

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE THREE-MONTH  
PERIOD ENDED 31 MARCH 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 31 March 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 31 March 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 positioned below the company name.

**Zeynep Uras, SMMM  
Partner**

**Istanbul, 16 May 2014**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI**  
**AND ITS FINANCIAL SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL REPORT**  
**AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014**

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The consolidated financial report as at and for the three -month period ended 31 March 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:

<b>SUBSIDIARIES</b>	<b>ASSOCIATES</b>
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 B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ	

The consolidated interim financial statements and related disclosures and footnotes as at and for the three -month period ended 31 March 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").

16 May 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**

**CONSOLIDATED FINANCIAL REPORT AS AT AND  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

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

As at 31 March 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 1 Kuruş.

The Parent Bank’s shareholders’ structure as at 31 March 2014 is stated below:

<b>Shareholders</b>	<b>Number of Shares- 100 shares</b>	<b>Nominal Value of the Shares – Thousands of TL</b>	<b>Share Percentage (%)</b>
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)	1,536,104	1,536	0.06
Publicly traded (Group D)	630,077,979	630,078	25.20
<b>Total</b>	<b>2,500,000,000</b>	<b>2,500,000</b>	<b>100.00</b>

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**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**

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Date of Appointment</b>	<b>Education</b>	<b>Experience in Banking and Management</b>
<u>Board of Directors</u>				
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
<u>Audit Committee</u>				
Mehmet Emin ÖZCAN	Member	4 April 2014	University	31 years
Sabahattin BİRDAL	Member	4 April 2014	University	37 years
<u>Auditors</u>				
Mehmet HALTAŞ	Auditor	19 March 2010	University	37 years
Yunus ARINCI	Auditor	19 March 2010	Master	17 years
<u>Assistant Managers</u>				
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	Private Banking, Subsidiaries	2 July 2010	PHD	18 years
Ali Engin EROĞLU	Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate	18 August 2010	Master	17 years
Osman DEMREN	Commercial and Corporate Loans, Consumer and SME Loans, Intelligence	6 April 2011	University	23 years
Yıldırım EROĞLU	Retail Banking, Payment Systems, Payment System Operations	6 December 2011	University	21 years
Numan BEK	International Relations and Investor Relations, Coordination of Foreign Branches	18 July 2012	University	23 years
Muhammet Lütfü ÇELEBİ	Commercial and Corporate Banking, SME Banking, Cash Management Affairs, Insurance Banking	23 October 2013	University	18 years
Mustafa SAYDAM	Human Resources, Support Services, Distribution Channels	28 October 2013	University	20 years
Mehmet Emin KARAAĞAÇ	Loans and Risk Follow-up, Legal Affairs	8 November 2013	University	24 years

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

**CONSOLIDATED FINANCIAL REPORT AS AT AND  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014**

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

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**GENERAL INFORMATION (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 Akçağ 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 THREE-MONTH PERIOD ENDED 31 MARCH 2014

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

### 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 31 March 2014, the Parent Bank has 860 domestic, 3 foreign, in total 863 branches (31 December 2013: 856 domestic, 3 foreign, in total 859 branches). As at 31 March 2014, the Parent Bank has 14,869 employees (31 December 2013: 14,943 employees).

#### VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institutions subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods

As at and for the three-month period ended 31 March 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 B Tipi Menkul Kıymetler Yatırım Ortaklığı A.Ş. have been included in the consolidated financial statements of the Group.

As at and for the three-month period ended 31 March 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 juristical 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 31 MARCH 2014**

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

**SECTION TWO**

**CONSOLIDATED FINANCIAL STATEMENTS**

ASSETS	Notes	Reviewed Current Period 31 March 2014			Audited Prior Period 31 December 2013		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>V-I-1</b>	<b>2,077,707</b>	<b>17,729,795</b>	<b>19,807,502</b>	<b>1,802,876</b>	<b>17,172,306</b>	<b>18,975,182</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>		<b>475,128</b>	<b>129,645</b>	<b>604,773</b>	<b>557,634</b>	<b>97,985</b>	<b>655,619</b>
2.1 Financial assets held for trading purpose		475,128	129,645	604,773	557,634	97,985	655,619
2.1.1 Debt securities issued by the governments		399	16,259	16,658	113,279	15,740	129,019
2.1.2 Equity securities		1,243	-	1,243	3,023	-	3,023
2.1.3 Derivative financial assets held for trading purpose	V-I-2	411,082	113,386	524,468	356,150	82,245	438,395
2.1.4 Other securities		62,404	-	62,404	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		-	-	-	-	-	-
<b>III. BANKS</b>	<b>V-I-3</b>	<b>637,291</b>	<b>2,604,301</b>	<b>3,241,592</b>	<b>379,923</b>	<b>2,778,428</b>	<b>3,158,351</b>
<b>IV. RECEIVABLES FROM INTERBANK MONEY MARKETS</b>		<b>5,342</b>	<b>-</b>	<b>5,342</b>	<b>5,095</b>	<b>-</b>	<b>5,095</b>
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		2,585	-	2,585	4,095	-	4,095
4.3 Receivables from reverse repurchase agreements		2,757	-	2,757	1,000	-	1,000
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>V-I-4</b>	<b>13,680,909</b>	<b>3,871,299</b>	<b>17,552,208</b>	<b>12,556,285</b>	<b>4,101,124</b>	<b>16,657,409</b>
5.1 Equity securities		15	13,392	13,407	15	13,360	13,375
5.2 Debt securities issued by the governments		13,677,848	3,696,463	17,374,311	12,551,950	3,914,264	16,466,214
5.3 Other securities		3,046	161,444	164,490	4,320	173,500	177,820
<b>VI. LOANS AND RECEIVABLES</b>	<b>V-I-5</b>	<b>68,114,523</b>	<b>23,405,181</b>	<b>91,519,704</b>	<b>65,199,842</b>	<b>23,473,216</b>	<b>88,673,058</b>
6.1 Performing loans and receivables	V-I-5	67,727,962	23,402,360	91,130,322	64,833,644	23,470,402	88,304,046
6.1.1 Loans provided to the same risk group	V-V-1	14,842	15,742	30,584	10,828	15,287	26,115
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		67,713,120	23,386,618	91,099,738	64,822,816	23,455,115	88,277,931
6.2 Loans under follow-up		3,852,654	26,221	3,878,875	3,713,718	22,747	3,736,465
6.3 Specific provisions (-)	V-I-5	3,466,093	23,400	3,489,493	3,347,520	19,933	3,367,453
<b>VII. FACTORING RECEIVABLES</b>		<b>341,571</b>	<b>12,730</b>	<b>354,301</b>	<b>125,616</b>	<b>6,826</b>	<b>132,442</b>
<b>VIII. HELD-TO-MATURITY INVESTMENTS (Net)</b>	<b>V-I-6</b>	<b>5,170,207</b>	<b>85,639</b>	<b>5,255,846</b>	<b>5,358,742</b>	<b>54,429</b>	<b>5,413,171</b>
8.1 Debt securities issued by the governments		5,170,207	-	5,170,207	5,358,742	11,590	5,370,332
8.2 Other securities		-	85,639	85,639	-	42,839	42,839
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>V-I-7</b>	<b>228,815</b>	<b>3</b>	<b>228,818</b>	<b>224,199</b>	<b>3</b>	<b>224,202</b>
9.1 Associates, consolidated per equity method		179,566	-	179,566	179,121	-	179,121
9.2 Unconsolidated associates		49,249	3	49,252	45,078	3	45,081
9.2.1 Financial associates		36,916	-	36,916	32,745	-	32,745
9.2.2 Non-Financial associates		12,333	3	12,336	12,333	3	12,336
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>V-I-8</b>	<b>212,272</b>	<b>-</b>	<b>212,272</b>	<b>213,899</b>	<b>-</b>	<b>213,899</b>
10.1 Unconsolidated financial subsidiaries		2	-	2	-	-	-
10.2 Unconsolidated non-financial subsidiaries		212,270	-	212,270	213,899	-	213,899
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>	<b>V-I-9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial joint-ventures		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES</b>	<b>V-I-10</b>	<b>178,950</b>	<b>799,848</b>	<b>978,798</b>	<b>135,691</b>	<b>764,532</b>	<b>900,223</b>
12.1 Finance lease receivables		231,461	896,510	1,127,971	172,335	856,604	1,028,939
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		1,175	2,718	3,893	-	-	-
12.4 Unearned income (-)		53,686	99,380	153,066	36,644	92,072	128,716
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>	<b>V-I-11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>		<b>885,828</b>	<b>3,490</b>	<b>889,318</b>	<b>876,246</b>	<b>3,727</b>	<b>879,973</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>		<b>131,492</b>	<b>197</b>	<b>131,689</b>	<b>127,873</b>	<b>196</b>	<b>128,069</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		131,492	197	131,689	127,873	196	128,069
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	<b>V-I-12</b>	<b>21,921</b>	<b>-</b>	<b>21,921</b>	<b>20,829</b>	<b>-</b>	<b>20,829</b>
<b>XVII. TAX ASSETS</b>	<b>V-I-13</b>	<b>140,339</b>	<b>4,818</b>	<b>145,157</b>	<b>158,970</b>	<b>5,557</b>	<b>164,527</b>
17.1 Current tax assets	V-I-13	1,033	4,818	5,851	2,384	4,507	6,891
17.2 Deferred tax assets	V-I-13	139,306	-	139,306	156,586	1,050	157,636
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)</b>	<b>V-I-14</b>	<b>535,544</b>	<b>-</b>	<b>535,544</b>	<b>566,913</b>	<b>-</b>	<b>566,913</b>
18.1 Assets held for sale		535,544	-	535,544	566,913	-	566,913
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>V-I-15</b>	<b>2,144,500</b>	<b>340,970</b>	<b>2,485,470</b>	<b>2,060,437</b>	<b>958,183</b>	<b>3,018,620</b>
<b>TOTAL ASSETS</b>		<b>94,982,339</b>	<b>48,987,916</b>	<b>143,970,255</b>	<b>90,371,070</b>	<b>49,416,512</b>	<b>139,787,582</b>

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 31 MARCH 2014**

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

LIABILITIES AND EQUITY		Notes	Reviewed Current Period 31 March 2014			Audited Prior Period 31 December 2013		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	<b>V-II-1</b>	<b>57,979,852</b>	<b>26,681,169</b>	<b>84,661,021</b>	<b>58,946,981</b>	<b>24,092,418</b>	<b>83,039,399</b>
1.1	Deposits of the same risk group	V-V-1	1,175,521	155,689	1,331,210	1,268,031	167,281	1,435,312
1.2	Other deposits		56,804,331	26,525,480	83,329,811	57,678,950	23,925,137	81,604,087
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>	<b>V-II-2</b>	<b>153,090</b>	<b>78,483</b>	<b>231,573</b>	<b>131,338</b>	<b>88,142</b>	<b>219,480</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>V-II-3</b>	<b>633,404</b>	<b>11,652,630</b>	<b>12,286,034</b>	<b>412,222</b>	<b>11,873,439</b>	<b>12,285,661</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKET</b>		<b>12,555,657</b>	<b>4,679,641</b>	<b>17,235,298</b>	<b>8,209,702</b>	<b>6,565,686</b>	<b>14,775,388</b>
4.1	Interbank Money Market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		198,811	-	198,811	195,043	-	195,043
4.3	Obligations under repurchase agreements		12,356,846	4,679,641	17,036,487	8,014,659	6,565,686	14,580,345
<b>V.</b>	<b>SECURITIES ISSUED (Net)</b>	<b>V-II-3</b>	<b>2,230,221</b>	<b>4,043,113</b>	<b>6,273,334</b>	<b>2,301,798</b>	<b>4,518,937</b>	<b>6,820,735</b>
5.1	Bills		2,230,221	-	2,230,221	2,301,798	-	2,301,798
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	4,043,113	4,043,113	-	4,518,937	4,518,937
<b>VI.</b>	<b>FUNDS</b>		<b>22,758</b>	<b>-</b>	<b>22,758</b>	<b>23,431</b>	<b>-</b>	<b>23,431</b>
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		22,758	-	22,758	23,431	-	23,431
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>2,593,740</b>	<b>486,625</b>	<b>3,080,365</b>	<b>2,529,208</b>	<b>311,860</b>	<b>2,841,068</b>
<b>VIII.</b>	<b>OTHER EXTERNAL RESOURCES PAYABLE</b>	<b>V-II-4</b>	<b>623,474</b>	<b>907,028</b>	<b>1,530,502</b>	<b>471,762</b>	<b>1,038,853</b>	<b>1,510,615</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X.</b>	<b>LEASE PAYABLES</b>	<b>V-II-5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE</b>	<b>V-II-6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>		<b>3,593,258</b>	<b>64,010</b>	<b>3,657,268</b>	<b>3,531,303</b>	<b>62,149</b>	<b>3,593,452</b>
12.1	General provisions	V-II-7	1,199,927	11,707	1,211,634	1,179,012	11,727	1,190,739
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		464,173	804	464,977	561,411	803	562,214
12.4	Insurance technical provisions (Net)		1,649,828	9,489	1,659,317	1,541,611	8,767	1,550,378
12.5	Other provisions	V-II-7	279,330	42,010	321,340	249,269	40,852	290,121
<b>XIII.</b>	<b>TAX LIABILITIES</b>	<b>V-II-8</b>	<b>272,690</b>	<b>2,024</b>	<b>274,714</b>	<b>241,397</b>	<b>1,335</b>	<b>242,732</b>
13.1	Current tax liabilities		269,339	1,144	270,483	237,422	1,335	238,757
13.2	Deferred tax liabilities	V-I-13	3,351	880	4,231	3,975	-	3,975
<b>XIV.</b>	<b>PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>V-II-9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	<b>V-II-10</b>	<b>-</b>	<b>1,992,294</b>	<b>1,992,294</b>	<b>-</b>	<b>1,964,663</b>	<b>1,964,663</b>
<b>XVI.</b>	<b>EQUITY</b>		<b>12,280,225</b>	<b>444,869</b>	<b>12,725,094</b>	<b>12,090,402</b>	<b>380,556</b>	<b>12,470,958</b>
<b>16.1</b>	<b>Paid-in capital</b>	<b>V-II-11</b>	<b>2,500,000</b>	<b>-</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>-</b>	<b>2,500,000</b>
<b>16.2</b>	<b>Capital reserves</b>		<b>487,046</b>	<b>185,098</b>	<b>672,144</b>	<b>511,720</b>	<b>122,858</b>	<b>634,578</b>
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	(296,186)	185,098	(111,088)	(272,577)	122,858	(149,719)
16.2.4	Revaluation surplus on tangible assets		52,864	-	52,864	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		-	-	-	-	-	-
<b>16.3</b>	<b>Profit reserves</b>		<b>8,677,133</b>	<b>146,221</b>	<b>8,823,354</b>	<b>7,195,316</b>	<b>143,130</b>	<b>7,338,446</b>
16.3.1	Legal reserves		1,061,752	6,513	1,068,265	898,804	5,362	904,166
16.3.2	Status reserves		6,337	-	6,337	6,337	-	6,337
16.3.3.	Extraordinary reserves		7,335,150	4,593	7,339,743	6,002,598	4,593	6,007,191
16.3.4.	Other profit reserves		273,894	135,115	409,009	287,577	133,175	420,752
<b>16.4</b>	<b>Profit or loss</b>		<b>341,970</b>	<b>76,390</b>	<b>418,360</b>	<b>1,611,380</b>	<b>77,453</b>	<b>1,688,833</b>
16.4.1	Previous years' profit/loss		10,606	69,538	80,144	(28,542)	64,901	36,359
16.4.2	Current year's profit/loss		331,364	6,852	338,216	1,639,922	12,552	1,652,474
<b>16.5</b>	<b>Non-controlling interest</b>		<b>274,076</b>	<b>37,160</b>	<b>311,236</b>	<b>271,986</b>	<b>37,115</b>	<b>309,101</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>92,938,369</b>	<b>51,031,886</b>	<b>143,970,255</b>	<b>88,889,544</b>	<b>50,898,038</b>	<b>139,787,582</b>

