

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND  
RELATED DISCLOSURES AT JUNE 30, 2017  
TOGETHER WITH LIMITED REVIEW REPORT**

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



## AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

**(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I of Section Three)**

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

### *Introduction*

We have reviewed the consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 June 2017 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 legislations. Our responsibility is to express a conclusion on these interim financial information based on our 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.



### *Conclusion*

Based on our review 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 Türk Anonim Ortaklığı and its consolidated subsidiaries at 30 June 2017 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 VIII, 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.

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

Zeynep Uras, SMMM  
Partner

Istanbul, 9 August 2017

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
CONSOLIDATED FINANCIAL STATEMENTS AND LIMITED 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, 2017**

Address : Sultan Selim Mahallesi, Eski Büyükdere Caddesi  
No:59, Kağıthane / İstanbul  
Telephone : 0212 398 15 15- 0 212 398 10 00  
Fax : 0212 398 11 55  
Electronic web site : [www.vakifbank.com.tr](http://www.vakifbank.com.tr)  
Electronic mail address : [mevzuat@vakifbank.com.tr](mailto:mevzuat@vakifbank.com.tr)

The consolidated interim financial report as at and for the six-month period ended June 30, 2017 prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED INTERIM 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
- LIMITED 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 AŞ	Türkiye Sınai Kalkınma Bankası AŞ	-
Vakıf Faktoring AŞ	-	-
Vakıf Finansal Kiralama AŞ	-	-
Vakıf Portföy Yönetimi AŞ	-	-
Vakıf Yatırım Menkul Değerler AŞ	-	-
Vakıfbank International AG	-	-
Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	-	-
Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	-	-

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

17 May 2017

İsmail ALPTEKİN  
Chairman of  
the Board of Directors

Serdar TUNÇBİLEK  
Board Member and  
Audit Committee Member

Sabahattin BİRDAL  
Board member and  
Audit Committee Member

Mehmet Emin ÖZCAN  
General Manager and  
Board Member

Şuayyip İLBİLGİ  
Assistant General Manager

Ferkan MİRDAN  
Director of Accounting and  
Financial Affairs

The authorized contact person for questions on this financial report:

Name-Surname/Title: S. Buğra SÜRÜEL / Manager  
Phone no : 0 312 591 11 48  
Fax no : 0 312 591 20 01

Name-Surname/Title: Burcu Sütcü AKDAĞ / Asst. Manager  
Phone no : 0 312 591 11 93  
Fax no : 0 312 591 20 01

	<b>Page No:</b>
<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
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	2-3
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 communicate 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
II. Consolidated balance sheet - Liabilities and equity	8
III. Consolidated off-balance sheet items	9
IV. Consolidated statement of income	10
V. Consolidated statement of profit and loss items accounted under shareholders' equity	11
VI. Consolidated statement of changes in equity	12-13
VII. Consolidated statement of cash flows	14
<b><u>SECTION THREE</u></b>	
Accounting Policies	
I. Basis of presentation	15
II. Strategy for the use of financial instruments and information on foreign currency transactions	16-17
III. Information on associates that are consolidated and subsidiaries that are accounted according to equity method	18-19
IV. Information on forwards, options and other derivative transactions	19-20
V. Information on interest income and expenses	20
VI. Information on fees and commissions	20
VII. Information on financial assets	20-22
VIII. Information on impairment of financial assets	22
IX. Information on offsetting of financial instruments	22
X. Information on sales and repurchase agreements and securities lending	23
XI. Information on assets held for sale and discontinued operations	23
XII. Information on goodwill and other intangible assets	23
XIII. Information on tangible assets	24
XIV. Information on investment properties	24
XV. Information on leasing activities	25
XVI. Information on provisions, contingent assets and liabilities	25
XVII. Information on obligations of the Group concerning employee rights	26-27
XVIII. Information on taxation	28-29
XIX. Information on cash and cash equivalents	30
XX. Additional information on borrowings	30
XXI. Information on issuance of equity securities	30
XXII. Information on confirmed bills of exchange and acceptances	30
XXIII. Information on government incentives	30
XXIV. Information on segment reporting	30
XXV. Other matters	31-33
<b><u>SECTION FOUR</u></b>	
Information Related to the Consolidated Financial Position and Risk Management	
I. Consolidated equity items	34-41
II. Consolidated foreign currency exchange risk	41
III. Consolidated interest rate risk	42-44
IV. Consolidated stock position risk	45-48
V. Consolidated liquidity risk and coverage ratio	49-52
VI. Consolidated leverage ratio	53
VII. Consolidated segment reporting	54-56
VIII. Information on risk management	57-69
<b><u>SECTION FIVE</u></b>	
Disclosures and Footnotes on Consolidated Financial Statements	
I. Information and disclosures related to consolidated assets	70-88
II. Information and disclosures related to consolidated liabilities	89-95
III. Information and disclosures related to consolidated off-balance sheet items	96-97
IV. Information and disclosures related to consolidated statement of income	98-103
V. Information and disclosures related to Parent Bank's risk group	104-105
<b><u>SECTION SIX</u></b>	
Other Disclosures and Footnotes	
I. Other disclosures on the Parent Bank's activity	106
II. Information on the Parent Bank's rating given by international credit rating institutions	106
III. Significant events and matters subsequent to balance sheet date that are not resulted	107
<b><u>SECTION SEVEN</u></b>	
Auditors' Review Report	
I. Information on Limited review report	108
II. Explanations and footnotes prepared by independent auditor	108
<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	109-124

**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, 2017**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**SECTION ONE**

**GENERAL INFORMATION**

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

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

**II. THE PARENT BANK’S 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, 2017 and December 31, 2016, 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, 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)	2,699,986	2,700	0.11
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,530,939	1,531	0.06
Publicly traded (Group D)	630,484,441	630,485	25.22
<b>Total</b>	<b>2,500,000,000</b>	<b>2,500,000</b>	<b>100.00</b>

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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, 2017**

(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>				
Ismail ALPTEKİN	Chairman	9 June 2017	University	19 years
Serdar TUNÇBILEK	Deputy Chairman	9 June 2017	University	31 years
Mehmet Emin ÖZCAN	Member – General Manager	9 June 2017	University	34 years
Dr.Adnan ERTEM	Member	28 October 2010	PHD	29 years
Sabahattin BİRDAL	Member	31 March 2014	University	40 years
Dilek YÜKSEL	Member	29 March 2016	University	5 years
Şahin UĞUR	Member	9 June 2017	University	31 years
Ömer ARISOY	Member	9 June 2017	University	17 years
<b><u>Audit Committee</u></b>				
Sabahattin BİRDAL	Member	15 June 2017	University	31 years
Serdar TUNÇBILEK	Member	4 April 2014	University	40 years
<b><u>Auditor</u></b>				
Yunus ARINCI	Auditor	19 March 2010	Master	20 years
Hasan TÜRE	Auditor	9 June 2017	University	33 years
<b><u>Assistant General Managers</u></b>				
Metin Recep ZAFER	Banking Operations, Credit, Customer and Account Operations, Treasury Operations, Foreign Operations, Payment System Operations, Application Development Departments, System Management, IT Operations and Support, IT Planning and Coordination.	June 13, 2006	PHD	21 years
Hasan ECESOY	Treasury, International Banking and Investor Relations and Middle Office	June 18, 2010	PHD	23 years
Osman DEMREN	Commercial and Corporate Loans, Consumer and SME Loans, Local Government Loan Allocation Management	April 6, 2011	Master	26 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	University	21 years
Mustafa SAYDAM	Administrative Affairs, Construction, Real Estate and Purchasing	October 28, 2013	University	23 years
Mehmet Emin KARAAĞAÇ	Chief Legal Counsellor, Legal Affairs, Credit Risk Liquidation	November 8, 2013	University	27 years
Yakup ŞİMŞEK	Corporate and Investment Banking Marketing, Commercial Banking Marketing, Cash Management Affairs, Corporate Branches	September 7, 2016	University	20 years
Hüseyin Ugur BILGIN	Human Resources, Corporate Development and Academy	June 20, 2017	University	30 years

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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, 2017  
(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)**

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Date of Appointment</b>	<b>Education</b>	<b>Experience in Banking and Management</b>
Şeyh Mehmet BOZ	Application of Credit Policies and Processes, Loans Planning and Follow-up, Evaluation and rating	June 20, 2017	Master	22 years
İlker YESİL	Payment Systems, Digital Banking and Distribution Channels	June 20, 2017	University	22 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	June 20, 2017	University	21 years
Ersin ÖZOĞUZ	SME Banking, Marketing, Local Government Banking Marketing	June 20, 2017	University	21 years

Mr. Mehmet Emin Özcan, our Bank's Deputy Chairman, resigned from his current post as of May 2nd, 2017.

In accordance with Article 73 of the Articles of Association of the Bank at the Board of Directors meeting held on May 4, 2017, As a result of the selection of members of the Audit Committee, It has been unanimously decided that İsmail ALPTEKİN to serve the vacated Audit Committee membership instead of Mehmet Emin ÖZCAN.

Following the departure of Mr. Halil Aydoğan who served as the CEO since March 29, 2013, Mr. Mehmet Emin Özcan was appointed as the new CEO of VakıfBank as of June 09, 2017.

The Bank's Board of Directors took the following decisions unanimously on June 9th, 2017 regarding the distribution of duties among Board as per Article 52 of the Articles of Incorporation, Mr. İsmail Alptekin has been elected as the Chairman of the Board of Directors, and Mr. Serdar Tunçbilek has been elected as Vice Chairman.

The Bank's Board of Directors took the following decisions unanimously on June 15, 2017 regarding the distribution of duties among Board and Committee members as per Article 73 of the Articles of Incorporation, Mr. Serdar TUNÇBİLEK and Mr. Sabahattin BİRDAL have been selected as members of Audit Committee.

The Bank's Board of Directors took the following decision dated on July 20, 2017, Mr. H.Gurur BİLGİN, Head of Human Resources, Mr. Şuayyip İLBİLGİ, Head of Treasury, Mr. Ersin ÖZOĞUZ, Head of Internal Audit Board, Mr. İlker YEŞİL, Çukurova Regional Director and Mr. Şeyh Mehmet BOZ Istanbul 1st Regional Director have been appointed as Executive Vice President. Appointed Executive Vice Presidents will commence on their duty following BRSA approval and Mr. Serdar SATOĞLU, Executive Vice President, has been appointed in Vakıf Emeklilik A.Ş., life insurance subsidiary of VakıfBank.

İsmail ALPTEKİN, member of the Board of Directors, holds 59 unquoted shares of Group C of the Bank. The remaining members of the top management listed above do not hold any unquoted shares of the Bank.



**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, 2017**

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

**GENERAL INFORMATION (Continued)**

**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.

**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, 2017**

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

**GENERAL INFORMATION (Continued)**

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

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

- Lending loans by 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, 2017, The Parent Bank has 924 domestic, 3 foreign, in total 927 branches (December 31, 2016: 921 domestic, 3 foreign, in total 924branches). As at June 30, 2017, The Parent Bank has 16,006 employees (December 31, 2016: 15,615 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, 2017, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik 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, 2017, 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 Raket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonel AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

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, 2017**

(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, 2017**

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

	Notes	Reviewed Current Period June 30, 2017			Audited Prior Period December 31, 2016		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	V-I-1	4,631,788	21,624,513	26,256,301	4,409,164	19,960,151	24,369,315
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	V-I-2	1,591,476	215,117	1,806,593	1,644,899	144,334	1,789,233
2.1 Financial assets held for trading purpose		1,591,476	215,117	1,806,593	1,644,899	144,334	1,789,233
2.1.1 Debt securities issued by the governments		191	5,503	5,694	206	10,647	10,853
2.1.2 Equity securities		5,582	-	5,582	2,095	-	2,095
2.1.3 Derivative financial assets held for trading purpose	V-I-2	1,470,685	209,614	1,680,299	1,473,865	133,687	1,607,552
2.1.4 Other securities		115,018	-	115,018	168,733	-	168,733
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
<b>III. BANKS</b>	V-I-3	1,920,842	3,102,919	5,023,761	1,195,786	4,079,703	5,275,489
<b>IV. RECEIVABLES FROM INTERBANK MONEY MARKETS</b>		5,319	-	5,319	5,232	-	5,232
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		3,046	-	3,046	3,428	-	3,428
4.3 Receivables from reverse repurchase agreements		2,273	-	2,273	1,804	-	1,804
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	V-I-4	13,421,851	6,168,559	19,590,410	12,588,929	6,030,151	18,619,080
5.1 Equity securities		15	33,112	33,127	15	27,595	27,610
5.2 Debt securities issued by the governments		13,421,836	5,767,550	19,189,386	12,588,914	5,719,498	18,308,412
5.3 Other securities		-	367,897	367,897	-	283,058	283,058
<b>VI. LOANS AND RECEIVABLES</b>	V-I-5	120,598,842	49,707,750	170,306,592	100,166,610	49,408,659	149,575,269
6.1 Performing loans and receivables		119,340,395	49,701,979	169,042,374	99,001,801	49,402,693	148,404,494
6.1.1 Loans provided to risk group	V-V-1	115	26,933	27,048	-	36,936	37,517
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Other		119,340,280	49,675,046	169,015,326	99,001,220	49,365,757	148,366,977
6.2 Loans under follow-up		7,239,843	82,348	7,322,191	6,626,073	77,310	6,703,383
6.3 Specific provisions (-)	V-I-5	5,981,396	76,577	6,057,973	5,461,264	71,344	5,532,608
<b>VII. FACTORING RECEIVABLES</b>		1,203,320	159,705	1,363,025	1,171,659	219,055	1,390,714
<b>VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)</b>	V-I-6	8,694,901	297,532	8,992,433	8,039,914	140,621	8,180,535
8.1 Debt securities issued by the governments		8,694,901	174,631	8,869,532	8,039,914	-	8,039,914
8.2 Other securities		-	122,901	122,901	-	140,621	140,621
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	V-I-7	358,489	3	358,492	336,229	3	336,232
9.1 Associates, consolidated per equity method		297,676	-	297,676	275,765	-	275,765
9.2 Unconsolidated associates		60,813	3	60,816	60,464	3	60,467
9.2.1 Financial associates		48,460	-	48,460	48,111	-	48,111
9.2.2 Non-Financial associates		12,353	3	12,356	12,353	3	12,356
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	V-I-8	286,695	-	286,695	286,698	-	286,698
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		286,695	-	286,695	286,698	-	286,698
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial joint-ventures		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES</b>	V-I-10	432,573	1,192,315	1,624,888	364,209	1,182,200	1,546,409
12.1 Finance lease receivables		553,091	1,323,815	1,876,906	465,056	1,323,625	1,788,681
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		120,518	131,500	252,018	100,847	141,425	242,272
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>		1,670,259	9,104	1,679,363	1,693,745	9,358	1,703,103
<b>XV. INTANGIBLE ASSETS (Net)</b>		245,276	293	245,569	230,242	23	230,265
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		245,276	293	245,569	230,242	23	230,265
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	V-I-12	355,542	-	355,542	354,385	-	354,385
<b>XVII. TAX ASSETS</b>	V-I-13	117,231	-	117,231	197,922	-	197,922
17.1 Current tax assets	V-I-13	666	-	666	835	-	835
17.2 Deferred tax assets	V-I-13	116,565	-	116,565	197,087	-	197,087
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)</b>	V-I-14	1,251,776	-	1,251,776	1,228,102	-	1,228,102
18.1 Assets held for sale		1,251,776	-	1,251,776	1,228,102	-	1,228,102
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	V-I-15	3,830,663	2,052,347	5,883,010	3,110,515	2,472,502	5,583,017
<b>TOTAL ASSETS</b>		<b>160,616,843</b>	<b>84,530,157</b>	<b>245,147,000</b>	<b>137,024,240</b>	<b>83,646,760</b>	<b>220,671,000</b>

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, 2017**

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

			Reviewed Current Period June 30, 2017			Audited Prior Period December 31, 2016		
LIABILITIES AND EQUITY		Notes	TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	<b>V-II-1</b>	<b>100,341,733</b>	<b>43,570,282</b>	<b>143,912,015</b>	<b>85,815,420</b>	<b>40,443,889</b>	<b>126,259,309</b>
1.1	Deposits of risk group	V-V-1	2,435,572	327,233	2,762,805	1,686,765	116,088	1,802,853
1.2	Other deposits		97,906,161	43,243,049	141,149,210	84,128,655	40,327,801	124,456,456
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>	<b>V-II-2</b>	<b>653,793</b>	<b>185,478</b>	<b>839,271</b>	<b>955,019</b>	<b>199,405</b>	<b>1,154,424</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>V-II-3</b>	<b>1,579,565</b>	<b>26,639,214</b>	<b>28,218,779</b>	<b>1,720,814</b>	<b>24,578,616</b>	<b>26,299,430</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKET</b>		<b>11,898,576</b>	<b>2,067,875</b>	<b>13,966,451</b>	<b>11,450,137</b>	<b>1,794,134</b>	<b>13,244,271</b>
4.1	Interbank money market takings		5,066,651	-	5,066,651	2,501,180	-	2,501,180
4.2	Istanbul Stock Exchange money market takings		293,147	-	293,147	277,667	-	277,667
4.3	Obligations under repurchase agreements		6,538,778	2,067,875	8,606,653	8,671,290	1,794,134	10,465,424
<b>V.</b>	<b>SECURITIES ISSUED (Net)</b>	<b>V-II-3</b>	<b>4,113,928</b>	<b>11,635,157</b>	<b>15,749,085</b>	<b>3,373,519</b>	<b>11,309,305</b>	<b>14,682,824</b>
5.1	Bills		4,012,620	-	4,012,620	3,373,519	-	3,373,519
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		101,308	11,635,157	11,736,465	-	11,309,305	11,309,305
<b>VI.</b>	<b>FUNDS</b>		<b>3,266</b>	-	<b>3,266</b>	<b>3,319</b>	-	<b>3,319</b>
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Other		3,266	-	3,266	3,319	-	3,319
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>5,312,685</b>	<b>984,276</b>	<b>6,296,961</b>	<b>4,622,676</b>	<b>920,879</b>	<b>5,543,555</b>
<b>VIII.</b>	<b>OTHER EXTERNAL RESOURCES PAYABLE</b>	<b>V-II-4</b>	<b>1,254,779</b>	<b>1,405,984</b>	<b>2,660,763</b>	<b>747,599</b>	<b>2,018,132</b>	<b>2,765,731</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		<b>965</b>	<b>15</b>	<b>980</b>	<b>77</b>	<b>4</b>	<b>81</b>
<b>X.</b>	<b>LEASE PAYABLES (Net)</b>	<b>V-II-5</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>V-II-6</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>5,921,319</b>	<b>42,454</b>	<b>5,963,773</b>	<b>5,562,513</b>	<b>43,584</b>	<b>5,606,097</b>
12.1	General provisions	V-II-7	2,301,414	12,822	2,314,236	2,153,773	13,670	2,167,443
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		729,902	2,291	732,193	736,608	1,791	738,399
12.4	Insurance technical provisions (Net)		2,540,548	13,326	2,553,874	2,304,345	14,000	2,318,345
12.5	Other provisions	V-II-7	349,455	14,015	363,470	367,787	14,123	381,910
<b>XIII.</b>	<b>TAX LIABILITIES</b>	<b>V-II-8</b>	<b>592,620</b>	<b>63,370</b>	<b>655,990</b>	<b>477,830</b>	<b>11,957</b>	<b>489,787</b>
13.1	Current tax liabilities		578,418	1,495	579,913	463,916	2,847	466,763
13.2	Deferred tax liabilities	V-I-13	14,202	61,875	76,077	13,914	9,110	23,024
<b>XIV.</b>	<b>PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>V-II-9</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>5,005,848</b>	<b>5,005,848</b>	-	<b>5,014,700</b>	<b>5,014,700</b>
<b>XVI.</b>	<b>EQUITY</b>		<b>21,240,177</b>	<b>633,641</b>	<b>21,873,818</b>	<b>19,154,003</b>	<b>453,469</b>	<b>19,607,472</b>
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		1,608,988	173,641	1,782,629	1,494,226	50,440	1,544,666
16.2.1	Share premium		727,780	-	727,780	727,780	-	727,780
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-11	(115,570)	173,641	58,071	(181,609)	50,440	(131,169)
16.2.4	Revaluation surplus on tangible assets		1,045,774	-	1,045,774	997,197	-	997,197
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		3,683	-	3,683	3,683	-	3,683
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		(52,679)	-	(52,679)	(52,825)	-	(52,825)
16.3	Profit reserves		14,553,468	273,524	14,826,992	12,025,037	234,296	12,259,333
16.3.1	Legal reserves		1,700,107	9,553	1,709,660	1,428,436	8,351	1,436,787
16.3.2	Status reserves		6,337	-	6,337	6,337	-	6,337
16.3.3	Extraordinary reserves		12,398,138	4,598	12,402,736	10,151,977	4,598	10,156,575
16.3.4	Other profit reserves		448,886	259,373	708,259	438,287	221,347	659,634
16.4	Profit or loss		2,041,592	126,936	2,168,528	2,660,885	115,059	2,775,944
16.4.1	Prior years' profit/loss		(141,671)	116,244	(25,427)	(107,147)	93,173	(13,974)
16.4.2	Current period's profit/loss		2,183,263	10,692	2,193,955	2,768,032	21,886	2,789,918
16.5	Non-controlling interest		536,129	59,540	595,669	473,855	53,674	527,529
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>152,913,406</b>	<b>92,233,594</b>	<b>245,147,000</b>	<b>133,882,926</b>	<b>86,788,074</b>	<b>220,671,000</b>

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 INCOME FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

