

**TÜRKİYE VAKIFLAR BANKASI  
TÜRK ANONİM ORTAKLIĞI  
CONSOLIDATED FINANCIAL STATEMENTS  
AND RELATED DISCLOSURES AT JUNE 30, 2018  
TOGETHER WITH REVIEW REPORT**

**(Convenience Translation of Publicly  
Announced Consolidated Financial Statements  
and Review Report  
Originally Issued in Turkish,  
See in Note I. of Section Three)**



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REVIEW REPORT  
ORIGINALLY ISSUED IN TURKISH  
(See Note I of Section Three)**

**AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION**

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

***Introduction***

We have reviewed the consolidated balance sheet of Türkiye Vakıflar Bankası T.A.O. ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 June 2018 and the related consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on or review.

***Scope of Review***

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

***Basis for the Qualified Conclusion***

As mentioned in Section Five Part II-7 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 30 June 2018 include a free provision amounting to TL 500,000 thousand recognized in 2017 provided by the Bank management considering the possible effect of the circumstances that may arise from the negative changes in the economy and market conditions.



### ***Qualified Conclusion***

Based on our review, except for the effects of the matter on the consolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the financial position of Türkiye Vakıflar Bankası T.A.O. at 30 June 2018 and the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

### **Report on other regulatory requirements arising from legislation**

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section Eight, is not consistent with the reviewed consolidated financial statements and disclosures in all material respects.

### **Additional Paragraph for Convenience Translation**

The effects of differences between accounting principles and standards explained in detail in Section Three and 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.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Zeynep Uras, SMMM  
Partner

Istanbul, 16 August 2018

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
CONSOLIDATED INTERIM FINANCIAL REPORT  
AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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The consolidated financial report as at and for the six-month period ended June 30, 2018 prepared in accordance with the “Communiqué of Financial Statements and Related Disclosures and Footnotes to be Publicly Announced 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 OF THE PARENT BANK
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES
- INDEPENDENT AUDITORS’ REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

<b>SUBSIDIARIES</b>	<b>ASSOCIATES</b>	<b>JOINT-VENTURES</b>
Güneş Sigorta AŞ	Kıbrıs Vakıflar Bankası Ltd.	-
Vakıf Emeklilik ve Hayat AŞ	Türkiye Sınai Kalkınma Bankası AŞ	-
Vakıf Faktoring AŞ	-	-
Vakıf Finansal Kiralama AŞ	-	-
Vakıf Portföy Yönetimi AŞ	-	-
Vakıf Yatırım Menkul Değerler AŞ	-	-
Vakıfbank International AŞ	-	-
Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	-	-
Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	-	-

The accompanying consolidated financial statements for the six-month period, related disclosures and footnotes which have been independently reviewed, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidance and in compliance with the financial records of our Bank and unless otherwise stated, presented in thousands of Turkish Lira.

August 16, 2018

Raci KAYA  
Chairman of  
the Board of Directors

Serdar TUNÇBİLEK  
Board Member and  
Audit Committee Member

Şahap KAVCIOĞLU  
Board member and  
Audit Committee Member

Mehmet Emin ÖZCAN  
General Manager and  
Board Member

Şuayyip İLBİLGİ  
Assistant General Manager

Ferkan MERDAN  
Director of Accounting and  
Financial Affairs

The authorized contact person for questions on this financial report:

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	Page No:
<b><u>SECTION ONE</u></b>	
General Information	
I. History of the Parent Bank including its incorporation date, initial legal status, amendments to legal status	1
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	1-2
III. Information on the Parent Bank's chairman and members of the board of directors, audit committee members, general manager, assistant general managers and their shares in the Bank	3-4
IV. Information on the Parent Bank's qualified shareholders	4
V. Information about the services and nature of activities of the Parent Bank	5
VI. Differences between the communique on preparation of consolidated financial statements of banks and Turkish accounting standards and short explanation about the institutions subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods	5
VII. Current of likely actual or legal barriers to immediate transfer of equity or repayment of debts between the Parent Bank and its subsidiaries	5
<b><u>SECTION TWO</u></b>	
Consolidated Financial Statements	
I. Consolidated balance sheet – Assets	7-8
II. Consolidated balance sheet - Liabilities and equity	9-10
III. Consolidated off-balance sheet items	11-12
IV. Consolidated statement of income	13-14
V. Consolidated statement of profit and loss items accounted under shareholders' equity	15-16
VI. Consolidated statement of changes in equity	17-18
VII. Consolidated statement of cash flows	19-20
<b><u>SECTION THREE</u></b>	
Accounting Policies	
I. Basis of presentation	21
II. Strategy for the use of financial instruments and information on foreign currency transactions	22-23
III. Information on associates that are consolidated and subsidiaries that are accounted according to equity method	24-25
IV. Information on forwards, options and other derivative transactions	25
V. Information on interest income and expenses	26
VI. Information on fees and commissions	26
VII. Information on financial assets	26-27
VIII. Information on offsetting of financial instruments	28
IX. Information on sales and repurchase agreements and securities lending	28
X. Information on assets held for sale and discontinued operations	28
XI. Information on goodwill and other intangible assets	29
XII. Information on tangible assets	29
XIII. Information on investment properties	30
XIV. Information on leasing activities	30
XV. Information on provisions, contingent assets and liabilities	31
XVI. Information on obligations of the Group concerning employee rights	31-32
XVII. Information on taxation	33-34
XVIII. Information on cash and cash equivalents	35
XIX. Additional information on borrowings	35
XX. Information on issuance of equity securities	35
XXI. Information on confirmed bills of exchange and acceptances	35
XXII. Information on government incentives	35
XXIII. Information on segment reporting	35
XXIV. Other matters	36-40
XXV. Explanations on prior period accounting policies not valid for the current period	41-42
<b><u>SECTION FOUR</u></b>	
Information Related to the Consolidated Financial Position and Risk Management	
I. Consolidated equity items	43-51
II. Consolidated foreign currency exchange risk	51-53
III. Consolidated interest rate risk	54-55
IV. Consolidated stock position risk	56-57
V. Consolidated liquidity risk and coverage ratio	57-60
VI. Consolidated leverage ratio	61-62
VII. Consolidated segment reporting	63-65
VIII. Information on risk management	66-75
<b><u>SECTION FIVE</u></b>	
Disclosures and Footnotes on Consolidated Financial Statements	
I. Information and disclosures related to consolidated assets	76-102
II. Information and disclosures related to consolidated liabilities	103-112
III. Information and disclosures related to consolidated off-balance sheet items	113-115
IV. Information and disclosures related to consolidated statement of income	115-122
V. Information and disclosures related to Parent Bank's risk group	123-124
<b><u>SECTION SIX</u></b>	
Other Disclosures and Footnotes	
I. Other disclosures on the Parent Bank's activity	125
II. Information on the Parent Bank's rating given by international credit rating institutions	125
III. Significant events and matters subsequent to balance sheet date that are not resulted	126
<b><u>SECTION SEVEN</u></b>	
Auditors' Review Report	
I. Information on review report	126
II. Explanations and footnotes prepared by independent auditor	126
<b><u>SECTION EIGHT</u></b>	
Information on Interim Activity Report	
I. Interim period activity report included chairman of the board of directors and CEO's assessments for the interim activities	127-134

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS  
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (“The Bank” or “The Parent Bank”) was established to operate as stated in the disclosure V of this section, under the authorization of a special law numbered 6219, called “The Law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı”, on January 11, 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 SHAREHOLDERS 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 June 30, 2018 and December 31, 2017, The Bank’s paid-in capital is TL 2,500,000 divided into 250,000,000,000 shares with each has a nominal value of Kr 1.

The Parent Bank’s shareholders structure as at June 30, 2018 and December 31, 2017 is stated below:

<b>Shareholders</b>	<b>Number of Shares (100 unit)</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
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,224,785	386,225	15.45
Other appendant foundations (Group B)	2,673,619	2,674	0.11
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,527,393	1,528	0.06
Publicly traded (Group D)	630,514,354	630,514	25.22
<b>Total</b>	<b>2,500,000,000</b>	<b>2,500,000</b>	<b>100.00</b>

The changes in the ownership structure of the bank are arranged by the provisional article of Law No.696, paragraph 6, published in the Official Gazette dated December 24, 2017 numbered 6219, while the other provisions of the Law no 6219 are arranged by the 7th and 12th paragraphs of the mentioned provisional article of Law.

It is stated in the 6th paragraph of the 2nd sub-article of the related article that “In the act of the application to the Bank within the seven days after the effective date of the cabinet decree, by the shareholders of the stocks that are managed and represented by the General Directorate of Foundations, with the exception of that are owned by the appendant foundations among the Group A and Group B stocks of the Bank, the stocks are transferred to the treasury, by taking their per share value into consideration, over the calculated average value of the values that are mentioned in the conclusion sections of the valuation projects that are prepared by three different firms. The absolute amount of the stocks are recorded in the share ledger on behalf of the Undersecretariat of Treasury within the seven days after the effective date of the cabinet decree.”

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS  
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**GENERAL INFORMATION (Continued)**

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

It is stated in the 6th paragraph of the 3rd sub-article of the related article that “In the act of the application to the Bank within the hundred and twenty days after the effective date of the cabinet decree, by the shareholders of the stocks that are owned by the Vakıfbank Officer and Retainers Retirement and Health Care Foundation (Fund), among the Group C stocks of the Bank, the dependent minister of the Undersecretariat of Treasury has the authority to transfer the stocks over their per share value, that is stated the for the fund, by the Council of Ministers to the Undersecretariat of Treasury.

It is stated in the 6th paragraph of the 4th sub-article of the related article that “In the act of the application to the Bank within the hundred and twenty days after the effective date of the cabinet decree, by the shareholders of the stocks that are owned by the appendant foundations among the Group B stocks of the Bank, and the stocks that are owned by the other natural and legal persons among the Group C stocks of the Bank, the dependent minister of the Undersecretariat of Treasury has the authority to transfer the stocks over their per share value, that is stated the for the fund, by the Council of Ministers.

It is stated in the 6th paragraph of the 5th sub-article of the related article that “The stocks that are transferred to the Treasury, are represented and managed by the dependent Minister of the Undersecretariat of Treasury”.

With the mentioned provisional article, the ownership of the stocks which are represented and managed by the T.C General Directorate for Foundations will be transferred to the Prime Ministry Undersecretariat of Treasury.

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FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**GENERAL INFORMATION (Continued)**

**III. INFORMATION ON THE PARENT BANK’S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, GENERAL MANAGER, ASSISTANT GENERAL MANAGERS AND THEIR SHARES 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>
<b><u>Board of Directors</u></b>				
Dr. Raci KAYA	Chairman	August 13, 2018	PHD	28 years
Doç. Dr. Şahap KAVCIOĞLU	Deputy Chairman	August 13, 2018	PHD	24 years
Mehmet Emin ÖZCAN	Member – General Manager	June 9, 2017	University	35 years
Dr. Adnan ERTEM	Member	October 28, 2010	PHD	30 years
Serdar TUNÇBİLEK	Member	June 9, 2017	University	32 years
Dilek YÜKSEL	Member	March 29, 2016	University	6 years
Şahin UĞUR	Member	June 9, 2017	University	32 years
Ömer ARISOY	Member	June 9, 2017	University	18 years
Dr. Cemil Ragıp ERTEM	Member	August 13, 2018	PHD	20 years
<b><u>Audit Committee</u></b>				
Doç. Dr. Şahap KAVCIOĞLU	Member	August 14, 2018	PHD	24 years
Serdar TUNÇBİLEK	Member	June 15, 2017	University	32 years
<b><u>Auditor</u></b>				
Yunus ARINCI	Auditor	March 19, 2010	Master	21 years
Hasan TÜRE	Auditor	June 9, 2017	University	34 years
<b><u>Assistant General Managers</u></b>				
Metin Recep ZAFER	Banking Operations, Treasury Operations, Credit, Customer and Account Operations, Foreign Operations	June 13, 2006	PHD	22 years
Hasan ECESYOY	Treasury Management, International Banking and Investor Relations, Teasury Management Middle Office	June 18, 2010	PHD	24 years
Osman DEMREN	Commercial Loans, Corporate Loans, Consumer Loans, SME and Local Government Loan Allocation Management	April 6, 2011	Master	27 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	University	23 years
Mustafa SAYDAM	Administrative Affairs, Construction, Real Estate and Purchasing	October 28, 2013	University	24 years
Mehmet Emin KARAAĞAÇ	Chief Legal Counsellor, Legal Affairs, Credit Risk Liquidation	November 8, 2013	University	29 years
Yakup ŞİMŞEK	Corporate Banking Marketing, Commercial Banking Marketing, Local Government Banking Marketing, Corporate Branches	September 7, 2016	University	22 years
H. Uğur BİLGİN	Human Resources, Corporate Development and Academy	August 1, 2017	University	31 years
Şeyh Mehmet BOZ	Application of Credit Policies and Processes, Loans Planning and Follow-up, Evaluation and rating	August 1, 2017	Master	23 years
İlker YEŞİL	Payment Systems, Digital Banking and Distribution Channels	August 1, 2017	University	23 years
Şuayyip İLBILGI	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	University	22 years
Ersin ÖZOĞUZ	SME Banking, Marketing, Cash Management Marketing	August 1, 2017	University	22 years
Abdi Serdar ÜSTÜNSALİH	R&D and Digital Transformation, Core Banking Application Development Channel Management and Marketing Application Development, System Management, IT Operation and Support, IT Planning and Coordination	July 9, 2018	Master	27 years

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

**GENERAL INFORMATION (Continued)**

**III. INFORMATION ON THE PARENT BANK’S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, GENERAL MANAGER, ASSISTANT GENERAL MANAGERS, AND THEIR SHARES IN THE BANK (Continued)**

Corporate Communication Chairmanship and Board of Directors Operations Chairmanship Departments of the Parent Bank are working dependent to the General Manager.

Board of Directors membership election of the Parent Bank is renewed every year in the General Meeting.

Abdi Serdar ÜSTÜNSALİH, Senior Vice President, has been appointed as Executive Vice President by the Board decision dated July 4, 2018.

İsmail ALPTEKİN, Chairman of the Board of Directors and Sabahattin BIRDAL, Board Member and Audit Committee Member of the Parent Bank are no longer in duty as of August 13, 2018.

Dr. Cemil Ragıp ERTEM has been selected as Board member at the 64<sup>th</sup> Ordinary General Assembly Meeting of the Parent Bank held on August 13, 2018.

Dr. Raci KAYA has been selected as the Chairman of Board of Directors, Doç. Dr. Şahap KAVCIOĞLU has been selected as the Deputy Chairman of the Board of Directors and Audit Committee Member unanimously according to Bank Principal Agreement's related articles at the Board Meeting of the Parent Bank held at August 14, 2018.

**IV. INFORMATION ON THE PARENT BANK’S QUALIFIED SHAREHOLDERS**

<b>Shareholders</b>	<b>Nominal Value of Shares</b>	<b>Share Percentage</b>	<b>Paid Shares (Nominal)</b>	<b>Unpaid Shares</b>
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058	43.00	1,075,058	-
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,553	16.10	402,553	-
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,225	15.45	386,225	-

The shareholder holding control over the Parent 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 Parent Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, having 16.10% of outstanding shares of the Bank.

In the section I of the report, under the heading II, the changes in the ownership structure of the Parent Bank is stated with the provisional article of Law No.696, published in the Official Gazette dated December 24, 2017 numbered 6219.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS  
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**GENERAL INFORMATION (Continued)**

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

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

- Lending loans by granting securities and real estates as collateral,
- Establishing or participating in all kinds of insurance corporations already established,
- Trading real estates,
- Servicing all banking operations and services,
- Operating real estates and participating in industrial sectors for corporations handed over by foundations and General Directorate of the Foundations in line with conditions stipulated by agreements if signed.
- The Bank is established to render banking services to the foundations and carry out cashier transactions of the General Directorate of Foundations in compliance with the agreements signed by General Directorate of the Foundations.

The Parent Bank and its consolidated subsidiaries are called as “The Group” in the report.

As at June 30, 2018, The Parent Bank has 953 domestic, 3 foreign, in total 956 branches (December 31, 2017: 924 domestic, 3 foreign, in total 927 branches). As at June 30, 2018, The Parent Bank has 16,491 employees (December 31, 2017: 16,097 employees).

**VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS**

As at and for the six-month period ended June 30, 2018, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik ve Hayat AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

As at and for the six-month period ended June 30, 2018, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

İstanbul Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ are excluded from the scope of consolidation according to the Communiqué on Preparation of Consolidated Financial Statements. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ, İzmir Enternasyonel AŞ and Türkiye Ürün İhtisas Borsası A.Ş. are not financial associates; these associates have not been consolidated.

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.

**VII. CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES**

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS  
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS AT JUNE 30, 2018**

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

ASSETS	Notes	Reviewed Current Period		Total
		TL	FC	
<b>I. FINANCIAL ASSETS (Net)</b>	<b>V-I-1</b>	<b>38,902,279</b>	<b>46,135,020</b>	<b>85,037,299</b>
<b>1.1 Cash and cash equivalents</b>	<b>V-I-2</b>	<b>8,081,172</b>	<b>37,196,645</b>	<b>45,277,817</b>
1.1.1 Cash and balances at Central Bank		6,773,815	28,768,750	35,542,565
1.1.2 Banks		1,298,129	8,427,895	9,726,024
1.1.3 Receivables from Money Markets		9,228	-	9,228
<b>1.2 Financial assets at fair value through profit or loss</b>	<b>V-I-2</b>	<b>108,985</b>	<b>66,901</b>	<b>175,886</b>
1.2.1 Public debt securities		196	6,200	6,396
1.2.2 Equity instruments		2,525	60,701	63,226
1.2.3 Other financial assets		106,264	-	106,264
<b>1.3 Financial assets at fair value through other comprehensive income</b>		<b>6,091,259</b>	<b>2,034,612</b>	<b>8,125,871</b>
1.3.1 Public debt securities		6,091,259	1,425,772	7,517,031
1.3.2 Equity instruments		-	-	-
1.3.3 Other financial assets	<b>V-I-3</b>	-	608,840	608,840
<b>1.4 Financial assets measured at amortised cost</b>		<b>21,573,787</b>	<b>6,486,635</b>	<b>28,060,422</b>
1.4.1 Public debt securities		21,573,787	6,248,633	27,822,420
1.4.2 Other financial assets		-	238,002	238,002
<b>1.5 Derivative financial assets</b>		<b>3,170,223</b>	<b>352,725</b>	<b>3,522,948</b>
1.5.1 Derivative financial assets at fair value through profit or loss	<b>V-I-4</b>	3,170,223	352,725	3,522,948
1.5.2 Derivative financial assets at fair value through other comprehensive income		-	-	-
<b>1.6 Non-performing financial assets</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>1.6 Allowance for expected credit losses (-)</b>		<b>123,147</b>	<b>2,498</b>	<b>125,645</b>
<b>II. LOANS (Net)</b>	<b>V-I-5</b>	<b>145,807,039</b>	<b>71,033,884</b>	<b>216,840,923</b>
<b>2.1 Loans</b>		<b>143,234,727</b>	<b>68,822,254</b>	<b>212,056,981</b>
2.1.1 Loans measured at amortised cost	<b>V-VII-1</b>	143,234,727	68,822,254	212,056,981
2.1.2 Loans at fair value through profit or loss		-	-	-
2.1.3 Loans at fair value through other comprehensive income		-	-	-
<b>2.2 Receivables from leasing transactions</b>		<b>570,777</b>	<b>1,892,775</b>	<b>2,463,552</b>
2.2.1 Finance lease receivables		758,825	2,091,939	2,850,764
2.2.2 Operational lease receivables		-	-	-
2.2.3 Unearned income (-)	<b>V-I-6</b>	188,048	199,164	387,212
<b>2.3 Factoring receivables</b>		<b>2,366,319</b>	<b>249,082</b>	<b>2,615,401</b>
2.3.1 Factoring receivables measured at amortised cost		2,366,319	249,082	2,615,401
2.3.2 Factoring receivables at fair value through profit or loss	<b>V-I-7</b>	-	-	-
2.3.3 Factoring receivables at fair value through other comprehensive income		-	-	-
<b>2.4 Non-performing loans</b>		<b>8,652,558</b>	<b>149,005</b>	<b>8,801,563</b>
<b>2.5 Allowance for expected credit losses (-)</b>		<b>9,017,342</b>	<b>79,232</b>	<b>9,096,574</b>
2.5.1 12-Month expected credit losses (Stage 1)		1,770,757	19,892	1,790,649
2.5.2 Significant increase in credit risk (Stage 2)	<b>V-I-8</b>	534,167	1,026	535,193
2.5.3 Credit-Impaired (Stage 3)		6,712,418	58,314	6,770,732
<b>III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)</b>		<b>1,457,402</b>	<b>-</b>	<b>1,457,402</b>
3.1 Held for sale	<b>V-I-9</b>	1,457,402	-	1,457,402
3.2 Held from discontinued operations		-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>1,048,356</b>	<b>3</b>	<b>1,048,359</b>
<b>4.1 Investments in associates (Net)</b>		<b>768,696</b>	<b>3</b>	<b>768,699</b>
4.1.1 Associates accounted by using equity method		329,369	-	329,369
4.1.2 Non-consolidated associates	<b>V-I-10</b>	439,327	3	439,330
<b>4.2 Investments in subsidiaries (Net)</b>		<b>279,660</b>	<b>-</b>	<b>279,660</b>
4.2.1 Non-consolidated financial subsidiaries		-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		279,660	-	279,660
<b>4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Jointly controlled partnerships accounted by using equity method	<b>V-I-11</b>	-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>		<b>1,797,839</b>	<b>10,751</b>	<b>1,808,590</b>
<b>VI. INTANGIBLE ASSETS AND GOODWILL (Net)</b>		<b>267,839</b>	<b>326</b>	<b>268,165</b>
6.1 Goodwill	<b>V-I-12</b>	14,631	-	14,631
6.2 Other	<b>V-I-13</b>	253,208	326	253,534
<b>VII. INVESTMENT PROPERTIES (Net)</b>		<b>486,707</b>	<b>-</b>	<b>486,707</b>
<b>VIII. CURRENT TAX ASSETS</b>		<b>217</b>	<b>-</b>	<b>217</b>
<b>IX. DEFERRED TAX ASSETS</b>	<b>V-I-14</b>	<b>440,334</b>	<b>-</b>	<b>440,334</b>
<b>X. OTHER ASSETS</b>		<b>5,938,936</b>	<b>5,042,712</b>	<b>10,981,648</b>
<b>TOTAL ASSETS</b>	<b>V-I-16</b>	<b>196,146,948</b>	<b>122,222,696</b>	<b>318,369,644</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS AT DECEMBER 31, 2017**

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

			Audited Prior Period December 31, 2017		
ASSETS		Notes	TL	FC	Total
<b>I.</b>	<b>CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>V-I-1</b>	<b>4,021,442</b>	<b>24,634,804</b>	<b>28,656,246</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	<b>V-I-2</b>	<b>1,926,000</b>	<b>150,223</b>	<b>2,076,223</b>
2.1	Financial assets held for trading purpose		1,926,000	150,223	2,076,223
2.1.1	Debt securities issued by the governments		203	5,855	6,058
2.1.2	Equity securities		939	-	939
2.1.3	Derivative financial assets held for trading purpose	V-I-2	1,801,883	144,368	1,946,251
2.1.4	Other securities		122,975	-	122,975
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.</b>	<b>BANKS</b>	<b>V-I-3</b>	<b>1,176,896</b>	<b>12,146,903</b>	<b>13,323,799</b>
<b>IV.</b>	<b>RECEIVABLES FROM INTERBANK MONEY MARKETS</b>		<b>1,659,062</b>	-	<b>1,659,062</b>
4.1	Interbank money market placements		1,652,102	-	1,652,102
4.2	Istanbul Stock Exchange money market placements		3,474	-	3,474
4.3	Receivables from reverse repurchase agreements		3,486	-	3,486
<b>V.</b>	<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>V-I-4</b>	<b>12,412,036</b>	<b>2,158,348</b>	<b>14,570,384</b>
5.1	Equity securities		15	43,355	43,370
5.2	Debt securities issued by the governments		12,412,021	1,709,676	14,121,697
5.3	Other securities		-	405,317	405,317
<b>VI.</b>	<b>LOANS AND RECEIVABLES</b>	<b>V-I-5</b>	<b>131,255,058</b>	<b>55,293,726</b>	<b>186,548,784</b>
6.1	Performing loans and receivables		130,177,791	55,264,739	185,442,530
6.1.1	Loans provided to risk group	V-VII-1	17,077	1051	18,128
6.1.2	Debt securities issued by the governments		-	-	-
6.1.3	Other		130,160,714	55,263,688	185,424,402
6.2	Loans under follow-up		7,819,393	123,793	7,943,186
6.3	Specific provisions (-)		6,742,126	94,806	6,836,932
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>		<b>1,922,548</b>	<b>269,754</b>	<b>2,192,302</b>
<b>VIII.</b>	<b>HELD-TO-MATURITY INVESTMENT SECURITIES (Net)</b>	<b>V-I-6</b>	<b>12,235,406</b>	<b>4,530,665</b>	<b>16,766,071</b>
8.1	Debt securities issued by the governments		12,235,406	4286627	16,522,033
8.2	Other securities		-	244,038	244,038
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	<b>V-I-7</b>	<b>384,451</b>	<b>3</b>	<b>384,454</b>
9.1	Associates, consolidated per equity method		323,654	-	323,654
9.2	Unconsolidated associates		60,797	3	60,800
9.2.1	Financial associates		48,444	-	48,444
9.2.2	Non-Financial associates		12,353	3	12,356
<b>X.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>V-I-8</b>	<b>279,647</b>	-	<b>279,647</b>
10.1	Unconsolidated financial subsidiaries		-	-	-
10.2	Unconsolidated non-financial subsidiaries		279,647	-	279,647
<b>XI.</b>	<b>INVESTMENTS IN JOINT-VENTURES (Net)</b>	<b>V-I-9</b>	-	-	-
11.1	Joint-ventures, consolidated per equity method		-	-	-
11.2	Unconsolidated joint-ventures		-	-	-
11.2.1	Financial joint-ventures		-	-	-
11.2.2	Non-financial joint-ventures		-	-	-
<b>XII.</b>	<b>LEASE RECEIVABLES</b>	<b>V-I-10</b>	<b>474,045</b>	<b>1,406,155</b>	<b>1,880,200</b>
12.1	Finance lease receivables		611,982	1,565,781	2,177,763
12.2	Operational lease receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned income (-)		137,937	159,626	297,563
<b>XIII.</b>	<b>DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>	<b>V-I-11</b>	-	-	-
13.1	Fair value hedges		-	-	-
13.2	Cash flow hedges		-	-	-
13.3	Hedges of net investment in foreign operations		-	-	-
<b>XIV.</b>	<b>TANGIBLE ASSETS (Net)</b>	<b>V-I-12</b>	<b>1,722,037</b>	<b>9,372</b>	<b>1,731,409</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>V-I-13</b>	<b>255,160</b>	<b>302</b>	<b>255,462</b>
15.1	Goodwill		-	-	-
15.2	Other intangibles		255,160	302	255,462
<b>XVI.</b>	<b>INVESTMENT PROPERTIES (Net)</b>	<b>V-I-14</b>	<b>423,498</b>	-	<b>423,498</b>
<b>XVII.</b>	<b>TAX ASSETS</b>		<b>63,612</b>	-	<b>63,612</b>
17.1	Current tax assets		1016	-	1,016
17.2	Deferred tax assets	V-I-15	62,596	-	62,596
<b>XVIII.</b>	<b>ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)</b>	<b>V-I-16</b>	<b>1,312,728</b>	-	<b>1,312,728</b>
18.1	Assets held for sale		1,312,728	-	1,312,728
18.2	Assets related to the discontinued operations		-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	<b>V-I-17</b>	<b>4,891,487</b>	<b>3,843,638</b>	<b>8,735,125</b>
<b>TOTAL ASSETS</b>			<b>176,415,113</b>	<b>104,443,893</b>	<b>280,859,006</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS AT JUNE 30, 2018**

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

		Notes	Reviewed Current Period		Total
			TL	FC	
<b>LIABILITIES AND EQUITY</b>					
<b>I.</b>	<b>DEPOSITS</b>	<b>V-II-1</b>	<b>112,106,253</b>	<b>61,967,842</b>	<b>174,074,095</b>
<b>II.</b>	<b>LOANS RECEIVED</b>	<b>V-II-3</b>	<b>2,588,770</b>	<b>39,311,003</b>	<b>41,899,773</b>
<b>III.</b>	<b>MONEY MARKET FUNDS</b>		<b>22,539,628</b>	<b>3,274,140</b>	<b>25,813,768</b>
<b>IV.</b>	<b>MARKETABLE SECURITIES (Net)</b>	<b>V-II-3</b>	<b>9,307,672</b>	<b>15,220,616</b>	<b>24,528,288</b>
4.1	Bills		5,256,649	-	5,256,649
4.2	Asset backed securities		66,060	-	66,060
4.3	Bonds		3,984,963	15,220,616	19,205,579
<b>V.</b>	<b>FUNDS</b>		<b>3,108</b>	<b>-</b>	<b>3,108</b>
5.1	Borrower funds		-	-	-
5.2	Other		3,108	-	3,108
<b>VI.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>VII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>	<b>V-II-2</b>	<b>1,959,948</b>	<b>221,313</b>	<b>2,181,261</b>
7.1	Derivative financial liabilities at fair value through profit or loss		1,959,948	221,313	2,181,261
7.2	Derivative financial liabilities at fair value through other comprehensive income		-	-	-
<b>VIII.</b>	<b>FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>LEASE PAYABLES</b>	<b>V-II-5</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses ( - )		-	-	-
<b>X.</b>	<b>PROVISIONS</b>	<b>V-II-7</b>	<b>5,101,667</b>	<b>43,104</b>	<b>5,144,771</b>
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		1,057,358	3,487	1,060,845
10.3	Insurance technical reserves (Net)		2,911,942	14,738	2,926,680
10.4	Other provisions		1,132,367	24,879	1,157,246
<b>XI.</b>	<b>CURRENT TAX LIABILITIES</b>	<b>V-II-8</b>	<b>655,117</b>	<b>1,146</b>	<b>656,263</b>
<b>XII.</b>	<b>DEFERRED TAX LIABILITIES</b>		<b>8,084</b>	<b>15,996</b>	<b>24,080</b>
<b>XIII.</b>	<b>LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)</b>	<b>V-II-9</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1	Held for sale		-	-	-
13.2	Related to discontinued operations		-	-	-
<b>XIV.</b>	<b>SUBORDINATED DEBT</b>	<b>V-II-10</b>	<b>528,568</b>	<b>6,541,527</b>	<b>7,070,095</b>
14.1	Loans		-	-	-
14.2	Other debt instruments		528,568	6,541,527	7,070,095
<b>XV.</b>	<b>OTHER LIABILITIES</b>	<b>V-II-4</b>	<b>7,203,459</b>	<b>3,066,194</b>	<b>10,269,653</b>
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>V-II-11</b>	<b>26,101,861</b>	<b>602,628</b>	<b>26,704,489</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>16.2</b>	<b>Capital reserves</b>		<b>804,673</b>	<b>-</b>	<b>804,673</b>
36938	Equity share premiums		724,269	-	724,269
37303	Share cancellation profits		-	-	-
37668	Other capital reserves		80,404	-	80,404
<b>16.3</b>	<b>Other accumulated comprehensive income that will not be reclassified in profit or loss</b>		<b>1,451,279</b>	<b>421</b>	<b>1,451,700</b>
<b>16.4</b>	<b>Other accumulated comprehensive income that will be reclassified in profit or loss</b>		<b>(154,256)</b>	<b>(13,158)</b>	<b>(167,414)</b>
<b>16.5</b>	<b>Profit reserves</b>		<b>14,576,305</b>	<b>353,837</b>	<b>14,930,142</b>
37027	Legal reserves		1,708,235	10,669	1,718,904
37392	Statutory reserves		6,337	-	6,337
37757	Extraordinary reserves		12,505,326	5,389	12,510,715
38123	Other profit reserves		356,407	337,779	694,186
<b>16.6</b>	<b>Profit or loss</b>		<b>6,315,380</b>	<b>177,339</b>	<b>6,492,719</b>
37058	Prior years' profits or losses		4,131,518	131,739	4,263,257
37423	Current period net profit or loss		2,183,862	45,600	2,229,462
<b>16.7</b>	<b>Minority interests</b>		<b>608,480</b>	<b>84,189</b>	<b>692,669</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>188,104,135</b>	<b>130,265,509</b>	<b>318,369,644</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS AT DECEMBER 31, 2017**

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

LIABILITIES AND EQUITY		Notes	Audited Prior Period December 31, 2017		
			TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	<b>V-II-1</b>	<b>102,796,242</b>	<b>55,191,624</b>	<b>157,987,866</b>
1.1	Deposits of risk group		2,079,489	146,601	2,226,090
1.2	Other deposits		100,716,753	55,045,023	155,761,776
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>	<b>V-II-2</b>	<b>1,011,508</b>	<b>169,034</b>	<b>1,180,542</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>V-II-3</b>	<b>2,257,541</b>	<b>29,130,247</b>	<b>31,387,788</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKET</b>		<b>18,936,344</b>	<b>3,752,731</b>	<b>22,689,075</b>
4.1	Interbank money market takings		11,662,376	1,631,693	13,294,069
4.2	Istanbul Stock Exchange money market takings		237,318	-	237,318
4.3	Obligations under repurchase agreements		7,036,650	2,121,038	9,157,688
<b>V.</b>	<b>SECURITIES ISSUED (Net)</b>	<b>V-II-3</b>	<b>6,967,544</b>	<b>12,903,215</b>	<b>19,870,759</b>
5.1	Bills		3,996,077	-	3,996,077
5.2	Asset backed securities		-	-	-
5.3	Bonds		2,971,467	12,903,215	15,874,682
<b>VI.</b>	<b>FUNDS</b>		<b>3,206</b>	<b>-</b>	<b>3,206</b>
6.1	Funds against borrower’s note		-	-	-
6.2	Other		3,206	-	3,206
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>6,343,340</b>	<b>989,690</b>	<b>7,333,030</b>
<b>VIII.</b>	<b>OTHER EXTERNAL RESOURCES PAYABLE</b>	<b>V-II-4</b>	<b>947,498</b>	<b>3,029,795</b>	<b>3,977,293</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		<b>221</b>	<b>216</b>	<b>437</b>
<b>X.</b>	<b>LEASE PAYABLES (Net)</b>	<b>V-II-5</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1	Finance lease payables		-	-	-
10.2	Operational lease payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE</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>V-II-7</b>	<b>6,084,250</b>	<b>42,791</b>	<b>6,127,041</b>
12.1	General provisions		1,872,826	12,667	1,885,493
12.2	Restructuring reserves		-	-	-
12.3	Reserve for employee benefits		852,775	2,763	855,538
12.4	Insurance technical provisions (Net)		2,631,507	14,011	2,645,518
12.5	Other provisions		727,142	13,350	740,492
<b>XIII.</b>	<b>TAX LIABILITIES</b>		<b>703,795</b>	<b>58,072</b>	<b>761,867</b>
13.1	Current tax liabilities	<b>V-II-8</b>	686,133	670	686,803
13.2	Deferred tax liabilities		17,662	57,402	75,064
<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>
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>528,188</b>	<b>5,388,949</b>	<b>5,917,137</b>
<b>XVI.</b>	<b>EQUITY</b>	<b>V-II-11</b>	<b>22,991,149</b>	<b>631,816</b>	<b>23,622,965</b>
16.1	Paid-in capital	<b>V-II-11</b>	2,500,000	-	2,500,000
16.2	Capital reserves		1,582,247	177,252	1,759,499
16.2.1	Share premium		724,269	-	724,269
16.2.2	Share cancellation profits		-	-	-
16.2.3	Valuation differences of the marketable securities	<b>V-II-11</b>	(240,378)	177,252	(63,126)
16.2.4	Revaluation surplus on tangible assets		1,046,956	-	1,046,956
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		3,913	-	3,913
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		47,487	-	47,487
16.3	Profit reserves		14,550,334	254,763	14,805,097
16.3.1	Legal reserves		1,700,302	9,553	1,709,855
16.3.2	Status reserves		6,337	-	6,337
16.3.3	Extraordinary reserves		12,432,750	5,389	12,438,139
16.3.4	Other profit reserves		410,945	239,821	650,766
16.4	Profit or loss		3,753,445	127,821	3,881,266
16.4.1	Prior years’ profit/loss		(154,298)	103,132	(51,166)
16.4.2	Current period’s profit/loss		3,907,743	24,689	3,932,432
16.5	Non-controlling interest		605,123	71,980	677,103
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>169,570,826</b>	<b>111,288,180</b>	<b>280,859,006</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED OFF-BALANCE SHEET  
AS AT JUNE 30, 2018**