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

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

**CONSOLIDATED OFF-BALANCE SHEET  
AS AT 31 MARCH 2014**

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

	Notes	Reviewed Current Period 31 March 2014			Audited Prior Period 31 December 2013		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>42,805,616</b>	<b>39,165,187</b>	<b>81,970,803</b>	<b>65,938,502</b>	<b>56,628,425</b>	<b>122,566,927</b>
<b>I. GUARANTEES AND SURETIES</b>	<b>V-III-2</b>	<b>14,796,887</b>	<b>9,483,710</b>	<b>24,280,597</b>	<b>14,340,111</b>	<b>9,066,595</b>	<b>23,406,706</b>
1.1 Letters of guarantee	V-III-1	14,748,974	3,653,503	18,402,477	14,268,047	3,633,776	17,901,823
1.1.1 Guarantees subject to State Tender Law		1,827,063	2,018,215	3,845,278	1,905,899	1,952,543	3,858,442
1.1.2 Guarantees given for foreign trade operations		701,682	-	701,682	650,221	-	650,221
1.1.3 Other letters of guarantee		12,220,229	1,635,288	13,855,517	11,711,927	1,681,233	13,393,160
1.2 Bank acceptances		14,254	1,792,413	1,806,667	12,129	1,040,149	1,052,278
1.2.1 Import letter of acceptance		2,250	81,551	83,801	1,500	77,393	78,893
1.2.2 Other bank acceptances		12,004	1,710,862	1,722,866	10,629	962,756	973,385
1.3 Letters of credit		11,431	4,028,793	4,040,224	7,866	4,382,383	4,390,249
1.3.1 Documentary letters of credit		11,431	4,028,793	4,040,224	7,866	4,382,383	4,390,249
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	1,702	1,702	-	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		22,228	4,781	27,009	52,069	6,666	58,735
1.8 Other guarantees		-	1,759	1,759	-	1,759	1,759
1.9 Other sureties		-	759	759	-	160	160
<b>II. COMMITMENTS</b>		<b>17,026,252</b>	<b>4,720,406</b>	<b>21,746,658</b>	<b>45,490,756</b>	<b>26,572,506</b>	<b>72,063,262</b>
2.1 Irrevocable commitments		15,749,668	1,814,308	17,563,976	15,323,929	3,855,721	19,179,650
2.1.1 Asset purchase commitments	V-III-1	337,283	1,602,074	1,939,357	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	-	-	-	-	-	-
2.1.4 Loan granting commitments	V-III-1	7,050,010	7,728	7,057,738	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	1,343,232	-	1,343,232	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	6,555,275	-	6,555,275	6,261,117	-	6,261,117
2.1.10 Commitments for credit card and banking operations promotions	V-III-1	226,534	-	226,534	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		237,334	204,506	441,840	233,518	210,454	443,972
2.2 Revocable commitments		1,276,584	2,906,098	4,182,682	30,166,827	22,716,785	52,883,612
2.2.1 Revocable loan granting commitments		1,272,673	2,869,884	4,142,557	30,161,137	22,691,169	52,852,306
2.2.2 Other revocable commitments		3,911	36,214	40,125	5,690	25,616	31,306
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>10,982,477</b>	<b>24,961,071</b>	<b>35,943,548</b>	<b>6,107,635</b>	<b>20,989,324</b>	<b>27,096,959</b>
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		10,982,477	24,961,071	35,943,548	6,107,635	20,989,324	27,096,959
3.2.1 Forward foreign currency purchases/sales		560,910	635,936	1,196,846	602,810	731,325	1,334,135
3.2.1.1 Forward foreign currency purchases		280,724	317,977	598,701	301,607	365,671	667,278
3.2.2.2 Forward foreign currency sales		280,186	317,959	598,145	301,203	365,654	666,857
3.2.2 Currency and interest rate swaps		9,406,305	20,501,396	29,907,701	5,331,187	16,127,197	21,458,384
3.2.2.1 Currency swaps-purchases		5,100,075	9,402,125	14,502,200	3,299,610	7,487,077	10,786,687
3.2.2.2 Currency swaps-sales		4,306,230	6,954,123	11,260,353	2,031,577	4,494,972	6,526,549
3.2.2.3 Interest rate swaps-purchases		-	2,072,574	2,072,574	-	2,072,574	2,072,574
3.2.2.4 Interest rate swaps-sales		-	2,072,574	2,072,574	-	2,072,574	2,072,574
3.2.3 Currency, interest rate and security options		1,015,262	970,627	1,985,889	173,638	169,225	342,863
3.2.3.1 Currency call options		507,631	485,312	992,943	85,819	84,611	170,430
3.2.3.2 Currency put options		507,631	485,312	992,943	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		-	3	3	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		-	2,853,112	2,853,112	-	3,961,577	3,961,577
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>843,330,907</b>	<b>231,608,255</b>	<b>1,074,939,162</b>	<b>840,321,095</b>	<b>225,977,220</b>	<b>1,066,298,315</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>357,893,487</b>	<b>1,715,677</b>	<b>359,609,164</b>	<b>351,973,501</b>	<b>1,599,747</b>	<b>353,573,248</b>
4.1 Customers' securities held		359,696	20,816	380,512	378,412	20,816	399,228
4.2 Investment securities held in custody		349,006,731	95,315	349,102,046	343,312,429	-	343,312,429
4.3 Checks received for collection		7,207,497	1,014,770	8,222,267	6,727,932	898,858	7,626,790
4.4 Commercial notes received for collection		1,045,593	247,619	1,293,212	983,671	233,334	1,217,005
4.5 Other assets received for collection		2,152	86	2,238	2,152	86	2,238
4.6 Assets received through public offering		-	6,289	6,289	-	6,289	6,289
4.7 Other items under custody		18,520	102,918	121,438	25,241	146,926	172,167
4.8 Custodians		253,298	227,864	481,162	543,664	293,438	837,102
<b>V. PLEDGED ITEMS</b>		<b>151,276,245</b>	<b>51,886,895</b>	<b>203,163,140</b>	<b>174,951,547</b>	<b>50,574,396</b>	<b>225,525,943</b>
5.1 Securities		306,049	27,921	333,970	336,298	27,434	363,732
5.2 Guarantee notes		1,476,624	184,232	1,660,856	702,095	239,873	941,968
5.3 Commodities		23,833,046	737,914	24,570,960	23,434,930	990,995	24,425,925
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		116,841,360	40,785,137	157,626,497	112,539,683	39,831,978	152,371,661
5.6 Other pledged items		8,217,051	10,003,836	18,220,887	8,343,995	9,350,018	17,694,013
5.7 Pledged items-depository		602,115	147,855	749,970	29,594,546	134,098	29,728,644
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>334,161,175</b>	<b>178,005,683</b>	<b>512,166,858</b>	<b>313,396,047</b>	<b>173,803,077</b>	<b>487,199,124</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>886,136,523</b>	<b>270,773,442</b>	<b>1,156,909,965</b>	<b>906,259,597</b>	<b>282,605,645</b>	<b>1,188,865,242</b>

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 THREE-MONTH PERIOD ENDED 31 MARCH 2014**

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

			Reviewed Current Period 1 January 2014-31 March 2014	Reviewed Prior Period 1 January 2013-31 March 2013
		Notes		
<b>I.</b>	<b>INTEREST INCOME</b>		<b>2,776,472</b>	<b>2,360,364</b>
1.1	Interest income from loans	V-IV-1	2,174,214	1,859,412
1.2	Interest income from reserve deposits		-	-
1.3	Interest income from banks	V-IV-1	12,474	21,559
1.4	Interest income from money market transactions		204	462
1.5	Interest income from securities portfolio	V-IV-1	558,383	444,039
1.5.1	Trading financial assets	V-IV-1	4,198	11,851
1.5.2	Financial assets designated at fair value through profit or loss		-	-
1.5.3	Available-for-sale financial assets	V-IV-1	416,447	300,266
1.5.4	Held-to-maturity investments	V-IV-1	137,738	131,922
1.6	Finance lease income		18,775	14,390
1.7	Other interest income		12,422	20,502
<b>II.</b>	<b>INTEREST EXPENSE</b>		<b>1,676,281</b>	<b>990,398</b>
2.1	Interest expense on deposits	V-IV-2	1,252,334	762,329
2.2	Interest expense on funds borrowed	V-IV-2	54,045	37,849
2.3	Interest expense on money market transactions		229,131	62,370
2.4	Interest expense on securities issued	V-IV-2	97,294	44,362
2.5	Other interest expenses		43,477	83,488
<b>III.</b>	<b>NET INTEREST INCOME (I – II)</b>		<b>1,100,191</b>	<b>1,369,966</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>140,181</b>	<b>167,726</b>
4.1	Fees and commissions received		236,221	233,705
4.1.1	Non-cash loans		39,383	29,653
4.1.2	Others		196,838	204,052
4.2	Fees and commissions paid		96,040	65,979
4.2.1	Non-cash loans		328	146
4.2.2	Others		95,712	65,833
<b>V.</b>	<b>DIVIDEND INCOME</b>		<b>10,778</b>	<b>11,985</b>
<b>VI.</b>	<b>TRADING INCOME/LOSSES (Net)</b>	<b>V-IV-3</b>	<b>72,830</b>	<b>86,900</b>
6.1	Trading account income/losses	V-IV-3	4,831	58,427
6.2	Income/losses from derivative financial instruments	V-IV-3	27,681	17,966
6.3	Foreign exchange gains/losses	V-IV-3	40,318	10,507
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>V-IV-4</b>	<b>468,393</b>	<b>410,406</b>
<b>VIII.</b>	<b>TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>1,792,373</b>	<b>2,046,983</b>
<b>IX.</b>	<b>PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	<b>V-IV-5</b>	<b>413,108</b>	<b>507,731</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-6</b>	<b>964,125</b>	<b>848,001</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>415,140</b>	<b>691,251</b>
<b>XII.</b>	<b>INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII.</b>	<b>INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>8,368</b>	<b>7,289</b>
<b>XIV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV.</b>	<b>INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>		<b>423,508</b>	<b>698,540</b>
<b>XVI.</b>	<b>CONTINUING OPERATIONS PROVISION FOR TAXES</b>	<b>V-IV-7</b>	<b>(80,894)</b>	<b>(131,593)</b>
16.1	Current tax charges	V-IV-7	(73,452)	(144,941)
16.2	Deferred tax credits	V-IV-7	(7,442)	13,348
<b>XVII.</b>	<b>NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV- XVI)</b>		<b>342,614</b>	<b>566,947</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1	Income from investment properties		-	-
18.2	Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3	Other income from discontinued activities		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS</b>		-	-
19.1	Investment property expenses		-	-
19.2	Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3	Other expenses from discontinued activities		-	-
<b>XX.</b>	<b>INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES</b>		-	-
<b>XXI.</b>	<b>DISCONTINUED OPERATIONS PROVISION FOR TAXES</b>		-	-
21.1	Current tax charge		-	-
21.2	Deferred tax charge		-	-
<b>XXII.</b>	<b>NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS</b>		-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>		<b>342,614</b>	<b>566,947</b>
23.1.	Equity holders of the Bank		338,216	566,679
23.2.	Non-controlling interest	V-IV-9	4,398	268
	Earnings per 100 Share (full TL)	<b>III-XXIV</b>	0.1370	0.2268

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 THREE-MONTH PERIOD ENDED 31 MARCH 2014**

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

	Reviewed Current Period 1 January 2014- 31 March 2014	Reviewed Prior Period 1 January 2013- 31 March 2013
<b>GAINS AND LOSSES RECOGNIZED IN EQUITY</b>		
<b>I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES</b>	<b>46,525</b>	<b>(152,480)</b>
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	-	-
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	-	-
<b>IV. CURRENCY TRANSLATION DIFFERENCES</b>	<b>(12,949)</b>	<b>(3,669)</b>
<b>V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)</b>	-	-
<b>VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)</b>	-	-
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS</b>	-	-
<b>VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS</b>	<b>(18,041)</b>	<b>(1,023)</b>
<b>IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES</b>	<b>(3,697)</b>	<b>7,386</b>
<b>X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)</b>	<b>11,838</b>	<b>(149,786)</b>
<b>XI. CURRENT PERIOD'S PROFIT/(LOSS)</b>	<b>342,614</b>	<b>566,947</b>
11.1 Change in fair value of securities (transfers to the statement of income)	544	72,747
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	342,070	494,200
<b>XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)</b>	<b>354,452</b>	<b>417,161</b>

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 THREE-MONTH PERIOD ENDED 31 MARCH 2014

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

CHANGES IN EQUITY	Notes	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Current Year's Net Profit/(Loss)	Previous Years' Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Op.s	Shareholders' Equity before Minority Shares	Non-controlling Interest	Total Equity
<b>Prior period – 31 March 2013</b>																			
I. 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
<b>Changes during the period</b>																			
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation differences of the marketable securities		-	-	-	-	-	-	-	-	-	-	(137,905)	-	-	-	-	(137,905)	(6,271)	(144,176)
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		-	-	-	-	-	-	-	(3,302)	-	-	-	-	-	-	-	(3,302)	(367)	(3,669)
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		-	-	-	-	-	-	-	-	7,289	-	(1,999)	-	-	-	-	5,290	58	5,348
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		-	-	-	-	-	-	-	-	559,390	-	-	-	-	-	-	559,390	268	559,658
XVIII. Profit distribution		-	-	-	-	149,814	1,287	1,197,265	24,508	(1,423,451)	(50,300)	-	877	-	-	-	(100,000)	(280)	(100,280)
18.1 Dividends		-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	-	(100,000)	(280)	(100,280)
18.2 Transferred to reserves		-	-	-	-	149,814	1,287	1,197,265	24,508	(1,323,451)	(50,300)	877	-	-	-	-	-	-	-
18.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the end of the period</b>		<b>2,500,000</b>	<b>-</b>	<b>726,720</b>	<b>-</b>	<b>903,755</b>	<b>6,337</b>	<b>5,999,608</b>	<b>373,399</b>	<b>566,679</b>	<b>44,338</b>	<b>580,907</b>	<b>51,329</b>	<b>1,779</b>	<b>-</b>	<b>-</b>	<b>11,754,851</b>	<b>391,027</b>	<b>12,145,878</b>
<b>Current period – 31 March 2014</b>																			
I. 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
<b>Changes during the period</b>																			
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation differences of marketable securities		-	-	-	-	-	-	-	-	-	-	40,139	-	-	-	-	40,139	(202)	39,937
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		-	-	-	-	-	-	-	-	-	-	-	-	(2,600)	-	-	(2,600)	-	(2,600)
VIII. Translation differences		-	-	-	-	-	-	-	(11,650)	-	-	-	-	-	-	-	(11,650)	(1,299)	(12,949)
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		-	-	-	-	-	-	-	-	-	-	(1,508)	-	-	-	-	(1,508)	(446)	(1,954)
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		-	-	-	-	-	-	-	(10,596)	-	-	-	-	-	-	-	(10,596)	-	(10,596)
XVII. Current period's profit/loss		-	-	-	-	-	-	-	-	338,216	-	-	-	-	-	-	338,216	4,398	342,614
XVIII. Profit distribution		-	-	-	-	164,099	-	1,332,552	10,503	(1,652,474)	43,785	-	1,535	-	-	-	(100,000)	(316)	(100,316)
18.1 Dividends		-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	-	(100,000)	(316)	(100,316)
18.2 Transferred to reserves		-	-	-	-	164,099	-	1,332,552	10,503	(1,552,474)	43,785	1,535	-	-	-	-	-	-	-
18.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the end of the period</b>		<b>2,500,000</b>	<b>-</b>	<b>726,686</b>	<b>-</b>	<b>1,068,265</b>	<b>6,337</b>	<b>7,339,743</b>	<b>409,009</b>	<b>338,216</b>	<b>80,144</b>	<b>(111,088)</b>	<b>52,864</b>	<b>3,682</b>	<b>-</b>	<b>-</b>	<b>12,413,858</b>	<b>311,236</b>	<b>12,725,094</b>

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 THREE-MONTH PERIOD ENDED 31 MARCH 2014**

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

	Reviewed Current Period 31 March 2014	Reviewed Prior Period 31 March 2013
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>442,156</b>	<b>1,110,039</b>
1.1.1 Interests received	2,343,612	2,436,416
1.1.2 Interests paid	(1,481,597)	(954,335)
1.1.3 Dividends received	10,778	11,056
1.1.4 Fee and commissions received	236,221	233,705
1.1.5 Other income	333,165	253,317
1.1.6 Collections from previously written-off loans and other receivables	150,677	120,309
1.1.7 Payments to personnel and service suppliers	(992,638)	(833,408)
1.1.8 Taxes paid	(85,637)	(163,597)
1.1.9 Others	(72,425)	6,576
<b>1.2 Changes in operating assets and liabilities</b>	<b>974,216</b>	<b>(2,763,618)</b>
1.2.1 Net (increase) decrease in financial assets held for trading purpose	-	(33,987)
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	(610,614)	(1,617,305)
1.2.4 Net (increase) decrease in loans	(2,986,396)	(2,217,058)
1.2.5 Net (increase) decrease in other assets	537,545	(69,775)
1.2.6 Net increase (decrease) in bank deposits	(988,166)	(610,263)
1.2.7 Net increase (decrease) in other deposits	2,287,746	(1,205,510)
1.2.8 Net increase (decrease) in funds borrowed	(17,275)	292,456
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	2,751,376	2,697,824
	-	-
<b>I. Net cash flow from banking operations</b>	<b>1,416,372</b>	<b>(1,653,579)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash flow from investing activities</b>	<b>(555,465)</b>	<b>(277,405)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	(3,230)	-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	-	-
2.3 Cash paid for purchase of tangible assets	(76,070)	(25,067)
2.4 Proceeds from disposal of tangible assets	186,827	67,840
2.5 Cash paid for purchase of available-for-sale financial assets	(2,692,348)	(1,120,435)
2.6 Proceeds from disposal of available-for-sale financial assets	1,886,436	807,720
2.7 Cash paid for purchase of held-to-maturity investments	(478,800)	(35,600)
2.8 Proceeds from disposal of held-to-maturity investments	640,590	35,600
2.9 Others	(18,870)	(7,463)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash flow from financing activities</b>	<b>(585,642)</b>	<b>562,785</b>
3.1 Cash obtained from funds borrowed and securities issued	236,109	1,468,956
3.2 Cash used for repayment of funds borrowed and securities issued	(821,751)	(906,171)
3.3 Equity instruments issued	-	-
3.4 Dividends paid	-	-
3.5 Re-payments for finance leases	-	-
3.6 Others	-	-
<b>IV. Effect of change in foreign exchange rates on cash and cash equivalents</b>	<b>20,152</b>	<b>(2,745)</b>
<b>V. Net decrease in cash and cash equivalents</b>	<b>295,417</b>	<b>(1,370,944)</b>
<b>VI. Cash and cash equivalents at the beginning of the year</b>	<b>6,087,903</b>	<b>5,375,797</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>6,383,320</b>	<b>4,004,853</b>

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 THREE-MONTH PERIOD ENDED 31 MARCH 2014**

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

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### **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. Judgements 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.

