominal value of TL 500,000 and 179 days maturity. The bond has matured as at 27 November 2012.

On 21 September 2012, the Parent Bank has issued bond with a nominal value of TL 100,000 and 91 days maturity. The bond has matured as at 21 December 2012.

On 1 June 2012, the Parent Bank has issued floating-rate bonds with monthly coupon payment with a nominal value of TL 200,000 and 374 days maturity. The nominal value of the bond is determined as TL 105,055 with respect to book-building process. As at 31 December 2012, the carrying amount of the related bonds is TL 101,843.

On 27 July 2012, the Parent Bank has issued discounted bonds with a nominal values of TL 500,000 and 175 days maturity and TL 200,000 and 318 days maturity. The nominal values of the bonds are determined as TL 724,565 and TL 98,070 with respect to book-building process. As at 31 Aralık 2012, the carrying amounts of the related bonds are TL 608,070 and TL 62,026 respectively.

On 21 September 2012, the Parent Bank has issued discounted bonds with a nominal value of TL 200,000 and 175 days maturity. The nominal value of the bond is determined as TL 181,606 with respect to book-building process. As at 31 December 2012, the carrying amount of the related bond is TL 161,954.

On 27 November 2012, the Parent Bank has issued discounted bonds with a nominal values of TL 400,000 and 171 days maturity and TL 150,000 and 346 days maturity. The nominal values of the bonds are determined as TL 615,375 and TL 53,373 with respect to book-building process. As at 31 Aralık 2012, the carrying amounts of the related bonds are TL 499,318 and TL 48,400 respectively.

On 24 April 2012, the Parent Bank has issued the bond with a nominal value of USD 500 million and with the maturity date of 24 April 2017. 36% of the bond has been sold in Europe, 27% in the United States, 27% in England, 10% in Asia and the Middle East. Furthermore, with respect to purchaser parties 64% of the bond was purchased by fund managers, 18% was purchased by banks, 14% by private banks and 4% by insurance and pension funds. As of 31 December 2012, the carrying amount of the bond is TL 891,137.

4. Components of "other external resources payable" in the 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.

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.

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

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## Consolidated Financial Report as at and for the Year Ended 31 December 2012

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### 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 Period	Prior period
Provisions for loans and receivables in Group I	786,341	583,470
-Additional provision for loans with extended payment plans	7,033	2,048
Provisions for loans and receivables in Group II	112,769	38,615
-Additional provision for loans with extended payment plans	9,331	1,778
Provisions for non-cash loans	53,713	46,189
Others	3,236	2,906
<b>Total</b>	<b>956,059</b>	<b>671,180</b>

*Provision for currency exchange gain/loss on foreign currency indexed loans*

The Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 16,623 (31 December 2011: 2,419) 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*

As of 31 December 2012, Bank has recorded TL 36,173 (31 December 2011: TL 67,937) as specific provisions for non-cash loans that are not indemnified or converted into cash.

*Information on other provisions*

As at 31 December 2012, the Parent Bank has recorded provision amounting to 5% of loans under follow up. Part of that amount has been recognized under general provisions and the remaining TL 92,887 (31 December 2011: 51,676) has been recognized as provisions for miscellaneous risks under other provisions in the accompanying financial statements.

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## Consolidated Financial Report as at and for the Year Ended 31 December 2012

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### Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Provision for loans under follow-up	92,887	51,676
Provision for Competition Authority penalty	61,630	-
Specific provisions for non-cash loans	36,173	67,937
Provision for World Vakıf UBB Ltd with regard to its negative equity	28,639	27,105
Provisions for lawsuits against the Group	16,581	17,056
Provisions for credit card promotions	8,571	7,923
Provision for cheques	8,185	17,736
Other provisions <sup>(*)</sup>	42,292	39,175
<b>Total</b>	<b>294,958</b>	<b>228,608</b>

<sup>(\*)</sup>There has been an investigation to determine whether there has been a breach of 4054 numbered Competition Protection Law through performing concerted actions about deposits, loans and credit card services and it has been decided to impose a penalty amounting to TL 82,173 to the Bank. The related penalty shall be paid at a rate of ¼ amounting to TL 61,630 in 30 days following the notification, in accordance with the prevailing laws and regulations. As at 31 December 2012, the Bank has set aside provision for the mentioned penalty amounting to TL 61,630 in the accompanying consolidated financial statements.

### 8. Taxation

#### Current Taxes

#### Tax provision

As at and for the year ended 31 December 2012, the tax liability of the Group is amounting to TL 172,808 (31 December 2011: TL 22,502).

#### Information on taxes payable

	Current Year	Previous Year
Corporate taxes payable	172,808	22,502
Taxation on securities	94,433	62,943
Capital gains tax on property	1,579	1,216
Banking and Insurance Transaction Tax (BITT)	39,530	28,855
Taxes on foreign exchange transactions	-	-
Value added tax payable	3,220	1,417
Others	28,421	28,394
<b>Total</b>	<b>339,991</b>	<b>145,327</b>

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

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(Currency: Thousands of Turkish Lira ("TL"))

### Information on premiums payable

	Current Year	Previous Year
Social security premiums- employee share	526	789
Social security premiums- employer share	1,349	1,930
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	497	429
Unemployment insurance- employer share	1,060	958
Others	130	456
<b>Total</b>	<b>3,562</b>	<b>4,562</b>

### Information on deferred tax liabilities

Disclosed in Note 13 of information and disclosures for consolidated assets.

### 9. Information on payables for assets held for resale and tangible assets related to discounted activities

None.

### 10. Information on subordinated loans

The Parent Bank has issued bond having the secondary subordinated debt quality to be sold non-resident natural and legal persons. The bond has been issued at the nominal value of USD 500 million, with maturity of 10 years and 6.0% coupon rate.

In addition to the issuance of the bond having the secondary subordinated debt realized on 1 November 2012, the Parent Bank has realized second tranche in issuance of the bond having the secondary subordinated debt quality to be sold in foreign bond markets. The bond has been issued at nominal value of USD 400 million, has the same maturity with previous bond and 5.5% coupon rate.

The Parent Bank has obtained written permission of the BRSA for accounting these bonds as secondary subordinated debt and accordingly considering in the calculation of supplementary capital in compliance with the "Regulation on Capitals of the Banks" published on " November 2006 dated and 26333 numbered Official Gazette.

### 11. Information on shareholders' equity

#### Paid-in capital

	Current Year	Previous Year
Common stock	2,500,000	2,500,000
Preferred stock	-	-

Paid-in capital of the Parent Bank amounted to TL 2,500,000 is divided into groups comprised of 43.0% Group (A), 15.6 % Group (B), 16.2% Group (C) and 25.2% Group (D).