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

		Reviewed Current Period June 30, 2018			
		Notes	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)</b>		<b>95,284,831</b>	<b>120,568,219</b>	<b>215,853,050</b>
<b>I.</b>	<b>GUARANTEES AND SURETIES</b>	<b>V-III-2-4</b>	<b>37,219,441</b>	<b>23,959,079</b>	<b>61,178,520</b>
1.1.	Letters of guarantee		36,253,956	11,272,510	47,526,466
1.1.1.	Guarantees subject to State Tender Law		4,006,151	5,244,739	9,250,890
1.1.2.	Guarantees given for foreign trade operations		1,295,817	-	1,295,817
1.1.3.	Other letters of guarantee		30,951,988	6,027,771	36,979,759
1.2.	Bank acceptances		98,356	1,960,348	2,058,704
1.2.1.	Import letter of acceptance		-	628,450	628,450
1.2.2.	Other bank acceptances		98,356	1,331,898	1,430,254
1.3.	Letters of credit		26,370	10,518,722	10,545,092
1.3.1.	Documentary letters of credit		26,370	10,518,722	10,545,092
1.3.2.	Other letters of credit		-	-	-
1.4.	Guaranteed pre-financings		-	3,639	3,639
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2.	Other endorsements		-	-	-
1.6.	Marketable securities underwriting commitments		-	-	-
1.7.	Factoring related guarantees		420,637	24,087	444,724
1.8.	Other guarantees		70,264	54,641	124,905
1.9.	Other sureties		349,858	125,132	474,990
<b>II.</b>	<b>COMMITMENTS</b>		<b>37,305,731</b>	<b>25,263,611</b>	<b>62,569,342</b>
2.1.	Irrevocable commitments		33,242,855	2,519,921	35,762,776
2.1.1.	Asset purchase commitments	V-III-1	1,494,229	1,707,540	3,201,769
2.1.2.	Deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries	V-III-1	2,250	-	2,250
2.1.4.	Loan granting commitments	V-III-1	13,225,596	110,294	13,335,890
2.1.5.	Securities issuance brokerage commitments		-	124,477	124,477
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Commitments for cheque payments		2,921,701	-	2,921,701
2.1.8.	Tax and fund obligations on export commitments		-	-	-
2.1.9.	Commitments for credit card limits	V-III-1	12,609,798	-	12,609,798
2.1.10.	Commitments for credit card and banking operations promotions		777,078	-	777,078
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		2,212,203	577,610	2,789,813
2.2.	Revocable commitments		4,062,876	22,743,690	26,806,566
2.2.1.	Revocable loan granting commitments		4,062,876	22,743,690	26,806,566
2.2.2.	Other revocable commitments		-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>20,759,659</b>	<b>71,345,529</b>	<b>92,105,188</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		20,759,659	71,345,529	92,105,188
3.2.1.	Forward foreign currency purchases/sales		569,332	1,164,496	1,733,828
3.2.1.1.	Forward foreign currency purchases		285,266	582,317	867,583
3.2.2.	Forward foreign currency sales		284,066	582,179	866,245
3.2.2.	Currency and interest rate swaps		12,095,524	56,100,116	68,195,640
3.2.2.1.	Currency swaps-purchases		2,961,660	19,029,434	21,991,094
3.2.2.2.	Currency swaps-sales		6,593,864	9,956,026	16,549,890
3.2.2.3.	Interest rate swaps-purchases		1,270,000	13,557,328	14,827,328
3.2.2.4.	Interest rate swaps-sales		1,270,000	13,557,328	14,827,328
3.2.3.	Currency, interest rate and security options		1,162,841	2,163,673	3,326,514
3.2.3.1.	Currency call options		977,009	517,010	1,494,019
3.2.3.2.	Currency put options		185,832	1,372,127	1,557,959
3.2.3.3.	Interest rate call options		-	-	-
3.2.3.4.	Interest rate put options		-	-	-
3.2.3.5.	Security call options		-	-	-
3.2.3.6.	Security put options		-	274,536	274,536
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.	Other		6,931,962	11,917,244	18,849,206
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>1,498,070,871</b>	<b>1,031,509,814</b>	<b>2,529,580,685</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>63,060,199</b>	<b>5,588,453</b>	<b>68,648,652</b>
4.1.	Customers' securities held		1,736,990	-	1,736,990
4.2.	Investment securities held in custody		44,342,693	186,183	44,528,876
4.3.	Checks received for collection		11,225,720	1,177,639	12,403,359
4.4.	Commercial notes received for collection		4,237,296	1,394,643	5,631,939
4.5.	Other assets received for collection		2,152	183	2,335
4.6.	Assets received through public offering		-	-	-
4.7.	Other items under custody		127,336	1,855,796	1,983,132
4.8.	Custodians		1,388,012	974,009	2,362,021
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>417,280,501</b>	<b>171,081,040</b>	<b>588,361,541</b>
5.1.	Securities		495,667	6,367	502,034
5.2.	Guarantee notes		694,523	420,516	1,115,039
5.3.	Commodities		33,478,207	974,596	34,452,803
5.4.	Warranties		-	-	-
5.5.	Real estates		332,230,625	138,245,195	470,475,820
5.6.	Other pledged items		49,417,521	31,105,067	80,522,588
5.7.	Pledged items-depository		963,958	329,299	1,293,257
<b>VI.</b>	<b>CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>1,017,730,171</b>	<b>854,840,321</b>	<b>1,872,570,492</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>			<b>1,593,355,702</b>	<b>1,152,078,033</b>	<b>2,745,433,735</b>

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED OFF-BALANCE SHEET  
AS AT DECEMBER 31, 2017**

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

		Audited Prior Period December 31, 2017			
		Notes	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>80,999,013</b>	<b>81,421,461</b>	<b>162,420,474</b>
<b>I.</b>	<b>GUARANTEES AND SURETIES</b>	<b>V-III-2.4</b>	<b>32,656,344</b>	<b>18,667,358</b>	<b>51,323,702</b>
1.1	Letters of guarantee		32,035,061	8,135,927	40,170,988
1.1.1	Guarantees subject to State Tender Law		3,163,898	4,099,756	7,263,654
1.1.2	Guarantees given for foreign trade operations		1,053,872	-	1,053,872
1.1.3	Other letters of guarantee		27,817,291	4,036,171	31,853,462
1.2	Bank acceptances		44,700	1,510,854	1,555,554
1.2.1	Import letter of acceptance		671	519,399	520,070
1.2.2	Other bank acceptances		44,029	991,455	1,035,484
1.3	Letters of credit		30,161	8,963,991	8,994,152
1.3.1	Documentary letters of credit		30,161	8,963,991	8,994,152
1.3.2	Other letters of credit		-	-	-
1.4	Guaranteed pre-financings		-	3,006	3,006
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2	Other endorsements		-	-	-
1.6	Marketable securities underwriting commitments		-	-	-
1.7	Factoring related guarantees		225,380	7528	232,908
1.8	Other guarantees		81,074	43,996	125,070
1.9	Other sureties		239,968	2,056	242,024
<b>II.</b>	<b>COMMITMENTS</b>		<b>31,872,658</b>	<b>17,873,251</b>	<b>49,745,909</b>
2.1	Irrevocable commitments		28,813,083	1,547,642	30,360,725
2.1.1	Asset purchase commitments	V-III-1	793,979	961,190	1,755,169
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	11,843,577	74,556	11,918,133
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	2,542,741	-	2,542,741
2.1.8	Tax and fund obligations on export commitments		-	-	-
2.1.9	Commitments for credit card limits	V-III-1	10,534,862	-	10,534,862
2.1.10	Commitments for credit card and banking operations promotions		761,674	-	761,674
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		2,336,250	511,896	2,848,146
2.2	Revocable commitments		3,059,575	16,325,609	19,385,184
2.2.1	Revocable loan granting commitments		3,059,575	16,325,609	19,385,184
2.2.2	Other revocable commitments		-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>16,470,011</b>	<b>44,880,852</b>	<b>61,350,863</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		16,470,011	44,880,852	61,350,863
3.2.1	Forward foreign currency purchases/sales		1,152,837	1,617,661	2,770,498
3.2.1.1	Forward foreign currency purchases		576,772	808,889	1,385,661
3.2.2.2	Forward foreign currency sales		576,065	808,772	1,384,837
3.2.2	Currency and interest rate swaps		9,715,102	31,666,680	41,381,782
3.2.2.1	Currency swaps-purchases		3,085,946	11,883,240	14,969,186
3.2.2.2	Currency swaps-sales		4,289,156	5,162,344	9,451,500
3.2.2.3	Interest rate swaps-purchases		1,170,000	7,310,548	8,480,548
3.2.2.4	Interest rate swaps-sales		1,170,000	7,310,548	8,480,548
3.2.3	Currency, interest rate and security options		426,094	431,542	857,636
3.2.3.1	Currency call options		412,706	13,400	426,106
3.2.3.2	Currency put options		13,388	418,142	431,530
3.2.3.3	Interest rate call options		-	-	-
3.2.3.4	Interest rate put options		-	-	-
3.2.3.5	Security call options		-	-	-
3.2.3.6	Security put options		-	-	-
3.2.4	Currency futures		-	-	-
3.2.4.1	Currency futures-purchases		-	-	-
3.2.4.2	Currency futures-sales		-	-	-
3.2.5	Interest rate futures		-	-	-
3.2.5.1	Interest rate futures-purchases		-	-	-
3.2.5.2	Interest rate futures-sales		-	-	-
3.2.6	Other		5,175,978	11,164,969	16,340,947
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>1,287,928,890</b>	<b>807,052,180</b>	<b>2,094,981,070</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>59,316,964</b>	<b>5,617,699</b>	<b>64,934,663</b>
4.1	Customers' securities held		923,511	-	923,511
4.2	Investment securities held in custody		43,471,833	135,880	43,607,713
4.3	Checks received for collection		10,617,821	2,607,299	13,225,120
4.4	Commercial notes received for collection		2,959,313	993,297	3,952,610
4.5	Other assets received for collection		2,152	151	2,303
4.6	Assets received through public offering		-	-	-
4.7	Other items under custody		140536	743,875	884,411
4.8	Custodians		1,201,798	1,137,197	2,338,995
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>315,488,892</b>	<b>132,707,352</b>	<b>448,196,244</b>
5.1	Securities		740,033	5,090	745,123
5.2	Guarantee notes		708,473	524,748	1,233,221
5.3	Commodities		33,014,517	759,683	33,774,200
5.4	Warranties		-	-	-
5.5	Real estates		240,571,560	108,037,406	348,608,966
5.6	Other pledged items		39,693,039	23,254,495	62,947,534
5.7	Pledged items-depository		761,270	125,930	887,200
<b>VI.</b>	<b>CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>913,123,034</b>	<b>668,727,129</b>	<b>1,581,850,163</b>
	<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>1,368,927,903</b>	<b>888,473,641</b>	<b>2,257,401,544</b>

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF INCOME FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Reviewed Current Period January 1, 2018- June 30, 2018	Reviewed Current Period April 1, 2018- June 30, 2018
<b>I. INTEREST INCOME</b>	<b>V-IV-1</b>	<b>14,033,899</b>	<b>7,464,887</b>
1.1 Interest on loans	V-IV-1	12,010,624	6,410,664
1.2 Interest received from reserve deposits		169,393	93,369
1.3 Interest received from banks	V-IV-1	129,687	64,908
1.4 Interest received from money market transactions		18,961	14,948
1.5 Interest received from marketable securities portfolio	V-IV-1	1,609,326	839,774
1.5.1 Financial assets at fair value through profit or loss		5,984	2,812
1.5.2 Financial assets at fair value through other comprehensive income		327,322	164,135
1.5.3 Financial assets measured at amortised cost		1,276,020	672,827
1.6 Finance lease income		81,812	40,432
1.7 Other interest income		14,096	792
<b>II. INTEREST EXPENSES</b>		<b>8,949,950</b>	<b>4,789,434</b>
2.1 Interest on deposits	V-IV-2	<b>5,917,211</b>	<b>3,140,949</b>
2.2 Interest on funds borrowed	V-IV-2	630,533	356,826
2.3 Interest on money market transactions		1,197,457	652,371
2.4 Interest on securities issued	V-IV-2	945,107	519,067
2.5 Other interest expenses		259,642	120,221
<b>III. NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>5,083,949</b>	<b>2,675,453</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>883,125</b>	<b>467,341</b>
4.1 Fees and commissions received		<b>1,278,101</b>	<b>689,672</b>
4.1.1 Non-cash loans		194,834	102,372
4.1.2 Other		1,083,267	587,300
4.2 Fees and commissions paid		394,976	222,331
4.2.1 Non-cash loans		2,774	1,657
4.2.2 Other		392,202	220,674
<b>V. PERSONNEL EXPENSES (-)</b>		<b>1,173,759</b>	<b>571,956</b>
<b>VI. DIVIDEND INCOME</b>		<b>48,480</b>	<b>4,047</b>
<b>VII. TRADING PROFIT/LOSS (Net)</b>	<b>V-IV-3</b>	<b>352,941</b>	<b>217,546</b>
7.1 Profit/losses from capital market transactions	V-IV-3	58,272	30,423
7.2 Profit/losses from derivative financial transactions	V-IV-3	238,895	158,380
7.3 Foreign exchange profit/losses	V-IV-3	55,774	28,743
<b>VIII. OTHER OPERATING INCOME</b>	<b>V-IV-4</b>	<b>1,730,706</b>	<b>386,782</b>
<b>IX. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)</b>		<b>6,925,442</b>	<b>3,179,213</b>
<b>X. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>	<b>V-IV-5</b>	<b>1,832,908</b>	<b>521,646</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-6</b>	<b>2,289,761</b>	<b>1,231,840</b>
<b>XII. NET OPERATING PROFIT/LOSS (IX-X-XI)</b>		<b>2,802,773</b>	<b>1,425,727</b>
<b>XIII. SURPLUS WRITTEN AS GAIN AFTER MERGER</b>		-	-
<b>XIV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>28,997</b>	<b>15,052</b>
<b>XV. NET MONETARY POSITION GAIN/LOSS</b>		-	-
<b>XVI. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)</b>	<b>V-IV-7</b>	<b>2,831,770</b>	<b>1,440,779</b>
<b>XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>V-IV-10</b>	<b>(574,890)</b>	<b>(307,588)</b>
17.1 Current tax provision	V-IV-10	(563,007)	(250,947)
17.2 Expense effect of deferred tax (+)		(247,152)	(155,766)
17.3 Income effect of deferred tax (-)		235,269	99,125
<b>XIII. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)</b>	<b>V-IV-9</b>	<b>2,256,880</b>	<b>1,133,191</b>
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
19.1 Income from assets held for sale		-	-
19.2 Profit from sale of associates, subsidiaries and joint ventures		-	-
19.3 Other income from discontinued operations		-	-
<b>XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
20.1 Expenses on assets held for sale		-	-
20.2 Losses from sale of associates, subsidiaries and joint ventures		-	-
20.3 Other expenses from discontinued operations		-	-
<b>XXI. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)</b>		-	-
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
22.1 Current tax provision		-	-
22.2 Expense effect of deferred tax (+)		-	-
22.3 Income effect of deferred tax (-)		-	-
<b>XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		-	-
<b>XXIV. NET PROFIT/LOSSES (XVIII+XXIII)</b>	<b>V-IV-11</b>	<b>2,256,880</b>	<b>1,133,191</b>
24.1 Profit/Loss per share		2,229,462	1,111,784
24.2 Non-controlling interest(-)		27,418	21,407
Earnings per 100 Share (full TL)	III-XXIV	0.8918	0.4447

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF INCOME FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

	Notes	Reviewed Prior Period January 1, 2017- June 30, 2017	Reviewed Prior Period April 1, 2017- June 30, 2017
<b>I. INTEREST INCOME</b>	<b>V-IV-1</b>	<b>10,267,024</b>	<b>5,297,237</b>
1.1 Interest income from loans	V-IV-1	8,309,572	4,369,110
1.2 Interest income from reserve deposits		94,097	50,695
1.3 Interest income from banks	V-IV-1	86,708	49,746
1.4 Interest income from money market transactions		22,455	8,443
1.5 Interest income from securities portfolio	V-IV-1	1,599,148	742,683
1.5.1 Trading financial assets		8,435	4,218
1.5.2 Financial assets designated at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets		964,553	456,939
1.5.4 Held-to-maturity investments		626,160	281,526
1.6 Finance lease income		64,712	32,875
1.7 Other interest income		90,332	43,685
<b>II. INTEREST EXPENSE</b>	<b>V-IV-2</b>	<b>5,607,399</b>	<b>3,090,515</b>
2.1 Interest expense on deposits	V-IV-2	3,952,000	2,215,757
2.2 Interest expense on funds borrowed		379,222	200,470
2.3 Interest expense on money market transactions	V-IV-2	633,909	358,447
2.4 Interest expense on securities issued		445,715	228,705
2.5 Other interest expenses		196,553	87,136
<b>III. NET INTEREST INCOME (I – II)</b>		<b>4,659,625</b>	<b>2,206,722</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>557,754</b>	<b>290,266</b>
4.1 Fees and commissions received		862,078	452,175
4.1.1 Non-cash loans		140,113	72,205
4.1.2 Others		721,965	379,970
4.2 Fees and commissions paid		304,324	161,909
4.2.1 Non-cash loans		2,120	1,172
4.2.2 Others		302,204	160,737
<b>V. DIVIDEND INCOME</b>		<b>46,631</b>	<b>3,577</b>
<b>VI. TRADING INCOME/LOSSES (Net)</b>	<b>V-IV-3</b>	<b>128,263</b>	<b>(876)</b>
6.1 Trading account income/losses	V-IV-3	43,835	20,359
6.2 Income/losses from derivative financial instruments	V-IV-3	(28,257)	(69,462)
6.3 Foreign exchange gains/losses	V-IV-3	112,685	48,227
<b>VII. OTHER OPERATING INCOME</b>	<b>V-IV-4</b>	<b>1,424,719</b>	<b>685,894</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>6,816,992</b>	<b>3,185,583</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	<b>V-IV-5</b>	<b>1,384,408</b>	<b>624,766</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-6</b>	<b>2,691,803</b>	<b>1,373,917</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>2,740,781</b>	<b>1,186,900</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>25,648</b>	<b>13,539</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>V-IV-7</b>	<b>2,766,429</b>	<b>1,200,439</b>
<b>XVI. CONTINUING OPERATIONS PROVISION FOR TAXES</b>	<b>V-IV-10</b>	<b>(554,668)</b>	<b>(255,821)</b>
16.1 Current tax charges	V-IV-10	(467,339)	(249,530)
16.2 Deferred tax credits		(87,329)	(6,291)
<b>XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>V-IV-9</b>	<b>2,211,761</b>	<b>944,618</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from investment properties		-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3 Other income from discontinued activities		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS(-)</b>		-	-
19.1 Investment property expenses		-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3 Other expenses from discontinued activities		-	-
<b>XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES(XVIII-XIX)</b>		-	-
<b>XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES(±)</b>		-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge		-	-
<b>XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS(XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVI+XXII)</b>	<b>V-IV-11</b>	<b>2,211,761</b>	<b>944,618</b>
23.1. Equity holders of the Bank		2,193,955	938,881
23.2. Non-controlling interest(-)		17,806	5,737
Earnings per 100 Share (full TL)	III-XXIV	0.8776	0.3756

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE  
SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

		Reviewed Current Period January 1, 2018- June 30, 2018
<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
<b>I.</b>	<b>PROFIT (LOSS)</b>	<b>2,256,880</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>173,111</b>
<b>2.1.</b>	<b>Other comprehensive income that will not be reclassified to profit or loss</b>	<b>376,749</b>
2.1.1.	Gains (Losses) on Revaluation of Property, Plant and Equipment	51,412
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(1,321)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	378,177
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(51,519)
<b>2.2.</b>	<b>Other Comprehensive Income That Will Be Reclassified to Profit or Loss</b>	<b>(203,638)</b>
2.2.1.	Exchange Differences on Translation	-
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(248,302)
2.2.3.	Income (Loss) Related with Cash Flow Hedges	-
2.2.4.	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-
2.2.5.	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-
2.2.6.	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	44,664
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>2,429,991</b>

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF GAINS AND LOSSES RECOGNIZED IN EQUITY  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

<b>GAINS AND LOSSES RECOGNIZED IN EQUITY</b>		<b>Reviewed Prior Period January 1, 2017- June 30, 2017</b>
<b>I.</b>	<b>VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES</b>	<b>233,766</b>
<b>II.</b>	<b>REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	<b>(1,927)</b>
<b>III.</b>	<b>REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	<b>-</b>
<b>IV.</b>	<b>CURRENCY TRANSLATION DIFFERENCES</b>	<b>28,578</b>
<b>V.</b>	<b>GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)</b>	<b>-</b>
<b>VI.</b>	<b>GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)</b>	<b>-</b>
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS</b>	<b>-</b>
<b>VIII.</b>	<b>OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS</b>	<b>(87,592)</b>
<b>IX.</b>	<b>DEFERRED TAXES DUE TO VALUATION DIFFERENCES</b>	<b>(45,742)</b>
<b>X.</b>	<b>NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)</b>	<b>127,083</b>
<b>XI.</b>	<b>CURRENT PERIOD’S PROFIT/(LOSS)</b>	<b>2,211,761</b>
11.1	Change in fair value of securities (transfers to the statement of income)	3,467
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	2,208,294
		-
<b>XII.</b>	<b>TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)</b>	<b>2,338,844</b>

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

STATEMENT OF CHANGES IN SHAREHOLDERS						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
Reviewed	Notes	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total SE without minority share	Minority interest	Total
<b>Current Period June 30, 2018</b>																	
<b>I.</b>	<b>Prior Period End Balance</b>	2,500,000	724,269	-	80,404	1,046,956	(29,004)	56,141	-	(121,160)	-	14,805,097	3,881,265	-	22,943,968	677,103	23,621,071
<b>II.</b>	<b>Corrections and Accounting Policy Changes Made According to TAS 8</b>	-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
2.1.	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
<b>III.</b>	<b>Adjusted Beginning Balance (I+II)</b>	2,500,000	724,269	-	80,404	1,046,956	(29,004)	56,141	-	40,476	-	14,805,097	4,387,867	-	23,612,206	677,103	24,289,309
3.1.	Total Comprehensive Income	-	-	-	-	14,737	(845)	363,715	-	(207,890)	-	-	-	2,229,418	2,399,135	30,856	2,429,991
3.2.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3.	Capital Increase by Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.4.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.5.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.6.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.7.	Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	435	-	435	(15,246)	(14,811)
<b>IV.</b>	<b>Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	125,045	(125,045)	-	-	-	-
4.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2.	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	125,045	(125,045)	-	-	-	-
4.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Balance</b>		<b>2,500,000</b>	<b>724,269</b>	<b>-</b>	<b>80,404</b>	<b>1,061,693</b>	<b>(29,849)</b>	<b>419,856</b>	<b>-</b>	<b>(167,414)</b>	<b>-</b>	<b>14,930,142</b>	<b>4,263,257</b>	<b>2,229,418</b>	<b>26,011,776</b>	<b>692,713</b>	<b>26,704,489</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

1. Property & Equipment Revaluation Increase/Decrease
2. Defined Benefit Pension Plan Remeasurement Gain/Loss
3. Other (Accumulated Amount of the Shares Stated as Other Comprehensive Income Not Reclassified Through Profit or Loss and Components Not Reclassified as Other Profit or Loss of the Investments Valued by Equity Method)
4. Translation Differences from Foreign Currency Transactions
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income
6. Other (Cash Flow Hedge Income/Loss, Accumulated Amount of the Shares Stated as Other Comprehensive Income Reclassified Through Profit or Loss and Components Reclassified as Other Profit or Loss of the Investments Valued by Equity Method).

The accompanying explanations and notes form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

Reviewed	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period 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 Discount. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
<b>Prior Period June 30, 2017</b>																			
I.	Balances at the beginning of the period	2,500,000	-	727,780	-	1,436,787	6,337	10,156,575	606,809	-	2,775,944	(131,169)	997,197	3,683	-	-	19,079,943	527,529	19,607,472
II.	Changes during the period																		
III.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Associates, Subsidiaries and "Available-for-sale" securities	V-V-1	-	-	-	-	-	-	-	-	-	184,844	-	-	-	-	184,844	-	184,844
IV.	Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	let cash flow hedges	V-V-2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	(31,350)	-	(1,031)	-	-	-	(32,381)	30,710	(1,671)
VI.	Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Translation differences	V-V-3	-	-	-	-	-	-	28,578	-	-	-	-	-	-	-	28,578	-	28,578
IX.	Changes resulted from disposal of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Bank's equity		-	-	-	-	-	-	-	-	(37,096)	4,396	-	-	-	-	(32,700)	-	(32,700)
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.	Other		-	-	-	-	-	-	145	-	(1,907)	-	164	-	-	-	(1,598)	(762)	(2,360)
XVII.	Current period's net profit/loss		-	-	-	-	-	-	-	2,193,955	-	-	-	-	-	-	2,193,955	17,806	2,211,761
XVIII.	Profit distribution		-	-	-	272,873	-	2,246,161	20,048	-	(2,731,018)	-	49,444	-	-	-	(142,492)	20,386	(122,106)
18.1	Dividends		-	-	-	-	-	-	-	-	(120,000)	-	-	-	-	-	(120,000)	(2,106)	(122,106)
18.2	Transferred to reserves		-	-	-	272,873	-	2,246,161	20,048	-	(2,611,018)	-	49,444	-	-	-	(22,492)	22,492	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Ending Balance</b>	<b>2,500,000</b>	<b>-</b>	<b>727,780</b>	<b>-</b>	<b>1,709,660</b>	<b>6,337</b>	<b>12,402,736</b>	<b>655,580</b>	<b>2,193,955</b>	<b>(25,427)</b>	<b>58,071</b>	<b>1,045,774</b>	<b>3,683</b>	<b>-</b>	<b>-</b>	<b>21,278,149</b>	<b>595,669</b>	<b>21,873,818</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

		Notes	Reviewed Current Period June 30, 2018
<b>A.</b>	<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>1.1. Operating profit before changes in operating assets and liabilities (+)</b>		<b>3,314,014</b>
1.1.1	1.1.1. Interest received (+)		12,669,740
1.1.2	1.1.2. Interest paid (-)		(8,382,215)
1.1.3	1.1.3. Dividends received (+)		-
1.1.4	1.1.4. Fees and commissions received (+)		1,328,199
1.1.5	1.1.5. Other income (+)		617,546
1.1.6	1.1.6. Collections from previously written off loans and other receivables (+)		993,403
1.1.7	1.1.7. Cash payments to personnel and service suppliers (-)		(1,319,133)
1.1.8	1.1.8. Taxes paid (-)		(943,251)
1.1.9	1.1.9. Other (+/-)		(1,650,275)
<b>1.2</b>	<b>1.2. Changes in operating assets and liabilities subject to banking operations</b>		<b>(3,324,238)</b>
1.2.1	1.2.1. Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)		19,973
1.2.2	1.2.2. Net increase (decrease) in due from banks (+/-)		(2,621,272)
1.2.3	1.2.3. Net increase (decrease) in loans		(28,572,774)
1.2.4	1.2.4. Net increase (decrease) in other assets (+/-)		593,697
1.2.5	1.2.5. Net increase (decrease) in bank deposits (+/-)		34,908
1.2.6	1.2.6. Net increase (decrease) in other deposits (+/-)		15,458,985
1.2.7	1.2.7. Net increase (decrease) in financial liabilities at fair value through profit or loss (+/-)		-
1.2.8	1.2.8. Net increase (decrease) in funds borrowed (+/-)		10,938,168
1.2.9	1.2.9. Net increase (decrease) in matured payables (+/-)		-
1.2.10	1.2.10. Net increase (decrease) in other liabilities (+/-)		824,077
<b>I.</b>	<b>I. Net cash provided from banking operations(+/-)</b>		<b>(10,224)</b>
<b>B.</b>	<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>II. Net cash provided from investing activities(+/-)</b>		<b>(4,874,062)</b>
2.1	2.1. Cash paid for the purchase of associates, subsidiaries and joint ventures		(750)
2.2	2.2. Cash obtained from the sale of associates, subsidiaries and joint ventures		-
2.3	2.3. Cash paid for the purchase of tangible and intangible asset (-)		(229,248)
2.4	2.4. Cash obtained from the sale of tangible and intangible asset (+)		334,779
2.5	2.5. Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)		(3,488,312)
2.6	2.6. Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)		642,042
2.7	2.7. Cash paid for the purchase of financial assets at amortised cost (-)		(2,871,107)
2.8	2.8. Cash obtained from sale of financial assets at amortised cost (+)		745,754
2.9	2.9. Other (+/-)		(7,220)
<b>C.</b>	<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>III. Net cash flows from financing activities (+/-)</b>		<b>5,650,382</b>
3.1	3.1. Cash obtained from funds borrowed and securities issued (+)		10,764,825
3.2	3.2. Cash outflow from funds borrowed and securities issued (-)		(5,114,443)
3.3	3.3. Equity instruments issued (+)		-
3.4	3.4. Dividends paid (-)		-
3.5	3.5. Payments for finance lease liabilities (-)		-
3.6	3.6. Other (+/-)		-
<b>IV.</b>	<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>(92,230)</b>
<b>V.</b>	<b>V. Net increase/decrease in cash and cash equivalents (I+II+III+IV)</b>		<b>673,866</b>
<b>VI.</b>	<b>VI. Cash and cash equivalents at beginning of the period (+)</b>		<b>20,110,705</b>
<b>VII.</b>	<b>VII. Cash and cash equivalents at end of the period (V+VI)</b>		<b>20,784,571</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

	Reviewed Prior Period June 30, 2017
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>	
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>3,711,889</b>
1.1.1 Interests received	9,368,438
1.1.2 Interests paid	(5,307,573)
1.1.3 Dividends received	10,188
1.1.4 Fee and commissions received	862,078
1.1.5 Other income	648,098
1.1.6 Collections from previously written-off loans and other receivables	647,002
1.1.7 Payments to personnel and service suppliers	(1,014,146)
1.1.8 Taxes paid	(456,355)
1.1.9 Other	(1,045,841)
<b>1.2 Changes in operating assets and liabilities</b>	<b>(3,891,170)</b>
1.2.1 Net (increase) decrease in financial assets held for trading purpose	59,259
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	(1,513,307)
1.2.4 Net (increase) decrease in loans	(21,278,076)
1.2.5 Net (increase) decrease in other assets	(414,113)
1.2.6 Net increase (decrease) in bank deposits	(117,702)
1.2.7 Net increase (decrease) in other deposits	17,190,646
1.2.8 Net increase (decrease) in funds borrowed	1,930,812
1.2.9 Net increase (decrease) in matured payables	-
1.2.10 Net increase (decrease) in other liabilities	251,311
<b>I. Net cash flow from banking operations</b>	<b>(179,281)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<b>II. Net cash flow from investing activities</b>	<b>(634,290)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	-
2.3 Cash paid for purchase of tangible assets	(166,350)
2.4 Proceeds from disposal of tangible assets	259,620
2.5 Cash paid for purchase of available-for-sale financial assets	(3,099,684)
2.6 Proceeds from disposal of available-for-sale financial assets	2,780,355
2.7 Cash paid for purchase of held-to-maturity investments	(1,499,542)
2.8 Proceeds from disposal of held-to-maturity investments	1,123,419
2.9 Other	(32,108)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>III. Net cash flow from financing activities</b>	<b>983,659</b>
3.1 Cash obtained from funds borrowed and securities issued	5,554,002
3.2 Cash used for repayment of funds borrowed and securities issued	(4,448,237)
3.3 Equity instruments issued	-
3.4 Dividends paid	(122,106)
3.5 Repayments for finance leases	-
3.6 Other	-
<b>IV. Effect of change in foreign exchange rates on cash and cash equivalents</b>	<b>(59,808)</b>
<b>V. Net (decrease) / increase in cash and cash equivalents</b>	<b>110,280</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>12,421,404</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>12,531,684</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**SECTION THREE  
ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the “Banking Regulation and Supervision Agency” (“BRSA”), and in case where a specific regulation is not made by BRSA, “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“TFRS”) and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” and amendments to this Communiqué. General board and some regulatory authorities has the authorization to change the legal financial statements after they are published.

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

TFRS 9 “Financial Instruments”, which is effective as of January 1, 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated January 19, 2017. “TAS 39 Financial Instruments: Recognition and Measurement” has been replaced with TFRS 9, related to the classification and measurement of financial instruments. Financial statements and related footnotes of the previous period have not been rearranged according to transition regulations of TFRS 9. According to April 17, 2018 BRSA 24049440-045.01 [3/8] -E.5358 notice, the previous period data was presented in the old format. The Bank applied the classification and measurement and impairment requirements to opening equity balances without any adjustments during comparative periods in the opening balance sheet as of January 1, 2018.

Accounting policies and valuation principles used for the periods of 2018 and 2017 are presented separately in the footnotes, accounting policies and valuation principles are explained in the third section under the footnotes of II and XXIV. The accounting policies for the period of 2017 are disclosed in third section, footnote XXV.

TFRS 15 “Revenue from Contracts with Customers” (“TFRS 15”) standard has no significant impact on the Group’s accounting policies, financial position and performance.

The Group has started to work on compliance with the TFRS 16 Leases Standard effective from January 1, 2019 and continues its works in order to comply with related standard as of June 30, 2018.

The Group has started to work on compliance with the TFRS 17 Insurance Contracts Standard effective from January 1, 2019 and continues its works in order to comply with related standard as of June 30, 2018.

**Additional paragraph for convenience translation to English**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying unconsolidated financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**ACCOUNTING POLICIES (Continued)**

**II. STRATEGY FOR THE USE OF FINANCIAL INSTRUMENTS AND INFORMATION ON 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 in accordance with the requirements of its economic development while utilizing foundation resources. As a result of the nature of its operations, the Parent Bank intensively utilizes financial instruments. The Parent Bank accepts deposits consisting various maturities as the main source of funding with deposits being in high return as well as carefully utilizing them in high quality financial activities.

The most important fund sources of the Parent Bank other than the deposits are its equity and medium and long-term borrowings obtained from foreign financial institutions. The Parent 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 Parent 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, exchange rate risk and credit risk within reasonable limits; while enhancing profitability and strengthening the Parent Bank’s shareholders’ equity.

Investments in marketable securities and lending loans generate higher return than the average rate of return of the Parent Bank’s operating activities on the basis of maturity structures and market conditions. When the Parent Bank placements are considered, they have short term maturity in terms of liquidity management and have lower return. The Bank can take various positions on 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 Parent 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.

Within the legal limitations and the regulations of The Parent Bank’s internal control, the foreign currency position is being followed, the foreign currency position is established according to the basket equilibrium that is determined by taking into account current market conditions.

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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**ACCOUNTING POLICIES (Continued)**

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

**Information on foreign currency transactions**

Foreign currency transactions are recorded in TL which is the functional currency of the Parent Bank. Monetary assets and liabilities denominated in foreign currencies at the balance sheet, are translated into Turkish Lira by using the foreign exchange rates effective at the balance sheet date. Non-monetary foreign currency items which are recorded at fair value are valued at historical foreign exchange rates. Foreign exchange gain/loss amounts due to conversion of monetary items or collection or payments foreign currency denominated transactions are recognized in income statement.

Foreign exchange differences resulting from amortized costs of foreign currency denominated Financial assets at fair value through other comprehensive income 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.

As of September 30, 2016 reporting period, the Parent Bank started the fair value risk hedging strategy in order to avoid currency risk due to the share of Vakıfbank International AG's 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the Bank on May 4, 2016 with a maturity date of May 4, 2021 has been declared as the hedging instrument. In the subject process, the fair value changes that are related to the hedged investments abroad are recognized in the income statements as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement as at June 30, 2018 is TL 54,537. The effectiveness of the process is the degree of offset of the amount of changes in the hedged items' fair values that may be associated with the foreign exchange risks by the hedging instrument.

As of June 30, 2018, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS-39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**ACCOUNTING POLICIES (Continued)**

**III. INFORMATION ON ASSOCIATES THAT ARE CONSOLIDATED AND SUBSIDIARIES THAT ARE ACCOUNTED ACCORDING TO EQUITY METHOD**

***Consolidated subsidiaries***

As at and for the six-month period ended June 30, 2018, the financial statements of T. Vakıflar Bankası T.A.O, Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik ve Hayat AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

*Vakıfbank International AG*, was established in 1999 to operate in the banking sector in foreign countries, in line with the Bank’s globalization policy. Its head office is in Vienna.