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### ACCOUNTING POLICIES (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.

### III. Information on companies subject to consolidation

#### *Investments in consolidated companies*

As at and for the three -month period ended 31 March 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

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### ACCOUNTING POLICIES (Continued)

Factoring Hizmetleri A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Portföy Yönetimi A.Ş., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and Vakıf B Tipi 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 Factoring 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 B Tipi Menkul Kıymetler Yatırım Ortaklığı AŞ* was established in 1991 in Istanbul. The main operation of the Company is to invest a portfolio including marketable debt securities, equity securities without having managerial power in the partnerships whose securities have been acquired; and gold and other precious metals traded in national and international stock exchange markets or active markets other than stock exchange markets, in accordance with the principles and regulations promulgated by Capital Markets Board. Its head office is in Istanbul.

Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd, a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7<sup>th</sup> and 9<sup>th</sup> articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at 31 March 2014 and 31 December 2013 but its equity until the liquidation decision date has included in the accompanying consolidated financial statements.

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### ACCOUNTING POLICIES (Continued)

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 31 March 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 three-month period ended 31 March 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 economical sectors. Its head office is in Istanbul.

In cases where the accounting policies for the preparation of the financial statements of Financial Subsidiaries are different than those of the Parent Bank, the differences have been adjusted to the accounting policies of the Parent Bank, taking the materiality principle into account. The financial statements of local Financial Subsidiaries, and foreign Financial Subsidiaries preparing their financial statements according to the principles of the countries which they are located in, have been adjusted in accordance with Reporting Standards as at the related reporting dates. Inter-company balances and transactions, and any unrealized gains and losses arising from inter-company transactions, are eliminated in preparing these consolidated financial statements.

### IV. Information on forwards, options and other derivative transactions

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency forward contracts and foreign currency options. The Group has classified its derivative transactions as "trading derivatives" in accordance with the TAS 39 – *Financial Instruments: Recognition and Measurement*.

Derivatives are initially recorded at their acquisition costs including the transaction costs.

The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts stated on the related derivative contracts. Subsequently, the derivative transactions are measured at their fair values and the changes in fair values are recorded in the balance sheet under "derivative financial assets held for trading purpose" or "derivative financial liabilities held for trading purpose". The subsequent fair value changes are recorded in the consolidated statement of income.

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### **ACCOUNTING POLICIES (Continued)**

#### **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.

#### **VI. Information on fees and commissions**

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

#### **VII. Information on financial assets**

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

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

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

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### ACCOUNTING POLICIES (Continued)

#### 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.

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*.

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### **ACCOUNTING POLICIES (Continued)**

In the accompanying consolidated financial statements financial associates of the Group, whose total assets, and net operating profit/(loss) individually or as a whole do not comprise a material portion within the consolidated assets and operation results, have not been subject to consolidation; remaining financial associates have been consolidated using the equity method. Non-financial associates are accounted for in accordance with TAS 39 in the accompanying consolidated financial statements.

#### **VIII. Information on impairment of financial assets**

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Group estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (loss event(s)) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

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

#### **IX. Information on netting of financial instruments**

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

#### **X. Information on repurchase and resale agreements and securities lending**

Securities sold under repurchase agreements (“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 Immovables 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.

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**ACCOUNTING POLICIES (Continued)**

**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.

**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:

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

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

At each reporting 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.



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### **ACCOUNTING POLICIES (Continued)**

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.

#### **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 31 March 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 31 March 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%
Expected rate of salary/limit increase	6.40%	6.40%
Estimated employee turnover rate	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.

##### 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)

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 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 nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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

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

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25<sup>th</sup> of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing

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### ACCOUNTING POLICIES (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.

### 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

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### **ACCOUNTING POLICIES (Continued)**

enacted and issued in the 8 January 2010 Official Gazette number 27456. Accordingly, the Group's subsidiary operating in finance leasing business will be able to deduct its remaining investment incentives from taxable income in the future without any time limitation.

As per "Law regarding amendments to the Income Tax Law and Some Other Certain Laws and Decree Laws" accepted on 23 July 2010 at the Grand National Assembly of Turkey, the expression of "can be deducted from the earnings again in the context of this legislation (including the legislation regarding the tax rate) valid at this date" has been amended as "can be deducted from the earnings again in the context of this legislation (including the legislation regarding the tax rate as explained in the second clause of the temporary article no 61 of the Law) valid at this date" and the following expression of "Investment incentive amount used in determination of the tax base shall not exceed 25% of the associated taxable income. Tax is computed on the remaining income per the enacted tax rate" has been added. This Law has been published in the Official Gazette on 1 August 2010.

The clause "The amount which to be deducted as investment incentive to estimate tax base can not exceed 25% of related income" which has been added to first clause of the temporary 69<sup>th</sup> article of Law No: 193 with the 5<sup>th</sup> 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.

### **XXI. Confirmed bills of exchange and acceptances**

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

### **XXII. Government incentives**

As at 31 March 2014, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 247,569 (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.

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### ACCOUNTING POLICIES (Continued)

#### XXIV. Other disclosures

##### Earnings per shares

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

As at and for the three-month period 31 March 2014, earning per 100 shares is full TL 0.1370 (31 March 2013: full TL : 0.2268).

##### 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 31 March 2013 in order to maintain consistency with the financial statement presentation as of 31 March 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".

##### 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 annullay 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

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### ACCOUNTING POLICIES (Continued)

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

*Mathematical provisions:* Mathematical provisions are the provisions recorded against the liabilities of the Group to the beneficiaries of long-term life and individual accident policies based on actuarial assumptions. Mathematical provisions consist of actuarial mathematical provisions savings and profit sharing reserves.

Actuarial mathematical provisions are calculated as the difference between the net present values of premiums written in return of the risk covered by the Group and the liabilities to policyholders for long-term insurance contracts based on the basis of actuarial mortality assumptions as approved by the Republic of Turkey Prime Ministry Undersecretariat of Treasury, which are applicable for Turkish insurance companies. Mathematical provision also includes the saving portion of the provisions for saving life product.

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

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

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

*Liability adequacy test:* At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition costs. In performing this test, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision under “insurance technical provisions” in the accompanying consolidated financial statements.

If the result of the test is that a loss is required to be recognised, the first step is to reduce any intangible item arising from business combinations related to insurance. If there is still a loss remaining, then the deferred acquisition cost is reduced to the extent that expense loadings are considered not recoverable. Finally, if there is a still remaining amount of loss, this should be booked as an addition to the reserve for premium deficiency.

### Individual pension business

*Individual pension system receivables* presented under ‘other assets’ in the accompanying consolidated financial statements consists of ‘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 31 March 2014 the Bank's consolidated capital adequacy ratio is 13.47% (31 December 2013: 13.21%). The Parent Bank's unconsolidated adequacy ratio is 13.99% (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)**

**Information on unconsolidated capital adequacy ratio**

Current Period	Unconsolidated Risk Weights- 31 March 2014									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
<b>Surplus credit risk weighted</b>	<b>54,604,970</b>	-	<b>8,134,646</b>	<b>31,672,727</b>	<b>21,060,113</b>	<b>48,455,235</b>	<b>2,655,312</b>	<b>8,312,599</b>	<b>51,056</b>	-
Risk classifications:										
Claims on sovereigns and Central Banks	43,887,088	-	3	3,606,682	-	-	-	-	-	-
Claims on regional governments or local authorities	11,470	-	1,774,145	401,983	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	84,311	-	16,998	-	-	394,130	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	8,932,168	-	5,313,319	1,451,496	-	1,951	-	-	-	-
Claims on corporate	510,574	-	927,915	866,925	-	39,847,046	-	-	-	-
Claims included in the regulatory retail portfolios	90,885	-	52,281	-	21,060,113	1,163,564	-	-	-	-
Claims secured by residential property	-	-	-	25,345,641	-	2,944,420	-	-	-	-
Past due loans	-	-	-	-	-	284,722	-	-	-	-
Higher risk categories decided by the Agency	-	-	-	-	-	-	2,655,312	8,312,599	51,056	-
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	1,088,474	-	49,985	-	-	3,819,402	-	-	-	-

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<b>Prior Period</b>	<b>Unconsolidated Risk Weights- 31 December 2013</b>									
	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>1250%</b>
<b>Surplus credit risk weighted</b>	<b>49,625,046</b>	<b>-</b>	<b>7,404,139</b>	<b>29,328,116</b>	<b>22,187,404</b>	<b>46,462,916</b>	<b>2,837,152</b>	<b>9,393,300</b>	<b>11,741</b>	<b>-</b>
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 undertakings	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 intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Other claims	1,155,262	-	19,584	-	-	4,233,646	-	-	-	-

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**Summary information related to unconsolidated capital adequacy ratio**

	<b>Bank</b>
	<b>Current Period</b>
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	8,195,953
Capital Requirement for Market Risk (MRCR)	49,158
Capital Requirement for Operational Risk (ORCR)	777,799
Shareholders' Equity	15,778,537
Shareholders' Equity/((CRCR+MRCR+ORCR) *12.5)*100	13.99%
Core Capital/((CRCR+MRCR+ORCR) *12.5)*100	11.25%
Tier I Capital/((CRCR+MRCR+ORCR) *12.5)*100	11.33%
	<b>Prior Period</b>
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) <sup>(*)</sup>	655,046
Shareholders' Equity	15,179,536
<b>Shareholders' Equity/((CRCR+MRCR+ORCR) *12.5)*100</b>	<b>13.70%</b>

<sup>(\*)</sup> 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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**Information on consolidated capital adequacy ratio**

Current Period	Consolidated Risk Weights- 31 March 2014									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
<b>Surplus credit risk weighted</b>	<b>55,204,489</b>	-	<b>8,747,181</b>	<b>32,343,805</b>	<b>21,090,227</b>	<b>51,218,404</b>	<b>2,655,312</b>	<b>8,312,599</b>	<b>153,859</b>	-
Risk classifications:										
Claims on sovereigns and Central Banks	44,473,672	-	3	3,673,151	-	-	-	-	-	-
Claims on regional governments or local authorities	11,471	-	1,818,562	401,982	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	84,312	-	16,998	-	-	394,129	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	8,932,168	-	5,881,437	1,686,504	-	1,984	-	-	-	-
Claims on corporate	510,588	-	927,915	1,236,527	-	43,095,039	-	-	-	-
Claims included in the regulatory retail portfolios	93,833	-	52,281	-	21,090,227	1,163,564	-	-	-	-
Claims secured by residential property	-	-	-	25,345,641	-	2,944,420	-	-	-	-
Past due loans	-	-	-	-	-	389,382	-	-	-	-
Higher risk categories decided by the Agency	-	-	-	-	-	-	2,655,312	8,312,599	153,859	-
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	1,098,445	-	49,985	-	-	3,229,886	-	-	-	-

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (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%
<b>Surplus credit risk weighted</b>	<b>50,426,929</b>	<b>-</b>	<b>7,739,899</b>	<b>29,955,165</b>	<b>22,234,970</b>	<b>48,481,930</b>	<b>2,837,152</b>	<b>9,393,300</b>	<b>11,741</b>	<b>-</b>
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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**Summary information related to consolidated capital adequacy ratio**

	<b>Consolidated Current Period</b>
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	8,476,018
Capital Requirement for Market Risk (MRCR)	65,231
Capital Requirement for Operational Risk (ORCR)	768,723
Shareholders' Equity	15,674,828
Shareholders' Equity/((CRCR+MRCR+ORCR) *12,5*100)	13.47
Core Capital/((CRCR+MRCR+ORCR) *12,5*100)	10.82
Tier I Capital/((CRCR+MRCR+ORCR) *12,5*100)	10.91
	<b>Prior Period</b>
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	8,380,432
Capital Requirement for Market Risk (MRCR)	58,981
Capital Requirement for Operational Risk (ORCR) <sup>(*)</sup>	764,882
Shareholders' Equity	15,199,794
<b>Shareholders' Equity/((CRCR+MRCR+ORCR) *12,5*100)</b>	<b>13.21%</b>

(\*) 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 about the unconsolidated shareholder equity items**

	<b>Current Period</b>
<b>TIER I CAPITAL</b>	
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	638,534
Profit	373,614
Current Period Profit	373,614
Current Period Profit	-
General Reserves for Possible Losses	91,001
Bonus shares from Associates, Subsidiaries, and Joint-Ventures not Accounted in Current Period’s Profit	69,222
<b>Tier I Capital Before Deductions</b>	<b>12,889,908</b>
<b>Deductions from Tier I Capital</b>	
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS(-)	-
Leasehold Improvements on Operational Leases(-)	87,280
Goodwill and Other Intangible Assets and Related Deferred Taxes(-)	22,542
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 (-)	-
<b>Total Deductions from Tier I Capital</b>	<b>109,822</b>
<b>Total Tier I Capital</b>	<b>12,780,086</b>
<b>ADDITIONAL CORE CAPITAL</b>	
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)	-
<b>Additional Core Capital before Deductions</b>	<b>-</b>
<b>Deductions from Additional Core Capital</b>	
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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<b>Total Deductions from Additional Core Capital</b>	-
<b>Total Additional Core Capital</b>	-
<b>Deductions from Core Capital</b>	
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 (-)	90,167
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 (-)	-
<b>Total Core Capital</b>	<b>12,689,919</b>
<b>TIER II CAPITAL</b>	
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)	1,955,295
Pledged Assets of the Shareholders to be used for the Bank’s Capital Increases	-
General Provisions	1,211,634
<b>Minority Share</b>	<b>309,770</b>
<b>Deductions from Tier II Capital</b>	-
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 (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>3,166,929</b>
<b>CAPITAL</b>	-
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 (-)	77,679
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 (-)	632
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 (-)	-
<b>EQUITY</b>	<b>15,778,537</b>
<b>Amounts lower than Excesses as per Deduction Rules</b>	-
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	36,503



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**Information about the consolidated shareholder equity items**