Board of Directors' members; one member is appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members are appointed representing Group (A), one member is appointed representing Group (B), and two members are appointed representing Group (C), and one member is appointed among the nominees offered by the shareholders at the General Assembly. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

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*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	(36,590)	-	(19,393)	-
Fair value differences of available-for-sale securities	201,780	555,621	(181,240)	109,679
Foreign exchange differences	-	-	-	-
<b>Total</b>	<b>165,190</b>	<b>555,621</b>	<b>(200,633)</b>	<b>109,679</b>

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(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	4,938,035	4,322,604
Loan granting commitments	4,958,548	4,579,863
Commitments for cheque payments	1,154,273	829,640
Asset purchase commitments	1,694,352	1,626,838
Share capital commitments to associates and subsidiaries	-	1,000
Other	713,547	519,642
<b>Toplam</b>	<b>13,458,755</b>	<b>11,879,587</b>

*Type and amount of possible losses from off-balance sheet items including those referred to below*

*Guarantees, bills of exchange and acceptances and other letters of credit which can be counted as financial collateral*

The Parent Bank provided specific provision amounting to TL 36,173 (31 December 2011: TL 67,937) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 82,825 (31 December 2011: TL 69,605).

*Final guarantees, provisional guarantees, sureties and similar transactions*

	Current Year	Previous Year
Provisional letters of guarantee	563,770	489,911
Final letters of guarantee	4,468,018	4,493,718
Letters of guarantee for advances	2,269,159	1,946,721
Letters of guarantee given to custom offices	379,638	323,046
Other letters of guarantee	4,959,918	3,969,712
<b>Total</b>	<b>12,640,503</b>	<b>11,223,108</b>

#### 2. Non-cash loans

	Current Year	Previous Year
Non-cash loans given for cash loan risks	1,061,650	591,334
With original maturity of 1 year or less	582,779	353,374
With original maturity of more than 1 year	478,871	237,960
Other non-cash loans	16,189,387	15,258,048
<b>Total</b>	<b>17,251,037</b>	<b>15,849,382</b>

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### 3. Sectoral risk concentrations of non-cash loans

	Current Year				Previous Year			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>92,687</b>	<b>0.87</b>	<b>84,946</b>	<b>1.27</b>	<b>44,778</b>	<b>0.49</b>	<b>189,336</b>	<b>2.79</b>
Farming and cattle	81,708	0.77	82,841	1.24	39,146	0.43	176,234	2.59
Forestry	9,635	0.09	72	0.00	4,610	0.05	7,949	0.12
Fishing	1,344	0.01	2,033	0.03	1,022	0.01	5,153	0.08
<b>Manufacturing</b>	<b>4,280,981</b>	<b>40.56</b>	<b>3,512,758</b>	<b>52.45</b>	<b>3,990,192</b>	<b>44.09</b>	<b>3,237,435</b>	<b>47.59</b>
Mining	77,796	0.74	36,845	0.55	49,592	0.55	53,415	0.79
Production	2,844,747	26.95	3,313,737	49.48	2,889,888	31.94	2,816,140	41.39
Electric, gas and water	1,358,438	12.87	162,176	2.42	1,050,712	11.60	367,880	5.41
<b>Construction</b>	<b>1,723,297</b>	<b>16.33</b>	<b>1,180,504</b>	<b>17.63</b>	<b>1,509,054</b>	<b>16.68</b>	<b>1,021,201</b>	<b>15.02</b>
<b>Services</b>	<b>4,039,704</b>	<b>38.28</b>	<b>1,573,323</b>	<b>23.50</b>	<b>2,843,974</b>	<b>31.44</b>	<b>1,385,717</b>	<b>20.37</b>
Wholesale and retail trade	1,683,751	15.95	616,199	9.20	1,093,274	12.08	380,986	5.60
Hotel, food and beverage Services	60,022	0.57	10,776	0.16	57,270	0.63	1,931	0.03
Transportation and Telecommunication	506,082	4.79	667,048	9.96	463,721	5.13	781,092	11.48
Financial institutions	1,219,537	11.56	47,245	0.71	1,166,857	12.90	202,866	2.98
Real estate and renting Services	106,847	1.01	154,104	2.30	15,604	0.17	43	-
Self-employment services	326,272	3.10	65,459	0.98	-	-	-	-
Education services	11,853	0.11	-	-	6,817	0.08	-	-
Health and social services	125,340	1.19	12,492	0.19	40,431	0.45	18,799	0.28
<b>Others</b>	<b>417,877</b>	<b>3.96</b>	<b>344,960</b>	<b>5.15</b>	<b>660,199</b>	<b>7.30</b>	<b>967,496</b>	<b>14.23</b>
<b>Total</b>	<b>10,554,546</b>	<b>100.00</b>	<b>6,696,491</b>	<b>100.00</b>	<b>9,048,197</b>	<b>100.00</b>	<b>6,801,185</b>	<b>100.00</b>

### 4. Information on the non-cash loans classified as first and second group

Current Year	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	10,339,576	2,079,226	129,963	10,329
Confirmed bills of exchange and acceptances	19,554	784,313	-	1,965
Letters of credit	693	3,771,913	-	2,103
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	13,844	11,910	-	-
Other guarantees and sureties	-	2,823	-	-
<b>Total Non-Cash Loans</b>	<b>10,373,667</b>	<b>6,650,185</b>	<b>129,963</b>	<b>14,397</b>

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

Previous Year	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	8,914,681	2,199,461	40,559	297
Confirmed bills of exchange and acceptances	29,056	454,538	-	-
Letters of credit	732	4,098,201	-	467
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	29,455	5,546	-	-
Other guarantees and sureties	-	6,784	-	-
<b>Total Non-Cash Loans</b>	<b>8,973,924</b>	<b>6,764,530</b>	<b>40,559</b>	<b>764</b>

### 5. Information on derivative transactions

	Current Year	Previous Year
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>10,032,570</b>	<b>11,007,578</b>
Currency Forwards	915,345	971,981
Currency Swaps	8,040,634	9,788,365
Currency Futures	-	-
Currency Options	1,076,591	247,232
<b>Interest Rate Derivative Transactions (II)</b>	<b>2,926,864</b>	<b>1,662,118</b>
Interest Rate Forwards	-	-
Interest Rate Swaps	2,926,862	1,662,116
Interest Rate Options	-	-
Investment Security Options	2	2
Interest Rate Futures	-	-
<b>Other Trading Derivatives (III)</b>	<b>1,671,932</b>	<b>531,155</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>14,631,366</b>	<b>13,200,851</b>
<b>Hedging Derivatives</b>		
Fair Value Hedges air Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
<b>B. Total Hedging Derivatives</b>	<b>-</b>	<b>-</b>
<b>Derivative Transactions (A+B)</b>	<b>14,631,366</b>	<b>13,200,851</b>

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report as at and  
for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

	31 December 2012					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Currency swaps:</b>						
Purchase	2,905,537	175,123	397,452	101,297	-	3,579,409
Sale	1,207,110	175,022	390,123	101,114	-	1,873,369
<b>Currency forwards:</b>						
Purchase	188,955	144,204	124,587	-	-	457,746
Sale	188,895	144,156	124,548	-	-	457,599
<b>Cross currency interest rate swaps:</b>						
Purchase	-	106,800	44,500	1,175,757	-	1,327,057
Sale	-	90,990	38,250	1,131,559	-	1,260,799
<b>Interest rate swaps:</b>						
Purchase	-	-	-	766,705	696,726	1,463,431
Sale	-	-	-	766,705	696,726	1,463,431
<b>Options:</b>						
Purchase	444,751	61,477	32,067	-	-	538,295
Sale	444,746	61,483	32,067	-	-	538,296
<b>Others:</b>						
Purchase	-	-	-	-	2	2
Sale	1,671,932	-	-	-	-	1,671,932
<b>Total purchases</b>	<b>3,539,243</b>	<b>487,604</b>	<b>598,606</b>	<b>2,043,759</b>	<b>696,728</b>	<b>7,365,940</b>
<b>Total sales</b>	<b>3,512,683</b>	<b>471,651</b>	<b>584,988</b>	<b>1,999,378</b>	<b>696,726</b>	<b>7,265,426</b>
<b>Total</b>	<b>7,051,926</b>	<b>959,255</b>	<b>1,183,594</b>	<b>4,043,137</b>	<b>1,393,454</b>	<b>14,631,366</b>