*Vakıf Finansal Kiralama AŞ*, was established in 1988 to enter into finance lease operations and related transactions and contracts. Its head office is in Istanbul.

*Güneş Sigorta AŞ* was established under the leadership of the Bank and Toprak Mahsulleri Ofisi (TMO) in 1957. The Company has been operating in nearly all non-life insurance branches like fire, accident, transportation, engineering, agriculture, health, forensic protection, and loan insurance. Its head office is in Istanbul.

*Vakıf Emeklilik ve Hayat AŞ* was established under the name Güneş Hayat Sigorta AŞ in 1991. In 2003 the Company has taken conversion permission from Republic of Turkey Undersecretariat of Treasury and started to operate in private pension system. Its head office is in Istanbul.

*Vakıf Faktoring AŞ* was established in 1998 to perform factoring transactions and any kind of financing transactions. Factoring, the main operation of the Company, is a financing method that includes the trade receivables of production, distribution and service companies to be sold to intermediary institutions. Its head office is in Istanbul.

*Vakıf Yatırım Menkul Değerler AŞ* was established in 1996 to provide service to investors through making capital market transactions, issuance of capital market tools, commitment of repurchase and sales, and purchase (repo) and sales (reverse repo) of marketable securities, operating as a member of stock exchange, investment consultancy, and portfolio management. Its head office is in Istanbul.

*Vakıf Portföy Yönetimi AŞ* operates in investment fund management, portfolio management and pension fund management. Its head office is in Istanbul.

*Vakıf Gayrimenkul Yatırım Ortaklığı AŞ* was established as the first real estate investment partnership in finance sector under the adjudication of Capital Markets Law in 1996. The Company’s main operation is in line with the scope in the Capital Markets Board’s regulations relating to real estate investment trusts like, real estates, capital market tools based on real estates, real estate projects and investment on capital market tools. Its head office is in Istanbul.

*Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ* was established in 1991 in Istanbul. The main operation of the Company is to invest on a portfolio including marketable debt securities, equity securities without having managerial power in the partnerships whose securities have been acquired; 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 March 4, 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 May 24, 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at June 30, 2018 and December 31, 2017 but until the liquidation decision date its accumulated previous years’ loss has been included in the accompanying consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**ACCOUNTING POLICIES (Continued)**

**III. INFORMATION ON ASSOCIATES THAT ARE CONSOLIDATED AND SUBSIDIARIES THAT ARE ACCOUNTED ACCORDING TO EQUITY METHOD (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 September 8, 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 Mülga Law No: 6762, 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 June 30, 2018 and December 31, 2017, but its equity until the merger date has been included in the accompanying consolidated financial statements.

***Investments in associates consolidated per equity method***

As at and for the six-month period ended June 30, 2018, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

*Kıbrıs Vakıflar Bankası Ltd.* was established in 1982 in Turkish Republic of Northern Cyprus, mainly to encourage the credit cards issued by the Bank, and increase foreign exchange inflow, and carry on retail and commercial banking operations. Its head office is in Lefkosa.

*Türkiye Sınai Kalkınma Bankası AŞ* was established in 1950 to support investments in all economic sectors. Its head office is in Istanbul.

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

**IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS**

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

Derivatives are initially recorded at their purchase costs. The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts.

Derivative transactions are valued at their fair values subsequent to their acquisition and in accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss". The fair value differences of derivative financial instruments are recognized in the income statement.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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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. According to the TAS 39 - Financial Instruments: Recognition and Measurement, effective interest rate is the rate that discounts the expected cash flows of financial assets or liabilities during their lifetimes to their carrying values. Effective interest rate is calculated when a financial asset or a liability is initially recorded with transactions costs and is not modified thereafter.

**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**

Banking services income is recorded as income when it is collected. Other fee and commission income is transferred to profit/loss accounts according to time period principle on the basis of accrual using the principle of the effective interest method. Fee and commission expenses are recorded as expense at the time they are paid.

**VII. INFORMATION ON FINANCIAL ASSETS**

The Parent Bank categorizes its financial assets as “Fair Value Through Profit/Loss”, “Fair Value Through Other Comprehensive Income” or “Measured at Amortized Cost”. Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than “Financial Assets at Fair Value Through Profit or Loss”, transaction costs are added to fair value or deducted from fair value.

The Parent Bank recognizes a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by The Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the The Parent Bank’s management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to earnings, losses or interest that were previously recorded in the financial statements.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit/loss” are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

**Financial Assets at Fair Value Through Other Comprehensive Income**

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial assets with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not designated in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment. The Parent Bank does not have any securities which has a part in capital classified as financial assets at fair value through other comprehensive income.

During initial recognition an entity can choose in an irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

**Financial Assets Measured at Amortized Cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

Both "Fair value through other comprehensive income" and "measured at amortized cost" securities portfolio of the Group include Consumer Price Indexed (CPI) Bonds. These securities are valued and accounted using the effective interest rate method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The reference indices used in calculating the actual coupon payment amounts of these assets are based on the Consumer Price Index (CPI) of prior two months. The Bank also sets the estimated inflation rate accordingly. The estimated inflation rate used is updated as needed within the year.

**Loans**

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method". As of January 1, 2018 loans of The Parent Bank are retained under the "Measured at Amortized Cost" accounts due to holding loans in scope of a business model for the collection of contractual cash flows and contractual terms of loans that leads to cash flows representing solely payments of principal and interest at certain date.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**ACCOUNTING POLICIES (Continued)**

**VIII. INFORMATION ON EXPECTED CREDIT LOSS**

As of January 1, 2018, the Parent Bank recognize provisions for impairment in accordance with TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated June 22, 2016 numbered 29750. In this framework, as of December 31, 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

**Stage 1:**

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

**Stage 2:**

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses.

**Stage 3:**

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount.

The Parent Bank has accounted for the effect of applying the new provisions at the date of January 1, 2018 by recording a reversal in the opening records of previous years' profit and loss accounts. The primary impact is due to changes in the allowance for credit losses in accordance with the new impairment provisions and the tax effects of the corresponding provisions.

**IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS**

Financial assets and liabilities are reported in the balance sheet as net amount in the cases of the Parent Bank’s right and right to sanction to finalize and have the intention to receive/pay related financial asset or liability over the recognized amount or have the right to finalize the related asset and liability simultaneously.

**X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING**

Securities sold under repurchase agreements (“repo”) are classified under “Financial Assets at Fair Value through Profit or Loss”, “Financial Assets at Fair Value through Other Comprehensive Income” and/or “Financial Assets Measured at Amortised cost” portfolios according to their holding purposes in the Bank’s portfolio, and they are valued based on the revaluation principles of the related portfolios. Funds received through repurchase agreements are classified in balance sheet under “Money Market Funds” and the related interest expenses are accounted on an accrual basis of balance sheet date.

Securities purchased under resale agreements (“reverse repo”) are classified in balance sheet under “Receivables from Money Markets”. The income accrual is calculated for the securities purchased under resale agreements via the difference between buying and selling prices on the balance sheet date.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**ACCOUNTING POLICIES (Continued)**

**XI. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Tangible assets of the Parent Bank 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 November 1, 2006 and these assets are subject to revaluation by no means.

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

The Group has no discontinued operations.

**XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

The Group’s intangible assets consist of software. Intangible assets are initially recorded at their costs in compliance with the TAS 38 - *Intangible Assets*.

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

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

Estimated useful lives of the Group’s intangible assets are 3-15 years, and amortization rates are between 6.67% and 33.33%.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**ACCOUNTING POLICIES (Continued)**

**XIII. INFORMATION ON TANGIBLE ASSETS**

The costs of the tangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. In subsequent periods no inflation adjustment is made for tangible assets, and costs which are restated as of December 31, 2004 are considered as their historical costs. Tangible assets purchased after January 1, 2005 were recorded at their historical costs after foreign exchange differences and financial expenses are deducted if any. The Group decided to pursue the properties for use according to their fair values in terms of separating the land and buildings within the context of TAS 16 “Turkish Accounting Standard on Property, Plant and Equipment” after the change in the accounting policy as of September 30, 2015.

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 and is recognized in the income statement of the period.

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of related assets. Other maintenance costs are expensed.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. Depreciation rates of tangible assets and estimated useful lives are:

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

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

At each reporting date, the 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 LEASING ACTIVITIES**

**Leasing activities**

Risks and benefits on leasing activities that belongs to leasee is termed TAS 17- Leasing activities that belongs to financial leasing.

**- Finance leasing activities as the lessee**

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

If there is an impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realizable value. Provision for losses is calculated for decrease of the value of the assets that is obtained by this way. Depreciation for assets obtained through financial lease, is calculated in the same manner as tangible assets.

**- Finance leasing transactions as lessor**

The Parent Bank does not perform as a lessor on leasing transactions.

**Operational leases**

Operational leasing is defined as activities except from financial leasing. Operational leasing payments are recognized in equal payments as expense under income statement during the leasing period.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

---

**ACCOUNTING POLICIES (Continued)**

**XV. INFORMATION ON PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

Provisions and contingent liabilities are accounted in accordance with TAS 37 “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets”.

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

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

**XVI. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS**

**Reserve for employee termination benefits**

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group 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 June 30, 2018 is TL 5,002 (full TL) (December 31, 2017: TL 4,732 (full TL)).

The Group reserved for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the TAS 19 – Employee Benefits.

**Other benefits to employees**

The Group has provided provision for undiscounted other employee benefits earned during the financial period (unused vacations, premium and dividend) as per services rendered in compliance with TAS 19 in the accompanying consolidated financial statements.

The Group has provided provision for vacation that employees did not use until the relevant accounting period.

According to TAS 19, actuarial gains and losses have been accounted in “Other Capital Reserves” shown under Equity associated with The Statement of Gains and Losses Recognized in Equity for the respective reporting periods.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**ACCOUNTING POLICIES (Continued)**

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

**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 May 15, 1957 as per the temporary article no. 20 of the Social Security Law no. 506.

As part of Social Security Law’s 506 numbered, temporary article no.20, monthly income or salary is eligible for whose disabled with fund’s associates, senility and death insurance is subjected according to 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 November 1, 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court’s March 22, 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on December 15, 2007 in the Official Gazette no. 26731. The reason for the cancellation decision by Constitutional Court was stated as possible future losses on acquired rights of Fund members.

Following the publication of the ruling, the Turkish Parliament started to work on new legal arrangements and the Social Security Law no. 5754 (“the Law”) has been approved on April 17, 2008. The Law is enacted by the approval of the President of Turkey and issued on the May 8, 2008 dated and 26870 numbered Official Gazette.

In accordance with the temporary article no. 20 of the Article no. 73 of the Law;

The discounted liability for each fund in terms of the persons transferred as at the transfer date, including the contributors left the fund, should be calculated by the assumptions below,

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

Law requires the transfer to be completed in three years beginning from January 1, 2008. The three year period has expired on May 8, 2011; however, it has been extended to May 8, 2013 with the decision of Council of Ministers published in Official Gazette dated April 9, 2011. Before the expiration date, with the decision of Council of Ministers published in Official Gazette dated May 3, 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 April 30, 2014 extended for one year. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 numbered 29335.

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

The technical financial statements of the Fund are audited by the certified actuary according to the “Actuaries Regulation” which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report regarding December 31, 2017 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at June 30, 2018.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**ACCOUNTING POLICIES (Continued)**

**XVII. INFORMATION ON TAXATION**

**Corporate tax**

Corporate tax rate is 20% in Turkey according to Article 32 of the Corporate Taxes Law No. 5520. However, the mentioned ratio will be applied as 22% for a period of three years, according to Law No: 7061 “The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations” published in the Official Gazette dated December 5, 2017. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Except for the dividend payments to these institutions, the withholding tax rate on the dividend payments is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

75% of the profit from sales of associate shares that held at least 2 years and 50% of the profit from sales of real estates are exceptional from corporate taxes if there is a capital increase according to Corporate Tax Law or it is hold for 5 years on a special fund account. The Bank follows these profits in “Other accumulated comprehensive income that will not be reclassified in profit or loss” under the equity.

75% revenue of the sales from the firms that follows up for their debts and their guarantors’ and mortgagor’ properties, associate shares, founder shares, redeemed shares and privileges are exceptional from the corporate taxes.

Advance tax that is calculated with the current rate through profit from quarterly period has to be declared on the 14th day and paid until the 17th night of the second following month after the period end. Advance taxes paid during the year are set off on corporate tax which is calculated in yearly corporate tax return for that year. In the case of excess amount of advance tax, the amount can be reimbursed in cash or be set off to other financial debts.

According to tax legislation, financial losses which are not exceed over 5 years can be deducted from profit of the company. Losses can not be set off from retained earnings.

There is no agreement with the tax authorities about the tax payables in Turkey. Corporate tax return declared until the evening of the 25th day of the fourth month following the end of the accounting period. Firms that allowed to analyze taxes, can examine the accounting records within five years and change the tax amount if there is a wrong transaction.

**Corporation tax legislation for the foreign branches**

***Bahrain (Manama)***

The Parent Bank’s branch that is operating in Bahrain is nontaxable because there is no corporate tax practice in that country. Bahrain Branch’s income is added to headquarters income and it is taxed in Turkey according to Law No. 5520 on Corporate Tax Laws published in the Official Gazette dated June 5, 2012, numbered B.07.1.GİB.4.99.16.02-KVK-5/1-b-128.

***North Iraq (Erbil)***

The Parent Bank’s branch that is operating in Erbil is taxable according to the country’s law legislation. Declaration of financial records and their tax payments are differ from cities that are related to centralized government and cities that are related to North Iraq. On the other hand, North Iraq tax administrations can impute taxes rather than the designated rates.

***USA (New York)***

The Parent Bank’s branch that is operating in New York is taxable according to state law legislation and country law legislation. Double Tax Treaty Agreements is stated for being taxed in Turkey.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**ACCOUNTING POLICIES (Continued)**

**XVII. INFORMATION ON TAXATION (Continued)**

**Banking and Insurance Transaction Tax**

Banking and insurance transaction tax is arranged by the Law No. 6802 on Expenditure Taxes Law. Excluding the banks’ and insurance companies’ transactions according to Law No. 3226 on Leasing Law Legislation which is dated 10.6.1985, the collecting money in cash or by approximation is subject to banking and insurance transaction tax. Those amounts are up to 5% banking and insurance transaction tax according to Law No. 6802 on Expenditure Taxes Law’s 33. Notice and Article No. 98/11591.

**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, and initial recognition of assets and liabilities which affect neither accounting nor taxable profit. The delayed tax debt or assets is determined by calculating the “taxable temporary differences “ between the assets’ and debts’ book values versus the values on the legal tax base accounts . According to tax legislation, differences that do not affect the financial or commercial profit of the assets or liabilities at the acquisition date are excluded from these calculations.

According to December 8, 2004 BRSA.DZM.2/13/1-a-3 notice, there is no deferred tax assets on general provision and free provision.

In addition to this, deferred tax asset calculation has started to be measured over temporary expected provision losses differences according to TFRS 9 articles, beginning from January 1, 2018. Deferred rate calculation for free provisions are not calculated.

Deferred taxes’ book value is revised in every balance sheet date. If there is a condition met, where no possible taxable profit could be generated in case of a full or partial deferred tax asset benefit could be enabled by the Parent Bank, the book value of the deferred tax asset will be decreased.

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

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

**Transfer Pricing**

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

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**ACCOUNTING POLICIES (Continued)**

**XVIII. INFORMATION ON CASH AND CASH EQUIVALENTS**

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank of the Republic of Turkey (CBRT); and cash equivalents include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

**XIX. ADDITIONAL INFORMATION ON BORROWINGS**

The Parent Bank provides funding resources such as syndication and securitization transactions in case of need. In the current period, the Parent Bank has started to obtain funds through domestic and international bonds and bills since August 2011.

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

The group is not hedging about debt instruments.

**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 December 19, 2006.

**XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES**

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

**XXII. INFORMATION ON GOVERNMENT INCENTIVES**

As at June 30, 2018, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 167,227 (December 31, 2017: TL 186,717).

**XXIII. INFORMATION ON SEGMENT REPORTING**

An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- For which discrete financial information is available.

Segment reporting was selected as a fundamental section reporting method considering Bank’s risk and return structure and key sources which is disclosed in Section 4 Note VII.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS**

**Earnings per shares**

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

As at and for the six-month period ended June 30, 2018, earnings per 100 shares are full TL 0.8918 (June 30, 2017: full TL 0.8776).

**Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Shareholders, top executives and board members are accepted as related party personally, with their families and companies according to TAS 24 - Related Party Disclosures Standard. Transactions made with related parties are disclosed in Section 5 Note VII.

**Insurance operations**

*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, after deduction of premiums ceded to reinsurance companies are recorded under other operating income in the accompanying consolidated statement of income.

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

*Reserve for outstanding claims:* Accounts for outstanding claim reserve for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts, and in the calculations related to the claim reserves, claim recoveries, salvage and similar gains are not deducted. The difference between the outstanding claim reserve that is accrued and determined on account and the amount that is calculated by using the actuarial chain ladder method, of which the content and implementation fundamentals are determined on the Legislation for Technical Provision and the "Circular on Outstanding Claim Reserve" numbered. 2014/16 and dated December 5, 2014 and is effective from January 1, 2015, is accounted as incurred but not reported claims reserve. The calculation of incurred but not reported outstanding claim reserve considering best estimations of the Company's actuary has been calculated in the line with the related regulation.

*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 and profit sharing reserves.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS (Continued)**

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

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

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

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

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

**Individual pension business**

*Individual pension system receivables* presented under ‘other assets’ in the accompanying consolidated financial statements consists of ‘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 recognized in other income in the accompanying consolidated statement of comprehensive income.

**Classifications**

Reclassification procedures in scope of TFRS 9 are stated below.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS (Continued)**

**Classifications**

Reclassification procedures in scope of TFRS 9 are stated below.

**TFRS 9 Financial Instruments implementation and effects**

TFRS 9 “Financial Instruments”, which is effective as of January 1, 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated January 19, 2017. TFRS 9 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

**Classification and measurement of financial instruments**

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent “Solely Payments of Principal and Interest” (SPPI).

	Before TFRS 9		In Scope of TFRS 9	
	Measurement Bases	Book Value December 31, 2017	Measurement Bases	Book Value January 1, 2018
<b>Financial Assets</b>				
<b>Cash Balances and Central Bank</b>	Measured at amortized cost	28,656,246	Measured at amortized cost	28,656,246
<b>Banks and Money Markets</b>	Measured at amortized cost	14,982,861	Measured at amortized cost	14,982,861
	Fair value through profit and loss	129,972	Fair value through profit and loss	173,342
<b>Marketable Securities</b>	Fair value through other comprehensive income	14,570,384	Fair value through other comprehensive income	7,072,487
	(Available-for-sale)	16,766,071	Measured at amortized cost	24,422,643
<b>Derivative Financial Assets Held-for-trading</b>	Fair value through profit and loss	1,946,251	Fair value through profit and loss	1,946,251
<b>Loans (Gross)</b>	Measured at amortized cost	185,442,530	Measured at amortized cost	185,442,530

**Assessment whether contractual cash flows are solely payments of principal and interest:**

For the purposes of this assessment, “Principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Parent Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, The Parent Bank consider:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank’s claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- Features that modify consideration for the time value of money - e.g. periodic reset of interest rates.

The Parent Bank fulfills the on-balance sheet classification and measurement criteria by applying the procedures described above for all financial assets. Upon initial recognition each financial asset will be classified as either fair value through profit or loss (“FVTPL”), amortized cost or fair value through other comprehensive income (“FVTOCI”).

As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS (Continued)**

As of January 1, 2018, the Parent Bank does not have any financial assets that exceed the contractual cash flows test, including interest payments on principal and principal balance, other than the credit-linked bonds.

**Reconciliation of statement of financial position balances in transition to TFRS 9**

	Before TFRS 9 Book Value December 31, 2017	Reclassifications	Remeasurements	TFRS 9 Book Value January 1, 2018
<b>Financial Assets</b>				
<b>Fair value through P/L</b>				
Balance before classification (trading financial assets)	129,972	-	-	-
Classified to marketable securities	-	43,370	-	-
Book value after classification	-	-	-	173,342
<b>Fair value through other comprehensive income</b>				
Book value before classification (available for sale)	14,570,384	-	-	-
Financial assets at fair value through profit or loss	-	(43,370)	-	-
Financial assets measured at amortized cost	-	(7,454,527)	-	-
Book value after classification	-	-	-	7,072,487
<b>Measured at amortized cost financial assets</b>				
Balance before classification (held-to-maturity investments)	16,766,071	-	-	-
Classified from available for sale financial assets	-	7,454,527	202,045	-
Book value after classification	-	-	-	24,422,643

**1) Financial assets measured as amortized cost in accordance with TFRS 9 standard:**

The Parent Bank has reassessed the management model for the collection of contractual cash flows in the security portfolio or for the sale of the financial assets and cash flows depending on the contract. The Parent Bank has classified fair value through other comprehensive income amounting TL 7,454,527, which were classified before as available-for-sale financial assets, as measured at amortized cost due to the reason that appropriate management model of those marketable securities have the purpose of collecting cash flows or selling financial assets.

**2) Equity securities designated at fair value through profit or loss in accordance with TFRS 9 standard:**

The Bank has classified equity securities amounting to TL 43,370, which were classified as available-for-sale financial assets to designated at Fair Value through Profit or Loss as of the first application date of TFRS 9.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS (Continued)**

**3) Reclassification of categorized items without a change in measurement:**

In addition to the statements above, since the previous categories under TAS 39 of the debt instruments below were “out of action” under TAS 39 , the following borrowing instruments are reclassified in new categories under TFRS 9 without changing any measurement principles.

- (i) Previously classified as “available-for-sale” and as of January 1, 2018 classified as “Fair Value Through Other Comprehensive Income” and
- (ii) Previously classified as held-to-maturity and as of January 1, 2018 classified as “measured at amortized cost”.

**Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9**

The table below shows the reconciliation of the provision for impairment of the Bank as of December 31, 2017 and the provision for the expected loss model as measured in accordance with TFRS 9 as of January 1, 2018.

	<b>Book Value before TFRS 9</b>	<b>Remeasurements</b>	<b>Book Value after TFRS 9</b>
	<b>December 31, 2017</b>		<b>January 1, 2018</b>
<b>Loans</b>	<b>8,545,602</b>	<b>(424,320)</b>	<b>8,121,282</b>
Stage 1	1,527,551	(28,891)	1,498,660
Stage 2	181,119	283,954	465,073
Stage 3	6,836,932	(679,383)	6,157,549
<b>Financial Assets <sup>(*)</sup></b>	<b>39,402</b>	<b>46,767</b>	<b>86,169</b>
<b>Non-Cash Loans</b>	<b>292,475</b>	<b>216,070</b>	<b>508,545</b>
Stage 1 and 2 <sup>(**)</sup>	137,421	340,068	477,489
Stage 3 <sup>(***)</sup>	155,054	(123,998)	31,056
<b>Total</b>	<b>8,877,479</b>	<b>(161,483)</b>	<b>8,715,996</b>

<sup>(\*)</sup> Within the scope of TFRS 9 Financial Assets Measured at Amortized Cost include provisions for Financial Assets at Fair Value through Other Comprehensive Income, Banks and Receivables from Money Market.

<sup>(\*\*)</sup> Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified “General Provision” and expected credit loss for stage 3 non-cash loans is classified “Other Provisions” under liabilities.

<sup>(\*\*\*)</sup> In accordance with TFRS 9, the expected loss provisions for the 3rd stage non-cash loans are in the "Other Provisions" column in the liabilities.

**Effects on equity with TFRS 9 transition**

Deferred tax rate calculation has started to be measured over temporary expected provision losses differences according to TFRS 9 articles and BDDK regulations, beginning from January 1, 2018. In this framework, TL 504,448 valued deferred tax asset has been reflected to January 1, 2018 opening financials, and this amount are classified as prior period profit/loss under equity.

TL 161,483 revenue, consisted from bank’s prior period’s provisions and new loss provisions that measured in accordance with TFRS 9’s expented loss model beginning from January 1, 2018, classified as prior period profit/loss under equity.

For the specific provisions (TFRS 9 expected loss provisions for third stage loans), which have been cancelled due to TFRS 9 transition, corporate tax loss amounting to TL 170,480 is classified under "Prior year profit/loss" in equity as of January 1, 2018.

Equity securities followed under available-for-sale financial assets before January 1, 2018, along with its following under financial assets at fair value through profit or loss beginning from TFRS 9’s first implementation date, the amount of TL 11,151 impairment provision are classified as prior period’s profit/loss under equity.

Remeasurement difference regarding the after tax effect amounting net TL 161,636 has been classified under “Accumulated Other Comprehensive Income or Expense Reclassified through Other Profit or Loss”, for the securities amounting TL 7,454,527 classified before January 1, 2018 as available-for-sale financial assets and after fair value through other comprehensive income, has been classified with the TFRS 9 transition as measured at amortized cost.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**ACCOUNTING POLICIES (Continued)**

**XXV. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD**

TFRS 9 Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of January 1, 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

According to TAS 39 - Financial Instruments: Recognition and Measurement, financial assets are classified in four categories; as financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and loans and receivables

**Financial assets at fair value through profit or loss**

The financial assets included in this group are, "Trading financial assets" and "Financial assets at fair value through profit or loss classified as financial assets" as it is divided into two separate titles.

*Financial assets held for trading* 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.

*Financial assets at fair value through profit or loss* classified as financial assets are financial assets which are not acquired for trading, however during initial recognition with transaction costs and classified as fair value through profit or loss.

Such an asset is not present in the Parent Bank's portfolio.

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

**Available-for-sale financial assets**

Available-for-sale financial assets are the financial assets other than loans and receivables, held-to-maturity investments and financial assets at fair value through profit or loss. Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. However, assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair values and the discounted values are recorded in "Valuation differences of the marketable securities" under the shareholders' equity. In case of disposal of such assets, the valuation differences under shareholder's equity are transferred directly to the statement of income.

**Held-to-maturity investments**

*Held to maturity investments* are the financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables. Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any. Financial assets classified as held to maturity investment however sold before its' maturity or reclassified, are not allowed to be classified as held to maturity investment for two years with respect to TAS 39 rules. There are no financial assets in the Bank's portfolio contradictory to the standard.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**ACCOUNTING POLICIES (Continued)**

**XXV. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD (Continued)**

**Loans and Receivables**

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

Loans are initially recognized with their purchase and carried at their amortized costs using the internal rate of return at the subsequent recognition.

Foreign currency (“FC”) granted loans are recognized in original currency and is subject to evaluation with the buying rate of Turkish Lira. Foreign currency indexed loans, are converted to Turkish Lira (“TL”) at the rate of the opening date and in the following periods, according to changes in period exchange rate on the income statement in the foreign exchange gains / losses are recorded in the accounts.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**SECTION FOUR**

**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT**

**I. CONSOLIDATED EQUITY ITEMS**

Calculation of Equity and Capital Adequacy Standard Ratio are calculated according to “Regulation on Bank's Capital Adequacy Assessment of the Measurement“, “Communique on Credit Risk Mitigation“, “BRSA Regulation on Bank's Shareholder Equity“, “Regulations on Systemically Important Banks“, “Regulation on Capital Conservation and Cyclical Capital Buffer“. As of June 30, 2018 Group's capital adequacy ratio is 14.56 (December 31, 2017: 14.95)).

**Information about the consolidated shareholder equity items**

	Amount	Amount as per the regulation before 1/1/2014(*)
<b>Current Period – June 30, 2018</b>		
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	-
Share Premium	724,269	-
Reserves	14,930,142	-
Income recognized under equity in accordance with TAS	1,481,127	-
Profit	6,492,719	-
Current Period's Profit	2,229,462	-
Prior Period's Profit	4,263,257	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	80,404	-
Minority shares	690,522	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	26,899,183	-
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	196,841	-
Leasehold Improvements on Operational Leases	198,742	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	268,165	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	663,748	-
<b>Common Equity Tier 1 capital (CET1)</b>	26,235,435	-
<b>Additional Tier 1 capital: instruments</b>		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	-	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier 1 capital -	-	-
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)	-	-
<b>Additional Tier 1 Capital before deductions</b>	-	-
<b>Deductions from Additional Tier 1 Capital</b>		
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
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%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. CONSOLIDATED EQUITY ITEMS (Continued)**

	Amount	Amount as per the regulation before 1/1/2014(*)
<b>Current Period – June 30, 2018</b>		
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
<b>Total Deductions from Additional Tier 1 capital</b>	-	-
<b>Total Additional Tier 1 Capital (ATI)</b>	-	-
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	26,235,435	-
<b>TIER 2 CAPITAL</b>		
Bank’s borrowing instruments and related issuance premium	4,498,595	-
Bank’s borrowing instruments and related issuance premium (Temporary Article 4)	651,526	-
Third parties’ share in the Tier II Capital -	-	-
Third parties’ share in the Tier II Capital (Temporary Article 3)	2,147	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,629,252	-
<b>Tier 2 Capital Before Deductions</b>	7,129,994	-
<b>Deductions From Tier 2 Capital</b>		
Bank’s direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
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 Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 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 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Tier 2 Capital</b>	7,129,994	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	33,365,429	-
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity 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 (-)	-	-
Other items to be defined by the BRSA (-)	1,700	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
<b>TOTAL CAPITAL</b>		
Total Capital	33,363,729	-
Total Risk Weighted Amounts	229,092,599	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	11.45	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.45	-
Consolidated Capital Adequacy Ratio (%)	14.56	-
<b>BUFFERS</b>		
Total buffer requirement	2.64	-
Capital conservation buffer requirement (%)	1.88	-
Bank specific counter-cyclical buffer requirement (%)	0.01	-
Systemically important banks buffer requirement (%)	0.75	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5.45	-
<b>Amounts below deduction thresholds</b>		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Limits related to provisions considered in Tier 2 calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2,977,346	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,629,252	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

(\*) Represents the amounts taken into consideration according to transition clauses.

(\*\*) According to the “Regulations on Systemically Important Banks” 4th paragraph of Article 4, the “systemically important banks buffer requirement (%)” is to be filled by the systemically important banks that are not obligated to prepare consolidated financial statements and should be reported as zero for by the other banks.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. CONSOLIDATED EQUITY ITEMS (Continued)**

	Amount	Amount as per the regulation before 1/1/2014(*)
<b>Prior Period-December 31, 2017</b>		
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	724,269	
Reserves	14,805,097	
Income recognized under equity in accordance with TAS	1,031,317	
Profit	3,881,266	
Current Period's Profit	3,932,432	
Prior Period's Profit	(51,166)	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	3,913	
Minority shares	670,718	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>23,616,580</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	-	-
Leasehold Improvements on Operational Leases	186,861	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	204,370	255,462
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>391,231</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>23,225,349</b>	
<b>Additional Tier 1 capital: instruments</b>		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	-	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital -	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
<b>Additional Tier 1 Capital before deductions</b>		
<b>Deductions from Additional Tier 1 Capital</b>		
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
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%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

(\*) Represents the amounts taken into consideration according to transition clauses.

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. CONSOLIDATED EQUITY ITEMS (Continued)**

**Information about the consolidated shareholder equity items**

<b>Prior Period – December 31, 2017</b>	<b>Amount</b>	<b>Amount as per the regulation before 1/1/2014(*)</b>
<b>Transition from the Core Capital to Continue to deduct Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	51,092	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
<b>Total Deductions from Additional Tier 1 capital</b>	-	-
<b>Total Additional Tier 1 Capital (ATI)</b>	-	-
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	<b>23,174,257</b>	-
<b>TIER 2 CAPITAL</b>		
Bank's borrowing instruments and related issuance premium	4,079,148	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	809,717	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	6,385	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,885,493	-
<b>Tier 2 Capital Before Deductions</b>	<b>5,971,026</b>	-
<b>Deductions From Tier 2 Capital</b>		
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
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 Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 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 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Tier 2 Capital</b>	<b>5,971,026</b>	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	<b>29,145,283</b>	-
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity 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 (-)	-	-
Other items to be defined by the BRSA (-)	1,355	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
<b>TOTAL CAPITAL</b>		
Total Capital	29,143,928	-
Total Risk Weighted Amounts	194,903,773	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	11.92	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.89	-
Consolidated Capital Adequacy Ratio (%)	14.95	-
<b>BUFFERS</b>		
Total buffer requirement	1.753	-
Capital conservation buffer requirement (%)	1.250	-
Bank specific counter-cyclical buffer requirement (%)	0.003	-
Systemically important banks buffer requirement (%)	0.50	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.42	-
<b>Amounts below deduction thresholds</b>		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Limits related to provisions considered in Tier 2 calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,885,493	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,244,752	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

(\*) Represents the amounts taken into consideration according to transition clauses.

