

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
RELATED DISCLOSURES AT MARCH 31, 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 31 March 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 three-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 31 March 2017 and the results of its operations and its cash flows for the three-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.

Zeynep Uras, SMMM
Partner

Istanbul, 17 May 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 THREE-MONTH PERIOD ENDED MARCH 31, 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
Electronic mail address : mevzuat@vakifbank.com.tr

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

SUBSIDIARIES	ASSOCIATES	JOINT-VENTURES
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.	-	-

The consolidated interim financial statements for the three-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

Ramazan GÜNDÜZ
Chairman of
the Board of Directors

Sabahattin BİRDAL
Board Member and
Audit Committee Member

İsmail ALPTEKİN
Board member and
Audit Committee Member

Halil AYDOĞAN
General Manager and
Board Member

Metin Recep ZAFER
Assistant General Manager

Ferkan MERDAN
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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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 March 31, 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 March 31, 2017 is stated below:

Shareholders	Number of Shares (100 unit)	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
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
Total	2,500,000,000	2,500,000	100.00

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 THREE-MONTH PERIOD ENDED MARCH 31, 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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
<u>Board of Directors</u>				
Ramazan GÜNDÜZ	Chairman	March 29, 2013	University	39 years
Halil AYDOĞAN	Member - General Manager	March 29, 2013	University	40 years
İsmail ALPTEKİN	Member	April 6, 2009	University	19 years
Dr.Adnan ERTEM	Member	October 28, 2010	PHD	29 years
Sabahattin BİRDAL	Member	March 31, 2014	University	40 years
Öztürk ORAN	Member	April 30, 2014	University	42 years
Dilek YÜKSEL	Member	March 29, 2016	University	5 years
<u>Audit Committee</u>				
Sabahattin BİRDAL	Member	April 4, 2014	University	40 years
İsmail ALPTEKİN	Member	May 4, 2017	University	19 years
<u>Auditor</u>				
Yunus ARINCI	Auditor	March 19, 2010	Master	20 years
Mehmet Emin BAYSA	Auditor	March 29, 2016	Master	16 years
<u>Assistant Managers</u>				
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant, Application Development Departments, System Management, IT Operations and Support, IT Demand Management, IT Business Development, Project Management, Information Security, IT Process and Compliance	June 13, 2006	PHD	21 years
Hasan ECESoy	Treasury, International Relations and Investor Relations, Coordination of Foreign Branches	June 18, 2010	PHD	23 years
Serdar SATOGLU	Private Banking, Associates	July 2, 2010	PHD	21 years
Osman DEMREN	Commercial and Corporate Loans, Consumer and SME Loans, Intelligence	April 6, 2011	Master	26 years
Muhammet Lutfu CELEBI	Commercial and Corporate Banking, SME Banking, Cash Management Affairs, Corporate Branches	October 23, 2013	University	21 years
Mustafa SAYDAM	Human Resources, Support Services, Distribution Channels	October 28, 2013	University	23 years
Mehmet Emin KARAAGAC	Loans and Follow-up, Legal Affairs	November 8, 2013	University	27 years
Yakup SIMSEK	Retail Banking, Payment Systems, Payment System Operations, Insurance Banking	September 7, 2016	University	20 years

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 THREE-MONTH PERIOD ENDED MARCH 31, 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)

At the resolution of the 62nd Ordinary Meeting of the General Assembly dated 29 March 2016, Şeref AKSAÇ who was a member of Board of Directors and Mehmet HALTAŞ who was a member of audit committee have left their position. Based on the decision taken at the same meeting Dilek YÜKSEL has been assigned to member of Board of Directors and Mehmet Emin BAYSA has been assigned to audit committee member.

In the Ordinary General Assembly meeting of the Parent Bank held on August 25, 2016, duty of Yakup ŞİMŞEK (Head of Cash Management Transactions) has appointed for the Executive Vice President.

In the Ordinary General Assembly meeting of the Parent Bank held on September 8, 2016, duty of Ali Engin EROĞLU(Executive Vice President) has left his position.

Deputy Chairman of the Bank, Mehmet Emin ÖZCAN resigned from his position as of May 2, 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.

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

IV. INFORMATION ON THE PARENT BANK’S QUALIFIED SHAREHOLDERS

Shareholders	Nominal Value of Shares	Share Percentage	Paid Shares (Nominal)	Unpaid Shares
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 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 THREE-MONTH PERIOD ENDED MARCH 31, 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 March 31, 2017, The Parent Bank has 921 domestic, 3 foreign, in total 924 branches (December 31, 2016: 921 domestic, 3 foreign, in total 924branches). As at March 31, 2017, The Parent Bank has 15,678 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 three-month period ended March 31, 2017, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama A.Ş., Güneş Sigorta A.Ş., Vakıf Emeklilik A.Ş., Vakıf Faktoring A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Portföy Yönetimi A.Ş., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. have been included in the consolidated financial statements of the Group.

As at and for the three-month period ended March 31, 2017, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası A.Ş. have been consolidated per equity method in the consolidated financial statements of the Group.

İstanbul Takas ve Saklama Bankası A.Ş. and Kredi Garanti Fonu A.Ş. are excluded from the scope of consolidation according to the Communiqué on Preparation of Consolidated Financial Statements. Since Bankalararası Kart Merkezi A.Ş., Kredi Kayıt Bürosu A.Ş., Roketsan Roket Sanayi ve Ticaret A.Ş., Güçbirliği Holding A.Ş. and İzmir Enternasyonel A.Ş. are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

Vakıf Enerji ve Madencilik A.Ş., Taksim Otelcilik A.Ş., Vakıf Pazarlama Sanayi ve Ticaret A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values.

VII. 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 INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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 MARCH 31, 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

	Notes	Reviewed Current Period March 31, 2017			Audited Prior Period December 31, 2016		
		TL	FC	Total	TL	FC	Total
ASSETS							
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	3,557,838	19,749,137	23,306,975	4,409,164	19,960,151	24,369,315
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	1,818,737	132,808	1,951,545	1,644,899	144,334	1,789,233
2.1 Financial assets held for trading purpose		1,818,737	132,808	1,951,545	1,644,899	144,334	1,789,233
2.1.1 Debt securities issued by the governments		205	5,473	5,678	206	10,647	10,853
2.1.2 Equity securities		4,792	-	4,792	2,095	-	2,095
2.1.3 Derivative financial assets held for trading purpose	V-I-2	1,647,166	127,335	1,774,501	1,473,865	133,687	1,607,552
2.1.4 Other securities		166,574	-	166,574	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		-	-	-	-	-	-
III. BANKS	V-I-3	1,179,478	5,712,855	6,892,333	1,195,786	4,079,703	5,275,489
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		364,068	-	364,068	5,232	-	5,232
4.1 Interbank money market placements		360,464	-	360,464	-	-	-
4.2 Istanbul Stock Exchange money market placements		2,950	-	2,950	3,428	-	3,428
4.3 Receivables from reverse repurchase agreements		654	-	654	1,804	-	1,804
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	13,030,980	6,205,619	19,236,599	12,588,929	6,030,151	18,619,080
5.1 Equity securities		15	32,451	32,466	15	27,595	27,610
5.2 Debt securities issued by the governments		13,030,965	5,837,266	18,868,231	12,588,914	5,719,498	18,308,412
5.3 Other securities		-	335,902	335,902	-	283,058	283,058
VI. LOANS AND RECEIVABLES	V-I-5	105,713,789	50,434,929	156,148,718	100,166,610	49,408,659	149,575,269
6.1 Performing loans and receivables		104,589,431	50,431,203	155,020,634	99,001,801	49,402,693	148,404,494
6.1.1 Loans provided to risk group	V-V-1	600	37,543	38,143	581	36,936	37,517
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Other		104,588,831	50,393,660	154,982,491	99,001,220	49,365,757	148,366,977
6.2 Loans under follow-up		6,941,187	78,015	7,019,202	6,626,073	77,310	6,703,383
6.3 Specific provisions (-)	V-I-5	5,816,829	74,289	5,891,118	5,461,264	71,344	5,532,608
VII. FACTORING RECEIVABLES		1,011,557	182,818	1,194,375	1,171,659	219,055	1,390,714
VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	8,501,327	127,089	8,628,416	8,039,914	140,621	8,180,535
8.1 Debt securities issued by the governments		8,501,327	-	8,501,327	8,039,914	-	8,039,914
8.2 Other securities		-	127,089	127,089	-	140,621	140,621
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	342,803	3	342,806	336,229	3	336,232
9.1 Associates, consolidated per equity method		282,339	-	282,339	275,765	-	275,765
9.2 Unconsolidated associates		60,464	3	60,467	60,464	3	60,467
9.2.1 Financial associates		48,111	-	48,111	48,111	-	48,111
9.2.2 Non-Financial associates		12,353	3	12,356	12,353	3	12,356
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	286,698	-	286,698	286,698	-	286,698
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		286,698	-	286,698	286,698	-	286,698
XI. INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES	V-I-10	422,492	1,212,202	1,634,694	364,209	1,182,200	1,546,409
12.1 Finance lease receivables		546,547	1,351,244	1,897,791	465,056	1,323,625	1,788,681
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		124,055	139,042	263,097	100,847	141,425	242,272
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)		1,684,052	9,605	1,693,657	1,693,745	9,358	1,703,103
XV. INTANGIBLE ASSETS (Net)		240,784	49	240,833	230,242	23	230,265
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		240,784	49	240,833	230,242	23	230,265
XVI. INVESTMENT PROPERTIES (Net)	V-I-12	354,843	-	354,843	354,385	-	354,385
XVII. TAX ASSETS	V-I-13	110,118	-	110,118	197,922	-	197,922
17.1 Current tax assets	V-I-13	884	-	884	835	-	835
17.2 Deferred tax assets	V-I-13	109,234	-	109,234	197,087	-	197,087
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-14	1,234,693	-	1,234,693	1,228,102	-	1,228,102
18.1 Assets held for sale		1,234,693	-	1,234,693	1,228,102	-	1,228,102
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-15	3,600,158	1,987,095	5,587,253	3,110,515	2,472,502	5,583,017
TOTAL ASSETS		143,454,415	85,754,209	229,208,624	137,024,240	83,646,760	220,671,000

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 MARCH 31, 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

	Notes	Reviewed Current Period March 31, 2017			Audited Prior Period December 31, 2016		
		TL	FC	Total	TL	FC	Total
I. LIABILITIES AND EQUITY							
I. DEPOSITS	V-II-1	88,029,525	44,567,468	132,596,993	85,815,420	40,443,889	126,259,309
1.1 Deposits of risk group	V-V-1	1,861,233	381,914	2,243,147	1,686,765	116,088	1,802,853
1.2 Other deposits		86,168,292	44,185,554	130,353,846	84,128,655	40,327,801	124,456,456
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	512,906	209,456	722,362	955,019	199,405	1,154,424
III. FUNDS BORROWED	V-II-3	1,541,493	27,078,863	28,620,356	1,720,814	24,578,616	26,299,430
IV. INTERBANK MONEY MARKET		9,044,703	2,216,783	11,261,486	11,450,137	1,794,134	13,244,271
4.1 Interbank money market takings		3,966,234	363,040	4,329,274	2,501,180	-	2,501,180
4.2 Istanbul Stock Exchange money market takings		260,799	-	260,799	277,667	-	277,667
4.3 Obligations under repurchase agreements		4,817,670	1,853,743	6,671,413	8,671,290	1,794,134	10,465,424
V. SECURITIES ISSUED (Net)	V-II-3	3,859,397	11,761,595	15,620,992	3,373,519	11,309,305	14,682,824
5.1 Bills		3,761,035	-	3,761,035	3,373,519	-	3,373,519
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		98,362	11,761,595	11,859,957	-	11,309,305	11,309,305
VI. FUNDS		3,351	-	3,351	3,319	-	3,319
6.1 Funds against borrower's note		-	-	-	-	-	-
6.2 Other		3,351	-	3,351	3,319	-	3,319
VII. MISCELLANEOUS PAYABLES		4,497,097	1,194,128	5,691,225	4,622,676	920,879	5,543,555
VIII. OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	885,276	1,308,081	2,193,357	747,599	2,018,132	2,765,731
IX. FACTORING PAYABLES		279	8	287	77	4	81
X. LEASE PAYABLES (Net)	V-II-5	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	-	-	-	-	-
11.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	V-II-7	5,762,390	44,223	5,806,613	5,562,513	43,584	5,606,097
12.1 General provisions	V-II-7	2,179,348	14,128	2,193,476	2,153,773	13,670	2,167,443
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		771,023	2,069	773,092	736,608	1,791	738,399
12.4 Insurance technical provisions (Net)		2,452,655	14,325	2,466,980	2,304,345	14,000	2,318,345
12.5 Other provisions	V-II-7	359,364	13,701	373,065	367,787	14,123	381,910
XIII. TAX LIABILITIES	V-II-8	467,808	47,119	514,927	477,830	11,957	489,787
13.1 Current tax liabilities		460,385	2,733	463,118	463,916	2,847	466,763
13.2 Deferred tax liabilities	V-I-13	7,423	44,386	51,809	13,914	9,110	23,024
XIV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)	V-II-9	-	-	-	-	-	-
14.1 Payables related to the assets held for sale		-	-	-	-	-	-
14.2 Payables related to the discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	V-II-10	-	5,181,686	5,181,686	-	5,014,700	5,014,700
XVI. EQUITY		20,421,637	573,352	20,994,989	19,154,003	453,469	19,607,472
16.1 Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2 Capital reserves		1,551,928	137,152	1,689,080	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	(124,084)	137,152	13,068	(181,609)	50,440	(131,169)
16.2.4 Revaluation surplus on tangible assets		997,436	-	997,436	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		(52,887)	-	(52,887)	(52,825)	-	(52,825)
16.3 Profit reserves		12,027,409	255,619	12,283,028	12,025,037	234,296	12,259,333
16.3.1 Legal reserves		1,430,524	8,351	1,438,875	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		10,152,706	4,598	10,157,304	10,151,977	4,598	10,156,575
16.3.4 Other profit reserves		437,842	242,670	680,512	438,287	221,347	659,634
16.4 Profit or loss		3,811,399	123,614	3,935,013	2,660,885	115,059	2,775,944
16.4.1 Prior years' profit/loss		2,562,494	117,445	2,679,939	(107,147)	93,173	(13,974)
16.4.2 Current period's profit/loss		1,248,905	6,169	1,255,074	2,768,032	21,886	2,789,918
16.5 Non-controlling interest		530,901	56,967	587,868	473,855	53,674	527,529
TOTAL LIABILITIES AND EQUITY		135,025,862	94,182,762	229,208,624	133,882,926	86,788,074	220,671,000