	Notes	Limited Review Current Period January 1, 2017-June 30, 2017	Limited Review Prior Period January 1, 2016-June 30, 2016	Limited Review Current Period April 1, 2016-June 30, 2017	Limited Review Prior Period April 1, 2016-June 30, 2016
<b>I. INTEREST INCOME</b>		<b>10,267,024</b>	<b>8,036,310</b>	<b>5,297,237</b>	<b>4,016,816</b>
1.1 Interest income from loans	V-IV-1	8,309,572	6,704,268	4,369,110	3,440,886
1.2 Interest income from reserve deposits		94,097	54,942	50,695	26,349
1.3 Interest income from banks	V-IV-1	86,708	57,785	49,746	29,153
1.4 Interest income from money market transactions		22,455	316	8,443	175
1.5 Interest income from securities portfolio	V-IV-1	1,599,148	1,106,906	742,683	466,545
1.5.1 Trading financial assets		8,435	3,885	4,218	1,361
1.5.2 Financial assets designated at fair value through profit or loss		-	-	-	-
1.5.3 Available-for-sale financial assets		964,553	760,604	456,939	333,746
1.5.4 Held-to-maturity investments		626,160	342,417	281,526	131,438
1.6 Finance lease income		64,712	54,223	32,875	26,760
1.7 Other interest income		90,332	57,870	43,685	26,948
<b>II. INTEREST EXPENSE</b>		<b>5,607,399</b>	<b>4,802,288</b>	<b>3,090,515</b>	<b>2,404,232</b>
2.1 Interest expense on deposits	V-IV-2	3,952,000	3,612,320	2,215,757	1,803,151
2.2 Interest expense on funds borrowed	V-IV-2	379,222	217,789	200,470	115,840
2.3 Interest expense on money market transactions		633,909	489,117	358,447	251,587
2.4 Interest expense on securities issued	V-IV-2	445,715	318,983	228,705	161,433
2.5 Other interest expenses		196,553	164,079	87,136	72,221
<b>III. NET INTEREST INCOME (I – II)</b>		<b>4,659,625</b>	<b>3,234,022</b>	<b>2,206,722</b>	<b>1,612,584</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>557,754</b>	<b>407,056</b>	<b>290,266</b>	<b>193,720</b>
4.1 Fees and commissions received		862,078	672,624	452,175	338,270
4.1.1 Non-cash loans		140,113	109,082	72,205	56,305
4.1.2 Others		721,965	563,542	379,970	281,965
4.2 Fees and commissions paid		304,324	265,568	161,909	144,550
4.2.1 Non-cash loans		2,120	745	1,172	409
4.2.2 Others		302,204	264,823	160,737	144,141
<b>V. DIVIDEND INCOME</b>		<b>46,631</b>	<b>61,139</b>	<b>3,577</b>	<b>22,876</b>
<b>VI. TRADING INCOME/LOSSES (Net)</b>	<b>V-IV-3</b>	<b>128,263</b>	<b>70,829</b>	<b>(876)</b>	<b>59,814</b>
6.1 Trading account income/losses		43,835	41,014	20,359	31,514
6.2 Income/losses from derivative financial instruments		(28,257)	(22,006)	(69,462)	(7,405)
6.3 Foreign exchange gains/losses		112,685	51,821	48,227	35,705
<b>VII. OTHER OPERATING INCOME</b>	<b>V-IV-4</b>	<b>1,424,719</b>	<b>1,076,189</b>	<b>685,894</b>	<b>585,633</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>6,816,992</b>	<b>4,849,235</b>	<b>3,185,583</b>	<b>2,474,627</b>
<b>PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	<b>V-IV-5</b>	<b>1,384,408</b>	<b>1,011,430</b>	<b>624,766</b>	<b>496,785</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-6</b>	<b>2,691,803</b>	<b>2,458,410</b>	<b>1,373,917</b>	<b>1,224,183</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>2,740,781</b>	<b>1,379,395</b>	<b>1,186,900</b>	<b>753,659</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-	-	-
<b>INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>25,648</b>	<b>20,483</b>	<b>13,539</b>	<b>8,814</b>
<b>XIII. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-	-	-
<b>INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)</b>		<b>2,766,429</b>	<b>1,399,878</b>	<b>1,200,439</b>	<b>762,473</b>
<b>XV. CONTINUING OPERATIONS PROVISION FOR TAXES</b>		<b>(554,668)</b>	<b>(297,308)</b>	<b>(255,821)</b>	<b>(175,150)</b>
16.1 Current tax charges	V-IV-7	(467,339)	(435,475)	(249,530)	(328,774)
16.2 Deferred tax credits	V-IV-7	(87,329)	138,167	(6,291)	153,624
<b>NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)</b>		<b>2,211,761</b>	<b>1,102,570</b>	<b>944,618</b>	<b>587,323</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
18.1 Income from investment properties		-	-	-	-
Income from sales of subsidiaries, affiliates and joint-ventures		-	-	-	-
18.2 Other income from discontinued activities		-	-	-	-
18.3 Other income from discontinued activities		-	-	-	-
<b>EXPENSES FROM DISCONTINUED OPERATIONS(-)</b>		-	-	-	-
19.1 Investment property expenses		-	-	-	-
Losses from sales of subsidiaries, affiliates and joint-ventures		-	-	-	-
19.2 Other expenses from discontinued activities		-	-	-	-
19.3 Other expenses from discontinued activities		-	-	-	-
<b>INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-	-	-
<b>DISCONTINUED OPERATIONS PROVISION FOR TAXES(±)</b>		-	-	-	-
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge		-	-	-	-
<b>NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-	-	-
<b>XXII. DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-	-	-
<b>XXIII. NET PROFIT/LOSS (XVI+XXII)</b>		<b>2,211,761</b>	<b>1,102,570</b>	<b>944,618</b>	<b>587,323</b>
23.1. Equity holders of the Bank		2,193,955	1,123,475	938,881	602,333
23.2. Non-controlling interest(-)	V-IV-9	17,806	(20,905)	5737	(15,010)
Earnings per 100 Share (full TL)	III-XXV	0.8776	0.4494	0.3756	0.2409

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 PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS'  
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>Limited Review Current Period January 1, 2017-June 30, 2017</b>	<b>Limited Review Prior Period January 1, 2016-June 30, 2016</b>
<b>I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES</b>	<b>233,766</b>	<b>417,979</b>
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	<b>(1,927)</b>	<b>419</b>
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	<b>-</b>	<b>-</b>
<b>IV. CURRENCY TRANSLATION DIFFERENCES</b>	<b>28,578</b>	<b>3,776</b>
<b>V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)</b>	<b>-</b>	<b>-</b>
<b>VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)</b>	<b>-</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS</b>	<b>(87,592)</b>	<b>(24,966)</b>
<b>IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES</b>	<b>(45,742)</b>	<b>(90,799)</b>
<b>X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)</b>	<b>127,083</b>	<b>306,409</b>
<b>XI. CURRENT PERIOD'S PROFIT/(LOSS)</b>	<b>2,211,761</b>	<b>1,102,570</b>
11.1 Change in fair value of securities (transfers to the statement of income)	3,467	31,216
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	1,071,354
<b>XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)</b>	<b>2,338,844</b>	<b>1,408,979</b>

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 Assets of Discount. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
<b>RIOR PERIOD – June 30, 2016</b>																			
I.	Balances at the beginning of the period	2,500,000	-	727,780	-	1,236,166	6,337	8,480,048	556,741	-	2,015,941	30,011	940,657	3,683	-	-	16,497,364	505,391	17,002,755
II.	Corrections made according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	The effect of corrections of error	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	The effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted beginning balance (I+II)	2,500,000	-	727,780	-	1,236,166	6,337	8,480,048	556,741	-	2,015,941	30,011	940,657	3,683	-	-	16,497,364	505,391	17,002,755
<b>Changes during the period</b>																			
IV.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Associates, Subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	321,774	-	-	-	-	321,774	1,511	323,285
VI.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	433	-	(11)	-	-	-	422	325	747
VIII.	Revaluation surplus on intangible as	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Translation differences	-	-	-	-	-	-	-	3,398	-	-	-	-	-	-	-	3,398	378	3,776
XI.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	-	(25,031)	4,444	-	-	-	-	(20,587)	-	(20,587)
XIV.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	(125)	-	(694)	-	-	-	-	-	(819)	7	(812)
XIX.	Current period's net profit/loss	-	-	-	-	-	-	-	-	1,123,475	-	-	-	-	-	-	1,123,475	(20,905)	1,102,570
XX.	Profit distribution	-	-	-	-	197,142	-	1,683,921	(4,239)	-	(2,007,488)	-	23,443	-	-	-	(107,221)	(327)	(107,548)
20.1	Dividends	-	-	-	-	-	-	-	-	-	(107,221)	-	-	-	-	-	(107,221)	(327)	(107,548)
20.2	Transferred to reserves	-	-	-	-	197,142	-	1,683,921	(4,239)	-	(1,900,267)	-	23,443	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the end of the period</b>		<b>2,500,000</b>	<b>-</b>	<b>727,780</b>	<b>-</b>	<b>1,433,308</b>	<b>6,337</b>	<b>10,163,969</b>	<b>555,775</b>	<b>1,123,475</b>	<b>(16,839)</b>	<b>356,229</b>	<b>964,089</b>	<b>3,683</b>	<b>-</b>	<b>-</b>	<b>17,817,806</b>	<b>486,380</b>	<b>18,304,186</b>

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	Extra-ordinary Reserves	Other Profit Reserves	Current Year's Net Profit/(Loss)	Prior Period's Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s.	Shareholders' Equity before Minority Shares	Non-controlling Interest	Total Shareholders' Equity
<b>I. Current Period – June 30, 2017</b>																			
		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
<b>II. Balances at the beginning of the period</b>																			
<b>Changes during the period</b>																			
<b>III. Mergers</b>																			
<b>IV. Valuation differences of the marketable securities</b>																			
<b>IV. Hedging reserves</b>																			
<b>4.1 Cash flow hedges</b>																			
<b>4.2 Net investment hedges</b>																			
<b>V. Revaluation surplus on tangible assets</b>																			
<b>VI. Revaluation surplus on intangible assets</b>																			
<b>VII. Bonus shares of associates, subsidiaries and joint-ventures</b>																			
<b>VIII. Translation differences</b>																			
<b>IX. Changes resulted from disposal of the assets</b>																			
<b>X. Changes resulted from reclassifications of the assets</b>																			
<b>XI. Effect of change in equities of associates on the Group's equity</b>																			
<b>XII. Capital increase</b>																			
<b>12.1 Cash</b>																			
<b>12.2 Internal sources</b>																			
<b>XIII. Share issuance</b>																			
<b>XIV. Share cancellation profits</b>																			
<b>XV. Capital reserves from inflation adjustments to paid-in capital</b>																			
<b>XVI. Other</b>																			
<b>XVII. Current period's net profit/loss</b>																			
<b>XVIII. Profit distribution</b>																			
<b>18.1 Dividends</b>																			
<b>18.2 Transferred to reserves</b>																			
<b>18.3 Other</b>																			
<b>Balances at the end of the period</b>																			
		2,500,000	-	727,780	-	1,709,660	6,337	12,402,736	655,580	2,193,955	(25,427)	58,071	1,045,774	3,683	-	-	21,278,149	595,669	21,873,818

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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

	Reviewed Current Period June 30, 2017	Reviewed Prior Period June 30, 2016
<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>	<b>2,092,675</b>
1.1.1 Interests received	9,368,438	7,758,751
1.1.2 Interests paid	(5,307,573)	(4,706,102)
1.1.3 Dividends received	10,188	10,563
1.1.4 Fee and commissions received	862,078	672,624
1.1.5 Other income	648,098	615,563
1.1.6 Collections from previously written-off loans and other receivables	647,002	517,775
1.1.7 Payments to personnel and service suppliers	(1,014,146)	(914,659)
1.1.8 Taxes paid	(456,355)	(396,593)
1.1.9 Other	(1,045,841)	(1,465,247)
<b>1.2 Changes in operating assets and liabilities</b>	<b>(3,891,170)</b>	<b>(2,075,527)</b>
1.2.1 Net (increase) decrease in financial assets held for trading purpose	59,259	16,252
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)	(2,389,693)
1.2.4 Net (increase) decrease in loans	(21,278,076)	(7,335,297)
1.2.5 Net (increase) decrease in other assets	(414,113)	194,194
1.2.6 Net increase (decrease) in bank deposits	(117,702)	1,149,105
1.2.7 Net increase (decrease) in other deposits	17,190,646	2,630,074
1.2.8 Net increase (decrease) in funds borrowed	1,930,812	(121,484)
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	251,311	3,781,322
<b>I. Net cash flow from banking operations</b>	<b>(179,281)</b>	<b>17,148</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash flow from investing activities</b>	<b>(634,290)</b>	<b>78,772</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)	(121,379)
2.4 Proceeds from disposal of tangible assets	259,620	212,808
2.5 Cash paid for purchase of available-for-sale financial assets	(3,099,684)	(2,351,542)
2.6 Proceeds from disposal of available-for-sale financial assets	2,780,355	2,301,021
2.7 Cash paid for purchase of held-to-maturity investments	(1,499,542)	(1,042,305)
2.8 Proceeds from disposal of held-to-maturity investments	1,123,419	1,105,605
2.9 Other	(32,108)	(25,436)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash flow from financing activities</b>	<b>983,659</b>	<b>1,134,086</b>
3.1 Cash obtained from funds borrowed and securities issued	5,554,002	5,230,715
3.2 Cash used for repayment of funds borrowed and securities issued	(4,448,237)	(3,996,302)
3.3 Equity instruments issued	-	-
3.4 Dividends paid	(122,106)	(100,327)
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>15,483</b>
<b>V. Net (decrease) / increase in cash and cash equivalents</b>	<b>110,280</b>	<b>1,245,489</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>12,421,404</b>	<b>9,057,127</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>12,531,684</b>	<b>10,302,616</b>

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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

(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 Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiques, 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 34 “Interim Financial Reporting Standard”, and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” “TAS”) (together referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced consolidated 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.

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

The accounting policies and valuation principles applied in the preparation of these financial statements are explained in detail below.

The amendments to TAS and TFRS, effective from 1 January 2016, have no material impact on the Group’s accounting policies, financial position and performance. The amendments to TAS and TFRS, except for TFRS 9 Financial Instruments (2014 Version), which have been published but not came into force as of financial statement date, will have no impact on the accounting policies, financial condition and performance of the Parent Bank. The Group assesses the impact of TFRS 9 Financial Instruments standard.

**Additional paragraph for convenience translation to English**

The effects or differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying consolidated financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), 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.

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

(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 Bank's operating activities on the basis of maturity structures and market conditions. When bank placements are considered, they have short term maturity in terms of liquidity management 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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

(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 available-for-sale financial assets are recognized in the statement of income whilst foreign exchange differences resulting from unrealized gains and losses are presented in "Valuation differences of marketable securities" under equity.

If the net investments in associates and subsidiaries operating in foreign countries are measured at cost, they are reported as translated into TL by using the foreign exchange rate at the date of transaction. If related associates and subsidiaries are measured at fair value, net foreign operations are reported as translated into TL by the rates prevailing at the date of the determination of the fair value.

As of September 30, 2016 reporting period, the 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, 2017 is TL 20,491. 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, 2017, 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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

(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, 2017, the financial statements of T. Vakıflar Bankası T.A.O, Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik 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 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.

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

(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)**

Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., a subsidiary which was subject to consolidation in previous periods, is abrogated due to non-compliance with the 7<sup>th</sup> and 9<sup>th</sup> articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at June 30, 2017 and December 31, 2016 but until the liquidation decision date its accumulated previous years’ loss has been included in the accompanying consolidated financial statements.

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

As per the resolution of the Board of Directors of the Parent Bank held on 8 September 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with 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, 2017 and December 31, 2016, 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, 2017, 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.



**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

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**ACCOUNTING POLICIES (Continued)**

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

Subsequently, the derivative transactions are measured at their fair values and the changes in fair values are recorded in the balance sheet under “Derivative financial assets held for trading purpose” or “Derivative financial liabilities held for trading purpose”. The subsequent fair value changes of derivative transactions is recorded in the consolidated statement of income.

**V. INFORMATION ON INTEREST INCOME AND EXPENSES**

**Banking activities**

Interest income and expense are recognized according to the effective interest method based on accrual basis. 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.

In accordance with Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables, the accrued interest income on non-performing loans are reversed and subsequently recognized as interest income only when collected.

**Finance leasing activities**

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

**Factoring operations**

Factoring receivables are initially recorded at their historical costs less transaction costs. They are amortized using the effective interest method, taking their historical costs and future cash flows into account and the amortized amounts are recognized as “other interest income” in the consolidated statement of income.

**VI. INFORMATION ON FEES AND COMMISSIONS**

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**

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

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

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.

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

(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 profit or loss**

The financial assets included in this group are divided into two separate titles as "Financial assets held for trading" and "Financial assets classified as financial assets at fair value through profit or loss".

*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 classified as financial assets at fair value through profit or loss* are financial assets which are not acquired for trading, however during initial recognition classified as financial assets at fair value through profit or loss including transaction costs. Such an asset is not present in the Group'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 Group has the intent and ability to hold until maturity, excluding loans and receivables.

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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

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

---

**ACCOUNTING POLICIES (Continued)**

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

**Loans and receivables**

*Loans and receivables* are the financial assets raised by the Group 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 and receivables are initially recognized with their purchase and carried at their amortized costs using the effective interest method 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.

**VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS**

A financial asset or group of financial assets, can be considered as impaired only if one or multiple events (damage/loss event) occur and in the conclusion of the impact to related financial asset or financial assets estimation in a reliable manner to the estimated future cash flows after its initial recognition. In such a situation, the financial asset is exposed to impairment and impairment loss occurs. The matters of determination of impairment and provision must be considered within the scope of TAS 36 - Impairment of Assets.

In circumstances of impairment in financial assets at fair value through profit/loss or in financial assets available for sale, the impairment should be recognized under "Impairment Losses on Securities" account.

In case of impairment losses on investment securities held-to-maturity occurs related loss amount to be discounted at the original effective interest rate of the asset's estimated future cash flows are measured as the difference between the present value and the book value of the asset through to be recognized as loss of the said difference amount book value is reduced.

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

20% specific provision for non-performing loans for Third Group, 50% specific provision for non-performing loans for Fourth Group and 100% specific provision for non-performing loans for Fifth Group is reserved on condition of not being less than the minimum required rates specified within the related Regulation.

**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 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.

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

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**ACCOUNTING POLICIES (Continued)**

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

Securities sold under repurchase agreements (“repo”) are classified under “held for trading purpose”, “available for sale” and/or “held-to-maturity” portfolios according to their holding purposes in the Group’s portfolio, and they are valued based on the revaluation principles of the related portfolios. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis of balance sheet date.

Securities purchased under resale agreements (“reverse repo”) are classified in balance sheet under “Receivables from Money Markets” separately. 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.

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

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

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

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

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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

(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 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. In subsequent periods no inflation adjustment is made for tangible assets, and costs which are restated as of 31 December 2004 are considered as their historical costs. Tangible assets purchased after 1 January 2005 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 30 September 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 recognized as expense.

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 INVESTMENT PROPERTIES**

Investment property is a property held either to earn rental income or for capital appreciation or for both. Group holds investment property with respect to the consolidated real estate investment and insurance firms’ activities.

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

Investment properties, following the initial recording, are measured by acquisition cost method (deducting accumulated depreciation and if it is present, provisions for impairment from acquisition cost).

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

---

**ACCOUNTING POLICIES (Continued)**

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

**Operational leases**

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.

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

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

In the 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.

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

**ACCOUNTING POLICIES (Continued)**

**XVII. 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, 2017 is TL 4,426 (full TL) (December 31, 2016: TL 4,297 (full TL)).

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

As at June 30, 2017 and December 31, 2016, the major actuarial assumptions used in the calculation of the total liability are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Discount Rate	11.10%	11.10%
Estimated Inflation Rate	7.80%	7.80%
Increase in Real Wage Rate	8.80%	8.80%

**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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

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

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**ACCOUNTING POLICIES (Continued)**

**XVII. 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 15 May 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 1 November 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court’s 22 March 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on 15 December 2007 in the Official Gazette no. 26731. The reason for the cancellation decision by Constitutional Court was stated as possible future losses on acquired rights of Fund members.

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

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

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

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

Law requires the transfer to be completed in three years beginning from 1 January 2008. The three year period has expired on 8 May 2011; however, it has been extended to 8 May 2013 with the decision of Council of Ministers published in Official Gazette dated 9 April 2011. Before the expiration date, with the decision of Council of Ministers published in Official Gazette dated 3 May 2013, the period for transferring banks, insurance and reinsurance firms, board of trade, exchanges or participants, monthly salary paid individuals and beneficiaries of the funds that are constructed for their personnel to Social Security Institution in the scope of the temporary article no. 20 of the Social Security Law no. 506 published in Official Gazette dated 30 April 2014 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 23 April 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 Institution.

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, 2016 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at December 31, 2016.



**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

---

**ACCOUNTING POLICIES (Continued)**

**XVIII. INFORMATION ON TAXATION**

**Corporate tax**

Corporate tax rate is 20% in Turkey according to Article 32 of the Corporate Taxes Law No. 5520. 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 associate shares that hold at least 2 years and profits from property sales are exceptional from corporate taxes if there is a capital increase according to Corporate Tax Law or it is hold for a 5 years on special fund account. The Bank follows these profits in “Revaluation surplus on tangible assets” 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 20% of the profit from the quarterly period has to be paid on 17th in the two months followed which is declared on 14th of the same month. Advance tax which is paid during the year is to be set off on corporate taxes that calculates on corporate tax return. Taxes paid is to collect in cash or is to set off on 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 cannot be set off from retained earnings.

There is no practice about reaching an agreement with laws in Turkey. Corporate taxes are paid on 25th of the fourth month that is followed form the end of the accounting period. Firms that allowed to analyze taxes, can examine the accounting records and change the 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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

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

---

**ACCOUNTING POLICIES (Continued)**

**XVIII. 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 8 December 2004 BRSA DZM 2/13/1-a-3 notice;

- There are no deferred tax assets on general provision
- Deferred tax income is not considered on distribution on profit.

Deferred taxes’ book value is revised in every balance sheet date. Deferred tax book value can be reduced if there is improbable to create revenue. 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 18 November 2007 sets details about implementation.

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

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

---

**ACCOUNTING POLICIES (Continued)**

**XIX. INFORMATION ON CASH AND CASH EQUIVALENT**

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.

**XX. ADDITIONAL INFORMATION ON BORROWINGS**

The Parent Bank obtains 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. The Parent Bank has started to obtain funds through domestic and international bonds 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.

**XXI. INFORMATION ON ISSUANCE OF EQUITY SECURITIES**

The shares of the Parent Bank having nominal value of TL 322,000,000 (full TL), representing the 25.18% of the Bank's outstanding shares, was publicly offered at a price between TL 5.13-5.40 for each share having a nominal value of TL 1 on November 2005, and TL 1,172,347 was recorded as "Share Premiums" in shareholders' equity. TL 448,429 of this amount has been utilized in capital increase on 19 December 2006.

**XXII. 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.

**XXIII. INFORMATION ON GOVERNMENT INCENTIVES**

As at June 30, 2017, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 202,162 (December 31, 2016: TL 199,946).

**XXIV. 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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

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

---

**ACCOUNTING POLICIES (Continued)**

**XXV. 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, 2017, earnings per 100 shares are full TL 0.8776 (June 30, 2016: full TL 0.4494).

**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 V.

**Classifications**

None.

**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 5 December 2014 and is effective from 1 January 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.

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

---

**ACCOUNTING POLICIES (Continued)**

**XXV. OTHER MATTERS (Continued)**

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

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

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

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

*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.

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

---

**ACCOUNTING POLICIES (Continued)**

**XXV. OTHER MATTERS (Continued)**

**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.

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

**SECTION FOUR**

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

**I. INFORMATION ON 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, 2017 Group’s capital adequacy ratio is 15,27% (December 31, 2016: 13.88%).