(\*\*) According to the “Regulations on Systemically Important Banks” 4th paragraph of Article 4, the “systemically important banks buffer requirement (%)” is to be filled by the systemically important banks that are not obligated to prepare consolidated financial statements and should be reported as zero for by the other banks.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. CONSOLIDATED EQUITY ITEMS (Continued)**

<b>Current Period - June 30, 2018</b>	
Issuer	T.Vakıflar Bankası T.A.O.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91 XS1175854923/ US90015WAC73 XS1551747733 / US90015WAE30 TRSVKFB92719
Governing law(s) of the instrument	Debt Instrument Communique numbered CMB-II-31.1 BRSA regulation on bank's shareholder equity
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	XS0849728190/ US90015NAB91 is subject to deduction. XS1175854923/ US90015WAC73 is not subject to deduction. XS1551747733/ US90015WAE30 is not subject to deduction. TRSVKFB92719 is not subject to deduction.
Eligible at solo/group/group&solo	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	4,499
Par value of instrument	6,931
Accounting classification	347011 - 346011 Subordinated Liabilities
Original date of issuance	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015 XS1551747733/ US90015WAE30 February 13, 2017 TRSVKFB92719 September 18,2017
Perpetual or dated	XS0849728190/ US90015NAB91 Dated (10 years) Maturity Date: November 1, 2022 XS1175854923/ US90015WAC73 Dated (10 years) Maturity Date: February 3, 2025 XS1551747733/ US90015WAE30 Dated (10 years) Maturity Date: November 1, 2027 TRSVKFB92719 Dated (10 years) Maturity Date:September 6, 2027
Issue date	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015 XS1551747733/ US90015WAE30 February 13, 2017 TRSVKFB92719 Dated (10 years) Maturity Date:September 6, 2027
Issuer call subject to prior supervisory approval	Yes
Call option dates, conditioned call dates and call amount	XS0849728190/ US90015NAB91 Not available XS1175854923/ US90015WAC73 early call date at February 3, 2020 is available. XS1551747733/ US90015WAE30 early call date at November 1, 2022 is available. TRSVKFB92719 early call date at the end of five years.
Subsequent call dates, if applicable	XS0849728190/ US90015NAB91 Not available XS1175854923/ US90015WAC73 only one call option is available. XS1551747733/ US90015WAE30 only one call option is available. TRSVKFB92719 only one call option is available.
<b>Coupons / dividends</b>	
Fixed or floating dividend/coupon	XS0849728190/ US90015NAB91 Fixed interest rate/ Interest payment once in six month, principal payment at the maturity date. XS1175854923/ US90015WAC73 Fixed interest rate/ Interest payment once in six month, principal payment at the maturity date. XS15517447733/ US90015WAE30 Fixed interest rate/ Interest payment once in six month, principal payment at the maturity date. TRSVKFB92719 Floating interest rate/ Interest payment once in three month, principal payment at the maturity date.
Coupon rate and any related index	XS0849728190/ US90015NAB91 6% fixed interest rate XS1175854923/ US90015WAC73 6.875% fixed interest rate XS1551747733/ US90015WAE30 8% fixed interest rate TRSVKFB92719 5 years maturity "Indicator Government Debt Security" +350 basis points
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	Noncumulative

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. CONSOLIDATED EQUITY ITEMS (Continued)**

<b>Current Period - June 30, 2018</b>	
<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)	XS0849728190/ US90015NAB91 Not available. XS1175854923/ US90015WAC73 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events XS1551747733/ US90015WAE30 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events TRSVKFB92719 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events
If write-down, full or partial	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has full or partial write down feature. XS1551747733/ US90015WAE30 has full or partial write down feature. TRSVKFB92719 has full or partial write down feature.
If write-down, permanent or temporary	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has permanent write down feature. XS1551747733/ US90015WAE30 has permanent write down feature. TRSVKFB92719 has permanent write down feature.
If temporary write-down, description of write-up mechanism	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has no write-up mechanism. XS1551747733/ US90015WAE30 has no write-up mechanism. TRSVKFB92719 has no write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments included in Tier II Capital after deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess Article 8
According to article 7 and 8 of Banks' shareholders' equity law that are not possessed	Not Possess Article 7

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. CONSOLIDATED EQUITY ITEMS (Continued)**

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

<b>Prior Period - December 31, 2017</b>	
Issuer	T.Vakıflar Bankası T.A.O.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91 XS1175854923/ US90015WAC73 XS1551747733 / US90015WAE30 TRSVKFB92719
Governing law(s) of the instrument	Debt Instrument Communique numbered CMB-II-31.1 BRSA regulation on bank's shareholder equity
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	XS0849728190/ US90015NAB91 is subject to deduction. XS1175854923/ US90015WAC73 is not subject to deduction. XS1551747733 / US90015WAE30 is not subject to deduction. TRSVKFB92719 / is not subject to deduction.
Eligible at solo/group/group&solo	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	4,079
Par value of instrument	5,798
Accounting classification	346011-347011 Subordinated Liabilities
Original date of issuance	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015 XS1551747733 / US90015WAE30 February 13, 2017 TRSVKFB92719 September 18, 2017
Perpetual or dated	XS0849728190/ US90015NAB91 Dated (10 years) Maturity Date: November 1, 2022 XS1175854923/ US90015WAC73 Dated (10 years) Maturity Date: February 3, 2025 XS1551747733 / US90015WAE30 Dated (10 years) Maturity Date: November 1, 2027 TRSVKFB92719 Dated (10 years) Maturity Date: September 6, 2027
Issue date	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015 XS1551747733 / US90015WAE30 February 13, 2017 TRSVKFB92719 September 18, 2017
Issuer call subject to prior supervisory approval	Yes
Call option dates, conditioned call dates and call amount	XS0849728190/ US90015NAB91 Not available. XS1175854923/ US90015WAC73 early call date at February 3, 2020 is available. XS1551747733 / US90015WAE30 early call date at November 1, 2022 is available. TRSVKFB92719 early call date at the end of five years.
Subsequent call dates, if applicable	XS0849728190/ US90015NAB91 Not available. XS1175854923/ US90015WAC73 only one call option is available. XS1551747733 / US90015WAE30 only one call option is available. TRSVKFB92719 only one call option is available.
<b>Coupons / dividends</b>	
Fixed or floating dividend/coupon	XS0849728190/ US90015NAB91 Fixed interest rate / Interest payment once in six month, principal payment at the maturity date XS1175854923/ US90015WAC73 Fixed interest rate / Interest payment once in six month, principal payment at the maturity date XS1551747733 / US90015WAE30 Fixed interest rate / Interest payment once in six month, principal payment at the maturity date TRSVKFB92719 Floating interest rate/ Interest payment once in three month, principal payment at the maturity date
Coupon rate and any related index	XS0849728190/ US90015NAB91 6% fixed interest rate XS1175854923/ US90015WAC73 6.875% fixed interest rate XS1551747733 / US90015WAE30 8% fixed interest rate TRSVKFB92719 5 years maturity “Indicator Government Debt Security” +350 basis points
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	Noncumulative

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. CONSOLIDATED EQUITY ITEMS (Continued)**

Prior Period - December 31, 2017	
Convertible or non-convertible	
If convertible, conversion trigger (s)	Nil
If convertible, fully or partially	Nil
If convertible, conversion rate	Nil
If convertible, mandatory or optional conversion	Nil
If convertible, specify instrument type convertible into	Nil
If convertible, specify issuer of instrument it converts into	Nil
Write-down feature	
If write-down, write-down trigger(s)	XS0849728190/ US90015NAB91 Not available. XS1175854923/ US90015WAC73 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events XS1551747733/ US90015WAE30 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events TRSVKFB92719 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events
If write-down, full or partial	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has full or partial write down feature. XS1551747733 / US90015WAE30 has full or partial write down feature. TRSVKFB92719 has full or partial write down feature.
If write-down, permanent or temporary	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has permanent write down feature. XS1551747733 / US90015WAE30 has permanent write down feature. TRSVKFB92719 has permanent write down feature.
If temporary write-down, description of write-up mechanism	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has no write-up mechanism. XS1551747733 / US90015WAE30 has no write-up mechanism. TRSVKFB92719 has no write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments included in Tier II Capital after deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess Article 8
According to article 7 and 8 of Banks' shareholders' equity law that are not possessed	Not Possess Article 7

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. CONSOLIDATED EQUITY ITEMS (Continued)**

**Reconciliation of capital items to balance sheet:**

	<b>Current Period - June 30, 2018</b>
Shareholders’ equity	26,704,489
Leasehold improvements on operational leases	(198,742)
Goodwill and intangible assets	(268,165)
General provision (1.25% of the amount that subject to credit risk)	2,629,252
Subordinated debt	4,498,595
Deductions from shareholders’ equity	(1,700)
<b>Capital</b>	<b>33,363,729</b>
	<b>Prior Period - December 31, 2017</b>
Shareholders’ equity	23,622,965
Leasehold improvements on operational leases	(186,861)
Goodwill and intangible assets	(204,370)
General provision (1.25% of the amount that subject to credit risk)	1,885,493
Subordinated debt	4,079,148
Deductions from shareholders’ equity	(52,447)
<b>Capital</b>	<b>29,143,928</b>

**II. 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.

The Parent Bank’s and all consolidated financial subsidiaries’ foreign currency assets and liabilities and the forward foreign-currency transactions are taken into consideration in calculating the capital obligation for the consolidated 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 June 30, 2018 and December 31, 2017, the Group does not have derivative 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 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:

	<b>US Dollar</b>	<b>Euro</b>
<b>The Bank’s foreign currency purchase rate at the balance sheet date</b>	<b>4.5756</b>	<b>5.3311</b>
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	4.5935	5.3239
Day 2	4.6019	5.3387
Day 3	4.6447	5.4124
Day 4	4.6948	5.4839
Day 5	4.6981	5.4592
	<b>US Dollar</b>	<b>Euro</b>
<b>Last 30-days arithmetical average rate</b>	<b>4.6212</b>	<b>5.4006</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)**

**Information on currency risk**

<b>Current Period – June 30, 2018</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
<i>Assets:</i>				
Cash and balances with the Central Bank of the Republic of Turkey	6,221,133	15,960,313	6,587,304	28,768,750
Banks	1,352,471	6,834,189	241,235	8,427,895
Financial assets at fair value through profit or loss (1)	-	66,901	-	66,901
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	1,138,699	895,913	-	2,034,612
Loans and receivables (2)	34,423,044	41,126,624	75,744	75,625,412
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	617,053	5,869,582	-	6,486,635
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,835	8,916	-	10,751
Intangible assets	326	-	-	326
Other assets (3) (4)	2,475,141	2,620,405	611	5,096,157
<b>Total assets</b>	<b>46,229,705</b>	<b>73,382,843</b>	<b>6,904,894</b>	<b>126,517,442</b>
<i>Liabilities:</i>				
Bank deposits	1,114,962	5,254,930	730,163	7,100,055
Foreign currency deposits	24,502,588	27,652,713	2,712,486	54,867,787
Interbank money market takings	538,985	2,735,155	-	3,274,140
Funds borrowed	16,483,397	22,821,539	6,067	39,311,003
Securities issued	5,372,724	9,847,892	-	15,220,616
Miscellaneous payables	966,719	100,227	146,919	1,213,865
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities (1) (4) (5)	331,542	8,003,077	15,492	8,350,111
<b>Total liabilities</b>	<b>49,310,917</b>	<b>76,415,533</b>	<b>3,611,127</b>	<b>129,337,577</b>
<b>Net ‘on balance sheet’ position</b>	<b>(3,081,212)</b>	<b>(3,032,690)</b>	<b>3,293,767</b>	<b>(2,820,135)</b>
<b>Net ‘off-balance sheet’ position</b>	<b>3,817,387</b>	<b>3,675,455</b>	<b>(3,285,391)</b>	<b>4,207,451</b>
Derivative assets (6)	14,275,332	23,116,880	1,238,048	38,630,260
Derivative liabilities (6)	10,457,945	19,441,425	4,523,439	34,422,809
Non-cash loans (7)	8,891,875	14,765,416	301,788	23,959,079
<b>Prior Period – December 31, 2017</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
Total assets	37,222,119	65,202,842	6,871,680	109,296,641
Total liabilities	38,874,988	69,228,054	2,260,915	110,363,957
Net ‘on balance sheet’ position	(1,652,869)	(4,025,212)	4,610,765	(1,067,316)
Net ‘off-balance sheet’ position	2,191,663	4,803,952	(4,607,585)	2,388,030
Derivative assets (6)	5,174,385	18,670,060	270,591	24,115,036
Derivative liabilities (6)	2,982,722	13,866,108	4,878,176	21,727,006
Non-cash loans (7)	5,616,304	12,773,108	277,946	18,667,358

- (1) Derivative financial assets amounting to TL 153,411 (December 31, 2017: TL 13,982) and liabilities amounting to TL 52,606 (December 31, 2017: TL 34,557) resulting from changes in foreign exchange rates are not included.
- (2) Foreign currency indexed loans amounting to TL 4,391,286 (December 31, 2017: TL 4,702,183) presented in TL in the financial statements are included in the above table.
- (3) Foreign currency indexed factoring receivables amounted to TL 200,242 (December 31, 2017: TL 259,923) presented in TL column in the accompanying consolidated balance sheet are included.
- (4) Prepaid expenses amounting to TL 143,371 (December 31, 2017: TL 95,376) are not included.
- (5) Unearned income amounting to TL 256,702 (December 31, 2017: TL 197,598), deferred tax liabilities amounting to TL 15,996 (December 31, 2017: 60,252) and equity amounting to TL 602,628 TL (December 31, 2017: TL 631,816) are not included.
- (6) Asset purchase commitments amounting to TL 440,468 (December 31, 2017: TL 232,555), asset sales commitments amounting to TL 1,267,072 (December 31, 2017: TL 728,635) are included.
- (7) Non-cash loans are not taken into consideration in the calculation of the net ‘off-balance sheet’ position.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

20% devaluation of the TL against the following currencies for the six-month period ended at June 30, 2018 and 10% devaluation for the six-month period ended at June 30, 2017 would have effect on 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.

	Current Period- June 30, 2018	
	Profit or loss	Equity (*)
US Dollar	126,770	126,770
Euro	146,802	(268,124)
Other currencies	1,675	1,675
<b>Total, net (**)</b>	<b>275,247</b>	<b>(139,679)</b>

	Prior Period- June 30, 2017	
	Profit or loss	Equity (*)
US Dollar	107,105	107,105
Euro	53,073	108,209
Other currencies	788	788
<b>Total, net (**)</b>	<b>160,966</b>	<b>216,102</b>

(\*) Equity effect also includes profit or loss effect of 20% devaluation of TL against related currencies.

(\*\*) Associates, subsidiaries and jointly controlled partnerships are included in the impact calculation for the income statement, but are not included in the impact calculation for the equity. Tangible and intangible assets are not included in the calculation of equity and income statement.

20% revaluation of the TL against the following currencies for the six-month period ended at June 30, 2018 and 10% revaluation for the six-month period ended at June 30, 2017 would have effect on consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

	Current Period- June 30, 2018	
	Profit or loss	Equity (*)
US Dollar	(126,770)	(126,770)
Euro	(146,802)	268,124
Other currencies	(1,675)	(1,675)
<b>Total, net (**)</b>	<b>(275,247)</b>	<b>139,679</b>

	Prior Period- June 30, 2017	
	Profit or loss	Equity (*)
US Dollar	(107,105)	(107,105)
Euro	(53,073)	(108,209)
Other currencies	(788)	(788)
<b>Total, net (**)</b>	<b>(160,966)</b>	<b>(216,102)</b>

(\*) Equity effect also includes profit or loss effect of 20% revaluation of TL against related currencies.

(\*\*) Associates, subsidiaries and jointly controlled partnerships are included in the impact calculation for the income statement, but are not included in the impact calculation for the equity. Tangible and intangible assets are not included in the calculation of equity and income statement.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**III. 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 repricing dates)**

<b>Current Period- June 30, 2018</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 CBRT	20,601,722	-	-	-	-	14,940,843	35,542,565
Banks	6,977,028	1,364,004	8,492	-	-	1,376,500	9,726,024
Financial assets at fair value through profit/loss	14,099	69,185	13,879	89	6,111	72,523	175,886
Interbank money market placements	-	-	3,450	-	-	5,778	9,228
Available-for-sale financial assets	1,236,250	980,437	2,496,960	1,962,673	1,449,551	-	8,125,871
Loans and receivables <sup>(***)</sup>	93,533,983	14,096,598	37,065,578	45,876,730	23,992,977	2,275,057	216,840,923
Held-to-maturity investments	3,972,574	3,609,328	9,529,690	6,800,606	4,148,224	-	28,060,422
Other assets <sup>(*)</sup>	656,865	905,766	159,559	1,582,011	146,521	16,438,003	19,888,725
<b>Total assets</b>	<b>126,992,521</b>	<b>21,025,318</b>	<b>49,277,608</b>	<b>56,222,109</b>	<b>29,743,384</b>	<b>35,108,704</b>	<b>318,369,644</b>
<i>Liabilities:</i>							
Bank deposits	8,487,360	709,568	8,210	-	-	614,871	9,820,009
Other deposits	92,427,184	27,915,685	10,467,880	1,678,325	46,031	31,718,981	164,254,086
Interbank money market takings	24,364,107	226,567	170,080	1,053,014	-	-	25,813,768
Miscellaneous payables	-	-	-	-	-	7,418,039	7,418,039
Securities issued	1,915,125	3,433,012	6,118,690	13,061,461	-	-	24,528,288
Funds borrowed	12,685,886	14,452,714	9,777,994	2,732,421	1,845,569	405,189	41,899,773
Other liabilities <sup>(**)</sup>	56,033	751,437	1,278,477	6,729,234	2,873,045	32,947,455	44,635,681
<b>Total liabilities</b>	<b>139,935,695</b>	<b>47,488,983</b>	<b>27,821,331</b>	<b>25,254,455</b>	<b>4,764,645</b>	<b>73,104,535</b>	<b>318,369,644</b>
On balance sheet long position	-	-	21,456,277	30,967,654	24,978,739	-	77,402,670
On balance sheet short position	(12,943,174)	(26,463,665)	-	-	-	(37,995,831)	(77,402,670)
Off-balance sheet long position	1,377,376	4,331,257	-	-	44,948	-	5,753,581
Off-balance sheet short position	-	-	(107,875)	(2,414,850)	-	-	(2,522,725)
<b>Net position</b>	<b>(11,565,798)</b>	<b>(22,132,408)</b>	<b>21,348,402</b>	<b>28,552,804</b>	<b>25,023,687</b>	<b>(37,995,831)</b>	<b>3,230,856</b>

<sup>(\*)</sup> Subsidiaries, associates and tangible and intangible assets, and deferred tax are included in “non-interest bearing” column.

<sup>(\*\*)</sup> Equity is included in “non-interest” bearing column in other liabilities line.

<sup>(\*\*\*)</sup> Non-performing loans net-off related provision for expected loss of stage 3 are presented in “non-interest bearing” column.

<b>Prior Period – December 31, 2017</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 CBRT	16,440,969	-	-	-	-	12,215,277	28,656,246
Banks	11,171,891	879,741	8,187	-	-	1,263,980	13,323,799
Financial assets at fair value through profit/loss	391,812	520,939	204,870	831,608	119,101	7,893	2,076,223
Interbank money market placements	1,657,596	957	509	-	-	-	1,659,062
Available-for-sale financial assets	3,082,642	1,597,538	4,238,724	4,339,735	1,268,375	43,370	14,570,384
Loans and receivables	80,929,714	12,062,986	31,934,009	40,514,706	20,001,115	1,106,254	186,548,784
Held-to-maturity investments	986,375	2,743,646	6,217,027	4,327,554	2,491,469	-	16,766,071
Other assets <sup>(*)</sup>	106,487	655,271	1,357,788	1,726,514	118,216	13,294,161	17,258,437
<b>Total assets</b>	<b>114,767,486</b>	<b>18,461,078</b>	<b>43,961,114</b>	<b>51,740,117</b>	<b>23,998,276</b>	<b>27,930,935</b>	<b>280,859,006</b>
<i>Liabilities:</i>							
Bank deposits	8,268,276	842,741	177,301	-	-	491,073	9,779,391
Other deposits	81,487,029	24,794,960	10,977,089	1,328,034	41,321	29,580,042	148,208,475
Interbank money market takings	22,019,375	15,047	140,509	449,402	64,742	-	22,689,075
Miscellaneous payables	-	-	-	-	-	7,333,030	7,333,030
Securities issued	1,247,389	2,099,508	6,106,438	9,251,597	1,165,827	-	19,870,759
Funds borrowed	9,507,413	11,377,264	6,276,171	2,328,262	1,663,576	235,102	31,387,788
Other liabilities <sup>(**)</sup>	21,172	170,988	518,411	4,097,325	2,292,989	34,489,603	41,590,488
<b>Total liabilities</b>	<b>122,550,654</b>	<b>39,300,508</b>	<b>24,195,919</b>	<b>17,454,620</b>	<b>5,228,455</b>	<b>72,128,850</b>	<b>280,859,006</b>
On balance sheet long position	-	-	19,765,195	34,285,497	18,769,821	-	72,820,513
On balance sheet short position	(7,783,168)	(20,839,430)	-	-	-	(44,197,915)	(72,820,513)
Off-balance sheet long position	1,267,350	3,559,363	140,118	-	162,518	-	5,129,349
Off-balance sheet short position	-	-	-	(2,683,485)	-	-	(2,683,485)
<b>Net position</b>	<b>(6,515,818)</b>	<b>(17,280,067)</b>	<b>19,905,313</b>	<b>31,602,012</b>	<b>18,932,339</b>	<b>(44,197,915)</b>	<b>2,445,864</b>

<sup>(\*)</sup> Subsidiaries, associates and tangible and intangible assets are stated in “non-interest bearing” column.

<sup>(\*\*)</sup> Equity is included in “non-interest bearing” column in other liabilities line.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED INTEREST RATE RISK (Continued)

Average interest rates applied to monetary financial instruments <sup>(\*)</sup>:

	Euro	US Dollar	Yen	TL
<b>Current Period – June 30, 2018</b>	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	1.50	-	7.00
Banks	0.61	1.98	-	18.61
Financial assets at fair value through profit/loss	-	11.82	-	15.11
Interbank money market placements	-	-	-	18.58
Available-for-sale financial assets	3.73	5.18	-	12.26
Loans and receivables	4.92	7.23	-	17.80
Held-to-maturity investments	5.05	6.59	-	11.02
<i>Liabilities:</i>				
Bank deposits	1.11	2.13	-	18.90
Other deposits	1.72	3.92	-	14.49
Interbank money market takings	1.04	2.47	-	17.53
Miscellaneous payables	-	-	-	-
Securities issued	2.88	5.49	-	15.02
Funds borrowed	1.47	3.97	-	14.42
<b>Prior Period – December 31, 2017</b>				
<i>Assets:</i>				
Cash and balance with CBRT	-	1.50	-	4.00
Banks	0.19	4.02	-	14.18
Financial assets at fair value through profit/loss	-	11.82	-	13.81
Interbank money market placements	-	-	-	12.75
Available-for-sale financial assets	4.25	4.12	-	11.96
Loans and receivables	4.81	6.51	-	15.96
Held-to-maturity investments	5.05	6.52	-	11.51
<i>Liabilities:</i>				
Bank deposits	0.36	1.53	-	14.33
Other deposits	1.72	3.54	-	12.11
Interbank money market takings	-	2.09	-	12.61
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.84	-	13.73
Funds borrowed	1.32	3.21	-	13.37

(\*) The rates above are calculated over financial instruments with interest rates.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items

Information on separations of risks according to objectives including their relation with gains presented in equity and strategically reasons, accounting techniques and general information about valuation methods with the related assumptions and factors that affect the valuation and significant changes

The accounting applications regarding to share investment that qualifications in associate and subsidiary of are disclosed in Section 3 Note III.

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

Current Period – June 30, 2018	Comparison		
	Carrying Value	Fair Value <sup>(*)</sup>	Market Value <sup>(*)</sup>
<b>Stock Investments</b>			
<b>Stocks quoted in exchange<sup>(*)</sup></b>	<b>317,247</b>	<b>317,247</b>	<b>317,247</b>
1.Stocks Investments Group A	317,203	317,203	317,203
2.Stock Investments Group B	44	44	44
3.Stock Investments Group C	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>794,338</b>	<b>675,798</b>	<b>-</b>

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

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

Prior Period - December 31, 2017	Comparison		
	Carrying Value	Fair Value <sup>(*)</sup>	Market Value <sup>(*)</sup>
<b>Stock Investments</b>			
<b>Stocks quoted in exchange<sup>(*)</sup></b>	<b>310,918</b>	<b>310,918</b>	<b>310,918</b>
1.Stocks Investments Group A	310,918	310,918	310,918
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>396,553</b>	<b>291,653</b>	<b>-</b>

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

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

Total unearned 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 – June 30, 2018	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total <sup>(*)</sup>	Included in Supplementary Capital	Total <sup>(*)</sup>	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	419,225	419,225	-	-
<b>4. Total</b>	<b>-</b>	<b>419,225</b>	<b>419,225</b>	<b>-</b>	<b>-</b>

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

Portfolio-Prior Period – December 31, 2017	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total <sup>(*)</sup>	Included in Supplementary Capital	Total <sup>(*)</sup>	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	61,709	61,709	-	-
<b>4. Total</b>	<b>-</b>	<b>61,709</b>	<b>61,709</b>	<b>-</b>	<b>-</b>

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**IV. CONSOLIDATED STOCK POSITION RISK (Continued)**

**Explanations on Equity Shares Risk Arising from Banking Book**

<b>Portfolio-Current Period – June 30, 2018</b>	<b>Carrying Value</b>	<b>Total RWA</b>	<b>Minimum Capital Requirement</b>
1.Private Equity Investments	-	-	-
2.Quoted	317,247	317,247	25,380
3.Other Stocks	794,338	794,338	63,547
<b>4. Total</b>	<b>1,111,585</b>	<b>1,111,585</b>	<b>88,927</b>

<b>Portfolio-Prior Period – December 31, 2017</b>	<b>Carrying Value</b>	<b>Total RWA</b>	<b>Minimum Capital Requirement</b>
1.Private Equity Investments	-	-	-
2.Quoted	310,918	310,918	24,873
3.Other Stocks	396,553	396,553	31,724
<b>4. Total</b>	<b>707,471</b>	<b>707,471</b>	<b>56,597</b>

**V. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO**

Liquidity risk is defined as the risk of not fulfilling payment liabilities on time as a result of not having adequate cash or cash inflow to meet the cash outflow properly due to imbalance in cash flows of the Group. The framework of liquidity risk of the Parent Bank is specified with Liquidity Risk Management Document. In the framework of liquidity risk management, policies regarding liquidity risk management are written down by Risk Management Department and fundamental principles, analyses regarding measurement and monitoring risk, basic rudiments on early warning indicators, liquidity buffer and limits are included.

The Group is managing liquidity risk according to risk capacity and the Group’s risk appetite in the range envisioned by the regulations. Liquidity risk management approach is in general based on the principle of monitoring in-day liquidity risk. The Group monitors the net liquidity position and liquidity requirements continuously and facing the future. The Group takes precautions to increase diversity in fund sources to increase effectiveness and durability in liquidity risk management. On market basis and specific to the Group (in consideration of market and funding liquidity) scenario and susceptibility analyses are performed and assumptions based on these analyses are reviewed regularly. It is aimed to protect the optimum liquidity level that can meet short – term liquidity needs not to remain inactive and maintain profitability – risk balance.

In addition to the structure described concerning the Group’s liquidity risk management, various systems and processes are also available subsidiaries and associates. These systems and processes are designed in a way compatible with the generally accepted approach concerning liquidation risk management and legal regulations that each subsidiary and associate is subject to be. Besides the established structures and arrangements are able to execute liquidation risk management of subsidiaries and associates effectively within the organization, it is expected that these established structures and arrangements are also contribute to the integrated liquidity risk management structure with the Parent Bank’s all associates.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**V. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

Liquidity management in the Parent Bank is carried out under Treasury Department in regard to the Parent Bank’s strategic goals and projections, decisions taken in Asset/Liability Committee, treasury policies, limits defined under market circumstances, the Parent Bank’s balance sheet and income goals and strategies defined to meet these goals. Daily, weekly, and monthly cash flow statements are prepared in accordance with principles of profitability and prudence in the Parent Bank’s liquidity management. Cash flow statements are evaluated and the Bank’s liquidity is managed in line with Treasury Department policies, daily TL and FC liquidity position Bank balance sheet and income goals.

Scenarios about where to make replacement funding in case of high amount outflows in daily liquidity management are made regularly, effects of probable outflows on liquidity level and legal ratios are evaluated and liquidity management is carried out by taking necessary actions.

The Parent Bank makes use of liquidity gap analysis reports and liquidity stress tests in the internal measurement of liquidity risk. In Liquidity gap analysis and liquidity stress scenarios, the Bank’s compensation level of net cash outflows which are more likely to happen in short term are presented. Measurements regarding liquidity risk are performed by Risk Management Department and measurement results are reported regularly to performer units responsible of management of the related risk and top management and the Board of Directors.

It is taken as a basis that the Parent Bank consistently monitors TL and FC liquidity positions and funding strategies. Necessary precautions are taken in line with liquidity needs by following stress circumstances. “Liquidity Emergency Action Plan” which is an important part of liquidity risk management of the Parent Bank, consists of early warning indicators which play an important role in monitoring increases in liquidity risk and the prevention of a possible crisis, action plans to prevent a possible crisis and to be applied during a crisis. Furthermore, to fulfill the banks reserve deposits liability that it has to allocate in the presence of CBRT, alternative fund sources to provide liquidity that is needed in various stress circumstances and under which circumstances to apply these sources, precautions to minimize time maturity mismatch and provide necessary funds on time, how the mechanism is going to operate in cases of crisis and stress is included in the plan.

The Parent Bank’s Foreign Currency and total liquidity coverage ratio averages for current period. The highest value and the lowest value occurred in this period are given below:

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	June 2018	102.98	April 2018	189.74
The highest value	May 2018	115.35	May 2018	298.67

**Liquidity Coverage Ratio**

Current Period – June 30, 2018		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)			41,528,525	29,668,891
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	84,947,453	31,699,731	7,295,058	3,169,973
3	Stable deposits	23,993,748	-	1,199,687	-
4	Less stable deposits	60,953,705	31,699,731	6,095,371	3,169,973
5	Unsecured wholesale funding, of which:	78,998,804	27,777,262	37,314,480	15,807,688
6	Operational deposits	40,188,843	9,854,753	10,047,211	2,463,688
7	Non-operational deposits	26,621,648	11,916,536	15,571,579	7,638,476
8	Unsecured debt	12,188,313	6,005,973	11,695,690	5,705,524
9	Secured wholesale funding	-	-	-	-
10	Additional requirements of which:	13,966,121	10,446,847	13,966,120	10,446,848
11	Outflows related to derivative exposures and other collateral requirements	13,966,121	10,446,847	13,966,120	10,446,848
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	21,485,894	19,578,917	1,074,295	978,946
15	Other contingent funding obligations	71,664,749	19,258,460	5,771,489	1,448,329
16	<b>TOTAL CASH OUTFLOWS</b>			<b>65,421,442</b>	<b>31,851,784</b>
<b>CASH INFLOWS</b>					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	20,764,870	9,945,440	15,466,638	8,782,713
19	Other cash inflows	11,241,136	10,379,033	11,241,136	10,379,033
20	<b>TOTAL CASH INFLOWS</b>	<b>32,006,006</b>	<b>20,324,473</b>	<b>26,707,774</b>	<b>19,161,746</b>
<b>Upper Limit Applied Values</b>					
21	<b>TOTAL HQLA</b>			<b>41,528,525</b>	<b>29,668,891</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>38,713,668</b>	<b>12,690,038</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>107.62</b>	<b>243.62</b>

(\*) Simple arithmetic average, calculated for the last three months, of the values calculated by taking monthly simple arithmetic average.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	October 2017	90.46	October 2017	234.96
The highest value	December 2017	113.84	November 2017	243.8

*Liquidity Coverage Ratio*

Prior Period – December 31, 2017		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)			33,505,586	25,644,408
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	70,335,436	23,781,944	5,969,007	2,378,195
3	Stable deposits	21,290,720	-	1,064,536	-
4	Less stable deposits	49,044,716	23,781,944	4,904,471	2,378,195
5	Unsecured wholesale funding, of which:	74,578,648	24,655,317	33,317,354	13,190,345
6	Operational deposits	42,220,678	9,265,950	10,555,169	2,316,487
7	Non-operational deposits	21,448,893	10,756,239	12,468,677	6,856,026
8	Unsecured debt	10,909,077	4,633,128	10,293,508	4,017,832
9	Secured wholesale funding			-	-
10	Additional requirements of which:	8,543,708	7,227,802	8,543,708	7,227,802
11	Outflows related to derivative exposures and other collateral requirements	8,543,708	7,227,802	8,543,708	7,227,802
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	20,138,527	19,648,287	1,006,926	982,414
15	Other contingent funding obligations	58,701,959	14,361,983	6,142,479	1,249,107
16	<b>TOTAL CASH OUTFLOWS</b>			<b>54,979,474</b>	<b>25,027,863</b>
<b>CASH INFLOWS</b>					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	20,616,630	9,611,013	15,834,400	8,660,526
19	Other cash inflows	5,979,988	5,657,958	5,979,988	5,657,958
20	<b>TOTAL CASH INFLOWS</b>	<b>26,596,618</b>	<b>15,268,971</b>	<b>21,814,388</b>	<b>14,318,484</b>
<b>Upper Limit Applied Values</b>					
21	<b>TOTAL HQLA</b>			<b>33,505,586</b>	<b>25,644,408</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>33,165,086</b>	<b>10,709,379</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>101.92</b>	<b>239.48</b>

(\*) Simple arithmetic average, calculated for the last three months, of the values calculated by taking monthly simple arithmetic average.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**V. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

With the “Liquidity Coverage Rate” which is prepared under the framework of “Regulations Regarding Banks’ Calculations of Liquidity Coverage Rate” published by BRSA, the balance between banks’ net cash outflows and high quality liquid asset stock

The Group’s high quality liquid asset stock consists of cash and debt instruments issued by CBRT and Republic of Turkey Undersecretariat of Treasury.

Whereas the Group’s important fund sources are deposits, funds obtained from other financial institutions, marketable securities issued and funds obtained from repo transactions.

Derivatives transactions with 30 or less days to maturity are included into liquidity coverage calculation with cash outflows created by the transactions as of the calculated liquidity coverage rate. In case of a liability resulting from derivatives transactions and security fulfillment liability resulting from other liabilities, actions are taken accordingly to the related regulation.

*Maturity analysis of assets and liabilities according to remaining maturities:*

<b>Current Period – June 30, 2018</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and over</b>	<b>Undistributed (*)</b>	<b>Total</b>
<b>Assets:</b>								
Cash and balance with CBRT	34,476,345	1,066,220	-	-	-	-	-	35,542,565
Banks	1,376,500	6,977,028	1,364,004	8,492	-	-	-	9,726,024
Financial assets at fair value through profit/loss	72,531	8,984	36,011	33,074	13,369	11,917	-	175,886
Interbank money market placements	5,778	-	-	3,450	-	-	-	9,228
Available-for-sale financial assets	-	752,746	243,409	1,471,018	3,722,004	1,936,694	-	8,125,871
Loans and receivables	-	18,422,646	7,960,430	37,414,551	96,212,817	54,555,422	2,275,057	216,840,923
Held-to-maturity investments	-	91,613	45,763	1,954,065	14,487,983	11,480,998	-	28,060,422
Other assets	10,120	1,861,770	160,597	254,514	3,060,555	258,232	14,282,937	19,888,725
<b>Total assets</b>	<b>35,941,274</b>	<b>29,181,007</b>	<b>9,810,214</b>	<b>41,139,164</b>	<b>117,496,728</b>	<b>68,243,263</b>	<b>16,557,994</b>	<b>318,369,644</b>
<b>Liabilities:</b>								
Bank deposits	614,871	8,487,360	709,568	8,210	-	-	-	9,820,009
Other deposits	32,338,083	92,424,675	27,695,236	10,023,082	1,730,951	42,059	-	164,254,086
Funds borrowed	-	2,076,174	1,956,483	18,573,261	14,602,134	4,691,721	-	41,899,773
Interbank money market takings	-	23,904,529	143,438	-	1,512,591	253,210	-	25,813,768
Securities issued	-	1,915,124	3,258,415	5,322,328	14,032,421	-	-	24,528,288
Miscellaneous payables	5,796	79,612	103,911	178,714	1,842	-	7,048,164	7,418,039
Other liabilities	92,830	999,863	1,331,435	1,320,606	5,036,268	4,069,206	31,785,473	44,635,681
<b>Total liabilities</b>	<b>33,051,580</b>	<b>129,887,337</b>	<b>35,198,486</b>	<b>35,426,201</b>	<b>36,916,207</b>	<b>9,056,196</b>	<b>38,833,637</b>	<b>318,369,644</b>
<b>Liquidity gap</b>	<b>2,889,694</b>	<b>(100,706,330)</b>	<b>(25,388,272)</b>	<b>5,712,963</b>	<b>80,580,521</b>	<b>59,187,067</b>	<b>(22,275,643)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>103,067</b>	<b>(476,423)</b>	<b>146,881</b>	<b>3,111,897</b>	<b>(110,836)</b>	<b>-</b>	<b>2,774,586</b>
Receivables from Derivative Financial Instruments	-	10,166,922	4,017,872	1,256,014	24,090,466	7,908,613	-	47,439,887
Payables from Derivative Financial Instruments	-	10,063,855	4,494,295	1,109,133	20,978,569	8,019,449	-	44,665,301
Non-cash Loans	5,792,565	1,584,000	34,335,761	10,289,993	7,848,415	852,864	474,922	61,178,520
<b>Prior Period – December 31, 2017</b>								
Total assets	29,970,756	30,113,078	7,703,109	36,938,146	106,325,658	57,729,995	12,078,264	280,859,006
Total liabilities	30,123,512	120,627,784	30,938,749	31,902,986	23,974,261	11,467,155	31,824,559	280,859,006
<b>Liquidity gap</b>	<b>(152,756)</b>	<b>(90,514,706)</b>	<b>(23,235,640)</b>	<b>5,035,160</b>	<b>82,351,397</b>	<b>46,262,840</b>	<b>(19,746,295)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>94,163</b>	<b>5,183</b>	<b>113,226</b>	<b>1,271,821</b>	<b>974,446</b>	<b>-</b>	<b>2,458,839</b>
Receivables from Derivative Financial Instruments	-	4,193,884	3,236,673	2,895,897	13,990,524	7,587,873	-	31,904,851
Payables from Derivative Financial Instruments	-	4,099,721	3,231,490	2,782,671	12,718,703	6,613,427	-	29,446,012
Non-cash Loans	5,213,196	1,431,728	29,600,053	7,378,630	6,202,111	1,255,848	242,136	51,323,702

(\*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, intangible assets, associates, subsidiaries, miscellaneous receivables and shareholder’s equity in the liabilities have been included in the “Undistributed” column.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**V. CONSOLIDATED LEVERAGE RATIO**

**Information on Issues that Cause Differences between Current Period and Previous Period Leverage Ratios**

The Group’s consolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as 6.52%. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (December 31, 2017: 6.39%). The Regulation adjudicated minimum leverage rate as 3%.

**Summary comparison table of the total risk amount and the total asset amount in the consolidated financial statements prepared as per TAS**

	<b>Current Period June 30, 2018</b>
Total asset amount in the consolidated financial statements prepared as per TAS (1)	279,530,397
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks (1)	(1,328,609)
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(2,990,223)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	8,243,607
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	18,235,655
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(107,061,018)
<b>Total risk amount</b>	<b>356,808,448</b>

	<b>Prior Period December 31, 2017</b>
Total asset amount in the consolidated financial statements prepared as per TAS (1)	243,233,266
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks (1)	(1,913,734)
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(2,434,636)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	7,733,292
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	18,349,982
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(98,128,516)
<b>Total risk amount</b>	<b>316,732,130</b>

<sup>(1)</sup> The amounts represent December 31, 2017 and June 30, 2017, balances of consolidated financial statements prepared as per the sixth paragraph of Article 5 of the Communiqué on the Preparation of the Consolidated Financial Statements of Banks.

