

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
AND ITS FINANCIAL SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2014
WITH INDEPENDENT AUDITORS'
REVIEW REPORT THEREON**



**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REVIEW REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

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

We have reviewed the accompanying consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı'nın ("the Bank") and its financial subsidiaries at 30 June 2014 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility, as independent auditors is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Uniform Chart of Accounts of banks, accounting standards and the independent audit principles in conformity with Banking Law No. 5411. Those principles require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries concerning the Bank's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its financial subsidiaries at 30 June 2014 and the results of its operations and its cash flows for the period then ended in accordance with accounting principles and standards set out by regulations in conformity with Articles 37 and 38 of Banking Law No. 5411 and other regulations, interpretations and circulars published by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2013 were audited by another auditor whose report dated 28 February 2014 expressed an unqualified opinion.



Additional Paragraph for Convenience Translation:

As explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with articles 37 and 38 of the Banking Act No. 5411, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read "Zeynep Uras", is written over the printed name.

Zeynep Uras, SMMM
Partner

Istanbul, 19 August 2014

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED FINANCIAL REPORT
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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The consolidated financial report as at and for the six-month period ended 30 June 2014 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' REVIEW REPORT

The subsidiaries and associates included in the consolidated financial report are as follows:

SUBSIDIARIES	ASSOCIATES
Güneş Sigorta AŞ	Kıbrıs Vakıflar Bankası Ltd.
Vakıf Emeklilik AŞ	Türkiye Sınai Kalkınma Bankası 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 Menkul Kıymetler Yatırım Ortaklığı AŞ	

The consolidated interim financial statements and related disclosures and footnotes as at and for the six-month period ended 30 June 2014 that were subject to independent limited review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated financial statements are presented in thousands of Turkish Lira ("TL").

19 August 2014

Ramazan GÜNDÜZ Chairman of Board of Directors	Mehmet Emin ÖZCAN Board member and Audit Committee Member	Sabahattin BİRDAL Board member and Audit Committee Member
Halil AYDOĞAN 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
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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION

I. HISTORY OF THE PARENT BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS

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

II. THE PARENT BANK’S SHAREHOLDER STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SHAREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING THE PERIOD AND INFORMATION ON BANK’S RISK GROUP

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

As at 30 June 2014 and 31 December 2013, 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 Kr 1.

The Parent Bank’s shareholders’ structure as at 30 June 2014 is stated below:

Shareholders	Nominal Value of		Share Percentage (%)
	Number of shares (100 unit)	the Shares Thousands of TL	
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058,640	1,075,058	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.10
Appendant foundations represented by the General Directorate of the Foundations (Group B)	386,224,784	386,225	15.45
Other appendant foundations (Group B)	3,096,742	3,097	0.13
Other registered foundations (Group B)	1,453,085	1,453	0.06
Other real persons and legal entities (Group C)	1,534,585	1,535	0.06
Publicly traded (Group D)	630,079,498	630,079	25.20
Total	2,500,000,000	2,500,000	100.00

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM
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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

GENERAL INFORMATION (Continued)

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 Management
Board of Directors				
Ramazan GÜNDÜZ	Chairman	29 March 2013	University	36 years
Mehmet Emin ÖZCAN	Deputy Chairman	29 March 2013	University	31 years
Halil AYDOĞAN	Member – General Manager	29 March 2013	University	37 years
İsmail ALPTEKİN	Member	6 April 2009	University	16 years
Halim KANATCI	Member	28 April 2009	University	41 years
Dr. Adnan ERTEM	Member	28 October 2010	PHD	26 years
Sabahattin BİRDAL	Member	31 March 2014	University	37 years
Öztürk ORAN	Member	30 April 2014	University	39 years
Şeref AKSAÇ	Member	30 April 2014	University	32 years
Audit Committee				
Mehmet Emin ÖZCAN	Member	4 April 2014	University	31 years
Sabahattin BİRDAL	Member	4 April 2014	University	37 years
Auditors				
Mehmet HALTAŞ	Auditor	19 March 2010	University	37 years
Yunus ARINCI	Auditor	19 March 2010	Master	17 years
Assistant Managers				
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant	13 June 2006	PHD	18 years
Hasan ECESoy	Treasury	18 June 2010	PHD	20 years
Serdar SATOĞLU Ali Engin EROĞLU	Private Banking, Subsidiaries 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	2 July 2010	PHD	18 years
Osman DEMREN	Commercial and Corporate Loans, Consumer and SME Loans, Intelligence	18 August 2010	Master	17 years
Yıldırım EROĞLU	Retail Banking, Payment Systems, Payment System Operations	6 April 2011	University	23 years
Numan BEK	International Relations and Investor Relations, Coordination of Foreign Branches	6 December 2011	University	21 years
Muhammet Lütfü ÇELEBİ	Commercial and Corporate Banking, SME Banking, Cash Management Affairs, Insurance Banking	18 July 2012	University	23 years
Mustafa SAYDAM	Human Resources, Support Services, Distribution Channels	23 October 2013	University	18 years
Mehmet Emin KARAAĞAÇ	Loans and Risk Follow-up, Legal Affairs	28 October 2013	University	20 years
		8 November 2013	University	24 years

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

GENERAL INFORMATION (Continued)

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 (Continued)

As at 7 February 2014, Ali Fuat Taşkesenlioğlu has resigned from his duty as a member of Board of Directors.

At the resolution of the first Board of Directors after Ordinary Meeting of the General Assembly dated 28 March 2014, the distribution of roles has been realized. Ramazan Gündüz has been assigned as Chairman of Board of Directors and Mehmet Emin Özcan has been assigned as Deputy Chairman of Board of Directors.

As at 31 March 2014, Sadık Tiltak has resigned from his duty as C Group independent member of Board of Directors. Sabahattin Birdal has been elected unanimously for the duty of Sadık Tiltak by Board of Directors in accordance with the clause 363 of Turkish Commercial Code and the clause 51 of Bank’s Articles of Association.

As per 4 April 2014 dated resolution of the Board of Directors, in accordance with the clause 73 of Bank’s Articles of Association, Sabahattin Birdal and Mehmet Emin Özcan has been elected unanimously for Audit Committee.

As per 30 April 2014 dated resolution of Ordinary Meeting of the General Assembly, in accordance with the clause 48 of Bank’s Articles of Association, Öztürk Oran has been elected as a member of Board of Directors representing A Group shares and Şeref Aksaç has been elected as a member of Board of Directors representing B Group shares.

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

IV. INFORMATION ON PEOPLE AND ENTITIES WHO HAVE QUALIFIED SHARE IN THE PARENT BANK

The shareholder holding control over the Bank is the General Directorate of the Foundations and Appendant foundations represented by the General Directorate of the Foundations having 58.45% 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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

GENERAL INFORMATION (Continued)

V. INFORMATION ABOUT THE SERVICES AND NATURE OF ACTIVITIES OF THE PARENT BANK

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

- Lending loans by obtaining securities and real estate as collateral,
- Establishing or participating in all kinds of insurance corporations,
- Trading real estates,
- Servicing all banking operations and services,
- Investing in various corporations handed over by the foundations and the General Directorate of the Foundations in accordance with conditions stipulated by agreements if signed.
- To render banking services to the foundations and carry out cashier transactions of the General Directorate of Foundations in compliance with the agreements signed by the General Directorate of the Foundations.

As at 30 June 2014, the Parent Bank has 867 domestic, 3 foreign, in total 870 branches (31 December 2013: 856 domestic, 3 foreign, in total 859 branches). As at 30 June 2014, the Parent Bank has 14,891 employees (31 December 2013: 14,943 employees).

VI. DIFFERENCES BETWEEN THE COMMUNIQUE 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 six-month period ended 30 June 2014, the financial statements of T. Vakıflar Bankası T.A.O., Vakıf International A.G., Vakıf Finansal Kiralama A.Ş., Güneş Sigorta A.Ş., Vakıf Emeklilik A.Ş., Vakıf Finans Faktoring Hizmetleri A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Portföy Yönetimi A.Ş., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. have been included in the consolidated financial statements of the Group.

As at and for the six-month period ended 30 June 2014, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası A.Ş. have been consolidated per equity method in the consolidated financial statements of the Group.

İstanbul Takas ve Saklama Bankası A.Ş. and Kredi Garanti Fonu A.Ş. 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 A.Ş., Kredi Kayıt Bürosu A.Ş., Roketsan Roket Sanayi ve Ticaret A.Ş., Güçbirliği Holding A.Ş. and İzmir Enternasyonal A.Ş. 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 A.Ş., Taksim Otelcilik A.Ş., Vakıf Pazarlama Sanayi ve Ticaret A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. 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.

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 juridical obstacles against the Bank and its subsidiaries on repayments of debts in between.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM
ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 30 JUNE 2014**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

ASSETS	Notes	Reviewed Current Period 30 June 2014			Audited Prior Period 31 December 2013		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	2,154,171	16,489,922	18,644,093	1,802,876	17,172,306	18,975,182
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		349,462	49,350	398,812	557,634	97,985	655,619
2.1 Financial assets held for trading purpose		349,462	49,350	398,812	557,634	97,985	655,619
2.1.1 Debt securities issued by the governments		6,050	16,180	22,230	113,279	15,740	129,019
2.1.2 Equity securities		2,185	-	2,185	3,023	-	3,023
2.1.3 Derivative financial assets held for trading purpose	V-I-2	289,072	33,170	322,242	356,150	82,245	438,395
2.1.4 Other securities		52,155	-	52,155	85,182	-	85,182
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
III. BANKS	V-I-3	791,480	1,258,962	2,050,442	379,923	2,778,428	3,158,351
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		306,184	-	306,184	5,095	-	5,095
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		2,604	-	2,604	4,095	-	4,095
4.3 Receivables from reverse repurchase agreements		303,580	-	303,580	1,000	-	1,000
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	12,458,836	3,837,264	16,296,100	12,556,285	4,101,124	16,657,409
5.1 Equity securities		15	10,750	10,765	15	13,360	13,375
5.2 Debt securities issued by the governments		12,455,681	3,673,470	16,129,151	12,551,950	3,914,264	16,466,214
5.3 Other securities		3,140	153,044	156,184	4,320	173,500	177,820
VI. LOANS AND RECEIVABLES	V-I-5	69,842,002	23,677,889	93,519,891	65,199,842	23,473,216	88,673,058
6.1 Performing loans and receivables	V-I-5	69,492,253	23,675,080	93,167,333	64,833,644	23,470,402	88,304,046
6.1.1 Loans provided to the same risk group	V-V-1	11,140	50,870	62,010	10,828	15,287	26,115
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		69,481,113	23,624,210	93,105,323	64,822,816	23,455,115	88,277,931
6.2 Loans under follow-up		3,953,644	25,765	3,979,409	3,713,718	22,747	3,736,465
6.3 Specific provisions (-)	V-I-5	3,603,895	22,956	3,626,851	3,347,520	19,933	3,367,453
VII. FACTORING RECEIVABLES		314,791	7,742	322,533	125,616	6,826	132,442
VIII. HELD-TO-MATURITY INVESTMENTS (Net)	V-I-6	6,055,591	84,628	6,140,219	5,358,742	54,429	5,413,171
8.1 Debt securities issued by the governments		6,055,591	-	6,055,591	5,358,742	11,590	5,370,332
8.2 Other securities		-	84,628	84,628	-	42,839	42,839
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	246,437	3	246,440	224,199	3	224,202
9.1 Associates, consolidated per equity method		197,189	-	197,189	179,121	-	179,121
9.2 Unconsolidated associates		49,248	3	49,251	45,078	3	45,081
9.2.1 Financial associates		36,915	-	36,915	32,745	-	32,745
9.2.2 Non-financial associates		12,333	3	12,336	12,333	3	12,336
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	212,270	-	212,270	213,899	-	213,899
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		212,270	-	212,270	213,899	-	213,899
XI. INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES	V-I-10	205,651	830,111	1,035,762	135,691	764,532	900,223
12.1 Finance lease receivables		260,190	929,217	1,189,407	172,335	856,604	1,028,939
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		5,271	12,553	17,824	-	-	-
12.4 Unearned income (-)		59,810	111,659	171,469	36,644	92,072	128,716
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)		740,954	2,176	743,130	876,246	3,727	879,973
XV. INTANGIBLE ASSETS (Net)		143,392	194	143,586	127,873	196	128,069
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		143,392	194	143,586	127,873	196	128,069
XVI. INVESTMENT PROPERTIES (Net)	V-I-12	166,548	-	166,548	20,829	-	20,829
XVII. TAX ASSETS	V-I-13	136,485	4,697	141,182	158,970	5,557	164,527
17.1 Current tax assets	V-I-13	2,372	4,697	7,069	2,384	4,507	6,891
17.2 Deferred tax assets	V-I-13	134,113	-	134,113	156,586	1,050	157,636
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-14	679,949	1,036	680,985	566,913	-	566,913
18.1 Assets held for sale		679,949	1,036	680,985	566,913	-	566,913
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-15	2,284,225	291,910	2,576,135	2,060,437	958,183	3,018,620
TOTAL ASSETS		97,088,428	46,535,884	143,624,312	90,371,070	49,416,512	139,787,582

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM
ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 30 JUNE 2014**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

LIABILITIES AND EQUITY		Notes	Reviewed Current Period 30 June 2014			Audited Prior Period 31 December 2013		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	62,015,153	23,663,150	85,678,303	58,946,981	24,092,418	83,039,399
1.1	Deposits of the same risk group	V-V-1	963,206	24,398	987,604	1,268,031	167,281	1,435,312
1.2	Other deposits		61,051,947	23,638,752	84,690,699	57,678,950	23,925,137	81,604,087
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	78,058	185,622	263,680	131,338	88,142	219,480
III.	FUNDS BORROWED	V-II-3	596,052	11,086,548	11,682,600	412,222	11,873,439	12,285,661
IV.	INTERBANK MONEY MARKET		8,245,080	4,910,897	13,155,977	8,209,702	6,565,686	14,775,388
4.1	Interbank Money Market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		220,379	-	220,379	195,043	-	195,043
4.3	Obligations under repurchase agreements		8,024,701	4,910,897	12,935,598	8,014,659	6,565,686	14,580,345
V.	SECURITIES ISSUED (Net)	V-II-3	2,078,323	6,061,106	8,139,429	2,301,798	4,518,937	6,820,735
5.1	Bills		2,078,323	-	2,078,323	2,301,798	-	2,301,798
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	6,061,106	6,061,106	-	4,518,937	4,518,937
VI.	FUNDS		21,356	-	21,356	23,431	-	23,431
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		21,356	-	21,356	23,431	-	23,431
VII.	MISCELLANEOUS PAYABLES		2,688,340	359,566	3,047,906	2,529,208	311,860	2,841,068
VIII.	OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	728,731	927,712	1,656,443	471,762	1,038,853	1,510,615
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	V-II-5	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS		3,825,761	23,055	3,848,816	3,531,303	62,149	3,593,452
12.1	General provisions	V-II-7	1,306,415	11,387	1,317,802	1,179,012	11,727	1,190,739
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		534,693	788	535,481	561,411	803	562,214
12.4	Insurance technical provisions (Net)		1,783,076	8,635	1,791,711	1,541,611	8,767	1,550,378
12.5	Other provisions	V-II-7	201,577	2,245	203,822	249,269	40,852	290,121
XIII.	TAX LIABILITIES	V-II-8	450,064	4,812	454,876	241,397	1,335	242,732
13.1	Current tax liabilities		446,557	1,439	447,996	237,422	1,335	238,757
13.2	Deferred tax liabilities	V-I-13	3,507	3,373	6,880	3,975	-	3,975
XIV.	PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)	V-II-9	-	-	-	-	-	-
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	V-II-10	-	1,939,866	1,939,866	-	1,964,663	1,964,663
XVI.	EQUITY		13,216,006	519,054	13,735,060	12,090,402	380,556	12,470,958
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		907,556	251,038	1,158,594	511,720	122,858	634,578
16.2.1	Share premium		726,686	-	726,686	726,686	-	726,686
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-11	125,235	251,038	376,273	(272,577)	122,858	(149,719)
16.2.4	Revaluation surplus on tangible assets		51,953	-	51,953	51,329	-	51,329
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		3,682	-	3,682	6,282	-	6,282
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		8,677,582	139,722	8,817,304	7,195,316	143,130	7,338,446
16.3.1	Legal reserves		1,061,850	6,513	1,068,363	898,804	5,362	904,166
16.3.2	Status reserves		6,337	-	6,337	6,337	-	6,337
16.3.3.	Extraordinary reserves		7,335,252	4,593	7,339,845	6,002,598	4,593	6,007,191
16.3.4.	Other profit reserves		274,143	128,616	402,759	287,577	133,175	420,752
16.4	Profit or loss		718,290	90,312	808,602	1,611,380	77,453	1,688,833
16.4.1	Previous years' profit/loss		15,226	88,286	103,512	(28,542)	64,901	36,359
16.4.2	Current year's profit/loss		703,064	2,026	705,090	1,639,922	12,552	1,652,474
16.5	Non-controlling interest		412,578	37,982	450,560	271,986	37,115	309,101
TOTAL LIABILITIES AND EQUITY			93,942,924	49,681,388	143,624,312	88,889,544	50,898,038	139,787,582

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM
ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES**