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

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

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

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

	Notes	Reviewed Current Period March 31, 2017			Audited Prior Period December 31, 2016		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		71,174,032	85,559,206	156,733,238	71,979,483	76,304,502	148,283,985
I. GUARANTEES AND SURETIES	V-III-2-4	27,924,738	14,600,417	42,525,155	26,946,124	13,714,227	40,660,351
1.1 Letters of guarantee		27,652,643	5,809,710	33,462,353	26,687,992	5,628,335	32,316,327
1.1.1 Guarantees subject to State Tender Law		3,161,501	2,748,633	5,910,134	3,203,501	2,571,209	5,774,710
1.1.2 Guarantees given for foreign trade operations		1,067,248	-	1,067,248	1,059,516	-	1,059,516
1.1.3 Other letters of guarantee		23,423,894	3,061,077	26,484,971	22,424,975	3,057,126	25,482,101
1.2 Bank acceptances		33,380	1,184,539	1,217,919	53,702	1,143,484	1,197,186
1.2.1 Import letter of acceptance		-	406,957	406,957	-	395,874	395,874
1.2.2 Other bank acceptances		33,380	777,582	810,962	53,702	747,610	801,312
1.3 Letters of credit		164	7,551,144	7,551,308	1,762	6,911,368	6,913,130
1.3.1 Documentary letters of credit		164	7,551,144	7,551,308	1,762	6,911,368	6,913,130
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	2,887	2,887	-	2,796	2,796
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Marketable securities underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		238,551	9,526	248,077	202,668	7,682	210,350
1.8 Other guarantees		-	39,946	39,946	-	16,890	16,890
1.9 Other sureties		-	2,665	2,665	-	3,672	3,672
II. COMMITMENTS		27,617,972	20,455,413	48,073,385	27,151,229	12,692,995	39,844,224
2.1 Irrevocable commitments		24,583,519	2,249,052	26,832,571	24,078,084	1,659,432	25,737,516
2.1.1 Asset purchase commitments	V-III-1	692,700	1,800,953	2,493,653	1,362,697	1,502,055	2,864,752
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	-	-	-	-	-	-
2.1.4 Loan granting commitments	V-III-1	10,141,835	18,932	10,160,767	9,817,555	34,042	9,851,597
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments	V-III-1	2,340,829	-	2,340,829	2,154,102	-	2,154,102
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	9,348,728	-	9,348,728	8,682,835	-	8,682,835
2.1.10 Commitments for credit card and banking operations promotions		375,169	-	375,169	300,108	-	300,108
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1,684,258	429,167	2,113,425	1,760,787	123,335	1,884,122
2.2 Revocable commitments		3,034,453	18,206,361	21,240,814	3,073,145	11,033,563	14,106,708
2.2.1 Revocable loan granting commitments		3,034,453	18,206,361	21,240,814	3,024,169	11,033,563	14,057,732
2.2.2 Other revocable commitments		-	-	-	48,976	-	48,976
III. DERIVATIVE FINANCIAL INSTRUMENTS		15,631,322	50,503,376	66,134,698	17,882,130	49,897,280	67,779,410
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		15,631,322	50,503,376	66,134,698	17,882,130	49,897,280	67,779,410
3.2.1 Forward foreign currency purchases/sales		817,048	1,431,236	2,248,284	492,117	1,123,868	1,615,985
3.2.1.1 Forward foreign currency purchases		408,997	715,660	1,124,657	247,789	560,368	808,157
3.2.1.2 Forward foreign currency sales		408,051	715,576	1,123,627	244,328	563,500	807,828
3.2.2 Currency and interest rate swaps		13,841,446	37,523,926	51,365,372	16,341,272	37,911,234	54,252,506
3.2.2.1 Currency swaps-purchases		4,764,306	14,211,311	18,975,617	8,566,437	11,982,601	20,549,038
3.2.2.2 Currency swaps-sales		7,627,140	6,269,805	13,896,945	6,324,835	10,311,809	16,636,644
3.2.2.3 Interest rate swaps-purchases		725,000	8,521,405	9,246,405	725,000	7,808,412	8,533,412
3.2.2.4 Interest rate swaps-sales		725,000	8,521,405	9,246,405	725,000	7,808,412	8,533,412
3.2.3 Currency, interest rate and security options		228,336	826,960	1,055,296	142,676	730,632	873,308
3.2.3.1 Currency call options		154,306	366,878	521,184	121,124	306,804	427,928
3.2.3.2 Currency put options		74,030	460,082	534,112	21,552	423,828	445,380
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	-	-	-	-	-
3.2.3.6 Security put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-purchases		-	-	-	-	-	-
3.2.4.2 Currency futures-sales		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-	-	-	-
3.2.6 Other		744,492	10,721,254	11,465,746	906,065	10,131,546	11,037,611
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,104,077,554	669,183,077	1,773,260,631	1,045,090,768	580,650,674	1,625,741,442
IV. ITEMS HELD IN CUSTODY		60,072,366	4,306,995	64,379,361	56,357,991	4,476,062	60,834,053
4.1 Customers' securities held		856,173	-	856,173	796,204	-	796,204
4.2 Investment securities held in custody		47,738,147	110,654	47,848,801	43,543,703	147,806	43,691,509
4.3 Checks received for collection		9,497,334	2,510,545	12,007,879	9,441,126	2,589,510	12,030,636
4.4 Commercial notes received for collection		954,988	442,752	1,397,740	1,535,349	751,302	2,286,651
4.5 Other assets received for collection		2,152	145	2,297	2,152	141	2,293
4.6 Assets received through public offering		-	-	-	-	-	-
4.7 Other items under custody		209,196	260,188	469,384	49,414	87,056	136,470
4.8 Custodians		814,376	982,711	1,797,087	990,043	900,247	1,890,290
V. PLEDGED ITEMS		291,727,642	109,841,766	401,569,408	280,719,507	104,200,492	384,919,999
5.1 Securities		575,827	10,834	586,661	495,623	16,366	511,989
5.2 Guarantee notes		718,545	586,756	1,305,301	767,642	544,996	1,312,638
5.3 Commodities		32,125,859	655,877	32,781,736	31,750,967	775,907	32,526,874
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		238,836,504	91,303,593	330,140,097	230,190,866	86,340,346	316,531,212
5.6 Other pledged items		18,914,767	17,130,466	36,045,233	16,964,074	16,365,309	33,329,383
5.7 Pledged items-depository		556,140	154,240	710,380	550,335	157,568	707,903
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		752,277,546	555,034,316	1,307,311,862	708,013,270	471,974,120	1,179,987,390
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		1,175,251,586	754,742,283	1,929,993,869	1,117,070,251	656,955,176	1,774,025,427

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 THREE-MONTH PERIOD ENDED MARCH 31, 2017
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

	Notes	Reviewed Current Period January 1, 2017-March 31, 2017	Reviewed Prior Period January 1, 2016-March 31, 2016
I. INTEREST INCOME		4,969,787	4,019,494
1.1 Interest income from loans	V-IV-1	3,940,462	3,263,382
1.2 Interest income from reserve deposits		43,402	28,593
1.3 Interest income from banks	V-IV-1	36,962	28,632
1.4 Interest income from money market transactions		14,012	141
1.5 Interest income from securities portfolio	V-IV-1	856,465	640,361
1.5.1 Trading financial assets		4,217	2,524
1.5.2 Financial assets designated at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets		507,614	426,858
1.5.4 Held-to-maturity investments		344,634	210,979
1.6 Finance lease income		31,837	27,463
1.7 Other interest income		46,647	30,922
II. INTEREST EXPENSE		2,516,884	2,398,056
2.1 Interest expense on deposits	V-IV-2	1,736,243	1,809,169
2.2 Interest expense on funds borrowed	V-IV-2	178,752	101,949
2.3 Interest expense on money market transactions		275,462	237,530
2.4 Interest expense on securities issued	V-IV-2	217,010	157,550
2.5 Other interest expenses		109,417	91,858
III. NET INTEREST INCOME (I – II)		2,452,903	1,621,438
IV. NET FEES AND COMMISSIONS INCOME		267,488	213,336
4.1 Fees and commissions received		409,903	334,354
4.1.1 Non-cash loans		67,908	52,777
4.1.2 Others		341,995	281,577
4.2 Fees and commissions paid		142,415	121,018
4.2.1 Non-cash loans		948	336
4.2.2 Others		141,467	120,682
V. DIVIDEND INCOME		43,054	38,263
VI. TRADING INCOME/LOSSES (Net)	V-IV-3	129,139	11,015
6.1 Trading account income/losses	V-IV-3	23,476	9,500
6.2 Income/losses from derivative financial instruments	V-IV-3	41,205	(14,601)
6.3 Foreign exchange gains/losses	V-IV-3	64,458	16,116
VII. OTHER OPERATING INCOME	V-IV-4	738,825	490,556
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		3,631,409	2,374,608
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5	759,642	514,645
X. OTHER OPERATING EXPENSES (-)	V-IV-6	1,317,886	1,234,227
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,553,881	625,736
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		12,109	11,669
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)		1,565,990	637,405
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES		(298,847)	(122,158)
16.1 Current tax charges	V-IV-7	(217,809)	(106,701)
16.2 Deferred tax credits	V-IV-7	(81,038)	(15,457)
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)		1,267,143	515,247
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from investment properties		-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3 Other income from discontinued activities		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS(-)		-	-
19.1 Investment property expenses		-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3 Other expenses from discontinued activities		-	-
XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES(XVIII-XIX)		-	-
XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES(±)		-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge		-	-
XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS(XX±XXI)		-	-
XXIII.NET PROFIT/LOSS (XVI+XXII)		1,267,143	515,247
23.1 Equity holders of the Bank		1,255,074	521,142
23.2 Non-controlling interest(-)	V-IV-12	12,069	(5,895)
Earnings per 100 Share (full TL)	III-XXV	0.5020	0.2085

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 THREE-MONTH PERIOD ENDED MARCH 31, 2017**

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

GAINS AND LOSSES RECOGNIZED IN EQUITY		Reviewed Current Period January 1, 2017- March 31, 2017	Reviewed Prior Period January 1, 2016- March 31, 2016
I.	VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED		
	IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	174,599	240,814
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	(382)	309
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES	20,879	6,084
V.	GAINS/(LOSSES) FROM CASH FLOW HEDGES		
	(Effective Portion of Fair Value Changes)	-	-
VI.	GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES		
	(Effective portion)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS	-	-
VIII.	OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS	(43,724)	(28,710)
IX.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(30,998)	(46,852)
X.	NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	120,374	171,645
XI.	CURRENT PERIOD'S PROFIT/(LOSS)	1,267,143	515,247
11.1	Change in fair value of securities (transfers to the statement of income)	2,456	5,393
11.2	Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges	-	-
11.3	Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges	-	-
11.4	Others	1,264,687	509,854
XII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	1,387,517	686,892

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 THREE-MONTH PERIOD ENDED MARCH 31, 2017**

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

	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserve	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 Discout. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity	
I.	Reviewed PRIOR PERIOD – March 31, 2016																			
	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	
IV.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Associates, Subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	191,639	-	-	-	-	191,639	1,022	192,661	
VI.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.1	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.2	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	(11)	-	-	-	(11)	325	314	
VIII.	Revaluation surplus on intangible as	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Translation differences	-	-	-	-	-	-	-	5,545	-	-	-	-	-	-	-	5,545	539	6,084	
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	-	-	-	-	-	-	-	-	-	(29,533)	1,717	-	-	-	-	(27,816)	-	(27,816)	
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	-	-	-	-	-	-	-	226	-	-	-	-	-	-	-	226	176	402	
XIX.	Current period's net profit/loss	-	-	-	-	-	-	-	-	521,142	-	-	-	-	-	-	521,142	(5,895)	515,247	
XX.	Profit distribution	-	-	-	-	194,809	-	1,637,436	-	-	(1,955,688)	-	23,443	-	-	-	(100,000)	-	(100,000)	
20.1	Dividends	-	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	(100,000)	-	(100,000)	
20.2	Transferred to reserves	-	-	-	-	194,809	-	1,637,436	-	-	(1,855,688)	-	23,443	-	-	-	-	-	-	
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Balances at the end of the period	2,500,000	-	727,780	-	1,430,975	6,337	10,117,484	562,512	521,142	30,720	223,367	964,089	3,683	-	-	17,088,089	501,558	17,589,647	

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 THREE-MONTH PERIOD ENDED MARCH 31, 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	
I.	Current Period – March 31, 2017																			
	Balances at the beginning of the period	2,500,000	-	727,780	-	1,436,787	6,337	10,156,575	606,809	-	2,775,944	(131,169)	997,197	3,683	-	-	19,079,943	527,529	19,607,472	
	Changes during the period																			
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation differences of the marketable securities	-	-	-	-	-	-	-	-	-	-	147,606	-	-	-	-	147,606	455	148,061	
IV.	Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	(640)	-	-	-	-	-	(640)	258	(382)	
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Translation differences	-	-	-	-	-	-	-	20,879	-	-	-	-	-	-	-	20,879	-	20,879	
IX.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Group's equity	-	-	-	-	-	-	-	-	-	(35,551)	(3,369)	-	-	-	-	(38,920)	(250)	(39,170)	
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	(63)	-	(56,758)	-	-	-	-	-	(56,821)	47,807	(9,014)	
XVII.	Current period's net profit/loss	-	-	-	-	-	-	-	-	1,255,074	-	-	-	-	-	-	1,255,074	12,069	1,267,143	
XVIII.	Profit distribution	-	-	-	-	2,088	-	729	-	-	(3,056)	-	239	-	-	-	-	-	-	
18.1	Dividends	VI-1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18.2	Transferred to reserves	VI-1	-	-	-	2,088	-	729	-	-	(3,056)	-	239	-	-	-	-	-	-	
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Balances at the end of the period	2,500,000	-	727,780	-	1,438,875	6,337	10,157,304	627,625	1,255,074	2,679,939	13,068	997,436	3,683	-	-	20,407,121	587,868	20,994,989	

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 CASH FLOW**

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

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

	Reviewed Current Period March 31, 2017	Reviewed Prior Period March 31, 2016
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	2,447,810	750,094
1.1.1 Interests received	4,368,695	3,784,383
1.1.2 Interests paid	(2,240,294)	(2,181,757)
1.1.3 Dividends received	12,828	4,398
1.1.4 Fee and commissions received	409,903	334,354
1.1.5 Other income	309,535	267,252
1.1.6 Collections from previously written-off loans and other receivables	298,122	240,719
1.1.7 Payments to personnel and service suppliers	(499,491)	(450,133)
1.1.8 Taxes paid	(196,372)	(261,517)
1.1.9 Other	(15,116)	(987,605)
1.2 Changes in operating assets and liabilities	(1,867,096)	3,913,152
1.2.1 Net (increase) decrease in financial assets held for trading purpose	17,933	59,295
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	209,491	(1,096,375)
1.2.4 Net (increase) decrease in loans	(6,594,079)	(2,332,142)
1.2.5 Net (increase) decrease in other assets	(220,022)	431,094
1.2.6 Net increase (decrease) in bank deposits	1,679,523	1,238,294
1.2.7 Net increase (decrease) in other deposits	4,498,378	3,947,975
1.2.8 Net increase (decrease) in funds borrowed	2,288,242	(60,329)
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	(3,746,562)	1,725,340
I. Net cash flow from banking operations	580,714	4,663,246
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	(425,853)	(748,903)
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	(28,427)	(60,639)
2.4 Proceeds from disposal of tangible assets	105,420	82,845
2.5 Cash paid for purchase of available-for-sale financial assets	(2,234,372)	(1,681,378)
2.6 Proceeds from disposal of available-for-sale financial assets	1,956,822	654,103
2.7 Cash paid for purchase of held-to-maturity investments	(1,203,427)	(406,138)
2.8 Proceeds from disposal of held-to-maturity investments	996,919	677,558
2.9 Other	(18,788)	(15,254)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	946,985	(1,217,080)
3.1 Cash obtained from funds borrowed and securities issued	2,692,631	292,322
3.2 Cash used for repayment of funds borrowed and securities issued	(1,745,646)	(1,509,402)
3.3 Equity instruments issued	-	-
3.4 Dividends paid	-	-
3.5 Repayments for finance leases	-	-
3.6 Other	-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents	18,976	50,196
V. Net (decrease) / increase in cash and cash equivalents	1,120,822	2,747,459
VI. Cash and cash equivalents at the beginning of the period	12,421,404	9,057,127
VII. Cash and cash equivalents at the end of the period	13,542,226	11,804,586

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
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017**

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

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 General Assembly and regulatory authorities have the rights to change the financial statements after published.

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

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 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 THREE-MONTH PERIOD ENDED MARCH 31, 2017**

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

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.

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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 March 31, 2017 is TL 11,486. 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 March 31, 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.