<sup>(2)</sup> The balances in the table represent the average of three months.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. CONSOLIDATED LEVERAGE RATIO (Continued)

Leverage ratio common disclosure template

	Current Period-June 30, 2018 <sup>(*)</sup>
<b>On-balance sheet exposures</b>	
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	308,125,692
2. Assets deducted in determining Basel III Tier 1 capital	(466,946)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	307,658,746
<b>Derivative exposures</b>	
4. Replacement cost	3,645,209
5. Add-on amount	788,430
6. Total derivative exposures	4,433,639
<b>Securities financing transaction exposures</b>	
7. Gross SFT assets (with no recognition of accounting netting)	1,432,582
8. Agent transaction exposures	-
9. Total securities financing transaction exposures	1,432,582
<b>Other off-balance sheet exposures</b>	
10. Off-balance sheet exposures with gross nominal amount	121,245,935
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(41,607,588)
12. Total off-balance sheet exposures	79,638,347
<b>Capital and total exposures</b>	
13. Tier 1 capital	25,633,969
14. Total exposures	393,163,314
<b>Leverage ratio</b>	
15. Leverage ratio	6.52

<sup>(\*)</sup> Calculated by using three month average of balances in Leverage Rate Notification table.

	Prior Period- December 31, 2017 <sup>(*)</sup>
<b>On-balance sheet exposures</b>	
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	271,106,074
2. Assets deducted in determining Basel III Tier 1 capital	(416,652)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	270,689,422
<b>Derivative exposures</b>	
4. Replacement cost	2,364,565
5. Add-on amount	625,658
6. Total derivative exposures	2,990,223
<b>Securities financing transaction exposures</b>	
7. Gross SFT assets (with no recognition of accounting netting)	657,737
8. Agent transaction exposures	-
9. Total securities financing transaction exposures	657,737
<b>Other off-balance sheet exposures</b>	
10. Off-balance sheet exposures with gross nominal amount	80,461,669
11. Adjustment amount off-balance sheet exposures with credit conversion factor	2,009,397
12. Total off-balance sheet exposures	82,471,066
<b>Capital and total exposures</b>	
13. Tier 1 capital	22,786,340
14. Total exposures	356,808,448
<b>Leverage ratio</b>	
15. Leverage ratio	6.39

<sup>(\*)</sup> Calculated by using three month average of balances in Leverage Rate Notification table.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VI. 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, overdraft facilities, 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.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	3,290,293	7,592,649	3,136,861	14,096	14,033,899
<i>Interest income from loans</i>	3,290,293	7,510,837	1,209,494	-	12,010,624
<i>Interest income from reserve deposits</i>	-	-	169,393	-	169,393
<i>Interest income from securities portfolio</i>	-	-	1,609,326	-	1,609,326
<i>Interest income from banks</i>	-	-	129,687	-	129,687
<i>Interest income from money market transactions</i>	-	-	18,961	-	18,961
<i>Finance lease income</i>	-	81,812	-	-	81,812
<i>Other interest income</i>	-	-	-	14,096	14,096
Interest Expense	3,022,971	2,864,627	3,007,113	55,239	8,949,950
<i>Interest expense on deposits</i>	3,022,971	2,706,834	187,406	-	5,917,211
<i>Interest expense on funds borrowed</i>	-	157,793	472,740	-	630,533
<i>Interest expense on money market transactions</i>	-	-	1,197,457	-	1,197,457
<i>Interest expense on securities issued</i>	-	-	945,107	-	945,107
<i>Other interest expenses</i>	-	-	204,403	55,239	259,642
Net Interest Income	267,322	4,728,022	129,748	(41,143)	5,083,949
Net Fees and Commissions Income	314,834	474,208	94,083	-	883,125
Trading Income/ Losses (Net)	-	-	352,941	-	352,941
Dividend Income	-	-	48,480	-	48,480
Other Income <sup>(*)</sup>	-	-	-	1,730,706	1,730,706
Provision For Losses on Loans and Other Receivables	345,793	1,485,493	1,622	-	1,832,908
Other Expenses <sup>(**)</sup>	-	-	-	3,463,520	3,463,520
Income/Loss From Investments Under Equity Accounting	-	-	28,997	-	28,997
<b>Profit Before Taxes</b>	<b>236,363</b>	<b>3,716,737</b>	<b>652,627</b>	<b>(1,773,957)</b>	<b>2,831,770</b>
Provision for taxes	-	-	-	(574,890)	(574,890)
<b>Net Profit/ Loss</b>	<b>236,363</b>	<b>3,716,737</b>	<b>652,627</b>	<b>(2,348,847)</b>	<b>2,256,880</b>
<b>SEGMENT ASSETS</b>					
Securities Portfolio	-	-	36,362,179	-	36,362,179
Derivative Financial Assets Held for Trading Purpose	-	-	3,522,948	-	3,522,948
Banks and Receivables From Money Markets	-	-	9,735,252	-	9,735,252
Investments in Associates and Subsidiaries	-	-	1,048,359	-	1,048,359
Loans and Receivables	52,168,630	126,242,233	38,430,060	-	216,840,923
Other Assets	-	-	36,581,830	14,278,153	50,859,983
<b>TOTAL ASSETS</b>	<b>52,168,630</b>	<b>126,242,233</b>	<b>125,680,628</b>	<b>14,278,153</b>	<b>318,369,644</b>
<b>SEGMENT LIABILITIES</b>					
Deposits	81,156,213	83,097,873	9,820,009	-	174,074,095
Derivative Financial Liabilities Held for Trading Purpose	-	-	2,181,261	-	2,181,261
Interbank Money Market Takings	-	-	25,813,768	-	25,813,768
Funds Borrowed	-	1,815,522	40,084,251	-	41,899,773
Securities Issued	-	-	24,528,288	-	24,528,288
Other Liabilities	-	-	7,073,203	10,269,653	17,342,856
Provisions and Tax Liabilities	-	-	-	5,825,114	5,825,114
Equity	-	-	-	26,704,489	26,704,489
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>81,156,213</b>	<b>84,913,395</b>	<b>109,500,780</b>	<b>42,799,256</b>	<b>318,369,644</b>

<sup>(\*)</sup> TL 698,807 amount of TL 1,730,706 shown in other income consist of acquired insurance premiums, TL 669,457 of income from reversal of the specific provisions for loans from prior periods, TL 94,204 of income from the sale of Group’s assets, TL 18,231 from communications income, TL 50,756 of leasing income, TL 60,426 of income from private pension activities and the remaining TL 138,825 of other operating income.

<sup>(\*\*)</sup> TL 1,173,710 amount of TL 3,463,520 shown in other expenses line consists of personnel expenses, TL 1,434,084 of other operating expenses, TL 95,920 of depreciation expenses, TL 126,461 of dividend reserves expenses to be given to personnel, TL 93,654 of Savings Deposit Insurance Fund (SDIF) expenses, TL 149,847 of taxes and funds expenses, TL 6,992 pension compensations, TL 51,871 from cumulative/noncumulative commission expenses, TL 123,354 from production commission expenses and the remaining TL 207,627 of other expenses.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	2,668,360	5,018,238	2,567,920	12,506	10,267,024
Interest income from loans	2,668,360	4,875,700	765,512	-	8,309,572
Interest income from reserve deposits	-	-	94,097	-	94,097
Interest income from securities portfolio	-	-	1,599,148	-	1,599,148
Interest income from banks	-	-	86,708	-	86,708
Interest income from money market transactions	-	-	22,455	-	22,455
Finance lease income	-	64,712	-	-	64,712
Other interest income	-	77,826	-	12,506	90,332
Interest Expense	1,905,697	2,003,376	1,661,727	36,599	5,607,399
Interest expense on deposits	1,905,697	1,939,945	106,358	-	3,952,000
Interest expense on funds borrowed	-	63,431	315,791	-	379,222
Interest expense on money market transactions	-	-	633,909	-	633,909
Interest expense on securities issued	-	-	445,715	-	445,715
Other interest expenses	-	-	159,954	36,599	196,553
Net Interest Income	762,663	3,014,862	906,193	(24,093)	4,659,625
Net Fees and Commissions Income	225,541	292,975	39,238	-	557,754
Trading Income/ Losses (Net)	-	-	128,263	-	128,263
Dividend Income	-	-	46,631	-	46,631
Other Income <sup>(*)</sup>	-	-	-	1,424,719	1,424,719
Provision For Losses on Loans and Other Receivables	321,449	894,628	20,691	147,640	1,384,408
Other Expenses <sup>(**)</sup>	-	-	-	2,691,803	2,691,803
Income/Loss From Investments Under Equity Accounting	-	-	25,648	-	25,648
<b>Profit Before Taxes</b>	<b>666,755</b>	<b>2,413,209</b>	<b>1,125,282</b>	<b>(1,438,817)</b>	<b>2,766,429</b>
Provision for taxes	-	-	-	(554,668)	(554,668)
<b>Net Profit/ Loss</b>	<b>666,755</b>	<b>2,413,209</b>	<b>1,125,282</b>	<b>(1,993,485)</b>	<b>2,211,761</b>
<b>SEGMENT ASSETS</b>					
Securities Portfolio	-	-	31,466,427	-	31,466,427
Derivative Financial Assets Held for Trading Purpose	-	-	1,946,251	-	1,946,251
Banks and Receivables From Money Markets	-	-	14,982,861	-	14,982,861
Investments in Associates and Subsidiaries	-	-	664,101	-	664,101
Loans and Receivables	48,230,054	107,804,983	30,513,747	-	186,548,784
Other Assets	-	4,072,502	29,037,351	12,140,729	45,250,582
<b>TOTAL ASSETS</b>	<b>48,230,054</b>	<b>111,877,485</b>	<b>108,610,738</b>	<b>12,140,729</b>	<b>280,859,006</b>
<b>SEGMENT LIABILITIES</b>					
Deposits	68,788,960	79,419,515	9,779,391	-	157,987,866
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,180,542	-	1,180,542
Interbank Money Market Takings	-	-	22,689,075	-	22,689,075
Funds Borrowed	-	571,707	30,816,081	-	31,387,788
Securities Issued	-	-	19,870,759	-	19,870,759
Other Liabilities	-	437	6,683,061	10,547,605	17,231,103
Provisions and Tax Liabilities	-	-	-	6,888,908	6,888,908
Equity	-	-	-	23,622,965	23,622,965
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>68,788,960</b>	<b>79,991,659</b>	<b>91,018,909</b>	<b>41,059,478</b>	<b>280,859,006</b>

<sup>(\*)</sup> TL 650,891 amount of TL 1,424,719 of income from reversal of the specific provisions for loans from prior periods, TL 504,704 of acquired insurance premiums, TL 76,710 of income from the sale of Group’s assets, TL 24,976 of communications income, TL 47,836 of income from private pension activities, TL 171 of leasing income and the remaining TL 119,431 of other operating income.

<sup>(\*\*)</sup> TL 902,549 amount of TL 2,691,803 shown in other expenses line consists of personnel expenses, TL 1,074,244 of other operating expenses, TL 102,438 of depreciation expenses, TL 82,005 of dividend reserves expenses to be given to personnel, TL 89,525 of Savings Deposit Insurance Fund (SDIF) expenses, TL 80,078 of taxes and funds expenses, TL 6,325 pension compensations, TL 38,430 from cumulative/noncumulative commission expenses, TL 126,715 from production commission expenses and the remaining TL 189,494 of other expenses.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. INFORMATION ON RISK MANAGEMENT

The footnotes and related explanations published in the Official Gazette No. 29511 dated October 23, 2015 and prepared in accordance with the “Explanations Communique on Explanations to the Public Regarding Banks Risk Management” entered into force as of March 31, 2016 are given in this section. Since the Group uses a standardized approach to capital adequacy calculations, there is no disclosure within the scope of the internal rating-based approach.

Risk weighted amounts

Current Period – June 30, 2018		Risk Weighted Amount	Minimum Capital Requirements
1	Credit Risk (excluding counterparty credit risk) <sup>(*)</sup>	205,513,638	16,441,091
2	Standardised approach	205,513,638	16,441,091
3	Internal rating based approach	-	-
4	Counterparty Credit Risk	4,826,321	386,106
5	Standardised approach for counterparty credit risk	4,826,321	386,106
6	Internal model method	-	-
7	Equity position in banking book under basic risk weighting or internal rating based	-	-
8	Equity investments in funds – look-through approach	227	18
9	Equity investments in funds – mandate-based approach	-	-
10	Equity investments in funds – 1250% weighted risk approach	-	-
11	Settlement Risk	-	-
12	Securitization positions in banking accounts	-	-
13	IRB ratings-based approach	-	-
14	IRB Supervisory formula approach	-	-
15	SA/simplified supervisory formula approach	-	-
16	Market risk	1,616,078	129,286
17	Standardised approach	1,616,078	129,286
18	Internal model approaches	-	-
19	Operational Risk	17,136,335	1,370,907
20	Basic Indicator Approach	17,136,335	1,370,907
21	Standardised approach	-	-
22	Advanced measurement approach	-	-
23	The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	-	-
24	Floor adjustment	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	229,092,599	18,327,408

<sup>(\*)</sup> Except for the amount of the discount threshold under the equity

Prior Period – December 31, 2017		Risk Weighted Amount	Minimum Capital Requirements
1	Credit Risk (excluding counterparty credit risk) <sup>(*)</sup>	176,588,946	14,127,116
2	Standardised approach	176,588,946	14,127,116
3	Internal rating based approach	-	-
4	Counterparty Credit Risk	2,834,489	226,759
5	Standardised approach for counterparty credit risk	2,834,489	226,759
6	Internal model method	-	-
7	Equity position in banking book under basic risk weighting or internal rating based	-	-
8	Equity investments in funds – look-through approach	263	21
9	Equity investments in funds – mandate-based approach	-	-
10	Equity investments in funds – 1250% weighted risk approach	-	-
11	Settlement Risk	-	-
12	Securitization positions in banking accounts	-	-
13	IRB ratings-based approach	-	-
14	IRB Supervisory formula approach	-	-
15	SA/simplified supervisory formula approach	-	-
16	Market risk	799,860	63,989
17	Standardised approach	799,860	63,989
18	Internal model approaches	-	-
19	Operational Risk	14,523,725	1,161,898
20	Basic Indicator Approach	14,523,725	1,161,898
21	Standardised approach	-	-
22	Advanced measurement approach	-	-
23	The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	156,490	12,519
24	Floor adjustment	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	194,903,773	15,592,302

<sup>(\*)</sup> Except for the amount of the discount threshold under the equity

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Credit Quality of Assets

Current Period June 30, 2018		Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
		Defaulted Exposures	Defaulted Exposures		
1	Loans	8,801,563	217,135,934	9,096,574	216,840,923
2	Debt Securities	-	36,132,303	221,697	35,910,606
3	Off-balance sheet exposure	245,830	96,941,296	27,814	97,159,312
<b>4</b>	<b>Total</b>	<b>9,047,393</b>	<b>350,209,533</b>	<b>9,346,085</b>	<b>349,910,841</b>

Prior Period December 31, 2017		Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
		Defaulted Exposures	Defaulted Exposures		
1	Loans	7,943,186	189,515,032	6,836,932	190,621,286
2	Debt Securities	-	30,989,432	124,809	30,864,623
3	Off-balance sheet exposure	169,355	81,684,427	75,942	81,777,840
<b>4</b>	<b>Total</b>	<b>8,112,541</b>	<b>302,188,891</b>	<b>7,037,683</b>	<b>303,263,749</b>

Changes in Stock of Defaulted Loans and Debt Securities<sup>(\*)</sup>

		Current Period June 30, 2018
1	Defaulted Loans and debt securities at end of the previous reporting period	7,943,186
2	Loans and debt securities that have defaulted since the last reporting period	1,905,531
3	Returned to non-defaulted status	-
4	Amounts written-off	-
5	Other Changes	(1,047,154)
<b>6</b>	<b>Defaulted Loans and debt securities at end of the reporting period (1+2-3-4+5)</b>	<b>8,801,563</b>

		Prior Period December 31, 2017
1	Defaulted Loans and debt securities at end of the previous reporting period	6,703,383
2	Loans and debt securities that have defaulted since the last reporting period	3,216,747
3	Returned to non-defaulted status	106,595
4	Amounts written-off	4,054
5	Other Changes	(1,866,295)
<b>6</b>	<b>Defaulted Loans and debt securities at end of the reporting period (1+2-3-4+5)</b>	<b>7,943,186</b>

(\*) Indemnified non-cash loans of the firms which are followed under "Non-performing Loans" accounts are not included in the table.

a) Credit Risk Mitigation

Credit Risk Mitigation Techniques

Current Period June 30, 2018	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	149,138,141	67,702,782	53,537,023	27,175,906	24,947,061	-
2	Debt Securities	35,910,606	-	-	-	-	-
<b>3</b>	<b>Total</b>	<b>185,048,747</b>	<b>67,702,782</b>	<b>53,537,023</b>	<b>27,175,906</b>	<b>24,947,061</b>	<b>-</b>
4	Of which Defaulted	8,801,563	-	-	-	-	-

Prior Period December 31, 2017	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	112,239,146	78,382,140	66,629,280	3,652,598	3,128,437	-
2	Debt Securities	30,864,623	-	-	-	-	-
<b>3</b>	<b>Total</b>	<b>143,103,769</b>	<b>78,382,140</b>	<b>66,629,280</b>	<b>3,652,598</b>	<b>3,128,437</b>	<b>-</b>
4	Of which Defaulted	7,943,186	-	-	-	-	-

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VIII. INFORMATION ON RISK MANAGEMENT (Continued)**

**Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects**

<b>Current Period-June 30, 2018</b>		<b>Exposures before Credit Conversion Factors and CRM</b>		<b>Exposures post- Credit Conversion Factors and CRM</b>		<b>RWA and RWA density</b>	
<b>Asset classes</b>	<b>On-balance sheet amount</b>	<b>Off-balance sheet amount</b>	<b>On-balance sheet amount</b>	<b>Off-balance sheet amount</b>	<b>RWA</b>	<b>RWA</b>	<b>RWA</b>
1	Exposures to central governments or central banks	93,923,353	1,515,991	99,128,443	892,410	7,422,423	7.42%
2	Exposures to regional governments or local authorities	8,598,699	712,741	8,598,699	336,973	4,464,584	49.96%
3	Exposures to public sector entities	418,370	332,848	418,370	144,878	545,393	96.83%
4	Exposures to multilateral development banks	21,170	1,753	21,170	1,753	21,170	92.35%
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	10,507,023	2,433,234	10,507,023	1,616,016	5,110,159	42.15%
7	Exposures to corporates	87,794,597	82,151,566	82,589,507	29,359,301	109,942,709	98.21%
8	Retail exposures	51,967,496	28,940,902	51,967,496	3,672,189	41,474,399	74.54%
9	Exposures secured by residential property	25,056,355	1,013,528	25,056,355	457,274	8,929,770	35.00%
10	Exposures secured by commercial real estate	25,201,211	2,507,288	25,201,211	1,446,630	16,251,129	60.98%
11	Past-due loans	2,030,831	-	2,030,831	-	2,030,831	100%
12	Higher-risk categories by the Agency Board	249,433	10,038	249,433	9,412	388,267	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	227	-	227	-	227	100%
16	Other assets	10,227,995	-	10,227,995	-	7,823,702	76.49%
17	Investment in equities	1,109,102	-	1,109,102	-	1,109,102	100%
18	<b>Total</b>	<b>317,105,862</b>	<b>119,619,889</b>	<b>317,105,862</b>	<b>37,936,836</b>	<b>205,513,865</b>	<b>57.88%</b>

<b>Prior Period-December 31, 2017</b>		<b>Exposures before Credit Conversion Factors and CRM</b>		<b>Exposures post- Credit Conversion Factors and CRM</b>		<b>RWA and RWA density</b>	
<b>Asset classes</b>	<b>On-balance sheet amount</b>	<b>Off-balance sheet amount</b>	<b>On-balance sheet amount</b>	<b>Off-balance sheet amount</b>	<b>RWA</b>	<b>RWA</b>	<b>RWA</b>
1	Exposures to central governments or central banks	83,964,302	1,395,677	86,934,545	802,646	5,140,577	5.86%
2	Exposures to regional governments or local authorities	6,667,730	518,181	6,667,730	241,940	3,416,805	49.45%
3	Exposures to public sector entities	301,326	311,734	301,326	137,108	425,036	96.94%
4	Exposures to multilateral development banks	18,032	1,583	18,032	1,583	18,032	91.93%
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	8,266,758	1,990,510	8,266,758	1,264,050	4,260,234	44.70%
7	Exposures to corporates	72,362,193	66,603,953	69,391,950	23,989,142	91,627,602	98.12%
8	Retail exposures	47,612,387	24,689,970	47,612,387	3,212,915	37,888,045	74.55%
9	Exposures secured by residential property	22,850,866	931,214	22,850,866	420,940	8,145,132	35%
10	Exposures secured by commercial real estate	23,816,613	2,279,165	23,816,613	1,301,591	15,449,818	61.51%
11	Past-due loans	1,106,254	-	1,106,254	-	1,106,254	100%
12	Higher-risk categories by the Agency Board	274,628	15,305	274,628	8,635	487,490	172.10%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	263	-	263	-	263	-
16	Other assets	10,375,891	-	10,375,891	-	8,072,913	77.80%
17	Investment in equities	707,498	-	707,498	-	707,498	100%
18	<b>Total</b>	<b>278,324,741</b>	<b>98,737,292</b>	<b>278,324,741</b>	<b>31,380,550</b>	<b>176,745,699</b>	<b>57.07%</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Exposures by asset classes and risk weights

Current Period-June 30, 2018	Asset Classes/ Risk Weight*	0%	10%	20%	35% (secured by real estate)	50%	75%	100%	150%	200%	250%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
1	Exposures to central governments or central banks	85,212,042	-	-	-	14,772,775	-	36,036	-	-	-	-	100,020,853
2	Exposures to regional governments or local authorities	6,477	-	46	-	8,929,149	-	-	-	-	-	-	8,935,672
3	Exposures to public sector entities	2,782	-	18,841	-	-	-	541,625	-	-	-	-	563,248
4	Exposures to multilateral development banks	1,753	-	-	-	-	-	21,170	-	-	-	-	22,923
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	740	-	4,302,395	-	7,140,448	-	679,456	-	-	-	-	12,123,039
7	Exposures to corporates	459,308	-	334,705	-	2,558,055	-	108,596,740	-	-	-	-	111,948,808
8	Retail exposures	261,165	-	108,165	-	-	55,270,354	1	-	-	-	-	55,639,685
9	Exposures secured by residential property	-	-	-	25,513,629	-	-	-	-	-	-	-	25,513,629
10	Exposures secured by commercial real estate	-	-	-	-	20,793,423	-	5,854,418	-	-	-	-	26,647,841
11	Past-due loans	-	-	-	-	-	-	2,030,831	-	-	-	-	2,030,831
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	258,845	-	-	-	258,845
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	227	-	-	-	-	227
16	Other assets	-	-	-	-	-	-	1,109,102	-	-	-	-	1,109,102
17	Investments in equities	2,096,981	-	384,140	-	-	-	7,746,874	-	-	-	-	10,227,995
18	<b>Total</b>	<b>88,041,248</b>	<b>-</b>	<b>5,148,292</b>	<b>25,513,629</b>	<b>54,193,850</b>	<b>55,270,354</b>	<b>126,616,480</b>	<b>258,845</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>355,042,698</b>

Prior Period- December 31, 2017	Asset Classes/ Risk Weight*	0%	10%	20%	35% (secured by real estate)	50%	75%	100%	150%	200%	250%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
1	Exposures to central governments or central banks	77,478,439	-	90	-	10,236,204	-	22,458	-	-	-	-	87,737,191
2	Exposures to regional governments or local authorities	9,934	-	110,209	-	6,789,526	-	-	-	-	-	-	6,909,669
3	Exposures to public sector entities	3,704	-	12,118	-	-	-	422,612	-	-	-	-	438,434
4	Exposures to multilateral development banks	1,583	-	-	-	-	-	18,032	-	-	-	-	19,615
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	738	-	2,681,063	-	6,249,972	-	599,037	-	-	-	-	9,530,810
7	Exposures to corporates	368,031	-	225,296	-	2,410,442	-	90,377,323	-	-	-	-	93,381,092
8	Retail exposures	238,496	-	94,654	-	-	50,492,152	-	-	-	-	-	50,825,303
9	Exposures secured by residential property	-	-	-	23,271,806	-	-	-	-	-	-	-	23,271,806
10	Exposures secured by commercial real estate	-	-	-	-	19,336,772	-	5,781,432	-	-	-	-	25,118,204
11	Past-due loans	-	-	-	-	-	-	1,106,254	-	-	-	-	1,106,254
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	220,667	-	62,596	-	283,263
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	263	-	-	-	-	263
16	Other assets	-	-	-	-	-	-	707,498	-	-	-	-	707,498
17	Investments in equities	1,998,789	-	380,234	-	-	-	7,996,866	-	-	-	-	10,375,889
18	<b>Total</b>	<b>80,099,714</b>	<b>-</b>	<b>3,503,664</b>	<b>23,271,806</b>	<b>45,022,916</b>	<b>50,492,152</b>	<b>107,031,776</b>	<b>220,667</b>	<b>-</b>	<b>62,596</b>	<b>-</b>	<b>309,705,291</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

1. Counterparty Credit Risk Explanations

Counterparty credit risk (CCR) approach analysis

Current Period - June 30, 2018	Renewal Cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk-weighted amounts
1 Fair value method - KKR (for derivatives)	4,207,918	769,370			4,977,288	2,522,501
2 Standard approach - KKR (for derivatives)				1.4	-	-
3 Internal Model Method(for derivative financial instruments,repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap )					-	-
4 Simple methods that can be used to mitigate credit risk-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					1,655,617	435,011
5 A comprehensive method for credit risk reduction-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					29	12
6 Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
7 Total						2,957,524

Prior Period - December 31, 2017	Renewal Cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk-weighted amounts
1 Fair value method - KKR (for derivatives)	2,150,962	599,043			2,750,005	1,537,085
2 Standard approach - KKR (for derivatives)				1.4	-	-
3 Internal Model Method(for derivative financial instruments,repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap )					-	-
4 Simple methods that can be used to mitigate credit risk-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					569,987	142,856
5 A comprehensive method for credit risk reduction-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					14	5
6 Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
7 Total						1,679,946

Capital requirement for credit valuation adjustment (CVA)

Current Period-June 30, 2018	EAD post CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-
1 (i) VaR component (including the 3×multiplier)		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-
3 All portfolios subject to the Standardised CVA capital obligation	4,977,288	1,867,484
4 Total subject to the CVA capital obligation	4,977,288	1,867,484

Prior Period-December 31, 2017	EAD post CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-
1 (i) VaR component (including the 3×multiplier)		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-
3 All portfolios subject to the Standardised CVA capital obligation	2,750,005	1,154,133
4 Total subject to the CVA capital obligation	2,750,005	1,154,133

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VIII. INFORMATION ON RISK MANAGEMENT (Continued)**

**Counterparty Credit Risk (CCR) Exposures by Regulatory Portfolio and Risk Weights**

**Current Period**

Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total Credit Exposures <sup>(*)</sup>
				Secured by real estate						
Claims from central governments and central banks	22,195,150	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	2,714	-	32	-	-	-	-	-	-	6
Claims from administration and non commercial entity	174	-	-	-	-	-	2	-	-	2
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	3,234,863	-	3,996,449	-	6,315,046	-	505,653	-	-	4,462,466
Corporates	1,148	-	-	-	-	-	358,255	-	-	358,255
Retail portfolios	220	-	-	-	-	7,455	-	-	-	5,591
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>25,434,269</b>	<b>-</b>	<b>3,996,481</b>	<b>-</b>	<b>6,315,046</b>	<b>7,455</b>	<b>863,910</b>	<b>-</b>	<b>-</b>	<b>4,826,320</b>

<sup>(\*)</sup> Total credit exposure: The amount relevant for the capital requirements calculation, having applied CRM techniques.

<sup>(\*\*)</sup> Other assets: The amounts excludes exposures to Central Counterparty, which are reported in Counterparty Credit Risk.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VIII. INFORMATION ON RISK MANAGEMENT (Continued)**

**Prior Period**

Risk Classes	35% Secured by real estate									Total Credit Exposures <sup>(*)</sup>
	0%	10%	20%	50%	75%	100%	150%	Other		
Claims from central governments and central banks	6,839,359	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	1,514	-	36	-	-	-	-	-	-	7
Claims from administration and non commercial entity	473	-	-	-	-	11	-	-	-	11
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	2,438,621	-	1,406,086	-	3,663,551	-	469,757	-	-	2,582,750
Corporates	1,173	-	-	-	-	-	248,647	-	-	248,647
Retail portfolios	966	-	-	-	-	4,099	-	-	-	3,074
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9,282,106</b>	<b>-</b>	<b>1,406,122</b>	<b>-</b>	<b>3,663,551</b>	<b>4,099</b>	<b>718,415</b>	<b>-</b>	<b>-</b>	<b>2,834,489</b>

<sup>(\*)</sup> Total credit exposure: The amount relevant for the capital requirements calculation, having applied CRM techniques.

<sup>(\*\*)</sup> Other assets: The amounts excludes exposures to Central Counterparty, which are reported in Counterparty Credit Risk.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Collaterals for counterparty credit risk

Current Period-June 30, 2018	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	22,793,054	-
Cash-foreign currency	-	-	-	-	4,289,890	-
Domestic sovereign debts	-	-	-	-	-	5,778
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>27,082,944</b>	<b>5,778</b>

Prior Period-December 31, 2017	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	7,193,065	-
Cash-foreign currency	-	-	-	-	2,593,898	-
Domestic sovereign debts	-	-	-	-	-	3,486
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>9,786,963</b>	<b>3,486</b>

Loan Derivatives

Current Period-June 30, 2018	Protection bought	Protection sold
	<b>Notionals</b>	
Single-name credit default swaps	90,159	252,124
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
<b>Total Notionals</b>	<b>90,159</b>	<b>252,124</b>
<b>Fair Values</b>		
Positive fair values (asset)	4,508	-
Negative fair values (liability)	-	57,289
<b>Prior Period-December 31, 2017</b>	<b>Protection bought</b>	<b>Protection sold</b>
<b>Notionals</b>		
Single-name credit default swaps	72,125	140,118
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
<b>Total Notionals</b>	<b>72,125</b>	<b>140,118</b>
<b>Fair Values</b>		
Positive fair values (asset)	7,631	-
Negative fair values (liability)	-	24,444

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Central counterparty risks

Current Period-June 30, 2018		Exposure at default (post-CRM)	RWA
1	<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		1,313
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC Derivatives	65,630	1,313
4	(ii) Exchange-traded Derivatives	65,630	1,313
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	<b>Exposures to non-QCCPs (total)</b>		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Prior Period-December 31, 2017		Exposure at default (post-CRM)	RWA
1	<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		410
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC Derivatives	20,494	410
4	(ii) Exchange-traded Derivatives	20,494	410
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	<b>Exposures to non-QCCPs (total)</b>		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VIII. INFORMATION ON RISK MANAGEMENT (Continued)**

**3. Explanations on Market Risk**

**Market Risk- Standardised approach**

<b>Current Period June 30,2018</b>		<b>RWA</b>
<b>Outright products</b>		
1	Interest rate risk (general and specific)	614,988
2	Stock risk (general and specific)	18,998
3	Foreign exchange risk	961,355
4	Commodity risk	-
<b>Options</b>		
5	Simplified approach	-
6	Delta-plus method	20,737
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>1,616,078</b>
<b>Prior Period December 31, 2017</b>		<b>RWA</b>
<b>Outright products</b>		
1	Interest rate risk (general and specific)	267,113
2	Stock risk (general and specific)	15,206
3	Foreign exchange risk	483,713
4	Commodity risk	-
<b>Options</b>		
5	Simplified approach	-
6	Delta-plus method	33,828
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>799,860</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**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**

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Cash	1,389,199	692,285
Central Bank of the Republic of Turkey (*)	5,017,439	28,043,921
Other	367,177	32,544
<b>Total</b>	<b>6,773,815</b>	<b>28,768,750</b>

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Cash	1,395,384	595,490
Central Bank of the Republic of Turkey (*)	2,275,103	24,001,997
Other	350,955	37,317
<b>Total</b>	<b>4,021,442</b>	<b>24,634,804</b>

(\*) TL 22,884,183 (December 31, 2017: TL 20,815,769) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

In accordance with “Announcement on Reserve Deposits” of CBRT numbered 2013/15, as of June 30, 2018 all banks operating in Turkey shall provide a reserve rate ranging from 4% to 10.5% (December 31, 2017: ranging from 4.0% to 10.5%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 4% to 24% in US Dollar or Euro (December 31, 2017: ranging from 4% to 24%).

According to 2014-72 numbered and October 21, 2014 dated announcement of Central Bank of the Republic of Turkey, interest has been started to be paid for Turkish Lira reserve deposit beginning from November 2014.

According to 2015-35 numbered and May 2, 2015 dated announcement of Central Bank of the Republic of Turkey, interest has started to be paid for US Dollar denominated reserve deposits beginning from May 2015.

**Balances with the Central Bank of the Republic of Turkey**

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Unrestricted demand deposits	4,924,071	4,093,518
Unrestricted time deposits	-	-
Restricted time deposits	-	1,066,220
Reserve Deposits	93,368	22,884,183
<b>Total</b>	<b>5,017,439</b>	<b>28,043,921</b>

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Unrestricted demand deposits	2,209,475	3,186,228
Unrestricted time deposits	-	-
Restricted time deposits	-	-
Reserve Deposits	65,628	20,815,769
<b>Total</b>	<b>2,275,103</b>	<b>24,001,997</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

*Financial assets at fair value through profit/loss given as collateral or blocked*

None.

*Information on financial assets held for trading purpose given as collateral or blocked*

Prior Period - December 31, 2017	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	-	1,552
Other	-	-
<b>Total</b>	<b>-</b>	<b>1,552</b>

*Trading securities subject to repurchase agreements*

None.

*Positive differences on derivative financial assets*

Current Period - June 30, 2018	TL	FC
Forward transactions	24,076	6,404
Swap transactions	3,145,718	343,325
Futures	-	-
Options	429	2,996
Other	-	-
<b>Total</b>	<b>3,170,223</b>	<b>352,725</b>

*Positive differences on derivative financial assets held for trading purpose*

Prior Period - December 31, 2017	TL	FC
Forward transactions	20,577	5,365
Swap transactions	1,780,873	138,506
Futures	-	-
Options	433	497
Other	-	-
<b>Total</b>	<b>1,801,883</b>	<b>144,368</b>

3. Information on banks

Current Period - June 30, 2018	TL	FC
Banks		
Domestic	1,297,250	963,408
Foreign	879	7,464,487
Foreign Head Offices and Branches	-	-
<b>Total</b>	<b>1,298,129</b>	<b>8,427,895</b>

Prior Period - December 31, 2017	TL	FC
Banks		
Domestic	1,176,047	1,957,624
Foreign	849	10,189,279
Foreign Head Offices and Branches	-	-
<b>Total</b>	<b>1,176,896</b>	<b>12,146,903</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Information on financial assets at fair value through other comprehensive income

*Financial assets at fair value through other comprehensive income given as collateral or blocked*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	940,254	47,558
Other	-	-
<b>Total</b>	<b>940,254</b>	<b>47,558</b>

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

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	8,553,659	344,646
Other	-	-
<b>Total</b>	<b>8,553,659</b>	<b>344,646</b>

*Financial assets at fair value through other comprehensive income subject to repurchase agreements*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Government bonds	3,035,228	-
Treasury bills	-	-
Other debt securities	-	25,364
Bonds issued or guaranteed by banks	-	-
Asset backed securities	-	-
<b>Total</b>	<b>3,035,228</b>	<b>25,364</b>

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

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Government bonds	1,682,275	-
Treasury bills	-	-
Other debt securities	-	156,751
Bonds issued or guaranteed by banks	-	-
Asset backed securities	-	-
<b>Total</b>	<b>1,682,275</b>	<b>156,751</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Information on financial assets at fair value through other comprehensive income*

	<b>Current Period - June 30, 2018</b>
<b>Debt securities</b>	<b>8,362,594</b>
Quoted on a Stock Exchange	8,362,594
Unquoted	-
<b>Equity securities</b>	<b>-</b>
Quoted on a Stock Exchange	-
Unquoted	-
<b>Provisions for impairment losses (-)</b>	<b>236,723</b>
<b>Total</b>	<b>8,125,871</b>

*Information on available-for-sale financial assets*

	<b>Prior Period - December 31, 2017</b>
<b>Debt securities</b>	<b>14,649,567</b>
Quoted on a Stock Exchange	14,649,567
Unquoted	-
<b>Equity securities</b>	<b>43,370</b>
Quoted on a Stock Exchange	-
Unquoted	43,370
<b>Provisions for impairment losses (-)</b>	<b>122,553</b>
<b>Total</b>	<b>14,570,384</b>

5. Information on loans

*Information on all types of loans and advances given to shareholders and employees of the Parent Bank*

<b>Current Period - June 30, 2018</b>	<b>Cash</b>	<b>Non-Cash</b>
<b>Direct loans provided to the shareholders</b>	<b>-</b>	<b>38,079</b>
Legal entities	-	38,079
Real persons	-	-
<b>Indirect loans provided to the shareholders</b>	<b>-</b>	<b>-</b>
<b>Loans provided to the employees</b>	<b>146,336</b>	<b>43</b>
<b>Total</b>	<b>146,336</b>	<b>38,122</b>

<b>Prior Period - December 31, 2017</b>	<b>Cash</b>	<b>Non-Cash</b>
<b>Direct loans provided to the shareholders</b>	<b>-</b>	<b>38,243</b>
Legal entities	-	38,243
Real persons	-	-
<b>Indirect loans provided to the shareholders</b>	<b>-</b>	<b>-</b>
<b>Loans provided to the employees</b>	<b>140,344</b>	<b>313</b>
<b>Total</b>	<b>140,344</b>	<b>38,556</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Information about loans classified in the first and second group and other receivables and loans that have been restructured or rescheduled*

Current Period - June 30, 2018

	Standard loans	Loans and other receivables under close monitoring		
		Loans not Subject to Restructuring	Agreement conditions modified	
			Loans with Revised Contract Terms	Refinance
<b>Cash Loans</b>				
<b>Non-specialized loans</b>	<b>203,370,139</b>	<b>5,680,340</b>	<b>358,553</b>	<b>2,647,949</b>
Loans given to enterprises	69,440,188	2,986,402	157,261	2,454,869
Export loans	9,450,947	275,729	1,048	1,916
Import loans	-	-	-	-
Loans given to financial sector	1,408,595	188	-	-
Consumer loans	45,383,100	896,656	49,719	187,016
Credit cards	7,437,814	150,541	43,678	4,057
Other	70,249,495	1,370,824	106,847	91
<b>Specialized lending</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other receivables</b>	<b>5,078,927</b>	<b>26</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>208,449,066</b>	<b>5,680,366</b>	<b>358,553</b>	<b>2,647,949</b>

The Parent Bank has a cash loan exposure to Ojer Telekomunikasyon A.Ş. (OTAŞ) with a principal balance of TL 966,979 included accrued interest related with the acquisition finance of Türk Telekomunikasyon A.Ş. (Türk Telekom) within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral. The respective loan is classified as loans under follow up. All creditors including our Bank have reached an agreement on restructuring the related loan. As per the agreed structure, it is contemplated that the OTAŞ's 1.925.000.000 Class A shares in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing facilities would be taken over by a special purpose vehicle incorporated or to be incorporated directly or indirectly by the creditors in the Republic of Turkey. Completion of the transaction is subject to agreements with respect to the facilities to be restructured at the new company level being agreed, all requisite corporate, governmental and any other approvals and consents being obtained and all requisite conditions under the agreements being met.