**Information about the consolidated shareholder equity items**

	<b>Current Period June 30, 2017</b>	<b>Amount as per the regulation before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	-
Share Premium	727,780	-
Reserves	14,826,992	-
Income recognized under equity in accordance with TAS	1,103,845	-
Profit	2,168,528	-
Current Period’s Profit	2,193,955	-
Prior Period’s Profit	(25,427)	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	3,683	-
Minority shares	588,813	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>21,919,641</b>	<b>-</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	52,679	-
Leasehold Improvements on Operational Leases	164,177	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	196,455	245,569
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>413,311</b>	<b>-</b>
<b>Common Equity Tier 1 capital (CET1)</b>	<b>21,506,330</b>	<b>-</b>

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

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

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

	<b>Current Period June 30, 2017</b>	<b>Amount as per the regulation before 1/1/2014(*)</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	-	-
<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 (-)	49,114	-
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 I capital (AT1)</b>	-	-
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	21,457,216	-
<b>TIER 2 CAPITAL</b>	-	-
Bank's borrowing instruments and related issuance premium	3,358,117	-
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)	6,856	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,967,528	-
<b>Tier 2 Capital Before Deductions</b>	5,332,501	-
<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>	5,332,501	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	26,789,717	-
<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 (-)	326,415	-
Other items to be defined by the BRSA (-)	836	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	-	-



**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

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

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

	Current Period June 30, 2017	Amount as per the regulation before 1/1/2014(*)
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	26,462,466	-
Total Risk Weighted Amounts	173,279,551	-
<b>CAPITAL ADEQUACY RATIOS</b>	-	-
Consolidated Core Capital Adequacy Ratio (%)	12.411	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	12.383	-
Consolidated Capital Adequacy Ratio (%)	15.27	-
<b>BUFFERS</b>	-	-
Total buffer requirement	1.75	-
Capital conservation buffer requirement (%)	1.25	-
Bank specific counter-cyclical buffer requirement (%)	-	-
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 (%)	7.91	-
<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)	2,314,236	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,967,528	-
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.

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

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

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

**Information about the consolidated shareholder equity items**

	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014(*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	-
Share Premium	727,780	-
Reserves	12,259,333	-
Income recognized under equity in accordance with TAS	866,028	-
Profit	2,775,944	-
Current Period’s Profit	2,789,918	-
Prior Period’s Profit	(13,974)	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	3,683	-
Minority shares	521,476	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>19,654,244</b>	<b>-</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	52,825	-
Leasehold Improvements on Operational Leases	162,121	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	138,159	230,265
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>353,105</b>	<b>-</b>
<b>Common Equity Tier 1 capital (CET1)</b>	<b>19,301,139</b>	<b>-</b>

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

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

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

	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014(*)
<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% Threshold of Common Equity Tier 1 Capital	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
<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 (-)	92,106	-
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 (AT1)</b>	-	-
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	<b>19,209,033</b>	-
<b>TIER 2 CAPITAL</b>		
Bank's borrowing instruments and related issuance premium	2,723,659	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	977,288	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	6,053	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,983,272	-
<b>Tier 2 Capital Before Deductions</b>	<b>4,712,984</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>4,712,984</b>	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	<b>23,922,017</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 Immovable 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 (-)	112,142	-
Other items to be defined by the BRSA (-)	1,166	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	-	-

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

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

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

	<b>Prior Period December 31, 2016</b>	<b>Amount as per the regulation before 1/1/2014(*)</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	23,808,709	-
Total Risk Weighted Amounts	171,540,121	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	11.25	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.20	-
Consolidated Capital Adequacy Ratio (%)	13.88	-
<b>BUFFERS</b>		
Total buffer requirement	0.627	-
Capital conservation buffer requirement (%)	0.625	-
Bank specific counter-cyclical buffer requirement (%)	0.002	-
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 (%)	6.75	-
<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)	2,167,443	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,983,272	-
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	-	-

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

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

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

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

Issuer	T.Vakıflar Bankası T.A.O.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91 XS1175854923/ US90015WAC73 XS1551747733 / US90015WAE30
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.
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)	3,358
Par value of instrument	4,896
Accounting classification	347011 - Subordinated Liabilities
Original date of issuance	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015 XS1551747733/ US90015WAE30 February 13, 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
Issue date	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015 XS1551747733/ US90015WAE30 February 13, 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.
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.
<b>Coupons / dividends</b>	
Fixed or floating dividend/coupon	Fixed/Interest payment once in six 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
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
<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
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.
If write-down, permanent or temporary	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has permanent write down feature. XS1551747733/ US90015WAE30 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.
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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

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

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

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

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

	<b>June 30, 2017</b>
Shareholders' equity	21,873,818
Leasehold improvements on operational leases	(164,177)
Goodwill and intangible assets	(196,455)
General provision (1.25% of the amount that subject to credit risk)	1,967,528
Subordinated debt	3,358,117
Deductions from shareholders' equity	(376,365)
<b>Capital</b>	<b>26,462,466</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, 2017 and December 31, 2016, 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>3.5100</b>	<b>4.0084</b>
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	3.4600	3.9206
Day 2	3.4600	3.9316
Day 3	3.4600	3.8627
Day 4	3.4700	3.8760
Day 5	3.4900	3.8844
	<b>US Dollar</b>	<b>Euro</b>
<b>Last 30-days arithmetical average rate</b>	<b>3.4837</b>	<b>3.9074</b>

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

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

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

**Information on currency risk**

<b>Current Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets:</b>				
Cash and balances with the Central Bank of the Republic of Turkey	3,164,383	12,941,671	5,518,459	21,624,513
Banks	625,211	2,318,117	159,591	3,102,919
Financial assets at fair value through profit or loss <sup>(1)</sup>	11,963	129,265	-	141,228
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	1,398,140	4,770,419	-	6,168,559
Loans and receivables <sup>(2)</sup>	23,205,065	30,601,073	85,386	53,891,524
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	-	297,532	-	297,532
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,629	7,475	-	9,104
Intangible assets	293	-	-	293
Other assets <sup>(3)(4)</sup>	1,655,762	1,715,796	903	3,372,461
<b>Total assets</b>	<b>30,062,449</b>	<b>52,781,348</b>	<b>5,764,339</b>	<b>88,608,136</b>
<b>Liabilities:</b>				
Bank deposits	432,378	2,194,607	178,348	2,805,333
Foreign currency deposits	16,932,674	21,956,716	1,875,559	40,764,949
Interbank money market takings	-	2,067,875	-	2,067,875
Funds borrowed	10,522,941	16,116,273	-	26,639,214
Securities issued	3,902,278	7,732,879	-	11,635,157
Miscellaneous payables	817,943	133,862	32,471	984,276
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities <sup>(1)(4)(5)</sup>	120,664	6,336,516	2,893	6,460,073
<b>Total liabilities</b>	<b>32,728,878</b>	<b>56,538,728</b>	<b>2,089,271</b>	<b>91,356,877</b>
<b>Net 'on balance sheet' position</b>	<b>(2,666,429)</b>	<b>(3,757,380)</b>	<b>3,675,068</b>	<b>(2,748,741)</b>
<b>Net 'off-balance sheet' position</b>	<b>3,199,088</b>	<b>4,835,906</b>	<b>(3,667,184)</b>	<b>4,367,810</b>
Derivative assets <sup>(6)</sup>	6,186,770	18,944,693	429,993	25,561,456
Derivative liabilities <sup>(6)</sup>	2,987,682	14,108,787	4,097,177	21,193,646
Non-cash loans <sup>(7)</sup>	4,400,968	9,624,614	228,357	14,253,939
<b>Prior Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
Total assets	29,643,175	53,825,420	4,721,041	88,189,636
Total liabilities	30,154,430	54,523,092	1,438,251	86,115,773
<b>Net 'on balance sheet' position</b>	<b>(511,255)</b>	<b>(697,672)</b>	<b>3,282,790</b>	<b>2,073,863</b>
<b>Net 'off-balance sheet' position</b>	<b>665,383</b>	<b>2,658,591</b>	<b>(3,282,690)</b>	<b>41,284</b>
Derivative assets <sup>(6)</sup>	3,755,331	21,698,055	290,944	25,744,330
Derivative liabilities <sup>(6)</sup>	3,089,948	19,039,464	3,573,634	25,703,046
Non-cash loans <sup>(7)</sup>	4,082,706	9,339,955	291,566	13,714,227

(1) Derivative financial assets amounting to TL 73,889 (December 31, 2016: TL 21,109) and liabilities amounting to TL 4,747 (December 31, 2016: TL 43,941) resulting from changes in foreign exchange rates are not included.

(2) Foreign currency indexed loans amounting to TL 4,183,774 (December 31, 2016: TL 4,493,820) presented in TL in the financial statements are included in the above table.

(3) Foreign currency indexed factoring receivables amounting to TL 76,777 (December 31, 2016: TL 150,892) presented in TL column in the accompanying consolidated balance sheet are included.

(4) Prepaid expenses amounting to TL 108,683 (December 31, 2016: TL 80,727) are not included.

(5) Unearned income amounting to TL 176,454 (December 31, 2016: TL 165,259), deferred tax liabilities amounting to TL 61,875 (December 31, 2016: 9,632) and equity amounting to TL 633,641 TL (December 31, 2016: TL 453,469) are not included.

(6) Asset purchase commitments amounting to TL 378,456 (December 31, 2016: TL 918,356), asset sales commitments amounting to TL 716,486 (December 31, 2016: TL 583,699) 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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

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

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

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

**Exposure to currency risk**

10 percent depreciation of the TL against the following currencies as at and for the six-month period ended June 30, 2017 and 2016 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.

	June 30, 2017		June 30, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	107,105	107,105	197,741	197,741
Euro	53,073	108,209	39,468	81,155
Other currencies	788	788	1,543	1,543
<b>Total, net (**)</b>	<b>160,966</b>	<b>216,102</b>	<b>238,752</b>	<b>280,439</b>

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

(\*\*) Associates, subsidiaries, joint ventures, tangible and intangible assets are not included to the analysis.

10 percent appreciation of the TL against the following currencies as at and for the six-month period ended June 30, 2017 and 2016 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	June 30, 2017		June 30, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(107,105)	(107,105)	(196,673)	(196,673)
Euro	(53,073)	(108,209)	(39,468)	(81,155)
Other currencies	(788)	(788)	(1,543)	(1,543)
<b>Total, net (**)</b>	<b>(160,966)</b>	<b>(216,102)</b>	<b>(237,684)</b>	<b>(279,371)</b>

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

(\*\*) Associates, subsidiaries, joint ventures, tangible and intangible assets are not included to the analysis.



**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

(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</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	15,239,322	-	-	-	-	11,016,979	26,256,301
Banks	3,472,613	807,446	8,508	-	-	735,194	5,023,761
Financial assets at fair value through profit/loss	548,035	422,726	166,566	537,751	117,659	13,856	1,806,593
Interbank money market placements	5,319	-	-	-	-	-	5,319
Available-for-sale financial assets	3,183,680	2,084,572	4,609,163	6,586,878	3,092,990	33,127	19,590,410
Loans and receivables	50,380,101	35,309,831	31,206,657	32,852,365	19,293,420	1,264,218	170,306,592
Held-to-maturity investments	966,357	2,061,597	4,276,068	1,279,751	408,660	-	8,992,433
Other assets (*)	152,843	246,147	833,068	1,518,789	156,850	10,257,894	13,165,591
<b>Total assets</b>	<b>73,948,270</b>	<b>40,932,319</b>	<b>41,100,030</b>	<b>42,775,534</b>	<b>23,069,579</b>	<b>23,321,268</b>	<b>245,147,000</b>
<i>Liabilities:</i>							
Bank deposits	3,256,447	1,058,284	68,415	-	-	541,362	4,924,508
Other deposits	73,175,254	29,099,145	8,339,544	1,024,944	22,487	27,326,133	138,987,507
Interbank money market takings	13,177,048	145,104	130,352	449,205	64,742	-	13,966,451
Miscellaneous payables	-	-	-	-	-	6,296,961	6,296,961
Securities issued	317,355	2,580,221	4,066,681	8,784,828	-	-	15,749,085
Funds borrowed	5,218,257	10,258,135	9,269,219	1,781,253	1,691,915	-	28,218,779
Other liabilities (**)	29,854	115,885	338,430	1,630,193	3,734,024	31,155,323	37,003,709
<b>Total liabilities</b>	<b>95,174,215</b>	<b>43,256,774</b>	<b>22,212,641</b>	<b>13,670,423</b>	<b>5,513,168</b>	<b>65,319,779</b>	<b>245,147,000</b>
On balance sheet long position	-	-	18,887,389	29,105,111	17,556,411	-	65,548,911
On balance sheet short position	(21,225,945)	(2,324,455)	-	-	-	(41,998,511)	(65,548,911)
Off-balance sheet long position	1,590,078	3,538,176	2,669	-	-	-	5,130,923
Off-balance sheet short position	-	-	-	(3,134,511)	(167,782)	-	(3,302,293)
<b>Net position</b>	<b>(19,635,867)</b>	<b>1,213,721</b>	<b>18,890,058</b>	<b>25,970,600</b>	<b>17,388,629</b>	<b>(41,998,511)</b>	<b>1,828,630</b>

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

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

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

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

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

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<i>Assets:</i>							
Cash and balances with CBRT	13,369,312	-	-	-	-	11,000,003	24,369,315
Banks	3,465,261	885,101	22,306	-	-	902,821	5,275,489
Financial assets at fair value through profit/loss	550,409	678,810	76,648	383,420	89,850	10,096	1,789,233
Interbank money market placements	5,232	-	-	-	-	-	5,232
Available-for-sale financial assets	2,906,630	2,178,457	4,371,742	6,072,648	3,061,993	27,610	18,619,080
Loans and receivables	47,370,846	35,356,537	33,735,670	21,033,750	10,885,036	1,193,430	149,575,269
Held-to-maturity investments	674,843	1,937,819	4,047,247	1,287,620	233,006	-	8,180,535
Other assets (*)	199,340	426,206	569,072	1,561,618	154,733	9,945,878	12,856,847
<b>Total assets</b>	<b>68,541,873</b>	<b>41,462,930</b>	<b>42,822,685</b>	<b>30,339,056</b>	<b>14,424,618</b>	<b>23,079,838</b>	<b>220,671,000</b>
<i>Liabilities:</i>							
Bank deposits	4,281,972	455,862	94,424	-	-	243,643	5,075,901
Other deposits	66,828,991	20,852,159	8,411,150	933,657	15,737	24,141,714	121,183,408
Interbank money market takings	11,591,451	1,138,639	-	449,439	64,742	-	13,244,271
Miscellaneous payables	-	-	-	-	-	5,543,555	5,543,555
Securities issued	538,113	1,709,240	3,417,189	9,018,282	-	-	14,682,824
Funds borrowed	4,357,895	9,253,336	9,288,468	1,759,274	1,640,457	-	26,299,430
Other liabilities (**)	524,040	189,450	262,393	1,435,505	3,761,055	28,469,168	34,641,611
<b>Total liabilities</b>	<b>88,122,462</b>	<b>33,598,686</b>	<b>21,473,624</b>	<b>13,596,157</b>	<b>5,481,991</b>	<b>58,398,080</b>	<b>220,671,000</b>
On balance sheet long position	-	7,864,244	21,349,061	16,742,899	8,942,627	-	54,898,831
On balance sheet short position	(19,580,589)	-	-	-	-	(35,318,242)	(54,898,831)
Off-balance sheet long position	2,073,148	3,048,601	-	-	-	-	5,121,749
Off-balance sheet short position	-	-	(522,353)	(3,391,353)	(210,900)	-	(4,124,606)
<b>Net position</b>	<b>(17,507,441)</b>	<b>10,912,845</b>	<b>20,826,708</b>	<b>13,351,546</b>	<b>8,731,727</b>	<b>(35,318,242)</b>	<b>997,143</b>

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

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

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

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

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

**Average interest rates applied to monetary financial instruments (\*):**

<b>Current Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and balance with CBRT	-	1.25	-	4.00
Banks	0.27	1.13	-	13.98
Financial assets at fair value through profit/loss	-	11.78	-	12.76
Interbank money market placements	-	-	-	12.70
Available-for-sale financial assets	4.94	6.58	-	10.31
Loans and receivables	3.82	4.76	-	13.94
Held-to-maturity investments	-	4.68	-	10.78
<b>Liabilities:</b>				
Bank deposits	0.25	1.70	-	14.66
Other deposits	1.51	3.35	-	11.52
Interbank money market takings	-	1.70	-	11.84
Miscellaneous payables	-	-	-	-
Securities issued	2.94	5.00	-	12.30
Funds borrowed	1.31	2.92	-	13.24
<b>Prior Period</b>				
	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and balance with CBRT	-	0.75	-	3.31
Banks	0.19	1.02	-	11.49
Financial assets at fair value through profit/loss	5.50	11.78	-	10.91
Interbank money market placements	-	-	-	9.81
Available-for-sale financial assets	4.82	6.54	-	9.49
Loans and receivables	4.24	4.99	-	12.34
Held-to-maturity investments	-	2.68	-	9.65
<b>Liabilities:</b>				
Bank deposits	0.21	1.18	-	10.87
Other deposits	1.37	2.84	-	9.17
Interbank money market takings	0.19	1.77	-	8.32
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.88	-	9.60
Funds borrowed	1.02	2.49	-	11.18

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

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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017

(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:

<b>Current Period</b>	<b>Comparison</b>		
<b>Stock Investments</b>	<b>Carrying Value</b>	<b>Fair Value<sup>(*)</sup></b>	<b>Market Value<sup>(*)</sup></b>
<b>Stocks quoted in exchange<sup>(*)</sup></b>	<b>284,858</b>	<b>284,858</b>	<b>284,858</b>
1.Stocks Investments Group A	284,858	284,858	284,858
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>393,456</b>	<b>298,702</b>	<b>-</b>

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

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

<b>Prior Period</b>	<b>Comparison</b>		
<b>Stock Investments</b>	<b>Carrying Value</b>	<b>Fair Value<sup>(*)</sup></b>	<b>Market Value<sup>(*)</sup></b>
<b>Stocks quoted in exchange<sup>(*)</sup></b>	<b>263,309</b>	<b>263,309</b>	<b>263,309</b>
1.Stocks Investments Group A	263,309	263,309	263,309
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>387,231</b>	<b>298,705</b>	<b>-</b>

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

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

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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017

(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)

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	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss		
		Total (*)	Included in Supplementary Capital	Total (*)	Included in Core Capital	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-	-
3. Other Stocks	-	65,783	65,783	-	-	-
<b>4. Total</b>	<b>-</b>	<b>65,783</b>	<b>65,783</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

Portfolio-Prior Period	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss		
		Total (*)	Included in Core Capital	Total (*)	Included in Core Capital	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-	-
3. Other Stocks	-	64,288	64,288	-	-	-
<b>4. Total</b>	<b>-</b>	<b>64,288</b>	<b>64,288</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

Explanations on Equity Shares Risk Arising from Banking Book

Portfolio-Current Period	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	284,858	284,858	22,789
3.Other Stocks	393,483	393,483	31,478
<b>4. Total</b>	<b>678,341</b>	<b>678,341</b>	<b>54,267</b>

Portfolio-Prior Period	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	263,309	263,309	21,065
3.Other Stocks	387,231	387,231	30,978
<b>4. Total</b>	<b>650,540</b>	<b>650,540</b>	<b>52,043</b>

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

(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**

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 bank. 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 Bank is managing liquidity risk according to risk capacity and the Bank’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 Bank monitors the net liquidity position and liquidity requirements continuously and facing the future. The Bank takes precautions to increase diversity in fund sources to increase effectiveness and durability in liquidity risk management. On market basis and specific to the Bank (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 Parent Bank’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.

Liquidity management in the Bank is carried out under Treasury Department in regard to the Bank’s strategic goals and projections, decisions taken in Asset/Liability Committee, treasury policies, limits defined under market circumstances, 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 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 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 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 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.

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

(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)**

The 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	May	87.92	April	164.57
The highest value	June	102.67	June	186.00

*Liquidity Coverage Ratio*

Current Period		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)			30,090,319	17,861,028
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	63,346,807	22,971,184	5,348,191	2,297,119
3	Stable deposits	19,729,787	-	986,489	-
4	Less stable deposits	43,617,020	22,971,184	4,361,702	2,297,119
5	Unsecured wholesale funding, of which:	73,924,554	19,877,531	29,756,053	9,856,867
6	Operational deposits	50,464,930	10,090,329	12,616,233	2,522,582
7	Non-operational deposits	16,165,856	7,469,310	9,885,112	5,050,793
8	Unsecured debt	7,293,768	2,317,892	7,254,708	2,283,492
9	Secured wholesale funding			-	-
10	Additional requirements of which:	12,578,610	9,815,636	12,578,610	9,815,636
11	Outflows related to derivative exposures and other collateral requirements	12,578,610	9,815,636	12,578,610	9,815,636
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	18,810,900	18,295,760	940,545	914,788
15	Other contingent funding obligations	46,576,684	13,448,596	6,568,423	1,535,147
16	<b>TOTAL CASH OUTFLOWS</b>			<b>55,191,822</b>	<b>24,419,557</b>
<b>CASH INFLOWS</b>					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	17,698,684	7,701,842	13,128,892	6,864,424
19	Other cash inflows	10,337,746	7,436,026	10,337,746	7,436,026
20	<b>TOTAL CASH INFLOWS</b>	<b>28,036,430</b>	<b>15,137,868</b>	<b>23,466,638</b>	<b>14,300,450</b>
				<b>Upper Limit Applied Values</b>	
21	<b>TOTAL HQLA</b>			<b>30,090,319</b>	<b>17,861,028</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>31,725,184</b>	<b>10,119,107</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>94.77</b>	<b>176.33</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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

(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)**

Prior Period		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)			31,327,045	17,494,256
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	56,398,533	18,755,224	4,709,780	1,875,523
3	Stable deposits	18,601,460	-	930,073	-
4	Less stable deposits	37,797,073	18,755,224	3,779,707	1,875,523
5	Unsecured wholesale funding, of which:	63,466,793	16,531,060	25,468,933	8,024,537
6	Operational deposits	43,127,499	9,221,613	10,781,875	2,305,403
7	Non-operational deposits	10,385,173	5,745,212	6,992,999	4,191,277
8	Unsecured debt	9,954,121	1,564,235	7,694,059	1,527,857
9	Secured wholesale funding			-	-
10	Additional requirements of which:	12,074,577	11,213,463	12,074,577	11,213,463
11	Outflows related to derivative exposures and other collateral requirements	12,074,577	11,213,463	12,074,577	11,213,463
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	16,675,067	16,238,733	833,753	811,937
15	Other contingent funding obligations	44,925,526	11,988,692	6,590,564	1,095,508
16	<b>TOTAL CASH OUTFLOWS</b>			<b>49,677,607</b>	<b>23,020,968</b>
<b>CASH INFLOWS</b>					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	13,757,171	5,596,651	9,870,634	4,837,408
19	Other cash inflows	9,441,176	5,175,370	9,441,176	5,175,370
20	<b>TOTAL CASH INFLOWS</b>	<b>23,198,347</b>	<b>10,772,021</b>	<b>19,311,810</b>	<b>10,012,778</b>
<b>Upper Limit Applied</b>					
<b>Values</b>					
21	<b>TOTAL HQLA</b>			<b>31,327,045</b>	<b>17,494,256</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>30,365,797</b>	<b>13,008,190</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>103.26</b>	<b>136.98</b>

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

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.