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

	31 December 2011					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Currency swaps:</b>						
Purchase	1,643,418	1,024,415	1,656,806	-	-	4,324,639
Sale	1,102,384	1,085,944	1,692,000	-	-	3,880,328
<b>Currency forwards:</b>						
Purchase	96,217	112,920	276,913	-	-	486,050
Sale	96,177	112,889	276,865	-	-	485,931
<b>Cross currency interest rate swaps:</b>						
Purchase	-	94,000	75,200	696,758	-	865,958
Sale	-	77,100	52,830	587,510	-	717,440
<b>Interest rate swaps:</b>						
Purchase	-	-	20,176	141,000	675,847	837,023
Sale	-	-	8,246	141,000	675,847	825,093
<b>Options:</b>						
Purchase	123,616	-	-	-	-	123,616
Sale	123,616	-	-	-	-	123,616
<b>Investment security options:</b>						
Alım	-	-	-	-	2	2
Satım	531,155	-	-	-	-	531,155
<b>Total purchases</b>	<b>1,863,251</b>	<b>1,231,335</b>	<b>2,029,095</b>	<b>837,758</b>	<b>675,849</b>	<b>6,637,288</b>
<b>Total sales</b>	<b>1,853,332</b>	<b>1,275,933</b>	<b>2,029,941</b>	<b>728,510</b>	<b>675,847</b>	<b>6,563,563</b>
<b>Total</b>	<b>3,716,583</b>	<b>2,507,268</b>	<b>4,059,036</b>	<b>1,566,268</b>	<b>1,351,696</b>	<b>13,200,851</b>

### 6. Contingent assets and liabilities

The Group has set aside provision amounting to TL 16,581 for the lawsuits filed by real and legal entities having conflict (31 December 2011: TL 17,056).

There has been an investigation to determine whether there has been a breach of 4054 numbered Competition Protection Law through performing concerted actions about deposits, loans and credit card services and it has been decided to impose a penalty amounting to TL 82,173 to the Bank. The related penalty shall be paid at a rate of amounting to TL 61,630 in 30 days following the notification, in accordance with the prevailing laws and regulations. As at 31 December 2012, the Bank has set aside provision for the mentioned penalty amounting to TL 61,630 in the accompanying consolidated financial statements.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### 7. Services rendered on behalf of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

The Parent Bank's custody services and banking transactions on behalf of individuals and corporate customers does not present a material portion.

### IV. Information on disclosures related to the consolidated statement of income

#### 1. Interest income

##### *Information on interest income received from loans*

	Current Year		Previous Year	
	TL	FC	TL	FC
Short-term loans	2,022,926	204,060	1,293,890	179,265
Medium and long-term loans	3,923,621	728,273	2,758,760	574,120
Loans under follow-up	124,160	-	141,727	-
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>6,070,707</b>	<b>932,333</b>	<b>4,194,377</b>	<b>753,385</b>

##### *Information on interest income received from banks*

	Current Year		Previous Year	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	52,764	3,287	47,904	2,158
Foreign banks	32	4,454	43	11,647
Foreign head office and branches	-	-	-	-
<b>Total</b>	<b>52,796</b>	<b>7,741</b>	<b>47,947</b>	<b>13,805</b>

##### *Information on interest income received from securities portfolio*

	Current Year		Previous Year	
	TL	FC	TL	FC
Trading financial assets	29,799	2,660	21,643	1,749
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	910,376	204,135	891,753	164,201
Held-to-maturity investments	595,970	64,204	352,635	110,189
<b>Total</b>	<b>1,536,145</b>	<b>270,999</b>	<b>1,266,031</b>	<b>276,139</b>

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

*Information on interest income received from associates and subsidiaries*

	Current Year	Previous Year
Interests received from the associates and subsidiaries	38	1,020

## 2. Interest Expense

*Interest expenses on funds borrowed*

	Current Year		Previous Year	
	TL	FC	TL	FC
<b>Banks</b>	<b>26,046</b>	<b>143,852</b>	<b>33,026</b>	<b>133,535</b>
Central Bank of Turkey	-	-	-	-
Domestic banks	12,939	17,150	11,409	8,265
Foreign banks	13,107	126,702	21,617	125,270
Foreign head offices and branches	-	-	-	-
Other institutions	-	9,000	-	6,590
<b>Total</b>	<b>26,046</b>	<b>152,852</b>	<b>33,026</b>	<b>140,125</b>

*Interest expenses paid to associates and subsidiaries*

	Current Year	Previous Year
Interests paid to the associates and subsidiaries	25,821	22,992

Interest expense on securities issued

	Current Year		Previous Year	
	TL	FC	TL	FC
Interest expense on securities issued	136,873	36,370	16,088	-

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### Maturity structure of interest expense on deposits

Account Description	Time Deposit						Accumulating Deposit Accounts	Total
	Demand Deposits	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	1 Year and Over		
<b>Turkish Lira:</b>								
Bank Deposits	-	70,907	-	-	-	-	-	70,907
Saving Deposits	39	23,879	1,215,201	161,458	12,914	9,484	-	1,422,975
Public Sector Deposits	380	86,230	451,591	83,202	4,794	2,243	-	628,440
Commercial Deposits	177	150,464	511,986	206,331	39,254	290	-	908,502
Other Deposits	3	41,089	188,838	101,340	7,807	997	-	340,074
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>599</b>	<b>372,569</b>	<b>2,367,616</b>	<b>552,331</b>	<b>64,769</b>	<b>13,014</b>	<b>-</b>	<b>3,370,898</b>
<b>Foreign Currency:</b>								
Foreign Currency Deposits	4,262	30,544	338,205	62,929	29,711	74,087	-	539,738
Bank Deposits	-	35,505	-	-	-	-	-	35,505
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metals Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,262</b>	<b>66,049</b>	<b>338,205</b>	<b>62,929</b>	<b>29,711</b>	<b>74,087</b>	<b>-</b>	<b>575,243</b>
<b>Grand Total</b>	<b>4,861</b>	<b>438,618</b>	<b>2,705,821</b>	<b>615,260</b>	<b>94,480</b>	<b>87,101</b>	<b>-</b>	<b>3,946,141</b>

### 3. Dividend income

	Current Year	Previous Year
Trading financial assets	62	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	322	112
Others	6,532	4,620
<b>Total</b>	<b>6,916</b>	<b>4,732</b>

### 4. Trading income/losses

	Current Year	Previous Year
<b>Income</b>	<b>1,948,308</b>	<b>2,169,924</b>
Income from capital market transactions	256,145	82,997
Income from derivative financial instruments	370,543	626,679
Foreign exchange gains	1,321,620	1,460,248
<b>Losses</b>	<b>(1,608,917)</b>	<b>(2,118,540)</b>
Losses from capital market transactions	(5,222)	(5,340)
Losses from derivative financial instruments	(394,203)	(640,226)
Foreign exchange losses	(1,209,492)	(1,472,974)
<b>Trading income/losses, net</b>	<b>339,391</b>	<b>51,384</b>

Net loss arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is 13,330 TL as at and for the year ended 31 December 2012 (31 December 2011 net loss of TL 60,442).