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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 three-month period ended March 31, 2017, the financial statements of T. Vakıflar Bankası T.A.O, Vakıfbank International AG, Vakıf Finansal Kiralama A.Ş., Güneş Sigorta A.Ş., Vakıf Emeklilik A.Ş., Vakıf Faktoring A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Portföy Yönetimi A.Ş., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. 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 A.Ş., was established in 1988 to enter into finance lease operations and related transactions and contracts. Its head office is in Istanbul.

Güneş Sigorta A.Ş. was established under the leadership of the Bank and Toprak Mahsulleri Ofisi (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 A.Ş. was established under the name Güneş Hayat Sigorta A.Ş. 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 A.Ş. was established in 1998 to perform factoring transactions and any kind of financing transactions. Factoring, the main operation of the Company, is a financing method that includes the trade receivables of production, distribution and service companies to be sold to intermediary institutions. Its head office is in Istanbul.

Vakıf Yatırım Menkul Değerler A.Ş. was established in 1996 to provide service to investors through making capital 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 A.Ş. operates in investment fund management, portfolio management and pension fund management. Its head office is in Istanbul.

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

Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. 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.

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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 authorization of World Vakıf UBB Ltd., a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at March 31, 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 A.Ş. with Vakıf Pazarlama Ticaret A.Ş. with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi A.Ş. without liquidation, in accordance with Mülga Law No: 6762, article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret A.Ş. is not a financial subsidiary anymore, its financial statements have not been consolidated as at March 31, 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 three-month period ended March 31, 2017, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası A.Ş. have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

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.

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.

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ACCOUNTING POLICIES (Continued)

V. INFORMATION ON INTEREST INCOME AND EXPENSES

Banking activities

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

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.

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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.

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.

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ACCOUNTING POLICIES (Continued)

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.

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.

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ACCOUNTING POLICIES (Continued)

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%.

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:

Tangible assets	Estimated useful life (years)	Depreciation rate (%)
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.

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ACCOUNTING POLICIES (Continued)

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).

XV. INFORMATION ON LEASING ACTIVITIES

Leasing activities

Risks and benefits on leasing activities that belongs to lessee 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.

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ACCOUNTING POLICIES (Continued)

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.

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

	Current Period	Prior Period
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.

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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.

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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 05 June 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.

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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.

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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 March 31, 2017, Vakıf Finansal Kiralama A.Ş., a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 200,002 (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.

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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 three-month period ended March 31, 2017, earnings per 100 shares are full TL 0.5020 (March 31, 2016: full TL 0.2085).

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.

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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.

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.

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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 March 31, 2017 Group’s capital adequacy ratio is 15.06% (December 31, 2016: 13.88%).

Information about the consolidated shareholder equity items

	Current Period March 31, 2017	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	-
Share Premium	727,780	-
Reserves	12,283,028	-
Income recognized under equity in accordance with TAS	1,010,504	-
Profit	3,935,013	-
Current Period’s Profit	1,255,074	-
Prior Period’s Profit	2,679,939	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	3,683	-
Minority shares	581,360	-
Common Equity Tier 1 Capital Before Deductions	21,041,368	-
Deductions from Common Equity Tier 1 Capital	-	-
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	52,887	-
Leasehold Improvements on Operational Leases	165,668	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	192,666	240,833
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	411,221	-
Common Equity Tier 1 capital (CET1)	20,630,147	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Current Period March 31, 2017	Amount as per the regulation before 1/1/2014(*)
Additional Tier 1 capital: instruments		
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)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital		
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	-	-
Transition from the Core Capital to Continue to deduce Components		
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 (-)	48,167	-
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 (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 Capital (AT1)	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	20,581,980	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	3,445,242	-
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)	6,508	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,945,633	-
Tier 2 Capital Before Deductions	5,397,383	-
Deductions From Tier 2 Capital		
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 (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	5,397,383	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	25,979,363	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
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 (-)	189,022	-
Other items to be defined by the BRSA (-)	1,127	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-

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I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Current Period March 31, 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	-	-
TOTAL CAPITAL		
Total Capital	25,789,214	-
Total Risk Weighted Amounts	171,236,891	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	12.05	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	12.02	-
Consolidated Capital Adequacy Ratio (%)	15.06	-
BUFFERS		
Total buffer requirement	1.75	-
Capital conservation buffer requirement (%)	1.25	-
Bank specific counter-cyclical buffer requirement (%)	0.003	-
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 (%)	7.55	-
Amounts below deduction thresholds		
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)	-	-
Limits related to provisions considered in Tier 2 calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2,193,476	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,945,633	-
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	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
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.

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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(*)
COMMON EQUITY TIER I CAPITAL		
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	-
Common Equity Tier 1 Capital Before Deductions	19,654,244	-
Deductions from Common Equity Tier 1 Capital		
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	-	-
Total regulatory adjustments to Common equity Tier 1	353,105	-
Common Equity Tier 1 capital (CET1)	19,301,139	-

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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(*)
Additional Tier 1 capital: instruments		-
Premiums that are not included in Common Equity Tier 1 capital		-
Bank's borrowing instruments and related issuance premium		-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)		-
Third parties' share in the Additional Tier 1 capital -		-
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)		-
Additional Tier 1 Capital before deductions		-
Deductions from Additional Tier 1 Capital		-
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		-
Transition from the Core Capital to Continue to deduce Components	92,106	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (AT1)	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	19,209,033	-
TIER 2 CAPITAL		-
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	-
Tier 2 Capital Before Deductions	4,712,984	-
Deductions From Tier 2 Capital		-
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 (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	4,712,984	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	23,922,017	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		-
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 (-)	112,142	-
Other items to be defined by the BRSA (-)	1,166	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-

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I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Prior Period December 31, 2016	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	-	-
TOTAL CAPITAL		
Total Capital	23,808,709	-
Total Risk Weighted Amounts	171,540,121	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	11.25	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.20	-
Consolidated Capital Adequacy Ratio (%)	13.88	-
BUFFERS		
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	-
Amounts below deduction thresholds		
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)	-	-
Limits related to provisions considered in Tier 2 calculation		
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	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
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	-	-

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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 Communiqué numbered CMB-II-31.1 BRSA regulation on bank’s shareholder equity
Regulatory treatment	
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)	3,445
Par value of instrument	5,064
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.
Coupons / dividends	
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
Convertible or non-convertible	
If convertible, conversion trigger (s)	Nil
If convertible, fully or partially	Nil
If convertible, conversion rate	Nil
If convertible, mandatory or optional conversion	Nil
If convertible, specify instrument type convertible into	Nil
If convertible, specify issuer of instrument it converts into	Nil
Write-down feature	
If write-down, write-down trigger(s)	XS0849728190/ US90015NAB91 Not available. XS1175854923/ US90015WAC73 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events XS1551747733/ US90015WAE30 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events
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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Reconciliation of capital items to balance sheet:

	March 31, 2017
Shareholders’ equity	20,994,989
Leasehold improvements on operational leases	(165,668)
Goodwill and intangible assets	(192,666)
General provision (1.25% of the amount that subject to credit risk)	1,945,633
Subordinated debt	3,445,242
Deductions from shareholders’ equity	(238,316)
Capital	25,789,214

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 March 31, 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:

	US Dollar	Euro
The Bank’s foreign currency purchase rate at the balance sheet date	3.6300	3.8750
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	3.5950	3.8668
Day 2	3.5950	3.8862
Day 3	3.5550	3.8611
Day 4	3.5400	3.8402
Day 5	3.5800	3.8542
	US Dollar	Euro
Last 30-days arithmetical average rate	3.6040	3.8419

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period	Euro	US Dollar	Other FC	Total
Assets:				
Cash and balances with the Central Bank of the Republic of Turkey	2,902,743	11,634,266	5,212,128	19,749,137
Banks	773,232	4,879,780	59,843	5,712,855
Financial assets at fair value through profit or loss ⁽¹⁾	-	119,816	-	119,816
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	1,341,601	4,864,018	-	6,205,619
Loans and receivables ⁽²⁾	22,515,075	32,372,944	103,647	54,991,666
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	-	127,089	-	127,089
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,650	7,955	-	9,605
Intangible assets	49	-	-	49
Other assets ⁽³⁾⁽⁴⁾	1,487,256	1,884,683	2,400	3,374,339
Total assets	29,021,609	55,890,551	5,378,018	90,290,178
Liabilities:				
Bank deposits	328,754	4,064,491	97,018	4,490,263
Foreign currency deposits	17,009,697	21,664,718	1,402,790	40,077,205
Interbank money market takings	-	2,216,783	-	2,216,783
Funds borrowed	9,885,240	17,191,352	2,271	27,078,863
Securities issued	3,854,533	7,907,062	-	11,761,595
Miscellaneous payables	1,007,598	110,127	76,403	1,194,128
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities ⁽¹⁾⁽⁴⁾⁽⁵⁾	97,302	6,460,107	2,842	6,560,251
Total liabilities	32,183,124	59,614,640	1,581,324	93,379,088
Net 'on balance sheet' position	(3,161,515)	(3,724,089)	3,796,694	(3,088,910)
Net 'off-balance sheet' position	3,479,858	5,187,960	(3,770,745)	4,897,073
Derivative assets ⁽⁶⁾	6,663,122	21,333,631	603,948	28,600,701
Derivative liabilities ⁽⁶⁾	3,183,264	16,145,671	4,374,693	23,703,628
Non-cash loans ⁽⁷⁾	4,569,923	9,738,890	291,604	14,600,417
Prior Period	Euro	US Dollar	Other FC	Total
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
Net 'on balance sheet' position	(511,255)	(697,672)	3,282,790	2,073,863
Net 'off-balance sheet' position	665,383	2,658,591	(3,282,690)	41,284
Derivative assets ⁽⁶⁾	3,755,331	21,698,055	290,944	25,744,330
Derivative liabilities ⁽⁶⁾	3,089,948	19,039,464	3,573,634	25,703,046
Non-cash loans ⁽⁷⁾	4,082,706	9,339,955	291,566	13,714,227

⁽¹⁾ Derivative financial assets amounting to TL 12,992 (December 31, 2016: TL 21,109) and liabilities amounting to TL 52,373 (December 31, 2016: TL 43,941) resulting from changes in foreign exchange rates are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 4,556,737 (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 amounted to TL 99,406 (December 31, 2016: TL 150,892) presented in TL column in the accompanying consolidated balance sheet are included.

⁽⁴⁾ Prepaid expenses amounting to TL 107,182 (December 31, 2016: TL 80,727) are not included.

⁽⁵⁾ Unearned income amounting to TL 168,314 (December 31, 2016: TL 165,259), deferred tax liabilities amounting to TL 9,635 (December 31, 2016: 9,632) and equity amounting to TL 573,352 TL (December 31, 2016: TL 453,469) are not included.

⁽⁶⁾ Asset purchase commitments amounting to TL 699,100 (December 31, 2016: TL 918,356), asset sales commitments amounting to TL 1,101,853 (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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. 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 three-month period ended March 31, 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.

	March 31, 2017		March 31, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	145,592	145,592	155,075	155,075
Euro	31,664	84,319	17,348	58,678
Other currencies	2,595	2,595	1,852	1,852
Total, net (**)	179,851	232,506	174,275	215,605

(*) 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 three-month period ended March 31, 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.

	March 31, 2017		March 31, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(145,592)	(145,592)	(153,840)	(153,840)
Euro	(31,664)	(84,319)	(17,348)	(58,678)
Other currencies	(2,595)	(2,595)	(1,852)	(1,852)
Total, net (**)	(179,851)	(232,506)	(173,040)	(214,370)

(*) 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.

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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)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	13,431,848	-	-	-	-	9,875,127	23,306,975
Banks	5,528,212	762,759	14,539	-	-	586,823	6,892,333
Financial assets at fair value through profit/loss	645,499	683,309	67,750	452,188	92,596	10,203	1,951,545
Interbank money market placements	364,068	-	-	-	-	-	364,068
Available-for-sale financial assets	2,138,118	2,047,757	5,123,890	6,701,600	3,192,768	32,466	19,236,599
Loans and receivables	52,682,668	45,507,011	24,912,547	21,191,748	10,722,410	1,132,334	156,148,718
Held-to-maturity investments	180,377	4,166,958	2,799,519	1,252,397	229,165	-	8,628,416
Other assets ^(*)	549,441	213,234	342,993	1,500,297	168,751	9,905,254	12,679,970
Total assets	75,520,231	53,381,028	33,261,238	31,098,230	14,405,690	21,542,207	229,208,624
<i>Liabilities:</i>							
Bank deposits	5,371,063	937,848	30,138	-	-	335,221	6,674,270
Other deposits	68,635,628	21,985,463	8,942,443	1,044,527	19,788	25,294,874	125,922,723
Interbank money market takings	10,750,529	-	-	446,785	64,172	-	11,261,486
Miscellaneous payables	-	-	-	-	-	5,691,225	5,691,225
Securities issued	2,894,910	2,079,088	1,288,438	9,358,556	-	-	15,620,992
Funds borrowed	4,672,833	12,345,231	8,002,574	1,896,526	1,703,192	-	28,620,356
Other liabilities ^(**)	148,722	97,385	241,582	1,583,637	3,836,073	29,510,173	35,417,572
Total liabilities	92,473,685	37,445,015	18,505,175	14,330,031	5,623,225	60,831,493	229,208,624
On balance sheet long position	-	15,936,013	14,756,063	16,768,199	8,782,465	-	56,242,740
On balance sheet short position	(16,953,454)	-	-	-	-	(39,289,286)	(56,242,740)
Off-balance sheet long position	2,013,925	2,794,799	-	-	-	-	4,808,724
Off-balance sheet short position	-	-	(413,311)	(3,102,226)	(217,800)	-	(3,733,337)
Net position	(14,939,529)	18,730,812	14,342,752	13,665,973	8,564,665	(39,289,286)	1,075,387

^(*) 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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with 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
Total assets	68,541,873	41,462,930	42,822,685	30,339,056	14,424,618	23,079,838	220,671,000
<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
Total liabilities	88,122,462	33,598,686	21,473,624	13,596,157	5,481,991	58,398,080	220,671,000
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)
Net position	(17,507,441)	10,912,845	20,826,708	13,351,546	8,731,727	(35,318,242)	997,143

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED INTEREST RATE RISK (Continued)

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

Current Period	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBRT	-	1.00	-	4.00
Banks	0.20	1.04	-	12.69
Financial assets at fair value through profit/loss	-	11.78	-	11.72
Interbank money market placements	-	-	-	11.75
Available-for-sale financial assets	4.69	6.63	-	9.74
Loans and receivables	3.76	4.83	-	12.13
Held-to-maturity investments	-	3.55	-	10.21
Liabilities:				
Bank deposits	0.21	1.16	-	13.34
Other deposits	1.42	2.93	-	9.72
Interbank money market takings	-	1.45	-	11.17
Miscellaneous payables	-	-	-	-
Securities issued	2.94	4.89	-	10.69
Funds borrowed	1.14	2.69	-	12.25
Prior Period				
	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
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
Liabilities:				
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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items

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

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

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

Current Period	Comparison		
Stock Investments	Carrying Value	Fair Value^(*)	Market Value^(*)
Stocks quoted in exchange^(*)	269,832	269,832	269,832
1.Stocks Investments Group A	269,832	269,832	269,832
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	392,138	298,707	-

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

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION 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 Core Capital	Total (*)	Included in Core Capital	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-	-
3. Other Stocks	-	65,562	65,562	-	-	-
4. Total	-	65,562	65,562	-	-	-

(*) 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	-	-	-
4. Total	-	64,288	64,288	-	-	-

(*) 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	269,832	269,832	21,587
3. Other Stocks	392,138	392,138	31,371
4. Total	661,970	661,970	52,958

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
4. Total	650,540	650,540	52,043

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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.