Prior Period - December 31, 2017

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	Payment plan extensions	Other
<b>Non-specialized loans</b>	<b>175,748,884</b>	<b>2,664,938</b>	<b>-</b>	<b>5,443,050</b>	<b>1,558,327</b>	<b>-</b>
Loans given to enterprises	61,848,581	1,837,235	-	2,454,411	1,228,903	-
Export loans	7,126,444	10,902	-	190,861	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2,136,947	-	-	4,480	-	-
Consumer loans	40,450,594	365,935	-	1,509,321	274,776	-
Credit cards	6,788,760	46,501	-	260,850	26,744	-
Other	57,397,558	404,365	-	1,023,127	27,904	-
<b>Specialized lending</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other receivables</b>	<b>27,331</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>175,776,215</b>	<b>2,664,938</b>	<b>-</b>	<b>5,443,050</b>	<b>1,558,327</b>	<b>-</b>

Current Period - June 30, 2018

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,790,649	-
Significant Increase in Credit Risk	-	535,193

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

**Current Period - June 30, 2018**

<i>Number of modifications to extend payment plans</i>	<i>Standard Loans</i>	<i>Loans under close monitoring</i>
Extended for 1 or 2 times	1,513,591	2,993,062
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

  

<i>Extended period of time</i>	<i>Standard Loans</i>	<i>Loans under close monitoring</i>
0-6 Months	5	18,648
6-12 Months	84,716	91,175
1-2 Years	27,730	112,663
2-5 Years	738,556	1,706,401
5 Years and Over	662,584	1,064,175

**Prior Period - December 31, 2017**

<i>Number of modifications to extend payment plans</i>	<i>Standard Loans and Other Receivables (*)</i>	<i>Loans and other receivables under close monitoring (*)</i>
Extended for 1 or 2 times	2,664,938	1,278,943
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

  

<i>Extended period of time</i>	<i>Standard Loans and Other Receivables (*)</i>	<i>Loans and other receivables under close monitoring (*)</i>
0-6 Months	11,488	1,035
6-12 Months	113,343	8,606
1-2 Years	58,323	23,959
2-5 Years	1,163,249	977,007
5 Years and Over	1,318,535	268,336

(\*) The a and b paragraph of the 4<sup>th</sup> article of the 5<sup>th</sup> paragraph is the loan balances which change in contract conditions according to the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.27947 dated May 28, 2011.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period - June 30, 2018	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>568,666</b>	<b>42,877,452</b>	<b>43,446,118</b>
Housing loans	12,273	20,870,727	20,883,000
Automobile loans	4,479	414,938	419,417
General purpose loans	551,914	21,591,787	22,143,701
Other	-	-	-
<b>Consumer loans – FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans – FC</b>	<b>41</b>	<b>7,078</b>	<b>7,119</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	5	6,451	6,456
Other	36	627	663
<b>Retail credit cards – TL</b>	<b>5,596,029</b>	<b>72,092</b>	<b>5,668,121</b>
With instalment	2,379,726	70,426	2,450,152
Without instalment	3,216,303	1,666	3,217,969
<b>Retail credit cards – FC</b>	<b>12,468</b>	<b>-</b>	<b>12,468</b>
With instalment	-	-	-
Without instalment	12,468	-	12,468
<b>Personnel loans – TL</b>	<b>6,488</b>	<b>69,381</b>	<b>75,869</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	6,488	69,381	75,869
Other	-	-	-
<b>Personnel loans – FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel credit cards – TL</b>	<b>69,885</b>	<b>285</b>	<b>70,170</b>
With instalment	26,538	270	26,808
Without instalment	43,347	15	43,362
<b>Personnel credit cards – FC</b>	<b>297</b>	<b>-</b>	<b>297</b>
With instalment	-	-	-
Without instalment	297	-	297
<b>Overdraft Checking Accounts – TL (Real person)</b>	<b>2,987,204</b>	<b>-</b>	<b>2,987,204</b>
<b>Overdraft Checking Accounts – FC (Real person)</b>	<b>181</b>	<b>-</b>	<b>181</b>
<b>Total</b>	<b>9,241,259</b>	<b>43,026,288</b>	<b>52,267,547</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Prior Period - December 31, 2017	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>573,114</b>	<b>39,344,936</b>	<b>39,918,050</b>
Housing loans	16,254	18,950,268	18,966,522
Automobile loans	6,463	423,169	429,632
General purpose loans	550,397	19,971,499	20,521,896
Other	-	-	-
<b>Consumer loans – FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans – FC</b>	<b>1,878</b>	<b>5,035</b>	<b>6,913</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,878	5,035	6,913
Other	-	-	-
<b>Retail credit cards – TL</b>	<b>5,174,880</b>	<b>93,414</b>	<b>5,268,294</b>
With instalment	2,271,719	82,305	2,354,024
Without instalment	2,903,161	11,109	2,914,270
<b>Retail credit cards – FC</b>	<b>12,071</b>	<b>-</b>	<b>12,071</b>
With instalment	-	-	-
Without instalment	12,071	-	12,071
<b>Personnel loans – TL</b>	<b>4,477</b>	<b>57,389</b>	<b>61,866</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	4,477	57,389	61,866
Other	-	-	-
<b>Personnel loans – FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel credit cards – TL</b>	<b>77,776</b>	<b>454</b>	<b>78,230</b>
With instalment	30,276	411	30,687
Without instalment	47,500	43	47,543
<b>Personnel credit cards – FC</b>	<b>248</b>	<b>-</b>	<b>248</b>
With instalment	-	-	-
Without instalment	248	-	248
<b>Overdraft Checking Accounts – TL (Real person)</b>	<b>2,613,639</b>	<b>-</b>	<b>2,613,639</b>
<b>Overdraft Checking Accounts – FC (Real person)</b>	<b>158</b>	<b>-</b>	<b>158</b>
<b>Total</b>	<b>8,458,241</b>	<b>39,501,228</b>	<b>47,959,469</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Instalment based commercial loans and corporate credit cards*

Current Period - June 30, 2018	Short-Term	Medium and Long-Term	Total
<b>Instalment-based commercial loans – TL</b>	<b>1,203,704</b>	<b>47,142,088</b>	<b>48,345,792</b>
Real estate loans	1,242	1,118,890	1,120,132
Automobile loans	109,738	1,987,349	2,097,087
General purpose loans	1,092,724	44,035,849	45,128,573
Other	-	-	-
<b>Instalment-based commercial loans – FC indexed</b>	<b>923</b>	<b>1,987,183</b>	<b>1,988,106</b>
Real estate loans	-	-	-
Automobile loans	-	188,933	188,933
General purpose loans	923	1,798,250	1,799,173
Other	-	-	-
<b>Instalment-based commercial loans – FC</b>	<b>115,918</b>	<b>12,225,965</b>	<b>12,341,883</b>
Real estate loans	-	-	-
Automobile loans	-	27,093	27,093
General purpose loans	1,142	10,292,368	10,293,510
Other	114,776	1,906,504	2,021,280
<b>Corporate credit cards – TL</b>	<b>1,880,414</b>	<b>3,117</b>	<b>1,883,531</b>
With instalment	470,013	3,117	473,130
Without instalment	1,410,401	-	1,410,401
<b>Corporate credit cards – FC</b>	<b>1,503</b>	<b>-</b>	<b>1,503</b>
With instalment	-	-	-
Without instalment	1,503	-	1,503
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>1,847,731</b>	<b>-</b>	<b>1,847,731</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5,050,193</b>	<b>61,358,353</b>	<b>66,408,546</b>

Prior Period - December 31, 2017	Short-Term	Medium and Long-Term	Total
<b>Instalment-based commercial loans – TL</b>	<b>1,169,354</b>	<b>43,812,223</b>	<b>44,981,577</b>
Real estate loans	1,154	1,049,786	1,050,940
Automobile loans	88,063	1,940,882	2,028,945
General purpose loans	1,080,137	40,821,555	41,901,692
Other	-	-	-
<b>Instalment-based commercial loans – FC indexed</b>	<b>3,987</b>	<b>1,633,951</b>	<b>1,637,938</b>
Real estate loans	-	-	-
Automobile loans	-	177,864	177,864
General purpose loans	3,987	1,456,087	1,460,074
Other	-	-	-
<b>Instalment-based commercial loans – FC</b>	<b>33,525</b>	<b>10,943,718</b>	<b>10,977,243</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	10,888	10,225,284	10,236,172
Other	22,637	718,434	741,071
<b>Corporate credit cards – TL</b>	<b>1,761,150</b>	<b>1,708</b>	<b>1,762,858</b>
With instalment	451,980	1,708	453,688
Without instalment	1,309,170	-	1,309,170
<b>Corporate credit cards – FC</b>	<b>1,154</b>	<b>-</b>	<b>1,154</b>
With instalment	-	-	-
Without instalment	1,154	-	1,154
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>1,844,329</b>	<b>-</b>	<b>1,844,329</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4,813,499</b>	<b>56,391,600</b>	<b>61,205,099</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Allocation of domestic and overseas loans*

	Current Period - June 30, 2018
Domestic loans	216,063,715
Foreign loans	1,072,219
<b>Total</b>	<b>217,135,934</b>
	Prior Period - December 31, 2017
Domestic loans	184,512,099
Foreign loans	930,431
<b>Total</b>	<b>185,442,530</b>

*Loans to associates and subsidiaries*

	Current Period - June 30, 2018
Direct loans to associates and subsidiaries	13
Indirect loans to associates and subsidiaries	-
<b>Total</b>	<b>13</b>
	Prior Period- December 31, 2017
Direct loans to associates and subsidiaries	17
Indirect loans to associates and subsidiaries	-
<b>Total</b>	<b>17</b>

*Specific provisions accounted for loans (Stage 3)*

	Current Period - June 30, 2018
Loans and receivables with limited collectability	448,519
Loans and receivables with doubtful collectability	690,957
Uncollectible loans and receivables	5,631,256
<b>Total</b>	<b>6,770,732</b>

*Specific provisions for loans*

	Prior Period - December 31, 2017
Loans and receivables with limited collectability	153,441
Loans and receivables with doubtful collectability	430,333
Uncollectible loans and receivables	6,253,158
<b>Total</b>	<b>6,836,932</b>

*Information on non-performing loans (Net)*

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Current period - June 30, 2018</b>			
Gross Amounts Before The Reserves	108,790	185,613	174,765
Loans Which Are Restructured	108,790	185,613	174,765
	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Prior Period - December 31, 2017</b>			
(Gross amounts before the specific reserves)	80,662	118,684	135,790
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	80,662	118,684	135,790

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Movements in non-performing loan groups*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period - June 30, 2018</b>			
<b>Balance at the beginning of the period</b>	<b>764,052</b>	<b>874,268</b>	<b>6,304,866</b>
Additions (+)	1,693,232	91,771	120,528
Transfers from other categories of loans under follow-up (+)	-	1,470,349	812,059
Transfers to other categories of loans under follow-up (-) (*)	1,268,663	1,018,399	3,967
Collections (-)	230,159	199,439	563,805
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	390	60,992
Corporate and commercial loans	-	390	60,992
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	461	15,791
<b>Balance at the end of the period</b>	<b>958,462</b>	<b>1,218,621</b>	<b>6,624,480</b>
Provision (-) (**)	448,519	690,957	5,631,256
<b>Net balance</b>	<b>509,943</b>	<b>527,664</b>	<b>993,224</b>

(\*) 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.

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Prior Period - December 31, 2017</b>			
<b>Balance at the beginning of the period</b>	<b>946,968</b>	<b>1,107,117</b>	<b>4,649,298</b>
Additions (+)	2,847,948	148,142	220,657
Transfers from other categories of loans under follow-up (+)	-	2,515,964	2,240,565
Transfers to other categories of loans under follow-up (-) (*)	2,692,529	2,556,278	119,519
Collections (-)	338,335	340,677	699,155
Write-offs (-)	-	-	4,054
Corporate and commercial loans	-	-	4,054
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	-	17,074
<b>Balance at the end of the period</b>	<b>764,052</b>	<b>874,268</b>	<b>6,304,866</b>
Specific provisions (-) (**)	153,441	430,333	6,253,158
<b>Net balance on balance sheet</b>	<b>610,611</b>	<b>443,935</b>	<b>51,708</b>

(\*) 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.

(\*\*) After taking the collaterals of the loans amounting TL 32,026, that are classified in group IV, as from December 31, 2017 into account, the Parent Bank had recorded provision over the remaining amount.

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Current Period - June 30, 2018</b>			
Balance at the end of the period	62,117	49,053	535,723
Specific provision (-)	17,573	34,697	414,194
<b>Net balance on balance sheet</b>	<b>44,544</b>	<b>14,356</b>	<b>121,529</b>

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Prior Period - December 31, 2017</b>			
Balance at the end of the period	43,425	12,519	581,510
Specific provision (-)	9,094	7,242	540,597
<b>Net balance on balance sheet</b>	<b>34,331</b>	<b>5,277</b>	<b>40,913</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.

***Explanation on Write-off Policy***

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.

*The gross and net amounts of non-performing loans according to user groups*

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Current Period - June 30, 2018</b>			
<b>Current Period (Net)</b>	<b>509,943</b>	<b>527,664</b>	<b>993,224</b>
Consumer and Commercial Loans (Gross)	958,388	1,218,438	6,526,501
Specific Provision (-)	448,466	690,808	5,538,085
<b>Consumer and Commercial Loans (Net)</b>	<b>509,922</b>	<b>527,630</b>	<b>988,416</b>
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	74	183	96,428
Specific Provision (-)	53	149	91,620
<b>Other Loans and Receivables (Net)</b>	<b>21</b>	<b>34</b>	<b>4,808</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Prior Period - December 31, 2017</b>			
<b>Prior Period (Net)</b>	<b>610,611</b>	<b>443,935</b>	<b>51,708</b>
Consumer and Commercial Loans (Gross)	763,928	872,720	6,206,914
Specific Provision (-)	153,416	429,559	6,155,206
<b>Consumer and Commercial Loans (Net)</b>	<b>610,512</b>	<b>443,161</b>	<b>51,708</b>
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	124	1,548	96,401
Specific Provision (-)	25	774	96,401
<b>Other Loans and Receivables (Net)</b>	<b>99</b>	<b>774</b>	<b>-</b>

Information on interest accruals, discounts and valuation differences calculated for non-performing loans and their provisions

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period (Net) - June 30, 2018</b>			
Interest accruals and valuation differences	45,157	61,987	3
Provision (-)	-	-	-

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Prior Period (Net) * - December 31, 2017</b>			
Interest accruals and valuation differences	-	-	-
Provision (-)	-	-	-

(\*) Starting from December 31, 2017, discounts are not measured for non performing loans according to Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables

6. Information on measured at amortized cost investments

*Measured at amortized cost debt securities issued by the governments*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Government bonds	21,573,787	1,970,426
Treasury bills	-	-
Other securities issued by the governments	-	4,278,207
<b>Total</b>	<b>21,573,787</b>	<b>6,248,633</b>

*Held-to-maturity debt securities issued by the governments*

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Government bonds	12,235,406	2,022,702
Treasury bills	-	-
Other securities issued by the governments	-	2,263,925
<b>Total</b>	<b>12,235,406</b>	<b>4,286,627</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Information on financial assets measured at amortised cost*

	Current Period - June 30, 2018
<b>Debt Securities</b>	<b>28,060,422</b>
<i>Quoted at stock exchanges</i>	27,923,046
<i>Unquoted at stock exchanges</i>	137,376
<b>Impairment losses (-)</b>	<b>-</b>
<b>Total</b>	<b>28,060,422</b>

*Information on held-to-maturity investment securities*

	Prior Period - December 31, 2017
<b>Debt Securities</b>	<b>16,766,071</b>
<i>Quoted at stock exchanges</i>	16,652,591
<i>Unquoted at stock exchanges</i>	113,480
<b>Impairment losses (-)</b>	<b>-</b>
<b>Total</b>	<b>16,766,071</b>

*The movement table of the financial assets measured at amortised cost*

	Current Period - June 30, 2018
<b>Balances at the beginning of the period</b>	<b>16,766,071</b>
Foreign currency differences on monetary assets	257,995
Purchases during the period	2,871,107
IFRS 9 Classification	7,656,572
Disposals through sales/redemptions	(745,754)
Change in Impairment losses	-
Change in amortized costs of the securities (*)	1,254,431
<b>Balances at the end of the period</b>	<b>28,060,422</b>

(\*) Changes in amortized costs of the marketable securities also include rediscount differences in marketable securities.

(\*\*) As of January 1, 2018, the Bank has applied the transition to the management model for certain government debt securities as a financial asset measured at amortized cost within the transition to TFRS 9. Bank previously classified securities as available-for-sale financial assets at fair value through other comprehensive income.

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

	Prior Period - December 31, 2017
<b>Balances at the beginning of the period</b>	<b>8,180,535</b>
Foreign currency differences on monetary assets	116,077
Purchases during the period	2,423,358
Transfers to available for sale portfolio(**)	7,501,432
Disposals through sales/redemptions	(2,186,864)
Change in Impairment losses	6,758
Change in amortized costs of the securities (*)	724,775
<b>Balances at the end of the period</b>	<b>16,766,071</b>

(\*) Changes in the amortized costs of the marketable securities also include rediscount differences in marketable securities.

(\*\*) The Parent Bank had classified TL 7,166,704 nominal value of marketable securities, which was followed under available for sale securities portfolio, to held to maturity portfolio on different dates in 2017. These marketable securities are included in the held to maturity portfolio with TL 7,501,432 book value, representing the fair value of the securities as from the dates when the classification occurred. The revaluation differences amounting to TL 63,966 as from the dates when the classification occurred are now being followed under equity, and the composed revaluation differences will be transferred to terminal accounts until the end of the maturity of the securities.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

*Information on financial assets measured at amortised cost*

	Cost		Carrying Value	
	TL	FC	TL	FC
<b>Current Period - June 30, 2018</b>				
Collateralized/blocked investment securities	1,073,473	1,220,950	1,233,961	1,234,739
Investments subject to repurchase agreements	16,636,416	4,205,972	19,757,828	4,264,526
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	498,553	972,861	581,998	987,370
<b>Total</b>	<b>18,208,442</b>	<b>6,399,783</b>	<b>21,573,787</b>	<b>6,486,635</b>

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

*Information on held-to-maturity investments*

	Cost		Carrying Value	
	TL	FC	TL	FC
<b>Prior Period - December 31, 2017</b>				
Collateralized/blocked investment securities	5,856,554	1,879,125	6,591,740	1,886,904
Investments subject to repurchase agreements	4,581,632	2,242,632	5,510,791	2,256,226
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	107,882	384,828	132,875	387,535
<b>Total</b>	<b>10,546,068</b>	<b>4,506,585</b>	<b>12,235,406</b>	<b>4,530,665</b>

(\*) The securities held as free that are not subject to collateral/blockage or other transactions are presented in the “Other” 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/Türkiye	9.93	9.93
2 Bankalararası Kart Merkezi AŞ	İstanbul/Türkiye	9.70	9.70
3 KKB Kredi Kayıt Bürosu AŞ	İstanbul/Türkiye	9.09	9.09
4 Güçbirliği Holding AŞ	İzmir/Türkiye	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ	İstanbul/Türkiye	5.00	5.00
6 İstanbul Takas ve Saklama Bankası AŞ	İstanbul/Türkiye	4.37	4.37
7 Kredi Garanti Fonu AŞ	Ankara/Türkiye	1.54	1.54
8 Tasfiye Halinde World Vakıf UBB Ltd.	Lefkoşa/KKTC	82.00	85.32

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Period’s Profit/Loss	Fair Value
1	5,262,169	1,238,912	983,911	15,759	-	42,089	108,099	3,845,000
2	94,425	57,724	48,697	1,137	-	8,630	3,260	-
3	296,536	193,394	177,837	5,984	-	23,681	28,103	-
4	144,022	(72,072)	88,086	1	-	(26,388)	(852)	-
5	118,267	(62,346)	81,954	-	-	(33,251)	(2,476)	-
6	12,678,524	1,448,807	114,014	262,589	-	183,649	130,216	-
7	722,553	522,864	14,993	19,835	-	64,883	99,260	-
8	1,129	(151,980)	-	38	-	(7,479)	(5,834)	-

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

In the current period, Roketsan Roket Sanayii ve Ticaret A.Ş is reflected in the financial statement through fair value, and valuation difference between the cost value and the fair value of TL 374,215 is presented under equity.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Bankalararası Kart Merkezi AŞ from TL 14,000 to TL 30,000 in the Ordinary General Meeting of the Company dated March 22, 2018. The share of the Parent Bank amounted to TL 1,551.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Kredi Garanti Fonu AŞ from TL 278,439 to TL 318,282. The share of the Parent Bank amounted to TL 177. During the capital increase, the share of the Bank decreased from 1.69% to 1.54% due to the participation of new banks in the association.

The title of World Vakıf Off Shore Banking Ltd, a subsidiary of the Parent Bank, was changed as World Vakıf UBB. Ltd. On February 4, 2009. Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorization of World Vakıf UBB Ltd., operating in NCTR, 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. According to May 24, 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 as “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 on August 27, 2013. Thus, the company’s title 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, İzmir Enternasyonel AŞ and Türkiye Ürün İhtisas Borsası A.Ş are not financial associates; these associates have not been consolidated.

***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.	Lefkoşa/KKTC	15.00	15.00
2 Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Türkiye	8.38	8.38

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	1,213,638	99,426	7,783	49,570	2,198	14,512	2,412	-
2	35,739,859	3,756,926	870,635	1,022,294	241,519	323,495	301,800	2,715,184

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,400,000 to TL 2,800,000 in the Ordinary General Meeting of the Company dated March 23, 2018. The share of the Parent Bank amounting to TL 33,510.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,050,000 to TL 2,400,000 in the Ordinary General Meeting of the Company dated March 23, 2017. The share of the Parent Bank amounting to TL 29,321.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Movement of consolidated investments in associates*

	Current Period - June 30, 2018
<b>Balance at the beginning of the period</b>	<b>302,959</b>
<b>Movements during the period</b>	<b>(64,808)</b>
Transfers	-
Acquisitions	-
Bonus shares received	33,510
Share of current year profit	-
Sales/liquidations	-
Fair value changes	(90,047)
Impairment losses	(8,271)
<b>Balance at the end of the period</b>	<b>238,151</b>
<b>Capital commitments</b>	<b>-</b>
<b>Share percentage at the end of period (%)</b>	<b>-</b>

	Prior Period - December 31, 2017
<b>Balance at the beginning of the period</b>	<b>253,457</b>
<b>Movements during the period</b>	<b>49,502</b>
Transfers	-
Acquisitions	-
Bonus shares received	29,321
Share of current year profit	-
Sales/liquidations	-
Fair value changes	20,181
Impairment losses	-
<b>Balance at the end of the period</b>	<b>302,959</b>
<b>Capital commitments</b>	<b>-</b>
<b>Share percentage at the end of period (%)</b>	<b>-</b>

*Sectoral distribution of consolidated investments and associates*

	Current Period - June 30, 2018
Banks	238,151
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial associates	-
<b>Total</b>	<b>238,151</b>

	Prior Period - December 31, 2017
Banks	302,959
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial associates	-
<b>Total</b>	<b>302,959</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

**Quoted associates**

	<b>Current Period - June 30, 2018</b>
Quoted at domestic stock exchanges	227,532
Quoted at international stock exchanges	-
<b>Total</b>	<b>227,532</b>

	<b>Prior Period - December 31, 2017</b>
Quoted at domestic stock exchanges	292,341
Quoted at international stock exchanges	-
<b>Total</b>	<b>292,341</b>

***Investments in associates disposed during the period***

There is not any associate disposed by the Parent Bank in the current period.

***Investments in associates acquired during the period***

In the current period, the Bank have participated establishment of Türkiye Ürün İhtisas Borsası A.Ş a capital of TL 100,000. In the Company, the nominal share of Bank is TL 3,000 and its share is 3%. The bank has to pay one-quarter of its share in cash, and the remaining three quarters within 24 months of the registration of the Company. Transactions related to the establishment of the company were registered in the trade registry on June 8, 2018. As of June 30, 2018 the Bank has made a payment of one-quarter of its share and the shares amounting to TL 750.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Investments in subsidiaries

Information on significant subsidiaries

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
<b>Current Period - June 30, 2018</b>									
Paid in Capital	114,483	140,000	35,000	70,000	270,000	26,500	12,000	225,000	20,000
Share Premium	-	1,447	137	-	6,112	10,615	16	268,330	93
Equity share premiums	-	-	-	-	655	-	-	246,731	-
Share cancellation profits	-	-	-	-	-	-	-	-	-
Other capital reserves	-	1,447	137	-	5,457	10,615	16	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	20,179	89,411	403	626,553	62,063	59	503	(30)
Other accumulated comprehensive income that will be reclassified in profit or loss	(4,207)	-	-	-	-	-	-	-	-
Profit Reserves	473,171	42,610	18,277	74,642	36,425	178,058	14,206	113,637	395
Legal Reserves	11,854	7,984	8,601	6,984	17,179	18,385	1,876	7,974	395
Statutory reserves	-	-	-	-	-	-	-	-	-
Extraordinary Reserves	-	34,626	7,368	67,658	19,246	159,673	12,330	105,663	-
Other Profit Reserves	461,317	-	2,308	-	-	-	-	-	-
Profit/Loss	212,188	(34,455)	21,776	13,239	(311,669)	115,352	4,329	2,619	(3,398)
Prior Period's Profit/Loss	161,570	(40,798)	1,866	(13,840)	(332,116)	45,301	(8)	(2,018)	(3,008)
Current Period's Profit/Loss	50,618	6,343	19,910	27,079	20,447	70,051	4,337	4,637	(390)
Minority Rights	-	49	-	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>795,635</b>	<b>169,830</b>	<b>164,601</b>	<b>158,284</b>	<b>627,421</b>	<b>392,588</b>	<b>30,610</b>	<b>610,089</b>	<b>17,060</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>795,635</b>	<b>169,830</b>	<b>164,601</b>	<b>158,284</b>	<b>627,421</b>	<b>392,588</b>	<b>30,610</b>	<b>610,089</b>	<b>17,060</b>
<b>NET AVAILABLE EQUITY</b>	<b>795,635</b>	<b>169,830</b>	<b>164,601</b>	<b>158,284</b>	<b>627,421</b>	<b>392,588</b>	<b>30,610</b>	<b>610,089</b>	<b>17,060</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
<b>Prior Period - December 31, 2017</b>									
Paid in Capital	114,483	109,000	35,000	70,000	270,000	26,500	12,000	217,500	20,000
Share Premium	-	-	-	-	655	-	-	246,731	-
Adjustment to paid-in capital	-	206	(109)	51	(2,369)	5,832	74	21,600	63
Valuation changes in marketable securities	38,306	3,821	92,327	352	413,605	869	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	16,596	-	-	218,237	50,005	-	547	-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	1,094	-	-	4,010	191	-	-	-
Legal Reserves	10,614	6,286	6,128	5,824	17,179	18,385	1,347	7,543	395
Extraordinary Reserves	-	33,523	7,368	45,624	19,246	104,880	7,050	108,125	-
Other Profit Reserves	352,474	-	2,308	-	-	-	-	-	-
Profit/Loss	157,216	34,514	21,246	23,195	(331,590)	155,164	7,809	5,469	(3,007)
<i>Prior Period's Profit/Loss</i>	129,784	(18)	1,623	-	(439,449)	73,393	-	-	(3,008)
<i>Current Period's Profit/Loss</i>	27,432	34,532	19,623	23,195	107,859	81,771	7,809	5,469	1
Minority Rights	-	98	-	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>673,093</b>	<b>205,138</b>	<b>164,268</b>	<b>145,046</b>	<b>608,973</b>	<b>361,826</b>	<b>28,280</b>	<b>607,515</b>	<b>17,451</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>673,093</b>	<b>205,138</b>	<b>164,268</b>	<b>145,046</b>	<b>608,973</b>	<b>361,826</b>	<b>28,280</b>	<b>607,515</b>	<b>17,451</b>
<b>NET AVAILABLE EQUITY</b>	<b>673,093</b>	<b>205,138</b>	<b>164,268</b>	<b>145,046</b>	<b>608,973</b>	<b>361,826</b>	<b>28,280</b>	<b>607,515</b>	<b>17,451</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

Vakıf Yatırım Menkul Değerler AŞ, which is one of the consolidated subsidiaries of the Parent Bank, calculates capital adequacy in accordance with “Communiqué on Capital and Capital Adequacy of Intermediary Firms” of Capital Markets Board as six months periods. Güneş Sigorta AŞ and Vakıf Emeklilik AŞ, which are the consolidated subsidiaries of the Parent Bank operating in insurance sector, calculate capital adequacy in accordance with “Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms” published by Republic of Turkey Undersecretariat of Treasury as six months periods. According to the calculations at June 30, 2018, there is no capital requirement for the subsidiaries mentioned.

*Unconsolidated investments in subsidiaries*

Title	Address (City / Country)	Bank’s Share –If Different, Voting Rights (%)	Bank’s Risk Group Share (%)
1 Vakıf Enerji ve Madencilik AŞ (*)	Ankara/TÜRKİYE	65.50	85.52
2 Taksim Otelcilik AŞ	İstanbul/TÜRKİYE	51.00	51.69
3 Vakıf Pazarlama Sanayi ve Ticaret AŞ	İstanbul/TÜRKİYE	69.33	76.18
4 Vakıf Gayrimenkul Değerleme AŞ	Ankara/TÜRKİYE	54.29	58.73

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	27,804	12,972	1,040	1,236	-	1,316	6,020	14,494
2	371,786	356,091	215,950	7,374	-	1,320	(3,938)	403,062
3	78,063	55,999	13,316	2,789	-	1,206	2,850	49,458
4	34,835	26,592	799	2,078	-	482	621	26,479

(\*) The financial statement information provided for these associates is taken from the financial statements dated December 31, 2017.

***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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

*Investments in consolidated subsidiaries*

Title	Address (City / Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Güneş Sigorta AŞ	İstanbul/TÜRKİYE	48.02	48.02
2 Vakıf Emeklilik ve Hayat AŞ	İstanbul/TÜRKİYE	53.90	79.67
3 Vakıf Faktoring AŞ	İstanbul/TÜRKİYE	78.39	88.68
4 Vakıf Finansal Kiralama AŞ	İstanbul/TÜRKİYE	58.71	66.23
5 Vakıf Yatırım Menkul Değerler AŞ	İstanbul/TÜRKİYE	99.00	99.48
6 Vakıfbank International AG	Viyana/AVUSTURYA	90.00	90.00
7 Vakıf Portföy Yönetimi AŞ	İstanbul/TÜRKİYE	100.00	100.00
8 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	İstanbul/TÜRKİYE	22.89	34.55
9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/TÜRKİYE	38.70	40.86

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	2,215,946	695,662	714,721	51,721	479	19,902	(2,917)	452,211
2	7,511,914	377,238	136,861	15,853	75	33,758	11,592	1,094,402
3	2,637,106	173,623	3,232	185,891	-	28,578	11,713	157,611
4	2,677,275	230,075	21,498	81,959	-	25,077	11,195	230,435
5	525,349	164,602	2,933	16,576	79	19,911	7,994	170,039
6	5,042,928	773,529	2,176	46,745	21,364	31,838	11,573	474,409
7	31,749	30,610	393	2,219	31	4,337	3,774	79,031
8	18,927	17,059	17	303	337	(390)	358	25,663
9	1,306,162	944,222	827,494	1,064	-	3,946	4,709	440,249

(\*) Financial information as at March 31, 2018 has been presented for these subsidiaries.

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

	Current Period - June 30, 2018
<b>Balance at the beginning of the period</b>	<b>1,950,138</b>
<b>Movements during the period</b>	<b>(33,676)</b>
Transfers	-
Acquisitions	-
Bonus shares received	21,104
Share of current year profit	(49,610)
Sales and liquidations	-
Fair value changes	32,486
Impairment losses	(37,656)
<b>Balance at the end of the period</b>	<b>1,916,462</b>
<b>Capital commitments</b>	-
<b>Share percentage at the end of the period (%)</b>	-

	Prior Period - December 31, 2017
<b>Balance at the beginning of the period</b>	<b>1,528,228</b>
<b>Movements during the period</b>	<b>421,910</b>
Transfers	-
Acquisitions	-
Bonus shares received	51,974
Share of current year profit	(16,825)
Sales and liquidations	(232)
Fair value changes	373,209
Impairment losses	13,784
<b>Balance at the end of the period</b>	<b>1,950,138</b>
<b>Capital commitments</b>	-
<b>Share percentage at the end of the period (%)</b>	-

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

*Valuation of consolidated subsidiaries in unconsolidated financial statements*

	<b>Current Period - June 30, 2018</b>
Measured at cost	-
Measured at fair value	1,916,462
Equity method of accounting	-
<b>Total</b>	<b>1,916,462</b>

	<b>Prior Period - December 31, 2017</b>
Measured at cost	-
Measured at fair value	1,950,138
Equity method of accounting	-
<b>Total</b>	<b>1,950,138</b>

*Sectoral distribution of consolidated investments in financial subsidiaries*

	<b>Current Period - June 30, 2018</b>
Banks	426,968
Insurance companies	807,034
Factoring companies	123,551
Leasing companies	135,288
Financing companies	-
Other financial subsidiaries	423,621
<b>Total</b>	<b>1,916,462</b>

	<b>Prior Period - December 31, 2017</b>
Banks	362,247
Insurance companies	835,401
Factoring companies	123,551
Leasing companies	136,632
Financing companies	-
Other financial subsidiaries	492,307
<b>Total</b>	<b>1,950,138</b>

*Quoted consolidated subsidiaries*

	<b>Current Period - June 30, 2018</b>
Quoted at domestic stock exchanges	528,690
Quoted at international stock exchanges	-
<b>Total</b>	<b>528,690</b>

	<b>Prior Period - December 31, 2017</b>
Quoted at domestic stock exchanges	578,891
Quoted at international stock exchanges	-
<b>Total</b>	<b>578,891</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

***Consolidated subsidiaries disposed during the period***

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

***Consolidated investments in subsidiaries acquired during the period***

The Parent Bank does not have any subsidiary that are purchased in the current period in the scope of consolidation.