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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017

(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)

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

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Assets:</b>								
Cash and balance with CBRT	26,256,301	-	-	-	-	-	-	26,256,301
Banks	2,442,874	1,662,883	909,496	8,508	-	-	-	5,023,761
Financial assets at fair value through profit/loss	17,327	304,989	51,957	235,224	1,052,517	144,579	-	1,806,593
Interbank money market placements	-	5,319	-	-	-	-	-	5,319
Available-for-sale financial assets	-	1,215,486	107,757	1,084,805	10,789,935	6,359,300	33,127	19,590,410
Loans and receivables	12,817	14,618,762	6,253,836	29,413,306	79,422,775	39,320,878	1,264,218	170,306,592
Held-to-maturity investments	-	87,800	35,101	-	3,888,743	4,980,789	-	8,992,433
Other assets	2,083	1,497,103	369,856	974,452	1,645,350	156,885	8,519,862	13,165,591
<b>Total assets</b>	<b>28,731,402</b>	<b>19,392,342</b>	<b>7,728,003</b>	<b>31,716,295</b>	<b>96,799,320</b>	<b>50,962,431</b>	<b>9,817,207</b>	<b>245,147,000</b>
<b>Liabilities:</b>								
Bank deposits	541,362	3,256,447	1,058,284	68,415	-	-	-	4,924,508
Other deposits	27,884,176	72,615,377	28,914,693	8,306,306	1,237,503	29,452	-	138,987,507
Funds borrowed	-	831,203	998,945	12,339,845	7,764,322	6,284,464	-	28,218,779
Interbank money market takings	-	13,177,048	145,104	130,352	449,205	64,742	-	13,966,451
Securities issued	-	317,355	2,574,224	3,687,093	9,170,413	-	-	15,749,085
Miscellaneous payables	-	4,744,513	114,318	25,175	1,169	-	1,411,786	6,296,961
Other liabilities	253	1,412,683	955,190	1,282,317	963,448	5,260,209	27,129,609	37,003,709
<b>Total liabilities</b>	<b>28,425,791</b>	<b>96,354,626</b>	<b>34,760,758</b>	<b>25,839,503</b>	<b>19,586,060</b>	<b>11,638,867</b>	<b>28,541,395</b>	<b>245,147,000</b>
<b>Liquidity gap</b>	<b>305,611</b>	<b>(76,962,284)</b>	<b>(27,032,755)</b>	<b>5,876,792</b>	<b>77,213,260</b>	<b>39,323,564</b>	<b>(18,724,188)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>								
Receivables from Derivative Financial Instruments	-	281,028	8,005	157,943	750,668	591,304	-	1,788,948
Payables from Derivative Financial Instruments	-	9,256,899	1,000,130	2,485,487	12,286,340	6,159,281	-	31,188,137
Non-cash Loans	4,340,412	1,121,127	23,994,985	7,414,946	4,797,072	1,094,053	145,197	42,907,792
<b>Prior Period</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>
Total assets	28,037,787	16,311,836	7,328,645	33,931,797	79,690,315	46,063,541	9,307,079	220,671,000
Total liabilities	24,939,864	88,813,514	26,286,246	23,795,349	19,097,068	11,268,137	26,470,822	220,671,000
<b>Liquidity gap</b>	<b>3,097,923</b>	<b>(72,501,678)</b>	<b>(18,957,601)</b>	<b>10,136,448</b>	<b>60,593,247</b>	<b>34,795,404</b>	<b>(17,163,743)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>								
Receivables from Derivative Financial Instruments	-	(479,339)	(6,902)	423,379	933,313	652,787	-	1,523,238
Payables from Derivative Financial Instruments	-	8,668,204	4,637,320	2,809,733	12,736,387	5,799,680	-	34,651,324
Non-cash Loans	3,594,694	1,317,799	23,411,576	6,463,985	5,003,522	868,775	-	40,660,351

(\*) 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"

*Residual contractual maturities of financial liabilities (\*)*

Current period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	4,924,508	4,944,751	541,362	3,262,029	1,071,631	69,729	-	-
Other deposits	138,987,507	140,139,929	27,884,176	72,839,159	29,274,474	8,654,122	1,442,668	45,330
Funds borrowed	28,218,779	31,399,560	-	836,747	1,005,823	12,575,696	9,052,282	7,929,012
Money market takings	13,966,451	14,083,965	-	13,187,402	145,685	130,811	531,742	88,325
Issued Securities (Net)	15,749,085	17,299,509	-	318,980	2,622,261	3,822,605	10,535,663	-
Miscellaneous payables	6,296,961	6,296,961	1,411,786	4,744,513	114,318	25,175	1,169	-
Other liabilities	7,921,718	10,176,424	1,282,561	802,757	16,678	90,369	621,775	7,362,284
<b>Total</b>	<b>216,065,009</b>	<b>224,341,099</b>	<b>31,119,885</b>	<b>95,991,587</b>	<b>34,250,870</b>	<b>25,368,507</b>	<b>22,185,299</b>	<b>15,424,951</b>
<b>Non-Cash Loans</b>	<b>42,907,792</b>	<b>42,907,792</b>	<b>4,485,609</b>	<b>1,121,127</b>	<b>23,994,985</b>	<b>7,414,946</b>	<b>4,797,072</b>	<b>1,094,053</b>
<b>Prior period</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Bank deposits	5,075,901	5,085,671	243,644	4,287,093	459,456	95,478	-	-
Other deposits	121,183,408	122,125,718	24,600,347	66,481,532	20,858,252	8,055,182	2,052,190	78,215
Funds borrowed	26,299,430	29,135,873	-	689,930	1,278,907	11,742,778	7,845,281	7,578,977
Money market takings	13,244,271	13,376,729	-	11,596,992	1,141,262	-	548,086	90,389
Issued Securities (Net)	14,682,824	15,769,709	-	540,447	1,733,134	3,211,213	10,284,915	-
Miscellaneous payables	5,543,555	5,543,555	1,216,250	4,061,654	174,010	89,602	2,039	-
Other liabilities	8,480,070	10,486,315	1,931,584	884,634	92,437	27,654	466,873	7,083,133
<b>Total</b>	<b>194,509,459</b>	<b>201,523,570</b>	<b>27,991,825</b>	<b>88,542,282</b>	<b>25,737,458</b>	<b>23,221,907</b>	<b>21,199,384</b>	<b>14,830,714</b>
<b>Non-Cash Loans</b>	<b>40,660,351</b>	<b>40,660,351</b>	<b>3,594,694</b>	<b>1,317,799</b>	<b>23,411,576</b>	<b>6,463,985</b>	<b>5,003,522</b>	<b>868,775</b>

This table shows the undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

maturity. Therefore, the gross nominal outflows in the table above vary from the carrying amounts of the relevant financial liabilities reflected in the consolidated financial statements.

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

**VI. 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 6.68%. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (December 31, 2016: 6.71%). 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</b>	<b>Prior Period</b>
Total asset amount in the consolidated financial statements prepared as per TAS <sup>(1)</sup>	218,939,563	188,113,759
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 <sup>(1)</sup>	(1,731,437)	(1,471,799)
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 <sup>(2)</sup>	(2,033,927)	(1,339,299)
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 <sup>(2)</sup>	8,970,906	12,644,018
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 <sup>(2)</sup>	12,271,448	13,964,296
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 <sup>(2)</sup>	(84,701,860)	(68,046,264)
<b>Total risk amount</b>	<b>283,709,054</b>	<b>245,588,552</b>

<sup>(1)</sup> The amounts represent 30 June 2016 and 31 December 2015 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.

**Leverage ratio common disclosure template**

	<b>Current Period<sup>(*)</sup></b>	<b>Prior Period<sup>(*)</sup></b>
<b>On-balance sheet exposures</b>		
1 On-balance sheet items (excluding derivatives and SFTs; including collateral)	240,424,773	216,824,485
2 Assets deducted in determining Basel III Tier 1 capital	(409,021)	(314,602)
3 Total on-balance sheet exposures (excluding derivatives and SFTs)	240,015,752	216,509,883
<b>Derivative exposures</b>		
4 Replacement cost	1,795,433	1,384,507
5 Add-on amount	639,203	649,441
6 Total derivative exposures	2,434,636	2,033,948
<b>Securities financing transaction exposures</b>		
7 Gross SFT assets (with no recognition of accounting netting)	640,492	653,844
8 Agent transaction exposures	-	-
9 Total securities financing transaction exposures	640,492	653,844
<b>Other off-balance sheet exposures</b>		
10 Off-balance sheet exposures with gross nominal amount	71,618,087	63,161,241
11 Adjustment amount off-balance sheet exposures with credit conversion factor	2,023,163	1,350,160
12 Total off-balance sheet exposures	73,641,250	64,511,401
<b>Capital and total exposures</b>		
13 Tier 1 capital	21,169,211	19,017,854
14 Total exposures	316,732,130	283,709,076
<b>Leverage ratio</b>		
15 Leverage ratio (%)	6.68	6.71

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

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

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

**VII. CONSOLIDATED SEGMENT REPORTING**

The Parent Bank operates in corporate, commercial, small business, retail and investment banking. Accordingly, the banking products served to customers are; time and demand deposit, accumulating account, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, 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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

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

(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	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 (*)	-	-	-	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 (**)	-	-	-	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	-	-	28,709,137	-	28,709,137
Derivative Financial Assets Held for Trading Purpose	-	-	1,680,299	-	1,680,299
Banks and Receivables From Money Markets	-	-	5,029,080	-	5,029,080
Investments in Associates and Subsidiaries	-	-	645,187	-	645,187
Loans and Receivables	44,064,944	100,603,341	25,638,307	-	170,306,592
Other Assets	-	2,987,913	25,489,300	10,299,492	38,776,705
<b>TOTAL ASSETS</b>	<b>44,064,944</b>	<b>103,591,254</b>	<b>87,191,310</b>	<b>10,299,492</b>	<b>245,147,000</b>
<b>SEGMENT LIABILITIES</b>					
Deposits	60,443,792	78,543,715	4,924,508	-	143,912,015
Derivative Financial Liabilities Held for Trading Purpose	-	-	839,271	-	839,271
Interbank Money Market Takings	-	-	13,966,451	-	13,966,451
Funds Borrowed	-	648,435	27,570,344	-	28,218,779
Securities Issued	-	-	15,749,085	-	15,749,085
Other Liabilities	-	980	5,887,110	8,079,728	13,967,818
Provisions and Tax Liabilities	-	-	-	6,619,763	6,619,763
Equity	-	-	-	21,873,818	21,873,818
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>60,443,792</b>	<b>79,193,130</b>	<b>68,936,769</b>	<b>36,573,309</b>	<b>245,147,000</b>

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

(\*\*) 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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

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

(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	2,364,875	3,933,742	1,729,427	8,266	8,036,310
Interest income from loans	2,364,875	3,829,915	509,478	-	6,704,268
Interest income from reserve deposits	-	-	54,942	-	54,942
Interest income from securities portfolio	-	-	1,106,906	-	1,106,906
Interest income from banks	-	-	57,785	-	57,785
Interest income from money market transactions	-	-	316	-	316
Finance lease income	-	54,223	-	-	54,223
Other interest income	-	49,604	-	8,266	57,870
Interest Expense	1,633,309	1,887,255	1,242,165	39,559	4,802,288
Interest expense on deposits	1,633,309	1,851,427	127,584	-	3,612,320
Interest expense on funds borrowed	-	35,828	181,961	-	217,789
Interest expense on money market transactions	-	-	489,117	-	489,117
Interest expense on securities issued	-	-	318,983	-	318,983
Other interest expenses	-	-	124,520	39,559	164,079
Net Interest Income	731,566	2,046,487	487,262	(31,293)	3,234,022
Net Fees and Commissions Income	209,486	165,254	32,316	-	407,056
Trading Income/ Losses (Net)	-	-	70,829	-	70,829
Dividend Income	-	-	61,139	-	61,139
Other Income (*)	-	-	-	1,076,189	1,076,189
Provision For Losses on Loans and Other Receivables	139,360	721,307	16,696	134,067	1,011,430
Other Expenses (**)	-	-	-	2,458,410	2,458,410
Income/Loss From Investments Under Equity Accounting	-	-	20,483	-	20,483
<b>Profit Before Taxes</b>	<b>801,692</b>	<b>1,490,434</b>	<b>655,333</b>	<b>(1,547,581)</b>	<b>1,399,878</b>
Provision for taxes	-	-	-	(297,308)	(297,308)
<b>Net Profit/ Loss</b>	<b>801,692</b>	<b>1,490,434</b>	<b>655,333</b>	<b>(1,844,889)</b>	<b>1,102,570</b>
<b>SEGMENT ASSETS</b>					
Securities Portfolio	-	-	26,981,296	-	26,981,296
Derivative Financial Assets Held for Trading Purpose	-	-	1,607,552	-	1,607,552
Banks and Receivables From Money Markets	-	-	5,280,721	-	5,280,721
Investments in Associates and Subsidiaries	-	-	622,930	-	622,930
Loans and Receivables	41,432,801	83,828,729	24,313,739	-	149,575,269
Other Assets	-	2,937,123	24,223,603	9,442,506	36,603,232
<b>TOTAL ASSETS</b>	<b>41,432,801</b>	<b>86,765,852</b>	<b>83,029,841</b>	<b>9,442,506</b>	<b>220,671,000</b>
<b>SEGMENT LIABILITIES</b>					
Deposits	54,570,012	66,613,397	5,075,900	-	126,259,309
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,154,424	-	1,154,424
Interbank Money Market Takings	-	-	13,244,271	-	13,244,271
Funds Borrowed	-	662,429	25,637,001	-	26,299,430
Securities Issued	-	-	14,682,824	-	14,682,824
Other Liabilities	-	81	5,758,436	7,568,869	13,327,386
Provisions and Tax Liabilities	-	-	-	6,095,884	6,095,884
Equity	-	-	-	19,607,472	19,607,472
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>54,570,012</b>	<b>67,275,907</b>	<b>65,552,856</b>	<b>33,272,225</b>	<b>220,671,000</b>

(\*) TL 376,828 amount of TL 1,076,189 of income from reversal of the specific provisions for loans from prior periods, TL 424,133 of acquired insurance premiums, TL 129,031 of income from the sale of Group's assets, TL 22,057 of communications income, TL 36,860 of income from private pension activities, TL 578 of leasing income and the remaining TL 86,702 of other operating income.

(\*\*) TL 820,717 amount of TL 2,458,410 shown in other expenses line consists of personnel expenses, TL 965,387 of other operating expenses, TL 91,687 of depreciation expenses, TL 75,556 of dividend reserves expenses to be given to personnel, TL 66,818 of Savings Deposit Insurance Fund (SDIF) expenses, TL 73,488 of taxes and funds expenses, TL 8,979 pension compensations, TL 65,533 from cumulative/noncumulative commission expenses, TL 118,401 from production commission expenses and the remaining TL 171,844 of other expenses.

**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 PROFIT DISTRIBUTION  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

(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**

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**

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
<b>1 Credit Risk (excluding counterparty credit risk) (*)</b>	155,045,803	<b>156,045,237</b>	12,403,664
2 Standardized approach	155,045,803	156,045,237	12,403,664
3 Internal rating based approach	-	-	-
<b>4 Counterparty Credit Risk</b>	2,064,998	<b>2,123,816</b>	165,200
5 Standardized approach for counterparty credit risk	2,064,998	2,123,816	165,200
6 Internal model method	-	-	-
<b>7 Equity position in banking book under basic risk weighting or internal rating based</b>	-	-	-
8 Equity investments in funds – look-through approach	-	-	-
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – 1250% weighted risk approach	-	-	-
<b>11 Settlement Risk</b>	-	-	-
<b>12 Securitization positions in banking accounts</b>	-	-	-
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
<b>16 Market risk</b>	1,353,612	<b>632,989</b>	108,289
17 Standardized approach	1,353,612	632,989	108,289
18 Internal model approaches	-	-	-
<b>19 Operational Risk</b>	14,523,725	<b>12,245,361</b>	1,161,898
20 Basic Indicator Approach	14,523,725	12,245,361	1,161,898
21 Standardized approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	291,413	<b>492,718</b>	23,313
24 Floor adjustment	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	173,279,551	<b>171,540,121</b>	13,862,364

(\*) 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, 2017

(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.) Credit Risk Explanations

Credit Quality of Assets

Current Period

		Gross carrying values of (according to TAS)			
		Defaulted Exposures	Defaulted Exposures	Allowances / Impairment	Net Values
1	Loans	7,322,191	172,030,287	6,057,973	173,294,505
2	Debt Securities	-	28,302,154	109,570	28,192,584
3	Off-balance sheet exposure	171,552	70,414,960	69,971	70,516,540
<b>4</b>	<b>Total</b>	<b>7,493,743</b>	<b>270,747,401</b>	<b>6,237,515</b>	<b>272,003,629</b>

Prior Period

		Gross carrying values of (according to TAS)			
		Defaulted Exposures	Defaulted Exposures	Allowances / Impairment	Net Values
1	Loans	6,703,383	151,341,617	5,532,608	152,512,392
2	Debt Securities	-	27,067,730	295,725	26,772,005
3	Off-balance sheet exposure	165,159	66,397,867	59,816	66,503,210
<b>4</b>	<b>Total</b>	<b>6,868,542</b>	<b>244,807,214</b>	<b>5,888,149</b>	<b>245,787,607</b>

Changes in Stock of Defaulted Loans and Debt Securities(\*)

Current Period

1	Defaulted Loans and debt securities at 31 December 2015	<b>6,703,383</b>
2	Loans and debt securities that have defaulted since the last reporting period	1,564,087
3	Returned to non-defaulted status	70,849
4	Amounts written-off	2,933
5	Other Changes	(871,497)
<b>6</b>	<b>Defaulted Loans and debt securities at 30 June 2016 (1+2-3-4±5)</b>	<b>7,322,191</b>

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

Prior Period

1	Defaulted Loans and debt securities at 31 December 2015	<b>5,138,113</b>
2	Loans and debt securities that have defaulted since the last reporting period	2,957,373
3	Returned to non-defaulted status	31,895
4	Amounts written-off	1,341
5	Other Changes	(1,358,869)
<b>6</b>	<b>Defaulted Loans and debt securities at 30 June 2016 (1+2-3-4±5)</b>	<b>6,703,383</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, 2017

(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

2.) *Credit Risk Mitigation*

Credit Risk Mitigation Techniques

Current Period

		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	100,475,972	72,818,533	62,022,279	3,098,307	2,654,590	-	-
2	Debt Securities	28,192,584	-	-	-	-	-	-
3	<b>Total</b>	128,668,556	72,818,533	62,022,279	3,098,307	2,654,590	-	-
	Of which							
4	Defaulted	7,322,191	-	-	-	-	-	-

Prior Period

		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	97,586,808	54,925,584	46,872,614	3,076,521	2,649,313	-	-
2	Debt Securities	26,772,005	-	-	-	-	-	-
3	<b>Total</b>	124,358,813	54,925,584	46,872,614	3,076,521	2,649,313	-	-
	Of which							
4	Defaulted	6,703,383	-	-	-	-	-	-



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, 2017

(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

Current Period

Asset classes	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Exposures to central governments or central banks	68,376,400	1,120,295	70,890,793	630,580	4,654,289	%7
2 Exposures to regional governments or local authorities	5,335,476	499,405	5,335,476	231,804	2,749,396	%49
3 Exposures to public sector entities	781,929	600,140	781,929	281,290	1,058,239	%100
4 Exposures to multilateral development banks	16,684	-	16,684	-	16,684	%100
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to institutions	5,456,457	1,562,550	5,456,458	852,100	2,512,390	%40
7 Exposures to corporates	64,287,123	58,610,337	61,772,729	19,332,889	79,231,421	%98
8 Retail exposures	43,776,032	22,661,413	43,776,032	2,796,958	34,722,261	%75
9 Exposures secured by residential property	20,977,883	813,552	20,977,883	337,902	7,460,525	%35
10 Exposures secured by commercial real estate	22,821,890	2,002,456	22,821,890	1,111,129	14,724,780	%62
11 Past-due loans	1,264,218	-	1,264,218	-	1,264,218	%100
12 Higher-risk categories by the Agency Board	265,316	351	265,316	176	514,802	%194
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)	-	-	-	-	-	-
16 Other assets	8,234,039	-	8,234,039	-	5,749,870	%70
17 Investment in equities	678,341	-	678,341	-	678,341	%100
<b>18 Total</b>	<b>242,271,788</b>	<b>87,870,499</b>	<b>242,271,788</b>	<b>25,574,828</b>	<b>155,337,216</b>	<b>58%</b>

Prior Period

Asset classes	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Exposures to central governments or central banks	51,462,827	492,584	53,883,670	241,211	13,566,988	%25
2 Exposures to regional governments or local authorities	4,597,033	344,708	4,597,033	156,470	2,345,893	%49
3 Exposures to public sector entities	636,031	1,373,402	636,031	667,205	1,298,648	%100
4 Exposures to multilateral development banks	3,705	-	3,705	-	-	%0
5 Exposures to international organizations	-	-	-	-	-	%0
6 Exposures to institutions	5,149,430	1,682,800	5,149,432	956,406	2,486,006	%41
7 Exposures to corporates	60,375,270	50,259,565	57,954,425	17,018,385	73,095,869	%97
8 Retail exposures	42,990,135	20,892,607	42,990,135	2,703,720	34,068,749	%75
9 Exposures secured by residential property	20,926,182	703,497	20,926,182	288,457	7,425,123	%35
10 Exposures secured by commercial real estate	22,075,082	1,401,642	22,075,082	657,040	14,085,290	%62
11 Past-due loans	1,170,775	-	1,170,775	-	1,170,775	%100
12 Higher-risk categories by the Agency Board	402,675	-	402,675	-	801,099	%199
13 Exposures in the form of covered bonds	-	-	-	-	-	%0
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	%0
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	%0
16 Other assets	7,538,274	-	7,538,274	-	5,542,948	%74
17 Investment in equities	650,567	-	650,567	-	650,567	%100
<b>18 Total</b>	<b>217,977,986</b>	<b>77,150,805</b>	<b>217,977,986</b>	<b>22,688,894</b>	<b>156,537,955</b>	<b>%65</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, 2017

(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

Current Period	Asset Classes/ Risk Weight*	0%	10%	20%	35% (secured by real estate)						150%	200%	250%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
					50%	75%	100%	150%	200%	250%					
1	Exposures to central governments or central banks	62,225,807	-	-	-	9,282,553	-	13,013	-	-	-	-	-	-	71,521,373
2	Exposures to regional governments or local authorities	10,851	-	96,061	-	5,460,368	-	-	-	-	-	-	-	-	5,567,280
3	Exposures to public sector entities	4,379	-	751	-	-	-	1,058,089	-	-	-	-	-	-	1,063,219
4	Exposures to multilateral development banks	-	-	-	-	-	-	16,684	-	-	-	-	-	-	16,684
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	1,986	-	2,747,447	-	3,192,448	-	366,677	-	-	-	-	-	-	6,308,558
7	Exposures to corporates	367,691	-	299,096	-	2,534,457	-	77,904,374	-	-	-	-	-	-	81,105,618
8	Retail exposures	204,793	-	97,978	-	-	46,270,220	(1)	-	-	-	-	-	-	46,572,990
9	Exposures secured by residential property	-	-	-	21,315,785	-	-	-	-	-	-	-	-	-	21,315,785
10	Exposures secured by commercial real estate	-	-	-	-	18,416,479	-	5,516,540	-	-	-	-	-	-	23,933,019
11	Past-due loans	-	-	-	-	-	-	1,264,218	-	-	-	-	-	-	1,264,218
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	148,927	-	-	116,565	-	-	265,492
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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other assets	-	-	-	-	-	-	678,341	-	-	-	-	-	-	678,341
17	Investments in equities	2,186,707	-	371,827	-	-	-	5,675,505	-	-	-	-	-	-	8,234,039
18	<b>Total</b>	<b>65,002,214</b>	<b>-</b>	<b>3,613,160</b>	<b>21,315,785</b>	<b>38,886,305</b>	<b>46,270,220</b>	<b>92,493,440</b>	<b>148,927</b>	<b>-</b>	<b>116,565</b>	<b>-</b>	<b>-</b>	<b>267,846,616</b>	