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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	February 2017	100.06	March 2017	125.94
The highest value	March 2017	105.07	January 2017	158.15

Liquidity Coverage Ratio

Current Period		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			30,152,520	17,317,879
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:				
3	Stable deposits	58,677,737	21,795,747	4,917,168	2,179,575
4	Less stable deposits	19,012,120	-	950,606	-
5	Unsecured wholesale funding, of which:				
6	Operational deposits	39,665,617	21,795,747	3,966,562	2,179,575
7	Non-operational deposits	64,367,257	19,906,671	26,622,347	10,704,797
8	Unsecured debt	44,862,693	9,645,318	11,215,673	2,411,330
9	Secured wholesale funding	11,355,596	6,357,943	7,366,463	4,496,854
10	Additional requirements of which:	8,148,968	3,903,410	8,040,211	3,796,613
11	Outflows related to derivative exposures and other collateral requirements	10,671,638	9,057,479	10,671,638	9,057,479
12	Outflows related to loss of funding on debt products	10,671,638	9,057,479	10,671,638	9,057,479
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	-	-	-	-
15	Other contingent funding obligations	18,899,820	18,384,100	944,991	919,205
16	TOTAL CASH OUTFLOWS	44,585,752	13,174,566	6,019,876	1,235,227
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	16,604,964	7,384,284	12,208,108	6,558,168
19	Other cash inflows	7,756,562	5,066,564	7,756,562	5,066,564
20	TOTAL CASH INFLOWS	24,361,526	12,450,848	19,964,670	11,624,732
				Upper Limit Applied Values	
21	TOTAL HQLA			30,152,520	17,317,879
22	TOTAL NET CASH OUTFLOWS			29,211,350	12,471,551
23	LIQUIDITY COVERAGE RATIO (%)			103.23	140.09

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

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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
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			31,327,045	17,494,256
CASH OUTFLOWS					
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	TOTAL CASH OUTFLOWS			49,677,607	23,020,968
CASH INFLOWS					
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	TOTAL CASH INFLOWS	23,198,347	10,772,021	19,311,810	10,012,778
Upper Limit Applied Values					
21	TOTAL HQLA			31,327,045	17,494,256
22	TOTAL NET CASH OUTFLOWS			30,365,797	13,008,190
23	LIQUIDITY COVERAGE RATIO (%)			103.26	136.98

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

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

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

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Assets:								
Cash and balance with CBRT	23,306,975	-	-	-	-	-	-	23,306,975
Banks	4,696,614	1,418,421	762,759	14,539	-	-	-	6,892,333
Financial assets at fair value through profit/loss	10,991	70,388	224,357	400,922	1,143,215	101,672	-	1,951,545
Interbank money market placements	-	364,068	-	-	-	-	-	364,068
Available-for-sale financial assets	-	18,156	295,687	1,742,346	9,778,841	7,369,103	32,466	19,236,599
Loans and receivables	-	14,443,993	5,358,097	31,840,108	66,214,240	37,164,196	1,128,084	156,148,718
Held-to-maturity investments	-	127,089	-	-	3,843,692	4,657,635	-	8,628,416
Other assets	75,866	1,715,327	338,628	517,478	1,627,067	168,786	8,236,818	12,679,970
Total assets	28,090,446	18,157,442	6,979,528	34,515,393	82,607,055	49,461,392	9,397,368	229,208,624
Liabilities:								
Bank deposits	335,221	5,371,063	937,848	30,138	-	-	-	6,674,270
Other deposits	25,789,555	68,062,986	21,995,074	8,857,889	1,192,068	25,151	-	125,922,723
Funds borrowed	-	4,092,539	2,485,202	7,450,262	7,966,852	6,625,501	-	28,620,356
Interbank money market takings	-	10,750,529	-	-	446,785	64,172	-	11,261,486
Securities issued	-	2,759,992	1,969,039	1,156,777	9,735,184	-	-	15,620,992
Miscellaneous payables	-	3,890,561	147,671	86,106	1,505	-	1,565,382	5,691,225
Other liabilities	80,352	899,210	1,002,177	1,141,966	860,379	5,410,702	26,022,786	35,417,572
Total liabilities	26,205,128	95,826,880	28,537,011	18,723,138	20,202,773	12,125,526	27,588,168	229,208,624
Liquidity gap	1,885,318	(77,669,438)	(21,557,483)	15,792,255	62,404,282	37,335,866	(18,190,800)	-
Net Off Balance Sheet Position								
Receivables from Derivative Financial Instruments	-	(36,442)	191,848	360,511	913,984	674,147	-	2,104,048
Payables from Derivative Financial Instruments	-	6,923,199	5,205,759	2,728,201	12,850,750	6,411,464	-	34,119,373
Non-cash Loans	4,118,622	1,379,016	24,068,994	7,176,952	4,826,456	955,115	-	42,525,155
Net Off Balance Sheet Position	-	(479,339)	(6,902)	423,379	933,313	652,787	-	1,523,238
Prior Period								
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
Liquidity gap	3,097,923	(72,501,678)	(18,957,601)	10,136,448	60,593,247	34,795,404	(17,163,743)	-
Net Off Balance Sheet Position								
Receivables from Derivative Financial Instruments	-	8,668,204	4,637,320	2,809,733	12,736,387	5,799,680	-	34,651,324
Payables from Derivative Financial Instruments	-	9,147,543	4,644,222	2,386,354	11,803,074	5,146,893	-	33,128,086
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” column.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

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	6,674,270	6,690,656	335,221	5,376,497	948,523	30,415	-	-
Other deposits	125,922,723	126,622,712	25,789,555	68,114,979	22,173,609	9,077,801	1,425,185	41,583
Funds borrowed	28,620,356	31,719,502	-	4,113,199	2,533,738	7,599,536	9,196,784	8,276,245
Money market takings	11,261,486	11,384,219	-	10,758,001	-	-	537,427	88,791
Issued Securities (Net)	15,620,992	16,746,951	-	2,764,142	1,998,779	1,205,174	10,778,856	-
Miscellaneous payables	5,691,225	5,691,225	1,565,382	3,890,561	147,671	86,106	1,505	-
Other liabilities	7,590,649	10,009,724	1,194,008	493,536	88,453	18,892	549,212	7,665,623
Total	201,381,701	208,864,989	28,884,166	95,510,915	27,890,773	18,017,924	22,488,969	16,072,242
Non-Cash Loans	42,525,155	42,525,155	4,118,622	1,379,016	24,068,994	7,176,952	4,826,456	955,115

Prior period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	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
Total	194,509,459	201,523,570	27,991,825	88,542,282	25,737,458	23,221,907	21,199,384	14,830,714
Non-Cash Loans	40,660,351	40,660,351	3,594,694	1,317,799	23,411,576	6,463,985	5,003,522	868,775

This table shows the undiscounted cash flows on the Group’s financial liabilities on the basis of their earliest possible contractual maturity. Therefore, the gross nominal outflows in the table above vary from the carrying amounts of the relevant financial liabilities reflected in the consolidated financial statements.

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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” actualized as 6.75%. 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

	Current Period	Prior Period
Total asset amount in the consolidated financial statements prepared as per TAS ⁽¹⁾	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 ⁽¹⁾	(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 ⁽²⁾	(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 ⁽²⁾	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 ⁽²⁾	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 ⁽²⁾	(84,701,860)	(68,046,264)
Total risk amount	283,709,054	245,588,552

⁽¹⁾ The amounts represent December 31, 2016 and December 31, 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.

⁽²⁾ The balances in the table represent the average of three months.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. CONSOLIDATED LEVERAGE RATIO (Continued)

Leverage ratio common disclosure template

		Current Period^(*)	Prior Period^(*)
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs; including collateral)	224,693,219	216,824,485
2	Assets deducted in determining Basel III Tier 1 capital	(407,494)	(314,602)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	224,285,725	216,509,883
Derivative exposures			
4	Replacement cost	1,943,036	1,384,507
5	Add-on amount	642,299	649,441
6	Total derivative exposures	2,585,335	2,033,948
Securities financing transaction exposures			
7	Gross SFT assets (with no recognition of accounting netting)	610,858	653,844
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	610,858	653,844
Other off-balance sheet exposures			
10	Off-balance sheet exposures with gross nominal amount	67,496,759	63,161,241
11	Adjustment amount off-balance sheet exposures with credit conversion factor	2,035,350	1,350,160
12	Total off-balance sheet exposures	69,532,109	64,511,401
Capital and total exposures			
13	Tier 1 capital	20,043,568	19,017,854
14	Total exposures	297,014,027	283,709,076
Leverage ratio			
15	Leverage ratio	6.75	6.71

(*) Calculated by using three month average of balances in Leverage Rate Notification table.

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.

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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
OPERATING INCOME/ EXPENSES					
Interest Income	1,317,737	2,309,381	1,331,823	10,846	4,969,787
<i>Interest income from loans</i>	<i>1,317,737</i>	<i>2,241,743</i>	<i>380,982</i>	-	<i>3,940,462</i>
<i>Interest income from reserve deposits</i>	-	-	<i>43,402</i>	-	<i>43,402</i>
<i>Interest income from securities portfolio</i>	-	-	<i>856,465</i>	-	<i>856,465</i>
<i>Interest income from banks</i>	-	-	<i>36,962</i>	-	<i>36,962</i>
<i>Interest income from money market transactions</i>	-	-	<i>14,012</i>	-	<i>14,012</i>
<i>Finance lease income</i>	-	<i>31,837</i>	-	-	<i>31,837</i>
<i>Other interest income</i>	-	<i>35,801</i>	-	<i>10,846</i>	<i>46,647</i>
Interest Expense	876,039	854,951	757,425	28,469	2,516,884
<i>Interest expense on deposits</i>	<i>876,039</i>	<i>824,356</i>	<i>35,848</i>	-	<i>1,736,243</i>
<i>Interest expense on funds borrowed</i>	-	<i>30,595</i>	<i>148,157</i>	-	<i>178,752</i>
<i>Interest expense on money market transactions</i>	-	-	<i>275,462</i>	-	<i>275,462</i>
<i>Interest expense on securities issued</i>	-	-	<i>217,010</i>	-	<i>217,010</i>
<i>Other interest expenses</i>	-	-	<i>80,948</i>	<i>28,469</i>	<i>109,417</i>
Net Interest Income	441,698	1,454,430	574,398	(17,623)	2,452,903
Net Fees and Commissions Income	116,043	128,891	22,554	-	267,488
Trading Income/ Losses (Net)	-	-	129,139	-	129,139
Dividend Income	-	-	43,054	-	43,054
Other Income (*)	-	-	-	738,825	738,825
Provision For Losses on Loans and Other					
Receivables	122,679	598,416	11,697	26,850	759,642
Other Expenses (**)	-	-	-	1,317,886	1,317,886
Income/Loss From Investments Under Equity					
Accounting	-	-	12,109	-	12,109
Profit Before Taxes	435,062	984,905	769,557	(623,534)	1,565,990
Provision for taxes	-	-	-	(298,847)	(298,847)
Net Profit/ Loss	435,062	984,905	769,557	(922,381)	1,267,143
SEGMENT ASSETS					
Securities Portfolio	-	-	28,042,059	-	28,042,059
Derivative Financial Assets Held for Trading					
Purpose	-	-	1,774,501	-	1,774,501
Banks and Receivables From Money Markets	-	-	7,256,401	-	7,256,401
Investments in Associates and Subsidiaries	-	-	629,504	-	629,504
Loans and Receivables	42,257,968	88,472,205	25,418,545	-	156,148,718
Other Assets	-	2,829,069	23,043,475	9,484,897	35,357,441
TOTAL ASSETS	42,257,968	91,301,274	86,164,485	9,484,897	229,208,624
SEGMENT LIABILITIES					
Deposits	56,417,177	69,505,546	6,674,270	-	132,596,993
Derivative Financial Liabilities Held for Trading					
Purpose	-	-	722,362	-	722,362
Interbank Money Market Takings	-	-	11,261,486	-	11,261,486
Funds Borrowed	-	691,281	27,929,075	-	28,620,356
Securities Issued	-	-	15,620,992	-	15,620,992
Other Liabilities	-	287	6,230,011	6,839,608	13,069,906
Provisions and Tax Liabilities	-	-	-	6,321,540	6,321,540
Equity	-	-	-	20,994,989	20,994,989
TOTAL LIABILITIES AND EQUITY	56,417,177	70,197,114	68,438,196	34,156,137	229,208,624

(*) TL 241,328 amount of TL 738,825 shown in other income consist of acquired insurance premiums, TL 370,712 of income from reversal of the specific provisions for loans from prior periods, TL 36,227 of income from the sale of Group’s assets, TL 13,707 from communications income, TL 22 of leasing income, TL 23,519 of income from private pension activities and the remaining TL 53,310 of other operating income.

(**) TL 455,643 amount of TL 1,317,886 shown in other expenses line consists of personnel expenses, TL 477,969 of other operating expenses, TL 50,550 of depreciation expenses, TL 37, 098 of dividend reserves expenses to be given to personnel, TL 49,461 of Savings Deposit Insurance Fund (SDIF) expenses, TL 39,033 of taxes and funds expenses, TL 9,243 pension compensations, TL 39,286 from cumulative/noncumulative commission expenses, TL 62,513 from production commission expenses and the remaining TL 97,090 of other expenses.

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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
OPERATING INCOME/ EXPENSES					
Interest Income	1,154,064	1,913,717	943,980	7,733	4,019,494
Interest income from loans	1,154,064	1,863,065	246,253	-	3,263,382
Interest income from reserve deposits	-	-	28,593	-	28,593
Interest income from securities portfolio	-	-	640,361	-	640,361
Interest income from banks	-	-	28,632	-	28,632
Interest income from money market transactions	-	-	141	-	141
Finance lease income	-	27,463	-	-	27,463
Other interest income	-	23,189	-	7,733	30,922
Interest Expense	793,608	973,773	600,316	30,359	2,398,056
Interest expense on deposits	793,608	957,760	57,801	-	1,809,169
Interest expense on funds borrowed	-	16,013	85,936	-	101,949
Interest expense on money market transactions	-	-	237,530	-	237,530
Interest expense on securities issued	-	-	157,550	-	157,550
Other interest expenses	-	-	61,499	30,359	91,858
Net Interest Income	360,456	939,944	343,664	(22,626)	1,621,438
Net Fees and Commissions Income	99,732	98,268	15,336	-	213,336
Trading Income/ Losses (Net)	-	-	11,015	-	11,015
Dividend Income	-	-	38,263	-	38,263
Other Income (*)	-	-	-	490,556	490,556
Provision For Losses on Loans and Other Receivables	34,345	435,469	10,718	34,113	514,645
Other Expenses (**)	-	-	-	1,234,227	1,234,227
Income/Loss From Investments Under Equity Accounting	-	-	11,669	-	11,669
Profit Before Taxes	425,843	602,743	409,229	(800,410)	637,405
Provision for taxes	-	-	-	(122,158)	(122,158)
Net Profit/ Loss	425,843	602,743	409,229	(922,568)	515,247
SEGMENT ASSETS					
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
TOTAL ASSETS	41,432,801	86,765,852	83,029,841	9,442,506	220,671,000
SEGMENT LIABILITIES					
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
TOTAL LIABILITIES AND EQUITY	54,570,012	67,275,907	65,552,856	33,272,225	220,671,000

(*) TL 163,755 amount of TL 490,556 of income from reversal of the specific provisions for loans from prior periods, TL 209,888 of acquired insurance premiums, TL 34,806 of income from the sale of Group's assets, TL 12,267 of communications income, TL 17,781 of income from private pension activities, TL 195 of leasing income and the remaining TL 51,864 of other operating income.

(**) TL 412,285 amount of TL 1,234,227 shown in other expenses line consists of personnel expenses, TL 459,678 of other operating expenses, TL 45,772 of depreciation expenses, TL 35,636 of dividend reserves expenses to be given to personnel, TL 32,357 of Savings Deposit Insurance Fund (SDIF) expenses, TL 33,361 of taxes and funds expenses, TL 71,093 pension compensations, TL 60,881 from cumulative/noncumulative commission expenses, TL 55,974 from production commission expenses and the remaining TL 27,190 of other expenses.