	<b>Current Period</b>
<b>TIER I CAPITAL</b>	
Paid-in Capital to be Entitled for Compensation after all Creditors	2,500,000
Share Premium	726,686
Share Cancellation Profits	-
Reserves	8,823,354
Other Comprehensive Income according to TAS	(58,224)
Profit	418,360
Current Period Profit	338,216
Current Period Profit	80,144
General Reserves for Possible Losses	91,001
Bonus shares from Associates, Subsidiaries, and Joint-Ventures not Accounted in Current Period’s Profit	3,682
Minority Shares	309,770
<b>Tier I Capital Before Deductions</b>	<b>12,814,629</b>
<b>Deductions from Tier I Capital</b>	<b>-</b>
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS(-)	-
Leasehold Improvements on Operational Leases(-)	88,402
Goodwill and Other Intangible Assets and Related Deferred Taxes(-)	26,338
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 (-)	-
<b>Total Deductions from Tier I Capital</b>	<b>114,740</b>
<b>Total Tier I Capital</b>	<b>12,699,889</b>
<b>ADDITIONAL CORE CAPITAL</b>	<b>-</b>
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	-
<b>Additional Core Capital before Deductions</b>	<b>-</b>
<b>Deductions from Additional Core Capital</b>	<b>-</b>
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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Other items to be defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where are no adequate Tier II Capital (-)	-
<b>Total Deductions from Additional Core Capital</b>	-
<b>Total Additional Core Capital</b>	-
<b>Deductions from Core Capital</b>	-
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 (-)	105,351
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 (-)	-
<b>Total Core Capital</b>	<b>12,594,538</b>
<b>TIER II CAPITAL</b>	<b>3,158,601</b>
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)	1,945,502
Pledged Assets of the Shareholders to be used for the Bank’s Capital Increases	-
General Provisions	1,211,634
Third Parties’ share in supplementary capital	1,465
<b>Tier II Capital before Deductions</b>	<b>3,158,601</b>
<b>Deductions from Tier II Capital</b>	-
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 (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>3,158,601</b>
<b>CAPITAL</b>	<b>15,753,139</b>
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 (-)	77,679
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 (-)	632
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 (-)	-
<b>EQUITY</b>	<b>15,674,828</b>
<b>Amounts lower than Excesses as per Deduction Rules</b>	-
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 about the consolidated shareholder equity items**

	<b>Prior Period</b>
<b>CORE CAPITAL</b>	
Paid-in Capital	2,500,000
Nominal Capital	2,500,000
Capital Commitments (-)	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-
Share Premium	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 <sup>rd</sup> Paragraph of the Article 56 of the Banking Law (-)	-
Goodwill(Net)	-
<b>Total Core Capital</b>	<b>-</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>12,470,606</b>
General Provisions	-
45% of Revaluation Surplus on movables	1,190,739
45% of Revaluation Surplus on Immovables	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	-
Primary Subordinated Debt excluding the Portion included in Core Capital	6,282
Secondary Subordinated Debt	-
45% of value increase fund of financial assets available for sale and associates and subsidiaries	1,945,816
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves)	(149,719)
<b>Minority share</b>	<b>1,653</b>
<b>Total Supplementary Capital</b>	<b>2,994,771</b>
<b>CAPITAL</b>	<b>15,465,377</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>265,583</b>
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors exceeding 10% of ownership	-
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	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
<b>TOTAL EQUITY</b>	<b>15,199,794</b>

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**Components of items of shareholders’ equity subject to temporary applications**

	<b>Bank Only</b>		<b>Consolidated</b>	
	<b>Amount Included in Equity Calculation</b>	<b>Total Amount</b>	<b>Amount Included in Equity Calculation</b>	<b>Total Amount</b>
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)	1,955,295	1,955,295	1,945,502	1,945,502

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**Information about the debt instruments included in the consolidated equity calculation**

<b>Issuer</b>	<b>T.Vakıflar Bankası T.A.O.</b>
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91
Governing law(s) of the instrument	TURKEY
<b>Regulatory treatment</b>	
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)	1,946
Par value of instrument	1,911
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
<b>Coupons / dividends</b>	
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
<b>Convertible or non-convertible</b>	
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
<b>Write-down feature</b>	
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	Not Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	Article 8

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**Information about the debt Instruments included in the unconsolidated equity calculation**

<b>Issuer</b>	<b>T.Vakıflar Bankası T.A.O.</b>
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91
Governing law(s) of the instrument	TURKEY
<b>Regulatory treatment</b>	
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)	1,955
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
<b>Coupons / dividends</b>	
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
<b>Convertible or non-convertible</b>	
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
<b>Write-down feature</b>	
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	Not Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	Article 8

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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	13,823	15,935
(II) Capital to be employed for specific risk	1,189	2,434
Capital to be employed for specific risk in securitisation positions- Standard Method	-	-
(III) Capital to be employed for currency risk	37,890	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	2,654	-
(VII) Capital to be employed for counterparty credit risk - Standard Method	9,675	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)	65,231	58,981
<b>(X) Amount subject to market risk (12.5 x VIII) ya da (12.5 x IX)</b>	<b>815,390</b>	<b>737,263</b>

#### 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 31 March 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
<b>The Bank's foreign currency purchase rate at the balance sheet date</b>	2.1400	2.9532
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	2.1300	2.9275
Day 2	2.1350	2.9435
Day 3	2.1700	2.9959
Day 4	2.1950	3.0366
Day 5	2.1800	3.0075
<b>Last 30-days arithmetical average rate</b>	2.1662	2.9898



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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**Information on currency risk**

<b>Current Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FCs</b>	<b>Total</b>
<b>Assets:</b>				
Cash and balances with the Central Bank of Turkey	6,152,887	8,020,706	3,556,202	17,729,795
Banks	347,225	2,182,056	75,020	2,604,301
Financial assets at fair value through profit or loss <sup>(1)</sup>	6,264	30,667	-	36,931
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	1,087,446	2,783,853	-	3,871,299
Loans and receivables <sup>(2)</sup>	9,142,704	16,776,322	56,402	25,975,428
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	-	85,639	-	85,639
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,873	1,617	-	3,490
Intangible assets	69	128	-	197
Other assets <sup>(3) (4)</sup>	568,054	575,280	6,232	1,149,566
<b>Total assets</b>	<b>17,306,525</b>	<b>30,456,268</b>	<b>3,693,856</b>	<b>51,456,649</b>
<b>Liabilities:</b>				
Bank deposits	879,997	1,226,917	6,044	2,112,958
Foreign currency deposits	13,345,209	10,401,408	821,594	24,568,211
Interbank money market takings	558,780	4,120,861	-	4,679,641
Funds borrowed <sup>(5)</sup>	5,283,350	6,376,154	15,575	11,675,079
Securities issued	29,881	3,984,916	28,316	4,043,113
Miscellaneous payables	319,677	161,317	5,631	486,625
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities <sup>(1) (6)</sup>	67,772	2,923,221	2,088	2,993,081
<b>Total liabilities</b>	<b>20,484,666</b>	<b>29,194,794</b>	<b>879,248</b>	<b>50,558,708</b>
<b>Net ‘on balance sheet’ position</b>	<b>(3,178,141)</b>	<b>1,261,474</b>	<b>2,814,608</b>	<b>897,941</b>
<b>Net ‘off-balance sheet’ position</b>	<b>3,292,332</b>	<b>(910,292)</b>	<b>(2,808,169)</b>	<b>(426,129)</b>
Derivative assets <sup>(7)</sup>	5,613,659	7,125,380	329,469	13,068,508
Derivative liabilities <sup>(7)</sup>	2,321,327	8,035,672	3,137,638	13,494,637
Non-cash loans <sup>(8)</sup>	1,666,497	7,524,398	292,815	9,483,710
<b>Prior Period</b>				
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
<b>Net on balance sheet position</b>	<b>(605,564)</b>	<b>(650,544)</b>	<b>2,691,155</b>	<b>1,435,047</b>
<b>Net off-balance sheet position</b>	<b>749,672</b>	<b>778,864</b>	<b>(2,701,033)</b>	<b>(1,172,497)</b>
Derivative assets <sup>(7)</sup>	2,031,264	8,258,319	1,437,036	11,726,619
Derivative liabilities <sup>(7)</sup>	1,281,592	7,479,455	4,138,069	12,899,116
Non-cash loans <sup>(8)</sup>	1,539,590	7,179,775	347,230	9,066,595

(1) Foreign exchange rates based accruals of derivative financial assets and liabilities are not included.

(2) Foreign currency indexed loans amounting to TL 2,570,247 (31 March 2013: TL 2,548,480) presented in TL in the financial statements are included in the above table.

(3) Foreign currency indexed factoring receivables amounted to TL 24,861 (31 December 2013: TL 9,074) presented in TL column in the accompanying consolidated balance sheet are included.

(4) Prepaid expenses amounting to TL 28,843 (31 December 2013: TL 33,376) and deferred tax assets amounted to TL 4,818 (31 December 2013: TL 1,050) are not included.

(5) Foreign currency indexed funds borrowed amounted to TL 22,449 (31 December 2013: TL 1,914) presented in TL column in the accompanying consolidated balance sheet are included.

(6) Unearned income amounting to TL 35,543 (31 December 2013: TL 37,464) are not included.

(7) Asset purchase commitments amounting to TL 790,517 (31 December 2013: TL 1,716,683), asset sales commitments amounting to TL 811,557 (31 December 2013: TL 1,919,728) and gold purchase swaps amounting to TL 2,853,112 (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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**Exposure to currency risk**

10 percent devaluation of the TL against the following currencies as at and for the three-month periods ended 31 March 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.

	31 March 2014		31 March 2013	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(34,944)	(34,944)	37,275	37,275
EUR	9,452	(25,879)	16,856	38,422
Other currencies	(644)	(644)	(789)	(789)
<b>Total, net</b>	<b>(26,136)</b>	<b>(61,467)</b>	<b>53,342</b>	<b>74,908</b>

(\*) 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 three-month periods ended 31 March 2014 and 2013 would effect consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	31 March 2014		31 March 2013	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	33,308	33,308	(35,640)	(35,640)
Euro	(9,452)	25,879	(16,856)	(38,422)
Other currencies	393	393	1,543	1,543
<b>Total, net</b>	<b>24,249</b>	<b>59,580</b>	<b>(50,953)</b>	<b>(72,519)</b>

(\*) 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)**

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<i>Assets:</i>							
Cash and balances with CBT	-	-	-	-	-	19,807,502	<b>19,807,502</b>
Banks	2,682,369	168,609	1,250	-	-	389,364	<b>3,241,592</b>
Financial assets at fair value through profit/loss	302,578	169,647	81,107	19,497	18,843	13,101	<b>604,773</b>
Interbank money market placements	5,342	-	-	-	-	-	<b>5,342</b>
Available-for-sale financial assets	4,351,990	1,815,999	4,242,467	3,852,812	3,275,533	13,407	<b>17,552,208</b>
Loans and receivables	29,853,408	22,234,509	13,293,781	15,843,509	9,905,115	389,382	<b>91,519,704</b>
Held-to-maturity investments	426,989	2,501,955	318,848	493,632	1,514,422	-	<b>5,255,846</b>
Other assets (*)	173,256	90,836	114,615	870,885	136,003	4,597,693	<b>5,983,288</b>
<b>Total assets</b>	<b>37,795,932</b>	<b>26,981,555</b>	<b>18,052,068</b>	<b>21,080,335</b>	<b>14,849,916</b>	<b>25,210,449</b>	<b>143,970,255</b>
<i>Liabilities:</i>							
Bank deposits	2,536,602	455,218	187,391	-	-	47,892	<b>3,227,103</b>
Other deposits	45,181,619	14,430,525	5,768,532	787,669	27,762	15,237,811	<b>81,433,918</b>
Interbank money market takings	16,776,308	29,235	429,755	-	-	-	<b>17,235,298</b>
Miscellaneous payables	22,920	-	-	-	-	3,057,445	<b>3,080,365</b>
Securities issued	366,795	1,932,726	658,553	3,315,260	-	-	<b>6,273,334</b>
Funds borrowed	2,923,412	3,039,265	4,883,906	702,278	737,173	-	<b>12,286,034</b>
Other liabilities (**)	126,579	28,305	113,735	417,670	1,535,453	18,212,461	<b>20,434,203</b>
<b>Total liabilities</b>	<b>67,934,235</b>	<b>19,915,274</b>	<b>12,041,872</b>	<b>5,222,877</b>	<b>2,300,388</b>	<b>36,555,609</b>	<b>143,970,255</b>
On balance sheet long position	-	7,066,281	6,010,196	15,857,458	12,549,528	-	<b>41,483,463</b>
On balance sheet short position	(30,138,303)	-	-	-	-	(11,345,160)	<b>(41,483,463)</b>
Off-balance sheet long position	878,681	1,389,678	260,884	415,289	166,248	-	<b>3,110,780</b>
Off-balance sheet short position	(279,481)	(105,678)	(366,354)	(1,320,470)	(861,748)	-	<b>(2,933,731)</b>
<b>Position, Net</b>	<b>(29,539,103)</b>	<b>8,350,281</b>	<b>5,904,726</b>	<b>14,952,277</b>	<b>11,854,028</b>	<b>(11,345,160)</b>	<b>177,049</b>

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

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

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

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**CONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE THREE-MONTH PERIOD  
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(Currency: Thousands of Turkish Lira (“TL”))

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**Average interest rates applied to monetary financial instruments:**

<b>Current Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Japanese Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and balance with CBT	-	-	-	-
Banks	1.20	0.81	-	12.47
Financial assets at fair value through profit/loss	5.26	7.28	-	10.33
Interbank money market placements	-	-	-	11.73
Available-for-sale financial assets	4.60	6.84	-	7.28
Loans and receivables	5.08	5.12	-	15.49
Held-to-maturity investments	-	1.82	-	14.80
<b>Liabilities:</b>				
Bank deposits	1.49	1.07	-	11.22
Other deposits	2.64	2.46	-	10.74
Interbank money market takings	0.37	1.13	-	11.01
Miscellaneous payables	-	-	-	-
Securities issued	1.53	4.34	-	9.23
Funds borrowed	1.25	1.67	-	9.33
<b>Prior Period</b>				
	<b>Euro</b>	<b>US Dollar</b>	<b>Japanese Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and 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
<b>Liabilities:</b>				
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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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (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 Standart Shock Technique” published in the 23 August 2011 dated Official Gazette no. 28034. Legal limit is monthly monitored and reported accordingly.

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

<b>Currency Unit-Current Period</b>	<b>Applied Shock (+/- x base point)</b>	<b>Gain/ Loss</b>	<b>Gain/ Equity-Loss/ Equity</b>
1. TL	500 / (400)	(2,491,089) / 2,500,248	(15.79%) / 15.85%
2. EURO	200 / (200)	17,779 / 727	0.11% / 0.01%
3. USD	200 / (200)	477,924 / (430,843)	3.03% / (2.73%)
<b>Total (For Negative Shocks)</b>	-	<b>2,070,132</b>	<b>13.12%</b>
<b>Total (For Positive Shocks)</b>	-	<b>(1,995,385)</b>	<b>(12.65%)</b>

<b>Currency Unit-Prior Period</b>	<b>Applied Shock (+/- x base point)</b>	<b>Gain/ Loss</b>	<b>Gain/ Equity-Loss/ Equity</b>
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%)
<b>Total (For Negative Shocks)</b>	-	<b>2,068,285</b>	<b>13.63%</b>
<b>Total (For Positive Shocks)</b>	-	<b>(1,920,781)</b>	<b>(12.65%)</b>

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (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 strategical reasons, accounting techniques and general information about valuation methods with the related assumptions and factors that affect the valuation and significant changes**

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

<b>Current Period</b>	<b>Comparison</b>		
<b>Stock Investments</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Stocks quoted in exchange<sup>(*)</sup></b>			
1.Stocks Investments Group A	-	-	-
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>285,042</b>	<b>285,042</b>	<b>-</b>

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

<sup>(\*\*)</sup>The values of stocks unquoted in exchange are determined according to valuation reports prepared by independent valuation companies.

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

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

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

**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	-	52,420	52,420	-	-	-
<b>4. Total</b>	-	<b>52,420</b>	<b>52,420</b>	-	-	-

(\*) 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	-	-	-
<b>4. Total</b>	-	<b>52,966</b>	<b>23,835</b>	-	-	-

(\*) 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. There are no significant idle liquidity resources.