Prior Period	Asset Classes/ Risk Weight*	0%	10%	20%	35% (secured by real estate)						150%	200%	250%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
					50%	75%	100%	150%	200%	250%					
1	Exposures to central governments or central banks	26,990,907	-	-	-	27,133,972	-	2	-	-	-	-	-	-	54,124,881
2	Exposures to regional governments or local authorities	10,109	-	86,015	-	4,657,379	-	-	-	-	-	-	-	-	4,753,503
3	Exposures to public sector entities	4,060	-	660	-	-	-	1,298,516	-	-	-	-	-	-	1,303,236
4	Exposures to multilateral development banks	3,705	-	-	-	-	-	-	-	-	-	-	-	-	3,705
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	1,792	-	1,994,366	-	4,045,095	-	64,585	-	-	-	-	-	-	6,105,838
7	Exposures to corporates	399,141	-	394,561	-	2,324,302	-	71,854,806	-	-	-	-	-	-	74,972,810
8	Retail exposures	-	-	-	-	-	45,693,855	-	-	-	-	-	-	-	45,693,855
9	Exposures secured by residential property	-	-	-	21,214,639	-	-	-	-	-	-	-	-	-	21,214,639
10	Exposures secured by commercial real estate	-	-	-	-	17,293,665	-	5,438,457	-	-	-	-	-	-	22,732,122
11	Past-due loans	-	-	-	-	-	-	1,170,775	-	-	-	-	-	-	1,170,775
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	205,588	-	-	197,087	-	-	402,675
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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other assets	-	-	-	-	-	-	650,567	-	-	-	-	-	-	650,567
17	Investments in equities	1,801,543	-	242,229	-	-	-	5,494,502	-	-	-	-	-	-	7,538,274
18	<b>Total</b>	<b>29,211,257</b>	<b>-</b>	<b>2,717,831</b>	<b>21,214,639</b>	<b>55,454,413</b>	<b>45,693,855</b>	<b>85,972,210</b>	<b>205,588</b>	<b>-</b>	<b>197,087</b>	<b>-</b>	<b>-</b>	<b>240,666,880</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, 2017**

(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)**

**4. Counterparty Credit Risk Explanations**

**Current Period**

	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for Computing regulatory exposure at default	Exposure at default post CRM	RWA
1 Standardized Approach - CCR (for derivatives)	1,638,763	588,840			2,227,604	1,111,335
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)				1,40	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					595,622	148,084
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					13	6
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6 Total</b>						<b>1,259,425</b>

**Prior Period**

	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for Computing regulatory exposure at default	Exposure at default post CRM	RWA
1 Standardized Approach - CCR (for derivatives)	1,598,356	627,528			2,225,884	1,095,500
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					769,791	183,644
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6 Total</b>						<b>1,279,144</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, 2017**

(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)**

**Capital requirement for credit valuation adjustment (CVA)**

**Current Period**

	<i>EAD post CRM</i>	<i>RWA</i>
Total portfolios subject to the Advanced CVA capital obligation	-	-
1 (i) VaR component (including the 3x multiplier)	-	-
2 (ii) Stressed VaR component (including the 3x multiplier)	-	-
3 All portfolios subject to the Standardized CVA capital obligation	2,227,604	805,241
<b>4 Total subject to the CVA capital obligation</b>	<b>2,227,604</b>	<b>805,241</b>

**Prior Period**

	<i>EAD post CRM</i>	<i>RWA</i>
Total portfolios subject to the Advanced CVA capital obligation	-	-
1 (i) VaR component (including the 3x multiplier)	-	-
2 (ii) Stressed VaR component (including the 3x multiplier)	-	-
3 All portfolios subject to the Standardized CVA capital obligation	2,219,529	844,350
<b>4 Total subject to the CVA capital obligation</b>	<b>2,219,529</b>	<b>844,350</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, 2017**

(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**

<b>Risk Classes / Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b> Secured by real estate	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	<b>Total Credit Exposures(*)</b>
Claims from central governments and central banks	6,046,642	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	8,336	-	159	-	-	-	-	-	-	32
Claims from administration and non commercial entity	1,151	-	-	-	-	-	262	-	-	262
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	2,563,799	-	1,659,756	-	2,785,784	-	80,200	-	-	1,805,043
Corporates	1,355	-	-	-	-	-	246,499	-	-	246,499
Retail portfolios	1,795	-	-	-	-	17,550	-	-	-	13,162
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 (**)	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>8,623,078</b>	<b>-</b>	<b>1,659,915</b>	<b>-</b>	<b>2,785,784</b>	<b>17,550</b>	<b>326,961</b>	<b>-</b>	<b>-</b>	<b>2,064,998</b>

(\*) Total credit exposure: the am1-13count relevant for the capital requirements calculation, having applied CRM techniques.

(\*\*) 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, 2017

(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

Prior Period

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Other	Total Credit Exposures(*)
Claims from central governments and central banks	3,906,197	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	1,216	-	38	-	-	-	-	-	-	8
Claims from administration and non commercial entity	16,486	-	-	-	-	-	1,339	-	-	1,339
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	6,537,261	-	1,633,264	-	3,110,725	-	-	-	-	1,882,015
Corporates	54,409	-	-	-	-	-	211,962	-	-	211,962
Retail portfolios	406	-	-	-	-	37,989	-	-	-	28,492
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 (**)	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>10,515,975</b>	<b>-</b>	<b>1,633,302</b>	<b>-</b>	<b>3,110,725</b>	<b>37,989</b>	<b>213,301</b>	<b>-</b>	<b>-</b>	<b>2,123,816</b>

(\*) Total credit exposure: the am1-13count relevant for the capital requirements calculation, having applied CRM techniques.

(\*\*) 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, 2017**

(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 CCR**

**Current Period**

	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	-	-	-	-	6,653,665	-
Cash-foreign currency	-	-	-	-	2,562,137	-
Domestic sovereign debts	-	-	-	-	-	2,273
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	9,215,801	2,273

**Prior Period**

	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	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	5,533,270	-
Domestic sovereign debts	-	-	-	-	-	1,804
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	5,533,270	1,804

**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, 2017**

(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)**

**Loan Derivatives**

**Current Period**

	<b>Protection bought</b>	<b>Protection sold</b>
<b>Notionals</b>		
Single-name credit default swaps	237,125	375,809
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
<b>Total Notionals</b>	<b>237,125</b>	<b>375,809</b>
<b>Fair Values</b>	17,043	40,495
Positive fair values (asset)	17,043	-
Negative fair values (liability)	-	40,495

**Prior Period**

	<b>Protection bought</b>	<b>Protection sold</b>
<b>Notionals</b>		
Single-name credit default swaps	165,000	246,050
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
<b>Total Notionals</b>	<b>165,000</b>	<b>246,050</b>
<b>Fair Values</b>		
Positive fair values (asset)	11,131	-
Negative fair values (liability)	-	24,801



**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, 2017**

(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**

	Exposure at default (post-CRM)	RWA
<b>1 Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		332
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3 (i) OTC Derivatives	16,589	332
4 (ii) Exchange-traded Derivatives	16,589	332
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	-	-
<b>11 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**

	Exposure at default (post-CRM)	RWA
<b>1 Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		323
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3 (i) OTC Derivatives	16,124	323
4 (ii) Exchange-traded Derivatives	16,124	323
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	-	-
<b>11 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, 2017

(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)

6. Explanations on Market Risk

Market Risk- Standardized approach

		RWA Current Period	RWA Prior Period
<b>Outright products</b>			
1	Interest rate risk (general and specific)	282,150	305,400
2	Stock risk (general and specific)	19,374	20,127
3	Foreign exchange risk	1,049,538	307,162
4	Commodity risk	-	-
<b>Options</b>			
5	Simplified approach	-	-
6	Delta-plus method	2,550	300
7	Scenario approach	-	-
8	Securitization	-	-
<b>9</b>	<b>Total</b>	<b>1,353,612</b>	<b>632,989</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, 2017**

(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**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1,467,222	712,552	1,281,060	508,933
Central Bank of the Republic of Turkey (*)	2,798,043	20,899,636	2,892,154	19,433,355
Other	366,523	12,325	235,950	17,863
<b>Total</b>	<b>4,631,788</b>	<b>21,624,513</b>	<b>4,409,164</b>	<b>19,960,151</b>

(\*) TL 18,016,018 (December 31, 2016: TL 14,977,543) 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, all banks operating in Turkey shall provide a reserve rate ranging from 4% to 10.5% (December 31, 2016: ranging from 4% 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, 2016: ranging from 4.5% to 24.5%).

According to 2014-72 numbered and 21 October 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 2 May 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**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	2,747,349	2,883,618	2,861,879	2,647,870
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	1,807,942
Reserve Deposits	50,694	18,016,018	30,275	14,977,543
<b>Total</b>	<b>2,798,043</b>	<b>20,899,636</b>	<b>2,892,154</b>	<b>19,433,355</b>

**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**

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	27,027	5,503	68,526	10,647
Other	-	-	-	-
<b>Total</b>	<b>27,027</b>	<b>5,503</b>	<b>68,526</b>	<b>10,647</b>

**Trading securities subject to repurchase agreements**

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 INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	13,863	4,075	18,625	4,254
Swap transactions	1,456,671	205,390	1,455,133	129,105
Futures	-	-	-	-
Options	151	149	107	328
Other	-	-	-	-
<b>Total</b>	<b>1,470,685</b>	<b>209,614</b>	<b>1,473,865</b>	<b>133,687</b>

**3. Information on banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	1,920,199	260,459	1,180,083	301,055
Foreign	643	2,842,460	15,703	3,778,648
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>1,920,842</b>	<b>3,102,919</b>	<b>1,195,786</b>	<b>4,079,703</b>

**4. Information on available-for-sale financial assets**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	4,270,32	2,107,345	1,882,699	2,051,546
Other	-	-	-	-
<b>Total</b>	<b>4,270,32</b>	<b>2,107,345</b>	<b>1,882,699</b>	<b>2,051,546</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, 2017

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1,885,556	-	3,775,304	-
Treasury bills	-	-	-	-
Other debt securities	-	2,387,506	-	2,113,320
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
<b>Total</b>	<b>1,885,556</b>	<b>2,387,506</b>	<b>3,775,304</b>	<b>2,113,320</b>

*Information on available-for-sale financial assets*

	Current Period	Prior Period
<b>Debt securities</b>	<b>19,653,564</b>	<b>18,832,215</b>
Quoted on a Stock Exchange	19,653,564	18,832,215
Unquoted	-	-
<b>Equity securities</b>	<b>33,127</b>	<b>27,610</b>
Quoted on a Stock Exchange	-	-
Unquoted	33,127	27,610
<b>Provisions for impairment losses (-)</b>	<b>96,281</b>	<b>240,745</b>
<b>Total</b>	<b>19,590,410</b>	<b>18,619,080</b>

5. Information on loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct loans provided to the shareholders</b>	-	<b>37,275</b>	-	<b>31,720</b>
Legal entities	-	37,275	-	31,720
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>	-	-	-	-
<b>Loans provided to the employees</b>	<b>126,455</b>	<b>58,450</b>	<b>117,544</b>	<b>41</b>
<b>Total</b>	<b>126,455</b>	<b>95,725</b>	<b>117,544</b>	<b>31,761</b>

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

Cash Loans	Standard loans and other receivables		Loans and other receivables under close monitoring		
	Loans and other receivables	Loans and Agreement conditions other modified receivables		Agreement conditions modified	
		Payment plan extensions	Other	Payment plan extensions	Other
<b>Non-specialized loans</b>	<b>159,856,899</b>	<b>2,591,570</b>	-	<b>5,103,329</b>	<b>1,478,380</b>
Loans given to enterprises	58,678,405	1,775,223	-	1,459,041	1,096,901
Export loans	6,375,531	10,898	-	148,901	52,946
Import loans	-	-	-	-	-
Loans given to financial sector	1,758,737	-	-	20,249	-
Consumer loans	36,915,126	365,394	-	1,499,945	236,284
Credit cards	5,879,232	52,634	-	259,424	36,187
Other	50,249,868	387,421	-	1,715,769	56,062
<b>Specialized lending</b>	<b>499</b>	-	-	-	-
<b>Other receivables</b>	<b>11,697</b>	-	-	-	-
<b>Total</b>	<b>159,869,095</b>	<b>2,591,570</b>	-	<b>5,103,329</b>	<b>1,478,380</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, 2017

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

<i>Number of modifications to extend payment plans</i>	<i>Standard Loans and Other Receivables (*)</i>	<i>Loans and other receivables under close monitoring (*)</i>
Extended for 1 or 2 times	2,591,570	1,101,618
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	1,078	1,187
6-12 Months	18,416	9,091
1-2 Years	69,329	89,010
2-5 Years	1,203,772	874,240
5 Years and Over	1,298,975	128,090

(\*) 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 28 May 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, 2017

(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*

	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>481,111</b>	<b>36,249,391</b>	<b>36,730,502</b>
Housing loans	17,556	17,453,518	17,471,074
Automobile loans	5,667	402,310	407,977
General purpose loans	457,888	18,393,563	18,851,451
Other	-	-	-
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans – FC</b>	<b>48</b>	<b>5,661</b>	<b>5,709</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	48	5,650	5,698
Other	-	11	11
<b>Retail credit cards – TL</b>	<b>4,547,260</b>	<b>101,740</b>	<b>4,649,000</b>
With instalment	1,993,060	91,593	2,084,653
Without instalment	2,554,200	10,147	2,564,347
<b>Retail credit cards – FC</b>	<b>15,693</b>	-	<b>15,693</b>
With instalment	-	-	-
Without instalment	15,693	-	15,693
<b>Personnel loans – TL</b>	<b>4,286</b>	<b>56,351</b>	<b>60,637</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	4,286	56,351	60,637
Other	-	-	-
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans – FC</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel credit cards – TL</b>	<b>64,914</b>	<b>514</b>	<b>65,428</b>
With instalment	26,906	479	27,385
Without instalment	38,008	35	38,043
<b>Personnel credit cards – FC</b>	<b>390</b>	-	<b>390</b>
With instalment	-	-	-
Without instalment	390	-	390
<b>Overdraft Checking Accounts – TL (Real person)</b>	<b>2,219,716</b>	-	<b>2,219,716</b>
<b>Overdraft Checking Accounts – FC (Real person)</b>	<b>185</b>	-	<b>185</b>
<b>Total</b>	<b>7,333,603</b>	<b>36,413,657</b>	<b>43,747,260</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, 2017

(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*

	Short-Term	Medium and Long-Term	Total
<b>Instalment-based commercial loans – TL</b>	<b>1,073,556</b>	<b>40,949,839</b>	<b>42,023,395</b>
Real estate loans	1,083	999,431	1,000,514
Automobile loans	60,288	1,619,327	1,679,615
General purpose loans	1,012,185	38,331,081	39,343,266
Other	-	-	-
<b>Instalment-based commercial loans – FC indexed</b>	<b>45,373</b>	<b>1,486,365</b>	<b>1,531,738</b>
Real estate loans	-	-	-
Automobile loans	-	109,064	109,064
General purpose loans	45,373	1,377,301	1,422,674
Other	-	-	-
<b>Instalment-based commercial loans – FC</b>	<b>18,818</b>	<b>9,595,189</b>	<b>9,614,007</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	12	7,631,900	7,631,912
Other	18,806	1,963,289	1,982,095
<b>Corporate credit cards – TL</b>	<b>1,494,437</b>	<b>1,265</b>	<b>1,495,702</b>
With instalment	376,657	1,265	377,922
Without instalment	1,117,780	-	1,117,780
<b>Corporate credit cards – FC</b>	<b>1,264</b>	<b>-</b>	<b>1,264</b>
With instalment	-	-	-
Without instalment	1,264	-	1,264
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>1,366,429</b>	<b>-</b>	<b>1,366,429</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,999,877</b>	<b>52,032,658</b>	<b>56,032,535</b>

*Allocation of domestic and overseas loans*

	Current Period	Prior Period
Domestic loans	168,405,541	147,783,305
Foreign loans	636,833	621,189
<b>Total</b>	<b>169,042,374</b>	<b>148,404,494</b>

*Loans to associates and subsidiaries*

	Current Period	Prior Period
Direct loans to associates and subsidiaries	49	10
Indirect loans to associates and subsidiaries	-	-
<b>Total</b>	<b>49</b>	<b>10</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, 2017

(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)

*Specific provisions for loans*

<b>Specific Provisions</b>	<b>Current Period</b>	<b>Prior Period</b>
Loans and receivables with limited collectability	138,116	389,259
Loans and receivables with doubtful collectability	657,484	553,966
Uncollectible loans and receivables	5,262,373	4,589,383
<b>Total</b>	<b>6,057,973</b>	<b>5,532,608</b>

*Information on non-performing loans (Net)*

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

	<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>Current period</b>	<b>131,333</b>	<b>133,394</b>	<b>109,129</b>
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	131,333	133,394	109,129
<b>Prior period</b>	<b>137,005</b>	<b>176,551</b>	<b>78,606</b>
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	137,005	176,551	78,606

*Movements in non-performing loan groups*

	<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>Balance at the beginning of the period</b>	<b>946,968</b>	<b>1,107,117</b>	<b>4,649,298</b>
Additions (+)	1,463,123	39,604	61,360
Transfers from other categories of loans under follow-up (+)	-	1,487,264	963,134
Transfers to other categories of loans under follow-up (-) <sup>(*)</sup>	1,556,328	1,142,908	46,506
Collections (-)	161,198	175,042	310,762
Write-offs (-)	-	-	2,933
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Other</i>	-	-	2,933
Currency differences	-	-	-
<b>Balance at the end of the period</b>	<b>692,565</b>	<b>1,316,035</b>	<b>5,313,591</b>
Specific provisions (-) <sup>(**)</sup>	138,116	657,484	5,262,373
<b>Net balance on balance sheet</b>	<b>554,449</b>	<b>658,551</b>	<b>51,218</b>

<sup>(\*)</sup> Loans that are transferred from non-performing loans to restructured loans are presented in the transfers to other categories of loans under follow-up lines.

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

**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, 2017**

(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*

	<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>Current Period</b>			
Balance at the end of the period	17,553	79,153	437,047
Specific provision (-)	3,709	39,483	397,690
<b>Net balance on balance sheet</b>	<b>13,844</b>	<b>39,670</b>	<b>39,357</b>
<b>Prior Period</b>			
Balance at the end of the period	64,048	17,087	423,134
Specific provision (-)	52,069	8,807	382,751
<b>Net balance on balance sheet</b>	<b>11,979</b>	<b>8,280</b>	<b>40,383</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*

	<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>Current Period (Net)</b>			
Consumer and Commercial Loans (Gross)	690,599	1,315,839	5,214,264
Specific Provision (-)	137,723	657,386	5,163,046
<b>Consumer and Commercial Loans (Net)</b>	<b>552,876</b>	<b>658,453</b>	<b>51,218</b>
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	1,966	196	97,776
Specific Provision (-)	393	98	97,776
<b>Other Loans and Receivables (Net)</b>	<b>1,573</b>	<b>98</b>	<b>-</b>
<b>Prior Period (Net)</b>			
Consumer and Commercial Loans (Gross)	946,835	1,097,617	4,550,247
Specific Provision (-)	389,232	549,216	4,490,332
<b>Consumer and Commercial Loans (Net)</b>	<b>557,603</b>	<b>548,401</b>	<b>59,915</b>
Banks (Gross)	-	-	8,761
Specific Provision (-)	-	-	8,761
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	133	9,500	90,290
Specific Provision (-)	27	4,750	90,290
<b>Other Loans and Receivables (Net)</b>	<b>106</b>	<b>4,750</b>	<b>-</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, 2017

(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)

6. Information on held-to-maturity investments

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	8,694,901	-	8,039,914	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	174,631	-	-
<b>Total</b>	<b>8,694,901</b>	<b>174,631</b>	<b>8,039,914</b>	<b>-</b>

*Information on held-to-maturity investment securities*

	Current Period	Prior Period
<b>Debt Securities</b>	<b>9,000,873</b>	<b>8,187,293</b>
<i>Quoted at stock exchanges</i>	8,877,972	8,046,672
<i>Unquoted at stock exchanges</i>	122,901	140,621
<b>Impairment losses (-)</b>	<b>8,440</b>	<b>6,758</b>
<b>Total</b>	<b>8,992,433</b>	<b>8,180,535</b>

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

	Current Period	Prior Period
<b>Balances at the beginning of the period</b>	<b>8,180,535</b>	<b>7,677,729</b>
Foreign currency differences on monetary assets	5,225	7,371
Purchases during the period	1,499,542	1,873,688
Transfers to available for sale portfolio	-	-
Disposals through sales/redemptions	(1,123,419)	(1,673,758)
Impairment losses	(1,682)	(537)
Change in amortized costs of the securities (*)	432,232	296,042
<b>Balances at the end of the period</b>	<b>8,992,433</b>	<b>8,180,535</b>

(\*) Changes in the amortized costs of the marketable securities also include rediscount differences in marketable 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, 2017

(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 held-to-maturity investments*

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	1,741,750	122,850	1,936,870	122,901
Investments subject to repurchase agreements	3,776,317	173,290	4,768,108	174,631
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	1,765,791	-	1,989,923	-
<b>Total</b>	<b>7,283,858</b>	<b>296,140</b>	<b>8,694,901</b>	<b>297,532</b>

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

Prior Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	556,248	140,600	576,573	140,621
Investments subject to repurchase agreements	4,680,338	-	5,323,556	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	1,821,464	-	2,139,785	-
<b>Total</b>	<b>7,058,050</b>	<b>140,600</b>	<b>8,039,914</b>	<b>140,621</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 Bank Risk Group’s Share	
		Rights (%)	(%)
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/TRNC	82.00	85.33

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Period’s Profit/Loss	Fair Value
1	3,848,242	934,649	626,619	3,738	-	(9,615)	47,048	-
2	80,785	43,157	49,254	701	-	3,260	9,586	-
3	251,695	153,446	174,795	974	-	14,597	5,766	-
4	142,431	(38,498)	87,995	182	-	(2,975)	413	-
5	110,126	(23,904)	85,275	-	-	(2,476)	(2,556)	-
6	9,813,710	1,103,547	105,238	79,537	1,948	59,697	65,580	-
7	414,271	392,484	9,287	3,950	-	63,507	1,710	-
8	1,169	(111,288)	-	13	-	(2,915)	(2,139)	-

(\*) The financial statement information provided for these associates is taken from the financial statements dated March 31, 2017.