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### 5. Other operating income

	Current Year	Previous Year
Earned insurance premiums (net of reinsurance share)	583,351	533,703
Income from reversal of the impairment losses	426,842	658,310
Gain on sale of assets	28,023	109,945
Communication income	81,146	80,627
Income from private pension business	34,068	25,574
Rent income	8,358	2,328
Other income	136,873	63,018
<b>Total</b>	<b>1,298,661</b>	<b>1,473,505</b>

### 6. Provision expenses for losses on loans and other receivables

	Current Year	Previous Year
Specific provisions on loans and other receivables	749,678	415,381
<i>Loans and receivables in Group III</i>	181,193	94,246
<i>Loans and receivables in Group IV</i>	535,664	204,183
<i>Loans and receivables in Group V</i>	32,821	116,952
Non-performing commissions and other receivables	-	-
General provision expenses	284,755	243,923
Provision for possible losses	43,006	-
Impairment losses on securities	128,226	89,438
<i>Trading securities</i>	14,827	22,800
<i>Investment securities available-for-sale</i>	113,399	66,638
Other impairment losses	64,111	30,372
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	3,867
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	64,111	26,505
Others <sup>(1)</sup>	181,792	159,100
<b>Total</b>	<b>1,451,568</b>	<b>938,214</b>

<sup>(1)</sup> Other provision expenses amounting to TL 181,792 (31 December 2011: TL 159,100) is comprised of provision expenses for dividends to the personnel amounting to TL 105,300 (31 December 2011: TL 97,000), provision for non-cash loans that are not indemnified or converted to cash and provisions for cheques amounting to TL 52,391 (31 December 2011: 58,294 TL ) and other provision expenses amounting to TL 24,101 (31 December 2011: TL 3,806).

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### 7. Other operating expenses

	Current Year	Previous Year
Personnel costs	1,030,983	931,076
Reserve for employee termination benefits	58,502	23,407
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	110,852	106,372
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	11,915	9,523
Impairment losses on assets to be disposed	5,341	2,934
Depreciation expenses on assets to be disposed	12,799	10,789
Impairment losses on assets held for sale	-	-
Other operating expenses	978,952	840,220
<i>Operational lease related expenses</i>	137,506	112,101
<i>Repair and maintenance expenses</i>	20,249	15,694
<i>Advertisement expenses</i>	77,923	50,758
<i>Other expenses</i>	743,274	661,667
Loss on sale of assets	664	1,150
Others	822,347	580,616
<b>Total</b>	<b>3,032,355</b>	<b>2,506,087</b>

### 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 463,099 (31 December 2011: TL 387,387) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

*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	5,701	83,711
Arising from origination (-)/ reversal (+) of taxable temporary differences	12,987	(36,089)
Arising from origination (+)/ reversal (-) of tax losses	6,450	(1,771)
Arising from tax rate change	-	-
<b>Total</b>	<b>25,138</b>	<b>45,851</b>

### 12. Net profit and loss

*Any further explanation on operating results needed for a proper understanding of the Bank's performance*

Group has earned TL 8,999,981 interest income and TL 418,105 net fee and commission income also incurred TL 4,744,503 amount of interest expense from its ordinary banking operations (31 December 2011: TL 6,695,600 interest income, TL 3,661,368 interest expense, TL 561,369 net fee and commission income).

*Any changes in estimations that might have a material effect on current and subsequent year results*

None.

### 13. Income/loss related to non-controlling interest

	Current Year	Previous Year
Income/(losses) related to non-controlling interest	169	56,695

### 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.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(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

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	(71,561)	314,132
Fair value changes in the current year	943,955	(322,035)
Effect of deferred and corporate taxes	(75,054)	68,609
Valuation differences transferred to the statement of income	(33,742)	(156,235)
Effect of deferred and corporate taxes	(6,197)	23,968
<b>Valuation differences at the end of the year</b>	<b>757,401</b>	<b>(71,561)</b>

Valuation difference of the subsidiaries and affiliates	Current Year	Previous Year
Valuation differences at the beginning of the year	(19,393)	(12,882)
Fair value changes in the current year	(16,627)	(6,454)
Effect of deferred and corporate taxes	(570)	(57)
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	-	-
<b>Valuation differences at the end of the year</b>	<b>(36,590)</b>	<b>(19,393)</b>

#### 2. Information on increases in cash flow hedges

None.

#### 3. Reconciliation of the beginning and end of the year balances of foreign exchange differences

As at 31 December 2012, foreign currency translation differences amounting of TL 64,780 (31 December 2011: TL 71,432), 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 58th Annual General Assembly held on 30 March 2012, it was decided to distribute the net profit of the year 2011 after the deduction of deferred tax income amounting to TL 1,201,261 as legal reserves amounting to TL 114,382, dividends to equity holders of the Bank amounting to TL 37,000, extraordinary reserves amounting to TL 1,010,638 and special funds amounting to TL 33,497.

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

### 6. Information on decreases of valuation differences of available-for-sale investments

Valuation differences of available-for-sale financial assets has increased in the current year. Detailed information about the increase is explained below in Note 1.

### 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 283,714 (31 December 2011: TL (176,099)) 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 3,795,410 (31 December 2011: TL (1,385,278)) 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 31,952 (31 December 2011: 32,151 TL) is comprised 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 1,666 (31 December 2011: TL 3,796) and presented in the statement of cash flows in order to reconcile cash and cash equivalents balances at the beginning and end of the year.

#### 2. Cash outflows from acquisition of associates, subsidiaries and joint-ventures

The Parent Bank has paid TL 1,000 of amount capital commitment to its associate Kredi Garanti Fonu AŞ with respect to funding requirement of the associate in the current year. Per General Assembly of the Kredi Garanti Fonu a subsidiary of the Bank held on 30 May 2012, the decision for merger of Türk Ekonomi Bankası AŞ and Fortisbank AŞ has taken. Due to this merger, the shares of the Fortisbank have been transferred to Türk Ekonomi Bankası AŞ hence the principle of equality in partnership between banks has been invalidated. In result, the shares are decided to be distributed equally between banks. The TL 211 which is the amount corresponding to Bank share has been paid in the current year. The related amount has been presented in "Cash paid for purchase of associates, subsidiaries and joint-ventures" line of "Net cash flow from investing activities" section of the Cash flow statement.

In year 2011, the Bank has paid TL 1,000 of TL 2,000 capital commitment to its associate Kredi Garanti Fonu AŞ with respect to funding requirement of the associate. The amount has been presented under "Net cash flow from Investment Operations" line of "Cash paid for purchase of associates, subsidiaries and joint-ventures" section.