Maturity analysis of assets and liabilities according to remaining maturities:

<b>Current Period</b>	<b>Demand</b>	<b>Upto 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years And Over</b>	<b>Undistributed<sup>(*)</sup></b>	<b>Total</b>
<b>Assets:</b>								
Cash and balance with CBT	19,807,502	-	-	-	-	-	-	19,807,502
Banks	1,480,461	1,591,272	168,609	1,250	-	-	-	3,241,592
Financial assets at fair value through profit/loss	1,745	204,335	55,615	143,595	182,328	15,980	1,175	604,773
Interbank money market placements	-	5,342	-	-	-	-	-	5,342
Available-for-sale financial assets	-	560,427	461,174	1,852,091	8,274,830	6,390,279	13,407	17,552,208
Loans and receivables	-	6,094,088	945,129	14,427,599	29,781,280	39,882,226	389,382	91,519,704
Held-to-maturity investments	-	384,819	265,433	-	493,632	4,111,962	-	5,255,846
Other assets	5,606	881,769	106,707	185,843	960,524	136,003	3,706,836	5,983,288
<b>Total assets</b>	<b>21,295,314</b>	<b>9,722,052</b>	<b>2,002,667</b>	<b>16,610,378</b>	<b>39,692,594</b>	<b>50,536,450</b>	<b>4,110,800</b>	<b>143,970,255</b>
<b>Liabilities:</b>								
Bank deposits	47,892	2,536,602	455,218	187,391	-	-	-	3,227,103
Other deposits	15,237,811	45,181,619	14,430,525	5,768,532	787,669	27,762	-	81,433,918
Funds borrowed	-	2,518,778	783,352	4,014,379	2,393,140	2,576,385	-	12,286,034
Interbank money market takings	-	16,776,308	29,235	429,755	-	-	-	17,235,298
Securities issued	-	377,694	1,932,726	658,553	3,304,361	-	-	6,273,334
Miscellaneous payables	-	2,320,573	62,124	33,222	1,533	-	662,913	3,080,365
Other liabilities	-	736,717	234,235	165,546	472,104	1,544,402	17,281,199	20,434,203
<b>Total liabilities</b>	<b>15,285,703</b>	<b>70,448,291</b>	<b>17,927,415</b>	<b>11,257,378</b>	<b>6,958,807</b>	<b>4,148,549</b>	<b>17,944,112</b>	<b>143,970,255</b>
<b>Liquidity (Gap)/Surplus</b>	<b>6,009,611</b>	<b>(60,726,239)</b>	<b>(15,924,748)</b>	<b>5,353,000</b>	<b>32,733,787</b>	<b>46,387,901</b>	<b>(13,833,312)</b>	<b>-</b>
<b>Prior Period</b>								
<b>Prior Period</b>	<b>Demand</b>	<b>Upto 1Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years And Over</b>	<b>Undistributed<sup>(*)</sup></b>	<b>Total</b>
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
<b>Liquidity (Gap)/Surplus</b>	<b>7,625,631</b>	<b>(46,570,149)</b>	<b>(17,827,428)</b>	<b>3,290,032</b>	<b>41,687,920</b>	<b>25,002,867</b>	<b>(13,208,873)</b>	<b>-</b>

(\*) 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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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

*Residual contractual maturities of monetary liabilities*

<b>Current period</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Bank deposits	3,227,103	3,235,860	47,892	2,539,438	459,692	188,838	-	-
Other deposits	81,433,918	82,008,707	15,237,811	45,329,045	14,602,974	5,944,424	860,989	33,464
Funds borrowed	12,286,034	13,036,294	-	2,531,158	799,358	4,073,169	2,621,785	3,010,824
Money market takings	17,235,298	17,249,465	-	16,783,417	29,264	436,784	-	-
Securities issued	6,273,334	6,985,135	-	379,680	1,952,975	687,524	3,964,956	-
Miscellaneous payables	3,080,365	3,080,365	662,913	2,320,573	62,124	33,222	1,533	-
Other liabilities	3,452,312	4,411,398	840,024	477,942	42,916	105,447	512,373	2,432,696
<b>Total</b>	<b>126,988,364</b>	<b>130,007,224</b>	<b>16,788,640</b>	<b>70,361,253</b>	<b>17,949,303</b>	<b>11,469,408</b>	<b>7,961,636</b>	<b>5,476,984</b>

<b>Non-Cash Loans</b>	<b>24,280,597</b>	<b>24,280,597</b>	<b>268,208</b>	<b>344,105</b>	<b>14,262,363</b>	<b>5,926,720</b>	<b>2,793,654</b>	<b>685,547</b>
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<b>Prior period</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Bank deposits	4,103,952	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
<b>Total</b>	<b>123,163,938</b>	<b>126,200,733</b>	<b>15,180,108</b>	<b>58,196,817</b>	<b>22,984,830</b>	<b>15,701,437</b>	<b>8,876,998</b>	<b>5,260,543</b>

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

**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.

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

*Information about guarantees according to risk classifications*

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

<b>Risk Classification</b>	<b>Amount</b>	<b>Financial Guarantees</b>	<b>Other/Physical Guarantees</b>	<b>Guarantees and credit derivatives</b>
Claims on sovereigns and Central Banks	48,146,826	5,597,072	-	-
Claims on regional governments or local authorities	2,232,015	13,535	-	-
Claims on administrative bodies and other non-commercial undertakings	495,439	116,816	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	16,502,093	8,932,714	-	-
Claims on corporates	45,770,069	808,845	-	-
Claims included in the regulatory retail portfolios	22,399,905	169,514	-	-
Claims secured by residential property	28,290,061	-	-	-
Past due loans	389,382	-	-	-
Higher risk categories decided by the Agency	11,121,770	-	-	-
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	4,378,316	-	-	-
<b>Total</b>	<b>179,725,876</b>	<b>15,638,496</b>	-	-

***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.

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

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### **INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

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

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

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

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

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

Major financial statement items according to business lines:

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	801,777	1,372,146	555,511	47,038	2,776,472
<i>Interest income from loans</i>	801,777	1,372,146	-	291	2,174,214
<i>Interest income from securities portfolio</i>	-	-	553,039	5,344	558,383
<i>Interest income from banks</i>	-	-	2,381	10,093	12,474
<i>Interest income from money market transactions</i>	-	-	91	113	204
<i>Other interest income</i>	-	-	-	31,197	31,197
Interest Expense	500,420	751,914	363,741	60,206	1,676,281
<i>Interest expense on deposits</i>	500,420	751,914	-	-	1,252,334
<i>Interest expense on funds borrowed</i>	-	-	38,788	15,257	54,045
<i>Interest expense on money market transactions</i>	-	-	227,659	1,472	229,131
<i>Interest expense on securities issued</i>	-	-	97,294	-	97,294
<i>Other interest expenses</i>	-	-	-	43,477	43,477
Net Interest Income	301,357	620,232	191,770	(13,168)	1,100,191
Net Fees and Commissions Income	103,776	35,604	-	801	140,181
Trading Income/ Losses (Net)	-	-	72,384	446	72,830
Dividend Income	-	-	(1,627)	12,405	10,778
Other Income	-	-	-	468,393	468,393
Provision For Losses on Loans and Other Receivables	72,853	211,864	49,272	79,119	413,108
Other Expenses	-	-	-	964,125	964,125
Income/Loss From Investments Under Equity Accounting	-	-	8,368	-	8,368
<b>Profit Before Taxes</b>	<b>332,280</b>	<b>443,972</b>	<b>221,623</b>	<b>(574,367)</b>	<b>423,508</b>
Provision for taxes	-	-	-	(80,894)	(80,894)
<b>Net Profit/ Loss</b>	<b>332,280</b>	<b>443,972</b>	<b>221,623</b>	<b>(655,261)</b>	<b>342,614</b>
<b>SEGMENT ASSETS</b>					
Securities Portfolio	-	-	22,805,008	83,351	22,888,359
Derivative financial assets held for trading purpose	-	-	524,468	-	524,468
Banks and Receivables From Money Markets	-	-	2,611,321	635,613	3,246,934
Investments in Associates and Subsidiaries(Net)	-	-	437,350	3,740	441,090
Loans	30,384,350	61,026,078	-	109,276	91,519,704
Other Assets	-	-	18,791,862	6,557,838	25,349,700
<b>TOTAL ASSETS</b>	<b>30,384,350</b>	<b>61,026,078</b>	<b>45,170,009</b>	<b>7,389,818</b>	<b>143,970,255</b>
<b>SEGMENT LIABILITIES</b>					
Deposits	35,344,054	49,316,967	-	-	84,661,021
Derivative Financial Liabilities Held for Trading Purpose	-	-	206,789	24,784	231,573
Interbank Money Market	-	-	17,036,487	198,811	17,235,298
Funds Borrowed	-	-	11,141,472	1,144,562	12,286,034
Securities Issued	-	-	6,273,334	-	6,273,334
Other Liabilities	-	-	2,351,517	4,274,402	6,625,919
Provisions and Tax Liabilities	-	-	-	3,931,982	3,931,982
Equity	-	-	-	12,725,094	12,725,094
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>35,344,054</b>	<b>49,316,967</b>	<b>37,009,599</b>	<b>22,299,635</b>	<b>143,970,255</b>

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

<b>Prior Period</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	784,051	1,075,049	432,607	68,657	2,360,364
<i>Interest income from loans</i>	784,051	1,075,049	-	312	1,859,412
<i>Interest income from securities portfolio</i>	-	-	430,908	13,131	444,039
<i>Interest income from banks</i>	-	-	1,303	20,256	21,559
<i>Interest income from money market transactions</i>	-	-	396	66	462
<i>Other interest income</i>	-	-	-	34,892	34,892
Interest Expense	331,615	430,714	133,334	94,735	990,398
<i>Interest expense on deposits</i>	331,615	430,714	-	-	762,329
<i>Interest expense on funds borrowed</i>	-	-	29,787	8,062	37,849
<i>Interest expense on money market transactions</i>	-	-	59,185	3,185	62,370
<i>Interest expense on securities issued</i>	-	-	44,362	-	44,362
<i>Other interest expenses</i>	-	-	-	83,488	83,488
Net Interest Income	452,436	644,335	299,273	(26,078)	1,369,966
Net Fees and Commissions Income	89,209	78,441	-	76	167,726
Trading Income/ Losses (Net)	-	-	80,722	6,178	86,900
Dividend Income	-	-	11,985	-	11,985
Other Income	-	-	-	410,406	410,406
Provision For Losses on Loans and Other Receivables	86,364	299,093	106,812	15,462	507,731
Other Expenses	-	-	-	848,001	848,001
Income/Loss From Investments Under Equity Accounting	-	-	7,289	-	7,289
<b>Profit Before Taxes</b>	<b>455,281</b>	<b>423,683</b>	<b>292,457</b>	<b>(472,881)</b>	<b>698,540</b>
Provision for taxes	-	-	-	(131,593)	(131,593)
<b>Net Profit/ Loss</b>	<b>455,281</b>	<b>423,683</b>	<b>292,457</b>	<b>(604,474)</b>	<b>566,947</b>
<b>SEGMENT ASSETS</b>					
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	58,127,560	-	117,330	88,673,058
Other Assets	-	-	17,951,402	6,835,376	24,786,778
<b>TOTAL ASSETS</b>	<b>30,428,168</b>	<b>58,127,560</b>	<b>43,708,462</b>	<b>7,523,392</b>	<b>139,787,582</b>
<b>SEGMENT LIABILITIES</b>					
Deposits	33,348,410	49,690,989	-	-	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	-	-	2,158,084	4,181,693	6,339,777
Provisions and Tax Liabilities	-	-	-	3,836,184	3,836,184
Equity	-	-	-	12,470,958	12,470,958
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>33,348,410</b>	<b>49,690,989</b>	<b>35,167,430</b>	<b>21,580,753</b>	<b>139,787,582</b>

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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	856,529	213,360	860,483	295,962
Central Bank of Turkey <sup>(*)</sup>	1,171,132	17,492,705	922,802	16,870,433
Others	50,046	23,730	19,591	5,911
<b>Total</b>	<b>2,077,707</b>	<b>17,729,795</b>	<b>1,802,876</b>	<b>17,172,306</b>

(\*) TL 14,742,271 (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 upto 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 upto 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	1,171,132	1,038,434	922,799	1,043,944
Unrestricted time deposits	-	-	-	-
Restricted time deposits <sup>(*)</sup>	-	1,712,000	3	1,284,000
Reserve Deposits	-	14,742,271	-	14,542,489
<b>Total</b>	<b>1,171,132</b>	<b>17,492,705</b>	<b>922,802</b>	<b>16,870,433</b>

(\*) The Parent Bank and CBT had disagreement about the reserve requirements deposited at CBT regarding the syndication loans obtained by foreign branches of the Parent Bank. Subsequent to the decision, CBT required the Parent Bank to provide reserve requirement for loans obtained by foreign branches, the Parent Bank filed a claim in Ankara 15th Administrative Court for the suspension of execution and cancellation of the decision. As at 15 June 2011, the court decided on refusal of the claim with the right to appeal on State Council. CBT requested the Parent Bank to provide additional reserves amounting to USD 384 million in average for 3.5 years period with the 4 May 2011 dated communique. In this context, the Parent Bank has began to provide additional reserve requirements at 27 May 2011.

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (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	98	8,427	105,248	8,403
Others	-	-	-	-
<b>Total</b>	<b>98</b>	<b>8,427</b>	<b>105,248</b>	<b>8,403</b>

*Trading securities subject to repurchase agreements*

None.

*Trading purpose derivative financial assets*

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	13,469	222	28,203	375
Swap transactions	395,475	102,890	327,932	79,820
Futures	-	-	-	-
Options	2,138	10,274	15	2,050
Others	-	-	-	-
<b>Total</b>	<b>411,082</b>	<b>113,386</b>	<b>356,150</b>	<b>82,245</b>

**3. Information on banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	637,291	2,604,301	379,923	2,778,428
Domestic	634,159	534,784	379,110	86,557
Foreign	3,132	2,069,517	813	2,691,871
Foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>637,291</b>	<b>2,604,301</b>	<b>379,923</b>	<b>2,778,428</b>



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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (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	970,890	269,227	241,746	261,615
Others	32,700	-	-	-
<b>Total</b>	<b>1,003,590</b>	<b>269,227</b>	<b>241,746</b>	<b>261,615</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	11,094,254	164,306	8,312,947	111,436
Treasury bills	-	-	-	-
Other debt securities	-	2,839,982	-	2,988,480
Bonds issued or guaranteed by banks	-	62,147	-	76,750
Asset backed securities	-	-	-	-
<b>Total</b>	<b>11,094,254</b>	<b>3,066,435</b>	<b>8,312,947</b>	<b>3,176,666</b>

*Information on available-for-sale financial assets*

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Debt securities</b>		<b>17,830,114</b>		<b>16,992,896</b>
Quoted		17,830,114		16,992,896
Unquoted		-		-
<b>Equity securities</b>		<b>15,100</b>		<b>13,375</b>
Quoted		2,642		-
Unquoted		12,458		13,375
<b>Provisions for impairment losses (-)</b>		<b>293,006</b>		<b>348,862</b>
<b>Total</b>		<b>17,552,208</b>		<b>16,657,409</b>

**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
<b>Direct loans provided to the shareholders</b>	-	<b>27,277</b>	-	<b>27,065</b>
Legal entities	-	27,277	-	27,065
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>	-	-	-	-
<b>Loans provided to the employees</b>	<b>81,331</b>	<b>29</b>	<b>79,959</b>	<b>29</b>
<b>Total</b>	<b>81,331</b>	<b>27,306</b>	<b>79,959</b>	<b>27,094</b>

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*Information about loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled*

Cash Loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Agreement conditions modified		Loans and other receivables	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
<b>Non-specialized loans</b>	<b>86,558,381</b>	<b>226,766</b>	-	<b>3,671,032</b>	<b>660,350</b>	-
Loans given to enterprises	23,982,639	66,428	-	1,219,863	355,450	-
Export loans	3,992,909	19,856	-	72,343	8,625	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2,538,111	-	-	64	-	-
Consumer loans	25,577,580	139,894	-	1,266,808	246,260	-
Credit cards	3,851,294	-	-	261,481	6,831	-
Other	26,615,848	588	-	850,473	43,184	-
<b>Specialized lending</b>	<b>6,355</b>	-	-	-	-	-
<b>Other receivables</b>	<b>7,438</b>	-	-	-	-	-
<b>Total</b>	<b>86,572,174</b>	<b>226,766</b>	-	<b>3,671,032</b>	<b>660,350</b>	-