In the current period, at the Ordinary General Assembly Meeting held on May 15, 2018, Vakıf Finansal Kiralama AŞ, an affiliate of our Bank, has resolved to increase its capital from TL 109,000 by a bonus increase of TL 31,000 to TL 140,000 TL. 18,201 corresponding to our Bank’s shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the current period, at the Ordinary General Assembly Meeting held on May 14, 2018, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an affiliate of our Bank, has resolved to increase its capital from TL 217,500 by a bonus increase of TL 7,500 to TL 225,000. TL. 2,903 corresponding to our Bank’s shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the prior period, denomination of Vakıf Emeklilik AŞ has changed to “Vakıf Emeklilik ve Hayat AŞ” on July 26, 2017, respective alteration is registered officially in trade registry.

In the prior period, at the Ordinary General Assembly Meeting held on July 13, 2017, Vakıf Faktoring AŞ, an affiliate of our Bank, has resolved to increase its capital from TL 22,400 by a bonus increase of TL 47,600 to TL 70,000. 37,315, corresponding to our Bank’s shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the prior period, it is decided to sell Güneş Sigorta AŞ’s 500,000 shares, that are traded in the stock market. After the selling, the bank’s share had decreased to TL 129,643 from 130,143 TL. The sold shares, amounting TL 232, are presented in the Sales, in the movement table for the affiliates. After the selling, the bank’s share in Güneş Sigorta AŞ had decreased to 48.02% from 48.20%.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 213,000 to TL 217,500 by a bonus increase of TL 4,500 in the Ordinary General Meeting of the Company dated June 16, 2017. The share of the Bank amounting to TL 1,742 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ from TL 87,000 to TL 109,000 by a bonus increase of TL 22,000 in the Ordinary General Meeting of the Company dated June 14, 2017. The share of the Bank amounting to TL 12,917 is presented in the movement table of investments in associates as bonus shares received.

**9. Investments in joint-ventures**

There is not any investment in joint-ventures of the Group within current and prior period.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

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

*Finance lease receivables disclosed according to remaining maturities*

<b>Current Period - June 30, 2018</b>	<b>Gross</b>	<b>Net</b>
Less than 1 year	504,577	482,007
Between 1-4 years	1,503,385	1,303,256
Longer than 4 years	842,802	678,289
<b>Total</b>	<b>2,850,764</b>	<b>2,463,552</b>

<b>Prior Period - December 31, 2017</b>	<b>Gross</b>	<b>Net</b>
Less than 1 year	329,412	315,471
Between 1-4 years	1,268,523	1,092,496
Longer than 4 years	579,828	472,233
<b>Total</b>	<b>2,177,763</b>	<b>1,880,200</b>

*Net investments in finance lease receivables*

	<b>Current Period - June 30, 2018</b>
Gross finance lease receivables	2,850,764
Unearned income on finance lease receivables (-)	387,212
Terminated lease contracts (-)	-
<b>Net finance lease receivables</b>	<b>2,463,552</b>

	<b>Prior Period - December 31, 2017</b>
Gross finance lease receivables	2,177,763
Unearned income on finance lease receivables (-)	297,563
Terminated lease contracts (-)	-
<b>Net finance lease receivables</b>	<b>1,880,200</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 hedging purpose derivatives**

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

None.

**12. Information on investment properties**

As of June 30, 2018, the Group has investment properties that have book amount of its subsidiaries which are operating in the insurance business is TL 8,283 (December 31, 2017: TL 8,377) and its subsidiaries which are operating in real estate investment business is TL 478,424 (December 31, 2017: TL 415,121).

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

**13. Information on tax assets**

**a) Current tax assets**

As at June 30, 2018 the current tax asset of the Group amounts to TL 217 (December 31, 2017: TL 1,016).

**b) Deferred tax assets**

Items generating deferred tax assets or liabilities are listed below as at June 30, 2018 and December 31, 2017:

	<b>Current Period - June 30, 2018</b>
Provision for employee termination benefits and unused vacations	118,255
Other provisions	63,589
Valuation differences of associates and subsidiaries	99,366
Deductible financial losses	22,656
Investment incentives	3,679
Valuation differences of financial assets and liabilities	44,453
Reporting Standards - Tax Code depreciation differences	-
Provision (General Provision)	594,322
Other differences	14,215
<b>Deferred tax assets</b>	<b>960,535</b>
Net-off of the deferred tax assets and liabilities from the same entity	(520,201)
<b>Deferred tax assets, (net)</b>	<b>440,334</b>
Valuation differences of financial assets and liabilities	348,806
Valuation difference for associates and subsidiaries	93,252
Valuation differences of properties	73,215
Other differences	29,008
<b>Deferred tax liabilities</b>	<b>544,281</b>
Net-off of the deferred tax assets and liabilities from the same entity	(520,201)
<b>Deferred tax liabilities, (net)</b>	<b>24,080</b>
	<b>Prior Period - December 31, 2017</b>
Provision for employee termination benefits and unused vacations	103,455
Other provisions	57,514
Valuation differences of associates and subsidiaries	55,424
Deductible financial losses	24,099
Investment incentives	373
Valuation differences of financial assets and liabilities	80,160
Reporting Standards - Tax Code depreciation differences	-
Other differences	17,108
<b>Deferred tax assets</b>	<b>338,133</b>
Net-off of the deferred tax assets and liabilities from the same entity	(275,537)
<b>Deferred tax assets, (net)</b>	<b>62,596</b>
Valuation differences of financial assets and liabilities	254,360
Valuation difference for associates and subsidiaries	21,501
Valuation differences of properties	51,801
Other differences	22,939
<b>Deferred tax liabilities</b>	<b>350,601</b>
Net-off of the deferred tax assets and liabilities from the same entity	(275,537)
<b>Deferred tax liabilities, (net)</b>	<b>75,064</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

As at June 30, 2018 and December 31, 2017, items generating deferred tax assets or liabilities movement table is listed below:

	<b>Current Period - June 30, 2018</b>
<b>As of 1 January</b>	<b>(12,468)</b>
Adjustment according to TAS as of January, 1	(40,408)
Deferred tax income/loss	(11,883)
Deferred tax that is accounted under Equity	(6,855)
Deferred tax that is accounted under general provision	504,448
Exchange differences	(16,580)
<b>Deferred tax asset/(Liability)</b>	<b>416,254</b>
	<b>Prior Period - December 31, 2017</b>
<b>As of 1 January</b>	<b>174,063</b>
Deferred tax income/loss	(160,372)
Deferred tax that is accounted under Equity	(21,448)
Exchange differences	(4,711)
<b>Deferred tax asset/(Liability)</b>	<b>(12,468)</b>

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

As at June 30, 2018, net book value of assets held for sale of the Group is amounting to TL 1,457,402 (December 31, 2017: TL 1,312,728).

**15. Information on other assets**

As at June 30, 2018 and December 31, 2017, the details of other assets are as follows:

	<b>Current Period - June 30, 2018</b>
Receivables from insurance operations	1,456,961
Receivables from credit card payments	1,336,956
Prepaid expenses	1,367,353
Guarantees given for repurchase agreements	47,783
Guarantees given for derivative financial instruments	5,554,736
Receivables from term sale of assets	49,072
Receivables from reinsurance companies	61,078
Deferred commission expenses	61,882
Other	1,045,827
<b>Total</b>	<b>10,981,648</b>
	<b>Prior Period - December 31, 2017</b>
Receivables from insurance operations	1,352,349
Receivables from credit card payments	1,173,158
Prepaid expenses	1,097,170
Guarantees given for repurchase agreements	151
Guarantees given for derivative financial instruments	2,749,121
Receivables from term sale of assets	11,116
Receivables from reinsurance companies	60,613
Deferred commission expenses	43,083
Other	2,248,364
<b>Total</b>	<b>8,735,125</b>

**16. Information on allowance for expected losses on financial assets**

	<b>Current Period - June 30, 2018</b>
Cash and balances with the Central Bank of the Republic of Turkey	372
Banks	14,025
Stock securities portfolio	6,011
Other Assets	105,237
<b>Total</b>	<b>125,645</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period June 30, 2018	7							Accumulating Deposit Accounts	Total
	Demand	Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Saving deposits	6,930,624	-	5,270,315	34,181,967	2,342,429	369,751	226,772	3,226	49,325,084
Foreign currency deposits	8,613,749	-	2,921,778	28,568,698	2,078,820	2,436,877	7,942,835	-	52,562,757
Residents in Turkey	7,447,886	-	2,907,804	28,099,642	1,542,318	900,352	1,168,139	-	42,066,141
Residents in abroad	1,165,863	-	13,974	469,056	536,502	1,536,525	6,774,696	-	10,496,616
Public sector deposits	7,311,776	-	5,314,888	8,208,302	1,235,014	4,945,641	282,924	-	27,298,545
Commercial deposits	3,292,028	-	4,823,335	12,691,586	1,836,224	476,453	12,820	-	23,132,446
Other	3,884,879	-	1,020,514	3,642,172	776,878	271,458	34,326	-	9,630,227
Precious metal deposits	2,305,027	-	-	-	-	-	-	-	2,305,027
Bank deposits	614,871	-	5,649,973	3,172,428	251,883	36,350	94,504	-	9,820,009
Central Bank	1,472	-	-	-	-	-	-	-	1,472
Domestic banks	170,405	-	5,167,016	959,157	21,741	8,210	-	-	6,326,529
Foreign banks	227,585	-	282,763	1,752,644	-	28,140	-	-	2,291,132
Participation banks	215,409	-	200,194	460,627	230,142	-	94,504	-	1,200,876
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>32,952,954</b>	<b>-</b>	<b>25,000,803</b>	<b>90,465,153</b>	<b>8,521,248</b>	<b>8,536,530</b>	<b>8,594,181</b>	<b>3,226</b>	<b>174,074,095</b>

Prior Period December 31, 2017	7							Accumulating Deposit Accounts	Total
	Demand	Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Saving deposits	6,056,971	-	3,050,910	31,050,795	2,289,658	270,480	177,229	2,178	42,898,221
Foreign currency deposits	7,190,052	-	2,538,293	24,512,375	1,965,662	2,017,138	7,100,230	-	45,323,750
Residents in Turkey	6,808,852	-	2,536,245	24,058,549	1,430,203	720,911	998,723	-	36,553,483
Residents in abroad	381,200	-	2,048	453,826	535,459	1,296,227	6,101,507	-	8,770,267
Public sector deposits	7,188,859	-	6,443,410	7,672,161	1,141,489	4,439,864	176,770	-	27,062,553
Commercial deposits	3,761,274	-	5,698,290	10,001,770	2,281,607	190,433	8,957	-	21,942,331
Other	3,834,320	-	982,513	3,345,561	1,163,948	21,913	32,402	-	9,380,657
Precious metal deposits	1,600,963	-	-	-	-	-	-	-	1,600,963
Bank deposits	491,073	-	7,033,739	2,058,712	18,565	59,147	118,155	-	9,779,391
Central Bank	1,349	-	-	-	-	-	-	-	1,349
Domestic banks	140,492	-	6,644,460	947,960	18,565	-	-	-	7,751,477
Foreign banks	256,993	-	200,144	768,660	-	59,147	41,441	-	1,326,385
Participation banks	92,239	-	189,135	342,092	-	-	76,714	-	700,180
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>30,123,512</b>	<b>-</b>	<b>25,747,155</b>	<b>78,641,374</b>	<b>8,860,929</b>	<b>6,998,975</b>	<b>7,613,743</b>	<b>2,178</b>	<b>157,987,866</b>

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

Current Period - June 30, 2018	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
	Saving deposits	24,588,520
Foreign currency saving deposits	7,817,200	19,953,010
Other saving deposits	-	-
Foreign branches' deposits under foreign insurance coverage	-	-
Off-Shore deposits under foreign insurance coverage	-	-
<b>Total</b>	<b>32,405,720</b>	<b>44,689,574</b>

Prior Period - December 31, 2017	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
	Saving deposits	21,807,725
Foreign currency saving deposits	6,571,401	15,854,203
Other saving deposits	-	-
Foreign branches' deposits under foreign insurance coverage	-	-
Off-Shore deposits under foreign insurance coverage	-	-
<b>Total</b>	<b>28,379,126</b>	<b>36,944,699</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

*Saving deposits out of insurance coverage limits*

	<b>Current Period - June 30, 2018</b>
Deposits and other accounts at foreign branches	38,674
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	2,773
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	-
	<b>Prior Period - December 31, 2017</b>
Deposits and other accounts at foreign branches	22,958
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	2,399
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*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Forwards	22,900	6,267
Swaps	1,881,307	209,913
Futures	-	-
Options	55,741	5,133
Other	-	-
<b>Total</b>	<b>1,959,948</b>	<b>221,313</b>
	<b>Prior Period - December 31, 2017</b>	<b>TL</b>
Forwards	19,903	5,240
Swaps	961,269	162,879
Futures	-	-
Options	30,336	915
Other	-	-
<b>Total</b>	<b>1,011,508</b>	<b>169,034</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

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

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Central Bank of the Republic of Turkey	-	405,189
Domestic banks and institutions	1,762,681	2,411,972
Foreign banks, institutions and funds	826,089	36,493,842
<b>Total</b>	<b>2,588,770</b>	<b>39,311,003</b>

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Central Bank of the Republic of Turkey	-	235,102
Domestic banks and institutions	1,321,299	1,452,085
Foreign banks, institutions and funds	936,242	27,443,060
<b>Total</b>	<b>2,257,541</b>	<b>29,130,247</b>

*Maturity information of funds borrowed*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Short-term (*)	1,574,556	3,818,393
Medium and Long-term (*)	1,014,214	35,492,610
<b>Total</b>	<b>2,588,770</b>	<b>39,311,003</b>

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Short-term (*)	1,341,505	3,012,169
Medium and Long-term (*)	916,036	26,118,078
<b>Total</b>	<b>2,257,541</b>	<b>29,130,247</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 14.37% (December 31, 2017: 12.20%) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

On April 24, 2017, the Parent Bank’s loan has been renewed with a new syndicated loan amounting to US Dollar 188.5 million and Euro 716.5 million with the interest rate of US Libor + 1.15% and Euribor + 1.05% at a maturity of 367 days with participation of 37 banks, Bank of America Merrill Lynch International Limited and Emirates NBD Bank PJSC acting as coordinator, and, National Bank of Abu Dhabi PJSC acting as agent bank. . On April 24, 2018, the loan has been renewed with a new syndicated loan amounting to US Dollar 100 million at a maturity of 735 days with the interest rate of US Libor +%2.10 and US Dollar 229 million and Euro 778.75 million at a maturity of 367 days, with the interest rate of US Libor +%1.30 and Euribor +1.20% with participation of 35 banks, Mizuho Bank, LTD and Emirates NBD Bank PJSC acting as coordinator, and first Abu Dhabi PJSC acting as agent bank.

On September 25, 2017, the Parent Bank’s loan has been renewed with a new syndicated loan amounting to US Dollar 131 million and Euro 634 million with the interest rate of US Libor + 1.35% and Euribor + 1.25% at a maturity of 367 days with participation of 22 banks from 12 countries, ING Bank London Branch and Emiratesacting as coordinator.

On December 19, 2014, the Parent Bank has obtained securitization loan at the amount of US Dollar 928.6 million related to foreign transfers and treasury transactions in Euro and US Dollar. Loan amounting to US Dollar 500 million has been obtained related to foreign transfers at a maturity of five years and loan at the amount of US Dollar 428.6 million has been obtained related to treasury transactions at a maturity of seven years in seven different segments in total.

The loan obtained from European Bank for Reconstruction and Development (EBRD) amounting to US Dollar 125 million in 2014-A segment in order to finance medium term loans including to meet the needs of agricultural enterprises and support woman entrepreneurs.2014-B segment of the loan has been obtained from Wells Fargo Bank, N.A., 2014-C segment of the loan has been obtained from Raiffeisen Bank International AG, 2014-D segment of the loan has been obtained from Standard Chartered Bank, 2014-E segment of the loan has been obtained from Societe Generale, 2014-G segment of the loan has been obtained from Bank of America, N.A. and 2014-F segment of the loan related to treasury transactions has been obtained from JP Morgan Securities plc. in the scope of programme.

On October 4, 2016, the Bank carried out a securitization transaction in the amount of USD 890 million equivalent in Euros and US Dollars based on foreign money transfers and treasury transactions as part of the securitization program. A total of USD 310 million was provided for 5 years and USD 535 million based on treasury financing transactions was provided with 7 years maturity, based on foreign delegations of the loan provided in seven separate segments. Within the program, 2016-A segment was collected from SMBC, 2016-B segment from Wells Fargo Bank, 2016-C segment from Credit Suisse, 2016-D segment from Standard Chartered Bank, 2016-E segment from EBRD, 2016-F segment from JP Morgan and 2016-G segment from ING Bank. EBRD participated in the securitization loan with the TurSEFF II and TurSEFF III projects.

On May 4, 2018, the Bank carried out a securitization transaction in the amount of USD 380 million equivalent in Euros and US Dollars based on foreign money transfers and treasury transactions as part of the securitization program. A total of USD 310 million was provided for 5 years maturity, in six separate segments. Within the program, 2016-A segment was collected from ING Bank, 2016-B segment from SMBC, 2016-C segment from Standard Chartered Bank, 2016-D segment from Raiffeisen Bank, 2016-E segment from Mizuho Bank, 2016-F segment from Société Générale. As of June 30, 2018, the sum of the securitization loans amounted to USD 1.431 million and EUR 377 million.

On March 3, 2017, under the coordination of ICBC Turkey AŞ, the Bank signed a bilateral loan agreement with ICBC Dubai amounting USD 250 million with 3 years maturity, which will be used for trade finance purposes together with general purpose financial needs.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

*Information on securities issued*

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Turkey’s first Eurobond apart from Republic of Turkey Undersecretariat of Treasury. The bond has been issued in GMTN programme on June 17, 2014 has a nominal value of 500 million Euros, maturity date on June 17, 2019 with fixed rate, 5 years maturity and annually coupon paid with 3.65% return and coupon rate 3.50%.

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Eurobond. The bond has been issued in GMTN programme on October 27, 2016 has a nominal value of US Dollar 500 million, maturity date on October 27, 2021 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.50%.

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Eurobond. The bond has been issued in GMTN programme on May 30, 2017 has a nominal value of US Dollar 500 million, maturity date on May 30, 2022 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.625%.

At January 30, 2018, the Parent Bank has issued a new bond with a maturity of 5 years with a coupon rate of 5.75%, and a final yield of 5.85% amounting to USD 650 million. This transaction has been the highest consistent bond issuance transaction the Bank has ever undertaken. The total demand from over 150 investors in the export has exceeded 1.5 billion dollars.

The context of Global Medium Term Notes (GMTN), the Bank has issued 234 private placements with 19 different banks from 2013 June on .This private placements have issued several currencies as of (US Dollar,Euro,Swiss Frank and Japanese Yen) and the maturities are 3 months, 6 months, 1 year and 2 years. Bank has issued 4,899 million US Dollar private placements as of the date of June 30, 2018. The total private placements are 26.1 million US Dollar as of the same date on.

The Parent Bank has issued Turkey’s first Euro covered bond on May 4, 2016. The bond has nominal value of 500 million Euros, maturity date on May 4, 2021 with fixed rate, 5 years maturity and annually interest paid with coupon rate 2.375% and 2.578% return.

On October 9, 2017, the Parent Bank had issued a private placement for the qualified foreign institutional investor within the context of Global Medium Term Notes (GMTN), with 5.5 years of maturity, and a nominal value of 1.333 million Turkish Liras.

The Parent Bank had realized the second Global Medium Term Notes (GMTN) on December 14, 2017 with HSBC Bank Plc with with 5 years of maturity, and a nominal value of 1.333 million Turkish Liras.

On February 28, 2018, the Parent Bank also carried out Covered Bond transaction with a nominal value of TL 1,000 million with a 5-year maturity and realized a total of TL 6.4 billion under the program.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

*Information on securities issued (Continued)*

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
<b>Current Period - June 30, 2018</b>				
Nominal	5,460,252	3,816,000	143,940	14,969,351
Cost	5,206,415	3,816,000	143,845	14,886,686
Net Book Value	5,325,054	3,982,618	144,360	15,076,256

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
<b>Prior Period - December 31, 2017</b>				
Nominal	4,189,913	2,816,000	98,149	12,697,366
Cost	4,016,622	2,816,000	98,149	12,625,204
Net Book Value	4,090,998	2,876,546	98,742	12,804,473

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

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

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

*Obligations under finance leases*

None.

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

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

None.

- 7. Information on provisions**

*Information on general provisions*

	<b>Prior Period - December 31, 2017</b>
Provisions for loans and receivables in Group I	1,527,551
-Additional provision for loans with extended payment plans	67,249
Provisions for loans and receivables in Group II	181,119
-Additional provision for loans with extended payment plans	32,611
Provisions for non-cash loans	137,421
Other	39,402
<b>Total</b>	<b>1,885,493</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

The Group has not recorded provision amounting to TL (December 31, 2017: TL 10,253 for foreign exchange losses on principal amounts of foreign currency indexed loans and reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans).

*Provisions for non-cash loans that are not indemnified and not converted into cash*

As of June 30, 2018, the Parent Bank has recorded TL 27,814 (December 31, 2017: TL 75,942) as provisions for non-cash loans that are not indemnified or converted into cash.

*Information on free provision for probable risks*

As of June 30, 2018, free provision recognized in 2017 which is not in accordance with BRSA principles amounting to TL 500,000 by the Parent Bank in line with the conservatism principle considering the possible effect of the circumstances that may arise from the negative changes in the economy and market conditions. (December 31, 2017: TL 500,000, June 30, 2017: None).

*Information on insurance technical provisions*

	<b>Current Period - June 30, 2018</b>
Unearned Premium Reserves	1,003,446
Outstanding Claims Reserves	1,569,389
Life Mathematical Reserves	327,107
Other	26,738
<b>Total</b>	<b>2,926,680</b>

	<b>Prior Period - December 31, 2017</b>
Unearned Premium Reserves	961,880
Outstanding Claims Reserves	1,353,675
Life Mathematical Reserves	304,770
Other	25,193
<b>Total</b>	<b>2,645,518</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

**8. Taxation**

*Current Taxes*

As at June 30, 2018, the tax liability of the Group is amounting to TL 244,400 (December 31, 2017: TL 323,837).

*Information on taxes payable*

	<b>Current Period - June 30, 2018</b>
Corporate taxes payable	244,400
Taxation on securities	190,370
Capital gains tax on property	3,764
Banking and Insurance Transaction Tax (BITT)	154,357
Taxes on foreign exchange transactions	3,664
Value added tax payable	4,926
Other	43,208
<b>Total</b>	<b>644,689</b>

	<b>Prior Period - December 31, 2017</b>
Corporate taxes payable	323,837
Taxation on securities	160,257
Capital gains tax on property	3,493
Banking and Insurance Transaction Tax (BITT)	-
Taxes on foreign exchange transactions	124,488
Value added tax payable	6,100
Other	59,620
<b>Total</b>	<b>677,795</b>

*Information on premiums payable*

	<b>Current Period - June 30, 2018</b>
Social security premiums- employee share	2,121
Social security premiums- employer share	5,515
Bank pension fund premium- employee share	-
Bank pension fund premium- employer share	44
Pension fund membership fees and provisions- employee share	-
Pension fund membership fees and provisions- employer share	-
Unemployment insurance- employee share	1,145
Unemployment insurance- employer share	2,724
Other	25
<b>Total</b>	<b>11,574</b>

	<b>Prior Period - December 31, 2017</b>
Social security premiums- employee share	1,407
Social security premiums- employer share	4,488
Bank pension fund premium- employee share	-
Bank pension fund premium- employer share	32
Pension fund membership fees and provisions- employee share	-
Pension fund membership fees and provisions- employer share	7
Unemployment insurance- employee share	918
Unemployment insurance- employer share	2,106
Other	50
<b>Total</b>	<b>9,008</b>

*Information on deferred tax liabilities*

Information on deferred tax liabilities is presented in disclosure 15 of information and disclosures related to assets.

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

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

**10. Information on subordinated loans**

The Parent Bank has issued bond having the secondary subordinated loan quality to be sold to non-resident natural and legal persons. The bond has been issued at the nominal value of US Dollar 500 million with the maturity of 10 years and 6.0% coupon rate. In addition to the bond issued on November 1, 2012, on December 3, 2012 the Parent Bank has realized second tranche at nominal value of US Dollar 400 million, has the same due date and maturity of 10 years and 5.5% coupon rate.

The Bank has issued secondary subordinated loan (Tier II bond) as at January 2015 which contains Basel-III criteria. In this context, the bond has been issued at the nominal value of US Dollar 500 million with the maturity date of February 3, 2025 and early call option date of February 3, 2020. The bond has fixed interest, 10 years and one day maturity, two times interest payment in a year with coupon rate of 6.875% and issue yield of 6.95%.

In 2012, the Parent Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased. In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 228 million which issued abroad, with the new Basel III compliant conditions, was completed on February 13, 2017 and the redemption date of the bonds to be exchanged was determined as November 1, 2027, with a maturity of 10 years (recall option in 2022) and coupon rate as 8.00%.

On September 2017, the Parent Bank had issued a floating rated subordinated bond (secondary capital) for the qualified domestic institutional investor with nominal value of 525 million Turkish Liras, that has the maturity of 10 years, that is callable in 5 years, and has quarterly coupon payments.

Stated bonds' total balance sheet value is TL 7,070,095 as of June 30, 2018 (December 31, 2017: TL 5,917,137).

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
<b>To be included in the calculation of additional Capital borrowing instruments</b>	-	-
Subordinated Loans	-	-
Subordinated Debt Instruments	<b>528,568</b>	<b>6,541,527</b>
<b>Debt instruments to be included in contribution capital calculation</b>	-	-
	528,568	6,541,527
<b>Total</b>	<b>528,568</b>	<b>6,541,527</b>

**11. Information on shareholders' equity**

**Paid-in capital**

	<b>Current Period - June 30, 2018</b>
Common stock	2,500,000
Preferred stock	-
	<b>Prior Period - December 31, 2017</b>
Common stock	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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

*Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the parent bank; if so the amount of registered share capital*

<b>Capital System</b>	<b>Paid-in Capital</b>	<b>Ceiling per Registered Share Capital</b>
Registered capital system	2,500,000	10,000,000

At the resolutions of Board of Directors dated January 2, 2015 and 61st Ordinary Meeting of the General Assembly dated March 30, 2015, the Parent Bank’s ceiling per registered share capital has been increased from TL 5,000,000 to TL 10,000,000.

*Information on share capital increases and their sources; other information on any increase in capital shares during the current period*

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 period and its general purpose and estimated sources that are required for commitments*

None

*Prior 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 marketable securities*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Associates, subsidiaries and joint ventures	419,225	-
Financial assets at fair value through other comprehensive income	(154,073)	(12,736)
Foreign exchange differences	-	-
<b>Total</b>	<b>265,152</b>	<b>(12,736)</b>
<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Associates, subsidiaries and joint ventures	61,709	-
Fair value differences of available-for-sale securities	(302,087)	177,252
Foreign exchange differences	-	-
<b>Total</b>	<b>(240,378)</b>	<b>177,252</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

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

*Type and amount of consolidated irrevocable commitments*

	<b>Current Period - June 30, 2018</b>
Commitments for credit card limits	12,609,798
Loan granting commitments	13,335,890
Commitments for cheque payments	2,921,701
Asset purchase sale commitments	3,201,769
Other	3,693,618
<b>Total</b>	<b>35,762,776</b>

	<b>Prior Period - December 31, 2017</b>
Commitments for credit card limits	10,534,862
Loan granting commitments	11,918,133
Commitments for cheque payments	2,542,741
Asset purchase sale commitments	1,755,169
Other	3,609,820
<b>Total</b>	<b>30,360,725</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 245,830 (December 31, 2017: TL 169,355) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 27,814 (December 31, 2017: TL 75,942).

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

	<b>Current Period - June 30, 2018</b>
Final letters of guarantee	17,192,374
Letters of guarantee for advances	7,987,761
Letters of guarantee given to custom offices	1,295,817
Provisional letters of guarantee	1,389,670
Other letters of guarantee	19,660,844
<b>Total</b>	<b>47,526,466</b>

	<b>Prior Period - December 31, 2017</b>
Final letters of guarantee	14,073,061
Letters of guarantee for advances	6,684,317
Letters of guarantee given to custom offices	1,053,872
Provisional letters of guarantee	1,180,248
Other letters of guarantee	17,179,490
<b>Total</b>	<b>40,170,988</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

**2. Non-cash loans**

	<b>Current Period - June 30, 2018</b>
Non-cash loans given for cash loan risks	6,197,261
<i>With original maturity of 1 year or less</i>	1,605,424
<i>With original maturity of more than 1 year</i>	4,591,837
Other non-cash loans	54,981,259
<b>Total</b>	<b>61,178,520</b>

	<b>Prior Period - December 31, 2017</b>
Non-cash loans given for cash loan risks	3,771,138
<i>With original maturity of 1 year or less</i>	1,216,243
<i>With original maturity of more than 1 year</i>	2,554,895
Other non-cash loans	47,552,564
<b>Total</b>	<b>51,323,702</b>

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

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>%</b>	<b>FC</b>	<b>%</b>
<b>Agricultural</b>	<b>43,137</b>	<b>0.12</b>	<b>220,779</b>	<b>0.92</b>
Farming and Cattle	37,566	0.10	220,779	0.92
Forestry	3,293	0.01	-	-
Fishing	2,278	0.01	-	-
<b>Manufacturing</b>	<b>13,488,455</b>	<b>36.25</b>	<b>9,509,539</b>	<b>39.69</b>
Mining	292,444	0.79	147,676	0.62
Production	9,579,175	25.74	8,824,134	36.83
Electric, gas and water	3,616,836	9.72	537,729	2.24
<b>Construction</b>	<b>7,220,117</b>	<b>19.40</b>	<b>3,918,515</b>	<b>16.36</b>
<b>Services</b>	<b>14,302,703</b>	<b>38.43</b>	<b>5,881,845</b>	<b>24.54</b>
Wholesale and retail trade	5,814,744	15.62	3,294,847	13.75
Hotel, food and beverage Services	292,835	0.79	46,524	0.19
Transportation and telecommunication	1,751,742	4.71	712,971	2.98
Financial institutions	3,370,441	9.06	377,047	1.57
Real estate and renting Services	1,397,513	3.75	349,603	1.46
Self-employment services	1,444,815	3.88	574,618	2.40
Education services	35,476	0.10	2,777	0.01
Health and social services	195,137	0.52	523,458	2.18
<b>Other</b>	<b>2,165,029</b>	<b>5.80</b>	<b>4,428,401</b>	<b>18.49</b>
<b>Total</b>	<b>37,219,441</b>	<b>100.00</b>	<b>23,959,079</b>	<b>100.00</b>

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>%</b>	<b>FC</b>	<b>%</b>
<b>Agricultural</b>	<b>40,142</b>	<b>0.12</b>	<b>20,449</b>	<b>0.11</b>
Farming and Cattle	35,606	0.11	20,449	0.11
Forestry	3,213	0.01	-	-
Fishing	1,323	-	-	-
<b>Manufacturing</b>	<b>12,256,698</b>	<b>37.53</b>	<b>7,292,016</b>	<b>39.06</b>
Mining	281,602	0.86	175,494	0.94
Production	7,930,683	24.29	6,505,402	34.85
Electric, gas and water	4,044,413	12.38	611,120	3.27
<b>Construction</b>	<b>4,855,489</b>	<b>14.87</b>	<b>1,577,187</b>	<b>8.45</b>
<b>Services</b>	<b>13,929,661</b>	<b>42.66</b>	<b>5,399,060</b>	<b>28.92</b>
Wholesale and retail trade	5,412,904	16.58	3,084,829	16.53
Hotel, food and beverage Services	269,673	0.83	18,654	0.10
Transportation and telecommunication	1,530,254	4.69	754,908	4.04
Financial institutions	3,537,700	10.83	437,710	2.34
Real estate and renting Services	1,558,909	4.77	408,524	2.19
Self-employment services	1,439,047	4.41	682,660	3.66
Education services	37,182	0.11	8,202	0.04
Health and social services	143,992	0.44	3,573	0.02
<b>Other</b>	<b>1,574,354</b>	<b>4.82</b>	<b>4,378,646</b>	<b>23.46</b>
<b>Total</b>	<b>32,656,344</b>	<b>100.00</b>	<b>18,667,358</b>	<b>100.00</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

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

	Group I		Group II	
	TL	FC	TL	FC
<b>Current Period - June 30, 2018</b>				
Letters of guarantee	35,875,209	11,176,245	194,818	48,657
Confirmed bills of exchange and acceptances	84,063	1,960,348	-	-
Letters of credit	26,370	10,517,337	-	1,385
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	420,637	24,087	-	-
Other guarantees and sureties	420,122	183,412	-	-
<b>Total Non-Cash Loans</b>	<b>36,826,401</b>	<b>23,861,429</b>	<b>194,818</b>	<b>50,042</b>

	Group I		Group II	
	TL	FC	TL	FC
<b>Prior Period - December 31, 2017</b>				
Letters of guarantee	31,630,753	8,022,283	240,831	110,773
Confirmed bills of exchange and acceptances	44,700	1,510,854	-	-
Letters of credit	30,161	8,959,467	-	4,523
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	225,380	7,528	-	-
Other guarantees and sureties	321,042	46,052	-	-
<b>Total Non-Cash Loans</b>	<b>32,252,036</b>	<b>18,546,184</b>	<b>240,831</b>	<b>115,296</b>

**5. Contingent assets and liabilities**

Group allocates TL 8,089 as provision for lawsuits against the Group (December 31, 2017: TL 5,871).

**6. 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 do not present a material portion.

**IV. INFORMATION AND DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT OF INCOME**

**1. Interest income**

*Information on interest income received from loans*

	TL	FC
<b>Current Period - June 30, 2018</b>		
Short-term loans	3,370,645	139,323
Medium and long-term loans	6,629,823	1,712,007
Non-performing loans	158,826	-
Premiums received from resource utilization support fund	-	-
<b>Total</b>	<b>10,159,294</b>	<b>1,851,330</b>

	TL	FC
<b>Prior Period - December 31, 2017</b>		
Short-term loans	2,293,492	109,963
Medium and long-term loans	4,667,970	1,172,913
Non-performing loans	65,234	-
Premiums received from resource utilization support fund	-	-
<b>Total</b>	<b>7,026,696</b>	<b>1,282,876</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

*Information on interest income received from banks*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Central Bank of the Republic of Turkey	-	-
Domestic Banks	76,108	16,101
Foreign Banks	574	36,904
Foreign Head Office and Branches	-	-
<b>Total</b>	<b>76,682</b>	<b>53,005</b>

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Central Bank of the Republic of Turkey	-	6
Domestic Banks	70,645	1,801
Foreign Banks	272	13,984
Foreign Head Office and Branches	-	-
<b>Total</b>	<b>70,917</b>	<b>15,791</b>

*Information on interest income received from marketable securities portfolio*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Financial assets at fair value through profit or loss	5,771	213
Financial assets at fair value through other comprehensive income	298,488	28,834
Financial assets measured at amortised cost	1,128,286	147,734
<b>Total</b>	<b>1,432,545</b>	<b>176,781</b>

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Financial assets held for trading	7,819	616
Financial assets where fair value change is reflected to income statement	-	-
Financial assets available for sale	806,626	157,927
Investments held to maturity	623,955	2,205
<b>Total</b>	<b>1,438,400</b>	<b>160,748</b>

As stated in Section 3 Note VII, “Fair value through other comprehensive income” and “measured at amortized cost” securities portfolio of the Bank include Consumer Price Indexed (CPI) Bonds. The estimated inflation rate used is updated as needed within the year. In this context, as of June 30, 2018, the valuation of the related securities was based on an annual inflation forecast of 9.05%. If the valuation of these securities indexed to CPI was made according to the reference index valid for June 30, 2018, the Bank’s equity valuation differences on equity would decrease by TL 30 million (full TL) and the net profit for the period would increase by TL 281 million to TL 2,406 million (full TL amount).