**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, 2017**

(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, 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 Bank amounting to TL 177 is presented in the movement table of investments in associates as bonus shares received. 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 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 authorisation of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to 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 and İzmir Enternasyonal AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

***Consolidated investments in associates***

<b>Title</b>	<b>Address (City/ Country)</b>	<b>Parent Bank’s Share – If Different, Voting Rights (%)</b>	<b>Bank Risk Group’s Share (%)</b>
1 Kıbrıs Vakıflar Bankası Ltd.(*)	Lefkoşa/TRNC	15	15
2 Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Türkiye	8.38	8.38

	<b>Total Assets</b>	<b>Equity</b>	<b>Tangible Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Year’s Profit/Loss</b>	<b>Prior Period’s Profit/Loss</b>	<b>Fair Value</b>
1	969,837	83,354	7,097	18,015	1,238	313	1,318	-
2	26,741,883	3,399,635	815,920	660,866	187,824	301,800	239,178	3,402,177

(\*) The financial statement information provided for these associates is taken from the financial statements dated March 31, 2017.

**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, 2017**

(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, 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 Bank amounting to TL 29,321 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 Kıbrıs Vakıflar Bankası Ltd. from TL 40,000 to TL 70,000 in the Extraordinary General Meeting of the Company dated May 12, 2016. The share of the Bank amounting to TL 4,500 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 Türkiye Sınai Kalkınma Bankası AŞ from TL 1,750,000 to TL 2,050,000 in the Ordinary Meeting of General Assembly of the Company dated March 24, 2016, the share of the Bank amounting to TL 25,132 is presented in the movement table of investments in associates as bonus shares received.

*Movement of consolidated investments in associates*

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the beginning of the period</b>	<b>253,457</b>	<b>224,269</b>
<b>Movements during the period</b>	<b>42,264</b>	<b>29,188</b>
Transfers	-	-
Acquisitions	-	-
Bonus shares received	<b>29,321</b>	<b>29,632</b>
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	<b>12,943</b>	<b>(444)</b>
Impairment losses	-	-
<b>Balance at the end of the period</b>	<b>295,721</b>	<b>253,457</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of period (%)</b>	-	-

*Sectoral distribution of consolidated investments and associates*

	<b>Current Period</b>	<b>Prior Period</b>
Insurance companies	295,721	253,457
Banks	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
<b>Total</b>	<b>295,721</b>	<b>253,457</b>

**Quoted associates**

	<b>Current Period</b>	<b>Prior Period</b>
Quoted at domestic stock exchanges	285,102	242,838
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>285,102</b>	<b>242,838</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*

There is not any associate acquired by the Parent Bank in the current 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, 2017

(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
Paid in Capital	114,483	109,000	35,000	22,400	270,000	26,500	12,000	217,500	20,000
Share Premium	-	-	-	-	655	-	-	246,731	-
Adjustment to paid-in capital	-	394	(271)	28,882	(1,376)	6,437	57	21,612	62
Valuation changes in marketable securities	31,977	3,470	66,346	347	294,528	1,937	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	17,516	-	-	205,204	50,005	-	547	-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	59	191	-	-	-
Legal Reserves	10,614	6,286	6,128	5,824	17,179	18,385	965	6,390	395
Extraordinary Reserves	-	33,523	7,368	48,296	19,247	68,476	1,577	97,360	-
Other Profit Reserves	283,373	-	2,308	-	-	-	-	-	-
Profit/Loss	141,664	11,177	9,115	27,809	(427,904)	162,451	10,628	16,605	(2,650)
Prior Period's Profit/Loss	129,784	(18)	1,123	16,097	(437,002)	134,798	6,855	11,918	(3,008)
Current Period's Profit/Loss	11,880	11,195	7,992	11,712	9,098	27,653	3,773	4,687	358
Minority Rights	-	74	-	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>582,111</b>	<b>181,440</b>	<b>125,994</b>	<b>133,558</b>	<b>377,592</b>	<b>334,382</b>	<b>25,227</b>	<b>606,745</b>	<b>17,807</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>582,111</b>	<b>181,440</b>	<b>125,994</b>	<b>133,558</b>	<b>377,592</b>	<b>334,382</b>	<b>25,227</b>	<b>606,745</b>	<b>17,807</b>
<b>NET AVAILABLE EQUITY</b>	<b>582,111</b>	<b>181,440</b>	<b>125,994</b>	<b>133,558</b>	<b>377,592</b>	<b>334,382</b>	<b>25,227</b>	<b>606,745</b>	<b>17,807</b>

(\*) Reviewed BRSA financial statements as of June 30, 2017 are considered.

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

**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, 2017, there is no capital requirement for the subsidiaries mentioned.

*Unconsolidated investments in subsidiaries*

	<b>Title</b>	<b>Address (City / Country)</b>	<b>Bank's Share –If Different, Voting Rights (%)</b>	<b>Bank's Risk Group Share (%)</b>
1	Vakıf Enerji ve Madencilik AŞ (**)	Ankara/Türkiye	65.50	85.53
2	Taksim Otelcilik AŞ	İstanbul/Türkiye	51.00	51.69
3	Vakıf Pazarlama Sanayi ve Ticaret AŞ (**)	İstanbul/Türkiye	69.33	76.20
4	Vakıf Gayrimenkul Değerleme AŞ (*)	Ankara/Türkiye	54.29	58.73

	<b>Total Assets</b>	<b>Equity</b>	<b>Tangible Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Year's Profit/(Loss)</b>	<b>Prior Years' Profit/(Loss)</b>	<b>Fair Value</b>
1	25,403	11,656	1,041	888	-	6,020	(2,266)	14,466
2	362,267	347,247	225,060	4,988	-	(3,938)	(1,412)	400,560
3	59,791	49,796	1,710	3,948	-	6,422	3,587	58,797
4	32,917	27,661	304	807	-	222	533	26,471

(\*) The financial statement information provided for these subsidiaries is from the financial statements dated March 31, 2017.

(\*\*) The financial statement information provided for these subsidiaries is taken from the financial statements as of December 31, 2016.

*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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

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/Türkiye	48.2	48.2
2 Vakıf Emeklilik AŞ (*)	İstanbul/Türkiye	53.9	79.74
3 Vakıf Faktoring AŞ	İstanbul/Türkiye	78.39	88.7
4 Vakıf Finansal Kiralama AŞ	İstanbul/Türkiye	58.71	66.26
5 Vakıf Yatırım Menkul Değerler AŞ	İstanbul/Türkiye	99	99.48
6 Vakıfbank International AG (*)	Viyana/Avusturya	90	90
7 Vakıf Portföy Yönetimi AŞ	İstanbul/Türkiye	100	100
8 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ (**)	İstanbul/Türkiye	22.89	34.57
9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ (**)	İstanbul/Türkiye	38.7	40.87

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit / (Loss)		Prior Period's Profit / (Loss)		Fair Value
						Current Year's Profit / (Loss)	Prior Period's Profit / (Loss)			
1	1,881,729	445,840	581,926	35,144	441	(6,964)	(78,995)		426,879	
2	5,936,503	273,132	120,466	9,571	65	11,592	7,779		800,926	
3	1,404,756	133,559	2,971	78,077	-	11,713	8,485		95,035	
4	1,808,748	181,442	21,882	64,833	-	11,195	10,167		244,392	
5	475,392	125,995	1,958	17,245	12	7,994	3,558		103,924	
6	3,717,328	524,329	1,705	20,665	7,817	6,740	9,267		521,876	
7	26,290	25,227	460	1,435	20	3,774	3,157		72,525	
8	20,262	17,806	31	162	1,210	358	(256)		40,685	
9	1,053,246	869,686	615,807	7,969	-	4,709	11,431		637,550	

(\*) Financial information as at 31 December 2016 has been presented for these subsidiaries.

(\*\*) Although the Bank has ownership of less than 50% of these subsidiaries, the Bank has power to exercise control over the financial and operating policies of the companies

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

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>1,528,228</b>	<b>1,350,170</b>
<b>Movements during the period</b>	<b>228,350</b>	<b>178,058</b>
Transfers	-	-
Acquisitions	-	76,155
Bonus shares received	14,659	24,858
Share of current year profit	(2,350)	(1,314)
Sales and liquidations	-	-
Fair value changes	202,257	72,033
Impairment losses	13,784	6,326
<b>Balance at the end of the period</b>	<b>1,756,578</b>	<b>1,528,228</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

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*

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	1,756,578	1,528,228
Equity method of accounting	-	-
<b>Total</b>	<b>1,756,578</b>	<b>1,528,228</b>

*Sectoral distribution of consolidated investments in financial subsidiaries*

	Current Period	Prior Period
Banks	469,689	434,112
Insurance companies	637,455	568,089
Factoring companies	74,498	74,498
Leasing companies	143,483	79,019
Financing companies	-	-
Other financial subsidiaries	431,453	372,510
<b>Total</b>	<b>1,756,578</b>	<b>1,528,228</b>

*Quoted consolidated subsidiaries*

	Current Period	Prior Period
Quoted at domestic stock exchanges	605,283	410,160
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>605,283</b>	<b>410,160</b>

*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, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayimemkul 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 current 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.

In the prior period, within the registered capital ceiling of TL 300,000 of Güneş Sigorta AŞ, the paid-in capital increased from TL 150,000 to TL 270,000 by increasing TL 120,000. In this context, our fair value was fully used in the capital increase of the Company and our Bank's current nominal share was TL 43,619. In addition, TL 32,536 has been paid for the premiums not used by other shareholders (from the shares offered to the public on the BİAŞ share market) for the nominal 32,000,000 shares purchased from the prices formed in the BİST Primary Market. Total share capital of the Bank amounting to TL 76,155 is included in Purchases in the movement table of subsidiaries. After the capital increase, our nominal share of TL 54,524 in the capital of Güneş Sigorta AŞ has increased to TL 130,143 and our share of 36.35% has increased to 48.20%.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Portföy Yönetimi AŞ from TL 3,000 to TL 12,000 by a bonus increase of TL 9,000. After the capital increase, Bank's current nominal share has been increased from TL 3,000 to TL 12,000 by bonus increase of 9,000 and Bank's

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

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

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

share percentage has been remained the same 100.00%. The share of the Bank amounting to TL 9,000 is presented as bonus shares received in the movement table of investments in subsidiaries.

In the prior period, subsequent to approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 205,400 to TL 213,000 by a bonus increase of TL 7,600 in the Ordinary Meeting of General Assembly of the Company dated April 15, 2016. After the capital increase, Bank's current nominal share has been increased from TL 79,495 to TL 82,436 by bonus increase of 2,941 and Bank's share percentage has been remained the same (38.70%). The share of the Bank amounting to TL 2,941 is presented as bonus shares received in the movement table of investments in subsidiaries.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ from TL 65,000 to TL 87,000 by a bonus increase of TL 22,000 in the Ordinary Meeting of General Assembly of the Company dated 12 April 2016. After the capital increase, Bank's current nominal share has been increased from TL 38,163 to TL 51,080 by bonus increase of 12,917 and Bank's share percentage has been remained the same (58.71%). The share of the Bank amounting to TL 12,917 is presented as bonus shares received in the movement table of investments in subsidiaries.

**9. Investments in joint-ventures**

There is not any investment in joint-ventures of the Group within current and prior period.

**10. Information on finance lease receivables (net)**

*Finance lease receivables disclosed according to remaining maturities*

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	213,348	205,497	127,815	124,560
Between 1-4 years	1,054,822	921,864	1,069,370	940,008
Longer than 4 years	608,736	497,527	591,496	481,841
<b>Total</b>	<b>1,876,906</b>	<b>1,624,888</b>	<b>1,788,681</b>	<b>1,546,409</b>

*Net investments in finance lease receivables*

	Current Period	Prior Period
Gross finance lease receivables	1,876,906	1,788,681
Unearned income on finance lease receivables (-)	252,018	242,272
Terminated lease contracts (-)	-	-
<b>Net finance lease receivables</b>	<b>1,624,888</b>	<b>1,546,409</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.

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

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

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

**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, 2017, the Group has investment properties that have book amount of its subsidiaries which are operating in the insurance business is TL 8,631 (December 31, 2016: TL 8,877) and its subsidiaries which are operating in real estate investment business is TL 346,911 (December 31, 2016: TL 345,508).

**13. Information on tax assets**

**(a) Current tax assets**

As at June 30, 2017 the current tax asset of the Group amounts to TL 666 (December 31, 2016: TL 835).

**(b) Deferred tax assets**

Items generating deferred tax assets or liabilities are listed below as at June 30, 2017 and December 31, 2016:

	<b>Current Period</b>	<b>Prior Period</b>
Provision for employee termination benefits and unused vacations	107,679	97,828
Other provisions	84,383	93,646
Valuation differences of associates and subsidiaries	27,488	27,488
Deductible financial losses	26,418	26,418
Investment incentives	1,297	4,314
Valuation differences of financial assets and liabilities	48,132	82,263
Reporting Standards - Tax Code depreciation differences	6,957	6,330
Other differences	17,150	16,268
<b>Deferred tax assets</b>	<b>319,504</b>	<b>354,555</b>
Net-off of the deferred tax assets and liabilities from the same entity	(202,939)	(157,468)
<b>Deferred tax assets, (net)</b>	<b>116,565</b>	<b>197,087</b>
Valuation differences of financial assets and liabilities	215,528	119,153
Valuation difference for associates and subsidiaries	11,059	17,511
Valuation differences of properties	39,185	39,593
Other differences	13,244	4,235
<b>Deferred tax liabilities</b>	<b>279,016</b>	<b>180,492</b>
Net-off of the deferred tax assets and liabilities from the same entity	(202,939)	(157,468)
<b>Deferred tax liabilities, (net)</b>	<b>76,077</b>	<b>23,024</b>

As at June 30, 2017 and December 31, 2016, items generating deferred tax assets or liabilities movement table is listed below:

	<b>Current Period</b>	<b>Previous Period</b>
<b>As of 1 January</b>	<b>174,063</b>	<b>116,095</b>
Deferred tax income/loss	(87,329)	17,554
Deferred tax that is accounted under equity	(45,742)	44,360
Other	(504)	(3,946)
<b>Deferred tax asset/(liability)</b>	<b>40,488</b>	<b>174,063</b>

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

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

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

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

As at June 30, 2017, net book value of assets held for sale of the Group is amounting to TL 1,251,776 (December 31, 2016: TL 1,228,102).

**15. Information on other assets**

As at June 30, 2017 and December 31, 2016, the details of other assets are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Receivables from insurance operations	1,142,876	928,905
Receivables from credit card payments	1,124,070	988,257
Prepaid expenses	1,081,053	522,306
Guarantees given for repurchase agreements	462	-
Guarantees given for derivative financial instruments	1,737,509	1,876,321
Receivables from term sale of assets	14,745	21,746
Receivables from reinsurance companies	39,010	27,240
Deferred commission expenses	55,876	59,891
Other	687,409	1,158,351
<b>Total</b>	<b>5,883,010</b>	<b>5,583,017</b>

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

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	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	6,093,306	-	2,389,323	27,171,643	1,859,092	303,300	172,334	1,267	37,990,265
Foreign currency deposits	6,287,370	-	2,210,400	20,866,520	1,938,767	1,676,474	6,176,530	-	39,156,061
Residents in Turkey	5,345,617	-	2,206,668	20,520,826	1,596,625	777,003	969,761	-	31,416,500
Residents in abroad	941,753	-	3,732	345,694	342,142	899,471	5,206,769	-	7,739,561
Public sector deposits	6,161,128	-	5,118,979	7,607,001	1,112,144	3,560,969	120,829	-	23,681,050
Commercial deposits	3,247,517	-	6,120,371	13,102,227	2,812,930	126,253	7,622	-	25,416,920
Other	4,485,966	-	1,348,858	3,472,679	1,717,486	86,947	22,386	-	11,134,322
Precious metal deposits	1,608,889	-	-	-	-	-	-	-	1,608,889
Bank deposits	541,362	-	2,456,240	1,475,887	361,181	53,352	36,486	-	4,924,508
Central Bank	1,391	-	-	-	-	-	-	-	1,391
Domestic banks	34,994	-	2,140,112	879,037	254,626	-	-	-	3,308,769
Foreign banks	267,706	-	35,036	315,735	106,555	53,352	36,486	-	814,870
Participation banks	237,271	-	281,092	281,115	-	-	-	-	799,478
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>28,425,538</b>	<b>-</b>	<b>19,644,171</b>	<b>73,695,957</b>	<b>9,801,600</b>	<b>5,807,295</b>	<b>6,536,187</b>	<b>1,267</b>	<b>143,912,015</b>

  

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	5,705,688	-	1,680,889	25,414,440	1,642,146	289,813	164,353	268	34,897,597
Foreign currency deposits	5,459,945	-	2,646,284	18,828,852	1,782,652	1,397,067	5,744,196	-	35,858,996
Residents in Turkey	4,811,159	-	2,639,895	18,521,686	1,479,501	544,129	943,203	-	28,939,573
Residents in abroad	648,786	-	6,389	307,166	303,151	852,938	4,800,993	-	6,919,423
Public sector deposits	5,358,931	-	5,219,406	6,965,059	768,349	2,589,066	115,942	-	21,016,753
Commercial deposits	2,896,213	-	6,103,794	7,131,196	1,488,185	312,555	9,299	-	17,941,242
Other	4,168,961	-	1,901,192	3,401,011	881,451	85,146	20,450	-	10,458,211
Precious metal deposits	1,010,609	-	-	-	-	-	-	-	1,010,609
Bank deposits	243,644	-	3,239,174	1,395,631	98,703	23,363	75,386	-	5,075,901
Central Bank	1,117	-	-	-	-	-	-	-	1,117
Domestic banks	10,075	-	2,934,647	913,292	98,703	2,144	4,323	-	3,963,184
Foreign banks	169,476	-	93,469	288,852	-	21,219	71,063	-	644,079
Participation banks	62,976	-	211,058	193,487	-	-	-	-	467,521
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>24,843,991</b>	<b>-</b>	<b>20,790,739</b>	<b>63,136,189</b>	<b>6,661,486</b>	<b>4,697,010</b>	<b>6,129,626</b>	<b>268</b>	<b>126,259,309</b>

Information on saving deposits insured by Saving Deposit Insurance Fund and the total amounts of the deposits exceeding the insurance coverage limit

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	20,542,493	19,306,192	17,447,772	15,591,405
Foreign currency saving deposits	6,432,273	5,092,943	15,409,511	14,160,086
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
<b>Total</b>	<b>26,974,766</b>	<b>24,399,135</b>	<b>32,857,283</b>	<b>29,751,491</b>

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	32,019	37,431
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	2,139	4,957
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	-	-

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

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

**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES**

**2. Information on derivative financial liabilities held for trading purpose**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	13,328	4,003	22,407	4,202
Swaps	618,366	181,344	894,453	194,876
Futures	-	-	-	-
Options	22,099	131	38,159	327
Other	-	-	-	-
<b>Total</b>	<b>653,793</b>	<b>185,478</b>	<b>955,019</b>	<b>199,405</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks and institutions	887,590	1,066,653	1,081,208	1,023,229
Foreign banks, institutions and funds	691,975	25,572,561	639,606	23,555,387
<b>Total</b>	<b>1,579,565</b>	<b>26,639,214</b>	<b>1,720,814</b>	<b>24,578,616</b>

*Maturity information of funds borrowed*

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term (*)	710,218	2,697,839	715,655	2,342,821
Medium and Long-term (*)	869,347	23,941,375	1,005,159	22,235,795
<b>Total</b>	<b>1,579,565</b>	<b>26,639,214</b>	<b>1,720,814</b>	<b>24,578,616</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 12.64% (December 31, 2016: 13.08%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On April 20, 2016, the loan has been renewed with a new syndicated loan amounting to US Dollar 207 million and Euro 631.5 million with the interest rate of US Libor + 0.85% and Euribor + 0.75% at a maturity of 367 days with participation of 30 banks, Wells Fargo Bank, London Branch and National Bank of Abu Dhabi PJSC acting as coordinator and agent bank. On April 24, 2017, the 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 and National Bank of Abu Dhabi PJSC acting as coordinator and agent bank.

On September 26, 2016, the loan has been renewed with a new syndicated loan amounting to 224.5 million US Dollar and 544 million Euros with the interest rate of US Libor + 1.10% and Euribor + 1.00% at a maturity of 367 days with participation of 22 banks, ING Bank, London Branch and National Bank of Abu Dhabi PJSC acting as coordinator and ING Bank, London Branch acting as agent bank.

On 19 December 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.

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

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

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

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 4 October 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. As of June 30, 2017, the sum of the securitization loans amounted to USD 1,427 million and EUR 305 million.

On March 3rd, 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.

***Information on securities issued***

Within the context of Global Medium Term Notes (GMTN), the 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 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%.

The context of Global Medium Term Notes (GMTN), the Bank has issued 224 private placements with 17 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 4,790 million US Dollar private placements as of the date of March 31, 2017. The total private placements are 48.5 million US Dollar as of the same date on.

The bank has issued Turkey's first Euro covered bond on May 4, 2016. The bond has been issued on May 4, 2016 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.

<b>Current Period</b>	<b>TL</b>		<b>FC</b>	
	<b>Short Term</b>	<b>Medium-Long Term</b>	<b>Short Term</b>	<b>Medium-Long Term</b>
Nominal	4,214,589	-	-	11,603,404
Cost	4,029,181	-	-	11,537,947
Net Book Value	4,113,928	-	-	11,635,157

  

<b>Prior Period</b>	<b>TL</b>		<b>FC</b>	
	<b>Short Term</b>	<b>Medium-Long Term</b>	<b>Short Term</b>	<b>Medium-Long Term</b>
Nominal	3,437,915	-	152,903	11,060,179
Cost	3,320,629	-	152,903	10,979,708
Net Book Value	3,373,519	-	154,695	11,154,610



DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

*Obligations under finance leases*

None.

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

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

None.

7. Information on provisions

*Information on general provisions*

	Current Period	Prior Period
Provisions for loans and receivables in Group I	1,997,707	1,796,316
-Additional provision for loans with extended payment plans	76,822	50,986
Provisions for loans and receivables in Group II	168,032	222,879
-Additional provision for loans with extended payment plans	28,212	33,725
Provisions for non-cash loans	125,770	124,718
Other	22,727	23,530
<b>Total</b>	<b>2,314,236</b>	<b>2,167,443</b>

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

	Current Period	Prior Period
<i>Provision for currency exchange loss on foreign currency indexed loans</i>	19,170	297

The Group has recorded provision amounting to TL 19,170 (December 31, 2016: TL 297) 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, 2017, the Parent Bank has recorded TL 69,971 (December 31, 2016: TL 59,816) as provisions for non-cash loans that are not indemnified or converted into cash.

*Information on insurance technical provisions*

	Current Period	Prior Period
Unearned Premium Reserves	878,680	791,429
Outstanding Claims Reserves	1,358,188	1,232,257
Life Mathematical Reserves	293,751	273,162
Other	23,255	21,497
<b>Total</b>	<b>2,553,874</b>	<b>2,318,345</b>

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

**Information on other provisions**

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

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

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

	<b>Current Period</b>	<b>Prior period</b>
Provisions for credits	154,363	184,902
Specific provisions for non-cash loans	69,971	59,816
Provision for cheques	5,593	7,662
Provisions for lawsuits against the Bank	76,444	66,959
Provisions for credit card promotions	10,300	9,595
Other provisions	46,799	52,976
<b>Total</b>	<b>363,470</b>	<b>381,910</b>

**8. Taxation**

*Current Taxes*

As at and for the six-month period ended June 30, 2017, the tax liability of the Group is amounting to TL 237,619 (December 31, 2016: TL 157,549).