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

Number of modifications to extend payment plans	Standard Loans and Other Receivables (*)	Loans and other receivables under close monitoring (*)
Extended for 1 or 2 times	226,766	442,463
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

Extended period of time	Standard Loans and Other Receivables (*)	Loans and other receivables under close monitoring (*)
0-6 Months	34	4
6-12 Months	1,402	1,329
1-2 Years	22,470	10,520
2-5 Years	171,748	137,152
5 Years and Over	31,112	293,458

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

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

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

	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>291,007</b>	<b>25,732,908</b>	<b>26,023,915</b>
Housing loans	4,194	13,602,504	13,606,698
Automobile loans	4,739	535,947	540,686
General purpose loans	230,898	9,445,761	9,676,659
Others	51,176	2,148,696	2,199,872
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
<b>Consumer loans – FC</b>	<b>1,743</b>	<b>7,004</b>	<b>8,747</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,743	7,004	8,747
Others	-	-	-
<b>Retail credit cards – TL</b>	<b>2,992,081</b>	<b>19,399</b>	<b>3,011,480</b>
With installment	1,475,271	16,822	1,492,093
Without installment	1,516,810	2,577	1,519,387
<b>Retail credit cards – FC</b>	<b>1,247</b>	-	<b>1,247</b>
With installment	-	-	-
Without installment	1,247	-	1,247
<b>Personnel loans – TL</b>	<b>2,199</b>	<b>37,387</b>	<b>39,586</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	2,181	37,387	39,568
Others	18	-	18
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
<b>Personnel loans – FC</b>	<b>496</b>	<b>48</b>	<b>544</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	496	48	544
Others	-	-	-
<b>Personnel credit cards – TL</b>	<b>41,052</b>	<b>54</b>	<b>41,106</b>
With installment	19,109	47	19,156
Without installment	21,943	7	21,950
<b>Personnel credit cards – FC</b>	<b>95</b>	-	<b>95</b>
With installment	-	-	-
Without installment	95	-	95
<b>Overdraft Checking Accounts – TL (Real persons)</b>	<b>1,157,677</b>	-	<b>1,157,677</b>
<b>Overdraft Checking Accounts – FC (Real persons)</b>	<b>73</b>	-	<b>73</b>
<b>Total</b>	<b>4,487,670</b>	<b>25,796,800</b>	<b>30,284,470</b>

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*Installment based commercial loans and corporate credit cards*

	Short-Term	Medium and Long-Term	Total
<b>Installment-based commercial loans – TL</b>	<b>854,629</b>	<b>16,477,011</b>	<b>17,331,640</b>
Real estate loans	1,040	364,038	365,078
Automobile loans	20,202	1,484,529	1,504,731
General purpose loans	833,387	14,628,444	15,461,831
Others	-	-	-
<b>Installment-based commercial loans – FC indexed</b>	<b>33,042</b>	<b>625,992</b>	<b>659,034</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	33,042	625,992	659,034
Others	-	-	-
<b>Installment-based commercial loans – FC</b>	<b>538,453</b>	<b>4,115,809</b>	<b>4,654,262</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	538,429	1,416,512	1,954,941
Others	24	2,699,297	2,699,321
<b>Corporate credit cards – TL</b>	<b>1,065,441</b>	<b>42</b>	<b>1,065,483</b>
With installment	451,803	42	451,845
Without installment	613,638	-	613,638
<b>Corporate credit cards – FC</b>	<b>195</b>	<b>-</b>	<b>195</b>
With installment	-	-	-
Without installment	195	-	195
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>567,737</b>	<b>-</b>	<b>567,737</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,059,497</b>	<b>21,218,854</b>	<b>24,278,351</b>

*Allocation of domestic and overseas loans*

	Current Period	Prior Period
Domestic loans	90,749,241	87,928,337
Overseas loans	381,081	375,709
<b>Total</b>	<b>91,130,322</b>	<b>88,304,046</b>

*Loans to associates and subsidiaries*

	Current Period	Prior Period
Directly loans to associates and subsidiaries	3,228	13
Indirectly loans to associates and subsidiaries	-	-
<b>Total</b>	<b>3,228</b>	<b>13</b>

*Specific provisions for loans*

Specific Provisions	Current Period	Prior Period
Loans and receivables with limited collectibility	109,724	83,075
Loans and receivables with doubtful collectibility	578,828	660,691
Uncollectible loans and receivables	2,800,941	2,623,687
<b>Total</b>	<b>3,489,493</b>	<b>3,367,453</b>

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*Information on non-performing loans (Net)*

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
<b>Current period</b>	<b>51,131</b>	<b>61,023</b>	<b>64,917</b>
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	51,131	61,023	64,917
<b>Prior period</b>	<b>46,682</b>	<b>72,045</b>	<b>65,263</b>
(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 collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
<b>Balance at the beginning of the period</b>	<b>412,200</b>	<b>661,776</b>	<b>2,662,489</b>
Additions (+)	303,383	49,042	7,543
Transfers from other categories of loans under follow-up (+)	-	235,400	276,137
Transfers to other categories of loans under follow-up (-) <sup>(*)</sup>	255,693	291,247	31,813
Collections (-)	32,325	40,063	78,777
Write-offs (-)	-	-	-
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Others</i>	-	-	-
Currency differences	705	-	118
<b>Balance at the end of the period</b>	<b>428,270</b>	<b>614,908</b>	<b>2,835,697</b>
Specific provisions (-)	109,724	578,828	2,800,941
<b>Net balance on balance sheet</b>	<b>318,546</b>	<b>36,080</b>	<b>34,756</b>

<sup>(\*)</sup> 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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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
<b>Current Period</b>			
Balance at the end of the year	13,471	33,742	321,481
Specific provisions (-)	2,694	33,742	318,660
<b>Net balance on balance sheet</b>	<b>10,777</b>	<b>-</b>	<b>2,821</b>
<b>Prior Period</b>			
Balance at the end of the year	33,864	1,980	324,226
Specific provisions (-)	6,773	1,980	321,412
<b>Net balance on balance sheet</b>	<b>27,091</b>	<b>-</b>	<b>2,814</b>

Non-performing loans due to foreign currency denominated loans provided by the Parent Bank or domestic financial subsidiaries are followed in TL accounts, while non-performing loans provided by subsidiaries in abroad are followed in foreign currency accounts.

***Write-off policy for uncollectible loans and receivables***

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

***Loan customer concentration of non-performing loans***

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
<b>Current Period (Net)</b>			
Consumer and commercial loans (Gross)	395,624	608,781	2,745,024
Specific provisions (-)	87,502	572,701	2,737,020
Consumer and commercial loans (Net)	308,122	36,080	8,004
Banks (Gross)	27,827	-	39,274
Specific provisions (-)	21,258	-	12,522
Banks (Net)	6,569	-	26,752
Other loans and receivables (Gross)	4,819	6,127	51,399
Specific provisions (-)	964	6,127	51,399
Other loans and receivables (Net)	3,855	-	-
<b>Prior Period (Net)</b>	<b>329,125</b>	<b>1,085</b>	<b>38,802</b>
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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**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	5,170,207	-	5,358,742	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	-	-	11,590
<b>Total</b>	<b>5,170,207</b>	<b>-</b>	<b>5,358,742</b>	<b>11,590</b>

*Information on held-to-maturity investment securities*

	Current Period	Prior Period
<b>Debt Securities</b>	<b>5,308,951</b>	<b>5,470,531</b>
Quoted at stock exchanges	5,223,312	5,427,692
Unquoted at stock exchanges	85,639	42,839
<b>Impairment losses (-)</b>	<b>53,105</b>	<b>57,360</b>
<b>Total</b>	<b>5,255,846</b>	<b>5,413,171</b>

*The movement table of the held-to-maturity investments*

	Current Period	Prior Period
<b>Balances at the beginning of the period</b>	<b>5,413,171</b>	<b>4,261,060</b>
Foreign currency differences on monetary assets	(289)	54,323
Purchases during the period	478,800	2,530,205
Transfers to available for sale portfolio	-	-
Disposals through sales/redemptions	(649,448)	(1,507,738)
Impairment losses	4,255	13,979
Change in amortized costs of the securities (*)	9,357	61,342
<b>Balances at the end of the period</b>	<b>5,255,846</b>	<b>5,413,171</b>

(\*) 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	441,386	85,600	445,518	85,639
Investments subject to repurchase agreements	4,537,109	-	4,653,557	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others (*)	70,431	-	71,132	-
<b>Total</b>	<b>5,048,926</b>	<b>85,600</b>	<b>5,170,207</b>	<b>85,639</b>

(\*) 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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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 <sup>(*)</sup>	247,800	10,908	246,227	11,590
<b>Total</b>	<b>5,251,755</b>	<b>53,708</b>	<b>5,358,742</b>	<b>54,429</b>

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

**7. Investments in associates**

*Unconsolidated investments in associates*

Title	Address (City/ Country)	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 Enternasyonel Otelcilik AŞ	İstanbul/ Turkey	5.00	5.00
6 İstanbul Takas ve Saklama Bankası AŞ <sup>(*)</sup>	İstanbul/ Turkey	4.86	5.28
7 Kredi Garanti Fonu AŞ	Ankara/ Turkey	1.75	1.75
8 Tasfiye Halinde World Vakıf UBB Ltd.	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	2,331,518	448,827	404,779	6,559	-	36,103	11,213	-
2	46,506	25,427	31,918	189	-	3,047	282	-
3	104,072	79,180	51,627	1,111	1	9,275	5,365	-
4	129,149	(7,971)	87,979	110	-	(1,933)	(1,259)	-
5	99,323	21,031	93,948	-	-	(3,086)	(1,743)	-
6	5,596,026	590,396	20,122	116,776	6,894	81,809	55,168	-
7	280,660	276,068	2,768	2,674	-	3,922	2,122	-
8	1,503	(47,645)	-	-	-	(1,282)	(898)	-

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

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



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

The liquidation process of World Vakıf Off 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 name has been changed as “World Vakıf UBB Ltd in Liquidation”.

***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 Enternasyonel AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

***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	836,271	67,417	9,961	17,418	2,419	476	733	-
2	13,657,227	2,022,725	264,928	122,170	73,910	98,819	93,732	2,371,484

(\*) These figures are obtained from reviewed 31 March 2014 financial statements announced at Public Disclosure Platform.

***Movement of consolidated investments in associates***

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>203,241</b>	<b>217,563</b>
<b>Movements during the period</b>	<b>1,608</b>	<b>(14,322)</b>
Transfers	-	-
Acquisitions	-	-
Bonus shares received	16,755	16,755
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	(15,147)	(31,077)
Impairment losses	-	-
<b>Balance at the end of the period</b>	<b>204,849</b>	<b>203,241</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of period (%)</b>	-	-

# TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

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

In the current period, subsequent to the approval of the decision to change the paid-in capital of İstanbul Takas ve Saklama Bankası A.Ş. in the Ordinary Meeting of General Assembly of the Company dated 28 March 2014, the share of the Bank amounting to TL 3,230 is presented in the movement table of investments in associates as bonus shares received.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ 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. The share of the Bank amounting to TL 8,745 is presented as bonus shares received and TL 8,745 is presented as acquisitions and capital increases in the movement table of investments in associates.

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

### *Sectoral distribution of consolidated investments and associates*

	<b>Current Period</b>	<b>Prior Period</b>
Banks	204,849	203,241
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	-	-
<b>Total</b>	<b>204,849</b>	<b>203,241</b>

### *Quoted associates*

	<b>Current Period</b>	<b>Prior Period</b>
Quoted at domestic stock exchanges	198,730	197,122
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>198,730</b>	<b>197,122</b>

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

*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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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (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 B Tipi Menkul Kıydetler 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	21,599	93
Valuation changes in marketable securities	2,739	2,577	27,707	-	153,257	551	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	-	-	-	17,734	-	-	-	-
Free shares from investment and associates, subsidiaries and joint ventures (business)	-	-	-	-	59	191	-	-	-
Legal Reserves	7,237	3,831	5,455	4,988	17,178	15,921	872	3,440	395
Extraordinary Reserves	-	35,724	3,788	32,280	19,246	33,816	5,999	56,396	-
Other Profit Reserves	130,205	293	2,233	66	(569)	226	19	27	(9)
Profit/Loss	103,828	1,424	2,824	(7,438)	(111,296)	44,020	580	1,042	(2,696)
<i>Prior Years' Profit/Loss</i>	96,215	1,181	884	(8,962)	(124,742)	41,213	-	-	(2,509)
<i>Current Years' Profit/Loss</i>	7,613	243	1,940	1,524	13,446	2,807	580	1,042	(187)
Minority Rights		87							
<b>Total Core Capital</b>	<b>358,492</b>	<b>109,289</b>	<b>77,144</b>	<b>81,113</b>	<b>247,057</b>	<b>131,649</b>	<b>10,486</b>	<b>198,463</b>	<b>12,783</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>358,492</b>	<b>109,289</b>	<b>77,144</b>	<b>81,113</b>	<b>247,057</b>	<b>131,649</b>	<b>10,486</b>	<b>198,463</b>	<b>12,783</b>
<b>NET AVAILABLE EQUITY</b>	<b>358,492</b>	<b>109,289</b>	<b>77,144</b>	<b>81,113</b>	<b>247,057</b>	<b>131,649</b>	<b>10,486</b>	<b>198,463</b>	<b>12,783</b>

The figures from reviewed BRSA financial statements as at 31 March 2014 are presented.

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Vakıf Yatırım Menkul Değerler AŞ, a subsidiary of the Parent Bank, calculates capital adequacy in accordance with “Comminique on Capital and Capital Adequacy of Intermediary Firms” of CMB every six months. Güneş Sigorta AŞ ve Vakıf Emeklilik AŞ that operate in insurance business calculate capital adequacy in accordance with “Comminique on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms” published by Undersecretariat of Treasury every six month. According to the calculations at 31 March 2014, there is no capital requirement for the subsidiaries mentioned.

***Unconsolidated investments in subsidiaries***

	<b>Title</b>	<b>Address (City / Country)</b>	<b>Bank’s Share –If Different, Voting Rights (%)</b>	<b>Bank’s Risk Group Share (%)</b>
1	Vakıf Enerji ve Madencilik AŞ <sup>(*)</sup>	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

	<b>Total Assets</b>	<b>Equity</b>	<b>Tangible Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Year’s Profit/(Loss)</b>	<b>Prior Years’ Profit/(Loss)</b>	<b>Fair Value</b>
1	17,001	8,615	1,063	476	-	(32)	(210)	12,500
2	286,299	280,561	155,233	2,960	-	673	828	288,432
3	59,346	47,483	547	598	49	945	1,299	41,626
4	31,070	23,534	675	632	32	2,428	775	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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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (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 B Tipi Menkul Kıymetler 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	1,264,091	341,665	349,588	4,565	318	10,054	(15,275)	256,500
2	2,459,154	143,136	60,816	11,933	58	4,140	6,041	412,309
3	393,134	81,112	2,463	6,476	-	(192)	1,643	111,245
4	1,165,885	109,286	5,522	19,074	5	243	(1,056)	66,300
5	282,741	74,934	333	2,257	169	1,893	4,963	56,904
6	2,706,604	358,493	1,948	19,084	3,531	7,612	4,457	300,641
7	10,888	10,492	154,839	257	3	580	451	29,006
8	13,265	12,783	53	102	160	(187)	(1,445)	13,800
9	200,537	198,462	143,298	508	622	1,041	1,136	970,668

(\*) These figures are obtained from reviewed 31 March 2014 financial statements announced at Public Disclosure Platform.

*Movement table of consolidated investments in subsidiaries in unconsolidated financial statements*

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>1,163,983</b>	<b>912,209</b>
<b>Movements during the period</b>	<b>(96,385)</b>	<b>251,774</b>
Transfers	-	-
Acquisitions	-	51,626
Bonus shares received	-	3,267
Share of current year profit	(31,982)	(15,272)
Sales and liquidations	-	-
Fair value changes	(66,553)	212,153
Impairment losses	2,150	-
<b>Balance at the end of the period</b>	<b>1,067,598</b>	<b>1,163,983</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of the period (%)</b>	-	-

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*Valuation of consolidated subsidiaries in unconsolidated financial statements*

	<b>Current Period</b>	<b>Prior Period</b>
Measured at cost	-	-
Measured at fair value	1,067,598	1,163,983
Equity method of accounting	-	-
<b>Total</b>	<b>1,067,598</b>	<b>1,163,983</b>

*Sectoral distribution of consolidated investments in subsidiaries*

	<b>Current Period</b>	<b>Prior Period</b>
Banks	270,577	270,577
Insurance companies	315,492	341,751
Factoring companies	87,205	87,205
Leasing companies	39,180	36,636
Financing companies	-	-
Other financial subsidiaries	355,144	427,814
<b>Total</b>	<b>1,067,598</b>	<b>1,163,983</b>

*Quoted consolidated subsidiaries*

	<b>Current Period</b>	<b>Prior Period</b>
Quoted at domestic stock exchanges	402,242	478,631
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>402,242</b>	<b>478,631</b>

*Consolidated subsidiaries disposed during the year*

There is not any disposal in the consolidated subsidiaries in the current year.