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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
1 Credit Risk (excluding counterparty credit risk) (*)	153,146,746	156,045,238	12,251,740
2 Standardized approach	153,146,746	156,045,238	12,251,740
3 Internal rating based approach	-	-	-
4 Counterparty Credit Risk	2,230,844	2,123,816	178,468
5 Standardized approach for counterparty credit risk	2,230,844	2,123,816	178,468
6 Internal model method	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating based	-	-	-
8 Equity investments in funds – look-through approach	-	-	-
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – 1250% weighted risk approach	-	-	-
11 Settlement Risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
16 Market risk	1,062,492	632,989	84,999
17 Standardized approach	1,062,492	632,989	84,999
18 Internal model approaches	-	-	-
19 Operational Risk	14,523,725	12,245,361	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)	273,085	492,718	21,847
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	171,236,891	171,540,121	13,698,951

(*) Except for the amount of the discount threshold under the equity

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SECTION FIVE

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. Information on cash and balances with the Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1,308,566	328,180	1,281,060	508,933
Central Bank of the Republic of Turkey (*)	1,969,235	19,389,878	2,892,154	19,433,355
Other	280,037	31,079	235,950	17,863
Total	3,557,838	19,749,137	4,409,164	19,960,151

(*) TL 16,583,737 (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	1,925,832	2,806,141	2,861,879	2,647,870
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	1,807,942
Reserve Deposits	43,403	16,583,737	30,275	14,977,543
Total	1,969,235	19,389,878	2,892,154	19,433,355

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	46,509	718	68,526	10,647
Other	-	-	-	-
Total	46,509	718	68,526	10,647

Trading securities subject to repurchase agreements

None.

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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	17,368	3,177	18,625	4,254
Swap transactions	1,629,404	124,034	1,455,133	129,105
Futures	-	-	-	-
Options	394	124	107	328
Other	-	-	-	-
Total	1,647,166	127,335	1,473,865	133,687

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	1,175,362	794,293	1,180,083	301,055
Foreign	4,116	4,918,562	15,703	3,778,648
Foreign Head Offices and Branches	-	-	-	-
Total	1,179,478	5,712,855	1,195,786	4,079,703

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	5,916,825	2,281,872	1,882,699	2,051,546
Other	-	-	-	-
Total	5,916,825	2,281,872	1,882,699	2,051,546

Available-for-sale financial assets subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1,472,052	-	3,775,304	-
Treasury bills	-	-	-	-
Other debt securities	-	2,308,165	-	2,113,320
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Total	1,472,052	2,308,165	3,775,304	2,113,320

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

Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	19,367,750	18,832,215
Quoted on a Stock Exchange	19,367,750	18,832,215
Unquoted	-	-
Equity securities	32,466	27,610
Quoted on a Stock Exchange	-	-
Unquoted	32,466	27,610
Provisions for impairment losses (-)	163,617	240,745
Total	19,236,599	18,619,080

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
Direct loans provided to the shareholders	-	32,390	-	31,720
Legal entities	-	32,390	-	31,720
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	127,310	58	117,544	41
Total	127,310	32,448	117,544	31,761

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
Non-specialized loans	145,800,653	2,121,321	-	5,409,576	1,678,562
Loans given to enterprises	44,363,263	1,281,457	-	1,688,011	1,258,269
Export loans	5,548,919	11,405	-	181,619	59,237
Import loans	-	-	-	-	-
Loans given to financial sector	3,968,079	-	-	336	58,139
Consumer loans	35,475,841	357,877	-	1,345,331	228,242
Credit cards	5,619,561	57,363	-	256,378	30,207
Other	50,824,990	413,219	-	1,937,901	44,468
Specialized lending	583	-	-	-	-
Other receivables	9,939	-	-	-	-
Total	145,811,175	2,121,321	-	5,409,576	1,678,562

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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	2,121,321	1,279,328
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	3,705	182
6-12 Months	17,683	15,260
1-2 Years	73,187	97,522
2-5 Years	1,229,360	888,437
5 Years and Over	797,386	277,927

(*) The a and b paragraph of the 4th article of the 5th 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.

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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
Consumer loans – TL	455,377	34,697,270	35,152,647
Housing loans	14,205	16,871,488	16,885,693
Automobile loans	4,705	393,495	398,200
General purpose loans	436,467	17,432,287	17,868,754
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	1,170	4,891	6,061
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,170	4,891	6,061
Other	-	-	-
Retail credit cards – TL	4,337,166	104,392	4,441,558
With instalment	1,872,587	94,613	1,967,200
Without instalment	2,464,579	9,779	2,474,358
Retail credit cards – FC	13,341	-	13,341
With instalment	-	-	-
Without instalment	13,341	-	13,341
Personnel loans – TL	4,334	58,201	62,535
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	4,334	58,201	62,535
Other	-	-	-
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans – FC	458	-	458
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	458	-	458
Other	-	-	-
Personnel credit cards – TL	63,406	454	63,860
With instalment	24,910	424	25,334
Without instalment	38,496	30	38,526
Personnel credit cards – FC	457	-	457
With instalment	-	-	-
Without instalment	457	-	457
Overdraft Checking Accounts – TL (Real person)	2,185,400	-	2,185,400
Overdraft Checking Accounts – FC (Real person)	190	-	190
Total	7,061,299	34,865,208	41,926,507

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

Instalment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	1,088,275	28,004,923	29,093,198
Real estate loans	707	963,031	963,738
Automobile loans	72,734	1,586,600	1,659,334
General purpose loans	1,014,834	25,455,292	26,470,126
Other	-	-	-
Instalment-based commercial loans – FC indexed	46,626	1,459,134	1,505,760
Real estate loans	-	-	-
Automobile loans	-	115,934	115,934
General purpose loans	46,626	1,343,200	1,389,826
Other	-	-	-
Instalment-based commercial loans – FC	1,062,466	8,408,933	9,471,399
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,062,466	8,408,933	9,471,399
Other	-	-	-
Corporate credit cards – TL	1,442,265	652	1,442,917
With instalment	364,362	652	365,014
Without instalment	1,077,903	-	1,077,903
Corporate credit cards – FC	1,376	-	1,376
With instalment	-	-	-
Without instalment	1,376	-	1,376
Overdraft Checking Accounts – TL (Corporate)	1,053,541	-	1,053,541
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	4,694,549	37,873,642	42,568,191

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic loans	154,340,413	147,783,305
Foreign loans	680,221	621,189
Total	155,020,634	148,404,494

Loans to associates and subsidiaries

	Current Period	Prior Period
Direct loans to associates and subsidiaries	19	10
Indirect loans to associates and subsidiaries	-	-
Total	19	10

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

Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Loans and receivables with limited collectability	255,107	389,259
Loans and receivables with doubtful collectability	628,670	553,966
Uncollectible loans and receivables	5,007,341	4,589,383
Total	5,891,118	5,532,608

Information on non-performing loans (Net)

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current period	81,657	155,942	86,419
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	81,657	155,942	86,419
Prior period	137,005	176,551	78,606
(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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Balance at the beginning of the period	946,968	1,107,117	4,649,298
Additions (+)	737,261	17,859	33,756
Transfers from other categories of loans under follow-up (+)	-	861,801	536,830
Transfers to other categories of loans under follow-up (-) ^(*)	903,263	650,253	20,613
Collections (-)	78,830	79,734	139,558
Write-offs (-)	-	3	1,016
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	3	1,016
Currency differences	-	-	1,582
Balance at the end of the period	702,136	1,256,787	5,060,279
Specific provisions (-) ^(**)	255,107	628,670	5,007,341
Net balance on balance sheet	447,029	628,117	52,938

^(*) 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.

^(**) For the loans amounting to TL 228,232 in the third group, provision amounting to 114,116 TL is provided in addition to 20% which is the minimum rate stated in the related regulation and 70% provision is provided.

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

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

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period			
Balance at the end of the period	14,060	67,914	436,085
Specific provision (-)	2,812	59,761	397,813
Net balance on balance sheet	11,248	8,153	38,272
Prior Period			
Balance at the end of the period	64,048	17,087	423,134
Specific provision (-)	52,069	8,807	382,751
Net balance on balance sheet	11,979	8,280	40,383

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

Explanation on Write-off Policy

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

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period (Net)			
Consumer and Commercial Loans (Gross)	702,065	1,253,449	4,885,083
Specific Provision (-)	255,093	627,001	4,835,871
Consumer and Commercial Loans (Net)	446,972	626,448	49,212
Banks (Gross)	-	-	8,987
Specific Provision (-)	-	-	8,987
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	71	3,338	166,209
Specific Provision (-)	14	1,669	162,483
Other Loans and Receivables (Net)	57	1,669	3,726
Prior Period (Net)			
Consumer and Commercial Loans (Gross)	946,835	1,097,617	4,550,247
Specific Provision (-)	389,232	549,216	4,490,332
Consumer and Commercial Loans (Net)	557,603	548,401	59,915
Banks (Gross)	-	-	8,761
Specific Provision (-)	-	-	8,761
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	133	9,500	90,290
Specific Provision (-)	27	4,750	90,290
Other Loans and Receivables (Net)	106	4,750	-

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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	8,501,327	-	8,039,914	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	-	-	-
Total	8,501,327	-	8,039,914	-

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	8,633,235	8,187,293
<i>Quoted at stock exchanges</i>	<i>8,506,146</i>	<i>8,046,672</i>
<i>Unquoted at stock exchanges</i>	<i>127,089</i>	<i>140,621</i>
Impairment losses (-)	4,819	6,758
Total	8,628,416	8,180,535

The movement table of the held-to-maturity investments

	Current Period	Prior Period
Balances at the beginning of the period	8,180,535	7,677,729
Foreign currency differences on monetary assets	5,750	7,371
Purchases during the period	1,203,427	1,873,688
Transfers to available for sale portfolio	-	-
Disposals through sales/redemptions	(996,919)	(1,673,758)
Impairment losses	1,939	(537)
Change in amortized costs of the securities (*)	233,684	296,042
Balances at the end of the period	8,628,416	8,180,535

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

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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	2,690,594	127,050	2,985,954	127,089
Investments subject to repurchase agreements	2,919,763	-	3,425,921	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	1,673,501	-	2,089,452	-
Total	7,283,858	127,050	8,501,327	127,089

(*) 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	-
Total	7,058,050	140,600	8,039,914	140,621

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

7. Investments in associates

Unconsolidated investments in associates

Title	Address (City/ Country)	Parent Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1 Roketsan Roket Sanayi ve Ticaret A.Ş.	Ankara/Turkey	9.93	9.93
2 Bankalararası Kart Merkezi A.Ş.	İstanbul/Turkey	9.70	9.70
3 KKB Kredi Kayıt Bürosu A.Ş.	İstanbul/Turkey	9.09	9.09
4 Güçbirliği Holding A.Ş.	İzmir/Turkey	0.07	0.07
5 İzmir Enternasyonal Otelcilik A.Ş.	İstanbul/Turkey	5.00	5.00
6 İstanbul Takas ve Saklama Bankası A.Ş.	İstanbul/Turkey	4.37	4.37
7 Kredi Garanti Fonu A.Ş. (*)	Ankara/Turkey	1.69	1.69
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	79,690	43,312	50,931	359	-	3,416	4,923	-
3	251,695	153,446	174,795	974	-	14,597	5,766	-
4	142,431	(38,498)	87,995	182	-	(2,975)	413	-
5	111,458	(27,375)	86,205	-	-	(5,948)	1,121	-
6	9,813,710	1,103,547	105,238	79,537	1,948	59,697	65,580	-
7	314,961	304,494	7,586	18,431	-	5,530	5,483	-
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 December 31, 2016.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The title of World Vakıf Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakıf UBB. Ltd. on 4 February 2009. Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorization of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to 24 May 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. In year 2010, due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified 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 27 August 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 A.Ş. and Kredi Garanti Fonu A.Ş. have not been consolidated since their total assets and net operating profit/loss) individually or as a whole, do not comprise a material portion within the consolidated totals. Since Bankalararası Kart Merkezi A.Ş., Kredi Kayıt Bürosu A.Ş., Roketsan Roket Sanayi ve Ticaret A.Ş., Güçbirliği Holding A.Ş. and İzmir Enternasyonal A.Ş. are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

Consolidated investments in associates

Title	Address (City/ Country)	Parent Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1 Kıbrıs Vakıflar Bankası Ltd.	Lefkoşa/TRNC	15.00	15.00
2 Türkiye Sınai Kalkınma Bankası A.Ş.	İstanbul/Turkey	8.38	8.38

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	969,837	83,354	7,097	18,015	1,238	313	1,318	-
2	26,375,885	3,220,914	804,730	308,201	94,070	143,985	136,928	2,815,854

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası A.Ş. 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 A.Ş. 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

	Current Period	Prior Period
Balance at the beginning of the period	253,457	224,269
Movements during the period	(6,870)	29,188
Transfers	-	-
Acquisitions	-	-
Bonus shares received	29,321	29,632
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	(36,191)	(444)
Impairment losses	-	-
Balance at the end of the period	246,587	253,457
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Sectoral distribution of consolidated investments and associates

	Current Period	Prior Period
Insurance companies	246,587	253,457
Banks	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
Total	246,587	253,457

Quoted associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	235,969	242,838
Quoted at international stock exchanges	-	-
Total	235,969	242,838

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
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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 A.Ş.	Vakıf Yatırım Menkul Değerler A.Ş.	Vakıf Faktoring A.Ş.	Güneş Sigorta A.Ş.	Vakıf Emeklilik A.Ş.	Vakıf Portföy Yönetimi A.Ş.	Vakıf Gayrimenkul Yat. Ort. A.Ş.	Vakıf Menkul Kıymet Yat. Ort. A.Ş.
Paid in Capital	114,483	87,000	35,000	22,400	270,000	26,500	12,000	213,000	20,000
Share Premium	-	-	-	-	655	-	-	246,731	-
Adjustment to paid-in capital	-	513	(271)	28,882	(1,701)	6,826	57	21,620	62
Valuation changes in marketable securities	29,820	3,470	66,346	347	288,800	1,283	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	17,517	-	-	205,362	50,005	-	547	-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	59	191	-	-	-
Legal Reserves	9,279	5,110	5,644	5,824	17,179	18,385	965	6,390	395
Extraordinary Reserves	-	33,396	7,368	48,296	19,247	68,476	1,577	97,360	-
Other Profit Reserves	264,816	-	2,308	-	-	-	-	-	-
Profit/Loss	137,974	29,155	7,716	21,165	(417,510)	121,007	8,682	18,805	(2,861)
<i>Prior Period's Profit/Loss</i>	131,119	23,284	3,981	16,097	(437,002)	134,798	6,855	16,418	(3,008)
<i>Current Period's Profit/Loss</i>	6,855	5,871	3,735	5,068	19,492	(13,791)	1,827	2,387	147
Minority Rights	-	71	-	-	-	-	-	-	-
Total Core Capital	556,372	176,232	124,111	126,914	382,091	292,673	23,281	604,453	17,596
SUPPLEMENTARY CAPITAL	556,372	176,232	124,111	126,914	382,091	292,673	23,281	604,453	17,596
NET AVAILABLE EQUITY	556,372	176,232	124,111	126,914	382,091	292,673	23,281	604,453	17,596

Reviewed BRSA financial statements as of March 31, 2017 are considered.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Vakıf Yatırım Menkul Değerler A.Ş., 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 A.Ş. and Vakıf Emeklilik A.Ş., 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 March 31, 2017, there is no capital requirement for the subsidiaries mentioned.

Unconsolidated investments in subsidiaries

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Years’ Profit/(Loss)	Fair Value
1	25,403	11,656	1,041	888	-	6,020	(2,266)	14,466
2	361,099	348,525	228,262	2,207	-	(2,661)	(1,809)	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 taken from the financial statements dated December 31, 2016.