*Information on interest income received from associates and subsidiaries*

	<b>Current Period - June 30, 2018</b>
Interest Received from Associates and Subsidiaries	-

	<b>Prior Period - June 30, 2017</b>
Interest Received from Associates and Subsidiaries	14

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

**2. Interest Expense**

*Interest expense on funds borrowed*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
<b>Banks</b>	<b>142,851</b>	<b>453,867</b>
Central Bank of the Republic of Turkey	-	617
Domestic Banks	93,764	28,433
Foreign Banks	49,087	424,817
Foreign Head Offices and Branches	-	-
<b>Other Institutions</b>	-	33,815
<b>Total</b>	<b>142,851</b>	<b>487,682</b>

<b>Prior Period - June 30, 2017</b>	<b>TL</b>	<b>FC</b>
<b>Banks</b>	<b>83,499</b>	<b>270,396</b>
Central Bank of the Republic of Turkey	-	-
Domestic Banks	47,333	16,001
Foreign Banks	36,166	254,395
Foreign Head Offices and Branches	-	-
<b>Other Institutions</b>	-	25,327
<b>Total</b>	<b>83,499</b>	<b>295,723</b>

*Interest expense paid to associates and subsidiaries*

	<b>Current Period - June 30, 2018</b>
Interests paid to the associates and subsidiaries	88,175

	<b>Prior Period - June 30, 2017</b>
Interests paid to the associates and subsidiaries	42,034

*Interest expense on securities issued*

As at and for the six-month period ended at June 30, 2018, interest paid to securities issued is TL 945,107 (June 30, 2017: TL 445,715).

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

*Maturity structure of the interest expense on deposits*

Current Period - June 30, 2018	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	14,520	124,342	-	2,274	-	-	141,136
Saving deposits	-	275,035	2,236,331	147,013	18,190	9,251	135	2,685,955
Public sector deposits	5,651	223,366	394,449	53,823	302,124	10,644	-	990,057
Commercial deposits	-	298,865	708,349	150,442	13,953	664	-	1,172,273
Other deposits	-	35,334	194,751	57,759	4,524	2,772	-	295,140
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,651</b>	<b>847,120</b>	<b>3,658,222</b>	<b>409,037</b>	<b>341,065</b>	<b>23,331</b>	<b>135</b>	<b>5,284,561</b>
<i>FC</i>								
Foreign Currency deposits	11,658	18,464	435,427	27,060	18,822	75,431	-	586,862
Interbank deposits	2,415	2,067	18,059	6,612	3,103	13,532	-	45,788
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>14,073</b>	<b>20,531</b>	<b>453,486</b>	<b>33,672</b>	<b>21,925</b>	<b>88,963</b>	<b>-</b>	<b>632,650</b>
<b>Grand Total</b>	<b>19,724</b>	<b>867,651</b>	<b>4,111,708</b>	<b>442,709</b>	<b>362,990</b>	<b>112,294</b>	<b>135</b>	<b>5,917,211</b>

Prior Period - December 31, 2017	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	590	39,571	45,646	-	-	-	85,807
Saving deposits	-	105,373	1,440,249	87,561	14,241	7,845	38	1,655,307
Public sector deposits	4,577	154,271	317,861	46,331	154,751	5,778	-	683,569
Commercial deposits	-	260,393	475,759	67,954	12,716	403	-	817,225
Other deposits	-	41,748	176,513	66,083	4,058	629	-	289,031
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,577</b>	<b>562,375</b>	<b>2,449,953</b>	<b>313,575</b>	<b>185,766</b>	<b>14,655</b>	<b>38</b>	<b>3,530,939</b>
<i>FC</i>								
Foreign currency deposits	11,150	10,471	295,132	22,848	12,782	49,766	-	402,149
Interbank deposits	1,302	2,279	9,885	2,153	3,073	220	-	18,912
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>12,452</b>	<b>12,750</b>	<b>305,017</b>	<b>25,001</b>	<b>15,855</b>	<b>49,986</b>	<b>-</b>	<b>421,061</b>
<b>Grand Total</b>	<b>17,029</b>	<b>575,125</b>	<b>2,754,970</b>	<b>338,576</b>	<b>201,621</b>	<b>64,641</b>	<b>38</b>	<b>3,952,000</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

**3. Information on trading income/losses**

	<b>Current Period - June 30, 2018</b>
<b>Income</b>	<b>15,055,647</b>
Income from capital market operations	2,708,248
Income from derivative financial instruments	8,745,200
Foreign exchange gains	3,602,199
<b>Losses</b>	<b>(14,702,706)</b>
Loss from capital market operations	(2,649,976)
Loss from derivative financial instruments	(8,506,305)
Foreign exchange loss	(3,546,425)
<b>Net trading profit/loss</b>	<b>352,941</b>
	<b>Prior Period - June 30, 2017</b>
<b>Income</b>	<b>7,801,279</b>
Income from capital market operations	2,514,710
Income from derivative financial instruments	2,283,255
Foreign exchange gains	3,003,314
<b>Losses</b>	<b>(7,673,016)</b>
Loss from capital market operations	(2,470,875)
Loss from derivative financial instruments	(2,311,512)
Foreign exchange loss	(2,890,629)
<b>Net trading profit/loss</b>	<b>128,263</b>

Net loss arising from changes in foreign exchange rate that relate to the Group’s derivative financial instruments based on foreign exchange rate is TL 93,726 as at and for the six-month period ended June 30, 2018 (June 30, 2017: net profit of TL (50,487)).

**4. Other operating income**

	<b>Current Period - June 30, 2018</b>
Income from reversal of the specific provisions for loans from prior periods	669,457
Earned insurance premiums (net of reinsurance share)	698,807
Communication income	18,231
Gain on sale of assets	94,204
Income from private pension business	60,426
Rent income	50756
Other income	138,825
<b>Total</b>	<b>1,730,706</b>
	<b>Prior Period - June 30, 2017</b>
Income from reversal of the specific provisions for loans from prior periods	650,891
Earned insurance premiums (net of reinsurance share)	504,704
Communication income	24,976
Gain on sale of assets	76,710
Income from private pension business	47,836
Rent income	171
Other income	119,431
<b>Total</b>	<b>1,424,719</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

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

	<b>Current Period - June 30, 2018</b>
<b>Expected Credit Loss</b>	<b>1,830,563</b>
12 month expected credit loss (stage 1)	440,780
Significant increase in credit risk (stage 2)	75,072
Non-performing loans (stage 3)	1,314,711
<b>Marketable Securities Impairment Expense</b>	<b>2,345</b>
Financial Assets at Fair Value through Profit or Loss	723
Financial Assets at Fair Value Through Other Comprehensive Income	1,622
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease</b>	<b>-</b>
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
<b>Other</b>	<b>-</b>
<b>Total</b>	<b>1,832,908</b>

	<b>Prior Period - June 30, 2017</b>
Specific provisions on loans and other receivables	1,163,431
<i>Loans and receivables in Group III</i>	264,154
<i>Loans and receivables in Group IV</i>	399,394
<i>Loans and receivables in Group V</i>	499,883
Non-performing commissions and other receivables	-
General provision expenses	147,640
Provision for possible losses	-
Impairment losses on securities:	5,843
<i>Trading securities</i>	85
<i>Investment securities available-for-sale</i>	5,758
Impairment losses from associates, subsidiaries, joint ventures, and marketable securities held to maturity :	13,505
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint ventures</i>	-
<i>Investment securities held-to-maturity</i>	13,505
Other <sup>(*)</sup>	53,989
<b>Total</b>	<b>1,384,408</b>

<sup>(\*)</sup> Other provision expenses amounting to TL 53,989 is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 32,338 and other provision expenses amounting to TL 21,651.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

**6. Other operating expenses**

	<b>Current Period - June 30, 2018</b>
Personnel Costs	1,173,759
Reserve for Employee Termination Benefits	45,335
Deficit Provision for Pension Funds	-
Impairment Losses on Tangible Assets	-
Depreciation Expenses on Tangible Assets	80,219
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortization Expenses on Intangible Assets	15,701
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Losses on Assets to be Disposed	-
Depreciation Expenses on Assets to be Disposed	-
Impairment Losses on Assets Held for Sale	-
Other Operating Expenses	1,434,084
<i>Operational lease expenses</i>	146,888
<i>Repair and maintenance expenses</i>	32,443
<i>Advertisement expenses</i>	94,019
<i>Other expenses</i>	1,160,734
Loss on sale of assets	3,582
Other <sup>(*)</sup>	710,840
<b>Total</b>	<b>3,463,520</b>

<sup>(\*)</sup> Other operating expenses amounting to TL 710,840 (June 30, 2017: TL 572,829) is comprised of provision expenses for dividends to the personnel amounting to TL 126,461 (June 30, 2017: TL 82,005), tax, fees and funds expenses amounting to TL 149,847 (June 30, 2017: TL 80,078), Saving Deposits Insurance Fund expenses amounting to TL 93,654 (June 30, 2017: TL 89,525), Compensation pensions amounting to TL 6,992 (June 30, 2017: TL 6,325), cumulative/noncumulative commission expenses amounting to TL 51,871 (June 30, 2017: TL 38,430), production commission expenses to TL 123,354 (June 30, 2017: TL 126,715) and other expenses amounting to TL 158,661 (June 30, 2017: TL 149,751)

	<b>Prior Period - June 30, 2017</b>
Personnel costs	902,549
Reserve for employee termination benefits	39,367
Provision for deficit in pension funds	-
Impairment losses on tangible assets	-
Depreciation expenses on tangible assets	75,810
Impairment losses on intangible assets	-
Amortization expenses on intangible assets	14,711
Impairment losses on assets to be disposed	-
Depreciation expenses on assets to be disposed	11,917
Impairment losses on assets held for sale	-
Other operating expenses	1,074,244
<i>Operational lease related expenses</i>	121,563
<i>Repair and maintenance expenses</i>	26,992
<i>Advertisement expenses</i>	54,759
<i>Other expenses</i>	870,930
Loss on sale of assets	376
Other <sup>(*)</sup>	572,829
<b>Total</b>	<b>2,691,803</b>

**7. Information on income/loss from discontinued and continuing operations**

Information and detailed tables on profit before tax from continuing operations are presented in disclosures 1-6 in this section. The Group has no discontinued operations.

**8. Information on tax provision from discontinued and continuing operations**

Information on provision for taxes on income from continuing operations is presented in disclosure 10 in this section. The Group has no discontinued operations.

**9. Information on net profit/loss from discontinued and continuing operations**

Information on net profit/loss from continuing operations is presented in disclosures 1-12 in this section. The Group has no discontinued operations.



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

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

*Information on loans and other receivables held by Parent Bank’s risk group*

<b>Current Period</b>	<b>Associates and Subsidiaries and Joint-Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
Loans and other receivables						
Balance at the beginning of the year	17	1,190,628	-	38,243	18,111	34,799
Balance at the end of the year	13	1,391,889	-	38,079	124,428	66,696
Interest and commission income	-	633	-	-	7,673	73

<b>Prior Period</b>	<b>Associates and Subsidiaries and Joint-Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
Loans and other receivables						
Balance at the beginning of the year	10	1,024,338	-	31,720	37,507	22,446
Balance at the end of the year	17	1,190,628	-	38,243	18,111	34,799
Interest and commission income	14	448	-	37	-	106

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

<b>Current Period</b>	<b>Associates and Subsidiaries and Joint-Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
Deposits						
Balance at the beginning of the year		884,201		1,100,243		241,646
Balance at the end of the year		1,070,508		367,701		364,512
Interest on deposits		88,175		39,886		353

<b>Prior Period</b>	<b>Associates and Subsidiaries and Joint-Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
Deposits						
Balance at the beginning of the year		661,402		977,319		164,132
Balance at the end of the year		884,201		1,100,243		241,646
Interest on deposits		42,034		40,403		187

**Information on forwards, options and other derivative transactions held by the Parent Bank’s risk group**

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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

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

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

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

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

The branches of the Parent Bank are agencies of Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ. engages with the management of the funds established by the Bank.

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.057 (December 31, 2017: 0.010) and 2.446 (December 31, 2017: 2.462) respectively.

<b>Current Period - June 30, 2018</b>	<b>Amount</b>	<b>Compared with the Financial Statement Amount %</b>
Cash Loans	124,441	0.057
Non-Cash Loans	1,496,664	2.446
Deposits	1,802,721	1.036
Forward and Option Agreements	-	-

<b>Prior Period - December 31, 2017</b>	<b>Amount</b>	<b>Compared with the Financial Statement Amount %</b>
Cash Loans	18,128	0.010
Non-Cash Loans	1,263,670	2.462
Deposits	2,226,090	1.409
Forward and Option Agreements	-	-

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**SECTION SIX**

**OTHER DISCLOSURES AND FOOTNOTES**

**I. OTHER DISCLOSURES ON THE PARENT BANK’S ACTIVITY**

As per the resolution of 64rd General Assembly held on August 13, 2018, the net profit of 2017 has been decided to be distributed as follows:

<b>Profit Distribution Table of Year 2017</b>	
<b>Bank’s unconsolidated profit in its statutory financial statements</b>	<b>3,723,383</b>
Deferred tax credits	-
<b>Net profit of the year subject to distribution</b>	<b>3,723,383</b>
Legal reserves	372,338
<i>First Legal Reserves</i>	186,169
<i>Reserves allocated according to banking law and articles of association.</i>	186,169
<b>Net profit of the year subject to distribution</b>	<b>3,351,045</b>
Gain on sale of immovable and shares of associates and subsidiaries	29,665
Extraordinary reserves	3,196,380
<b>Dividends to shareholders</b>	<b>125,000</b>

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

<b>July 2018</b>	<b>Fitch Ratings</b>
Long Term Foreign Currency	BB-
Short Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long Term Local Currency	BB+
Short Term Local Currency	B
Local Currency Outlook	Negative
National Long Term	AAA (tur)
National Outlook	Stable
Support	3
Support Rating Floor	BB-
Viability Note	bb-
<b>June 2018</b>	<b>Moody’s Investors’ Service</b>
Baseline Credit Assessment	b2
Local Currency Deposit Rating	Ba3/NP
Local Currency Outlook	Rating Under Review
Foreign Currency Deposit Rating	Ba3/NP
Foreign Currency Outlook	Rating Under Review
<b>June 2018</b>	<b>Standard&amp;Poors</b>
Foreign Currency Counterparty Credit Rating	BB-/B
Foreign Currency Outlook	Stable
Local Currency Counterparty Credit Rating	BB-/B
Local Currency Outlook	Stable
Turkey National Scale	trAA/--trA-1+
<b>March 2018</b>	<b>JCR Eurasia</b>
Long Term International FC	BBB- (Stable)
Short Term International FC	A-3 (Stable)
Long Term International TL	BBB-
Short Term International TL	A-3
Long Term NSR	AAA (Stable)
Short Term NSR	A-1 + (Stable)
Support	1
Independancy from Shareholders	A

<sup>(\*)</sup> Dates represent last report dates.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**OTHER DISCLOSURES AND FOOTNOTES (Continued)**

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

The Parent Bank has issued and offered to public a Vakıfbank bond, which has a value date of July 20, 2018, with nominal value of TL 200,000,000 (Full TL), with 98 days maturity, and maturity date of October 26, 2018, on July 16-17-18, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFBE1851, is determined with TL 141,649,473 (Full TL) nominal value, with 98 days maturity and maturity date of October 26, 2018, 17.8209% annual compound interest, 16.7659% simple interest and TL 95,692 issue price.

Fitch Ratings -International Rating Agency- has downgraded miscellaneous credit ratings of 24 Turkish banks, including the Bank, the rating actions follow the downgrade of Turkey’s Sovereign Credit Rating. In line with this matter, the Bank’s new credit ratings are as follows, Long-Term Foreign-Currency IDR: downgraded to ‘BB-’ from ‘BB+’; Outlook Negative, Long-Term Local-Currency IDR: downgraded to ‘BB+’/Negative from ‘BBB-’/Stable, Short-Term Local-Currency IDR: downgraded to ‘B’ from ‘F3’, Viability Rating: downgraded to ‘bb-’ from ‘bb+’ and Rating Watch Off. Long-term senior unsecured rating: downgraded to ‘BB-’ and Rating Watch Off from ‘BB+’/Negative’. Subordinated debt rating: downgraded to ‘B+’ from ‘BB’; Rating Watch Off’. Short-Term Foreign-Currency IDR and Short-term senior unsecured rating affirmed at ‘B’, Support Rating affirmed at ‘3’.

In accordance with change on “Announcement on Reserve Deposits” of CBRT numbered 2013/15 published in the Official Gazette dated August 14, 2018 numbered 30509, all banks operating in Turkey are required to provide reserve rate ranging from 1.5% to 8% for local currency liabilities. For foreign currency liabilities, reserve rate ranging from 4% to 20% in US Dollar or Euro.

**SECTION SEVEN**

**INDEPENDENT AUDITORS’ REVIEW REPORT**

**I. INFORMATION ON THE INDEPENDENT AUDITORS’ REVIEW REPORT**

The Parent Bank and its financial subsidiaries consolidated financial statements and footnotes for the period ended June 30, 2018 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The review report dated August 16, 2018 is presented preceding the consolidated financial statements.

**II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR**

None.

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**SECTION EIGHT  
INFORMATION ON THE INTERIM ACTIVITY REPORT**

**Assessment of the Board Chairman**

During the second quarter of 2018, the most important topic in terms of the global economy is the protectionist policies put into practice by the USA. During this period, the USA announced that it would impose additional customs duties to many products imports from China. In addition, it has also increased customs duty tariffs for many imports from other countries. This led to an increase in worries for trade wars in global markets and an enhancement in risk perception regarding the global economic growth,

During that quarter, monetary policies of central banks in developed countries were one of the most important topics closely monitored by the markets. US Federal Reserve (FED) increased interest rates by 25 basis points to a target range of 1.75% to 2.00% in its meeting on June 12 and 13. Fed is expected to increase interest rates two times more in 2018. On the other hand, European Central Bank (ECB) announced in its June monetary policy meeting that asset purchase program would be ended by the end of the year and that earliest interest rate increases may possibly start in the second half of 2019.

According to the data published in second quarter of 2018, global growth maintained its strong momentum in the first quarter of the year. During that period, while economies of developed countries, USA displayed a positive growth performance, growth rates in the European Union, Japan and England slightly decelerated. China and India were the best performers among emerging markets.

It is seen that Turkish economy continue its growth without decelerated in 2018. Our economy grew by 7.4% during first quarter 2018. Thanks to this strong performance, Turkish economy is ranked as the second among G20 countries, and is on the first rank among the Organization for Economic Cooperation and Development (OECD) countries.

The most important issue for Turkey in the second quarter of 2018 was Turkish Presidential and Parliamentary Elections held on June 24<sup>th</sup> including a shift to a new administrative system were completed with high participation and democratic maturity and the political stability is secured in near future, this will contribute to a sustainable growth in Turkish economy.

In the second quarter of 2018, as VakıfBank, we continue to support strong national economy. During that period, The Bank’s total assets reached TL 306 billion. VakıfBank’s support to economy through its cash and non-cash loans reached TL 270.3 billion. We will continue to support the national economy in the rest of the year.

In VakıfBank, we gave our best support to the sustainable and strong growth of Turkish economy during that time. I believe that thanks to our Bank’s high quality human resources and strong balance sheet, we will perform and continue to work ceaselessly during the rest of 2018. I would like to thank to all our customers, shareholders, investors and our dedicated employees.

Sincerely yours

**Raci KAYA**  
**Chairman of the Board**

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**Assessment of the General Manager:**

The most important topics for the global economy in second quarter of 2018 were increased protective measure talks about global trade and certain policies introduced by countries in this respect. During that period, countries, including, in particular, the USA and China, raised their customs duty barriers on many imports listed by them on a mutual basis. These developments fuelled the worries that protectionism will become a favourable trend and therefore growth rate in the global economy will slow down.

According to the data published in the second quarter of 2018, the USA and EU economies grew by 2.3% and 2.5%, respectively, during the first three months this year. These figures point out a slight deceleration compared to the last quarter of 2017. During the same period, Chinese economy grew by 6.8% close to the last quarter of 2017. On the other hand, Turkish economy grew by 7.4% in the first three months of the year and displayed an outstanding performance compared to many developed and emerging markets. Leading indicators demonstrate that the national economy maintain its strong growth momentum in the second quarter of the year although the figures may slightly be lower than the first quarter figures.

One of the most important developments in the second quarter of the year for our economy was the steps taken by Central Bank Republic of Turkey (CBRT) due to the volatility in the markets and currency instability. CBRT decided to simplify its monetary policy within an operational framework by the end of May. In this respect, it resumed its weekly repo auctions after a one and half year hiatus. At the same time, it increase its policy interest rate to 17.75%.

Another important fact in this quarter for our economy was General Elections for the Presidency and 27<sup>th</sup> Period Parliament Members on 24 June. These elections, which heralded a new regime, were successfully completed thanks to Turkey’s full-fledged democracy experience and a political stability was ensured for the next five years. As was the case since 2002, this political stability for the next five years will be the insurance of the sustainable growth in our national economy,

In the second quarter of the year, our Bank continued its support to national economy despite volatilities in financial markets with the vision of “Leading Bank of Strong Turkey”. During that period, its total assets increased by 13.11% compared to the end of 2017, reaching to 306 billion TL. During the first half of the year, both our commercial loans and retail loans were increased way above the industry. Our commercial loans reached 157.8 billion TL (a 16.94% increase) and our retail loans to 52.3 billion TL (a 8.98% increase). Our cash and non-cash loans that hover around 270,3 billion TL as of the end of June 2018 is the biggest expression of our trust in the current times and future of our economy.

While, on the one hand, our Bank gives support to the economy, on the other hand, it works to enhance and diversify its resources. During the first half of 2018, our total deposits jumped to 170,4 billion TL, meaning a 9.75% increase. In addition, following the highest amount of Eurobond issued by VakıfBank in a single transaction, for a value of 650 million USD in the first quarter of 2018, our Bank secured a resource worth 1.3 billion USD pursuant to the biggest syndicated loan agreement ever in its history. Moreover, we executed a securitization worth 380 million USD which was rated by the rating agency Fitch with BBB+ which is two grades above the investment grade. This way loans borrowed by us displayed a 34.84% increase, reaching to 38.2 billion TL. Securities issued by us rose by 24.09% with a value of 24.2 billion TL.

Effective asset and liability management policies of our Bank were favourably reflected in its income statement figures. Our net profit turned out to be 2.125TL as of the end of June. During the same period, our capital adequacy ratio was 15.02% and it clearly demonstrates that our Bank’s policies had highly successful results in terms of risk management.

The increase in net fees and commission income in the first half of the year is also quite satisfactory. In this period, our net fee and commission income reached TL 955 million and increased by 58,49% compared to the same period of previous year. The contribution of our new subsidiary strategy is quite high for the increase in net fees and commission income. Güneş Sigorta, Vakıf Emeklilik ve Hayat A.S., Vakıf Leasing, Vakıf Faktoring and Vakıf Yatırım the product of our subsidiaries on direct sales of the Bank’s channels has contributed quite positively to the balance of our subsidiaries and VakıfBank.

Our Bank introduced certain changes in branch organization in the first half of 2018. Commercial branches were set up to serve commercial segment customers more effectively. The total number of our branches, including the recent commercial ones, reached 956. During that time, our Bank’s support to national employment continued and the number of our employees now hovers around 16,500

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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Our quick steps in the second quarter towards innovation continued its repercussions in international platforms. Our Bank was rewarded with the “Award of Distinction” thanks to its “Mobile Field Sales Application” in Communicator Awards, one of the most prestigious international awards in marketing and communication field.

Our Bank does not only give support to our country in financial areas but for its development in sports as well. Our VakıfBank Volleyball Women’s Team that we have been ceaselessly supporting for 32 years won the championship cup in CEV Women’s Champions League for the fourth time after 2011, 2013 and 2017. Having managed to take this cup to its museum for the second consecutive time, our team made us and our nation proud once again. Similarly, during the second half of the year, our team won Vestel Venus Sultans League for the third time in four years, reaching its 9<sup>th</sup> Turkey championship in its history.

As VakıfBank Financial Group, we will continue to be the “Strength by Growing Turkey” in near future. Our trust in and support to real sector, household and athletes. Therefore, I would like to give my thanks to our Women’s Volleyball Team players, the coach and his team and the management who have proven several times what Turkish people can do with sufficient means and support and to our precious customers who have the lion’s share in our bank’s success storey, and to our shareholders and investors who were never shy of their trust in us, and last but not least, to our employees for their efforts. Best regards,

**Mehmet Emin ÖZCAN**  
**General Manager and Board**  
**of Members Executive Member**

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**Significant Financial Indicators Bank Only**

<b>BALANCE SHEET (Million TL)</b>	<b>JUNE 2018</b>	<b>DECEMBER 2017</b>	<b>CHANGE (%)</b>
<b>TOTAL ASSETS</b>	306,045	270,572	13.11
<b>SECURITIES PORTFOLIO</b>	34,972	30,316	15.36
<b>LOANS (*)</b>	210,101	182,932	14.85
- Commercial Loans	157,841	134,980	16.94
- Retail Loans	52,260	47,952	8.98
<b>DEPOSITS</b>	170,417	155,277	9.75
- Term deposits	138,077	125,160	10.32
- Demand deposits	32,340	30,117	7.38
<b>LOANS BORROWED</b>	38,171	28,308	34.84
<b>SUBORDINATED LOAN</b>	7,070	5,936	19.11
<b>SECURITIES ISSUED (NET)</b>	24,180	19,485	24.09
<b>EQUITY RESOURCES</b>	26,087	23,258	12.17
<b>NON-CASH LOANS</b>	60,189	50,768	18.56

<b>INCOME STATEMENT (Million TL)</b>	<b>JUNE 2018</b>	<b>JUNE 2017</b>	<b>CHANGE (%)</b>
<b>FINANCIAL PERIOD’S NET PROFIT/LOSS</b>	2,125	2,121	0.18

<b>INDICATOR RATIOS (%)</b>	<b>JUNE 2018</b>	<b>DECEMBER 2017</b>
<b>TOTAL LOANS/ ASSETS (*)</b>	68.65	67.61
<b>LOAN/ DEPOSIT (*)</b>	123.29	117.81
<b>NON-PERFORMING LOANS</b>	3.89	4.01
<b>CAPITAL ADEQUACY RATIO</b>	15.02	15.52
<b>RETURN ON AVERAGE ASSETS (ROAA) (**)</b>	1.47	1.54
<b>RETURN ON AVERAGE EQUITY (ROAE) (**)</b>	17.23	17.52

(\*) Excluding non-performing loans

(\*\*) Calculations are annualized.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**Significant Financial Indicators Consolidated**

<b>BALANCE SHEET (Million TL)</b>	<b>JUNE 2018</b>	<b>DECEMBER 2017</b>	<b>CHANGE (%)</b>
<b>TOTAL ASSETS</b>	318,370	280,859	13.36
<b>SECURITIES PORTFOLIO</b>	36,362	31,466	15.56
<b>LOANS (*)</b>	217,136	185,443	14.57
- Commercial Loans	164,868	137,483	16.47
- Retail Loans	52,268	47,959	8.98
<b>DEPOSITS</b>	174,074	157,988	10.18
- Term deposits	141,121	127,864	10.37
- Demand deposits	32,953	30,124	9.39
<b>LOANS BORROWED</b>	41,900	31,388	33.49
<b>SUBORDINATED LOAN</b>	7,070	5,917	19.49
<b>SECURITIES ISSUED (NET)</b>	24,528	19,871	23.44
<b>EQUITY RESOURCES</b>	26,704	23,623	13.04
<b>NON-CASH LOANS</b>	61,179	51,324	19.20

<b>INCOME STATEMENT (Million TL)</b>	<b>JUNE 2018</b>	<b>DECEMBER 2017</b>	<b>CHANGE (%)</b>
<b>FINANCIAL PERIOD'S NET PROFIT/LOSS</b>	2,229	2,194	1.62

<b>INDICATOR RATIOS (%)</b>	<b>JUNE 2018</b>	<b>DECEMBER 2017</b>
<b>TOTAL LOANS/ ASSETS (*)</b>	68.20	66.03
<b>LOAN/ DEPOSIT (*)</b>	124.74	117.38
<b>NON-PERFORMING LOANS</b>	3.90	4.11
<b>CAPITAL ADEQUACY RATIO</b>	14.56	14.95
<b>RETURN ON AVERAGE ASSETS (ROAA) (**)</b>	1.49	1.57
<b>RETURN ON AVERAGE EQUITY (ROAE) (**)</b>	17.72	18.19

(\*) Excluding non-performing loans

(\*\*) Due to the classification change, Loans and Commercial Loans numbers for June 2018 have been included the Lease Receivables and Factoring Receivables items. While the rates of change were calculated to provide comparability, Loans and Commercial Loans for December 2017 have been also included Factoring Receivables and Leasing Receivables items which had been placed in the Consolidated Financial Statement of December 2017.

(\*\*\*) Calculations are annualized.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**2018 Second Quarter Assessment**

Having continued its growth in the second quarter of 2018 as well, and our Group increased its total assets by 13.36% to TL 318,370 million. In this period, our performing loans rose by 14.57%, reaching a level of TL 217,136 million, and their share in total assets turned out to be 68.20%. When we look at the breakdown of loans, it is seen that our commercial loans reached TL 164,868 million and retail loans TL 52,268 million.

In the first half of 2018, our Group’s deposits increased by 10.18% to TL 174,074 million.

In addition, our Bank issued domestic and eurobonds in various types and maturities to diversify funding sources, to assist in cost control, to reduce the interest rate risk, to provide additional funding, and to contribute in liquidity management, and to support the loan growth.

In the first half of 2018, bonds with a nominal value of TL 6,960 million were issued for selling to qualified investors through a domestic public offering.

Our Bank continues its efforts without slowing down to find long-term and cost-effective funding from international markets to support national economy. In April, we signed a syndicated loan agreement amounting to USD 329 million and EUR 779 million equivalent in total with the participation of 35 banks from 17 countries. USD equivalent of 1.2 billion tranche has one year tenor, whereas the term of its 100 million USD tranche is 2 years +1 day. All-in cost of the one-year tenor is Libor +1.30% and Euribor +1.20% and the total cost of 2-year tenor is Libor + 2.10%.

Moreover, as being the “strength by Turkey”, VakıfBank obtained a new source of USD 380 million under the securitization program based on future flow transactions. The transaction is procured in six separate tranches denominated in USD and EUR with 5 year maturity. The transaction is rated as “BBB+”, two notches higher than the investment grade, by Fitch Ratings.

Our Group maintained its strong position in terms of profitability and capital structure in the second half of 2018. In this period, our Group delivered TL 2,229 million net income. Our Bank’s average return on equity was 17.72%, and average return on assets 1.49% and capital adequacy ratio 14.56%.

As of June 30, 2018, the number of our Bank’s branches reached 956 and 16,491 staff members.

Following the downgrade of Turkey’s sovereign rating from "BB" to "BB-", Standard & Poor's (S&P), the international rating agency, downgraded the Bank’s Long-term Foreign Currency and Local Currency ratings from "BB" to "BB-", while upgrading outlooks to “Stable” from “Negative”.

International rating agency Moody's downgraded 17 Turkish Banks and our Banks T.A.O Long-term Local Currency Deposits, Baseline Credit Assessment, Adjusted Baseline Credit Assessment and Senior Unsecured rating by one notch and placed under review for further downgrade, following the Agency's decision to place Turkey's ratings on review for downgrade on June 1st, 2018. Long-term Foreign Currency (Ba3) is also placed on review for downgrade. Short-term ratings were affirmed.

Additionally, following decision to place Turkey's local-currency bond ceiling ratings on review for downgrade, Moody's announced that VakıfBank's Covered Bond program rating (Baa2) is also placed on review for downgrade.

Fitch Ratings affirmed Türkiye Vakıflar Bankası T.A.O. National Long Term Rating as ‘AAA(tur)’ and National Long Term Rating Outlook as ‘Stable’.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

Following Turkey's sovereign rating downgrade on 13 July 2018, Fitch Ratings has revised the following ratings on Türkiye Vakıflar Bankası T.A.O.:

- Long-Term Foreign-Currency IDR: downgraded to ‘BB-‘ from ‘BB+‘; Outlook Negative ;
- Short-Term Foreign-Currency IDR: affirmed at ‘B‘;
- Long-Term Local-Currency IDR: downgraded to ‘BB+‘/Negative from ‘BBB-‘/Stable;
- Short-Term Local-Currency IDR: downgraded to ‘B‘ from ‘F3‘;
- Viability Rating: downgraded to ‘bb-‘ from ‘bb+‘; Rating Watch Off;
- Support Rating: affirmed at ‘3‘;
- Long-term senior unsecured rating: downgraded to ‘BB-‘ and Rating Watch Off from ‘BB+‘/Negative‘;
- Short-term senior unsecured rating: affirmed at ‘B‘;
- Subordinated debt rating: downgraded to ‘B+‘ from ‘BB‘; Rating Watch Off

**Other Significant Developments**

- As per the resolution of the Board of Directors dated July 18th, 2018 and numbered 91612 it is decided that the 64th Ordinary General Assembly Meeting of VakıfBank for 2017 will be held on August 13th, 2018.
- With the Bank's Board of Directors' decision dated July 18, 2018, the decision regarding the distribution of dividend for 2017, which is prepared to be submitted to the approval of Ordinary General Assembly, is taken. The information for the dividend distribution table for 2017 is disclosed via <https://www.kap.org.tr/tr/Bildirim/69656>.
- On the 64th anniversary of our foundation, we opened the new Head Office in Umraniye, Istanbul in a ceremony which was honoured by Mehmet Şimşek, the Deputy Prime Minister.
- Our Mobil Field Sales Application was deemed worthy of “Distinction Award” by the Communicator Awards, one of the most prestigious international award organization of communication and marketing, which was organized by the Academy of Interactive & Visual Arts for the 24th time of this year.
- Upon the proposal by the shareholders with the greatest majority in Groups (A), (B) and (C) and the resolution by the General Assembly, it was resolved that our Bank's 64<sup>th</sup> Annual General Meeting was postponed; that the date of the adjourned meeting should be determined by the Board of Directors and that necessary calls, publications and other procedures should be carried out by the Board.
- Owing to our Mobile Field Sales Application, our customers no longer need to visit our branches. Our sales representatives visit our customers and instantly offer any banking solution regardless of where they are. This application prevents time wasting and customer satisfaction has been enhanced upon digital certification and document wasting is no longer applicable. Besides our application comes up with many services and products in its contents and is a pioneer in the sector thanks to its offline application feature.
- VakıfBank Women's Volleyball Team won CEV Champions League Final organized in Bucharest and brought Europe's biggest cup to Turkey for the fourth time. Moreover, VakıfBank was hailed as the first Turkish team who won CEV Champions League cup for two times consecutively.
- Pursuant to the resolution adopted by our Board of Directors on July 4, 2018, Abdi Serdar ÜSTÜNSALİH, our former Senior Vice President responsible for Banking Applications and Development, was appointed to the Executive Vice President.
- In the current period, the Bank has participated in Türkiye Ürün İhtisas Borsası AŞ which was established with a capital of TL 100 million. Nominal shares for a value of TL 3 million is represent 3% shareholding ratio. Application regarding the establishment of the company were registered in the trade registry on June, 8th 2018. As of June 30th, 2018, the Bank has paid its capital for value TL 750 thousand, which corresponds to one quarter of its share.
- Mr. Mehmet Emin Özcan, Mr. Raci Kaya and Mr. Şahap Kavcıoğlu (as Independent Board) representing Class (A), Mr. Adnan Ertem representing Class (B), Mr. Şahin Uğur and Mrs. Dilek Yüksel (as Independent Board) representing Class (C), Mr. Serdar Tunçbilek (as Independent Board) representing Class (D) Mr. Ömer Arisoy and Mr. Cemil Ertem have been selected as Board members.
- VakıfBank's Board of Directors took the following decisions unanimously on August 14th, 2018 regarding the distribution of duties among Board Members as per the Articles of Incorporation.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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-Mr. Mehmet Emin ÖZCAN has been selected as the CEO; Mr. Raci KAYA has been selected as the Chairman; Mr. Şahap KAVCIOĞLU has been selected as Vice Chairman.

- VakıfBank's Board of Directors took the following decisions unanimously on August 14, 2018 regarding the Committee membership within the Board.

- Mr. Şahap KAVCIOĞLU and Mr. Serdar TUNÇBİLEK have been selected as members of Audit Committee,

- Mr. Raci KAYA ve Mr. Şahap KAVCIOĞLU have been selected as full members of Credit Committee, Mrs. Dilek YÜKSEL and Mr. Serdar TUNÇBİLEK have been selected as alternate members of Credit Committee,

- Mr. Şahap KAVCIOĞLU, Mr. Ömer ARISOY and Mr. Mustafa TURAN (as per Article 11 of Corporate Governance Communique,) have been selected as members of Corporate Governance Committee,

- Mr. Şahin UĞUR, Mr. Adnan ERTEM ve Mrs. Dilek YÜKSEL'in have been selected as members of Remuneration Committee.

**Amendments to Articles of Association**

With the decision taken at the 64th Ordinary General Assembly Meeting held on August 13, 2018, amendments were made to the Bank's Articles of Association. The mentioned changes have been published at <https://www.kap.org.tr/tr/bildirim/703229> and have not yet been registered with the trade registry.