

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED FINANCIAL STATEMENTS AND RELATED
DISCLOSURES AT MARCH 31, 2018 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)**



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

AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the consolidated balance sheet of Türkiye Vakıflar Bankası T.A.O. ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 31 March 2018 and the related consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the 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 regulations. Our responsibility is to express a conclusion on these interim financial information based on or review.

Scope of Review

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

Basis for the Qualified Conclusion

As mentioned in Section Five Part II-7 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 31 March 2018 include a free provision amounting to TL 500.000 thousand recognized in 2017 provided by the Bank management considering the possible effect of the circumstances that may arise from the negative changes in the economy and market conditions.



Qualified Conclusion

Based on our review, except for the effects of the matter on the consolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the financial position of Türkiye Vakıflar Bankası T.A.O. at 31 March 2018 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 Eight, is not consistent with the reviewed consolidated financial statements and disclosures in all material respects.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Zeynep Uras, SMMM
Partner

Istanbul, 21 May 2018

**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, 2018**

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The consolidated financial report as at and for the three-month period ended March 31, 2018 prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS 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

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

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

The consolidated 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 financial report is presented in thousands of Turkish Lira (TL), and has been subjected to limited review.

21 May 2018

İsmail ALPTEKİN
Chairman of
the Board of Directors

Serdar TUNÇBİLEK
Board Member and
Audit Committee Member

Sabahattin BİRDAL
Board member and
Audit Committee Member

Mehmet Emin ÖZCAN
General Manager and
Board Member

Şuayyip İLBİLGİ
Assistant General Manager

Ferkan MERDAN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

As at March 31, 2018 and December 31, 2017, The Bank’s paid-in capital is TL 2,500,000 divided into 250,000,000,000 shares with each has a nominal value of Kr 1.

The Parent Bank’s shareholders structure as at March 31, 2018 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)	2,673,619	2,674	0.11
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,527,393	1,528	0.06
Publicly traded (Group D)	630,514,354	630,514	25.22
Total	2,500,000,000	2,500,000	100.00

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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

GENERAL INFORMATION (Continued)

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

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

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

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

With the mentioned provisional article of Law No.5510, the ownership of the stocks which are represented and managed by the T.C General Directorate for Foundations will be transferred to the Prime Ministry Undersecretariat of Treasury.

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

GENERAL INFORMATION (Continued)

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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
<u>Board of Directors</u>				
İsmail ALPTEKİN	Chairman	Chairman	June 9, 2017	University
Serdar TUNÇBİLEK	Deputy Chairman	Deputy Chairman	June 9, 2017	University
Mehmet Emin ÖZCAN	Member – General Manager	Member – General Manager	June 9, 2017	University
Dr.Adnan ERTEM	Member	Member	October 28, 2010	PHD
Sabahattin BİRDAL	Member	Member	March 31, 2014	University
Dilek YÜKSEL	Member	Member	29 March, 2016	University
Şahin UĞUR	Member	Member	June 9, 2017	University
Ömer ARISOY	Member	Member	June 9, 2017	University
<u>Audit Committee</u>				
Sabahattin BİRDAL	Member	Member	June 15, 2017	University
Serdar TUNCBİLEK	Member	Member	April 4, 2014	University
<u>Auditor</u>				
Yunus ARINCI	Auditor	Auditor	June 9, 2017	University
Hasan TÜRE	Auditor	Chairman	June 9, 2017	University
<u>Assistant General Managers</u>				
Metin Recep ZAFER	Banking Operations, Credit, Customer and Account Operations, Treasury Operations, Foreign Operations, Payment System Operations, Application Development Departments, System Management, IT Operations and Support, IT Planning and Coordination.	June 13, 2006	PHD	22 years
Hasan ECESoy	Treasury Management, International Banking and Investor Relations, Teasary Management Middle Office	June 18, 2010	PHD	24 years
Osman DEMREN	Commercial Loans, Corporate Loans, Consumer Loans, SME and Local Government Loan Allocation Management	April 6, 2011	Master	27 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	University	22 years
Mustafa SAYDAM	Administrative Affairs, Construction, Real Estate and Purchasing	October 28, 2013	University	24 years
Mehmet Emin KARAAĞAÇ	Chief Legal Counsellor, Legal Affairs, Credit Risk Liquidation	November 8, 2013	University	28 years
Yakup ŞİMŞEK	Corporate Banking Marketing, Commercial Banking Marketing, Cash Management Affairs, Corporate Branches	September 7, 2016	University	21 years
Hüseyin Uğur BİLGİN	Human Resources, Corporate Development and Academy	August 1, 2017	University	31 years
Şeyh Mehmet BOZ	Application of Credit Policies and Processes, Loans Planning and Follow-up, Evaluation and rating	August 1, 2017	Master	23 years
İlker YEŞİL	Payment Systems Banking Marketing, Payment Systems Services, Digital Banking and Distribution Channels	August 1, 2017	University	23 years
Şuayyip İLBILGI	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	University	22 years
Ersin ÖZOĞUZ	SME Banking, Marketing, Local Government Banking Marketing	August 1, 2017	University	22 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 FINANCIAL STATEMENTS
AS AT AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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

GENERAL INFORMATION (Continued)

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

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

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

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

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.