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments:

Vakıf Enerji ve Madencilik A.Ş., Taksim Otelcilik A.Ş., Vakıf Pazarlama Sanayi ve Ticaret A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values.

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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 A.Ş. (**)	İstanbul/Turkey	48.20	48.20
2 Vakıf Emeklilik A.Ş.	İstanbul/Turkey	53.90	79.74
3 Vakıf Faktoring A.Ş.	İstanbul/Turkey	78.39	88.70
4 Vakıf Finansal Kiralama A.Ş.	İstanbul/Turkey	58.71	66.26
5 Vakıf Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	99.00	99.48
6 Vakıfbank International AG (*)	Vienna/Austria	90.00	90.00
7 Vakıf Portföy Yönetimi A.Ş.	İstanbul/Turkey	100.00	100.00
8 Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. (**)	İstanbul/Turkey	22.89	34.57
9 Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (**)	İstanbul/Turkey	38.70	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	
1	1,795,021	447,751	577,563	15,119	210	885	(21,523)	320,227
2	5,936,503	273,132	120,466	9,571	65	11,592	7,779	800,926
3	1,224,721	126,915	3,001	35,941	-	5,068	3,980	95,035
4	1,776,288	176,230	21,969	31,917	-	5,870	4,611	197,932
5	436,675	124,111	1,626	6,464	6	3,736	2,017	106,298
6	3,513,385	493,263	1,462	75,410	19,780	23,544	8,957	504,506
7	24,325	23,281	453	621	10	1,827	1,508	72,525
8	18,561	17,595	34	82	642	147	224	34,684
9	1,039,811	867,382	610,224	4,430	-	2,398	6,321	609,858

(*) Financial information as at December 31, 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
Balance at the beginning of the period	1,528,228	1,350,170
Movements during the period	124,294	178,058
Transfers	-	-
Acquisitions	-	76,155
Bonus shares received	-	24,858
Share of current year profit	-	(1,314)
Sales and liquidations	-	-
Fair value changes	110,510	72,033
Impairment losses	13,784	6,326
Balance at the end of the period	1,652,522	1,528,228
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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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	1,652,522	1,528,228
Equity method of accounting	-	-
Total	1,652,522	1,528,228

Sectoral distribution of consolidated investments in financial subsidiaries

	Current Period	Prior Period
Banks	454,055	434,112
Insurance companies	586,049	568,089
Factoring companies	74,498	74,498
Leasing companies	116,206	79,019
Financing companies	-	-
Other financial subsidiaries	421,714	372,510
Total	1,652,522	1,528,228

Quoted consolidated subsidiaries

	Current Period	Prior Period
Quoted at domestic stock exchanges	514,510	410,160
Quoted at international stock exchanges	-	-
Total	514,510	410,160

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 prior period, within the registered capital ceiling of TL 300,000 of Güneş Sigorta A.Ş., 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 A.Ş. 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 A.Ş. 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 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.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In the prior period, subsequent to approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. 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 approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama A.Ş. 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 April 12, 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	166,036	160,094	127,815	124,560
Between 1-4 years	1,089,978	954,540	1,069,370	940,008
Longer than 4 years	641,777	520,060	591,496	481,841
Total	1,897,791	1,634,694	1,788,681	1,546,409

Net investments in finance lease receivables

	Current Period	Prior Period
Gross finance lease receivables	1,897,791	1,788,681
Unearned income on finance lease receivables (-)	263,097	242,272
Terminated lease contracts (-)	-	-
Net finance lease receivables	1,634,694	1,546,409

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.

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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 March 31, 2017, the Group has investment properties that have book amount of its subsidiaries which are operating in the insurance business is TL 8,849 (December 31, 2016: TL 8,877) and its subsidiaries which are operating in real estate investment business is TL 345,994 (December 31, 2016: TL 345,508).

13. Information on tax assets

(a) Current tax assets

As at March 31, 2017 the current tax asset of the Group amounts to TL 884 (December 31, 2016: TL 835).

(b) Deferred tax assets

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

	Current Period	Prior Period
Provision for employee termination benefits and unused vacations	102,045	97,828
Other provisions	88,216	93,646
Valuation differences of associates and subsidiaries	27,489	27,488
Deductible financial losses	26,418	26,418
Investment incentives	2,146	4,314
Valuation differences of financial assets and liabilities	50,217	82,263
Reporting Standards - Tax Code depreciation differences	6,490	6,330
Other differences	17,147	16,268
Deferred tax assets	320,168	354,555
Net-off of the deferred tax assets and liabilities from the same entity	(210,934)	(157,468)
Deferred tax assets, (net)	109,234	197,087
Valuation differences of financial assets and liabilities	189,563	119,153
Valuation difference for associates and subsidiaries	10,878	17,511
Valuation differences of properties	50,230	39,593
Other differences	12,072	4,235
Deferred tax liabilities	262,743	180,492
Net-off of the deferred tax assets and liabilities from the same entity	(210,934)	(157,468)
Deferred tax liabilities, (net)	51,809	23,024

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

	Current Period	Previous Period
As of 1 January	174,063	116,095
Deferred tax income/loss	(81,038)	17,554
Deferred tax that is accounted under equity	(30,998)	44,360
Other	(4,602)	(3,946)
Deferred tax asset/(liability)	57,425	174,063

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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 March 31, 2017, net book value of assets held for sale of the Group is amounting to TL 1,234,693 (December 31, 2016: TL 1,228,102).

15. Information on other assets

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

	Current Period	Prior Period
Receivables from insurance operations	1,064,857	928,905
Receivables from credit card payments	988,505	988,257
Prepaid expenses	989,214	522,306
Guarantees given for repurchase agreements	-	-
Guarantees given for derivative financial instruments	1,666,200	1,876,321
Receivables from term sale of assets	18,153	21,746
Receivables from reinsurance companies	31,289	27,240
Deferred commission expenses	39,003	59,891
Other	790,032	1,158,351
Total	5,587,253	5,583,017

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	5,853,077	-	2,051,092	24,730,547	1,366,414	281,816	164,524	810	34,448,280
Foreign currency deposits	5,974,853	-	2,166,860	21,200,257	2,044,952	1,542,618	5,980,284	-	38,909,824
Residents in Turkey	5,288,439	-	2,164,561	20,876,693	1,702,225	588,440	970,966	-	31,591,324
Residents in abroad	686,414	-	2,299	323,564	342,727	954,178	5,009,318	-	7,318,500
Public sector deposits	5,611,683	-	4,762,601	7,577,364	1,139,373	3,472,809	122,252	-	22,686,082
Commercial deposits	2,913,551	-	6,848,511	8,196,409	466,869	277,468	7,400	-	18,710,208
Other	4,269,008	-	1,307,801	3,547,524	779,611	75,318	21,685	-	10,000,947
Precious metal deposits	1,167,383	-	-	-	-	-	-	-	1,167,383
Bank deposits	335,221	-	5,014,082	1,201,418	25,573	22,033	75,942	-	6,674,269
Central Bank	357	-	-	-	-	-	-	-	357
Domestic banks	40,373	-	4,482,211	870,987	25,573	-	2,195	-	5,421,339
Foreign banks	158,365	-	113,985	330,431	-	22,033	73,747	-	698,561
Participation banks	136,126	-	417,886	-	-	-	-	-	554,012
Other	-	-	-	-	-	-	-	-	-
Total	26,124,776	-	22,150,947	66,453,519	5,822,792	5,672,062	6,372,087	810	132,596,993

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	-	-	-	-	-	-	-	-	-
Total	24,843,991	-	20,790,739	63,136,189	6,661,486	4,697,010	6,129,626	268	126,259,309

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

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	19,600,402	19,306,192	14,847,878	15,591,405
Foreign currency saving deposits	5,735,098	5,092,943	15,781,180	14,160,086
Other saving deposits	-	-	-	-
Foreign branches’ deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	25,335,500	24,399,135	30,629,058	29,751,491

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	34,884	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	5,544	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	-	-

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	16,600	3,088	22,407	4,202
Swaps	462,722	206,259	894,453	194,876
Futures	-	-	-	-
Options	33,584	109	38,159	327
Other	-	-	-	-
Total	512,906	209,456	955,019	199,405

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

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	916,387	1,039,286	1,081,208	1,023,229
Foreign banks, institutions and funds	625,106	26,039,577	639,606	23,555,387
Total	1,541,493	27,078,863	1,720,814	24,578,616

Maturity information of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term (*)	652,763	2,946,882	715,655	2,342,821
Medium and Long-term (*)	888,730	24,131,981	1,005,159	22,235,795
Total	1,541,493	27,078,863	1,720,814	24,578,616

(*) 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 13.75% (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 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.

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.

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

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 March 31, 2017, the sum of the securitization loans amounted to USD 1,486 million and EUR 320 million.

On March 3rd, 2017, under the coordination of ICBC Turkey A.Ş., 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 October 27, 2016 has a nominal value of US Dollar 500 million, maturity date on October 27, 2021 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.50%.

The context of Global Medium Term Notes (GMTN), the Bank has issued 223 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 4,715 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.

Current Period	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	3,936,502	-	70,785	11,469,192
Cost	3,786,554	-	70,785	11,385,699
Net Book Value	3,859,397	-	72,293	11,689,302

Prior Period	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
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

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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	1,870,150	1,796,316
-Additional provision for loans with extended payment plans	61,480	50,986
Provisions for loans and receivables in Group II	174,449	222,879
-Additional provision for loans with extended payment plans	31,153	33,725
Provisions for non-cash loans	124,497	124,718
Other	24,380	23,530
Total	2,193,476	2,167,443

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>	10,847	297

The Group has recorded provision amounting to TL 10,847 (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 March 31, 2017, the Parent Bank has recorded TL 69,515 (December 31, 2016: TL 59,816) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on other provisions

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Provisions for credits	166,122	184,902
Specific provisions for non-cash loans	69,515	59,816
Provisions for lawsuits against the Group	5,384	7,662
Provision for cheques	73,935	66,959
Provisions for credit card promotions	9,813	9,595
Other provisions	48,296	52,976
Total	373,065	381,910

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

8. Taxation

Current Taxes

As at and for the three-month period ended March 31, 2017, the tax liability of the Group is amounting to TL 226,116 (December 31, 2016: TL 157,549).

Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	226,116	157,549
Taxation on securities	100,233	151,546
Capital gains tax on property	2,804	2,676
Banking and Insurance Transaction Tax (BITT)	87,163	92,730
Taxes on foreign exchange transactions	-	-
Value added tax payable	3,084	5,937
Other	37,102	49,051
Total	456,502	459,489

Information on premiums payable

	Current Period	Prior Period
Social security premiums- employee share	977	1,000
Social security premiums- employer share	2,951	3,689
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	13	25
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	828	763
Unemployment insurance- employer share	1,838	1,768
Other	9	29
Total	6,616	7,274

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.

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

10. Information on subordinated loans

The Parent Bank has issued bond having the secondary subordinated loan quality to be sold to non-resident natural and legal persons. The bond has been issued at the nominal value of US Dollar 500 million with the maturity of 10 years and 6.0% coupon rate. In addition to the bond issued on November 1, 2012, on December 3, 2012 the Parent Bank has realized second tranche at nominal value of US Dollar 400 million, has the same due date and maturity of 10 years and 5.5% coupon rate.

The Bank has issued secondary subordinated loan (Tier II bond) as at January 2015 which contains Basel-III criteria. In this context, the bond has been issued at the nominal value of US Dollar 500 million with the maturity date of February 3, 2025 and early call option date of February 3, 2020. The bond has fixed interest, 10 years and one day maturity, two times interest payment in a year with coupon rate of 6.875% and issue yield of 6.95%.

In 2012, the Parent Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased. In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 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 5,181,686 as of March 31, 2017 (December 31, 2016: TL 5,014,700).

11. Information on shareholders' equity

Paid-in capital

	Current Period	Prior Period
Common stock	2,500,000	2,500,000
Preferred stock	-	-

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

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

Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the parent bank; if so the amount of registered share capital

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered capital system	2,500,000	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.

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

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following period and its general purpose and estimated sources that are required for commitments

None

Prior period indicators of the Parent Bank’s income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	65,562	-	64,288	-
Fair value differences of available-for-sale securities	(189,646)	137,152	(245,897)	50,440
Foreign exchange differences	-	-	-	-
Total	(124,084)	137,152	(181,609)	50,440

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	9,348,728	8,682,835
Loan granting commitments	10,160,767	9,851,597
Commitments for cheque payments	2,340,829	2,154,102
Asset purchase sale commitments	2,493,653	2,864,752
Other	2,488,594	2,184,230
Total	26,832,571	25,737,516

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 162,620 (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 69,515 (December 31, 2016: TL 59,816).

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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	11,849,028	11,547,141
Letters of guarantee for advances	4,918,517	4,843,148
Letters of guarantee given to custom offices	1,067,248	1,059,516
Provisional letters of guarantee	1,317,172	994,372
Other letters of guarantee	14,310,388	13,872,150
Total	33,462,353	32,316,327

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	2,827,029	2,788,811
<i>With original maturity of 1 year or less</i>	<i>1,193,515</i>	<i>1,126,734</i>
<i>With original maturity of more than 1 year</i>	<i>1,633,514</i>	<i>1,662,077</i>
Other non-cash loans	39,698,126	37,871,540
Total	42,525,155	40,660,351

3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	76,835	0.27	335,653	2.30	81,809	0.30	382,403	2.79
Farming and cattle	64,034	0.23	329,379	2.26	69,203	0.26	378,930	2.76
Forestry	11,908	0.04	6,274	0.04	11,601	0.04	3,473	0.03
Fishing	893	0.00	-	0.00	1,005	0.00	-	0.00
Manufacturing	9,248,156	33.12	6,636,310	45.45	10,907,710	40.35	7,157,290	52.18
Mining	1,087,120	3.89	204,766	1.40	1,157,275	4.29	144,199	1.05
Production	4,699,015	16.83	6,345,489	43.46	6,697,549	24.73	6,606,838	48.17
Electric, gas and water	3,462,021	12.40	86,055	0.59	3,052,886	11.33	406,253	2.96
Construction	4,241,817	15.19	2,706,710	18.54	4,216,428	15.77	2,323,864	16.96
Services	8,163,590	29.23	2,774,072	19.01	9,412,571	34.94	2,602,185	18.97
Wholesale and retail trade	3,683,769	13.19	1,890,644	12.95	4,056,016	15.05	1,556,974	11.35
Hotel, food and beverage services	112,621	0.40	395	0.00	112,775	0.42	663	0.00
Transportation and Telecommunication	777,869	2.79	739,673	5.07	1,330,694	4.94	876,095	6.39
Financial institutions	2,412,107	8.64	69,997	0.48	2,492,659	9.25	66,679	0.49
Real estate and renting services	364,306	1.30	17,691	0.12	358,074	1.33	28,456	0.21
Self-employment services	508,311	1.82	44,968	0.31	700,053	2.60	66,033	0.48
Education services	20,005	0.07	2,606	0.02	18,627	0.07	1,588	0.01
Health and social services	284,602	1.02	8,098	0.06	343,673	1.28	5,697	0.04
Other	6,194,340	22.19	2,147,672	14.70	2,327,606	8.64	1,248,485	9.10
Total	27,924,738	100.00	14,600,417	100.00	26,946,124	100.00	13,714,227	100.00

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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

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	27,181,593	5,761,201	314,239	46,051
Confirmed bills of exchange and acceptances	33,380	1,158,272	-	25,803
Letters of credit	164	7,550,157	-	987
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	238,551	9,526	-	-
Other guarantees and sureties	-	42,611	-	-
Total Non-Cash Loans	27,453,688	14,521,767	314,239	72,841

Prior Period	Group I		Group II	
	TL	FC	TL	FC
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	-	-
Total Non-Cash Loans	26,484,802	13,638,954	308,947	62,489

5. Contingent assets and liabilities

Group allocates TL 5,384 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.