**CONSOLIDATED OFF-BALANCE SHEET
AS AT 30 JUNE 2014**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Reviewed Current Period 30 June 2014			Audited Prior Period 31 December 2013		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		39,814,014	35,278,935	75,092,949	65,938,502	56,628,425	122,566,927
I. GUARANTEES AND SURETIES	V-III-2	15,110,512	9,642,262	24,752,774	14,340,111	9,066,595	23,406,706
1.1 Letters of guarantee	V-III-1	15,048,589	3,717,830	18,766,419	14,268,047	3,633,776	17,901,823
1.1.1 Guarantees subject to State Tender Law		1,827,835	2,013,874	3,841,709	1,905,899	1,952,543	3,858,442
1.1.2 Guarantees given for foreign trade operations		772,862	-	772,862	650,221	-	650,221
1.1.3 Other letters of guarantee		12,447,892	1,703,956	14,151,848	11,711,927	1,681,233	13,393,160
1.2 Bank acceptances		15,823	1,937,204	1,953,027	12,129	1,040,149	1,052,278
1.2.1 Import letter of acceptance		2,250	72,446	74,696	1,500	77,393	78,893
1.2.2 Other bank acceptances		13,573	1,864,758	1,878,331	10,629	962,756	973,385
1.3 Letters of credit		11,431	3,978,059	3,989,490	7,866	4,382,383	4,390,249
1.3.1 Documentary letters of credit		11,431	3,978,059	3,989,490	7,866	4,382,383	4,390,249
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	1,682	1,682	-	1,702	1,702
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		34,669	5,404	40,073	52,069	6,666	58,735
1.8 Other guarantees		-	1,739	1,739	-	1,759	1,759
1.9 Other sureties		-	344	344	-	160	160
II. COMMITMENTS		17,702,686	4,557,933	22,260,619	45,490,756	26,572,506	72,063,262
2.1 Irrevocable commitments		16,449,922	1,892,569	18,342,491	15,323,929	3,855,721	19,179,650
2.1.1 Asset purchase commitments	V-III-1	226,598	1,674,621	1,901,219	539,362	3,636,414	4,175,776
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	33,151	-	33,151	-	-	-
2.1.4 Loan granting commitments	V-III-1	7,240,862	7,455	7,248,317	6,730,503	8,853	6,739,356
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	1,474,188	-	1,474,188	1,320,438	-	1,320,438
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	6,964,066	-	6,964,066	6,261,117	-	6,261,117
2.1.10 Commitments for credit card and banking operations promotions	V-III-1	274,308	-	274,308	238,991	-	238,991
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		236,749	210,493	447,242	233,518	210,454	443,972
2.2 Revocable commitments		1,252,764	2,665,364	3,918,128	30,166,827	22,716,785	52,883,612
2.2.1 Revocable loan granting commitments		1,252,764	2,632,232	3,884,996	30,161,137	22,691,169	52,852,306
2.2.2 Other revocable commitments		-	33,132	33,132	5,690	25,616	31,306
III. DERIVATIVE FINANCIAL INSTRUMENTS		7,000,816	21,078,740	28,079,556	6,107,635	20,989,324	27,096,959
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		7,000,816	21,078,740	28,079,556	6,107,635	20,989,324	27,096,959
3.2.1 Forward foreign currency purchases/sales		440,427	583,175	1,023,602	602,810	731,325	1,334,135
3.2.1.1 Forward foreign currency purchases		220,458	291,629	512,087	301,607	365,671	667,278
3.2.1.2 Forward foreign currency sales		219,969	291,546	511,515	301,203	365,654	666,857
3.2.2 Currency and interest rate swaps		5,767,695	16,431,471	22,199,166	5,331,187	16,127,197	21,458,384
3.2.2.1 Currency swaps-purchases		2,444,752	7,963,645	10,408,397	3,299,610	7,487,077	10,786,687
3.2.2.2 Currency swaps-sales		3,172,943	4,056,178	7,229,121	2,031,577	4,494,972	6,526,549
3.2.2.3 Interest rate swaps-purchases		75,000	2,205,824	2,280,824	-	2,072,574	2,072,574
3.2.2.4 Interest rate swaps-sales		75,000	2,205,824	2,280,824	-	2,072,574	2,072,574
3.2.3 Currency, interest rate and security options		729,414	923,148	1,652,562	173,638	169,225	342,863
3.2.3.1 Currency call options		364,707	461,574	826,281	85,819	84,611	170,430
3.2.3.2 Currency put options		364,707	461,574	826,281	85,819	84,611	170,430
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	-	-	1,000	3	1,003
3.2.3.6 Security put options		-	-	-	1,000	-	1,000
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		63,280	3,140,946	3,204,226	-	3,961,577	3,961,577
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		680,256,657	237,521,277	917,777,934	840,321,095	225,977,220	1,066,298,315
IV. ITEMS HELD IN CUSTODY		151,758,503	1,873,090	153,631,593	351,973,501	1,599,747	353,573,248
4.1 Customers' securities held		476,076	20,572	496,648	378,412	20,816	399,228
4.2 Investment securities held in custody		141,674,100	90,339	141,764,439	343,312,429	-	343,312,429
4.3 Checks received for collection		7,653,063	1,128,367	8,781,430	6,727,932	898,858	7,626,790
4.4 Commercial notes received for collection		1,137,844	246,459	1,384,303	983,671	233,334	1,217,005
4.5 Other assets received for collection		2,152	85	2,237	2,152	86	2,238
4.6 Assets received through public offering		-	6,215	6,215	-	6,289	6,289
4.7 Other items under custody		19,838	101,365	121,203	25,241	146,926	172,167
4.8 Custodians		795,430	279,688	1,075,118	543,664	293,438	837,102
V. PLEDGED ITEMS		157,894,088	51,693,916	209,588,004	174,951,547	50,574,396	225,525,943
5.1 Securities		483,755	28,756	512,511	336,298	27,434	363,732
5.2 Guarantee notes		906,156	195,664	1,101,820	702,095	239,873	941,968
5.3 Commodities		24,656,932	640,024	25,296,956	23,434,930	990,995	24,425,925
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		122,646,604	40,712,691	163,359,295	112,539,683	39,831,978	152,371,661
5.6 Other pledged items		8,454,781	9,982,931	18,437,712	8,343,995	9,350,018	17,694,013
5.7 Pledged items-depository		745,860	133,850	879,710	29,594,546	134,098	29,728,644
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		370,604,066	183,954,271	554,558,337	313,396,047	173,803,077	487,199,124
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		720,070,671	272,800,212	992,870,883	906,259,597	282,605,645	1,188,865,242

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	Reviewed Current Period 1 January 2014 - 30 June 2014	Reviewed Prior Period 1 January 2013 - 30 June 2013	Reviewed Current Period 1 April 2014 - 30 June 2014	Reviewed Prior Period 1 April 2013 - 30 June 2013
I. INTEREST INCOME		5,682,903	4,607,286	2,906,431	2,246,922
1.1 Interest income from loans	V-IV-1	4,476,533	3,720,762	2,302,319	1,861,350
1.2 Interest income from reserve deposits		-	-	-	-
1.3 Interest income from banks	V-IV-1	32,408	32,662	19,934	11,103
1.4 Interest income from money market transactions		508	611	304	149
1.5 Interest income from securities portfolio	V-IV-1	1,109,055	802,061	550,672	358,022
1.5.1 Trading financial assets	V-IV-1	10,301	13,213	6,103	1,362
1.5.2 Financial assets designated at fair value through profit or loss		-	-	-	-
1.5.3 Available-for-sale financial assets	V-IV-1	825,396	593,549	408,949	293,283
1.5.4 Held-to-maturity investments	V-IV-1	273,358	195,299	135,620	63,377
1.6 Finance lease income		38,378	29,759	19,603	15,369
1.7 Other interest income		26,021	21,431	13,599	929
II. INTEREST EXPENSE		3,483,445	1,952,366	1,807,164	961,968
2.1 Interest expense on deposits	V-IV-2	2,575,586	1,522,041	1,323,252	759,712
2.2 Interest expense on funds borrowed	V-IV-2	108,921	76,975	54,876	39,126
2.3 Interest expense on money market transactions		519,030	138,566	289,899	76,196
2.4 Interest expense on securities issued	V-IV-2	197,337	103,285	100,043	58,923
2.5 Other interest expenses		82,571	111,499	39,094	28,011
III. NET INTEREST INCOME (I – II)		2,199,458	2,654,920	1,099,267	1,284,954
IV. NET FEES AND COMMISSIONS INCOME		292,538	360,724	152,357	192,998
4.1 Fees and commissions received		506,420	505,400	270,199	271,695
4.1.1 Non-cash loans		80,589	60,602	41,206	30,949
4.1.2 Others		425,831	444,798	228,993	240,746
4.2 Fees and commissions paid		213,882	144,676	117,842	78,697
4.2.1 Non-cash loans		422	334	94	188
4.2.2 Others		213,460	144,342	117,748	78,509
V. DIVIDEND INCOME		11,548	16,293	770	4,308
VI. TRADING INCOME/LOSSES (Net)	V-IV-3	160,379	198,856	87,549	111,956
6.1 Trading account income/losses	V-IV-3	109,813	113,806	104,982	55,379
6.2 Income/losses from derivative financial instruments	V-IV-3	(20,181)	75,073	(47,862)	57,107
6.3 Foreign exchange gains/losses	V-IV-3	70,747	9,977	30,429	(530)
VII. OTHER OPERATING INCOME	V-IV-4	1,062,536	765,046	594,143	354,640
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		3,726,459	3,995,839	1,934,086	1,948,856
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5	850,647	1,086,560	437,539	578,829
X. OTHER OPERATING EXPENSES (-)	V-IV-6	2,007,748	1,731,610	1,043,623	883,609
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		868,064	1,177,669	452,924	486,418
XII. INCOME RESULTED FROM MERGERS		-	-	-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		18,006	14,191	9,638	6,902
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		886,070	1,191,860	462,562	493,320
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-7	(194,062)	(247,270)	(113,168)	(115,677)
16.1 Current tax charges	V-IV-7	(275,455)	(196,477)	(202,003)	(51,536)
16.2 Deferred tax credits	V-IV-7	81,393	(50,793)	88,835	(64,141)
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)	V-IV-8	692,008	944,590	349,394	377,643
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1 Income from investment properties		-	-	-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-	-	-
18.3 Other income from discontinued activities		-	-	-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS		-	-	-	-
19.1 Investment property expenses		-	-	-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-	-	-
19.3 Other expenses from discontinued activities		-	-	-	-
XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES		-	-	-	-
XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES		-	-	-	-
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge		-	-	-	-
XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS		-	-	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	V-IV-8	692,008	944,590	349,394	377,643
23.1 Equity holders of the Bank		705,090	954,721	366,874	388,042
23.2 Non-controlling interest	V-IV-9	(13,082)	(10,131)	(17,480)	(10,399)
Earnings per 100 Share (full TL)	III-XXIV	0.2768	0.3778	0.1398	0.1511

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF GAINS AND LOSSES RECOGNIZED IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Reviewed Current Period 1 January 2014 - 30 June 2014	Reviewed Prior Period 1 January 2013 -30 June 2013	Reviewed Current Period 1 April 2014 - 30 June 2014	Reviewed Prior Period 1 April 2013 - 30 June 2013
GAINS AND LOSSES RECOGNIZED IN EQUITY				
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	637,845	(773,499)	591,320	(621,019)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	(2,246)	-	(2,246)	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-	-	-
IV. CURRENCY TRANSLATION DIFFERENCES	(19,778)	19,884	(6,829)	23,553
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	22,111	2,429	40,152	3,452
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(136,462)	31,347	(132,765)	23,961
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	501,470	(719,839)	489,632	(570,053)
XI. CURRENT PERIOD'S PROFIT/(LOSS)	692,008	944,590	349,394	377,643
11.1 Change in fair value of securities (transfers to the statement of income)	39,641	132,492	39,097	59,745
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	652,367	812,098	310,297	317,898
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	1,193,478	224,751	839,026	(192,410)

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

CHANGES IN EQUITY	Notes	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Current Year's Net Profit/(Loss)	Previous Years' Net Profit/(Loss)	Revaluation Differences of the Marketable Securities	Revaluation Surplus on Tangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Op.s	Shareholders' Equity before Minority Shares	Non-controlling Interest	Total Equity	
I. Prior period – 30 June 2013																				
Balances at the beginning of the period		2,500,000	-	726,720	-	753,941	5,050	4,802,343	352,193	1,423,451	94,638	720,811	50,452	1,779	-	-	-	11,431,378	397,619	11,828,997
Changes during the period																				
II. Mergers																				
III. Valuation differences of the marketable securities																				
IV. Hedging reserves																				
4.1	Cash flow hedges	-	-	-	-	-	-	-	-	-	-	(659,458)	-	-	-	-	-	(659,458)	(76,189)	(735,647)
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 the assets																				
X. Changes resulted from reclassifications of the assets																				
XI. Effect of change in equities of associates on the Group's equity																				
XII. Capital increase																				
12.1	Cash	-	-	-	-	-	-	-	-	-	-	(8,482)	-	-	-	-	-	(8,482)	(98)	(8,580)
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,736
XIII. Share issuance																				
XIV. Share cancellation profits																				
XV. Capital reserves from inflation adjustments to paid-in capital																				
XVI. Others																				
XVII. Current period's profit/loss																				
XVIII. Profit distribution																				
18.1	Dividends	-	-	-	-	150,116	1,287	1,194,627	25,289	(1,423,451)	(48,745)	-	877	-	-	-	-	(100,000)	(292)	(100,292)
18.2	Transferred to reserves	-	-	-	-	150,116	1,287	1,194,627	25,289	(1,323,451)	(48,745)	-	877	-	-	-	-	(100,000)	(292)	(100,292)
18.3	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period		2,500,000	-	726,720	-	904,057	6,337	5,996,970	395,377	954,721	45,893	52,871	51,329	6,283	-	-	-	11,640,558	318,136	11,958,694
I. Current period – 30 June 2014																				
Balances at the beginning of the period		2,500,000	-	726,686	-	904,166	6,337	6,007,191	420,752	1,652,474	36,359	(149,719)	51,329	6,282	-	-	-	12,161,857	309,101	12,470,958
Changes during the period																				
II. Mergers																				
III. Valuation differences of marketable securities																				
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																				
X. Changes resulted from reclassifications of assets																				
XI. Effect of change in equities of associates on the Group'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 period's profit/loss																				
XVIII. Profit distribution																				
18.1	Dividends	-	-	-	-	164,197	-	1,332,654	(13,065)	(1,652,474)	67,153	-	1,535	-	-	-	-	(100,000)	(638)	(100,638)
18.2	Transferred to reserves	-	-	-	-	164,197	-	1,332,654	(13,065)	(1,552,474)	67,153	-	1,535	-	-	-	-	(100,000)	(638)	(100,638)
18.3	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period		2,500,000	-	726,686	-	1,068,363	6,337	7,339,845	402,759	705,090	103,512	376,273	51,953	3,682	-	-	-	13,284,500	450,560	13,735,060

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM
ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Reviewed Current Period 30 June 2014	Reviewed Prior Period 30 June 2013
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	1,844,176	1,649,283
1.1.1 Interests received	5,137,964	4,294,337
1.1.2 Interests paid	(3,419,649)	(1,865,668)
1.1.3 Dividends received	5,189	15,364
1.1.4 Fee and commissions received	506,420	505,400
1.1.5 Other income	542,451	425,159
1.1.6 Collections from previously written-off loans and other receivables	384,341	258,246
1.1.7 Payments to personnel and service suppliers	(1,472,666)	(1,521,465)
1.1.8 Taxes paid	(178,289)	(304,885)
1.1.9 Others	338,415	(157,205)
1.2 Changes in operating assets and liabilities	(4,056,407)	(2,648,977)
1.2.1 Net (increase) decrease in financial assets held for trading purpose	140,654	(38,299)
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss	-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions	(11,460)	(2,918,641)
1.2.4 Net (increase) decrease in loans	(5,881,594)	(10,599,218)
1.2.5 Net (increase) decrease in other assets	447,702	(519,504)
1.2.6 Net increase (decrease) in bank deposits	285,217	(627,406)
1.2.7 Net increase (decrease) in other deposits	2,273,989	5,336,954
1.2.8 Net increase (decrease) in funds borrowed	(609,092)	966,247
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	(701,823)	5,750,890
I. Net cash flow from banking operations	(2,212,231)	(999,694)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	505,626	(2,070,132)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	(169,747)	(17,490)
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	-	-
2.3 Cash paid for purchase of tangible assets	(68,623)	(65,952)
2.4 Proceeds from disposal of tangible assets	376,086	180,816
2.5 Cash paid for purchase of available-for-sale financial assets	(3,062,942)	(5,272,582)
2.6 Proceeds from disposal of available-for-sale financial assets	4,222,906	2,138,399
2.7 Cash paid for purchase of held-to-maturity investments	(2,069,018)	(74,100)
2.8 Proceeds from disposal of held-to-maturity investments	1,301,290	1,061,687
2.9 Others	(24,326)	(20,910)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	1,204,827	1,563,067
3.1 Cash obtained from funds borrowed and securities issued	4,027,454	3,503,715
3.2 Cash used for repayment of funds borrowed and securities issued	(2,721,989)	(1,840,356)
3.3 Equity instruments issued	-	-
3.4 Dividends paid	(100,638)	(100,292)
3.5 Re-payments for finance leases	-	-
3.6 Others	-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents	11,228	(2,516)
V. Net decrease in cash and cash equivalents	(490,550)	(1,509,275)
VI. Cash and cash equivalents at the beginning of the year	6,207,694	5,375,797
VII. Cash and cash equivalents at the end of the period	5,717,144	3,866,522

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE SIX-MONTH PERIOD 30 JUNE 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 (“Banking Act”), which are effective from 1 November 2005, the Turkish Commercial Code (“TCC”) and Turkish tax legislation. The consolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Application and Keeping Documents” published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA (“Banking Regulation and Supervision Agency”) which refers to “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards”(“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority, and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA (all defined as “BRSA Principles”). The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” published in the Official Gazette No. 28337 dated 28 June 2012.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis as modified in accordance with inflation adjustments applied until 31 December 2004, 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 consolidated investments in associates and subsidiaries whose fair value can be reliably measured and assets available for sale, which are presented on a fair value basis.

The preparation of financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management’s best judgment, actual results can vary from these estimates. Judgments and estimates are explained in related notes.

The accounting policies and valuation principles applied in the preparation of these financial statements are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II. to XXIV. below.

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 Parent 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 Parent 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.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE SIX-MONTH PERIOD 30 JUNE 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

ACCOUNTING POLICIES (Continued)

II. STRATEGY FOR THE USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS (Continued)

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

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

Lending loans and investments in marketable securities 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. 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.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE SIX-MONTH PERIOD 30 JUNE 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

ACCOUNTING POLICIES (Continued)

III. INFORMATION ON COMPANIES SUBJECT TO CONSOLIDATION

Investments in consolidated companies

As at and for the six-month period ended 30 June 2014, the financial statements of T. Vakıflar Bankası T.A.O, Vakıf International A.G., Vakıf Finansal Kiralama A.Ş., Güneş Sigorta A.Ş., Vakıf Emeklilik A.Ş., Vakıf Finans Faktoring Hizmetleri A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Portföy Yönetimi A.Ş., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. 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 A.Ş., was established in 1988 to enter into finance lease operations and related transactions and contracts. Its head office is in Istanbul.