*Consolidated investments in subsidiaries acquired during the period*

There is no subsidiary acquired in the current period.

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.

**8. Investments in joint-ventures**

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

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**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	407,292	339,450	294,378	248,630
Between 1-4 years	702,855	622,332	645,869	567,960
Longer than 4 years	21,717	17,016	88,692	83,633
<b>Total</b>	<b>1,131,864</b>	<b>978,798</b>	<b>1,028,939</b>	<b>900,223</b>

*Net investments in finance lease receivables*

	Current Period	Prior Period
Gross finance lease receivables	1,131,864	1,028,939
Unearned income on finance lease receivables (-)	(153,066)	(128,716)
Terminated lease contracts (-)	-	-
<b>Net finance lease receivables</b>	<b>978,798</b>	<b>900,223</b>

*Finance lease agreements*

Sum of the minimum lease payments including interest and principal amounts are stated under the “finance lease receivables” as gross. The difference between the total of rent payments and the cost of the related fixed assets is reflected to the “unearned income” account. If the lease payments are made, the lease principal amount is deducted from the “finance lease receivables” as the interest component of the payment is reflected to interest income on the consolidated statement of income.

**11. Information on derivative financial instruments held for risk management purposes**

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

None.

**12. Information on investment properties**

As at 31 March 2014, the Group has investment property amounting to TL 21,921 (31 December 2013: TL 20,829) in total which consists of for the subsidiaries operating in the insurance business.



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**13. Information on deferred tax assets**

**a) Current tax assets**

As at 31 March 2014 the current tax assets amounts to TL 5,851 (31 December 2013: 6,891).

**b) Deferred tax assets**

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

	<b>Current Period</b>	<b>Prior Period</b>
Provision for employee termination benefits and unused vacations	75,255	73,189
Other provisions	48,823	45,538
Tax losses carried forward	25,256	24,601
Valuation difference for associates and subsidiaries	32,716	26,465
Investment incentives	19,959	21,053
Valuation differences of financial assets and liabilities	58,104	16,172
Reporting Standarts - Tax Code depreciation differences	9,171	8,802
Other differences	16,236	14,568
<b>Deferred tax assets</b>	<b>285,520</b>	<b>230,388</b>
Net-off of the deferred tax assets and liabilities from the same entity	(146,214)	(72,752)
<b>Deferred tax assets, (net)</b>	<b>139,306</b>	<b>157,636</b>

	<b>Current Period</b>	<b>Prior Period</b>
Valuation differences of financial assets and liabilities	94,926	64,672
Valuation difference for associates and subsidiaries	48,456	1,161
Other differences	7,063	10,894
<b>Deferred tax liabilities</b>	<b>150,445</b>	<b>76,727</b>
Net-off of the deferred tax assets and liabilities from the same entity	(146,214)	(72,752)
<b>Deferred tax liabilities, (net)</b>	<b>4,231</b>	<b>3,975</b>

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

As at 31 March 2014, net book value of assets held for sale of the Group is amounting to TL 535,544 (31 December 2013: TL 566,913).

**15. Information on other assets**

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

	<b>Current Period</b>	<b>Prior Period</b>
Receivables from credit cards	448,273	596,284
Prepaid expenses	627,115	518,826
Receivables from reinsurance companies	694,566	598,482
Guarantees given for repurchase agreements	113,178	392,641
Receivables from insurance operations	274,162	293,382
Receivables from term sale of assets	90,500	96,948
Deferred commission expenses	10,604	86,788
Receivables from derivative financial instruments	37,526	61,219
Others	189,546	374,050
<b>Total</b>	<b>2,485,470</b>	<b>3,018,620</b>

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**II. Information and disclosures related to consolidated liabilities**

**1. Information on maturity profile of deposits**

<b>Current Period</b>	<b>Demand</b>	<b>7 Days Notice</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Accumulating Deposit Accounts</b>	<b>Total</b>
<b>Saving deposits</b>	3,212,659	-	324,758	15,847,893	1,181,197	393,511	176,000	-	21,136,018
<b>Foreign currency deposits</b>	3,912,687	-	1,794,395	10,954,987	1,381,483	1,755,931	4,019,705	-	23,819,188
Residents in Turkey	3,501,009	-	1,787,310	10,739,635	1,154,034	1,079,534	985,614	-	19,247,136
Residents in abroad	411,678	-	7,085	215,352	227,449	676,397	3,034,091	-	4,572,052
<b>Public sector deposits</b>	3,112,624	-	1,305,939	4,877,069	891,280	899,961	176,887	-	11,263,760
<b>Commercial deposits</b>	1,348,789	-	2,812,372	11,597,166	448,765	271,314	114,388	-	16,592,794
<b>Others</b>	2,902,027	-	891,365	3,660,217	299,452	91,947	28,125	-	7,873,133
<b>Precious metal deposits</b>	749,025	-	-	-	-	-	-	-	749,025
<b>Bank deposits</b>	47,892	-	1,284,759	1,542,455	248,137	10,456	93,404	-	3,227,103
Central Bank	476	-	-	-	-	-	-	-	476
Domestic banks	3,953	-	1,198,651	675,440	162,533	10,456	-	-	2,051,033
Foreign banks	35,250	-	86,108	867,015	85,604	-	93,404	-	1,167,381
Participation banks	8,213	-	-	-	-	-	-	-	8,213
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>15,285,703</b>	<b>-</b>	<b>8,413,588</b>	<b>48,479,787</b>	<b>4,450,314</b>	<b>3,423,120</b>	<b>4,608,509</b>	<b>-</b>	<b>84,661,021</b>

<b>Prior Period</b>	<b>Demand</b>	<b>7 Days Notice</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Accumulating Deposit Accounts</b>	<b>Total</b>
<b>Saving deposits</b>	2,981,927	-	303,254	15,576,713	1,449,324	403,340	180,434	-	20,894,992
<b>Foreign currency deposits</b>	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
<b>Public sector deposits</b>	3,132,866	-	1,811,779	5,896,887	595,073	330,113	173,382	-	11,940,100
<b>Commercial deposits</b>	1,756,803	-	2,924,845	10,395,210	1,268,039	418,441	114,238	-	16,877,576
<b>Others</b>	2,732,077	-	908,535	2,707,201	526,608	949,011	19,986	-	7,843,418
<b>Precious metal deposits</b>	1,058,805	-	-	-	-	-	-	-	1,058,805
<b>Bank deposits</b>	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	9,065	-	101,282	959,141	93,674	182,709	92,905	-	1,438,776
Participation banks	6,536	-	-	-	-	-	-	-	6,536
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13,905,410</b>	<b>-</b>	<b>10,062,074</b>	<b>44,885,331</b>	<b>5,485,829</b>	<b>3,901,860</b>	<b>4,798,895</b>	<b>-</b>	<b>83,039,399</b>

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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	11,658,475	10,798,600	9,477,543	10,096,392
Foreign currency saving deposits	3,383,474	3,422,906	8,768,505	7,000,952
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
<b>Total</b>	<b>15,041,949</b>	<b>14,221,506</b>	<b>18,246,048</b>	<b>17,097,344</b>

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

	Current Period	Prior Period
Deposits and other accounts at foreign branches	19,003	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	2,850	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	12,950	208	47,540	362
Swaps	139,928	66,087	83,783	85,730
Futures	-	-	-	-
Options	212	12,188	15	2,050
<b>Total</b>	<b>153,090</b>	<b>78,483</b>	<b>131,338</b>	<b>88,142</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	573,282	222,403	190,750	310,394
Foreign banks, institutions and funds	60,122	11,430,227	221,472	11,563,045
<b>Total</b>	<b>633,404</b>	<b>11,652,630</b>	<b>412,222</b>	<b>11,873,439</b>

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*Maturity information of funds borrowed*

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term (*)	387,758	6,470,489	135,039	6,757,418
Medium and Long-term (*)	245,646	5,182,141	277,183	5,116,021
<b>Total</b>	<b>633,404</b>	<b>11,652,630</b>	<b>412,222</b>	<b>11,873,439</b>

(\*) Maturity profile of funds borrowed has been prepared in accordance with their original maturities.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 9.36% (31 December 2013: 9.65%) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

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

This loan has been renewed with a syndicated loan at the amount of US Dollar 145 million and Euro 433 million with interest rates of US Libor + 1.00 % and Euribor + 1.00 % at a maturity of one year, with the participation of 26 banks under the coordination of ING Bank NV on 7 September 2011. The syndicated loan’s repayment was realized on 10 September 2012. This loan has been renewed with a syndicated loan at the amount of US Dollar 151 million and Euro 444.5 million with the interest rate of US Libor + 1.35% and Euribor + 1.35% at a maturity of one year, with the participation of 24 banks with the coordination and agency of ING Bank N.V. on 18 September 2012. The loan’s payment was realized on 20 September 2013 and as at the same date the loan has been renewed with a 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 28 March 2011, the Parent Bank has obtained syndication loan of US Dollar 192.5 million and Euro 573.5 million with one year maturity at the cost Libor + 1.10% for US Dollar and Euribor + 1.10% for Euro, with the participation of 34 banks under the coordination of West LB AG, the loan was repaid on 29 March 2012. This loan has been renewed with a syndicated loan at the amount of US Dollar 152 million and Euro 586.7 million with interest rates of US Libor + 1.45 % and Euribor + 1.45 % at a maturity of one year, with the participation of 41 banks under the coordination of Wells Fargo Bank NA on 10 April 2012. Repayment of the loan obtained on 10 April 2012 was realized on 12 April 2013. This loan has been renewed with a 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 and Brussels Branch acting as agent banks and under the coordination of Bank of America Merrill Lynch on 11 April 2013.

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, WellsFargo and 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 West LB and

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Wells Fargo. The coordinator bank of the segment of 2011-C amounting to US Dollar 131.5 has become ING. As at 31 March 2014, total securitization loan amounts to 547.9 billion.

**Information on securities issued**

	Current period		Prior period	
	TL	FC	TL	FC
Nominal	2,275,294	3,985,414	2,357,636	4,499,865
Cost	2,178,543	3,962,698	2,256,108	4,477,363
Net Book Value	2,230,221	4,043,113	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	1,282,966	1,275,984	1,299,602
US90015NAA19	Fixed	5.75	USD	24.04.2012	24.04.2017	1,826	1,056,711	1,048,041	1,079,474
TRQVKFB51438	Discounted	-	TL	08.11.2013	02.05.2014	175	592,145	570,000	588,180
TRQVKFB61411	Discounted	-	TL	20.12.2013	06.06.2014	168	572,656	550,394	564,579
XS0976659234	Fixed	1.73	TL	03.10.2013	03.04.2014	182	64,200	64,161	64,749
TRQVKFB51412	Discounted	-	TL	17.05.2013	16.05.2014	364	59,999	56,822	59,567
TRQVKFB51420	Discounted	-	TL	05.07.2013	16.05.2014	315	52,750	49,427	52,225
XS0987355939	Fixed	5	USD	31.10.2013	31.10.2018	1,826	1,070,000	1,063,045	1,085,963
XS0997543896	Fixed	1.49	USD	22.11.2013	28.05.2014	187	23,540	23,534	23,663
TRQVKFB81419	Discounted	-	USD	06.09.2013	22.08.2014	350	27,945	25,569	26,893
XS0943035328	Floating	1.53	USD	14.06.2013	16.06.2014	367	29,532	29,488	29,881
XS0942820803	Fixed	1	USD	12.06.2013	13.06.2014	366	28,094	28,080	28,316
XS1008673540	Fixed	1.59	USD	24.12.2013	23.06.2014	181	85,600	85,596	85,963
TRQVKFB61429	Discounted	-	USD	17.01.2014	20.06.2014	154	419,832	403,994	411,500
TRQVKFB81427	Discounted	-	USD	28.02.2014	22.08.2014	175	549,967	522,337	527,277
XS1012364631	Fixed	1.30	TL	03.01.2014	03.04.2014	90	164,138	164,138	164,654
XS1015131904	Fixed	1.30	TL	15.01.2014	17.04.2014	92	66,768	66,768	66,949
XS1048506775	Fixed	2.00	USD	25.03.2014	25.09.2014	184	25,038	25,038	25,047
XS1048506858	Fixed	1.75	USD	25.03.2014	26.06.2014	93	67,196	67,196	67,218
XS1049207563	Fixed	1.75	USD	27.03.2014	24.06.2014	89	21,631	21,629	21,634
<b>Total</b>							<b>6,260,708</b>	<b>6,141,241</b>	<b>6,273,334</b>

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

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

5. **Criteria used in the determination of lease installments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts**

**Obligations under finance leases**

None.

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.

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**7. Information on provisions**

*Information on general provisions*

	<b>Current Period</b>	<b>Prior period</b>
Provisions for loans and receivables in Group I	991,540	1,004,336
-Additional provision for loans with extended payment plans	12,168	13,327
Provisions for loans and receivables in Group II	139,664	105,037
-Additional provision for loans with extended payment plans	2,992	3,297
Provisions for non-cash loans	75,365	76,647
Others	5,065	4,719
<b>Total</b>	<b>1,211,634</b>	<b>1,190,739</b>

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

As at 31 March 2014 the Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 20,401 (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 31 March 2014, the Bank has recorded TL 58,429 (31 December 2013: TL 54,771) as specific provisions for non-cash loans that are not indemnified or converted into cash.

*Information on other provisions*

As at 31 March 2014, the Parent Bank has recorded provision amounting to 5% of loans under follow up (31 December 2013: 5%). Part of that amount has been recognized under general provisions and the remaining TL 91,001 (31 December 2013: TL 70,915) has been recognized as provisions for miscellaneous risks under other provisions in the accompanying financial statements.

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

	<b>Current Period</b>	<b>Prior Period</b>
Provision for loans under follow-up	91,001	70,915
Specific provisions for non-cash loans	58,429	54,771
Provision for World Vakif UBB Ltd with regard to its negative equity	39,545	38,510
Provision for cheques	31,656	27,825
Provisions for lawsuits against the Group	15,014	16,023
Provisions for credit card promotions	9,785	9,469
Other provisions	75,910	72,608
<b>Total</b>	<b>321,340</b>	<b>290,121</b>

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**8. Taxation**

***Current Taxes***

*Tax provision*

As at and for the three-month period ended 31 March 2014, the tax liability of the Group is amounting to TL 43,635 (31 December 2013: TL 61,399).

*Information on taxes payable*

	<b>Current Period</b>	<b>Prior Period</b>
Corporate taxes payable	43,635	61,399
Taxation on securities	117,848	89,264
Capital gains tax on property	2,162	1,903
Banking and Insurance Transaction Tax (BITT)	45,809	44,929
Taxes on foreign exchange transactions	-	-
Value added tax payable	5,043	4,360
Others	50,463	32,870
<b>Total</b>	<b>264,960</b>	<b>234,725</b>

*Information on premiums payable*

	<b>Current Period</b>	<b>Prior Period</b>
Social security premiums- employee share	730	656
Social security premiums- employer share	1,794	1,538
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	6	3
Pension fund membership fees and provisions- employer share	11	-
Unemployment insurance- employee share	968	590
Unemployment insurance- employer share	2,006	1,237
Others	8	8
<b>Total</b>	<b>5,523</b>	<b>4,032</b>

*Information on deferred tax liabilities*

Disclosed in Note 13 of information and disclosures for consolidated assets.

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

None.

**10. Information on subordinated loans**

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

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

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

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**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.