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

1. Interest income

Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	1,131,821	59,983	1,035,289	44,612
Medium and long-term loans	2,140,911	580,171	1,747,472	393,618
Non-performing loans	27,576	-	42,391	-
Premiums received from resource utilization support fund	-	-	-	-
Total	3,300,308	640,154	2,825,152	438,230

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	6	-	-
Domestic Banks	29,513	857	23,375	229
Foreign Banks	143	6,443	84	4,944
Foreign Head Office and Branches	-	-	-	-
Total	29,656	7,306	23,459	5,173

Information on interest income received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	3,931	286	866	1,658
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	423,356	84,258	358,462	68,396
Investments held to maturity	344,323	311	210,723	256
Total	771,610	84,855	570,051	70,310

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	9	3

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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
Banks	40,396	126,608	26,768	65,556
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	22,884	7,650	13,051	3,624
Foreign Banks	17,512	118,958	13,717	61,932
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	11,748	-	9,625
Total	40,396	138,356	26,768	75,181

Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	6,451	3,377

Interest expense on securities issued

As at and for the three-month period ended at March 31, 2017, interest paid to securities issued is TL 217,010 (March 31, 2016: TL 157,550).

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on securities issued	91,300	125,710	85,467	72,083

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		
TL								
Interbank deposits	-	11,160	14,199	-	-	1,363	-	26,722
Saving deposits	-	44,453	658,632	39,446	7,061	3,840	-	753,432
Public sector deposits	2,635	78,024	152,229	19,999	65,509	2,849	-	321,245
Commercial deposits	-	114,798	167,070	21,491	6,842	227	-	310,428
Other deposits	-	18,957	79,245	21,446	2,089	321	-	122,058
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	2,635	267,392	1,071,375	102,382	81,501	8,600	-	1,533,885
FC								
Foreign Currency deposits	6,897	3,880	143,009	11,119	5,668	23,169	-	193,742
Interbank deposits	689	1,298	2,221	62	786	3,560	-	8,616
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	7,586	5,178	145,230	11,181	6,454	26,729	-	202,358
Grand Total	10,221	272,570	1,216,605	113,563	87,955	35,329	-	1,736,243

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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		
TL								
Interbank deposits	-	18,929	19,618	4,001	-	26	-	42,574
Saving deposits	-	9,450	663,374	31,259	6,612	2,659	-	713,354
Public sector deposits	7,320	91,084	188,818	17,170	45,907	5,085	-	355,384
Commercial deposits	-	94,177	306,094	21,412	1,381	33	-	423,097
Other deposits	3	22,919	91,459	11,849	834	440	-	127,504
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	7,323	236,559	1,269,363	85,691	54,734	8,243	-	1,661,913
FC								
Foreign Currency deposits	5,040	7,773	92,379	7,271	4,837	24,711	-	142,011
Interbank deposits	104	70	1,484	416	33	3,138	-	5,245
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	5,144	7,843	93,863	7,687	4,870	27,849	-	147,256
Grand Total	12,467	244,402	1,363,226	93,378	59,604	36,092	-	1,809,169

3. Information on trading income/losses

	Current Period	Prior Period
Income	4,486,700	2,110,483
Income from capital market operations	1,028,337	773,323
Income from derivative financial instruments	1,463,952	1,075,086
Foreign exchange gains	1,994,411	262,074
Losses	(4,357,561)	(2,099,468)
Loss from capital market operations	(1,004,861)	(763,823)
Loss from derivative financial instruments	(1,422,747)	(1,089,687)
Foreign exchange loss	(1,929,953)	(245,958)
Net trading profit/loss	129,139	11,015

Net profit arising from changes in foreign exchange rate that relate to the Group’s derivative financial instruments based on foreign exchange rate is TL 16,933 as at and for the three-month period ended March 31, 2017 (March 31, 2016: net profit of TL 7,084).

4. Other operating income

	Current Period	Prior Period
Income from reversal of the specific provisions for loans from prior periods	370,712	163,755
Earned insurance premiums (net of reinsurance share)	241,328	209,888
Communication income	13,707	12,267
Gain on sale of assets	36,227	34,806
Income from private pension business	23,519	17,781
Rent income	22	195
Other income	53,310	51,864
Total	738,825	490,556

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

5. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	683,019	447,620
<i>Loans and receivables in Group III</i>	142,380	97,391
<i>Loans and receivables in Group IV</i>	248,945	134,360
<i>Loans and receivables in Group V</i>	291,694	215,869
Non-performing commissions and other receivables	-	-
General provision expenses	25,574	34,113
Provision for possible losses	-	-
Impairment losses on securities	5,887	4,579
<i>Trading securities</i>	11	3
<i>Investment securities available-for-sale</i>	5,876	4,576
Impairment losses from associates, subsidiaries, joint ventures and marketable securities held to maturity	5,803	6,117
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	5,803	6,117
Other (*)	39,359	22,216
Total	759,642	514,645

(*) Other provision expenses amounting to TL 39,359 is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 22,509 and other provision expenses amounting to TL 16,850. (Other provision expenses amounting to TL 22,216 is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 11,582, other provision expenses related to loans amounting to TL 7,905 and other provision expenses amounting to TL 2,729, as of March 31, 2016.)

6. Other operating expenses

	Current Period	Prior Period
Personnel costs	455,643	412,285
Reserve for employee termination benefits	20,215	17,016
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	37,146	34,400
Impairment losses on intangible assets	106	60
Amortization expenses on intangible assets	7,253	6,028
Impairment losses on assets to be disposed	2,761	617
Depreciation expenses on assets to be disposed	6,151	5,344
Impairment losses on assets held for sale	-	-
Other operating expenses	477,969	459,678
<i>Operational lease related expenses</i>	57,647	56,918
<i>Repair and maintenance expenses</i>	11,149	10,866
<i>Advertisement expenses</i>	25,645	18,022
<i>Other expenses</i>	383,528	373,872
Loss on sale of assets	184	237
Other(*)	310,458	298,562
Total	1,317,886	1,234,227

(*) Other operating expenses amounting to TL 310,458 (March 31, 2016: TL 298,562) is comprised of provision expenses for dividends to the personnel amounting to TL 37,098 (March 31, 2016: TL 35,636), tax, fees and funds expenses amounting to TL 39,033 (March 31, 2016: TL 33,361), Saving Deposits Insurance Fund expenses amounting to TL 49,461 (March 31, 2016: TL 32,357), Compensation pensions amounting to TL 9,243 (March 31, 2016: TL 71,093), cumulative/noncumulative commission expenses amounting to TL 39,286 (March 31, 2016: TL 60,881), production commission expenses to TL 62,513 (March 31, 2016: TL 55,974) and other expenses amounting to TL 73,824 (March 31, 2016: TL 9,260)

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

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.

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 217,809 (March 31, 2016: TL 106,701) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination/ (Reversal) of Deductible Temporary Differences	(15,967)	12,156
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(65,071)	(27,613)
Arising from Origination/ (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	(81,038)	(15,457)

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 4,969,787 interest income and TL 2,516,884 interest expense, also incurred TL 267,488 amount of net fee and commission income from its ordinary banking operations (March 31, 2016: TL 4,019,494 interest income, TL 2,398,056 interest expense, TL 213,336 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

	Current Period	Prior Period
Income/(losses) related to non-controlling interest	12,069	(5,895)

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.

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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	19	1,062,032	-	32,390	38,124	29,296
Interest and commission income	9	212	-	32	-	47

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	3	127	-	29	-	12

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	981,211	661,402	927,057	977,319	334,879	164,132
Interest on deposits	6,451	3,377	15,196	13,629	81	108

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

None.

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DISCLOSURE AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Relations with entities in the risk group of / or controlled by the Parent Bank regardless of the nature of relationship among the parties

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

The branches of the Bank are agencies of Güneş Sigorta A.Ş. and Vakıf Emeklilik A.Ş.. Vakıf Yatırım Menkul Değerler A.Ş. 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 0.024 (December 31, 2016: 0.025) and 2.642 (December 31, 2016: 2.652) respectively.

Current Period	Amount	Compared with the Financial Statement	
		Amount	%
Cash Loans	38,143		0.024
Non-Cash Loans	1,123,718		2.642
Deposits	2,243,147		1.692
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	-		-

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SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. OTHER DISCLOSURES ON THE PARENT BANK’S ACTIVITY

It was decided to postpone the 63rd Ordinary General Assembly Meeting of the Bank with the proposals of the majority of the shareholders and the decision of the General Assembly from the groups (A), (B) and (C). Since the Ordinary General Assembly Meeting was not held as of the date of the report, no profit distribution was made for the year 2016.

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

February 2017 (*)	Fitch Ratings
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+

March 2017 (*)	Moody’s Investors’ Service
Baseline Credit Assessment	ba2
Local Currency Deposit Rating	Ba1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Ba2/NP
Foreign Currency Outlook	Negative

February 2017 (*)	Standard&Poors
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.

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OTHER DISCLOSURES AND FOOTNOTES (Continued)

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

Vakıfbank bond of which value date is April 21, 2017 has been issued and offered to public through book-building 300 million (Full TL) on April 17-18-19, 2017, with 154 days maturity.

Vakıfbank bond with the ISIN Code TRQVKFB91723 which has 11.3464% annual compound interest, 10.9950% simple interest and issue price was TL 95.567 with amounting TL 190,075,469 (Full TL) with 154 days maturity and maturity date of which is September 22, 2017.

On April 24th, 2017, under the coordination of Bank of America Merrill Lynch International Limited and Emirates NBD Capital Limited and National Bank of Abu Dhabi PJSC as the agent bank, VakıfBank signed a syndication loan agreement amounting USD 188.5 million and EUR 716.5 million, USD 967 million equivalent in total with the participation of 37 banks from 18 countries. The 367-days term loan will be used for trade finance purposes and the all-in cost is LIBOR +1.45% for USD tranche and EURIBOR +1.35% for Euro tranche.

The Board of Directors of the Bank decided to hold the 63rd Ordinary Meeting of the General Assembly for the fiscal year 2016 on June 9, 2017 with the decision dated May 4, 2017.

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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 three-month period ended March 31, 2017, have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. It was noted in their review report dated 17 May 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 three-month period ended March 31, 2017.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

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SECTION EIGHT

INFORMATION ON CONSOLIDATED INTERIM ANNUAL REPORT

VakıfBank in brief:

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

Operation Date	13 April 1954
Head Office	İstanbul
Paid-in Capital	TL 2,500,000,000
Employees	15,678
Domestic Branches	921
Foreign Branches	3
Associates and Subsidiaries	23
Independent Audit Firm	PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Address	Türkiye Vakıflar Bankası T.A.O. Genel Müdürlüğü Sultan Selim Mahallesi, Eski Büyükdere Caddesi No:59 Kağıthane/İstanbul
Phone	(0212) 398 15 15 - (0212) 398 10 00
Fax	(0212) 398 11 55
Web Site	http://www.vakifbank.com.tr

VakıfBank Organizational Structure:

GROUP	SHAREHOLDERS	CAPITAL (100 Unit - TL)	PERCENTAGE %
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.Vakfi	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
TOTAL		2,500,000,000	100.00

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Consolidated Subsidiaries and Associates:

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

SUBSIDIARIES	ASSOCIATES
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.	

Members of the Board of Directors:

NAME - SURNAME	TITLE - RESPONSIBILITY	DATE OF APPOINTMENT
Ramazan GÜNDÜZ	Chairman of the Board of Directors	29 March 2013
Halil AYDOĞAN	General Manager Executive Director of the Board	29 March 2013
İsmail ALPTEKİN	Member of the Board of Directors	6 April 2009
Dr. Adnan ERTEM	Member of the Board of Directors	28 October 2010
Sabahattin BİRDAL	Member of the Board of Directors	31 March 2014
Öztürk ORAN	Member of the Board of Directors	30 April 2014
Dilek YÜKSEL	Member of the Board of Directors	29 March 2016

Members of Audit Board:

NAME - SURNAME	TITLE - RESPONSIBILITY	DATE OF APPOINTMENT
Yunus ARINCI	Member of Audit Board	19 March 2010
Mehmet Emin BAYSA	Member of Audit Board	29 March 2016

Members of Audit Committee:

NAME - SURNAME	TITLE - RESPONSIBILITY	DATE OF APPOINTMENT
Sabahattin BİRDAL	Member of Audit Committee	4 April 2014
İsmail ALPTEKİN	Member of Audit Committee	4 May 2017

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Management:

NAME - SURNAME	TITLE - RESPONSIBILITY	DATE OF APPOINTMENT
Halil AYDOĞAN	General Manager	29 March 2013
Metin Recep ZAFER	Executive Vice President (Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant, Application Development Departments, System Management, IT Operations and Support, IT Claim Management, IT Business Development, Project Management, IT Process Management and Compliance)	13 June 2006
Hasan ECESoy	Executive Vice President (Treasury, International Banking and Investor Relations, Coordination of Foreign Branches)	18 June 2010
Serdar SATOĞLU	Executive Vice President (Private Banking, Subsidiaries)	2 July 2010
Osman DEMREN	Executive Vice President (Commercial and Corporate Loans, Retail and SME Loans, Appraisal and Financial Analysis)	6 April 2011
Muhammet Lütfü ÇELEBİ	Executive Vice President (Commercial and Corporate Banking, SME Banking, Cash Management Transactions, Corporate Branches)	23 October 2013
Mustafa SAYDAM	Executive Vice President (Human Resources, Support Services, Distribution Channels)	28 October 2013
Mehmet Emin KARAAĞAÇ	Executive Vice President (Loans and Follow-up, Legal Affairs)	8 November 2013
Yakup ŞİMŞEK	Executive Vice President (Retail Banking, Payment Systems, Payment System Operations, Bank Insurance)	7 September 2016

In the 62. Ordinary General Assembly meeting of the Parent Bank held on March 29, 2016, duties of Mr. Şeref Aksaç (Board member) and Mr. Mehmet Haltaş (Audit Board member) terminated. In the same meeting, as per the resolution, Mrs. Dilek Yüksel was appointed as a member of the Board of Directors and Mr. Mehmet Emin Baysa was appointed as a member of Audit Board.

As per the resolution of the Board of Directors meeting of the Parent Bank held on August 25th, 2016, Mr. Yakup ŞİMŞEK who was the Head of Cash Management Department of the Bank, was appointed as the Executive Vice President.

In the Parent Bank’s Board of Directors meeting held on September 8th, 2016, duty of Executive Vice President Mr. Ali Engin EROĞLU terminated.

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

In the Board of Directors meeting, dated May 4, 2017, Mr. İsmail ALPTEKİN was appointed unanimously as a Member of Audit Board for the vacancy of Mr. Mehmet Emin ÖZCAN as per Article 75 of the Articles of Incorporation of the Bank.

One of the Board members Mr. İsmail ALPTEKİN has 59 number of Group C shares of the Parent Bank which is not listed. Except for this, there is no other person stated in the table above who has shares that are not listed.