Güneş Sigorta A.Ş. 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 A.Ş. 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 Faktoring Hizmetleri A.Ş. 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 A.Ş. 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 A.Ş. operates in investment fund management, portfolio management and pension fund management. Its head office is in Istanbul.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. 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 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.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE SIX-MONTH PERIOD 30 JUNE 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

ACCOUNTING POLICIES (Continued)

III. INFORMATION ON COMPANIES SUBJECT TO CONSOLIDATION (Continued)

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 June 2014 and 31 December 2013 but its equity until the liquidation decision date has included in the accompanying consolidated financial statements.

The liquidation process of World Vakıf Off UBB Ltd, an associate of the Parent Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed. Thus, the company’s name has been changed as “World Vakıf UBB Ltd in Liquidation”.

As per the resolution of the Board of Directors of the Parent 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 June 2014 and 31 December 2013, 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 six-month period ended 30 June 2014, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası A.Ş. 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.

Türkiye Sınai Kalkınma Bankası A.Ş. was established in 1950 to support investments in all economic 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.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

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ACCOUNTING POLICIES (Continued)

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.

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.

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ACCOUNTING POLICIES (Continued)

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 favourable 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

Financial assets, which are classified as “financial assets at fair value through profit or loss”, are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

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

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

Held to maturity investments are the financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables.

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

Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any.

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity investments and loans and receivables.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses calculated as the difference between the fair values and the discounted values of available for sale financial assets are recorded in “valuation differences of the marketable securities” under the equity. In case of sales, the realized gain or losses are recognized directly in the consolidated statement of income.

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

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; remaining financial associates have been consolidated using the equity method. Non-financial associates are accounted for in accordance with TAS 39 in the accompanying consolidated financial statements.

VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

IX. INFORMATION ON NETTING OF FINANCIAL INSTRUMENTS

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

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ACCOUNTING POLICIES (Continued)

X. INFORMATION ON REPURCHASE AND RESALE AGREEMENTS AND SECURITIES LENDING

Securities sold under repurchase agreements (“repo”) are recorded on the balance sheet. Government bonds and treasury bills sold to customers under repurchase agreements are classified as “Securities Subject to Repurchase Agreements” and classified under “held for trading”, “available for sale” and/or “held-to-maturity” portfolios and they are valued based on the revaluation principles of the related portfolios. 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.

XI. Information on assets and liabilities arising from assets held for sale and discontinued operations

Tangible assets acquired in consideration of receivables are accounted for in accordance with the requirements of the Communiqué on “Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovable obtained in Return of Receivables” published in the Official Gazette numbered 26333 and dated 1 November 2006 and these assets are subject to revaluation by no means.

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Group has no discontinued operations.

XII. Information on goodwill and other intangible assets

As at the balance sheet date, the Group has no goodwill.

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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ACCOUNTING POLICIES (Continued)

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 reporting 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. Group held investment property with respect to the consolidated real estate investment and insurance firms’ activities.

Investment properties are initially recorded at their acquisition costs including transaction costs.

Investment properties, following the initial recording, are measured by acquisition cost method (reducing accumulated depreciation and if it is present, provisions for impairment from acquisition cost) that is used in tangible assets.

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ACCOUNTING POLICIES (Continued)

XV. INFORMATION ON LEASING ACTIVITIES

Finance leasing activities as the lessee

Tangible assets acquired through finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under “Finance Lease Payables” account in the consolidated balance sheet of the Group. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate. If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through finance lease is calculated in the same manner as tangible assets.

Finance leasing activities as the lessor

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

Operational leases

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

XVI. Information on provisions and contingent liabilities

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with TAS 37 “Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets Corresponding”.

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.

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS

Provision for severance payments

In accordance with existing Turkish Labour Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Parent Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 30 June 2014 is TL 3,438 (full TL) (31 December 2013: TL 3,254 (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*.

As at 30 June 2014 and 31 December 2013, the major actuarial assumptions used in the calculation of the total liability are as follows:

	Current Period	Prior Period
Discount rate	9.70%	9.70%
Future Change in Salaries	6.40%	6.40%
Turnover Rate of Employees	7.40%	7.40%

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.

The accounting of actuarial gains and losses due to the changes in actuarial assumptions or the differences between assumption and realized has been changed to be applied as at or after the account periods starting from 1 January 2013 by “The communique (No: 9) about Employee Benefits (“TAS 19”)” published by the Official Gazette No. 28585 dated 12 March 2013 issued by Public Oversight Accounting and Auditing Standards Authority. “Transition and Validity Date” in the standard permits retrospective application. Thus, actuarial gains and losses have been accounted in “Other Profit Reserves” shown under “Equity” associated with “The Statement of Gains and Losses Recognized in Equity” for the respective reporting periods.

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.

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS (Continued)

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. Before the expiration date, with the decision of Council of Ministers published in Official Gazette dated 3 May 2013, the period for transferring banks, insurance and reinsurance firms, board of trade, exchanges or participants, monthly salary paid individuals and beneficiaries of the funds that are constructed for their personnel to Social Security Institution in the scope of the temporary article no. 20 of the Social Security Law no. 506 published in Official Gazette dated 30 April 2014 has extended for one year to 8 May 2014.

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

The technical financial statements of the Fund are audited by the certified actuary according to the “Actuaries Regulation” which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 2014 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 non-resident 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

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ACCOUNTING POLICIES (Continued)

XVIII. INFORMATION ON TAXATION (Continued)

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%. 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% on interest earned from the investments and loans granted in Turkey.

Deferred taxes

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

Deferred tax assets and deferred tax liabilities for each subsidiary subject to consolidation are presented after offsetting these assets and liabilities in the financial statements of the related subsidiaries, since the subsidiaries have legal right to offset tax assets and tax liabilities. In the consolidated financial statements, deferred tax assets and deferred tax liabilities are not offsetted since the subsidiaries subject to consolidation do not have the right to receive a net receivable or pay a net payable legally.

In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the consolidated statement of income, then the related current and/or deferred tax effects are also recognized in the consolidated statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Transfer pricing

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

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

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ACCOUNTING POLICIES (Continued)

XVIII. INFORMATION ON TAXATION (Continued)

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 cannot exceed 25% of related income” which has been added to first clause of the temporary 69th article of Law No: 193 with the 5th article of 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.

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.

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

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ACCOUNTING POLICIES (Continued)

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 30 June 2014, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 260,076 (31 December 2013: TL 253,039).

XXIII. SEGMENT REPORTING

Operational segments are determined based the structure of the Group’s risks and benefits and presented in Section Four Note VII.

XXIV. OTHER DISCLOSURES

Earnings per shares

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

As at and for the six-month period 30 June 2014, earning per 100 shares is full TL 0.2768 (30 June 2013: full TL 0.3778).

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 V.

Cash and cash equivalents

Cash which is a base for preparation of cash flow statement includes cash in TL, cash in FC, cheques, demand deposits for both Central Bank of Turkey and other banks, whereas cash equivalents consists of money market placements and time deposits at banks and marketable securities whose original maturity is less than 3 months.

Classifications

There might be certain reclassifications in the financial statements as of 31 December 2013 and 30 June 2013 in order to maintain consistency with the financial statement presentation as of 30 June 2014 Audit report. Accordingly the assets to be disposed classified under “Fixed Assets” has been reclassified to “Assets Held for Sale and “Provision for Short-Term Employee Benefits” classified under the “Provision for Losses on Loans and Other Receivables” in statement of Income has been reclassified to “Other Operating Expense”.

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER DISCLOSURES (Continued)

Insurance operations of the Group

Written Premiums: Written premiums represent premiums on policies written during the year net of taxes and premiums of the cancelled policies produced in previous years. Written premiums, net off ceded are recorded under other operating income in the accompanying consolidated statement of income.

Reserve for unearned premiums: Reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the balance sheet date, without deductions of commission or any other expense. Reserve for unearned premiums is calculated for all contracts except for the insurance contracts for which the Group provides mathematical reserve. Reserve for unearned premiums is also calculated for the annual premiums of the annually renewed long-term insurance contracts. Reserve for unearned premiums is presented under “insurance technical provisions” in the accompanying consolidated financial statements.

Reserve for outstanding claims: Reserve for outstanding claims is provided for the outstanding claims, which incurred and reported but not yet settled in current or previous years based on reported balances or estimates when actual balances are not exactly known and incurred but not yet reported claims (“IBNR”). IBNR and subrogation and salvage reimbursements are recognized as the highest of the amount calculated based on historical data and

results of actuarial chain ladder method. Reserve for outstanding claims is presented under “insurance technical provisions” in the accompanying consolidated financial statements.

Mathematical provisions: Mathematical provisions are the provisions recorded against the liabilities of the Group to the beneficiaries of long-term life 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 Under secretariat of Treasury, which are applicable for Turkish insurance companies. Mathematical provision also includes the saving portion of the provisions for saving life product.

Profit sharing reserves are the reserves provided against income obtained from asset backing saving life insurance contracts. These contracts entitle the beneficiaries of those contracts to a minimum guaranteed crediting rate per annum or, when higher, a bonus rate declared by the Group from the eligible surplus available to date.

Mathematical provisions are presented under “insurance technical provisions” in the accompanying consolidated financial statements.

Deferred acquisition cost and deferred commission income: Commissions given to the intermediaries and other acquisition costs that vary with and are related to securing new contracts and renewing existing insurance contracts are capitalized as deferred acquisition cost. Deferred acquisition costs are amortized on a straight-line basis over the life of the contracts. Commission income obtained from the premiums ceded to reinsurance firms are also deferred and amortized on a straight-line basis over the life of the contracts.

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER DISCLOSURES (Continued)

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 ‘receivables from the clearing house on behalf of the participants’. Pension funds are the mutual funds that the individual pension companies invest in, by the contributions of the participants. Shares of the participants are kept at the clearing house on behalf of the participants.

‘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

As at 30 June 2014 the Bank’s consolidated capital adequacy ratio is 14.04% (31 December 2013: 13.21%). The Parent Bank’s unconsolidated adequacy ratio is 14.30% (31 December 2013: 13.70%).

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 RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Information on unconsolidated capital adequacy ratio

Current Period	Unconsolidated Risk Weights- 30 June 2014									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Surplus credit risk weighted	47,686,521	-	7,604,257	32,634,285	21,490,605	49,364,250	2,849,796	8,470,873	52,242	-
Risk classifications:										
Claims on sovereigns and Central Banks	41,469,685	-	65	3,558,336	-	-	-	-	-	-
Claims on regional governments or local authorities	11,684	-	1,793,214	403,883	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	27,660	-	16,827	-	-	628,845	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	4,761,099	-	4,884,198	1,337,045	-	3,867	-	-	-	-
Claims on corporate	184,895	-	809,736	813,390	-	40,378,488	-	-	-	-
Claims included in the regulatory retail portfolios	99,186	-	49,098	-	21,490,605	1,119,170	-	-	-	-
Claims secured by residential property	-	-	-	26,521,631	-	2,952,909	-	-	-	-
Past due loans	-	-	-	-	-	258,736	-	-	-	-
Higher risk categories decided by the Agency	9,887	-	1,708	-	-	-	2,849,796	8,470,873	52,242	-
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	1,122,425	-	49,411	-	-	4,022,235	-	-	-	-

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Prior Period	Unconsolidated Risk Weights- 31 December 2013									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Surplus credit risk weighted	49,625,046	-	7,404,139	29,328,116	22,187,404	46,462,916	2,837,152	9,393,300	11,741	-
Risk classifications:										
Claims on sovereigns and Central Banks	41,333,609	-	-	3,872,745	-	-	-	-	-	-
Claims on regional governments or local authorities	15,021	-	1,620,366	195,923	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial	29,436	-	-	-	-	368,455	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	6,664,562	-	5,764,189	1,784,983	-	1,486	-	-	-	-
Claims on corporate	329,916	-	-	1,416,370	-	36,980,737	-	-	-	-
Claims included in the regulatory retail portfolios	97,240	-	-	-	22,187,404	1,490,513	-	-	-	-
Claims secured by residential property	-	-	-	22,058,095	-	3,132,085	-	-	-	-
Past due loans	-	-	-	-	-	255,994	-	-	-	-
Higher risk categories decided by the Agency	-	-	-	-	-	-	2,837,152	9,393,300	11,741	-
Marketable securities secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Other claims	1,155,262	-	19,584	-	-	4,233,646	-	-	-	-

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Summary information related to unconsolidated capital adequacy ratio

	Bank
	Current Period
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	8,373,379
Capital Requirement for Market Risk (MRCR)	38,046
Capital Requirement for Operational Risk (ORCR)	777,799
Shareholders' Equity	16,423,410
Shareholders' Equity/((CRCR+MRCR+ORCR) *12.5)*100	14.30
Core Capital/((CRCR+MRCR+ORCR) *12.5)*100	11.56
Tier I Capital/((CRCR+MRCR+ORCR) *12.5)*100	11.65
	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	8,185,603
Capital Requirement for Market Risk (MRCR)	26,097
Capital Requirement for Operational Risk (ORCR) ^(*)	655,046
Shareholders' Equity	15,179,536
Shareholders' Equity/((CRCR+MRCR+ORCR) *12.5)*100	13.70%

^(*) In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio as at 2013 was measured by taking value at operational risk calculated based on gross incomes for the years ended 2012, 2011 and 2010 into consideration. For the year 2014, value at operational risk is being calculated based on gross incomes for the years ended 2013, 2012 and 2011.

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I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Information on consolidated capital adequacy ratio

Current Period	Consolidated Risk Weights- 30 June 2014									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Surplus credit risk weighted	48,273,000	-	8,592,633	33,341,669	21,491,315	52,114,571	2,849,796	8,470,873	149,424	-
Risk classifications:										
Claims on sovereigns and Central Banks	42,047,021	-	65	3,642,488	-	-	-	-	-	-
Claims on regional governments or local authorities	11,684	-	1,829,326	403,883	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial	27,660	-	16,827	-	-	628,845	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	4,761,099	-	5,836,462	1,567,050	-	4,563	-	-	-	-
Claims on corporate	184,910	-	809,736	1,206,617	-	43,340,092	-	-	-	-
Claims included in the regulatory retail portfolios	102,135	-	49,098	-	21,491,315	1,119,170	-	-	-	-
Claims secured by residential property	-	-	-	26,521,631	-	2,952,909	-	-	-	-
Past due loans	-	-	-	-	-	352,558	-	-	-	-
Higher risk categories decided by the Agency	9,887	-	1,708	-	-	-	2,849,796	8,470,873	149,424	-
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	1,128,604	-	49,411	-	-	3,716,434	-	-	-	-

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Information on consolidated capital adequacy ratio

Prior Period	Consolidated Risk Weights - 31 December 2013									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Surplus credit risk weighted	50,426,929	-	7,739,899	29,955,165	22,234,970	48,481,930	2,837,152	9,393,300	11,741	-
Risk classifications:										
Claims on sovereigns and Central Banks	42,050,229	-	-	3,957,235	-	-	-	-	-	-
Claims on regional governments or local authorities	15,022	-	1,620,366	240,085	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	29,436	-	-	-	-	368,455	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	6,664,562	-	6,099,949	1,968,828	-	1,486	-	-	-	-
Claims on corporate	402,742	-	-	1,730,922	-	39,817,450	-	-	-	-
Claims included in the regulatory retail portfolios	102,613	-	-	-	22,234,970	1,490,513	-	-	-	-
Claims secured by residential property	-	-	-	22,058,095	-	3,132,085	-	-	-	-
Past due loans	-	-	-	-	-	369,026	-	-	-	-
Higher risk categories decided by the Agency	-	-	-	-	-	-	2,837,152	9,393,300	11,741	-
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	1,162,325	-	19,584	-	-	3,302,915	-	-	-	-

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I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Summary information related to consolidated capital adequacy ratio

	Consolidated Current Period
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	8,656,993
Capital Requirement for Market Risk (MRCR)	55,448
Capital Requirement for Operational Risk (ORCR)	768,723
Shareholders' Equity	16,639,433
Shareholders' Equity/((CRCR+MRCR+ORCR) *12,5*100)	14.04
Core Capital/((CRCR+MRCR+ORCR) *12,5*100)	11.39
Tier I Capital/((CRCR+MRCR+ORCR) *12,5*100)	11.49
	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0,08)	8,380,432
Capital Requirement for Market Risk (MRCR)	58,981
Capital Requirement for Operational Risk (ORCR) ^(*)	764,882
Shareholders' Equity	15,199,794
Shareholders' Equity/((CRCR+MRCR+ORCR) *12,5*100)	13.21%

^(*) In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio as at 2013 was measured by taking value at operational risk calculated based on consolidated gross incomes for the years ended 2012, 2011 and 2010 into consideration. For the year 2014, value at operational risk is being calculated based on consolidated gross incomes for the years ended 2013, 2012 and 2011.