#### 3. Cash flows from the disposal of associates, subsidiaries and joint-ventures

There is not any associate, subsidiary or joint-venture disposed in the current and prior year.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(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 2011	Previous Year 31 December 2010
<b>Cash on hand</b>	<b>716,004</b>	<b>659,170</b>
Cash in TL	604,234	571,665
Cash in Foreign Currency	111,770	87,505
<b>Cash equivalents</b>	<b>4,290,104</b>	<b>6,488,918</b>
CBT	6,424,827	3,990,880
Bank deposits	2,541,335	2,170,884
Interbank money market placements	190,467	2,101,584
Others	1,031	983
Loans and advances to banks having maturity of more than 3 months	(303,391)	(46,350)
Restricted cash and cash equivalents	(4,560,702)	(1,715,194)
Income accruals on cash equivalents	(3,463)	(13,869)
<b>Total</b>	<b>5,006,108</b>	<b>7,148,088</b>

*Information on cash and cash equivalents at the end of the year*

	Current Year 31 December 2012	Previous Year 31 December 2011
<b>Cash on hand</b>	<b>983,020</b>	<b>716,004</b>
Cash in TL	793,004	604,234
Cash in Foreign Currency	190,016	111,770
<b>Cash equivalents</b>	<b>4,392,777</b>	<b>4,290,104</b>
CBT	11,323,157	6,424,827
Bank deposits	2,656,490	2,541,335
Interbank money market placements	6,645	190,467
Others	25,317	1,031
Loans and advances to banks having maturity of more than 3 months	(191,913)	(303,391)
Restricted cash and cash equivalents	(9,423,459)	(4,560,702)
Income accruals on cash equivalents	(3,460)	(3,463)
<b>Total</b>	<b>5,375,797</b>	<b>5,006,108</b>

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

5. Management comment on restricted cash and cash equivalents due to legal requirements or other reasons taking materiality principle into account

Reserve requirements at CBT amounting to TL 9,179,761 as at 31 December 2012 (31 December 2011: TL 4,269,727) has not been included in cash and cash equivalents.

Deposits amounting to TL 243,698 (31 December 2011: TL 290,975) are restricted due to securitization loans of the Parent Bank and other ordinary banking operations.

### VII. Information and disclosures related to the Parent Bank's risk group

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

#### Information on loans borrowed by the Bank's risk group

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	-	591,730	-	6,572	4,443	1,385
Balance at the end of the year	-	552,273	-	37,919	9,372	13,136
Interest and commission income	38	341	-	37	570	11

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	-	316,196	-	563	8,978	2,371
Balance at the end of the year	-	591,730	-	6,572	4,443	1,385
Interest and commission income	1,020	278	-	30	382	46

#### 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	855,959	411,915	728,474	581,885	85,795	54,423
Balance at the end of the year	817,244	855,959	443,103	728,474	76,597	85,795
Interest on deposits	25,821	22,992	47,919	42,610	2	-

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

(Currency: Thousands of Turkish Lira ("TL"))

*Information on forward and option agreements made with the Parent Bank's risk group*

None.

### 2. Disclosures of transactions with the Parent Bank's risk group

*Relations with entities in the risk group of/or controlled by the Bank*

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

The branches of the Bank engage with insurance agency activities in relation with the operations of Güneş Sigorta AŞ and Vakıf Emeklilik AŞ, subsidiaries operating in the insurance sector. Vakıf Yatırım Menkul Değerler AŞ engages with the management of the funds established by the Bank.

*In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other*

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the the risk group to the overall cash and non-cash loans are 0.01% (31 December 2011: 0.01%) and 3.50% (31 December 2011: 3.83%).

Current Year	Amount	Compared with the
		Financial Statement
		Amount %
Cash Loans	9,372	0.01
Non-Cash Loans	603,328	3.50
Deposits	1,336,944	1.95

Previous Year	Amount	Compared with the
		Financial Statement
		Amount %
Cash Loans	4,443	0.01
Non-Cash Loans	599,687	3.83
Deposits	1,670,228	2.70

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# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

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### VIII. Information on domestic, foreign and off-shore branches or investments and foreign representative offices of the Parent Bank

Domestic and foreign branches and representative offices of the Parent Bank

	Number of Branches	Number of Employees				
Domestic Branches <sup>(*)</sup>	741	13,427				
			Country			
Foreign Representative Offices	-	-	-			
				Total Assets	Legal Capital	
Foreign Branches	1	19	USA	1,885,434	29,370	
	1	13	Iraq	238,984	12,460	
Off-shore Branches	1	4	Bahrain	16,424,437	-	

<sup>(\*)</sup> Free zone branches in Turkey is included to domestic branches.

*Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure of the Parent Bank*

During 2012, 64 domestic (during 2011: 43 domestic, 1 foreign) new branches have been opened and no branches have been closed (during 2011: None).

### SECTION SIX

#### Other Disclosures and Footnotes

##### I. Other disclosures on the Parent Bank's activity

None.

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and

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### II. Information on the Parent Bank's rating given by international institutions

January 2013 <sup>(*)</sup>	Standard & Poors
Foreign Currency Credit Rating	BB/Stable/B
Foreign Currency Deposit Rating	BB/Stable/B
National	trAA/--/trA-1
July 2012 <sup>(*)</sup>	Moody's Investors' Service
Financial Strength Rating	D+
Local Currency Deposit Rating	Baa2/P-2
Local Currency Outlook	Stable
Foreign Currency Deposit Rating	Ba2/NP
Foreign Currency Outlook	Stable
November 2012 <sup>(*)</sup>	Fitch Ratings
Long Term Foreign Currency	BBB-
Short Term Foreign Currency	F3
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB
Short Term Local Currency	F3
Local Currency Outlook	Stable
National Long Term	AAA (tur)
National Outlook	Stable
Individual	WD
Support Rating	2
Base Support Rating	BBB-
December 2012 <sup>(*)</sup>	Capital Intelligence
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB
Support Rating	2
Outlook Foreign Currency	Stable

<sup>(\*)</sup> Dates represent the last change dates of credit ratings and outlook.

Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3 Note I

# Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

## Consolidated Financial Report as at and for the Year Ended 31 December 2012

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### III. Significant events and matters subsequent to balance sheet date that are not resulted

- Board of Directors has authorized headquarter of the Bank for the establishment of GMTN ("Global Medium Term Notes") program which will enable the issuance of utmost USD 3 billion amount equivalent bond. The program addresses resident and non-resident qualified corporate investors for issues in TL, and only non-resident qualified corporate investors for issues in USD, Euro, CHF and/or other currencies having high liquidity in international bonds and money markets.

In this concept the Bank has applied to CMB and BRSA on February 2013 for establishment of USD 3 billion equivalent amount GMTN program and issuance of utmost 3 billion USD equivalent bond in different currencies within the scope of this program.

- Per 11 January 2013 dated and 29833736-105.03.01-55-239 numbered approval of Capital Market Board, the Bank has completed book building process on 14-15-16 January 2013. The issuance of the bills has realized on 18 January 2013 with nominal values of TL 115,686, TL 734,314, and TL 150,000. Maturity terms and the dates are 143 days, 10 June 2013, 168 days 5 July 2013 and 364 days 17 January 2014 respectively.