*Information on taxes payable*

	<b>Current Period</b>	<b>Prior Period</b>
Corporate taxes payable	237,619	157,549
Taxation on securities	146,497	151,546
Capital gains tax on property	3,009	2,676
Banking and Insurance Transaction Tax (BITT)	104,628	92,730
Taxes on foreign exchange transactions	-	-
Value added tax payable	4,754	5,937
Other	74,255	49,051
<b>Total</b>	<b>570,762</b>	<b>459,489</b>

*Information on premiums payable*

	<b>Current Period</b>	<b>Prior Period</b>
Social security premiums- employee share	1,012	1,000
Social security premiums- employer share	2,599	3,689
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	18	25
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	1,793	763
Unemployment insurance- employer share	3,717	1,768
Other	12	29
<b>Total</b>	<b>9,151</b>	<b>7,274</b>

*Information on deferred tax liabilities*

Information on deferred tax liabilities is presented in disclosure 13 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**

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

**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 Parent 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 227,605,000 which issued abroad, with the new Basel III compliant conditions, was completed on 13 February 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%.

Stated bonds' total balance sheet value is TL 5,005,848 as of June 30, 2017 (December 31, 2016: TL 5,014,700).

**11. Information on shareholders' equity**

**Paid-in capital**

	<b>Current Period</b>	<b>Prior Period</b>
Common stock	2,500,000	2,500,000
Preferred stock	-	-

Paid-in capital of the Parent Bank amounted to TL 2,500,000 is divided into groups comprised of 43.0% Group (A), 15.6 % Group (B), 16.2% Group (C) and 25.2% Group (D).

Board of Directors' members; one member is appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members are appointed representing Group (A), one member is appointed representing Group (B), and two members are appointed representing Group (C), and one member is appointed among the nominees offered by the shareholders at the General Assembly. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

***Paid-in capital amount, explanation as to whether the registered share capital system is applicable at 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 2 January 2015 and 61st Ordinary Meeting of the General Assembly dated 30 March 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.*

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*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*

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	65,783	-	64,288	-
Fair value differences of available-for-sale securities	(181,353)	173,641	(245,897)	50,440
Foreign exchange differences	-	-	-	-
<b>Total</b>	<b>(115,570)</b>	<b>173,641</b>	<b>(181,609)</b>	<b>50,440</b>

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*

	Current Period	Prior Period
Commitments for credit card limits	9,824,717	8,682,835
Loan granting commitments	10,732,121	9,851,597
Commitments for cheque payments	2,399,850	2,154,102
Asset purchase sale commitments	2,056,802	2,864,752
Other	2,493,678	2,184,230
<b>Total</b>	<b>27,507,168</b>	<b>25,737,516</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 171,552 (December 31, 2016: TL 165,159) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 69,971 (December 31, 2016: TL 59,816).

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period	Prior Period
Final letters of guarantee	12,083,252	11,547,141
Letters of guarantee for advances	5,152,892	4,843,148
Letters of guarantee given to custom offices	1,046,502	1,059,516
Provisional letters of guarantee	1,140,949	994,372
Other letters of guarantee	14,506,980	13,872,150
<b>Total</b>	<b>33,930,575</b>	<b>32,316,327</b>

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	2,815,376	2,788,811
<i>With original maturity of 1 year or less</i>	<i>643,354</i>	<i>1,126,734</i>
<i>With original maturity of more than 1 year</i>	<i>2,172,022</i>	<i>1,662,077</i>
Other non-cash loans	40,092,416	37,871,540
<b>Total</b>	<b>42,907,792</b>	<b>40,660,351</b>

3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>29,907</b>	<b>0.11</b>	<b>2,808</b>	<b>0.02</b>	<b>81,809</b>	<b>0.30</b>	<b>382,403</b>	<b>2.79</b>
Farming and cattle	27,431	0.10	2,808	0.02	69,203	0.26	378,930	2.76
Forestry	2,068	0.01	-	-	11,601	0.04	3,473	0.03
Fishing	408	-	-	-	1,005	-	-	-
<b>Manufacturing</b>	<b>11,115,256</b>	<b>38.79</b>	<b>7,439,324</b>	<b>52.20</b>	<b>10,907,710</b>	<b>40.47</b>	<b>7,157,290</b>	<b>52.18</b>
Mining	125,614	0.44	76,626	0.54	1,157,275	4.29	144,199	1.05
Production	6,956,729	24.28	6,934,263	48.65	6,697,549	24.85	6,606,838	48.17
Electric, gas and water	4,032,913	14.07	428,435	3.01	3,052,886	11.33	406,253	2.96
<b>Construction</b>	<b>4,192,971</b>	<b>14.63</b>	<b>2,588,352</b>	<b>18.16</b>	<b>4,216,428</b>	<b>15.65</b>	<b>2,323,864</b>	<b>16.96</b>
<b>Services</b>	<b>11,105,070</b>	<b>38.74</b>	<b>4,033,926</b>	<b>28.30</b>	<b>9,412,571</b>	<b>34.94</b>	<b>2,602,185</b>	<b>18.97</b>
Wholesale and retail trade	4,665,427	16.28	2,853,761	20.02	4,056,016	15.05	1,556,974	11.35
Hotel, food and beverage services	221,821	0.77	-	-	112,775	0.42	663	-
Transportation and Telecommunication	1,226,803	4.28	542,410	3.81	1,330,694	4.94	876,095	6.39
Financial institutions	2,550,927	8.90	100,279	0.70	2,492,659	9.25	66,679	0.49
Real estate and renting services	1,083,057	3.78	270,584	1.90	358,074	1.33	28,456	0.21
Self-employment services	1,101,175	3.84	262,548	1.84	700,053	2.60	66,033	0.48
Education services	131,835	0.46	1,047	0.01	18,627	0.07	1,588	0.01
Health and social services	124,025	0.43	3,297	0.02	343,673	1.28	5,697	0.04
<b>Other</b>	<b>2,210,649</b>	<b>7.73</b>	<b>189,529</b>	<b>1.32</b>	<b>2,327,606</b>	<b>8.64</b>	<b>1,248,485</b>	<b>9.10</b>
<b>Total</b>	<b>28,653,853</b>	<b>100.00</b>	<b>14,253,939</b>	<b>100.00</b>	<b>26,946,124</b>	<b>100.00</b>	<b>13,714,227</b>	<b>100.00</b>

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

**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**

<b>Current Period</b>	<b>Group I</b>		<b>Group II</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Letters of guarantee	27,746,009	5,636,945	321,011	58,303
Confirmed bills of exchange and acceptances	13,742	984,701	-	589
Letters of credit	164	7,494,840	-	12,025
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	214,040	12,667	-	-
Other guarantees and sureties	193,109	48,095	-	-
<b>Total Non-Cash Loans</b>	<b>28,167,064</b>	<b>14,177,248</b>	<b>321,011</b>	<b>70,917</b>

<b>Prior Period</b>	<b>Group I</b>		<b>Group II</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Letters of guarantee	26,226,670	5,580,727	308,947	45,257
Confirmed bills of exchange and Letters of credit	53,702	1,142,668	-	272
Letters of credit	1,762	6,887,315	-	16,960
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	202,668	7,682	-	-
Other guarantees and sureties	-	20,562	-	-
<b>Total Non-Cash Loans</b>	<b>26,484,802</b>	<b>13,638,954</b>	<b>308,947</b>	<b>62,489</b>

**5. Contingent assets and liabilities**

Group allocates TL 5,593 as provision for lawsuits against the Group (December 31, 2016: TL 7,662).

**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.

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. INFORMATION ON DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT OF INCOME

1. Interest income

*Information on interest income received from loans*

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	2,293,492	109,963	2,107,134	90,095
Medium and long-term loans	4,667,970	1,172,913	3,579,641	811,301
Non-performing loans	65,234	-	116,097	-
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>7,026,696</b>	<b>1,282,876</b>	<b>5,802,872</b>	<b>901,396</b>

*Information on interest income received from banks*

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	6	-	9
Domestic Banks	70,645	1,801	45,141	442
Foreign Banks	272	13,984	169	12,024
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>70,917</b>	<b>15,791</b>	<b>45,310</b>	<b>12,475</b>

*Information on interest income received from marketable securities portfolio*

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	7,819	616	1,057	2,828
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	806,626	157,927	626,335	134,269
Investments held to maturity	623,955	2,205	341,833	584
<b>Total</b>	<b>1,438,400</b>	<b>160,748</b>	<b>969,225</b>	<b>137,681</b>

*Information on interest income received from associates and subsidiaries*

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	14	7

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Interest Expense

*Interest expense on funds borrowed*

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>83,499</b>	<b>270,396</b>	<b>62,263</b>	<b>135,337</b>
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	47,333	16,001	28,881	8,340
Foreign Banks	36,166	254,395	33,382	126,997
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	-	<b>25,327</b>	-	<b>20,189</b>
<b>Total</b>	<b>83,499</b>	<b>295,723</b>	<b>62,263</b>	<b>155,526</b>

*Interest expense paid to associates and subsidiaries*

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	42,034	8,812

*Interest expense on securities issued*

As at and for the six-month period ended at June 30, 2017, interest paid to securities issued is TL 445,715 (June 30, 2016: TL 318,983).

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on securities issued	204,426	241,289	165,355	153,628

*Maturity structure of the interest expense on deposits*

Current Period	Demand Deposits	Time Deposits					Cumulative deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<b>TL</b>								
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>
<b>FC</b>								
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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Prior Period	Demand Deposits	Time Deposits					Cumulative deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<b>TL</b>								
Interbank deposits	-	20,063	54,834	21,454	777	896	-	98,024
Saving deposits	-	19,081	1,346,429	78,344	14,217	5,476	-	1,463,547
Public sector deposits	14,387	180,098	364,914	30,676	87,765	10,347	-	688,187
Commercial deposits	-	194,916	537,476	68,881	3,489	130	-	804,892
Other deposits	3	42,443	173,373	34,480	1,819	891	-	253,009
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>14,390</b>	<b>456,601</b>	<b>2,477,026</b>	<b>233,835</b>	<b>108,067</b>	<b>17,740</b>	-	<b>3,307,659</b>
<b>FC</b>								
Foreign Currency deposits	12,142	16,248	193,647	14,866	10,214	46,973	-	294,090
Interbank deposits	217	38	893	836	363	8,224	-	10,571
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>12,359</b>	<b>16,286</b>	<b>194,540</b>	<b>15,702</b>	<b>10,577</b>	<b>55,197</b>	-	<b>304,661</b>
<b>Grand Total</b>	<b>26,749</b>	<b>472,887</b>	<b>2,671,566</b>	<b>249,537</b>	<b>118,644</b>	<b>72,937</b>	-	<b>3,612,320</b>

3. Information on trading income/losses

	Current Period	Prior Period
<b>Income</b>	<b>7,801,279</b>	<b>3,708,368</b>
Income from capital market operations	2,514,710	1,725,536
Income from derivative financial instruments	2,283,255	1,332,587
Foreign exchange gains	3,003,314	650,245
<b>Losses</b>	<b>(7,673,016)</b>	<b>(3,637,539)</b>
Loss from capital market operations	(2,470,875)	(1,684,522)
Loss from derivative financial instruments	(2,311,512)	(1,354,593)
Foreign exchange loss	(2,890,629)	(598,424)
<b>Net trading profit/loss</b>	<b>128,263</b>	<b>70,829</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 (50,487) as at and for the six-month period ended June 30, 2017 (June 30, 2016: net profit of TL 10,873).

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Other operating income

	Current Period	Prior Period
Income from reversal of the specific provisions for loans from prior periods	650,891	376,828
Earned insurance premiums (net of reinsurance share)	504,704	424,133
Communication income	24,976	22,057
Gain on sale of assets	76,710	129,031
Income from private pension business	47,836	36,860
Rent income	171	578
Other income	119,431	86,702
<b>Total</b>	<b>1,424,719</b>	<b>1,076,189</b>

5. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	1,163,431	822,723
<i>Loans and receivables in Group III</i>	264,154	227,574
<i>Loans and receivables in Group IV</i>	399,394	250,649
<i>Loans and receivables in Group V</i>	499,883	344,500
Non-performing commissions and other receivables	-	-
General provision expenses	147,640	134,037
Provision for possible losses	-	-
Impairment losses on securities	5,843	3,399
<i>Trading securities</i>	85	4
<i>Investment securities available-for-sale</i>	5,758	3,395
Impairment losses from associates, subsidiaries, joint ventures and marketable securities held to maturity	13,505	13,264
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	13,505	13,264
Other <sup>(*)</sup>	53,989	38,007
<b>Total</b>	<b>1,384,408</b>	<b>1,011,430</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. (Other provision expenses amounting to TL 38,007 is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 23,863, other provision expenses related to loans amounting to TL 150 and other provision expenses amounting to TL 13,994, as of June 30, 2016.)

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

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

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

**6. Other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel costs	902,549	820,717
Reserve for employee termination benefits	39,367	33,993
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	75,810	69,017
Impairment losses on intangible assets	-	173
Amortization expenses on intangible assets	14,711	12,446
Impairment losses on assets to be disposed	-	3,408
Depreciation expenses on assets to be disposed	11,917	10,224
Impairment losses on assets held for sale	-	-
Other operating expenses	1,074,244	965,387
<i>Operational lease related expenses</i>	<i>121,563</i>	<i>114,441</i>
<i>Repair and maintenance expenses</i>	<i>26,992</i>	<i>23,701</i>
<i>Advertisement expenses</i>	<i>54,759</i>	<i>39,540</i>
<i>Other expenses</i>	<i>870,930</i>	<i>787,705</i>
Loss on sale of assets	376	1,186
Other <sup>(*)</sup>	572,829	541,859
<b>Total</b>	<b>2,691,803</b>	<b>2,458,410</b>

<sup>(\*)</sup> Other operating expenses amounting to TL 572,829 (June 30, 2016: TL 541,859) is comprised of provision expenses for dividends to the personnel amounting to TL 82,005 (June 30, 2016: TL 75,556), tax, fees and funds expenses amounting to TL 80,078 (June 30, 2016: TL 73,488), Saving Deposits Insurance Fund expenses amounting to TL 89,525 (June 30, 2016: TL 66,818), Compensation pensions amounting to TL 6,325 (June 30, 2016: TL 8,979), cumulative/noncumulative commission expenses amounting to TL 38,430 (June 30, 2016: TL 65,533), production commission expenses to TL 126,715 (June 30, 2016: TL 118,401) and other expenses amounting to TL 149,751 (June 30, 2016: TL 133,084)

**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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Provision for taxes

*Current year taxation benefit or charge and deferred tax benefit or charge*

In the current period, the Group recorded a tax provision of TL 467,339 (June 30, 2016: TL 435,475) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

<u>Sources of deferred tax benefit/charge</u>	<u>Current Period</u>	<u>Prior Period</u>
Arising from Origination/ (Reversal) of Deductible Temporary Differences	(15,916)	59,310
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(71,413)	78,857
Arising from Origination/ (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
<b>Total</b>	<b>(87,329)</b>	<b>138,167</b>

11. Net profit and loss

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

Group has incurred TL 10,267,024 interest income and TL 5,607,399 interest expense, also incurred TL 557,754 amount of net fee and commission income from its ordinary banking operations (June 30, 2016: TL 8,036,310 interest income, TL 4,802,288 interest expense, TL 407,056 net fee and commission income).

*Any changes in estimations, that might have a material effect on current and subsequent period, is indicated*

None.

12. Income/loss related to non-controlling interest

	<u>Current Period</u>	<u>Prior Period</u>
Income/(losses) related to non-controlling interest	17,806	(20,905)

13. Information related to the sub-accounts which constitute at least 20% of other items, in case of the components of other items in the income statement exceeding 10% of the group total

Other fees and commission income of the Group mainly consist of credit card fees and commissions, money transfer commissions, research fees.

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

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

DISCLOSURE AND FOOTNOTES ON 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*

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	10	1,024,338	-	31,720	37,507	22,446
Balance at the end of the year	49	1,084,333	-	37,275	26,999	42,696
Interest and commission income	14	448	-	37	-	106

  

Prior Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	1,071	811,349	-	28,550	822	15,858
Balance at the end of the year	10	1,024,338	-	31,720	37,507	22,446
Interest and commission income	7	253	-	30	-	24

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

DISCLOSURE AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Information on deposits held by the Parent Bank's risk group*

The Parent Bank's Risk Group	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the year	661,402	475,233	977,319	740,156	164,132	104,508
Balance at the end of the year	1,040,342	661,402	1,294,778	977,319	427,685	164,132
Interest on deposits	42,034	8,812	40,403	31,392	187	349

**Information on forwards, options and other derivative transactions held by the Parent Bank's risk group**

None.

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

*Relations with entities in the risk group of / or controlled by the 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 Bank are agencies of Güneş Sigorta AŞ and Vakıf Emeklilik AŞ. Vakıf Yatırım Menkul Değerler AŞ engages with the management of the funds established by the Bank.

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.016 (December 31, 2016: 0.025) and 2.71 (December 31, 2016: 2.65) respectively.

Current Period	Amount	Compared with the Financial Statement Amount %
Cash Loans	27,048	0.016
Non-Cash Loans	1,164,304	2.712
Deposits	2,762,805	1.920
Forward and Option Agreements	-	-

Prior Period	Amount	Compared with the Financial Statement Amount %
Cash Loans	37,517	0.025
Non-Cash Loans	1,078,504	2.652
Deposits	1,802,853	1.428
Forward and Option Agreements	-	-

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

**SECTION SIX**

**OTHER DISCLOSURES AND FOOTNOTES**

**I. OTHER DISCLOSURES ON THE PARENT BANK'S ACTIVITY**

As per the resolution of 63<sup>rd</sup> Annual General Assembly held on June 9, 2017, the net profit of year 2016 has been decided to be distributed as follows:

	<b>Profit Distribution Table of Year 2016</b>
<b>Bank's unconsolidated profit in its statutory financial statements</b>	<b>2,703,042</b>
Deferred tax income	(19,941)
<b>Net profit of the year subject to distribution</b>	<b>2,683,101</b>
Legal reserves	268,310
<i>First Legal Reserves</i>	<i>134,155</i>
<i>Reserves allocated according to banking law and articles of association.</i>	<i>134,155</i>
<b>Net profit of the year subject to distribution</b>	<b>2,414,791</b>
Gain on sale of immovable and shares of associates and subsidiaries	49,444
Extraordinary reserves	2,245,347
<b>Dividends to shareholders</b>	<b>120,000</b>

**II. INFORMATION ON THE PARENT BANK'S RATING GIVEN BY INTERNATIONAL CREDIT RATING INSTITUTIONS**

<b>February 2017 (*)</b>	<b>Fitch Ratings</b>
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB-
Short Term Local Currency	F3
Local Currency Outlook	Stable
National Long Term	AAA (tur)
National Outlook	Stable
Support	3
Support Rating Floor	BB+
Viability Note	bb+

<b>August 2017 (*)</b>	<b>Moody's Investors' Service</b>
Baseline Credit Assessment	ba2
Local Currency Deposit Rating	Ba1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Ba2/NP
Foreign Currency Outlook	Negative

<b>February 2017 (*)</b>	<b>Standard&amp;Poors</b>
Foreign Currency Counterparty Credit Rating	BB/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	BB/B
Local Currency Outlook	Negative
Turkey National Scale	trAA- / trA-1

(\*) Dates represent last report dates.

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

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**OTHER DISCLOSURES AND FOOTNOTES (Continued)**

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

Vakıfbank bonds of which value date are July 21, 2017 have been issued and offered to public through book-building totally 300 million (Full TL) on July 17-18-19, 2017, amounting TL 200 million (Full TL) with 126 days maturity and maturity date of which is November 24 , 2017, amounting TL 100 million (Full TL) with 217 days maturity and maturity date of which is February 23, 2018.

Vakıfbank bond with the ISIN Code TRFVKFBK1721 which has 11.5161% annual compound interest, 11.1080 % simple interest and issue price was TL 96,307 with amounting TL 205,437,819 (Full TL) with 126 days maturity and maturity date of which is November 24 , 2017.

Vakıfbank bond with the ISIN Code TRFVKFBK21814 which has 12.0263% annual compound interest, 11.7485 % simple interest and issue price was TL 93,471 with amounting TL 12,726,083 (Full TL) with 217 days maturity and maturity date of which is February 23, 2018.



**SECTION SEVEN**

**INDEPENDENT AUDITORS' REVIEW REPORT**

**I. INFORMATION ON LIMITED REVIEW REPORT**

The consolidated financial statements and footnotes of the Bank and its financial subsidiaries as at and for the six-month period ended June 30, 2017., have been reviewed by Bařaran Nas Baęımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member of PricewaterhouseCoopers). It was noted in their review report dated 9 August 2017 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group's financial position and results of its operations as at and for the six-month period ended June 30, 2017.

**II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR**

There are no significant issues and necessary disclosures and footnotes related to the activities of the Parent Bank that are not mentioned in the above sections.

**SECTION EIGHT  
INFORMATION ON INTERIM ANNUAL REPORT**

**VakıfBank in brief:**

Information stated in the interim annual report is all consolidated and in TL terms, if not stated otherwise.

<b>Operation Date</b>	13 April 1954
<b>Head Office</b>	İstanbul
<b>Paid-in Capital</b>	2,500,000,000 TL
<b>Employees</b>	16,006
<b>Domestic Branches</b>	924
<b>Foreign Branches</b>	3
<b>Associates and Subsidiaries</b>	23
<b>Independent Audit Firm</b>	PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
<b>Address</b>	Türkiye Vakıflar Bankası T.A.O. Genel Müdürlüğü Sultan Selim Mahallesi, Eski Büyükdere Caddesi No:59 Kağıthane/İstanbul
<b>Phone</b>	(0212) 398 15 15 - (0212) 398 10 00
<b>Fax</b>	(0212) 398 11 55
<b>Web Site</b>	<a href="http://www.vakifbank.com.tr">http://www.vakifbank.com.tr</a>

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

**VakıfBank Organizational Structure:**

<b>GROUP</b>	<b>SHAREHOLDERS</b>	<b>CAPITAL (100 Unit - TL)</b>	<b>PERCENTAGE %</b>
A	Registered foundations represented by the General Directorate of the Foundations	1,075,058,640	43.00
B	Registered foundations represented by the General Directorate of the Foundations	386,224,785	15.45
B	Other appendant foundations	2,699,986	0.11
B	Other registered foundations	1,448,543	0.06
C	Vakıfbank Mem.ve Hizm. Em. ve Sağ.Yard.San.Vakfı	402,552,666	16.10
C	Other real persons and legal entities	1,530,939	0.06
D	Free Float	630,484,441	25.22
<b>TOTAL</b>		<b>2,500,000,000</b>	<b>100.00</b>

**Consolidated Subsidiaries and Associates:**

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

<b>SUBSIDIARIES</b>	<b>ASSOCIATES</b>
Güneş Sigorta A.Ş.	Kıbrıs Vakıflar Bankası Ltd.
Vakıf Emeklilik A.Ş.	Türkiye Sınai Kalkınma Bankası A.Ş.
Vakıf Faktoring A.Ş.	
Vakıf Finansal Kiralama A.Ş.	
Vakıf Portföy Yönetimi A.Ş.	
Vakıf Yatırım Menkul Değerler A.Ş.	
VakıfBank International AG	
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	
Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş.	