*Valuation differences of the securities*

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	68,259	-	52,966	-
Fair value differences of available-for-sale securities	(364,445)	185,098	(325,543)	122,858
Foreign exchange differences	-	-	-	-
<b>Total</b>	<b>(296,186)</b>	<b>185,098</b>	<b>(272,577)</b>	<b>122,858</b>



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

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

*Type and amount of irrevocable commitments*

	<b>Current Period</b>	<b>Prior Period</b>
Commitments for credit card limits	6,555,275	6,261,117
Loan granting commitments	7,057,738	6,739,356
Commitments for cheque payments	1,343,232	1,320,438
Asset purchase commitments	1,939,357	4,175,776
Other	668,374	682,963
<b>Total</b>	<b>17,563,976</b>	<b>19,179,650</b>

*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 58,429 (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 136,496 (31 December 2013: TL 114,834).

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

	<b>Current Period</b>	<b>Prior Period</b>
Provisional letters of guarantee	824,235	780,782
Final letters of guarantee	6,248,860	6,262,616
Letters of guarantee for advances	2,618,351	2,617,441
Letters of guarantee given to custom offices	701,682	650,221
Other letters of guarantee	8,009,349	7,590,763
<b>Total</b>	<b>18,402,477</b>	<b>17,901,823</b>

**2. Non-cash loans**

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans given for cash loan risks	2,310,991	1,424,617
With original maturity of 1 year or less	1,741,853	915,858
With original maturity of more than 1 year	569,138	508,759
Other non-cash loans	21,969,606	21,982,089
<b>Total</b>	<b>24,280,597</b>	<b>23,406,706</b>

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>77,676</b>	<b>0.53</b>	<b>97,036</b>	<b>1.02</b>	<b>82,111</b>	<b>0.57</b>	<b>102,147</b>	<b>1.13</b>
Farming and cattle	69,001	0.47	90,760	0.96	73,609	0.51	88,829	0.98
Forestry	7,207	0.05	3,996	0.04	6,919	0.05	11,003	0.12
Fishing	1,468	0.01	2,280	0.02	1,583	0.01	2,315	0.03
<b>Manufacturing</b>	<b>6,555,731</b>	<b>44.30</b>	<b>4,376,199</b>	<b>46.15</b>	<b>6,294,048</b>	<b>43.89</b>	<b>4,055,439</b>	<b>44.73</b>
Mining	122,751	0.83	32,371	0.34	157,070	1.10	65,192	0.72
Production	3,879,903	26.22	4,202,580	44.32	3,598,968	25.10	3,836,908	42.32
Electric, gas and water	2,553,077	17.25	141,248	1.49	2,538,010	17.69	153,339	1.69
<b>Construction</b>	<b>2,834,301</b>	<b>19.15</b>	<b>2,366,741</b>	<b>24.96</b>	<b>2,676,835</b>	<b>18.67</b>	<b>2,194,165</b>	<b>24.20</b>
<b>Services</b>	<b>5,036,624</b>	<b>34.04</b>	<b>2,553,216</b>	<b>26.92</b>	<b>4,954,666</b>	<b>34.55</b>	<b>2,666,356</b>	<b>29.41</b>
Wholesale and retail trade	2,034,630	13.76	1,405,910	14.83	1,995,623	13.92	1,149,683	12.69
Hotel, food and beverage services	108,662	0.73	17,504	0.18	100,888	0.70	19,908	0.22
Transportation and Telecommunication	875,108	5.91	1,051,426	11.09	833,163	5.81	1,405,673	15.50
Financial institutions	1,355,979	9.16	17,953	0.19	1,344,214	9.37	38,324	0.42
Real estate and renting services	194,142	1.31	25,740	0.27	185,000	1.29	14,871	0.16
Self-employment services	348,469	2.36	21,210	0.22	373,920	2.61	24,229	0.27
Education services	17,596	0.12	1,301	0.01	15,556	0.11	1,644	0.02
Health and social services	102,038	0.69	12,172	0.13	106,302	0.74	12,024	0.13
<b>Others</b>	<b>292,555</b>	<b>1.98</b>	<b>90,518</b>	<b>0.95</b>	<b>332,451</b>	<b>2.32</b>	<b>48,488</b>	<b>0.53</b>
<b>Total</b>	<b>14,796,887</b>	<b>100.00</b>	<b>9,483,710</b>	<b>100.00</b>	<b>14,340,111</b>	<b>100.00</b>	<b>9,066,595</b>	<b>100.00</b>

**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	14,577,022	3,596,678	97,133	8,046
Confirmed bills of exchange and acceptances	14,254	1,792,315	-	98
Letters of credit	11,431	4,000,940	-	16,657
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	22,228	4,781	-	-
Other guarantees and sureties	-	2,518	-	-
<b>Total Non-Cash Loans</b>	<b>14,624,935</b>	<b>9,397,232</b>	<b>97,133</b>	<b>24,801</b>

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 acceptances	12,129	1,039,635	-	514
Letters of credit	7,866	4,381,798	-	232
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	52,069	6,666	-	-
Other guarantees and sureties	-	1,919	-	-
<b>Total Non-Cash Loans</b>	<b>14,190,099</b>	<b>9,009,619</b>	<b>85,579</b>	<b>6,222</b>

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**5. Information on credit derivatives and related imposed risks**

None.

**6. Contingent assets and liabilities**

Bank allocates TL 15,014 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.

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**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	625,548	43,092	515,096	40,477
Medium and long-term loans	1,240,509	230,671	1,089,624	174,423
Loans under follow-up	34,394	-	39,792	-
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>1,900,451</b>	<b>273,763</b>	<b>1,644,512</b>	<b>214,900</b>

*Information on interest income received from banks*

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	10,758	382	20,581	732
Foreign banks	-	1,334	-	246
Foreign head office and branches	-	-	-	-
<b>Total</b>	<b>10,758</b>	<b>1,716</b>	<b>20,581</b>	<b>978</b>

*Information on interest income received from marketable securities portfolio*

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	3,447	751	10,078	1,773
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	359,176	57,271	239,642	60,624
Investments held to maturity	137,567	171	131,655	267
<b>Total</b>	<b>500,190</b>	<b>58,193</b>	<b>381,375</b>	<b>62,664</b>

*Information on interest income received from associates and subsidiaries*

	Current Period	Prior Period
Interests received from the associates and subsidiaries	-	3

**2. Interest Expense**

*Interest expenses on funds borrowed*

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>10,635</b>	<b>38,700</b>	<b>4,425</b>	<b>31,547</b>
Central Bank of Turkey	-	-	-	-
Domestic banks	8,069	1,903	3,603	2,863
Foreign banks	2,566	36,797	822	28,684
Foreign head offices and branches	-	-	-	-
<b>Other institutions</b>	-	<b>4,710</b>	-	<b>1,877</b>
<b>Total</b>	<b>10,635</b>	<b>43,410</b>	<b>4,425</b>	<b>33,424</b>

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*Interest expenses paid to associates and subsidiaries*

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	3,993	2,342

*Interest expense on securities issued*

As at for the three-month period ending at 31 March 2014, interest paid to securities issued is TL 97,294 (31 March 2013: TL 44,362).

*Maturity structure of the interest expense on deposits*

Account Name	Demand Deposits	Current Period-Time Deposits					Cumulative deposit	Total
		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	-	35,466	-	-	-	-	-	35,466
Saving deposits	3	4,608	369,517	29,639	8,790	3,404	-	415,961
Public sector deposits	43	40,856	125,152	16,858	10,973	3,574	-	197,456
Commercial deposits	163	57,196	276,524	13,543	6,901	2,073	-	356,400
Other deposits	-	8,569	80,268	9,428	7,413	334	-	106,012
Deposits with 7 days	-	-	-	-	-	-	-	-
<b>Total</b>	<b>209</b>	<b>146,695</b>	<b>851,461</b>	<b>69,468</b>	<b>34,077</b>	<b>9,385</b>	-	<b>1,111,295</b>
<i>FC</i>								
Foreign Currency Deposits	5,897	4,883	74,137	9,795	12,432	28,060	-	135,204
Interbank deposits	-	5,835	-	-	-	-	-	5,835
Deposits with 7 days	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,897</b>	<b>10,718</b>	<b>74,137</b>	<b>9,795</b>	<b>12,432</b>	<b>28,060</b>	-	<b>141,039</b>
<b>Grand Total</b>	<b>6,106</b>	<b>157,413</b>	<b>925,598</b>	<b>79,263</b>	<b>46,509</b>	<b>37,445</b>	-	<b>1,252,334</b>

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Account Name	Demand Deposits	Prior Period-Time Deposits					Cumulative deposit	Total
		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	-	13,799	-	-	-	-	-	13,799
Saving deposits	4	3,391	230,724	41,402	2,394	2,693	-	280,608
Public sector deposits	98	22,882	102,008	11,980	4,017	286	-	141,271
Commercial deposits	40	33,719	78,289	39,450	10,895	81	-	162,474
Other deposits	-	8,027	34,860	15,475	4,283	231	-	62,876
Deposits with 7 days	-	-	-	-	-	-	-	-
<b>Total</b>	<b>142</b>	<b>81,818</b>	<b>445,881</b>	<b>108,307</b>	<b>21,589</b>	<b>3,291</b>	<b>-</b>	<b>661,028</b>
<i>FC</i>								
Foreign Currency Deposits	913	3,396	49,581	11,902	7,163	19,351	-	92,306
Interbank deposits	-	8,995	-	-	-	-	-	8,995
Deposits with 7 days	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>913</b>	<b>12,391</b>	<b>49,581</b>	<b>11,902</b>	<b>7,163</b>	<b>19,351</b>	<b>-</b>	<b>101,301</b>
<b>Grand Total</b>	<b>1,055</b>	<b>94,209</b>	<b>495,462</b>	<b>120,209</b>	<b>28,752</b>	<b>22,642</b>	<b>-</b>	<b>762,329</b>

**3. Trading income/losses**

	Current Period	Prior Period
<b>Income</b>	<b>2,424,086</b>	<b>491,799</b>
Income from capital market transactions	7,747	58,644
Income from derivative financial instruments	1,078,960	194,739
Foreign exchange gains	1,337,379	238,416
<b>Losses</b>	<b>(2,351,256)</b>	<b>(404,899)</b>
Losses from capital market transactions	(2,916)	(217)
Losses from derivative financial instruments	(1,051,279)	(176,773)
Foreign exchange losses	(1,297,061)	(227,909)
<b>Trading income/losses, net</b>	<b>72,830</b>	<b>86,900</b>

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 41,378 as at and for the three-month period ended 31 March 2014 (31 March 2013: net gain of TL 13,126).

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**4. Other operating income**

	<b>Current Period</b>	<b>Prior Period</b>
Earned insurance premiums (net of reinsurance share)	158,508	174,103
Income from reversal of the impairment losses	162,829	111,219
Communication income	20,630	21,783
Gain on sale of assets	37,302	11,804
Income from private pension business	4	8,555
Rent income	156	304
Other income	88,964	82,638
<b>Total</b>	<b>468,393</b>	<b>410,406</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Specific provisions on loans and other receivables	281,237	318,097
<i>Loans and receivables in Group III</i>	66,182	82,901
<i>Loans and receivables in Group IV</i>	203,183	227,110
<i>Loans and receivables in Group V</i>	11,872	8,086
Non-performing commissions and other receivables	-	-
General provision expenses	21,869	60,622
Provision for possible losses	20,086	-
Impairment losses on securities	31,382	52,425
<i>Trading securities</i>	-	5
<i>Investment securities available-for-sale</i>	31,382	52,420
Other impairment losses	16,867	53,647
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	16,867	53,647
Others <sup>(*)</sup>	41,667	22,940
<b>Total</b>	<b>413,108</b>	<b>507,731</b>

(\*) Other provision expenses amounting to TL 41,667 (31 March 2013: TL 22,940) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 11,367 (31 March 2013: TL 10,104), free provision expenses amounting to TL 29,256 (31 March 2013: TL 3,350) and other provision expenses amounting to TL 1,044 (31 March 2013: TL 9,486).

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

**6. Other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel costs	336,595	281,853
Reserve for employee termination benefits	12,361	8,327
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	28,981	28,984
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	3,518	3,280
Impairment losses on assets to be disposed	378	986
Depreciation expenses on assets to be disposed	3,124	3,549
Impairment losses on assets held for sale	-	-
Other operating expenses	357,833	245,896
<i>Operational lease related expenses</i>	43,773	36,197
<i>Repair and maintenance expenses</i>	5,659	5,582
<i>Advertisement expenses</i>	13,847	17,009
<i>Other expenses</i>	294,554	187,108
Loss on sale of assets	1,429	177
Others*	219,906	274,949
<b>Total</b>	<b>964,125</b>	<b>848,001</b>

(\*) Other operating expenses amounting to TL 219,906 (31 March 2013: TL 274,949) is comprised of provision expenses for dividends to the personnel amounting to TL 30,721 (31 March 2013: TL 26,945), tax, fees and funds expenses amounting to TL 28,569 (31 March 2013: TL 21,199), Saving Deposits Insurance Fund expenses amounting to TL 19,972 (31 March 2013: TL 21,610) and other operating expenses amounting to TL 140,644 (31 March 2013: TL 205,195).

**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 73,452 (31 March 2013: TL 144,941) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

<b>Sources of deferred tax benefit/charge</b>	<b>Current Period</b>	<b>Prior Period</b>
Arising from origination (+)/ reversal (-) of deductible temporary differences	2,127	6,782
Arising from origination (-)/ reversal (+) of taxable temporary differences	(10,224)	(76)
Arising from origination (+)/ reversal (-) of tax losses	655	6,642
Arising from tax rate change	-	-
<b>Total</b>	<b>(7,442)</b>	<b>13,348</b>

**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 2,776,472 interest income and TL 140,181 net fee and commission income also incurred TL 1,676,281 amount of interest expense from its ordinary banking operations (31 March 2013: TL 2,360,364 interest income, TL 167,726 net fee and commission income, TL 990,398 interest expense).



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*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**

	<b>Current Period</b>	<b>Prior Period</b>
Income/(losses) related to non-controlling interest	4,398	268

**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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**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	3,228	654,537	-	27,277	27,356	20,508
Interest and commission income	-	96	-	14	151	16

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	3	103	-	9	343	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 the year	419,918	817,244	968,601	443,103	46,793	76,597
Balance at the end of the year	345,125	419,918	939,373	968,601	46,712	46,793
Interest on deposits	3,993	2,342	16,188	6,160	574	-

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

None.

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

**Relations with entities in the risk group of / or controlled by the Bank**

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

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

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the the risk group to the overall cash and non-cash loans are 0.03% (31 December 2013: 0.03%) and 2.89% (31 December 2013: 3.26%) respectively.

<b>Current Period</b>	<b>Amount</b>	<b>Compared with the Financial Statement Amount %</b>
Cash Loans	30,584	0.03
Non-Cash Loans	702,322	2.89
Deposits	1,331,210	1.57

  

<b>Prior Period</b>	<b>Amount</b>	<b>Compared with the Financial Statement Amount %</b>
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 60<sup>th</sup> Annual General Assembly held on 28 March 2014, the net profit of year 2013 is decided to be distributed as follows:

	<b>Profit Distribution Table of Year 2013</b>
<b>Current year’s profit of the Parent Bank’s unconsolidated financial statements</b>	<b>1,585,539</b>
Deferred tax income	-
<b>Net profit of the year subject to distribution</b>	<b>1,585,539</b>
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
<b>Net profit of the year subject to distribution</b>	<b>1,426,983</b>
Other reserves	1,501
Extraordinary reserves	1,325,482
<b>Dividends to the shareholders</b>	<b>100,000</b>

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

<b>February 2014</b> (*)	<b>Standard &amp; Poors</b>
Foreign Currency Credit Rating	BB+ / Negative / B
Foreign Currency Deposit Rating	BB+ / Negative / B
National	trAA+ / -- / trA-1
Continuance Rating	NR

<b>May 2013</b> (*)	<b>Moody’s Investors’ Service</b>
Financial Strength Rating	D+ (ba1)
Local Currency Deposit Rating	Baa2 / P-2
Local Currency Outlook	Stable
Foreign Currency Deposit Rating	Baa3 / P-3
Foreign Currency Outlook	Stable

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

<b>March 2013</b> (*)	<b>Capital Intelligence</b>
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**

As at 16 April 2014, Parent Bank obtained a syndicated loan at the amounts of US Dollar 270.5 million and 525 million with the interest rates Libor+0.90% and Euribor+0.90% at 1 year maturity with the participation of 35 banks from 16 countries in the coordination of Wells Fargo Bank NA and SMBC Bank (Sumitomo Mitsui Banking Corporation) as agent.

**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 three-month period ended 31 March 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 16 May 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 three-month period ended 31 March 2014.

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