There has been an investigation to determine whether there has been a breach of 4054 numbered Competition Protection Law through performing concerted actions about deposits, loans and credit card services and it has been decided to impose a penalty amounting to TL 82,173 to the Bank. The related penalty shall be paid at a rate of amounting to TL 61,630 in 30 days following the notification, in accordance with the prevailing laws and regulations. As at 31 December 2012, the Bank has set aside provision for the mentioned penalty amounting to TL 61,630 in the accompanying consolidated financial statements.

### IV. Significant foreign currency exchange rate fluctuations that are subsequent to reporting date

None.

## SECTION SEVEN

### I. Independent Auditors' Report

#### 1. Information on the independent auditors' report

The Bank's and its financial subsidiaries' consolidated financial statements and footnotes as at 31 December 2012, 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 14 March 2013.

#### 2. Information and disclosures prepared by Independent Auditors

None.

## Evaluation of the Bank's Financial Position, Profitability and Solvency

### Notes on Assets

VakıfBank continued to grow in 2012 without compromising asset quality. The Bank achieved asset growth that outpaced the banking sector, increasing total assets by 17.26% to the amount of TL 104.6 billion. At end-2012, VakıfBank's interest-earning assets to total assets ratio was 84.7%. Of the Bank's total assets, 68.3% was denominated in Turkish lira and 31.7% was denominated in foreign currency.

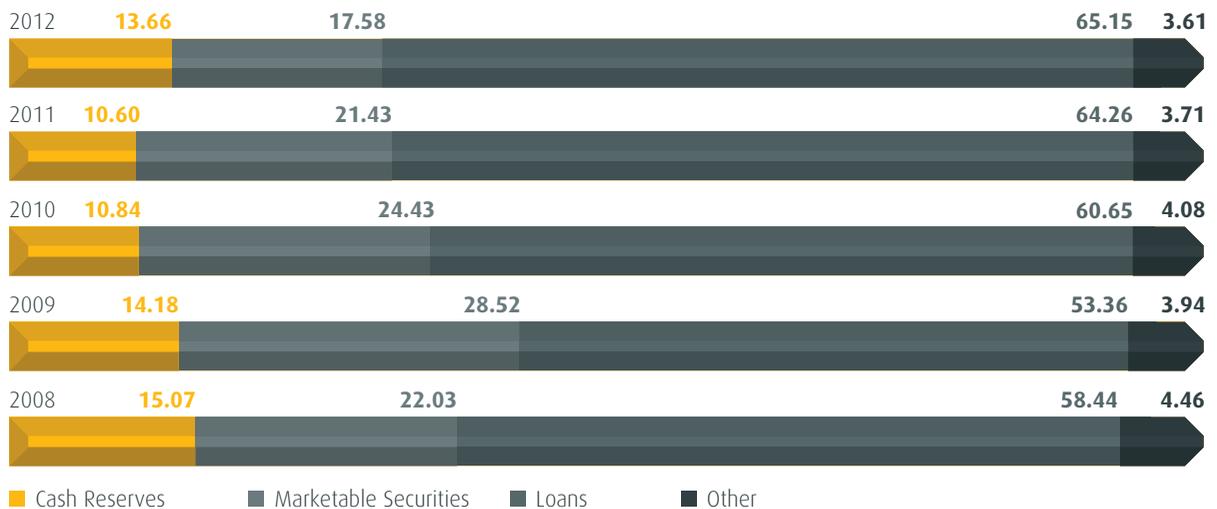
In 2012, the most significant contribution to the Bank's asset growth came from loans, the most fundamental financial intermediation tool of the sector. The Bank's loan portfolio increased 18.6% to TL 67.9 billion in 2012. The share of loans (including net non-performing loans amount) in assets also increased, to 65.15%. As a result of the great importance placed on SME lending in line with the Bank's growth strategies, VakıfBank expanded the commercial loan portfolio by 20.81% while growing retail loans by 14.96%. In 2012, housing, auto and general-purpose loans rose 16.72%, 33.38% and 7.65%, respectively. VakıfBank closed the year as the leader in credit card transactions and credit card turnover, raising credit card placements by 42.66% and turnover to TL 2,639 million in 2012.

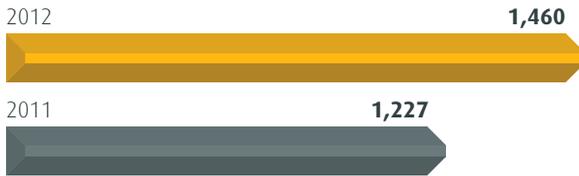
VakıfBank provided the resources it created in 2012 for the service of the economy. The Bank continued to implement an active credit policy by providing financial support to the real economy, particularly to SMEs, through collaborations with institutions and organizations, and by offering alternative financing solutions in foreign trade and forex services.

VakıfBank's securities portfolio decreased 3.82% in 2012, compared to previous year, and declined to TL 18.4 billion; and its share in assets fell to 17.58%.

In 2012, the Bank's share of investments in affiliates and subsidiaries in total assets rose to 1.3% from 1.0% in 2011, while the share of non-current assets in total assets declined from 1.3% to 1.2% during the year.

### Composition of Assets (%)



**Net Income (TL Million)**

VakifBank maintained its profitability in 2012 and achieved net profit of TL 1,460 million.

**Notes on Liabilities**

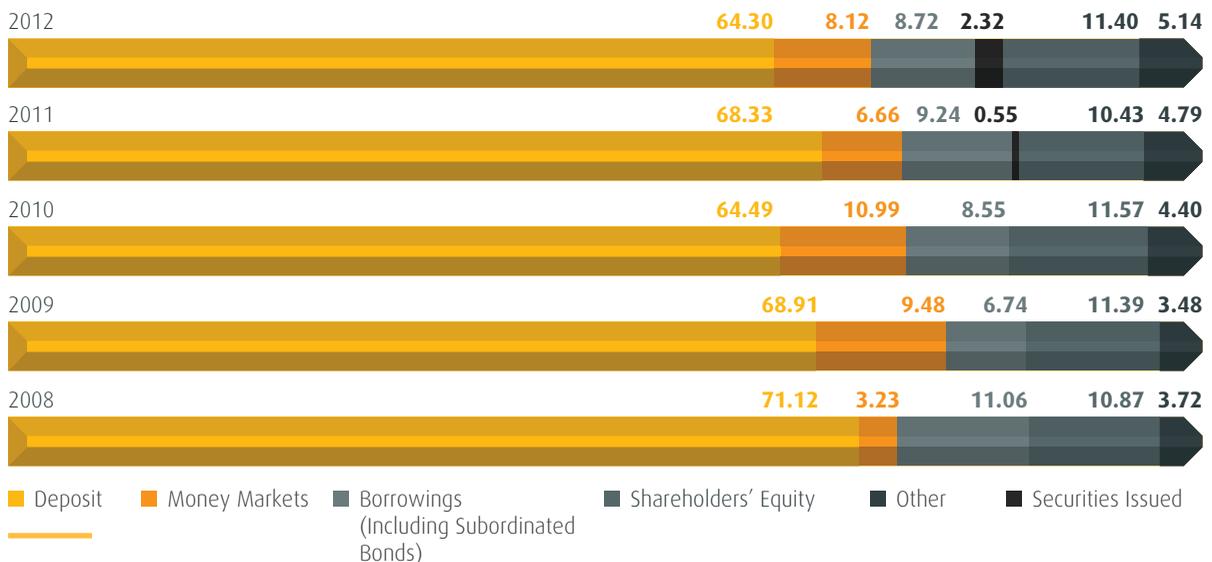
In 2012, the share of total deposits, VakifBank's largest source of funds, in liabilities decreased from 68.33% to 64.30%; and the ratio of loans (including subordinated loans) to liabilities fell from 9.24% to 8.72%, while ratio of shareholders' equity increased from 10.43% to 11.40%.