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

**Members of the Board of Directors:**

<b>NAME - SURNAME</b>	<b>TITLE - RESPONSIBILITY</b>	<b>DATE OF APPOINTMENT</b>
İsmail ALPTEKİN	Chairman of the Board of Directors	9 June 2017
Serdar TUNÇBİLEK	Deputy Chairman of the Board	9 June 2017
Mehmet Emin ÖZCAN	General Manager Executive Director of the Board	9 June 2017
Dr. Adnan ERTEM	Member of the Board of Directors	28 October 2010
Sabahattin BİRDAL	Member of the Board of Directors	31 Mart 2014
Dilek YÜKSEL	Member of the Board of Directors	29 March 2016
Şahin UĞUR	Member of the Board of Directors	9 June 2017
Ömer ARISOY	Member of the Board of Directors	9 June 2017

**Members of Audit Board:**

<b>NAME - SURNAME</b>	<b>TITLE - RESPONSIBILITY</b>	<b>DATE OF APPOINTMENT</b>
Yunus ARINCI	Member of Audit Board	19 March 2010
Hasan TÜRE	Member of Audit Board	9 June 2017

**Members of Audit Committee:**

<b>NAME - SURNAME</b>	<b>TITLE - RESPONSIBILITY</b>	<b>DATE OF APPOINTMENT</b>
Serdar TUNÇBİLEK	Member of Audit Committee	15 June 2017
Sabahattin BİRDAL	Member of Audit Committee	4 April 2014

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

**Management:**

<b>NAME - SURNAME</b>	<b>TITLE - RESPONSIBILITY</b>	<b>DATE OF APPOINTMENT</b>
Mehmet Emin ÖZCAN	General Manager	9 June 2017
Metin Recep ZAFER	Executive Vice President (Banking Operations, Loan, Customer and Account Operations, Treasury Operations, Foreign Operations, Payment Systems Operations, Application Development Departments, System Management, IT Operations and Application Support, IT Planning and Coordination)	13 June 2006
Hasan ECESoy	Executive Vice President (Treasury, International Banking and Investor Relations and Middle Office)	18 June 2010
Osman DEMREN	Executive Vice President (Corporate Loan Allocation Management, Commercial Loan Allocation Management, Retail Loan Allocation Management, SME and Local Government Loan Allocation Management)	6 April 2011
Muhammet Lütfü ÇELEBİ	Executive Vice President (Retail Marketing)	23 October 2013
Mustafa SAYDAM	Executive Vice President (Administrative Affairs., Construction and Real Estates Affairs ve Purchasing)	28 October 2013
Mehmet Emin KARAAĞAÇ	Executive Vice President (Chief Legal Consultancy, Legal Affairs and Credit Risk Liquidation)	8 November 2013
Yakup ŞİMŞEK	Executive Vice President (Cooperate, Commercial and Investment Banking Marketing, , Cash Management, Cooperate Centrals)	7 September 2016
Hüseyin Uğur BİLGİN	Executive Vice President (Human Resources, Corporate Development and Training)	20 July 2017
Şeyh Mehmet BOZ	Executive Vice President (Lending Policy, Loan Monitoring, Financial Assessment)	20 July 2017
İlker YEŞİL	Executive Vice President (Payment System and Digital Banking and Distribution Channels)	20 July 2017
Şuayyip İLBİLGİ	Executive Vice President (Accounting and Financial Affairs, Strategic Planning and Subsidiaries)	20 July 2017
Ersin ÖZOĞUZ	Executive Vice President (SME Marketing and Local Governments Marketing)	20 July 2017

Mr. Mehmet Emin Ozcan, the Bank's Deputy Chairman , resigned his post on 2 May 2017.

For the purposes of appointing the Audit Committee member pursuant to Article 73 of the Bank's Board of Directors meeting held on 4 May 2017, it was unanimously resolved that Mr. Ismail Alptekin be appointed as the Audit Committee member instead of Mehmet Emin Ozcan,

Following the departure of Mr. Halil Aydođan who served as the CEO since 29 March 2013, Mr. Mehmet Emin Özcan was appointed as the new CEO of VakıfBank as of 9 June 2017.

It was unanimously resolved in the Board of Directors meeting held on 15 June 2017 that Mr. Ismail ALPTEKİN be appointed as the Chairman of the Board and Mr. Serdar Tunçbilek be appointed as the Vice-chairman of the Board as per Article 73 of the Articles of Incorporation of the Bank.

Upon a resolution adopted in the Bank's Board of Directors meeting held on 20 July 2017, Hüseyin Uđur Bilgin, Head of Human Resources, Şuayyip İLBİLGİ, Head of Treasury, Ersin ÖZOĐUZ, Head of Internal Audit Board, İlker YEŞİL, Çukurova Regional Director and Şeyh Mehmet BOZ, Istanbul 1st Regional Director were appointed as Executive Vice Presidents. Pursuant to the resolution adopted in the same meeting, Mr. Serdar SATOĐLU, Executive Vice President, was appointed to Vakıf Emeklilik A.Ş., a Bank's affiliate.

Mr. Ismail ALPTEKİN, a Board member, holds 59 Group C Shares in the Bank's non-public shareholding. No one out of the persons listed above other than Mr. İsmail Alptekin holds shares in the Bank's non-public shareholding.

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

Significant Financial Indicators(Unconsolidated)::

BALANCE SHEET (TL million)	JUNE 2017	DECEMBER 2016	DIFFERENCE (%)
TOTAL SECURITIES	27,684	26,000	6.48
LOANS (*)	167,128	146,619	13.99
-Corporate and Commercial Loans	123,387	105,582	16.86
-Retail Loans	43,742	41,037	6.59
DEPOSITS	141,341	123,838	14.13
-Term Deposits	113,432	99,404	14.11
-Demand Deposits	27,909	24,434	14.22
FUNDS BORROWED	26,135	24,194	8.02
SUBORDINATED LOANS	5,023	5,031	-0.16
SECURITIES ISSUED	15,512	14,708	5.47
EQUITY	21,615	19,239	12.35
TOTAL ASSETS	236,623	212,540	11.33
NON-CASH LOANS	42,481	40,448	5.02

INCOME STATEMENT (TL million)	JUNE 2017	DECEMBER 2016	DIFFERENCE (%)
INTEREST INCOME	9,997	7,837	27.56
INTEREST EXPENSE	5,499	4,739	16.04
NET INTEREST INCOME	4,498	3,098	45.19
NET FEE&COMMISSION INCOME	603	456	32.26
DIVIDEND INCOME	64	83	-23.16
TRADING INCOME/LOSSES (Net)	119	73	62.91
OTHER OPERATING INCOME	820	578	42.00
TOTAL OPERATING PROFIT	6,103	4,287	42.37
PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	1,352	990	36.56
OTHER OPERATING EXPENSES (-)	2,094	1,906	9.86
PROFIT BEFORE TAX	2,657	1,391	91.06
TAX PROVISION (-)	-536	-287	-86.56
NET PROFIT/LOSS	2,121	1,104	92.23

RATIOS (%)	JUNE 2017	DECEMBER 2016
LOANS/TOTAL ASSETS (*)	70.63	68.98
LOANS/DEPOSITS (*)	118.24	118.40
NPL RATIO	4.04	4.19
CAPITAL ADEQUACY RATIO	15.74	14.16
RETURN ON AVERAGE ASSETS (ROAA) (**)	1.89	1.37
RETURN ON AVERAGE EQUITY (ROAE) (**)	20.77	15.01
INTEREST INCOME/INTEREST EXPENSE	181.80	172.64
NON-INTEREST INCOME/NON-INTEREST EXPENSE	40.31	37.06

(\*) 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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

Significant Financial Indicators (Consolidated):

BALANCE SHEET (TL million)	JUNE 2017	DECEMBER 2016	DIFFERENCE (%)
TOTAL SECURITIES	28,709	26,981	6.40
LOANS	169,042	148,404	13.91
-Corporate and Commercial Loans	125,295	107,360	16.71
-Retail Loans	43,747	41,044	6.59
DEPOSITS	143,912	126,259	13.98
-Term Deposits	115,486	101,415	13.87
-Demand Deposits	28,426	24,844	14.42
FUNDS BORROWED	28,219	26,299	7.30
SUBORDINATED LOANS	5,006	5,015	-0.18
SECURITIES ISSUED	15,749	14,683	7.26
EQUITY	21,874	19,607	11.56
TOTAL ASSETS	245,147	220,671	11.09
NON-CASH LOANS	42,908	40,660	5.53

INCOME STATEMENT (TL million)	JUNE 2017	DECEMBER 2016	DIFFERENCE (%)
INTEREST INCOME	10,267	8,036	27.76
INTEREST EXPENSE	5,607	4,802	16.77
NET INTEREST INCOME	4,660	3,234	44.08
NET FEE&COMMISSION INCOME	558	407	37.02
DIVIDEND INCOME	47	61	-23.73
TRADING INCOME/LOSSES (Net)	128	71	81.09
OTHER OPERATING INCOME	1,425	1,076	32.39
TOTAL OPERATING PROFIT	6,817	4,849	40.58
PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	1,384	1,011	36.88
OTHER OPERATING EXPENSES (-)	2,692	2,458	9.49
PROFIT BEFORE TAX	2,766	1,400	97.62
TAX PROVISION (-)	-555	-297	86.56
NET PROFIT/LOSS	2,212	1,103	100.60

RATIOS (%)	JUNE 2017	DECEMBER 2016
LOANS/TOTAL ASSETS	68.96	67.25
LOANS/DEPOSITS	117.46	117.54
NPL RATIO	4.15	4.32
CAPITAL ADEQUACY RATIO	15.27	13.88
RETURN ON AVERAGE ASSETS (ROAA)	1.88	1.36
RETURN ON AVERAGE EQUITY (ROAE)	21.16	15.24
INTEREST INCOME/INTEREST EXPENSE	183.10	174.39
NON-INTEREST INCOME/NON-INTEREST EXPENSE	46.59	43.74

(\*) Excluding non-performing loans.

(\*\*) Calculations are annualized.



### **Assessment of the Board Chairman**

Esteemed stakeholders,

The first half of 2017 was a time during which decisions taken by reserve banks of developed world were under close monitor in global markets. During this half, the US Federal Reserve (FED) has decided to increase the policy rate by 25 basis points, raising the interest rate to 0.75% - 1% band. Also, FED briefly talked about its plan to downsize its budget. According to the announced scheme, it is envisaged to unwind the bonds it holds by 10 billion USD every month and to increase that amount by 10 billion USD every quarter, ultimately reaching 50 billion USD. This way, Fed is expected to downsize its balance sheet worth USD 4.2 trillion to USD 2.7 trillion. The European Central Bank (ECB) and the Bank of Japan (BoJ) did not change their benchmark interest rates during this half.

Turkish Central Bank (CBRT) also left its benchmark rate unchanged in the second quarter. CBRT has not changed this rate for a long time and it is now expected to pull down that rate slightly, given the relatively steady levels of FX rates in recent months.

Turkish economy grew by 5% in the first quarter of 2017 on a year-over-year basis. Incentives set free by the government to support the economy in the first quarter of the year as well as effective use of financial policies were the factors that drove the quickened pace of growth. During the first quarter, exporters were the best-performing expenditure component with a 10.4% increase compared to the same period of the previous year and net export figures positively contributed to the growth.

Industrial production, which is rather a leading indicator, once more displayed a sound performance in May after April and thus it managed to support the growth again. Moreover, considering both the fact the recovery in Purchasing Managers Index (PMI), another significant data for forecasting future economic activities, continues and that lending has accelerated thanks to Credit Guarantee Fund, the positive outlook in connection with growth is anticipated to continue throughout the second quarter,

Our Bank, on the other hand, continued to make a progress in line with its targets in the second quarter of 2017. Asset size reached TL 236,623 million with an increase of %11.3 compared to end of 2016. Our Bank's net profit was materialized TL 2,121 million in the first six months of 2017.

I have full faith that our Bank will reach outstanding results in the second half of 2017 thanks to the self-sacrificed contributions by our employees and the trust displayed by our clients and shareholders. And I

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

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am using this opportunity to thank all of you on behalf of my Bank, including our customers, employees and our shareholders, who never shied away from giving their full support to us.

Yours sincerely,

**İsmail ALPTEKİN**  
**Chairman of the Board of Directors**

**Assessment of the General Manager:**

Esteemed Stakeholders,

As a whole nation, we left behind the terrible consequences of poor events of the last year and made a fast start in 2017 thanks to successful actions. During that time, VakifBank managed to increase its total asset size to a level of TL 236,623 million with an increase of 11.33% thanks to the ongoing stability in our country. Our total loans size reached TL 168,323 million by an increase of 13.95%.

Our retail loan portfolio, which holds a significant place in our loans, rose to TL 43,742 million by a 6.59% increase while our commercial loans reached a level of TL 123,387 million by a %16.86 increase as per the end of 2016. We will proudly continue to grow in oncoming periods thanks to our outstanding support to national economy, households, producers, investors, and consequently, employment.

During the first half of this year, we continued to be at the service of our SMEs with our 924 branches over the country and more than 2,200 SME Portfolio Managers. In this line, thanks to the effect of the advantages from the loans extended under the guarantee of CGF guarantee, our SME loans jumped to a sum of TL 45,084 million with a 20.69% increase, which is well above the sector average. We will continue to give support to our SMEs and Mid-Cap SMEs which contribute to the production and employment in near future, and thus we will contribute to our national economy by helping companies from their early years as we are well aware of our public responsibility,

Once more we pioneered in an area: We became the first bank which extended ESCO (Energy Service Company) loans under the World Bank SME Energy Efficiency Credit Program. We will also indirectly contribute to the energy efficiency thanks to the requirement that a lender is required to guarantee to achieve a definite energy saving as a result of its investment, which is a precondition of the loan.

During the second quarter of 2017, we continued to make life easier for our producers in agriculture sector thanks to our convenient products and services in the Agriculture Banking field. We provide a non-interest bearing buy-and-sell means up to 6 months in the agricultural input thanks to TarimKart. Moreover, with the campaigns organized for May 14 World Farmers Day, we continue to provide our producers with huge advantages.

During that half, Visa success awards were given to their winners. I am proud to announce that our Bank won the award for the category “Leading Bank in Net Increase of Retail Credit Cards” and also VakıfBank MilPlus was hailed as the Most Innovative Visa Credit Card Product.

Thanks to our stakeholders who have always faith in us, we continued to display a healthy and stable growth performance. Our deposits climbed up to TL 141,341 million. Besides, we made issues in different currencies to secure resource diversification and to ensure extended average term for resources.

We raise the bar further and further in profitability every passing day. During this six-month period, our profit rose to TL 2,121 million annually. We will continue to maintain our Bank’s strong capital structure intact near future. I would like to emphasize my trust and faith that we will outperform ourselves during the rest of 2017 and I would also like to thank to all our clients, shareholders, our employees, who are indispensable in our success and our Board of Directors and other social stakeholders who never denied their support to us.

**Mehmet Emin ÖZCAN**  
**General Manager and Board**  
**of Members Executive Member**

**Assessment of Financial Status:**

Our Bank managed to grow in the second quarter of 2017 and its total assets rose to TL 236,623 million by an increase of 11.33%. In this period, our performing loans rose by 13.99%, reaching a level of TL 167,128 million. Share of performing loans in total assets turned out to be 70.63%. In breakdown of loans, we see that our commercial loans reached TL 123,387 million and retail loans reached TL 43,742 million.

Our Bank maintained its strong position in terms of profitability and funding structure in the second quarter of 2017. In this period, average return on equity was 21.16%, average return on assets 1.88% and our capital adequacy ratio was 15.27%.

In addition, our Bank issued domestic and international bonds in various types and terms to diversify the funding, help cost control, reduce the interest rate risk, provide additional funding, and contribute in liquidity management, and support the loan growth.

Our Bank issued VakıfBank bonds to qualified investors; with a nominal value of TL 623,500,000 with 126 days maturity on 07.04.2017, TL 309,137,104 with 154 days maturity on 21.04.2017, TL 398,722,472 with 126 days maturity on 05.05.2017, TL 369,250,000 with 119 days maturity on 12.05.2017, TL 264,500,000 with 126 days maturity on 02.06.2017 and TL 569,139,967 with 147 days maturity on 09.06.2017.

Our Bank issued VakıfBank bonds of TL 300,000,000 nominal value with 154 days maturity, and public-offered on 17-18-19 April 2017 using book-building method. Public-offered bond received TL 190,075,469 bid. Within this framework, entire individual and corporate investor bids was met. As a result of book-building within the scope of 154 days VakıfBank Bonds public offer, 32% of bonds were allocated to domestic corporate investors while 68% were allocated to domestic individual investors.

Our Bank had public-offered Bank Bonds of TL 300,000,000 nominal value with 147 days maturity and TL 100,000,000 nominal value with 210 days maturity, on 22-23-24 May 2017 using book-building method; where TL 314,486,066 bid was received for TL 300,000,000 nominal value bonds of 147 days, and TL 27,846,451 bid was received for TL 100,000,000 nominal value bonds of 210 days maturity. In both terms, entire individual and corporate investor bids were met. As a result of book-building within the scope of 147 days VakıfBank Bond public offer, 29% of bonds were allocated to domestic corporate investors, while 71% bonds were allocated to domestic individual investors. As a result of book-building

within the scope of 210 days VakıfBank Bond public offer, 21% of bonds were allocated to domestic corporate investors while 79% of bonds were allocated to domestic individual investors.

In the second quarter of 2017, our Bank increased its deposits by 14.13%, reaching TL 141,341 million. During that term, our Bank delivered TL 2,121 million net income, thus increasing its profit by 92.23% compared to the same period of previous year. In this period, we reached an increase of 27.56% in interest revenues and 16.04% in interest costs compared to the same period of previous year.

Our Bank will continue its sustainable and profitable growth in line with its vision and strategic targets in the second half of 2017 and its strategic targets.

#### **Affiliates and Subsidiaries (thousand TL)**

VakıfBank did not acquire or dispose of any affiliate or subsidiary in the current period. Information on our affiliates and subsidiaries is given in our Annual Report 2016.

Continuing to contribute to national economies with its affiliates based in various sectors in addition to its modern banking services, the number of our Bank's affiliates and subsidiaries is 23 as of June 2017. 13 of the affiliates and subsidiaries operate in finance sector, being 4 in banking sector, 2 in insurance, 7 in other sectors, while 10 of them operate outside finance sector.

In the current period, Kredi Garanti Fonu AŞ., an affiliate of our Bank, has resolved to increase its capital from TL 278,439 to TL 318.282. Shares worth TL 177 and corresponding to our Bank's shareholding are presented in the Bonus Shares in the movement table for the affiliates. The Bank's shareholding ratio was diluted to 1.54% from 1.69% due to the fact that new banks were admitted to the shareholding structure of the affiliate following the capital increase.

In the current period, at the Ordinary General Assembly Meeting held on 23 March 2017, Türkiye Sınai Kalkınma Bankası AŞ, an affiliate of our Bank, has resolved to increase its capital from TL 2,050,000 to TL 2,400,000. Shares worth TL 29,321 and 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 16 June 2017, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an affiliate of our Bank, has resolved to increase its capital from TL

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

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213,000 to TL 217,500 by a bonus share issue of TL 4,500 Shares worth TL 1,742 and 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 14 June 2017, Vakıf Finansal Kiralama AŞ, an affiliate of our Bank, has resolved to increase its capital from TL TL 87,000 to TL 109,000 by a bonus share issue of TL 22,000 Shares worth TL 12,917 on 14 June 2017 and corresponding to our Bank's shareholding are presented in the Bonus Shares in the movement table for the affiliates.

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017**

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**Amendment of Articles of Incorporation:**

There is no amendment to the Articles of Incorporation in the period.

**Ratings:**

Information on the Bank's rating given by international credit rating agencies is as follows:

<b>February 2017 (*)</b>	<b>Fitch Ratings</b>
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB-
Short Term Local Currency	F3
Local Currency Outlook	Stable
National Long Term	AAA (tur)
National Outlook	Stable
Support	3
Support Rating Floor	BB+
Viability Rating	bb+

<b>August 2017 (*)</b>	<b>Moody's Investors' Service</b>
Baseline Credit Assessment	ba2
Local Currency Deposit Rating	Ba1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Ba2/NP
Foreign Currency Outlook	Negative

<b>February 2017 (*)</b>	<b>Standard&amp;Poors</b>
Foreign Currency Counterparty Credit Rating	BB/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	BB/B
Local Currency Outlook	Negative
Turkey National Scale	trAA- / trA-1

(\*) Dates represent last report dates.



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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF JUNE 30, 2017

**Other Issues:**

As per the resolution of 63rd General Assembly held on June 9th, 2017, the net profit of 2016 has been decided to be distributed as follows:

<b>2016 Profit Distribution Table</b>	
<b>Bank's unconsolidated profit in its statutory financial statements</b>	<b>2,703,042</b>
<b>Net profit subject to distribution</b>	<b>(19,941)</b>
Legal Reserves	<b>2,683,101</b>
<i>First legal reserves</i>	268,310
<i>Reserves allocated according to the Bank's law and Articles of Incorporation</i>	134,155
<b>Shares to be distributed to shareholders</b>	<b>134,155</b>
Gain on sale of real estate and shares of associates and subsidiaries	<b>2,414,791</b>
Extraordinary reserves	49,444
<b>Dividend to shareholders</b>	<b>2,245,347</b>
<b>Bank's unconsolidated profit in its statutory financial statements</b>	<b>120,000</b>

**Investor Relations Attendants:**

NAME - SURNAME	TITLE	PHONE	E-MAIL
Mustafa TURAN	Head	0 212 316 73 90	mustafa.turan@vakifbank.com.tr
Ali TAHAN	Manager	0 212 316 73 36	ali.tahan@vakifbank.com.tr
Zeynep Nihan DİNCEL	Assistant Manager	0 212 316 73 83	zeynepnihan.dincel@vakifbank.com.tr
Yasemin KEÇELİOĞLU	Associate	0 212 316 73 85	yasemin.kecelioglu@vakifbank.com.tr
Ece Seda YASAN	Associate	0 212 316 74 01	eceseda.yasan@vakifbank.com.tr
Yusuf YILMAZ	Assistant Associate	0 212 316 73 88	yusuf.yilmaz2@vakifbank.com.tr
Berna SELEM ARSLANTAŞ	Assistant Officer	0 212 316 75 94	bernaselem.arslantas@vakifbank.com.tr

*VakıfBank's Year End 2016 and June 2017 Interim Consolidated and Unconsolidated Independent Auditor's Reports and Interim Annual Reports can be accessed through the link <http://www.vakifbank.com.tr> on Investor Relations/Financials page.*