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Significant Financial Indicators (Unconsolidated):

BALANCE SHEET (TL million)	MARCH 2017	DECEMBER 2016	DIFFERENCE (%)
TOTAL SECURITIES	27,014	26,000	3.90
LOANS (*)	153,168	146,619	4.47
-Corporate and Commercial Loans	111,248	105,582	5.37
-Retail Loans	41,920	41,037	2.15
DEPOSITS	129,985	123,838	4.96
-Term Deposits	104,310	99,404	4.93
-Demand Deposits	25,675	24,434	5.08
FUNDS BORROWED	26,662	24,194	10.20
SUBORDINATED LOANS	5,200	5,031	3.35
SECURITIES ISSUED	15,590	14,708	6.00
EQUITY	20,676	19,239	7.47
TOTAL ASSETS	221,012	212,540	3.99
NON-CASH LOANS	42,275	40,448	4.52

INCOME STATEMENT (TL million)	MARCH 2017	MARCH 2016	DIFFERENCE (%)
INTEREST INCOME	4,841	3,916	23.60
INTEREST EXPENSE	2,464	2,365	4.17
NET INTEREST INCOME	2,377	1,551	53.24
NET FEE&COMMISSION INCOME	291	227	28.12
DIVIDEND INCOME	43	38	12.43
TRADING INCOME/LOSSES (Net)	117	19	512.87
OTHER OPERATING INCOME	440	245	79.09
TOTAL OPERATING PROFIT	3,267	2,081	57.03
PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	733	509	44.05
OTHER OPERATING EXPENSES (-)	1,016	932	9.06
PROFIT BEFORE TAX	1,518	640	137.27
TAX PROVISION (-)	-293	-123	-138.18
NET PROFIT/LOSS	1,225	517	137.05

RATIOS (%)	MARCH 2017	DECEMBER 2016
LOANS/TOTAL ASSETS (*)	69.30	68.98
LOANS/DEPOSITS (*)	117.84	118.40
NPL RATIO	4.21	4.19
CAPITAL ADEQUACY RATIO	15.45	14.16
RETURN ON AVERAGE ASSETS (ROAA) (**)	2.26	1.37
RETURN ON AVERAGE EQUITY (ROAE) (**)	24.55	15.01
INTEREST INCOME/INTEREST EXPENSE	196.47	172.64
NON-INTEREST INCOME/NON-INTEREST EXPENSE	43.60	37.06

(*) Excluding non-performing loans.

(**) Calculations are annualized.

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Significant Financial Indicators (Consolidated):

BALANCE SHEET (TL million)	MARCH 2017	DECEMBER 2016	DIFFERENCE (%)
TOTAL SECURITIES	28,042	26,981	3.93
LOANS (*)	155,021	148,404	4.46
-Corporate and Commercial Loans	113,094	107,360	5.34
-Retail Loans	41,927	41,044	2.15
DEPOSITS	132,597	126,259	5.02
-Term Deposits	106,472	101,415	4.99
-Demand Deposits	26,125	24,844	5.16
FUNDS BORROWED	28,620	26,299	8.83
SUBORDINATED LOANS	5,182	5,015	3.33
SECURITIES ISSUED	15,621	14,683	6.39
EQUITY	20,995	19,607	7.08
TOTAL ASSETS	229,209	220,671	3.87
NON-CASH LOANS	42,525	40,660	4.59

INCOME STATEMENT (TL million)	MARCH 2017	MARCH 2016	DIFFERENCE (%)
INTEREST INCOME	4,970	4,019	23.64
INTEREST EXPENSE	2,517	2,398	4.96
NET INTEREST INCOME	2,453	1,621	51.28
NET FEE&COMMISSION INCOME	267	213	25.38
DIVIDEND INCOME	43	38	12.52
TRADING INCOME/LOSSES (Net)	129	11	1,072.39
OTHER OPERATING INCOME	739	491	50.61
TOTAL OPERATING PROFIT	3,631	2,375	52.93
PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	760	515	47.61
OTHER OPERATING EXPENSES (-)	1,318	1,234	6.78
PROFIT BEFORE TAX	1,566	637	145.68
TAX PROVISION (-)	299	122	144.64
NET PROFIT/LOSS	1,267	515	145.93

RATIOS (%)	MARCH 2017	DECEMBER 2016
LOANS/TOTAL ASSETS (*)	67.63	67.25
LOANS/DEPOSITS (*)	116.91	117.54
NPL RATIO	4.33	4.32
CAPITAL ADEQUACY RATIO	15.06	13.88
RETURN ON AVERAGE ASSETS (ROAA) (**)	2.23	1.36
RETURN ON AVERAGE EQUITY (ROAE) (**)	24.73	15.24
INTEREST INCOME/INTEREST EXPENSE	197.46	174.39
NON-INTEREST INCOME/NON-INTEREST EXPENSE	49.59	43.74

(*) Excluding non-performing loans.

(**) Calculations are annualized.

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Assessment of the Chairman of the Board of Directors:

Esteemed Stakeholders,

US Federal Reserve (FED) and European Central Bank (ECB) policies have continued to dominate the global economic agenda in the first three months of 2017. In the period, ECB has kept the interest rates unchanged, and maintained the decision to reduce asset purchase program from monthly 80 billion Euros to 60 billion Euros, effective from April 2016. Nevertheless, general elections throughout the year in Europe causes uncertainties. Especially, the gain of popularity by leaders opposing the European Union, increases the concerns that other countries may follow Britain in leaving the Union.

FED has decided to increase the policy rate by 25 basis points at its meeting dated March 14th-15th, raising the interest rate to 0.75% - 1% band. In addition, FED has repeated its forecast that it may increase the rates 3 times in 2017. However, it is being argued that FED may hike the rates 4 times if the economic data draw a positive outlook during the year.

When we look at recently announced 2016 4th quarter growth rate in the US; we see that growth is above expectations. The data was ultimately revised up, to 2.1%. US economy has seen the weakest growth since 2011, by growing 1.6% in the full year 2016. 2016 4th quarter growth rate was above expectations, but the leading data announced for the first quarter of 2017 suggests that the growth in the first quarter may be low.

Chinese economy has grown in the first quarter of 2017 by 6.9% compared to the same period of the previous year, performing slightly above expectations. Increasing governmental infrastructure expenses and the vibrant housing sector, which give overheating signals, have been effective in this increase. In addition, March data shows that investment, retail sales, factory production and exports have grown above expectations. Thus, the growth in the first quarter of the year was highest since the third quarter of 2015.

While uncertainties in foreign countries have continued, Turkish economy has grown 3.5% in the last quarter of 2016, and completed the year with a growth of 2.9%. Seasonally- and calendar-adjusted data show that Turkish economy has grown in the last quarter of the year by 3.8%, which is the highest since the third quarter of 2011. Increased demand in automotive before increase in Special Consumption Tax has contributed positively in the growth. Meanwhile, the increased momentum in construction sector investments have continued to contribute in growth in the last quarter of the year. In addition, industrial production index, which is one of the most important leading indicators of growth, has increased by 2.0% in the last quarter of the year, and spurred the growth.

At its Monetary Policy Board (PPK) meeting in March, the Central Bank of the Republic of Turkey (CBRT) has kept unchanged the marginal funding rate which is the upper band of interest rate corridor, at 9.25%, and Central Bank borrowing rate which is the lower band of interest rate corridor, at 7.25% and one-week repo rate, also known as policy interest rate, at 8%. In addition, CBRT has kept unchanged the central bank overnight borrowing rate applicable in Interbank Money Market between 16:00-17:00 o'clock, within the scope of late liquidity window, at 0%, while increasing the lending rate from 11% to 11.75%.

Our Bank has continued to contribute in national economy, having total assets reach TL 229,209 million by the end of the first quarter. Our total deposits have been TL 132,597 million, while our total loans have risen to TL 155,021 million.

I have full confidence that, in the remainder of 2017, our Bank will increasingly continue with this performance. Hereby; I thank, in the name of our Bank, to our customers, shareholders, and investors who have confidence in us, and our committed employees.

Yours sincerely,

Ramazan GÜNDÜZ
Chairman of the Board of Directors

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Assessment of the General Manager:

Esteemed Stakeholders,

In global markets, the first quarter of 2017 has been a period where developed countries have shown a growth performance below expectations, and post-BREXIT concerns in the Eurozone and the chaos in the US after elections have continued.

Regarding Turkish Banking Sector, the first quarter of 2017 was a period where lending has grown above expectations, spurred by the support given by our government to real sector through Credit Guarantee Fund. In fact, with the effect of this increase, the share of loans in total assets have increased. We at VakıfBank have acted according to our sustainable growth target in the first quarter of 2017, and raised our total assets by 3.87% to TL 229,209 million. As in previous periods, the increasing loans have provided the most significant contribution in our asset growth. In this period, we have increased our cash loans by 4.46% to TL 155,021 million. Meanwhile, we have increased retail loans to TL 41,927 million, and commercial loans to TL 113,094 million.

As in previous years, we continue to support the real sector in 2017, particularly the SMEs which are the locomotive of Turkish economy. Accordingly, we have increased SME loans to TL 37,838 million. With the Cabinet Decree dated 27.02.2017, guarantee amount provided through the Credit Guarantee Fund (CGF) has been increased to TL 250 billion; and we lend to customers having guarantee difficulties, in limits, terms and amounts varying according to the CGF legislation. Lending to real sector under the guarantee of CGF is gaining momentum, and will provide significant funds and support to the real sector.

Our Bank has increased its funding in a robust manner. Our total deposit which were TL 126,259 million as of yearend, has increased to TL 132,597 million. In addition, we have continued with our endeavors to diversify the funding and increase the average term.

In the first quarter of 2017, we exchanged a part of Basel II-compliant notes issued in 2012, amounting to USD 227.6 million to Basel III-compliant notes. As a result of successful completion of the process, once again we broke new ground in Turkish banking sector. In addition, this transaction extended the term of bonds maturing in 2022, to November 2027.

Meanwhile, we signed an agreement with ICBC Dubai coordinated by ICBC Turkey A.Ş., for USD 250 million loan with a maturity of 3 years, to be used in financing foreign trade and general financing needs.

As VakıfBank, we have been awarded the “Leading Bank in Financing Energy Efficiency” at the TurSEFF Sustainable Energy Excellence Awards Ceremony, with the loans given in the second stage of Turkey Sustainable Energy Financing Program (TurSEFF) covering the years 2013-2016. Within the scope of the program, we intermediated in 27% of the projects financed since 2010. In addition, we have been the first bank included in the third stage of TurSEFF program. In the period ahead, we will continue to fund sustainable energy, and increase the awareness in the field.

On our Euro-denominated Mortgage-Backed Covered Bond issuance in April of previous year, which was the first in our country, we had been given two awards in 2016, and additionally a third award in January 2017. In awards given by Global Capital on bonds issued in 2016, we have been at the top of “CEEMEA Financial Institution Deal of the Year” category. In addition, we have won two more awards with the same issuance, being “International Bond Deal of the Year” and “Financial Institutions Financing Deal of the Year” categories at 2017 Turkey Bonds & Loans Awards.

In this period, we have increased net fees and commissions, the most significant non-interest income items, by 25.38% compared to March 2016, to TL 267 million. We continued to stand by the real sector and households with our funding and services, while increasing our profit, as a result of this concept and strategy.

Hereby; I would like to emphasize my confidence that our Bank will contribute significantly in national economy in the remainder of 2017 and achieve successful results, with the support of countrywide political and economic stability, and sincerely thank our customers and shareholders who confide in us, and our employees who have great effort in our success, and our Board of Directors who always support us, and all other stakeholders for their contribution.

Yours sincerely,

Halil AYDOĞAN
General Manager and
Executive Director of the Board of
Directors

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

Assessment of Financial Status:

The Group has continued with its growth in the first quarter of 2017, where total assets have increased by 3.87% to TL 229,209 million. In this period, the Group’s performing loans have increased by 4.46% to TL 155,021 million, and the share of performing loans in total assets have increased to 67.63%. In breakdown of loans, we see that our commercial loans have reached TL 113,094 million, and retail loans have reached TL 41,927 million.

The Group has maintained its profitability and strong funding structure in the first quarter of 2017. In this period, our average return on equity has increased; while average return on assets was 2.23% and capital adequacy ratio was 15.06%.

In addition, our Bank has 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 has issued VakıfBank bonds to qualified investors; with a nominal value of TL 335,000,000 with 155 days maturity on 05.01.2017, TL 32,500,000 with 105 days maturity on 27.01.2017, TL 308,217,067 with 93 days maturity on 01.02.2017, TL 321,500,000 with 105 days maturity on 17.02.2017, TL 205,890,528 with 100 days maturity on 01.03.2017, and TL 141,000,000 with 133 days maturity on 03.03.2017.

Our Bank has issued VakıfBank bonds of TL 300,000,000 nominal value with 126 days maturity, and TL 100,000,000 nominal value with 217 days maturity, and public-offered on 16-17-18 January 2017 using book-building method. Public-offered TL 300,000,000 nominal value bonds of 126 days maturity has received TL 313,381,865 bid, while the TL 100,000,000 nominal value bonds of 217 days maturity has received TL 20,354,023 bid. Within this framework, entire individual and corporate investor bids was met. As a result of book-building within the scope of 126 days VakıfBank Bonds public offer, 30% of bonds were allocated to domestic corporate investors while 70% were allocated to domestic individual investors. As a result of book-building within the scope of 217 days VakıfBank Bonds public offer, 37% of bonds were allocated to domestic corporate investors and 63% were allocated to domestic individual investors.

Our Bank has public-offered Bank Bonds of TL 200,000,000 nominal value with 147 days maturity and TL 100,000,000 nominal value with 210 days maturity, on 20-21-22 February 2017 using book-building method; where TL 233,880,505 bid was received for TL 200,000,000 nominal value bonds of 147 days, and TL 135,602,706 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. Total issuance amount was TL 369,483,211 nominal. As a result of book-building within the scope of 147 days VakıfBank Bond public offer, 27% of bonds were allocated to domestic corporate investors, while 73% bonds were allocated to domestic individual investors. As a result of book-building within the scope of 210 days VakıfBank Bond public offer, 81% of bonds were allocated to domestic corporate investors while 19% of bonds were allocated to domestic individual investors.

Our Bank has public-offered Bank Bonds of TL 300,000,000 nominal value with 154 days and TL 100,000,000 nominal value with 210 days maturity, on 20-21-22 March 2017 using book-building method; where TL 332,280,950 bid received for 154 days bonds and TL 46,755,888 bid received for 210 days bonds, and entire individual and corporate investor bids were met for both issuances. As a result of book-building within the scope of 154 days VakıfBank Bond, 38% of bonds were allocated to domestic corporate investors while 62% were allocated to domestic individual investors. As a result of book-building within the scope of 210 days VakıfBank Bonds, 3% of bonds were allocated to domestic corporate investors while 97% were allocated to domestic individual investors.

In the first quarter of 2017, the Group has increased deposits by 5.02% to TL 132,597 million. In this period, the Group has delivered TL 1,267 million net income, thus increasing by 145.93% compared to the same period of previous year. In this period, interest income has increased by 23.64% while interest expenses rose by 4.96%, compared to the same period of previous year.

In the periods ahead, our Bank will continue with operational improvements to strengthen the shareholders’ equity and reduce non-interest expenses, and growth-oriented strategies, through practices of increasing non-interest income.

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 THREE-MONTH PERIOD ENDED MARCH 31, 2017**

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

Affiliates and Subsidiaries (TL Thousand):

- 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.
- In addition to contemporary banking services, our Bank continues to contribute to the national economy with its subsidiaries operating in various sectors. As of March 2017, number of affiliates and subsidiaries is 23. 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, 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 of TL 29,321 corresponding to our Bank’s share has been shown in the statement of movements in affiliates as Bonus Shares received.

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

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:

February 2017 (*)	Fitch Ratings
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+

March 2017 (*)	Moody’s Investors’ Service
Baseline Credit Assessment	ba2
Local Currency Deposit Rating	Ba1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Ba2/NP
Foreign Currency Outlook	Negative

February 2017 (*)	Standard&Poors
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.

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
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Other Issues:

- Upon the request of the Parent Bank's main shareholders, representing Group A, B and C, General Assembly decided to postpone the 63rd General Assembly Meeting. As the 63rd General Assembly Meeting has not been held as of the date, profit for the year 2016 was not distributed.

Investor Relations Attendants:

NAME - SURNAME	TITLE	PHONE	E-MAIL
Mustafa TURAN	Head	0 212 316 75 00	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 March 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.

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