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

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

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

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

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

As at March 31, 2018, The Parent Bank has 932 domestic, 3 foreign, in total 935 branches (December 31, 2017: 924 domestic, 3 foreign, in total 927 branches). As at March 31, 2018, The Parent Bank has 16,148 employees (December 31, 2017: 16,097 employees).

**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
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AS AT AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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

GENERAL INFORMATION (Continued)

**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, 2018, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik ve Hayat AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

As at and for the three-month period ended March 31, 2018, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
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AS AT AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**

(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, 2018**

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

			Limited Review Current Period March 31, 2018		
ASSETS		Notes	TL	FC	Total
I.	FINANCIAL ASSETS (Net)	V-I-1	33,012,248	44,618,391	77,630,639
1.1	Cash and cash equivalents	V-I-2	5,032,211	37,265,135	42,297,346
1.1.1	Cash and balances at Central Bank		3,420,944	27,445,109	30,866,053
1.1.2	Banks		1,144,735	9,820,026	10,964,761
1.1.3	Receivables from Money Markets		466,532	-	466,532
1.2	Financial assets at fair value through profit or loss	V-I-2	120,794	53,291	174,085
1.2.1	Public debt securities		303	5,721	6,024
1.2.2	Equity instruments		1,542	47,570	49,112
1.2.3	Other financial assets		118,949	-	118,949
1.3	Financial assets at fair value through other comprehensive income		5,617,560	1,594,678	7,212,238
1.3.1	Public debt securities		5,617,560	1,060,103	6,677,663
1.3.2	Equity instruments		-	-	-
1.3.3	Other financial assets	V-I-3	-	534,575	534,575
1.4	Financial assets measured at amortised cost		20,173,282	5,580,075	25,753,357
1.4.1	Public debt securities		20,173,282	5,375,022	25,548,304
1.4.2	Other financial assets		-	205,053	205,053
1.5	Derivative financial assets		2,162,211	128,503	2,290,714
1.5.1	Derivative financial assets at fair value through profit or loss	V-I-4	2,162,211	128,503	2,290,714
1.5.2	Derivative financial assets at fair value through other comprehensive income		-	-	-
1.6	Non-performing financial assets		-	-	-
1.6	Allowance for expected credit losses (-)		93,810	3,291	97,101
II.	LOANS (Net)	V-I-5	140,180,156	61,693,636	201,873,792
2.1	Loans		137,564,993	59,742,488	197,307,481
2.1.1	Loans measured at amortised cost	V-VII-1	137,564,993	59,742,488	197,307,481
2.1.2	Loans at fair value through profit or loss		-	-	-
2.1.3	Loans at fair value through other comprehensive income		-	-	-
2.2	Receivables from leasing transactions		463,802	1,676,427	2,140,229
2.2.1	Finance lease receivables		594,555	1,866,112	2,460,667
2.2.2	Operational lease receivables		-	-	-
2.2.3	Unearned income (-)	V-I-6	130,753	189,685	320,438
2.3	Factoring receivables		2,459,499	238,313	2,697,812
2.3.1	Factoring receivables measured at amortised cost		2,459,499	238,313	2,697,812
2.3.2	Factoring receivables at fair value through profit or loss	V-I-7	-	-	-
2.3.3	Factoring receivables at fair value through other comprehensive income		-	-	-
2.4	Non-performing loans		8,127,920	131,230	8,259,150
2.5	Allowance for expected credit losses (-)		8,436,058	94,822	8,530,880
2.5.1	12-Month expected credit losses (Stage 1)		1,532,856	18,838	1,551,694
2.5.2	Significant increase in credit risk (Stage 2)	V-I-8	549,783	-	549,783
2.5.3	Credit-Impaired (Stage 3)		6,353,419	75,984	6,429,403
III.	NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)		1,326,980	-	1,326,980
3.1	Held for sale	V-I-9	1,326,980	-	1,326,980
3.2	Held from discontinued operations		-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		669,564	3	669,567
4.1	Investments in associates (Net)		389,917	3	389,920
4.1.1	Associates accounted by using equity method		325,622	-	325,622
4.1.2	Non-consolidated associates	V-I-10	64,295	3	64,298
4.2	Investments in subsidiaries (Net)		279,647	-	279,647
4.2.1	Non-consolidated financial subsidiaries		-	-	-
4.2.2	Non-consolidated non-financial subsidiaries		279,647	-	279,647
4.3	Jointly Controlled Partnerships (Joint Ventures) (Net)		-	-	-
4.3.1	Jointly controlled partnerships accounted by using equity method	V-I-11	-	-	-
4.3.2	Non-consolidated jointly controlled partnerships		-	-	-
V.	TANGIBLE ASSETS (Net)		1,725,177	9,734	1,734,911
VI.	INTANGIBLE ASSETS AND GOODWILL (Net)		268,247	312	268,559
6.1	Goodwill	V-I-12	14,631	-	14,631
6.2	Other	V-I-13	253,616	312	253,928
VII.	INVESTMENT PROPERTIES (Net)		-	-	-
VIII.	CURRENT TAX ASSETS		452	-	452
IX.	DEFERRED TAX ASSETS	V-I-14	471,075	6,140	477,215
X.	OTHER ASSETS		5,924,286	3,024,619	8,948,905
TOTAL ASSETS		V-I-16	183,578,185	109,352,835	292,931,020