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Information about the unconsolidated shareholder equity items

	Current Period
TIER I CAPITAL	
Paid-in Capital to be Entitled for Compensation after all Creditors	2,500,000
Share Premium	723,918
Share Cancellation Profits	-
Reserves	8,493,619
Other Comprehensive Income according to TAS	986,577
Profit	722,807
Current Period Profit	722,807
Current Period Profit	-
General Reserves for Possible Losses	-
Bonus shares from Associates, Subsidiaries, and Joint-Ventures not Accounted in Current Period's Profit	69,222
Tier I Capital Before Deductions	13,496,143
Deductions from Tier I Capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS(-)	-
Leasehold Improvements on Operational Leases(-)	89,610
Goodwill and Other Intangible Assets and Related Deferred Taxes(-)	24,776
Net Deferred Tax Asset/Liability (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law(-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than the Issued Share Capital not deducted from Tier I Capital(-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Total Deductions from Tier I Capital	114,386
Total Tier I Capital	13,381,757
ADDITIONAL CORE CAPITAL	
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Additional Core Capital before Deductions	-
Deductions from Additional Core Capital	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more of 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where are no adequate Tier II Capital (-)	-

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Total Deductions from Additional Core Capital	-
Total Additional Core Capital	-
Deductions from Core Capital	99,104
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	99,104
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Total Core Capital	13,282,653
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	1,931,861
Pledged Assets of the Shareholders to be used for the Bank’s Capital Increases	-
General Provisions	1,308,341
Minority Share	3,240,202
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
The Total of Net Long Positions of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	3,240,202
CAPITAL	16,522,855
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	98,858
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	587
The Portion of Total of Net Long Positions of the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
EQUITY	16,423,410
Amounts lower than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	36,931

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Information about the consolidated shareholder equity items

	Current Period
TIER I CAPITAL	
Paid-in Capital to be Entitled for Compensation after all Creditors	2,500,000
Share Premium	726,686
Share Cancellation Profits	-
Reserves	8,817,304
Other Comprehensive Income according to TAS	428,226
Profit	808,602
Current Period Profit	705,090
Current Period Profit	103,512
General Reserves for Possible Losses	-
Bonus shares from Associates, Subsidiaries, and Joint-Ventures not Accounted in Current Period's Profit	3,682
Minority Shares	449,093
Tier I Capital Before Deductions	13,733,593
Deductions from Tier I Capital	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS(-)	-
Leasehold Improvements on Operational Leases(-)	90,754
Goodwill and Other Intangible Assets and Related Deferred Taxes(-)	28,717
Net Deferred Tax Asset/Liability (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law(-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than the Issued Share Capital not deducted from Tier I Capital(-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Total Deductions from Tier I Capital	119,471
Total Tier I Capital	13,614,122
ADDITIONAL CORE CAPITAL	-
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Third Parties' share in additional core capital	-
Additional Core Capital before Deductions	-
Deductions from Additional Core Capital	-
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more of 10% of the Issued Share Capital (-)	-

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I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Other items to be defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where are no adequate Tier II Capital (-)	-
Total Deductions from Additional Core Capital	-
Total Additional Core Capital	-
Deductions from Core Capital	-
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	114,869
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Total Core Capital	13,499,253
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	1,921,378
Pledged Assets of the Shareholders to be used for the Bank’s Capital Increases	-
General Provisions	1,317,802
Third Parties’ share in supplementary capital	1,467
Tier II Capital before Deductions	3,240,647
Deductions from Tier II Capital	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
The Total of Net Long Positions of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	3,240,647
CAPITAL	16,739,900
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movable and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	98,858
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be defined by the BRSA (-)	587
The Portion of Total of Net Long Positions of the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
EQUITY	16,640,455
Amounts lower than Excesses as per Deduction Rules	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Information about the consolidated shareholder equity items

	Prior Period
CORE CAPITAL	
Paid-in Capital	2,500,000
Nominal Capital	2,500,000
Capital Commitments (-)	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-
Share Premium	726,686
Share Cancellation Profits	-
Reserves	7,338,446
Reserves from Inflation Adjustments to Reserves	-
Profit	1,688,833
Current Period’s Profit	1,652,474
Prior Years’ Profit	36,359
Provision for Possible Losses up to 25% of Core Capital	70,915
Income on Sale of Equity Shares and Real Estates	51,329
Primary Subordinated Debt up to 15% of Core Capital	-
Minority shares	307,448
Loss excess of Reserves (-)	-
Current Year’s Loss	-
Prior Years’ Loss	-
Leasehold Improvements (-)	84,982
Intangible Assets (-)	128,069
Deferred Tax Asset excess of 10% of Core Capital (-)	-
Limit excesses as per the 3 rd Paragraph of the Article 56 of the Banking Law (-)	-
Goodwill(Net)	-
Total Core Capital	12,470,606
SUPPLEMENTARY CAPITAL	
General Provisions	1,190,739
45% of Revaluation Surplus on movables	-
45% of Revaluation Surplus on Immovables	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	6,282
Primary Subordinated Debt excluding the Portion included in Core Capital	-
Secondary Subordinated Debt	1,945,816
45% of value increase fund of financial assets available for sale and associates and subsidiaries	(149,719)
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves)	-
Minority share	1,653
Total Supplementary Capital	2,994,771
CAPITAL	15,465,377
DEDUCTIONS FROM CAPITAL	265,583
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	179,121
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	85,083
Securitisation positions that is deducted -preferably- from the shareholders' equity	-
Others	1,379
TOTAL EQUITY	15,199,794

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Components of items of shareholders’ equity subject to temporary applications

	Bank Only		Consolidated	
	Amount Included in Equity Calculation	Total Amount	Amount Included in Equity Calculation	Total Amount
Minorities’ share in Tier I capital	-	-	-	-
Third Parties’ share in additional core capital	-	-	-	-
Third Parties’ share in supplementary capital	-	-	-	-
Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued before 01.01.2014)	1,931,861	1,931,861	1,921,378	1,921,378

Information about the debt instruments included in the consolidated equity calculation

Issuer	T.Vakıflar Bankası T.A.O.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91
Governing law(s) of the instrument	TURKEY
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	Yes
Eligible at solo/group/group&solo	Available
Instrument type	Borrowing Instrument
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	1,921
Par value of instrument	1,912
Accounting classification	347011
Original date of issuance	1-Nov-12
Perpetual or dated	Time
Original maturity date	1-Nov-22
Issuer call subject to prior supervisory approval	Available
Subsequent call dates, if applicable	Nil
Coupons / dividends	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	6.00%
Existence of a dividend stopper	Nil
Fully discretionary, partially discretionary or mandatory	Nil
Existence of step up or other incentive to redeem	Nil
Noncumulative or cumulative	Nil
Convertible or non-convertible	
If convertible, conversion trigger (s)	Nil
If convertible, fully or partially	Nil
If convertible, conversion rate	Nil
If convertible, mandatory or optional conversion	Nil
If convertible, specify instrument type convertible into	Nil
If convertible, specify issuer of instrument it converts into	Nil
Write-down feature	
If write-down, write-down trigger(s)	Nil
If write-down, full or partial	Nil
If write-down, permanent or temporary	Nil
If temporary write-down, description of write-up mechanism	Nil
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Article 8
According to article 7 and 8 of Banks’ shareholders equity law that are not possessed	Not Possess

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

Information about the debt Instruments included in the unconsolidated equity calculation

Issuer	T.Vakflar Bankası T.A.O.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91
Governing law(s) of the instrument	TURKEY
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	Yes
Eligible at solo/group/group&solo	Available
Instrument type	Borrowing Instrument
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	1,932
Par value of instrument	1,926
Accounting classification	347011
Original date of issuance	1-Nov-12
Perpetual or dated	Time
Original maturity date	1-Nov-22
Issuer call subject to prior supervisory approval	Available
Subsequent call dates, if applicable	Nil
Coupons / dividends	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	6.00%
Existence of a dividend stopper	Nil
Fully discretionary, partially discretionary or mandatory	Nil
Existence of step up or other incentive to redeem	Nil
Noncumulative or cumulative	Nil
Convertible or non-convertible	
If convertible, conversion trigger (s)	Nil
If convertible, fully or partially	Nil
If convertible, conversion rate	Nil
If convertible, mandatory or optional conversion	Nil
If convertible, specify instrument type convertible into	Nil
If convertible, specify issuer of instrument it converts into	Nil
Write-down feature	
If write-down, write-down trigger(s)	Nil
If write-down, full or partial	Nil
If write-down, permanent or temporary	Nil
If temporary write-down, description of write-up mechanism	Nil
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Article 8
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	Not Possess

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

II. CONSOLIDATED 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 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

	Current Period	Prior Period
(I) Capital to be employed for general market risk	12,445	15,935
(II) Capital to be employed for specific risk	1,384	2,434
Capital to be employed for specific risk in securitisation positions- Standard Method	-	-
(III) Capital to be employed for currency risk	29,829	33,174
(IV) Capital to be employed for stocks	-	-
(V) Capital to be employed for clearing risk	-	-
(VI) Total capital to be employed for market risk because of options	3,257	-
(VII) Capital to be employed for counterparty credit risk - Standard Method	8,533	7,439
(VIII) Capital to be employed for general market risk	-	-
(IX) Total capital to be employed for market risk (I+II+III+IV+V+VI)	55,448	58,981
(X) Amount subject to market risk (12.5 x VIII) or (12.5 x IX)	693,100	737,263

III. CONSOLIDATED 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 last three years’ actual gross income with 12.5, in line with the effective legislation practices in the country.

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

IV. 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 Parent Bank.

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

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

As at 30 June 2014 and 31 December 2013, the Group does not have derivate financial instruments held for risk management purpose.

Foreign exchange risk management policy

Risk policy of the Parent 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 Parent Bank. The effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Parent Bank in TL are as follows:

	US Dollar	Euro
The Bank’s foreign currency purchase rate at the balance sheet date	2.1150	2.8933
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	2.0700	2.8204
Day 2	2.1200	2.8832
Day 3	2.0900	2.8441
Day 4	2.0900	2.8407
Day 5	2.0900	2.8441
Last 30-days arithmetical average rate	2.0662	2.8129

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

IV. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period	Euro	US Dollar	Other FCs	Total
Assets:				
Cash and balances with the Central Bank of Turkey	5,853,403	6,741,709	3,894,810	16,489,922
Banks	399,131	811,372	48,459	1,258,962
Financial assets at fair value through profit or loss ⁽¹⁾	6,117	30,466	-	36,583
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	1,115,939	2,721,325	-	3,837,264
Loans and receivables ⁽²⁾	8,596,291	17,363,699	44,015	26,004,005
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	-	84,628	-	84,628
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	745	1,431	-	2,176
Intangible assets	67	127	-	194
Other assets ⁽³⁾⁽⁴⁾	599,375	536,875	2,994	1,139,244
Total assets	16,571,071	28,291,632	3,990,278	48,852,981
Liabilities:				
Bank deposits	351,751	723,891	24,755	1,100,397
Foreign currency deposits	12,258,510	9,308,622	995,621	22,562,753
Interbank money market takings	355,607	4,555,290	-	4,910,897
Funds borrowed ⁽⁵⁾	4,978,542	6,124,074	15,931	11,118,547
Securities issued	1,469,214	4,591,892	-	6,061,106
Miscellaneous payables	231,351	123,736	4,479	359,566
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities ⁽¹⁾⁽⁴⁾⁽⁶⁾	51,008	2,856,898	867	2,908,773
Total liabilities	19,695,983	28,284,403	1,041,653	49,022,039
Net ‘on balance sheet’ position	(3,124,912)	7,229	2,948,625	(169,058)
Net ‘off-balance sheet’ position	3,371,280	376,658	(2,949,915)	798,023
Derivative assets ⁽⁷⁾	4,614,491	6,753,344	407,857	11,775,692
Derivative liabilities ⁽⁷⁾	1,243,211	6,376,686	3,357,772	10,977,669
Non-cash loans ⁽⁸⁾	1,787,948	7,567,793	286,521	9,642,262
Prior Period				
Total assets	17,020,004	30,974,381	3,884,587	51,878,972
Total liabilities	17,625,568	31,624,925	1,193,432	50,443,925
Net on balance sheet position	(605,564)	(650,544)	2,691,155	1,435,047
Net off-balance sheet position	749,672	778,864	(2,701,033)	(1,172,497)
Derivative assets ⁽⁷⁾	2,031,264	8,258,319	1,437,036	11,726,619
Derivative liabilities ⁽⁷⁾	1,281,592	7,479,455	4,138,069	12,899,116
Non-cash loans ⁽⁸⁾	1,539,590	7,179,775	347,230	9,066,595

⁽¹⁾ Derivative financial assets amounting to TL 12,767 (31 December 2013: TL 60,278) and liabilities amounting to TL 123,684 (31 December 2013: TL 38,006) resulting from changes in foreign exchange rates are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 2,326,116 (31 December 2013: TL 2,548,480) presented in TL in the financial statements are included in the above table.

⁽³⁾ Foreign currency indexed factoring receivables amounting to TL 43,261 (31 December 2013: TL 9,074) presented in TL column in the accompanying consolidated balance sheet are included.

⁽⁴⁾ Prepaid expenses amounting to TL 39,513 (31 December 2013: TL 33,376) and deferred tax liabilities amounting to TL 3,373 (31 December 2013: None) are not included. Equities amounting to 519,054 TL (31 December 2013: TL 380,556) are not included.

⁽⁵⁾ Foreign currency indexed funds borrowed amounting to TL 31,999 (31 December 2013: TL 1,914) presented in TL column in the accompanying consolidated balance sheet are included.

⁽⁶⁾ Unearned income amounting to TL 45,237 (31 December 2013: TL 37,464) are not included.

⁽⁷⁾ Asset purchase commitments amounting to TL 789,570 (31 December 2013: TL 1,716,683), asset sales commitments amounting to TL 885,051 (31 December 2013: TL 1,919,728) and gold purchase swaps amounting to TL 3,035,196 (31 December 2013: TL 3,961,577) are included.

⁽⁸⁾ Non-cash loans are not taken into consideration in the calculation of the net ‘off-balance sheet’ position.

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IV. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10 percent devaluation of the TL against the following currencies as at and for the six-month periods ended 30 June 2014 and 2013 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.

	30 June 2014		30 June 2013	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	38,233	38,233	40,967	40,967
EUR	3,049	38,448	(9,479)	20,044
Other currencies	(129)	(129)	9,560	9,560
Total, net	41,153	76,552	41,048	70,571

(*) 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 six-month periods ended 30 June 2014 and 2013 would effect consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	30 June 2014		30 June 2013	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(36,597)	(36,597)	(39,331)	(39,331)
Euro	(3,049)	(38,448)	9,479	(20,044)
Other currencies	380	380	(8,806)	(8,806)
Total, net	(39,266)	(74,665)	(38,658)	(68,181)

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

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V. CONSOLIDATED INTEREST RATE RISK

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

The Parent Bank’s interest rate risk is measured by the standard method. Measurements for standard method are carried out monthly using the maturity ladder table.

Interest rate sensitivity of assets, liabilities and off balance sheet items (based on re-pricing dates)

Current Period	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	-	-	-	-	-	18,644,093	18,644,093
Banks	1,230,257	278,339	4,191	-	-	537,655	2,050,442
Financial assets at fair value through profit/loss	85,406	156,604	104,162	29,684	19,414	3,542	398,812
Interbank money market placements	306,184	-	-	-	-	-	306,184
Available-for-sale financial assets	4,150,273	1,924,662	4,151,931	3,446,159	2,612,310	10,765	16,296,100
Loans and receivables	29,698,025	8,910,864	27,477,241	16,946,199	10,135,004	352,558	93,519,891
Held-to-maturity investments	63,455	1,388,976	2,849,755	290,676	1,547,357	-	6,140,219
Other assets (*)	76,349	132,858	163,406	889,637	151,088	4,855,233	6,268,571
Total assets	35,609,949	12,792,303	34,750,686	21,602,355	14,465,173	24,403,846	143,624,312
<i>Liabilities:</i>							
Bank deposits	3,743,074	384,061	100,862	-	-	52,719	4,280,716
Other deposits	36,904,243	21,275,474	5,434,273	831,947	25,172	16,926,478	81,397,587
Interbank money market takings	12,055,375	355,378	745,224	-	-	-	13,155,977
Miscellaneous payables	-	-	-	-	-	3,047,906	3,047,906
Securities issued	137,608	1,277,978	2,075,501	4,648,342	-	-	8,139,429
Funds borrowed	2,918,430	4,260,954	3,175,598	603,642	723,976	-	11,682,600
Other liabilities (**)	142,477	10,789	147,551	423,557	1,500,442	19,695,281	21,920,097
Total liabilities	55,901,207	27,564,634	11,679,009	6,507,488	2,249,590	39,722,384	143,624,312
On balance sheet long position	-	-	23,071,677	15,094,867	12,215,583	-	50,382,127
On balance sheet short position	(20,291,258)	(14,772,331)	-	-	-	(15,318,538)	(50,382,127)
Off-balance sheet long position	518,606	1,403,600	752,500	432,067	221,408	-	3,328,181
Off-balance sheet short position	(17,766)	(77,250)	(728,225)	(1,431,048)	(908,783)	-	(3,163,072)
Position, Net	(19,790,418)	(13,445,981)	23,095,952	14,095,886	11,528,208	(15,318,538)	165,109

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

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

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V. CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period	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	-	-	-	-	-	18,975,182	18,975,182
Banks	2,215,980	182,222	2,239	-	-	757,910	3,158,351
Financial assets at fair value through profit/loss	240,057	245,314	141,141	24,050	2,034	3,023	655,619
Interbank money market placements	5,095	-	-	-	-	-	5,095
Available-for-sale financial assets	5,352,344	2,440,347	2,697,991	3,296,050	2,857,302	13,375	16,657,409
Loans and receivables	26,238,283	19,283,647	17,078,087	16,099,655	9,604,374	369,012	88,673,058
Held-to-maturity investments	914,868	427,664	2,022,196	495,822	1,552,621	-	5,413,171
Other assets (*)	49,138	161,056	230,216	679,202	10,000	5,120,085	6,249,697
Total assets	35,015,765	22,740,250	22,171,870	20,594,779	14,026,331	25,238,587	139,787,582
<i>Liabilities:</i>							
Bank deposits	3,105,830	869,432	103,153	-	-	25,537	4,103,952
Other deposits	38,796,173	19,294,057	6,040,869	898,335	26,140	13,879,873	78,935,447
Interbank money market takings	12,723,139	237,295	1,005,685	809,269	-	-	14,775,388
Miscellaneous payables	-	-	-	-	-	2,841,068	2,841,068
Securities issued	401,593	1,427,439	1,726,683	3,265,020	-	-	6,820,735
Funds borrowed	681,189	4,553,844	5,637,765	691,124	721,739	-	12,285,661
Other liabilities (**)	124,797	17,333	141,104	410,218	1,493,102	17,838,777	20,025,331
Total liabilities	55,832,721	26,399,400	14,655,259	6,073,966	2,240,981	34,585,255	139,787,582
On balance sheet long position	-	-	7,516,611	14,520,813	11,785,350	-	33,822,774
On balance sheet short position	(20,816,956)	(3,659,150)	-	-	-	(9,346,668)	(33,822,774)
Off-balance sheet long position	572,957	1,733,400	581,537	415,289	166,248	-	3,469,431
Off-balance sheet short position	(26,964)	(250,998)	(658,787)	(1,395,220)	(861,748)	-	(3,193,717)
Position, Net	(20,270,963)	(2,176,748)	7,439,361	13,540,882	11,089,850	(9,346,668)	275,714

(*) 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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V. CONSOLIDATED INTEREST RATE RISK (Continued)

Average interest rates applied to monetary financial instruments:

	Euro	US Dollar	Japanese Yen	TL
Current Period	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	-
Banks	0.29	0.76	-	10.86
Financial assets at fair value through profit/loss	5.26	7.28	-	11.04
Interbank money market placements	-	-	-	11.21
Available-for-sale financial assets	4.58	6.88	-	7.18
Loans and receivables	4.53	5.69	-	12.77
Held-to-maturity investments	-	3.69	-	17.94
Liabilities:				
Bank deposits	1.02	1.06	-	10.70
Other deposits	2.41	2.16	-	10.43
Interbank money market takings	0.34	0.82	-	9.06
Miscellaneous payables	-	-	-	-
Securities issued	3.48	3.96	-	9.75
Funds borrowed	1.21	1.63	-	10.40
Prior Period				
Prior Period	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	-
Banks	0.10	0.35	-	9.43
Financial assets at fair value through profit/loss	5.26	7.21	-	10.11
Interbank money market placements	-	-	-	7.35
Available-for-sale financial assets	5.04	7.05	-	7.58
Loans and receivables	5.17	6.88	-	13.49
Held-to-maturity investments	6.50	3.31	-	14.64
Liabilities:				
Bank deposits	1.00	0.71	-	8.21
Other deposits	2.71	2.51	-	8.16
Interbank money market takings	0.37	1.19	-	7.62
Miscellaneous payables	-	-	-	-
Securities issued	1.53	4.06	-	8.74
Funds borrowed	1.19	1.66	-	8.26

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V. CONSOLIDATED INTEREST RATE RISK (Continued)

The interest rate risk of the banking book items:

Measurement Frequency 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 Standard 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 Standard Shock Technique” are presented in the below table:

Currency Unit-Current Period	Applied Shock (+/- x base point)	Gain/ Loss	Gain/ Equity-Loss/ Equity
1. TL	500 / (400)	(2,522,266) / 2,546,537	(15.35%) / 15.51%
2. EURO	200 / (200)	135,435 / (12,863)	0.82% / (0.08%)
3. USD	200 / (200)	424,532 / (361,017)	2.58% / (2.20%)
Total (For Negative Shocks)	-	2,172,657	13.23%
Total (For Positive Shocks)	-	(1,962,299)	(11.95%)

Currency Unit-Prior Period	Applied Shock (+/- x base point)	Gain/ Loss	Gain/ Equity-Loss/ Equity
1. TL	500 / (400)	(2,412,990) / 2,441,246	(15.89%) / 16.08%
2. EURO	200 / (200)	34,736 / 10,115	0.23% / 0.07%
3. USD	200 / (200)	457,473 / (383,076)	3.01% / (2.52%)
Total (For Negative Shocks)	-	2,068,285	13.63%
Total (For Positive Shocks)	-	(1,920,781)	(12.65%)

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

V. CONSOLIDATED INTEREST RATE RISK (Continued)

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 strategically 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:

Current Period	Comparison		
Stock Investments	Carrying Value	Fair Value	Market Value
Stocks quoted in exchange^(*)			
1.Stocks Investments Group A	-	-	-
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
Stocks unquoted in exchange^(**)	282,459	282,459	-

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

^(**) The values of stocks unquoted in exchange are determined according to valuation reports prepared by independent valuation companies.