VakifBank's total deposits climbed to TL 67.2 billion in 2012, up 10.34%. Demand deposits grew 20.33%, while time deposits rose 8.60%. As a result, the time deposit/demand deposit balance stood at 83.8%-16.2% in 2012, compared to 85.1%-14.9% in 2011. Of the Bank's total deposits, 73.71% was Turkish lira denominated and 26.29% was foreign currency denominated at year's end.

In 2012, VakifBank had a successful year in terms of growing its non-deposit funding. The demand of domestic and foreign investors for the securities issued by VakifBank contributed to the diversification and extension of the maturity of the Bank's funding structure. During the year, the Bank continued to issue securities, which it had started in 2011. VakifBank issued different types of bonds and bills with varying maturities. In 2012, the Bank completed a 10-year subordinated bond issue amounting to USD 915 million.

To finance foreign trade, VakifBank benefited from securing different types of funding sources from various financial institutions; these included syndicated loans and securitized funds with varying maturity - interest rates. On April 10, 2012, VakifBank generated a one-year term syndicated loan facility that consisted of two tranches of USD 152 million and EUR 586.7 million for the financing of foreign trade. On September 18, 2012, the Bank secured another one-year syndicated loan facility amounting to USD 151 million and EUR 444.5 million.

With the increase in capital reserves and profit, VakifBank's total equity rose 28.17% and reached TL 11.9 billion. In 2012, the ratio of total liabilities to shareholders' equity stood at 11.40%.

**Composition of Liabilities (%)**

## Evaluation of the Bank's Financial Position, Profitability and Solvency

### Profitability

In 2012, VakıfBank achieved the highest net profit of its history: TL 1,460 million with an increase of 19.02% over the prior year. The rise in net profit was mainly driven by interest margin growth. VakıfBank's net interest income increased TL 1,191 million from the previous year. The Bank's interest income totaled TL 8,757 million for the year, up 34.69% from 2011. This growth was primarily fueled by the 41.22% rise in loan interest income, resulting from an expanding loan portfolio. Interest expenses amounted to TL 4,672 million rising 29.51% compared to 2011. The increase in deposit rates and volume contributed to the rise in interest expenses. As a result, the interest income to interest expense coverage ratio increased to 187.4% in 2012 from 180.2% in 2011.

With regard to the balance of non-interest income-expenses, developments on the non-interest income side negatively affected profitability. The composition of VakıfBank's revenues in 2012 was: 73.60% net interest income, 8.07% net fees and commissions, 1.02% in dividend income, 6.06% commercial profit/loss and 11.25% other operating income.

The Bank's non-interest income decreased 4.09% compared to 2011 and totaled TL 1,466 million in 2012. Due to regulatory changes during the year, some of the fee and commission income items were discounted; as a result, the Bank's net fee and commission income decreased 19.95%. While other operating income fell 29.44%, commercial income grew 763% and reached TL 337 million thanks to a significant rise in capital market income and foreign exchange profits. At the same time, the Bank's non-interest expenses increased 28.0% to TL 4,091 million.

At year-end 2012, VakıfBank's after-tax assets and equity profit ratios stood at 1.5% and 13.8%, respectively.

### Solvency

In 2012, VakıfBank maintained a robust liquidity structure with an interest earning assets to total assets ratio of 84.7%, and preserved its strong debt repayment capability.

VakıfBank's capital adequacy ratio stood at 16.14%, which was above the legal requirement and the Bank's target rate.

VakıfBank's strong financial structure was confirmed by various assessments from international credit rating agencies in 2012. Capital Intelligence affirmed VakıfBank's ratings in December 2012. However, Fitch Ratings raised the Bank's ratings in November 2012 as follows: Long-Term Foreign Currency Rating from "BB+" to "BBB-"; Long-Term Local Currency Rating from "BB+" from "BBB"; Short-Term Foreign Currency and Short-Term Local Currency Ratings from "B" to "F3"; Support Rating from "3" to "2"; Support Rating Floor from "BB+" to "BBB-"; Long-Term National Rating from "AA+ (tur)" to "AAA (tur)"; Foreign Currency Unsecured Export Notes (Eurobonds) from "BB+" to "BBB-".

VakıfBank's strong correspondent network is built on a foundation of ongoing mutual trust and a solid reputation in international markets. The Bank maintains a leading position in the sector by adjusting to changing global market conditions and increasing the quality of service provided to customers while offering long-term funding solutions to meet their financing needs. VakıfBank plays an important role in Turkey's foreign trade and in international markets. As such, VakıfBank secured two syndicated loans in 2012 for use in foreign trade financing. The Bank continued to issue bonds and bills in 2012 to diversify its sources of funding, extend the maturity structure and provide cost control. During the reporting period, the Bank completed two bond issues having the characteristics of subordinated loans and amounting to USD 915 million.

Seeing customers as the most important source of funds, VakıfBank plans to continue growing by offering products and services that best meet their needs in the coming years.

## International Credit Ratings

### Standard & Poor's (\*) (April, 2013)

Foreign Currency Credit	BB+ / Stable / B
Local Currency Credit	BB+ / Stable / B
National Rating	trAA+/-/trA-1

### Moody's (\*) (July, 2012)

Bank Financial Strength	D + (ba1)
Local Currency Deposit	Baa2/P-2
Local Currency Outlook	Stable
Foreign Currency Deposit	Ba2/NP
Foreign Currency Outlook	Stable

### Fitch Rating (\*) (November, 2012)

Long-Term Foreign Currency	BBB-
Short Term Foreign Currency	F3
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB
Short Term Local Currency	F3
Local Currency Outlook	Stable
Long-Term National	AAA (tur)
National Outlook	Stable
Support Rating	2
Support Rating Floor	BBB-

### Capital Intelligence (\*) (December, 2012)

Financial Strength	BBB-
Short-Term Foreign Currency	B
Long-Term Foreign Currency	BB
Support Rating	2
Foreign Currency Outlook	Stable

\*) Most recent dates of changes in credit ratings and outlooks.