Prior Period	Comparison		
Stock Investments	Carrying Value	Fair Value	Market Value
Stocks quoted in exchange^(*)			
1.Stocks Investments Group A	-	-	-
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
Stocks unquoted in exchange^(**)	282,457	282,457	-

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

^(**) The values of stocks unquoted in exchange are determined according to valuation reports prepared by independent valuation companies.

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

V. CONSOLIDATED INTEREST RATE RISK (Continued)

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-Current Period	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	-	51,953	51,953	-	-	-
4. Total	-	51,953	51,953	-	-	-

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

Portfolio-Prior Period	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	-	52,966	23,835	-	-	-
4. Total	-	52,966	23,835	-	-	-

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

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

VI. 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, and transactions and international bond issues. There are no significant idle liquidity resources.

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Undistributed^(*)	Total
Assets:								
Cash and balance with CBT	18,644,093	-	-	-	-	-	-	18,644,093
Banks	518,758	1,249,154	278,339	4,191	-	-	-	2,050,442
Financial assets at fair value through profit/loss	3,156	28,625	70,902	123,804	152,630	17,571	2,124	398,812
Interbank money market placements	-	306,184	-	-	-	-	-	306,184
Available-for-sale financial assets	-	820,037	43,267	1,959,187	6,830,281	6,632,563	10,765	16,296,100
Loans and receivables	-	9,508,485	2,798,703	18,537,064	41,951,916	20,371,165	352,558	93,519,891
Held-to-maturity investments	-	63,455	21,173	203,588	1,204,417	4,647,586	-	6,140,219
Other assets	6,651	627,949	130,547	129,005	134,348	571	5,239,500	6,268,571
Total assets	19,172,658	12,603,889	3,342,931	20,956,839	50,273,592	31,669,456	5,604,947	143,624,312
Liabilities:								
Bank deposits	52,719	3,743,074	384,061	100,862	-	-	-	4,280,716
Other deposits	16,926,478	36,904,243	21,275,474	5,434,273	831,947	25,172	-	81,397,587
Funds borrowed	-	494,551	2,535,280	4,190,761	1,944,470	2,517,538	-	11,682,600
Interbank money market takings	-	12,055,375	355,378	745,224	-	-	-	13,155,977
Securities issued	-	137,608	1,277,978	2,075,501	4,648,342	-	-	8,139,429
Miscellaneous payables	-	2,396,819	51,753	-	-	-	599,334	3,047,906
Other liabilities	-	734,934	283,118	164,463	424,723	1,508,591	18,804,268	21,920,097
Total liabilities	16,979,197	56,466,604	26,163,042	12,711,084	7,849,482	4,051,301	19,403,602	143,624,312
Liquidity (Gap)/Surplus	2,193,461	(43,862,715)	(22,820,111)	8,245,755	42,424,110	27,618,155	(13,798,655)	-
Liquidity								
Prior Period	Demand	Up to 1Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Undistributed^(*)	Total
Total assets	21,531,041	11,683,161	4,958,498	18,641,641	49,590,632	28,935,212	4,447,397	139,787,582
Total liabilities	13,905,410	58,253,310	22,785,926	15,351,609	7,902,712	3,932,345	17,656,270	139,787,582
Liquidity (Gap)/Surplus	7,625,631	(46,570,149)	(17,827,428)	3,290,032	41,687,920	25,002,867	(13,208,873)	-

(*) 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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VI. CONSOLIDATED LIQUIDITY RISK (Continued)

Residual contractual maturities of monetary liabilities

Current period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	4,280,716	4,292,526	52,719	3,750,916	386,436	102,455	-	-
Other deposits	81,397,587	81,939,708	16,926,478	36,991,563	21,486,042	5,601,833	903,513	30,279
Funds borrowed	11,682,600	12,442,337	-	497,467	2,556,763	4,285,509	2,161,329	2,941,269
Money market takings	13,155,977	13,169,744	-	12,062,319	355,589	751,836	-	-
Securities issued	8,139,429	8,955,018	-	137,609	1,291,139	2,078,601	5,447,669	-
Miscellaneous payables	3,047,906	3,047,906	599,334	2,396,819	51,753	-	-	-
Other liabilities	3,557,956	4,477,988	896,920	525,341	41,365	164,818	497,570	2,351,974
Total	125,262,171	128,325,227	18,475,451	56,362,034	26,169,087	12,985,052	9,010,081	5,323,522

Non-Cash Loans	24,752,774	24,752,774	182,722	591,611	13,781,841	6,669,706	2,888,553	638,341
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Prior period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	4,103,952	4,114,689	25,538	3,107,386	876,802	104,963	-	-
Other deposits	78,935,447	79,485,635	13,879,873	38,895,639	19,480,650	6,216,492	981,498	31,483
Funds borrowed	12,285,661	12,992,694	-	362,195	822,749	6,412,167	2,591,033	2,804,550
Money market takings	14,775,388	14,801,868	-	12,726,351	237,537	1,011,566	826,414	-
Securities issued	6,820,735	7,572,794	-	400,920	1,436,319	1,775,217	3,960,338	-
Miscellaneous payables	2,841,068	2,841,068	282,397	2,408,857	115,277	33,169	1,368	-
Other liabilities	3,401,687	4,391,985	992,300	295,469	15,496	147,863	516,347	2,424,510
Total	123,163,938	126,200,733	15,180,108	58,196,817	22,984,830	15,701,437	8,876,998	5,260,543

Non-Cash Loans	23,406,706	23,406,706	264,268	370,339	13,670,929	5,657,505	2,788,347	655,318
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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.

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.

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

VI. CONSOLIDATED LIQUIDITY RISK (Continued)

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
Claims on sovereigns and Central Banks	45,689,574	5,500,344	-	-
Claims on regional governments or local authorities	2,244,893	13,773	-	-
Claims on administrative bodies and other non-commercial undertakings	673,332	56,073	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	12,169,174	5,061,986	-	-
Claims on corporates	45,541,355	440,640	-	-
Claims included in the regulatory retail portfolios	22,761,718	183,027	-	-
Claims secured by residential property	29,474,540	-	-	-
Past due loans	352,558	-	-	-
Higher risk categories decided by the Agency	11,481,688	11,595	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	4,894,449	-	-	-
Total	175,283,281	11,267,438	-	-

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VI. CONSOLIDATED LIQUIDITY RISK (Continued)

Risk management strategies and policies

Risk management strategies are determined so as to support the Parent Bank’s objectives and goals and maintain Parent 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 Parent 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.

The Parent 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.

VII. 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, Exim bank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account, cheques, safety boxes, bill payments, tax collections, payment orders.

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	1,629,427	2,846,484	1,100,170	106,822	5,682,903
<i>Interest income from loans</i>	1,629,427	2,846,484	-	622	4,476,533
<i>Interest income from securities portfolio</i>	-	-	1,096,080	12,975	1,109,055
<i>Interest income from banks</i>	-	-	3,856	28,552	32,408
<i>Interest income from money market transactions</i>	-	-	234	274	508
<i>Other interest income</i>	-	-	-	64,399	64,399
Interest Expense	1,069,564	1,426,788	923,994	63,099	3,483,445
<i>Interest expense on deposits</i>	1,069,564	1,426,788	79,234	-	2,575,586
<i>Interest expense on funds borrowed</i>	-	-	75,325	33,596	108,921
<i>Interest expense on money market transactions</i>	-	-	514,097	4,933	519,030
<i>Interest expense on securities issued</i>	-	-	197,337	-	197,337
<i>Other interest expenses</i>	-	-	58,001	24,570	82,571
Net Interest Income	559,863	1,419,696	176,176	43,723	2,199,458
Net Fees and Commissions Income	232,326	58,382	-	1,830	292,538
Trading Income/ Losses (Net)	-	-	152,902	7,477	160,379
Dividend Income	-	-	-	11,548	11,548
Other Income	-	-	-	1,062,536	1,062,536
Provision For Losses on Loans and Other Receivables	258,250	393,919	26,155	172,323	850,647
Other Expenses	-	-	-	2,007,748	2,007,748
Income/Loss From Investments Under Equity Accounting	-	-	18,006	-	18,006
Profit Before Taxes	533,939	1,084,159	320,929	(1,052,957)	886,070
Provision for taxes	-	-	-	(194,062)	(194,062)
Net Profit/ Loss	533,939	1,084,159	320,929	(1,247,019)	692,008
SEGMENT ASSETS					
Securities Portfolio	-	-	22,433,179	79,710	22,512,889
Derivative financial assets held for trading purpose	-	-	322,242	-	322,242
Banks and Receivables From Money Markets	-	-	1,558,597	798,029	2,356,626
Investments in Associates and Subsidiaries(Net)	-	-	454,970	3,740	458,710
Loans	31,128,288	62,291,629	-	99,974	93,519,891
Other Assets	-	-	17,644,315	6,809,639	24,453,954
TOTAL ASSETS	31,128,288	62,291,629	42,413,303	7,791,092	143,624,312
SEGMENT LIABILITIES					
Deposits	36,328,706	44,854,357	4,495,240	-	85,678,303
Derivative Financial Liabilities Held for Trading Purpose	-	-	253,617	10,063	263,680
Interbank Money Market	-	-	12,935,598	220,379	13,155,977
Funds Borrowed	-	-	10,577,032	1,105,568	11,682,600
Securities Issued	-	-	8,139,429	-	8,139,429
Other Liabilities	-	-	2,125,719	4,539,852	6,665,571
Provisions and Tax Liabilities	-	-	-	4,303,692	4,303,692
Equity	-	-	-	13,735,060	13,735,060
TOTAL LIABILITIES AND EQUITY	36,328,706	44,854,357	38,526,635	23,914,614	143,624,312

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	1,567,085	2,153,074	789,922	97,205	4,607,286
<i>Interest income from loans</i>	<i>1,567,085</i>	<i>2,153,074</i>	-	<i>603</i>	<i>3,720,762</i>
<i>Interest income from securities portfolio</i>	-	-	<i>786,609</i>	<i>15,452</i>	<i>802,061</i>
<i>Interest income from banks</i>	-	-	<i>2,821</i>	<i>29,841</i>	<i>32,662</i>
<i>Interest income from money market transactions</i>	-	-	<i>492</i>	<i>119</i>	<i>611</i>
<i>Other interest income</i>	-	-	-	<i>51,190</i>	<i>51,190</i>
Interest Expense	648,131	826,873	390,351	87,011	1,952,366
<i>Interest expense on deposits</i>	<i>648,131</i>	<i>826,873</i>	<i>47,037</i>	-	<i>1,522,041</i>
<i>Interest expense on funds borrowed</i>	-	-	<i>59,967</i>	<i>17,008</i>	<i>76,975</i>
<i>Interest expense on money market transactions</i>	-	-	<i>133,084</i>	<i>5,482</i>	<i>138,566</i>
<i>Interest expense on securities issued</i>	-	-	<i>103,285</i>	-	<i>103,285</i>
<i>Other interest expenses</i>	-	-	<i>46,978</i>	<i>64,521</i>	<i>111,499</i>
Net Interest Income	918,954	1,326,201	399,571	10,194	2,654,920
Net Fees and Commissions Income	186,737	173,987	-	-	360,724
Trading Income/ Losses (Net)	-	-	187,091	11,765	198,856
Dividend Income	-	-	2,336	13,957	16,293
Other Income	-	-	-	765,039	765,039
Provision For Losses on Loans and Other Receivables	172,785	581,855	141,362	255,958	1,151,960
Other Expenses	-	-	-	1,666,202	1,666,202
Income/Loss From Investments Under Equity Accounting	-	-	14,191	-	14,191
Profit Before Taxes	932,906	918,333	461,827	(1,121,205)	1,191,861
Provision for taxes	-	-	-	(247,270)	(247,270)
Net Profit/ Loss	932,906	918,333	461,827	(1,368,475)	944,591
SEGMENT ASSETS					
Securities Portfolio	-	-	22,066,260	221,544	22,287,804
Derivative financial assets held for trading purpose	-	-	438,395	-	438,395
Banks and Receivables From Money Markets	-	-	2,817,103	346,343	3,163,446
Investments in Associates and Subsidiaries(Net)	-	-	435,302	2,799	438,101
Loans	30,428,168	58,127,559	-	117,330	88,673,057
Other Assets	-	-	17,951,402	6,835,377	24,786,779
TOTAL ASSETS	30,428,168	58,127,559	43,708,462	7,523,393	139,787,582
SEGMENT LIABILITIES					
Deposits	33,348,410	45,466,219	4,224,770	-	83,039,399
Derivative Financial Liabilities Held for Trading Purpose	-	-	199,746	19,734	219,480
Interbank Money Market	-	-	14,580,345	195,043	14,775,388
Funds Borrowed	-	-	11,408,520	877,141	12,285,661
Securities Issued	-	-	6,820,735	-	6,820,735
Other Liabilities	-	-	2,148,605	4,191,172	6,339,777
Provisions and Tax Liabilities	-	-	-	3,836,184	3,836,184
Equity	-	-	-	12,470,958	12,470,958
TOTAL LIABILITIES AND EQUITY	33,348,410	45,466,219	39,382,721	21,590,232	139,787,582

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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 Period		Prior Period	
	TL	FC	TL	FC
Cash	886,014	236,623	860,483	295,962
Central Bank of Turkey ^(*)	1,218,667	16,247,282	922,802	16,870,433
Others	49,490	6,017	19,591	5,911
Total	2,154,171	16,489,922	1,802,876	17,172,306

(*) TL 15,082,909 (31 December 2013: TL 14,542,489) of the foreign currency deposit at Central Bank of Turkey is comprised of foreign currency reserve deposits.

In accordance with “Announcement on Reserve Deposits” of CBT numbered 2005/1, all banks operating in Turkey shall provide a reserve rate of 11.5% for demand deposits, and the rates decrease to 5% as maturities get longer (31 December 2013: 11.5% 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 13% 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 2013: 13% in US Dollar or Euro for demand and up to 1 year maturity deposits and rates decrease to 6% as maturities get longer).

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	1,218,665	1,073,081	922,799	1,043,944
Unrestricted time deposits	2	-	-	-
Restricted time deposits	-	91,292	3	1,284,000
Reserve Deposits	-	15,082,909	-	14,542,489
Total	1,218,667	16,247,282	922,802	16,870,433

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**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

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 Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	102	10,484	105,248	8,403
Others	-	-	-	-
Total	102	10,484	105,248	8,403

Trading securities subject to repurchase agreements

None.

Trading purpose derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	13,193	190	28,203	375
Swap transactions	274,334	28,766	327,932	79,820
Futures	-	-	-	-
Options	1,545	4,214	15	2,050
Others	-	-	-	-
Total	289,072	33,170	356,150	82,245

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	791,480	1,258,962	379,923	2,778,428
Domestic	791,447	644,706	379,110	86,557
Foreign	33	614,256	813	2,691,871
Foreign head offices and branches	-	-	-	-
Total	791,480	1,258,962	379,923	2,778,428

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**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

4. Information on available-for-sale financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	1,266,888	262,689	241,746	261,615
Others	32,700	-	-	-
Total	1,299,588	262,689	241,746	261,615

Available-for-sale financial assets subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	6,712,262	166,526	8,312,947	111,436
Treasury bills	-	-	-	-
Other debt securities	-	2,922,738	-	2,988,480
Bonds issued or guaranteed by banks	-	52,266	-	76,750
Asset backed securities	-	-	-	-
Total	6,712,262	3,141,530	8,312,947	3,176,666

Information on available-for-sale financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt securities	16,358,326		16,992,896	
Quoted	16,358,326		16,992,896	
Unquoted	-		-	
Equity securities	10,915		13,375	
Quoted	-		-	
Unquoted	10,915		13,375	
Provisions for impairment losses (-)	73,141		348,862	
Total	16,296,100		16,657,409	

5. Information on loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	6,677	-	27,065
Legal entities	-	6,677	-	27,065
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	84,394	28	79,959	29
Total	84,394	6,705	79,959	27,094

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**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

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
Non-specialized loans	88,620,206	226,766	-	3,634,782	671,665	-
Loans given to enterprises	24,640,891	66,428	-	1,135,491	383,708	-
Export loans	3,710,875	19,856	-	67,196	8,146	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2,884,013	-	-	-	-	-
Consumer loans	26,262,182	139,894	-	1,370,677	232,932	-
Credit cards	3,839,892	-	-	274,087	6,819	-
Other	27,282,353	588	-	787,331	40,060	-
Specialized lending	4,953	-	-	-	-	-
Other receivables	8,961	-	-	-	-	-
Total	88,634,120	226,766	-	3,634,782	671,665	-

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

<i>Number of modifications to extend payment plans</i>	<i>Standard Loans and Other Receivables (*)</i>	<i>Loans and other receivables under close monitoring (*)</i>
Extended for 1 or 2 times	226,766	130,191
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

<i>Extended period of time</i>	<i>Standard Loans and Other Receivables (*)</i>	<i>Loans and other receivables under close monitoring (*)</i>
0-6 Months	103	1
6-12 Months	442	74
1-2 Years	11,365	2,042
2-5 Years	120,235	47,465
5 Years and Over	94,621	80,609

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

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**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

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

	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	309,351	26,358,963	26,668,314
Housing loans	5,569	13,870,735	13,876,304
Automobile loans	3,751	493,724	497,475
General purpose loans	259,758	10,004,887	10,264,645
Others	40,273	1,989,617	2,029,890
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Consumer loans – FC	1,735	6,860	8,595
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,735	6,860	8,595
Others	-	-	-
Retail credit cards – TL	2,956,967	30,409	2,987,376
With instalment	1,330,753	24,665	1,355,418
Without instalment	1,626,214	5,744	1,631,958
Retail credit cards – FC	2,591	-	2,591
With instalment	-	-	-
Without instalment	2,591	-	2,591
Personnel loans – TL	2,094	36,443	38,537
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	2,078	36,443	38,521
Others	16	-	16
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Personnel loans – FC	506	10	516
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	506	10	516
Others	-	-	-
Personnel credit cards – TL	45,109	63	45,172
With instalment	19,027	56	19,083
Without instalment	26,082	7	26,089
Personnel credit cards – FC	169	-	169
With instalment	-	-	-
Without instalment	169	-	169
Overdraft Checking Accounts – TL (Real persons)	1,289,657	-	1,289,657
Overdraft Checking Accounts – FC (Real persons)	66	-	66
Total	4,608,245	26,432,748	31,040,993

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**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

Instalment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	921,873	17,272,249	18,194,122
Real estate loans	1,462	456,440	457,902
Automobile loans	25,686	1,515,319	1,541,005
General purpose loans	894,725	15,300,490	16,195,215
Others	-	-	-
Instalment-based commercial loans – FC indexed	34,086	655,738	689,824
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	34,086	655,738	689,824
Others	-	-	-
Instalment-based commercial loans – FC	343,366	4,075,730	4,419,096
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	343,366	1,408,499	1,751,865
Others	-	2,667,231	2,667,231
Corporate credit cards – TL	1,085,291	74	1,085,365
With instalment	423,359	74	423,433
Without instalment	661,932	-	661,932
Corporate credit cards – FC	125	-	125
With instalment	-	-	-
Without instalment	125	-	125
Overdraft Checking Accounts – TL (Corporate)	741,198	-	741,198
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	3,125,939	22,003,791	25,129,730

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic loans	92,795,803	87,928,337
Overseas loans	371,530	375,709
Total	93,167,333	88,304,046

Loans to associates and subsidiaries

	Current Period	Prior Period
Directly loans to associates and subsidiaries	37,495	13
Indirectly loans to associates and subsidiaries	-	-
Total	37,495	13

Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Loans and receivables with limited collectability	72,302	83,075
Loans and receivables with doubtful collectability	674,911	660,691
Uncollectible loans and receivables	2,879,638	2,623,687
Total	3,626,851	3,367,453

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**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

Information on non-performing loans (Net)

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period	38,612	71,203	79,927
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	38,612	71,203	79,927
Prior period	46,682	72,045	65,263
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	46,682	72,045	65,263

Movements in non-performing loan groups

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Balance at the beginning of the period	381,577	692,399	2,662,489
Additions (+)	641,522	33,626	15,485
Transfers from other categories of loans under follow-up (+)	-	566,632	508,840
Transfers to other categories of loans under follow-up (-) ^(*)	591,212	519,758	27,243
Collections (-)	68,115	76,720	239,506
Write-offs (-)	-	-	10
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Others</i>	-	-	10
Currency differences	-	(245)	(352)
Balance at the end of the period	363,772	695,934	2,919,703
Specific provisions (-)	72,302	674,911	2,879,638
Net balance on balance sheet	291,470	21,023	40,065

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

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

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(Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Balance at the end of the year	40,831	46,365	344,801
Specific provisions (-)	7,766	46,091	323,772
Net balance on balance sheet	33,065	274	21,029
Prior Period			
Balance at the end of the year	33,864	1,980	324,226
Specific provisions (-)	6,773	1,980	321,412
Net balance on balance sheet	27,091	-	2,814

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

Loan customer concentration of non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Consumer and commercial loans (Gross)	360,404	688,658	2,857,977
Specific provisions (-)	71,628	667,635	2,817,912
Consumer and commercial loans (Net)	288,776	21,023	40,065
Banks (Gross)	-	-	7,389
Specific provisions (-)	-	-	7,389
Banks (Net)	-	-	-
Other loans and receivables (Gross)	3,368	7,276	54,337
Specific provisions (-)	674	7,276	54,337
Other loans and receivables (Net)	2,694	-	-
Prior Period (Net)			
Consumer and commercial loans (Gross)	409,372	655,123	2,604,871
Specific provisions (-)	82,509	654,038	2,566,069
Consumer and commercial loans (Net)	326,863	1,085	38,802
Banks (Gross)	-	-	7,462
Specific provisions (-)	-	-	7,462
Banks (Net)	-	-	-
Other loans and receivables (Gross)	2,828	6,653	50,156
Specific provisions (-)	566	6,653	50,156
Other loans and receivables (Net)	2,262	-	-

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**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	6,055,591	-	5,358,742	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	-	-	11,590
Total	6,055,591	-	5,358,742	11,590

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	6,166,598	5,470,531
Quoted at stock exchanges	6,081,970	5,427,692
Unquoted at stock exchanges	84,628	42,839
Impairment losses (-)	26,379	57,360
Total	6,140,219	5,413,171

The movement table of the held-to-maturity investments

	Current Period	Prior Period
Balances at the beginning of the period	5,413,171	4,261,060
Foreign currency differences on monetary assets	(18,905)	54,323
Purchases during the period	1,923,299	2,530,205
Transfers to available for sale portfolio	-	-
Disposals through sales/redemptions	(1,310,469)	(1,507,738)
Impairment losses	30,981	13,979
Change in amortized costs of the securities (*)	102,142	61,342
Balances at the end of the period	6,140,219	5,413,171

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

Information about held-to-maturity investments

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	308,468	84,600	312,775	84,628
Investments subject to repurchase agreements	4,247,087	-	4,455,543	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others (*)	1,259,821	-	1,287,273	-
Total	5,815,376	84,600	6,055,591	84,628

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

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(Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

Prior Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	287,360	42,800	281,131	42,839
Investments subject to repurchase agreements	4,716,595	-	4,831,384	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others ^(*)	247,800	10,908	246,227	11,590
Total	5,251,755	53,708	5,358,742	54,429

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

7. Investments in associates

Unconsolidated investments in associates

Title	Address (City/ Country)	Parent Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ	Ankara/Turkey	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 Enternasyonal Otelcilik AŞ	İstanbul/ Turkey	5.00	5.00
6 İstanbul Takas ve Saklama Bankası AŞ	İstanbul/ Turkey	4.37	4.37
7 Kredi Garanti Fonu AŞ	Ankara/ Turkey	1.75	1.75
8 World Vakıf UBB Ltd. in Liquidation	Lefkosa/NCTR	82.00	85.24

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Year’s Profit/Loss	Fair Value
1	2,378,762	487,752	404,795	10,160	-	87,089	16,339	-
2	52,068	26,332	32,553	411	-	3,980	1,116	-
3	98,036	85,314	52,037	2,212	1	15,409	20,234	-
4	130,291	(7,640)	88,004	217	-	(1,602)	(4,215)	-
5	98,335	22,598	92,964	4	-	(1,519)	(6,107)	-
6	4,704,329	747,237	20,350	80,450	12,170	66,776	34,803	-
7	282,171	278,200	2,786	6,716	-	6,055	5,292	-
8	1,287	(48,522)	-	-	-	(2,712)	(1,950)	-

^(*) Financial information as at and for the year ended 31 March 2014 has been presented for these associates.

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**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
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Unconsolidated associates, reasons for not consolidating such investments and accounting treatments applied for such investments:

İstanbul 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.

Consolidated investments in associates

Title	Address (City/ Country)	Parent Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1 Kıbrıs Vakıflar Bankası Ltd.	Lefkosa/NCTR	15.00	15.00
2 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
1 811,245	67,817	9,832	32,186	4,234	876	2,263	-
2 14,432,844	2,232,363	277,114	253,411	146,521	214,399	295,154	2,579,225

(*) These figures are obtained from reviewed 30 June 2014 financial statements announced at Public Disclosure Platform.

Movement of consolidated investments in associates

	Current Period	Prior Period
Balance at the beginning of the period	203,241	217,563
Movements during the period	19,017	(14,322)
Transfers	-	-
Acquisitions	-	-
Bonus shares received	16,755	16,755
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	2,262	(31,077)
Impairment losses	-	-
Balance at the end of the period	222,258	203,241
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)

In the current period, subsequent to the approval of the decision of the capital of İstanbul Takas ve Saklama Bankası in the Ordinary Meeting of General Assembly of the Company dated 28 March 2014, an associate of the Bank, has been increased from TL 420,000 to TL 600,000, TL 120,000 is paid from bonus shares and TL 60,000 is paid in cash amounting to TL 180,000 in total. The stock right in cash capital commitment has been removed related to the capital increase, Banks’ share has been decreased from 4.86% to %4.37.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ in the Ordinary Meeting of General Assembly of the Company dated 27 March 2014, the share of the Bank amounting to TL 16,755 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, the capital of İstanbul Takas ve Saklama Bankası, an associate of the Bank, has been increased from TL 60,000 to TL 420,000, TL 180,000 is paid from its own resources and TL 180,000 is paid in cash amounting to TL 360,000 in total.

In the prior 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 1,100,000 to TL 1,300,000, by the General Assembly of the Company, the share of the Bank amounting to TL 16,755 is presented in the movement table of investments in associates as bonus shares received.

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ that were accounted as investments in associates in 2012 have been classified as subsidiary beginning from 1 January 2013 and presented in the transfers in movement table of investments in associates.

The title 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. In year 2010, due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified “Investments in associates”.

The liquidation process of World Vakıf UBB Ltd, an associate of the Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed. Thus, the company’s title has been changed as “World Vakıf UBB Ltd in Liquidation”.

Sectorial distribution of consolidated investments and associates

	Current Period	Prior Period
Banks	222,258	203,241
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	-	-
Total	222,258	203,241

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**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

Quoted associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	216,139	197,122
Quoted at international stock exchanges	-	-
Total	216,139	197,122

Investments in associates disposed during the period

None.

Investments in associates acquired during the period

There is not any associate acquired in the current period.

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I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)

8. Investments in subsidiaries

Information on significant 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 Menkul Kıymetler Yat. Ort. AŞ
Paid in Capital	114,483	65,000	35,000	22,400	150,000	26,500	3,000	106,200	15,000
Share Premium	-	-	-	-	-	-	-	9,759	-
Adjustment to paid-in capital		353	137	28,817	1,448	10,424	16	355,691	93
Valuation changes in marketable securities	10,218	2,577	25,507	-	144,369	707	-	-	-
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	7,237	3,890	5,455	4,988	17,179	15,921	872	3,639	395
Extraordinary Reserves	-	36,846	3,788	32,280	18,851	33,816	5,999	54,773	-
Other Profit Reserves	122,984	335	2,345	66	(569)	217	19	378	(17)
Profit/Loss	111,783	3,256	3,391	(3,417)	(151,564)	54,397	1,227	5,430	(2,600)
<i>Prior Years' Profit/Loss</i>	96,215	-	810	(8,962)	(124,742)	41,213	-	-	(2,509)
<i>Current Years' Profit/Loss</i>	15,568	3,256	2,581	5,545	(26,822)	13,184	1,227	5,430	(91)
Minority Rights	-	94	-	-	-	-	-	-	-
Total Core Capital	366,705	112,351	75,623	85,134	197,507	142,173	11,133	535,870	12,871
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-	-
CAPITAL	366,705	112,351	75,623	85,134	197,507	142,173	11,133	535,870	12,871
NET AVAILABLE EQUITY	366,705	112,351	75,623	85,134	197,507	142,173	11,133	535,870	12,871

The figures from reviewed BRSA financial statements as at 30 June 2014 are presented.

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**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

Vakıf Yatırım Menkul Değerler AŞ, a subsidiary of the Parent Bank, calculates capital adequacy in accordance with “Communiqué 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 “Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms” published by Under secretariat of Treasury every six month. According to the calculations at 30 June 2014, there is no capital requirement for the subsidiaries mentioned.

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	17,001	8,615	1,063	476	-	(32)	(210)	12,500
2	295,311	281,045	175,248	5,447	-	189	866	288,432
3	49,340	40,543	516	1,259	124	3,265	1,609	41,626
4	29,026	24,195	632	1,268	73	3,089	4,337	28,940

(*) Financial information as at and for the year ended 31 December 2013 has been presented for these subsidiaries.

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.

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(Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

Investments in consolidated subsidiaries

	Title	Address(City / Country)	Bank’s Share –If Different Voting Rights (%)	Bank’s Risk Group Share (%)
1	Güneş Sigorta AŞ ^(*)	Istanbul/Turkey	36.35	36.35
2	Vakıf Emeklilik AŞ	Istanbul/Turkey	53.90	75.30
3	Vakıf Finans 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	Vienna/Austria	90.00	90.00
7	Vakıf Portföy Yönetimi AŞ	Istanbul/Turkey	99.99	99.99
8	Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ ^(*)	Istanbul/Turkey	11.75	21.77
9	Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ^(*)	Istanbul/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	1,150,413	219,512	327,970	11,003	490	(14,362)	(44,440)	322,356
2	2,690,478	171,232	83,308	18,320	378	11,593	14,926	412,309
3	360,049	85,124	2,435	17,896	-	3,830	1,078	111,245
4	1,174,544	112,351	6,935	38,827	5	3,257	4,262	79,762
5	300,238	75,621	335	6,642	445	2,580	5,162	56,904
6	2,706,486	366,706	818	37,829	7,053	15,566	2,030	300,641
7	11,551	11,139	145	557	8	1,227	916	29,006
8	13,238	12,871	46	259	521	(91)	(1,243)	15,651
9	537,617	533,870	143,281	6,543	251	5,430	2,066	865,416

(*) These figures are obtained from reviewed 30 June 2014 financial statements announced at Public Disclosure Platform.

Movement table of consolidated investments in subsidiaries in unconsolidated financial statements

	Current Period	Prior Period
Balance at the beginning of the period	1,163,983	912,209
Movements during the period	(93,670)	251,774
Transfers	-	-
Acquisitions	169,747	51,626
Bonus shares received	-	3,267
Share of current year profit	(32,389)	(15,272)
Sales and liquidations	-	-
Fair value changes	(233,326)	212,153
Impairment losses	2,298	-
Balance at the end of the period	1,070,313	1,163,983
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	1,070,313	1,163,983
Equity method of accounting	-	-
Total	1,070,313	1,163,983

Sectorial distribution of consolidated investments in subsidiaries

	Current Period	Prior Period
Insurance companies	339,411	341,751
Banks	270,577	270,577
Factoring companies	87,205	87,205
Leasing companies	46,829	36,636
Financing companies	-	-
Other financial subsidiaries	326,291	427,814
Total	1,070,313	1,163,983

Quoted consolidated subsidiaries

	Current Period	Prior Period
Quoted at domestic stock exchanges	404,958	478,631
Quoted at international stock exchanges	-	-
Total	404,958	478,631

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 is no subsidiary acquired in the current period.

In the current period, at the Extraordinary General Assembly of Taksim Otelcilik AŞ dated 24 June 2014, the decision of increasing the capital from TL 269,257 to TL 334,257 through rights offering by TL 65,000. The related change has been registered on 22 July 2014. The nominal share of the Bank TL 137,324 has been increased by cash TL 33,151 to TL 170,474. The share proportion of the Bank is remained the same (51.001%). The capital cash commitment of the Bank has been TL 33,151.

In the current period, the title of Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı has been changed to Vakıf Menkul Kıymet Yatırım Ortaklığı. The new title of the company has been registered on 9 April 2014.

In the current period, related to the capital increase of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 106,200 to TL 203,320, the Bank has obtained shares with a nominal value of TL 29,345 at a rate of TL 3.44 by using the stock rights. For these shares TL 100,947 has been paid. Besides, Bank has obtained shares with a nominal value of TL 20,000 at TL 3.44 rate since the other shareholders did not use their stock rights. Bank has paid TL 68,800 for the shares. As at 4 July 2014, company's capital increase has been registered and as of the date the existing nominal share of the Bank has been increased from TL 29,345 to TL 78,690 Bank's share proportion has been increased from 27.63% to

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I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)

38.70%. The capital advance as of TL 169,747 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the prior period, subsequent to the approval of the decision to increase the paid capital of Taksim Otelcilik AŞ, a subsidiary of the Bank, from TL 97,150 to TL 269,257, by the Extraordinary General Assembly of the company on 27 August 2013, the share of the Bank is increased from TL 49,547 to TL 137,324 (TL 57,176 from retained earnings and TL 30,601 from cash, in total TL 87,777) and the share proportion of the Bank is remained the same. TL 7,650 is paid on 13 September 2013 and TL 22,950 is paid on 2 December 2013 from TL 30,601 which is Bank’s share of cash capital commitment.

In the prior 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 60,000 to TL 65,000, by the General Assembly of the company, the share of the Bank amounting to TL 2,936 is presented as bonus shares received in the movement table of investments in subsidiaries.