## Five-Year Summary Financial Information

### Assets (TL million)

	2008	2009	2010	2011	2012	Change (%) 2011-2012
Cash and banks (including Interbank money markets)	7,863	9,189	8,020	9,457	14,283	51.03
Securities portfolio	11,469	18,482	18,072	19,111	18,381	-3.82
Loans	30,417	34,439	44,836	57,201	67,868	18.65
Commercial loans	21,788	24,265	29,947	36,097	43,607	20.81
Retail loans	8,629	10,174	14,890	21,104	24,261	14.96
Non-performing loans (net)	85	134	25	109	265	144.33
Non-performing loans (gross)	1,456	2,119	2,266	2,157	2,725	26.34
Special provisions (-)	1,371	1,985	2,241	2,048	2,460	20.08
Affiliates and subsidiaries	539	688	895	865	1,310	51.56
Tangible fixed assets	985	1,083	1,114	1,094	1,135	3.75
Other assets	804	783	1,000	1,350	1,339	-0.82
<b>Total</b>	<b>52,193</b>	<b>64,798</b>	<b>73,962</b>	<b>89,184</b>	<b>104,580</b>	<b>17.26</b>

### Liabilities (TL million)

	2008	2009	2010	2011	2012	Change (%) 2011-2012
Deposits	37,120	44,652	47,701	60,939	67,242	10.34
Time deposits	31,798	38,723	40,424	51,872	56,332	8.6
Demand deposits	5,322	5,929	7,277	9,067	10,910	20.33
Money markets	1,687	6,143	8,128	5,940	8,490	42.94
Funds Borrowed	5,770	4,366	6,327	8,237	7,475	-9.25
Subordinated loans	0	0	0	0	1,640	-
Securities issued	0	0	0	495	2,430	391.09
Provisions	675	808	990	1,283	1,641	27.86
Shareholders' equity	5,671	7,381	8,559	9,298	11,918	28.17
Paid-in capital	2,500	2,500	2,500	2,500	2,500	-
Profit or loss	753	1,251	1,157	1,227	1,460	19.02
Retained earnings or loss	0	0	0	0	0	-
Net profit or loss	753	1,251	1,157	1,227	1,460	19.02
Other liabilities	1,270	1,448	2,256	2,291	3,743	25.13
<b>Total</b>	<b>52,193</b>	<b>64,798</b>	<b>73,962</b>	<b>89,184</b>	<b>104,580</b>	<b>17.26</b>

**Profit / Loss (TL million)**

	2008	2009	2010	2011	2012	Change (%) 2011-2012
Interest income	6,414	6,403	5,883	6,501	8,757	34.69
Interest expense	4,439	3,326	3,153	3,607	4,672	29.51
<b>Net interest income</b>	<b>1,975</b>	<b>3,077</b>	<b>2,730</b>	<b>2,894</b>	<b>4,085</b>	<b>41.15</b>
Net fee and commission income	466	466	443	559	448	-19.95
Dividend income	25	24	35	45	57	27.36
Capital market trading profit (net)	51	117	295	61	225	270.01
Foreign exchange profit (net)	38	61	21	-22	111	610.69
Other operating income	313	311	601	885	625	-29.44
<b>Total operating income</b>	<b>2,869</b>	<b>4,056</b>	<b>4,126</b>	<b>4,422</b>	<b>5,551</b>	<b>25.52</b>
Provisions for loans and other receivables (-)	624	981	973	906	1404	55.04
Other operating expenses (-)	1,319	1,533	1,690	1,941	2,261	16.47
<b>Operating profit</b>	<b>925</b>	<b>1,542</b>	<b>1,463</b>	<b>1,575</b>	<b>1,885</b>	<b>19.69</b>
Net monetary position profit or loss	0	0	0	0	0	-
<b>Profit before tax</b>	<b>925</b>	<b>1,542</b>	<b>1,463</b>	<b>1,575</b>	<b>1,885</b>	<b>19.69</b>
Tax provision (-)	172	291	306	348	425	22.07
<b>Net profit or loss for the period</b>	<b>753</b>	<b>1,251</b>	<b>1,157</b>	<b>1,227</b>	<b>1,460</b>	<b>19.02</b>

## Five-Year Summary Financial Information

### Key Ratios (%)

	2008	2009	2010	2011	2012	2012 Sector <sup>(4)</sup>
Securities / Total Assets	22.0	28.5	24.4	21.4	17.6	19.7
Loans / Total Assets	58.3	53.1	60.6	64.1	64.9	58.0
Loans / Deposits	81.9	77.1	94.0	93.9	100.9	103.0
Retail Loans / Loans	28.4	29.5	33.2	36.9	35.7	33.5
Non-performing Loans / Total Loans <sup>(1)</sup>	4.6	5.8	4.8	3.6	3.9	2.9
Deposits / Total Liabilities	71.1	68.9	64.5	68.3	64.3	56.3
Demand Deposits / Total Deposits	14.3	13.3	15.3	14.9	16.2	17.9
Shareholders' Equity / Total Liabilities	10.9	11.4	11.6	10.4	11.4	13.3
Funds Borrowed / Total Assets	11.1	6.7	8.6	9.2	7.1	12.7
Capital Adequacy Ratio	14.3	15.4	14.4	13.4	16.1	17.9
Return on Average Assets <sup>(2)</sup>	1.6	2.1	1.7	1.5	1.5	1.8
Return on Average Equity <sup>(2)</sup>	13.8	19.2	14.5	13.7	13.8	14.4
Operating Expenses / Operating Income <sup>(3)</sup>	46.0	37.8	41.0	43.9	40.7	40.6
Deposits per Branch (TL million)	70.7	81.9	75.0	89.6	90.4	69.8
Loans per Branch (TL million)	57.9	63.2	70.5	84.1	91.2	71.8
Profit per Branch (TL million)	1.4	2.3	1.8	1.8	2.0	2.1
Deposits per Employee (TL million)	3.9	4.4	4.3	5.0	5.0	3.8
Credit Per Employee (TL million)	3.2	3.4	4.0	4.7	5.0	3.9
Profit per Employee (TL thousand)	78.7	123.2	104.5	100.4	108.5	117.0

### Market Share (%)

	2008	2009	2010	2011	2012
SECURITIES PORTFOLIO	9.5	7	6.3	6.7	6.8
LOANS	8.3	8.8	8.5	8.4	8.5
Commercial Loans	8.7	9.2	8.5	7.9	8.2
Retail Loans	7.4	7.8	8.6	9.4	9.1
NON-PERFORMING LOANS (NET)	3	3.7	0.8	2.8	4.6
Non-Performing Loans (Gross)	10.4	9.7	11.4	11.4	11.6
Special Provisions (-)	12.2	10.9	13.4	13.6	14
DEPOSITS	8.2	8.7	7.7	8.8	8.7
Time Deposits	8.1	8.9	7.8	9	8.9
Demand Deposits	8.5	7.4	7.4	7.5	7.9
TOTAL FUNDS BORROWED	5.8	4.7	4.9	4.7	4.3
GUARANTEES AND COMMITMENTS	6.4	6.8	6.9	7.2	7.1
TOTAL ASSETS	7.1	7.8	7.3	7.3	7.6
SHAREHOLDERS' EQUITY	6.6	6.7	6.4	6.4	6.6
NET PROFIT OR LOSS	6.5	2.6	2.5	6.2	6.2

<sup>(1)</sup> Gross Non-Performing Loans are included in Total Loans.

<sup>(2)</sup> Average values are calculated as the arithmetic average of the current and prior year data.

<sup>(3)</sup> Operating income = Net interest income + Net Fees and Commissions Income. + Dividend Income + Net Trading P/L + Other Operating Income + Subsidiaries and Associates' P/L.

<sup>(4)</sup> Sector ratios and market shares are calculated using the BRSA's Monthly Bulletins.



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