In the prior period, subsequent to approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, a subsidiary of the Bank, from TL 105,000 to TL 106,200, by the General Assembly of the company, the share of the Bank amounting to TL 331 is presented as bonus shares received in movement table of investments in subsidiaries.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf International AG, a subsidiary of the Bank, from EUR 45,000 (in thousands) to EUR 70,000 (in thousands), by the General Assembly of the company, the share of the Bank amounting to TL 51,626 is presented in acquisitions and capital increases in the movement table of investments in subsidiaries.

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ that were accounted as investments in associate in 2012 have been classified as subsidiary beginning from 1 January 2013 and presented in the transfers in movement table of investments in subsidiary.

8. Investments in joint-ventures

There is not any investment in joint-ventures of the Group.

9. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	40,450	39,242	294,378	248,630
Between 1-4 years	678,615	600,595	645,869	567,960
Longer than 4 years	470,342	395,925	88,692	83,633
Total	1,189,407	1,035,762	1,028,939	900,223

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**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

Net investments in finance lease receivables

	Current Period	Prior Period
Gross finance lease receivables	1,189,407	1,028,939
Unearned income on finance lease receivables (-)	(153,645)	(128,716)
Terminated lease contracts (-)	-	-
Net finance lease receivables	1,035,762	900,223

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.

12. Information on investment properties

As at 30 June 2014, the Group has investment property amounting to TL 23,685 (31 December 2013: TL 20,829) which consists of the subsidiaries operating in the insurance business and TL 142,863 (31 December 2013: None) which consists of the subsidiaries operating in real estate investment.

13. Information on deferred tax assets

a) Current tax assets

As at 30 June 2014 the current tax assets amounts to TL 7,069 (31 December 2013: 6,891).

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**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS
(Continued)**

b) Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at 30 June 2014 and 31 December 2013:

	Current Period	Prior Period
Provision for employee termination benefits and unused	76,230	73,189
Other provisions	22,582	45,538
Tax losses carried forward	-	24,601
Valuation difference for associates and subsidiaries	55,592	26,465
Investment incentives	20,528	21,053
Valuation differences of financial assets and liabilities	51,384	16,172
Reporting Standards - Tax Code depreciation differences	7,980	8,802
Other differences	13,683	14,568
Deferred tax assets	247,979	230,388
Net-off of the deferred tax assets and liabilities from the	(113,866)	(72,752)
Deferred tax assets, (net)	134,113	157,636

	Current Period	Prior Period
Valuation differences of financial assets and liabilities	88,584	64,672
Valuation difference for associates and subsidiaries	32,162	1,161
Other differences	-	10,894
Deferred tax liabilities	120,746	76,727
Net-off of the deferred tax assets and liabilities from the	(113,866)	(72,752)
Deferred tax liabilities, (net)	6,880	3,975

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

As at 30 June 2014, net book value of assets held for sale of the Group is amounting to TL 680,985 (31 December 2013: TL 566,913).

15. Information on other assets

As at 30 June 2014 and 31 December 2013, the details of other assets are as follows:

	Current Period	Prior Period
Receivables from reinsurance companies	787,378	598,482
Prepaid expenses	708,075	518,826
Receivables from credit cards	545,726	596,284
Receivables from insurance operations	108,875	293,382
Receivables from derivative financial instruments	98,469	61,219
Receivables from term sale of assets	79,898	96,948
Deferred commission expenses	12,116	86,788
Guarantees given for repurchase agreements	5,283	392,641
Others	230,315	374,050
Total	2,576,135	3,018,620

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II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period	Demand	7 Days’ Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	3,432,028	-	341,817	16,821,883	1,531,397	275,900	175,769	-	22,578,794
Foreign currency deposits	3,775,092	-	1,566,985	8,783,822	2,085,179	1,369,094	4,105,852	-	21,686,024
Residents in Turkey	3,389,948	-	1,560,710	8,601,859	1,841,377	669,892	945,708	-	17,009,494
Residents in abroad	385,144	-	6,275	181,963	243,802	699,202	3,160,144	-	4,676,530
Public sector deposits	4,207,983	-	1,748,806	4,532,853	948,711	1,591,551	180,393	-	13,210,297
Commercial deposits	1,593,695	-	3,751,025	9,197,787	934,388	41,750	3,081	-	15,521,726
Others	3,040,950	-	984,050	2,648,067	371,220	452,057	27,672	-	7,524,016
Precious metal deposits	876,730	-	-	-	-	-	-	-	876,730
Bank deposits	52,719	-	3,182,491	654,746	273,128	24,818	92,814	-	4,280,716
Central Bank	162	-	-	-	-	-	-	-	162
Domestic banks	2,107	-	3,029,147	121,218	188,525	24,818	-	-	3,365,815
Foreign banks Participation	43,011	-	153,344	533,528	84,603	-	92,814	-	907,300
banks	7,439	-	-	-	-	-	-	-	7,439
Others	-	-	-	-	-	-	-	-	-
Total	16,979,197	-	11,575,174	42,639,158	6,144,023	3,755,170	4,585,581	-	85,678,303

Prior Period	Demand	7 Days’ Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	2,981,927	-	303,254	15,576,713	1,449,324	403,340	180,434	-	20,894,992
Foreign currency deposits	2,217,395	-	1,999,960	9,026,515	1,271,482	1,587,254	4,217,950	-	20,320,556
Residents in Turkey	1,653,073	-	1,995,186	8,786,795	1,124,231	1,183,491	981,537	-	15,724,313
Residents in abroad	564,322	-	4,774	239,720	147,251	403,763	3,236,413	-	4,596,243
Public sector deposits	3,132,866	-	1,811,779	5,896,887	595,073	330,113	173,382	-	11,940,100
Commercial deposits	1,756,803	-	2,924,845	10,395,210	1,268,039	418,441	114,238	-	16,877,576
Others	2,732,077	-	908,535	2,707,201	526,608	949,011	19,986	-	7,843,418
Precious metal deposits	1,058,805	-	-	-	-	-	-	-	1,058,805
Bank deposits	25,537	-	2,113,701	1,282,805	375,303	213,701	92,905	-	4,103,952
Central Bank	297	-	-	-	-	-	-	-	297
Domestic banks	9,639	-	2,012,419	323,664	281,629	30,992	-	-	2,658,343
Foreign banks Participation	9,065	-	101,282	959,141	93,674	182,709	92,905	-	1,438,776
banks	6,536	-	-	-	-	-	-	-	6,536
Others	-	-	-	-	-	-	-	-	-
Total	13,905,410	-	10,062,074	44,885,331	5,485,829	3,901,860	4,798,895	-	83,039,399

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**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES
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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 Period	Prior Period	Current Period	Prior Period
Saving deposits	12,155,213	10,798,600	10,423,581	10,096,392
Foreign currency saving deposits	3,604,233	3,422,906	7,988,243	7,000,952
Other saving deposits	-	-	-	-
Foreign branches’ deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	15,759,446	14,221,506	18,411,824	17,097,344

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	17,013	16,584
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	2,916	2,354
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	12,682	156	47,540	362
Swaps	65,070	179,761	83,783	85,730
Futures	-	-	-	-
Options	306	5,705	15	2,050
Total	78,058	185,622	131,338	88,142

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(Continued)**

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	458,738	253,466	190,750	310,394
Foreign banks, institutions and funds	137,314	10,833,082	221,472	11,563,045
Total	596,052	11,086,548	412,222	11,873,439

Maturity information of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term (*)	340,727	6,186,906	135,039	6,757,418
Medium and Long-term (*)	255,325	4,899,642	277,183	5,116,021
Total	596,052	11,086,548	412,222	11,873,439

(*) 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 8.99% (31 December 2013: 9.65%) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

On 20 September 2013, the Parent Bank has obtained syndicated loan at the amount of US Dollar 166 million and Euro 471 million with the interest rate of US Libor + 0.75% and Euribor + 0.75% at a maturity of one year, with the participation of 27 banks with the coordination and agency of ING Bank N.V. London.

On 11 April 2013, the Parent Bank obtained syndicated loan amounting to US Dollar 251.5 million and Euro 555.17 million with interest rates of US Libor + 1.00 % and Euribor + 1.00 % at a maturity of one year, with the participation of 38 banks, Sumitomo Mitsui Banking Corporation, Brussels Branch acting as agent bank under the coordination of Bank of America Merrill Lynch. On 16 April 2014, the loan has been renewed with a new syndicated loan amounting to US Dollar 270,5 million and Euro 525 million with interest rates of US Libor + 0.90% and Euribor + 0.9% at a maturity of one year, with the participation of 35 banks, Sumitomo Mitsui Banking Corporation, Brussels Branch acting as agent bank under the coordination of Wells Fargo.

On 13 May 2011, the Parent Bank has realized securitization transaction amounting to US Dollar 346.5 million. The transaction has been realized in three segments. The segments of 2011-A and 2011-B, amounting to US Dollar 215 million of new finance at a maturity of twelve years provided by European Bank for Reconstruction and Development Bank (EBRD, Wells Fargo and Portigon AG (old title: West LB) has been realized. 2011-C segment amounting to US Dollar 131.5 million that was realized in 2007, has been reconstructed by removing the insurance. The coordinator banks of the segments of 2011-A and 2011-B amounting to US Dollar 215 million have become Portigon AG and Wells Fargo. The coordinator bank of the segment of 2011-C amounting to US Dollar 131.5 has become ING. As at 30 June 2014, total securitization loan amounts to US Dollar 505.2 billion.

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**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES
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Information on securities issued

The Parent Bank has issued Turkey’s first Eurobond in the scope of Global Medium Term Notes (GMTN) apart from Under secretariat of Treasury. The bond has a nominal value of Euro 500 million, maturity date on 17 June 2019 with fix rate, 5 years maturity and annually coupon paid with 3.65% return and coupon rate 3.50%.

	Current period		Prior period	
	TL	FC	TL	FC
Nominal	2,136,341	6,050,432	2,357,636	4,499,865
Cost	2,044,851	6,018,148	2,256,108	4,477,363
Net Book Value	2,078,323	6,061,106	2,301,798	4,518,937

Current Period									
ISIN Code	Security Type	Coupon Rate	Currency Type	Issue Date	Maturity Date	Days to Maturity	Nominal	Cost	Net Book Value
XS0916347759	Fixed	3.75	USD	15.04.2013	15.04.2018	1,826	1,267,987	1,261,085	1,272,867
XS0987355939	Fixed	5	USD	31.10.2013	31.10.2018	1,826	1,057,500	1,050,626	1,060,545
TRQVKFB81427	Discounted	-	TL	28.02.2014	22.08.2014	175	548,894	521,701	540,529
TRQVKFB81419	Discounted	-	TL	20.05.2014	22.08.2014	94	31,731	29,370	31,296
XS1048506775	Fixed	2	USD	25.03.2014	25.09.2014	184	24,746	24,746	24,879
TRQVKFB41512	Discounted	-	TL	06.05.2014	17.04.2015	346	12,342	11,257	11,427
TRQVKFB51511	Discounted	-	TL	09.06.2014	29.05.2015	354	36,377	33,344	33,548
XS1059446754	Fixed	1.75	USD	17.04.2014	17.07.2014	91	48,645	48,645	48,820
XS1061450240	Fixed	1.75	USD	22.04.2014	24.07.2014	93	48,645	48,645	48,686
TRQVKFBK1413	Discounted	-	TL	09.06.2014	21.11.2014	165	509,155	488,645	491,595
XS1061703127	Fixed	1.75	USD	25.04.2014	24.07.2014	90	39,974	39,974	40,102
XS1061703473	Fixed	2	USD	25.04.2014	22.10.2014	180	57,951	57,951	58,164
XS1062027534	Fixed	1.65	USD	29.04.2014	31.07.2014	93	37,647	37,647	37,674
TRQVKFBE1411	Discounted	-	TL	06.05.2014	24.10.2014	171	546,973	522,317	530,571
TRQVKFB91418	Discounted	-	TL	23.06.2014	19.09.2014	88	295,284	289,011	289,759
TRQVKFBA1415	Discounted	-	TL	30.06.2014	12.12.2014	165	155,585	149,205	149,598
XS1062027617	Fixed	1.9	USD	29.04.2014	30.10.2014	184	55,836	55,836	55,928
XS1062128134	Fixed	1.65	USD	29.04.2014	04.08.2014	97	50,760	50,760	50,796
XS1063395971	Fixed	1.88	USD	02.05.2014	28.10.2014	179	14,594	14,592	14,638
XS1063444001	Floating	3 ME+2,15%	EURO	06.05.2014	06.05.2016	731	30,380	30,228	30,297
XS1063841347	Fixed	1.65	USD	06.05.2014	04.08.2014	90	57,105	57,105	57,250
XS1064875021	Fixed	1.55	USD	07.05.2014	07.08.2014	92	40,185	40,185	40,279
XS1064875294	Fixed	1.8	USD	07.05.2014	06.11.2014	183	88,830	88,830	89,072
XS1065182542	Fixed	1.54	USD	07.05.2014	07.08.2014	92	49,068	49,067	49,182
XS1065183276	Fixed	1.79	USD	07.05.2014	06.11.2014	183	126,900	126,894	127,239
XS1066883627	Fixed	1.5	USD	14.05.2014	14.08.2014	92	42,723	42,723	42,808
XS1066884278	Fixed	1.75	USD	14.05.2014	13.11.2014	183	103,633	103,633	103,871
XS1067328416	Fixed	1.48	USD	14.05.2014	11.08.2014	89	44,415	44,413	44,501
XS1067930930	Fixed	1.75	USD	15.05.2014	10.11.2014	179	57,105	57,105	57,234
XS1069868351	Fixed	1.3	USD	21.05.2014	20.08.2014	91	19,035	19,035	19,063
XS1069999610	Fixed	1.75	USD	21.05.2014	20.05.2015	364	10,575	10,575	10,789
XS1070371445	Fixed	1.3	USD	22.05.2014	20.08.2014	90	49,703	49,703	49,774
XS1070666836	Fixed	1.5	USD	22.05.2014	20.11.2014	182	135,360	135,360	135,583
XS1077629225	Fixed	3.5	EURO	17.06.2014	17.06.2019	1,826	1,446,650	1,436,900	1,438,916
US90015NAA19	Fixed	5.75	USD	24.04.2012	24.04.2017	1,826	1,044,480	1,035,886	1,052,149
Total							8,186,773	8,062,999	8,139,429

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**III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES
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Prior Period									
ISIN Code	Security Type	Coupon Rate	Currency Type	Issue Date	Maturity Date	Days to Maturity	Nominal	Cost	Net Book Value
XS0916347759	Fixed	3.75	USD	15.04.2013	15.04.2018	1,826	1,282,968	1,275,986	1,287,414
US90015NAA19	Fixed	5.75	USD	24.04.2012	24.04.2017	1,826	1,056,730	1,048,377	1,063,882
TRQVKFB51438	Discounted	-	TL	08.11.2013	02.05.2014	175	617,443	594,194	601,272
TRQVKFB61411	Discounted	-	TL	20.12.2013	06.06.2014	168	613,114	589,153	590,850
TRQVKFB21415	Discounted	-	TL	06.09.2013	28.02.2014	175	648,883	620,788	639,392
TRQVKFB21423	Discounted	-	TL	06.09.2013	28.02.2014	175	187,216	179,130	184,485
TRQVKFB11416	Discounted	-	TL	18.01.2013	17.01.2014	364	145,464	136,844	144,999
XS0957643801	Fixed	1.9	USD	06.08.2013	06.02.2014	184	154,508	154,462	155,705
XS0960939857	Fixed	1.97	USD	15.08.2013	13.02.2014	182	118,984	118,966	119,884
XS0963672950	Fixed	1.95	USD	20.08.2013	13.02.2014	177	117,700	117,688	118,550
XS0977254621	Fixed	1.66	USD	02.10.2013	09.01.2014	99	43,442	43,437	43,624
XS0976659234	Fixed	1.73	USD	03.10.2013	03.04.2014	182	64,200	64,161	64,458
XS0979045886	Fixed	1.67	USD	07.10.2013	06.01.2014	91	51,360	51,356	51,565
XS0982276528	Fixed	1.67	USD	11.10.2013	16.01.2014	97	64,200	64,192	64,443
XS0986042439	Fixed	1.62	USD	28.10.2013	21.01.2014	85	63,344	63,340	63,528
TRQVKFB51412	Discounted	-	TL	17.05.2013	16.05.2014	364	61,522	58,211	60,210
TRQVKFB51420	Discounted	-	TL	05.07.2013	16.05.2014	315	53,415	49,922	51,859
XS0987355939	Fixed	5	USD	31.10.2013	31.10.2018	1,826	1,070,000	1,063,045	1,072,420
XS0993260933	Fixed	1.25	USD	12.11.2013	10.02.2014	90	47,080	47,080	47,162
XS0973201444	Fixed	1.83	USD	20.09.2013	24.03.2014	185	41,516	41,512	41,731
XS0997543896	Fixed	1.49	USD	22.11.2013	28.05.2014	187	23,540	23,534	23,574
XS0974147695	Fixed	1.66	USD	23.09.2013	06.01.2014	105	38,306	38,302	38,482
TRQVKFB81419	Discounted	-	TL	06.09.2013	22.08.2014	350	30,579	27,866	28,731
XS0943035328	Floating	1.53	EURO	14.06.2013	16.06.2014	367	29,489	29,445	29,720
XS0942820803	Fixed	1	CHF	12.06.2013	13.06.2014	366	27,914	27,900	28,065
XS1000211968	Fixed	1.3	USD	04.12.2013	06.03.2014	92	118,984	118,984	119,104
XS1008673540	Fixed	1.59	USD	24.12.2013	23.06.2014	181	85,600	85,596	85,626
Total							6,857,501	6,733,471	6,820,735

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**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES
(Continued)**

- 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 instalments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts**

Obligations under finance leases

None.

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

Negative differences related to the derivative financial liabilities held for risk management purpose

None.

- 7. Information on provisions**

Information on general provisions

	Current Period	Prior period
Provisions for loans and receivables in Group I	1,087,367	1,004,336
-Additional provision for loans with extended payment plans	11,968	13,327
Provisions for loans and receivables in Group II	146,676	105,037
-Additional provision for loans with extended payment plans	2,772	3,297
Provisions for non-cash loans	79,264	76,647
Others	4,495	4,719
Total	1,317,802	1,190,739

Provision for currency exchange gain/loss on foreign currency indexed loans

As at 30 June 2014 the Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 37,754 (31 December 2013: TL 90) 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 30 June 2014, the Bank has recorded TL 65,960 (31 December 2013: TL 54,771) as specific provisions for non-cash loans that are not indemnified or converted into cash.

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**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES
(Continued)**

Information on other provisions

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior Period
Provision for loans under follow-up	-	70,915
Specific provisions for non-cash loans	65,960	54,771
Provision for World Vakıf UBB Ltd with regard to its negative equity	-	38,510
Provision for cheques	33,027	27,825
Provisions for lawsuits against the Group	16,359	16,023
Provisions for credit card promotions	10,162	9,469
Other provisions	78,314	72,608
Total	203,822	290,121

8. Taxation

Current Taxes

Tax provision

As at and for the six-month period ended 30 June 2014, the tax liability of the Group is amounting to TL 238,523 (31 December 2013: TL 61,399).

Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	238,523	61,399
Taxation on securities	113,320	89,264
Capital gains tax on property	2,137	1,903
Banking and Insurance Transaction Tax (BITT)	57,724	44,929
Taxes on foreign exchange transactions	-	-
Value added tax payable	4,501	4,360
Others	27,484	32,870
Total	443,689	234,725

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**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES
(Continued)**

Information on premiums payable

	Current Period	Prior Period
Social security premiums- employee share	698	656
Social security premiums- employer share	1,574	1,538
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	4	3
Pension fund membership fees and provisions- employer share	3	-
Unemployment insurance- employee share	656	590
Unemployment insurance- employer share	1,364	1,237
Others	8	8
Total	4,307	4,032

Information on deferred tax liabilities

As of 30 June 2014, the Bank has recorded deferred tax asset amounting to TL 134,113 (31 December 2013: TL 157,636) and deferred tax liability amounting to TL 6,880 (31 December 2013: TL 3,975) in the financial statements.

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

None.

10. Information on subordinated loans

The Bank has issued bond having the secondary subordinated loan quality to be sold non-resident natural and legal persons. The bond has been issued at the nominal value of USD 500 million and in addition to the issuance of this bond, on 3 December 2012 the Bank has realized second tranche at nominal value of USD 400 million, has the maturity of 10 years and 6.0% coupon rate, USD 900 million nominal value in total.

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.

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**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES
(Continued)**

11. Information on shareholders’ equity

Paid-in capital

	Current Period	Prior Period
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.

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.

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**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES
(Continued)**

Valuation differences of the securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	51,505	-	52,966	-
Fair value differences of available-for-sale securities	73,730	251,038	(325,543)	122,858
Foreign exchange differences	-	-	-	-
Total	125,235	251,038	(272,577)	122,858

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 Period	Prior Period
Commitments for credit card limits	6,964,066	6,261,117
Loan granting commitments	7,248,317	6,739,356
Commitments for cheque payments	1,474,188	1,320,438
Asset purchase commitments	1,901,219	4,175,776
Other	754,701	682,963
Total	18,342,491	19,179,650

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**III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE
SHEET ITEMS (Continued)**

Type and amount of possible losses from off-balance sheet items

*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 65,960 (31 December 2013: TL 54,771) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 132,611 (31 December 2013: TL 114,834).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional letters of guarantee	826,790	780,782
Final letters of guarantee	6,593,599	6,262,616
Letters of guarantee for advances	2,556,687	2,617,441
Letters of guarantee given to custom offices	772,862	650,221
Other letters of guarantee	8,016,481	7,590,763
Total	18,766,419	17,901,823

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	2,600,663	1,424,617
With original maturity of 1 year or less	1,916,242	915,858
With original maturity of more than 1 year	684,421	508,759
Other non-cash loans	22,152,111	21,982,089
Total	24,752,774	23,406,706

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**III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE
SHEET ITEMS (Continued)**

3. Sectorial risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	79,803	0.53	137,195	1.42	82,111	0.57	102,147	1.13
Farming and cattle	71,133	0.47	128,891	1.34	73,609	0.51	88,829	0.98
Forestry	7,357	0.05	5,983	0.06	6,919	0.05	11,003	0.12
Fishing	1,313	0.01	2,321	0.02	1,583	0.01	2,315	0.03
Manufacturing	6,849,274	45.33	4,641,852	48.14	6,294,048	43.89	4,055,439	44.73
Mining	160,161	1.06	23,445	0.24	157,070	1.10	65,192	0.72
Production	4,150,449	27.47	4,458,450	46.24	3,598,968	25.10	3,836,908	42.32
Electric, gas and water	2,538,664	16.80	159,957	1.66	2,538,010	17.69	153,339	1.69
Construction	2,571,487	17.02	2,138,118	22.17	2,676,835	18.67	2,194,165	24.20
Services	5,293,601	35.03	2,575,077	26.71	4,954,666	34.55	2,666,356	29.41
Wholesale and retail trade	2,180,100	14.43	1,454,601	15.09	1,995,623	13.92	1,149,683	12.69
Hotel, food and beverage services	115,507	0.76	9,406	0.10	100,888	0.70	19,908	0.22
Transportation and Telecommunication	874,625	5.79	1,033,821	10.72	833,163	5.81	1,405,673	15.50
Financial institutions	1,402,436	9.28	14,603	0.15	1,344,214	9.37	38,324	0.42
Real estate and renting services	196,391	1.30	23,900	0.25	185,000	1.29	14,871	0.16
Self-employment services	419,197	2.77	25,519	0.26	373,920	2.61	24,229	0.27
Education services	20,121	0.13	1,759	0.02	15,556	0.11	1,644	0.02
Health and social services	85,224	0.56	11,468	0.12	106,302	0.74	12,024	0.13
Others	316,347	2.09	150,020	1.56	332,451	2.32	48,488	0.53
Total	15,110,512	100.0	9,642,262	100.00	14,340,111	100.00	9,066,595	100.00

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	14,858,633	3,658,660	118,285	10,977
Confirmed bills of exchange and acceptances	15,823	1,937,107	-	97
Letters of credit	11,431	3,966,783	-	211
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	34,669	5,404	-	-
Other guarantees and sureties	-	2,083	-	-
Total Non-Cash Loans	14,920,556	9,570,037	118,285	11,285

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**III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE
SHEET ITEMS (Continued)**

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	14,118,035	3,579,601	85,579	5,476
Confirmed bills of exchange and Letters of credit	12,129	1,039,635	-	514
Endorsements	7,866	4,381,798	-	232
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	52,069	6,666	-	-
Other guarantees and sureties	-	1,919	-	-
Total Non-Cash Loans	14,190,099	9,009,619	85,579	6,222

5. Information on credit derivatives and related imposed risks

None.

6. Contingent assets and liabilities

Bank allocates TL 16,359 as provision for lawsuits against Bank (31 December 2013: TL 16,023).

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 Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	1,328,085	81,292	1,011,263	80,219
Medium and long-term loans	2,511,674	456,478	2,181,817	368,369
Loans under follow-up	99,004	-	79,094	-
Premiums received from resource utilization support fund	-	-	-	-
Total	3,938,763	537,770	3,272,174	448,588

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**IV. INFORMATION ON DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT
OF INCOME (Continued)**

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	29,162	805	30,712	1,590
Foreign banks	-	2,441	8	352
Foreign head office and branches	-	-	-	-
Total	29,162	3,246	30,720	1,942

Information on interest income received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	9,039	1,262	12,641	572
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	718,426	106,970	469,320	124,229
Investments held to maturity	273,104	254	194,782	517
Total	1,000,569	108,486	676,743	125,318

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interests received from the associates and subsidiaries	-	-

2. Interest Expense

Interest expenses on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	24,875	74,625	8,548	64,519
Central Bank of Turkey	-	-	-	-
Domestic banks	19,995	3,480	7,428	6,039
Foreign banks	4,880	71,145	1,120	58,480
Foreign head offices and branches	-	-	-	-
Other institutions	-	9,421	-	3,908
Total	24,875	84,046	8,548	68,427

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**IV. INFORMATION ON DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT
OF INCOME (Continued)**

Interest expenses paid to associates and subsidiaries

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	6,541	5,692

Interest expense on securities issued

As at for the six-month period ending at 30 June 2014, interest paid to securities issued is TL 197,337 (30 June 2013: TL 103,285).

Maturity structure of the interest expense on deposits

Account Name	Current Period-Time Deposits						Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year Cumulative deposit	
TL							
Interbank deposits	-	68,636	-	-	-	-	68,636
Saving deposits	22	10,335	796,986	66,911	15,467	6,941	896,662
Public sector	2,228	81,649	237,084	38,359	38,190	7,257	404,767
Commercial	163	120,910	559,456	26,006	11,773	3,806	722,114
Other deposits	-	18,026	158,122	17,697	15,721	733	210,299
Deposits with 7 days notification	-	-	-	-	-	-	-
Total	2,413	299,556	1,751,648	148,973	81,151	18,737	2,302,478
FC							
Foreign Currency Deposits	15,973	11,210	137,427	20,079	22,128	56,258	263,075
Interbank deposits	-	10,033	-	-	-	-	10,033
Deposits with 7 days notification	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-
Total	15,973	21,243	137,427	20,079	22,128	56,258	273,108
Grand Total	18,386	320,799	1,889,075	169,052	103,279	74,995	2,575,586

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**IV. INFORMATION ON DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT
OF INCOME (Continued)**

Account Name	Prior Period-Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	30,331	-	-	-	-	-	30,331
Saving deposits	9	6,742	451,460	78,421	12,173	5,020	-	553,825
Public sector	6	45,039	201,474	24,764	9,422	661	-	281,366
Commercial	-	70,769	175,529	61,998	26,315	731	-	335,342
Other deposits	-	14,807	64,220	27,677	13,149	496	-	120,349
Deposits with 7	-	-	-	-	-	-	-	-
Total	15	167,688	892,683	192,860	61,059	6,908	-	1,321,213
<i>FC</i>								
Foreign Currency Deposits	1,794	7,418	95,621	23,439	14,746	41,819	-	184,837
Interbank deposits	-	15,991	-	-	-	-	-	15,991
Deposits with 7	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	1,794	23,409	95,621	23,439	14,746	41,819	-	200,828
Grand Total	1,809	191,097	988,304	216,299	75,805	48,727	-	1,522,041

3. Trading income/losses

	Current Period	Prior Period
Income	4,007,422	2,778,958
Income from capital market transactions	1,265,864	114,681
Income from derivative financial instruments	1,153,999	699,752
Foreign exchange gains	1,587,559	1,964,525
Losses	(3,847,043)	(2,580,102)
Losses from capital market transactions	(1,156,051)	(875)
Losses from derivative financial instruments	(1,174,180)	(624,679)
Foreign exchange losses	(1,516,812)	(1,954,548)
Trading income/losses, net	160,379	198,856

Net gain arising from changes in foreign exchange rate that relate to the Group’s derivative financial instruments based on foreign exchange rate is TL 1,780 as at and for the six-month period ended 30 June 2014 (30 June 2013: net gain of TL 28,714).

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**IV. INFORMATION ON DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT
OF INCOME (Continued)**

4. Other operating income

	Current Period	Prior Period
Earned insurance premiums (net of reinsurance share)	382,773	369,651
Income from reversal of the impairment losses	387,653	215,512
Communication income	42,303	42,977
Gain on sale of assets	40,787	35,825
Income from private pension business	22,056	17,883
Rent income	632	463
Other income	186,332	82,735
Total	1,062,536	765,046

5. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	642,098	725,859
<i>Loans and receivables in Group III</i>	<i>137,373</i>	<i>149,166</i>
<i>Loans and receivables in Group IV</i>	<i>481,576</i>	<i>557,852</i>
<i>Loans and receivables in Group V</i>	<i>23,149</i>	<i>18,841</i>
Non-performing commissions and other receivables	-	-
General provision expenses	128,430	167,685
Provision for possible losses	-	-
Impairment losses on securities	12,879	98,481
<i>Trading securities</i>	<i>38</i>	<i>3</i>
<i>Investment securities available-for-sale</i>	<i>12,841</i>	<i>98,478</i>
Other impairment losses	13,314	41,245
<i>Associates</i>	<i>-</i>	<i>-</i>
<i>Subsidiaries</i>	<i>-</i>	<i>-</i>
<i>Joint ventures</i>	<i>-</i>	<i>-</i>
<i>Investment securities held-to-maturity</i>	<i>13,314</i>	<i>41,245</i>
Others (*)	53,926	53,290
Total	850,647	1,086,560

(*) Other provision expenses amounting to TL 53,926 (30 June 2013: TL 53,290) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 23,532 (30 June 2013: TL 18,935), other provision expenses related to loans amounting to TL 8,111 (30 June 2013: TL 24,260) and other provision expenses amounting to TL 22,283 (30 June 2013: TL 10,095).

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**IV. INFORMATION ON DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT
OF INCOME (Continued)**

6. Other operating expenses

	Current Period	Prior Period
Personnel costs	697,920	588,925
Reserve for employee termination benefits	22,674	12,218
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	55,393	54,999
Impairment losses on intangible assets	1	-
Amortisation expenses on intangible assets	6,005	6,331
Impairment losses on assets to be disposed	2,604	2,037
Depreciation expenses on assets to be disposed	6,255	5,482
Impairment losses on assets held for sale	-	-
Other operating expenses	776,231	516,410
<i>Operational lease related expenses</i>	92,251	74,828
<i>Repair and maintenance expenses</i>	12,842	12,447
<i>Advertisement expenses</i>	34,027	48,326
<i>Other expenses</i>	637,111	380,809
Loss on sale of assets	1,638	252
Others*	439,027	544,956
Total	2,007,748	1,731,610

(*) Other operating expenses amounting to TL 439,027 (30 June 2013: TL 544,956) is comprised of provision expenses for dividends to the personnel amounting to TL 64,512 (30 June 2013: TL 57,761), tax, fees and funds expenses amounting to TL 58,670 (30 June 2013: TL 43,457), Saving Deposits Insurance Fund expenses amounting to TL 43,611 (30 June 2013: TL 44,210) and other operating expenses amounting to TL 272,234 (30 June 2013: TL 399,528).

7. 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 275,455 (30 June 2013: TL 196,477) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from origination (+)/ reversal (-) of deductible temporary differences	11,115	(3,277)
Arising from origination (-)/ reversal (+) of taxable temporary differences	70,278	(57,252)
Arising from origination (+)/ reversal (-) of tax losses	-	9,736
Arising from tax rate change	-	-
Total	81,393	(50,793)

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**IV. INFORMATION ON DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT
OF INCOME (Continued)**

8. Net profit and loss

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

Group has earned TL 5,682,903 interest income and TL 292,538 net fee and commission income also incurred TL 3,483,445 amount of interest expense from its ordinary banking operations (30 June 2013: TL 4,607,286 interest income, TL 360,724 net fee and commission income, TL 1,952,366 interest expense).

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

None.

9. Income/loss related to non-controlling interest

	Current Period	Prior Period
Income/(losses) related to non-controlling interest	(13,082)	(10,131)

10. 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.

Other fees and commission expenses of the Group mainly consist of credit card fees and commissions, commission paid for funds borrowed from foreign banks.

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**V. INFORMATION AND DISCLOSURES RELATED TO THE PARENT BANK’S RISK
GROUP**

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

Current Period	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	13	659,911	-	27,065	26,102	24,339
Balance at the end of the year	37,495	650,644	-	6,677	24,515	16,394
Interest and commission income	-	199	-	16	260	25

Prior Period	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	-	552,273	-	37,919	9,372	13,136
Balance at the end of the year	13	659,911	-	27,065	26,102	24,339
Interest and commission income	-	203	-	12	342	10

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 Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of	419,918	817,244	968,601	443,103	46,793	76,597
Balance at the end of the	218,745	419,918	707,185	968,601	61,674	46,793
Interest on deposits	6,541	5,692	33,036	13,028	1,161	-

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

None.

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**V. INFORMATION AND DISCLOSURES RELATED TO THE PARENT BANK’S RISK
GROUP (Continued)**

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 risk group to the overall cash and non-cash loans are 0.07% (31 December 2013: 0.03%) and 2.72% (31 December 2013: 3.26%) respectively.

Current Period	Amount	Compared with the Financial Statement Amount %
Cash Loans	62,010	0.07
Non-Cash Loans	673,715	2.72
Deposits	987,604	1.15

Prior Period	Amount	Compared with the Financial Statement Amount %
Cash Loans	26,115	0.03
Non-Cash Loans	711,315	3.26
Deposits	1,435,312	1.83

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SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. OTHER DISCLOSURES ON THE PARENT BANK’S ACTIVITY

As per the resolution of 60th Annual General Assembly held on 28 March 2014, the net profit of year 2013 is decided to be distributed as follows:

Profit Distribution Table of Year 2013	
Current year’s profit of the Parent Bank’s unconsolidated financial statements	1,585,539
Deferred tax income	-
Net profit of the year subject to distribution	1,585,539
Legal reserves	158,556
<i>First legal reserves</i>	79,278
<i>Reserves allocated, according to banking law and articles of association.</i>	79,278
Net profit of the year subject to distribution	1,426,983
Other reserves	1,501
Extraordinary reserves	1,325,482
Dividends to the shareholders	100,000

II. INFORMATION ON THE PARENT BANK’S RATING GIVEN BY INTERNATIONAL INSTITUTIONS

February 2014 (*)	Standard & Poors
Foreign Currency Credit Rating	BB+ / Negative / B
Foreign Currency Deposit Rating	BB+ / Negative / B
National	trAA+ / -- / trA-1
Continuance Rating	NR
June 2014 (*)	Moody’s Investors’ Service
Financial Strength Rating	D+ (ba1)
Local Currency Deposit Rating	Baa3 / P-3
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Baa3 / P-3
Foreign Currency Outlook	Negative
November 2012 (*)	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
Support Rating	2
Base Support Rating	BBB-
March 2013 (*)	Capital Intelligence
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB+
Support Rating	2
Outlook Foreign Currency	Stable

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

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OTHER DISCLOSURES AND FOOTNOTES (Continued)

**III. SIGNIFICANT EVENTS AND MATTERS SUBSEQUENT TO BALANCE SHEET DATE
THAT ARE NOT RESULTED**

None.

**IV. SIGNIFICANT FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS THAT ARE
SUBSEQUENT TO REPORTING DATE**

None.

SECTION SEVEN

I. INDEPENDENT AUDITORS’ REVIEW REPORT

1. Information on the independent auditors’ review report

The consolidated financial statements and footnotes of the Bank and its financial subsidiaries as at and for the six-month period ended 30 June 2014, have been reviewed by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member of PricewaterhouseCoopers). It was noted in their review report dated 19 August 2014 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group’s financial position and results of its operations as at and for the six-month period ended 30 June 2014.

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