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

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

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

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

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

		Audited Prior Period			
		December 31, 2017			
ASSETS	Notes	TL	FC	Total	
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	4,021,442	24,634,804	28,656,246
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	1,926,000	150,223	2,076,223
2.1	Financial assets held for trading purpose		1,926,000	150,223	2,076,223
2.1.1	Debt securities issued by the governments		203	5,855	6,058
2.1.2	Equity securities		939	-	939
2.1.3	Derivative financial assets held for trading purpose	V-I-2	1,801,883	144,368	1,946,251
2.1.4	Other securities		122,975	-	122,975
2.2	Financial assets designated at fair value through profit or loss		-	-	-
2.2.1	Debt securities issued by the governments		-	-	-
2.2.2	Equity securities		-	-	-
2.2.3	Other securities		-	-	-
2.2.4	Loans		-	-	-
III.	BANKS	V-I-3	1,176,896	12,146,903	13,323,799
IV.	RECEIVABLES FROM INTERBANK MONEY MARKETS		1,659,062	-	1,659,062
4.1	Interbank money market placements		1,652,102	-	1,652,102
4.2	Istanbul Stock Exchange money market placements		3,474	-	3,474
4.3	Receivables from reverse repurchase agreements		3,486	-	3,486
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	12,412,036	2,158,348	14,570,384
5.1	Equity securities		15	43,355	43,370
5.2	Debt securities issued by the governments		12,412,021	1,709,676	14,121,697
5.3	Other securities		-	405,317	405,317
VI.	LOANS AND RECEIVABLES	V-I-5	131,255,058	55,293,726	186,548,784
6.1	Performing loans and receivables		130,177,791	55,264,739	185,442,530
6.1.1	Loans provided to risk group	V-VII-1	17,077	1,051	18,128
6.1.2	Debt securities issued by the governments		-	-	-
6.1.3	Other		130,160,714	55,263,688	185,424,402
6.2	Loans under follow-up		7,819,393	123,793	7,943,186
6.3	Specific provisions (-)		6,742,126	94,806	6,836,932
VII.	FACTORING RECEIVABLES		1,922,548	269,754	2,192,302
VIII.	HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	12,235,406	4,530,665	16,766,071
8.1	Debt securities issued by the governments		12,235,406	4,286,627	16,522,033
8.2	Other securities		-	244,038	244,038
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-7	384,451	3	384,454
9.1	Associates, consolidated per equity method		323,654	-	323,654
9.2	Unconsolidated associates		60,797	3	60,800
9.2.1	Financial associates		48,444	-	48,444
9.2.2	Non-Financial associates		12,353	3	12,356
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	279,647	-	279,647
10.1	Unconsolidated financial subsidiaries		-	-	-
10.2	Unconsolidated non-financial subsidiaries		279,647	-	279,647
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	474,045	1,406,155	1,880,200
12.1	Finance lease receivables		611,982	1,565,781	2,177,763
12.2	Operational lease receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned income (-)		137,937	159,626	297,563
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)	V-I-12	1,722,037	9,372	1,731,409
XV.	INTANGIBLE ASSETS (Net)	V-I-13	255,160	302	255,462
15.1	Goodwill		-	-	-
15.2	Other intangibles		255,160	302	255,462
XVI.	INVESTMENT PROPERTIES (Net)	V-I-14	423,498	-	423,498
XVII.	TAX ASSETS		63,612	-	63,612
17.1	Current tax assets		1,016	-	1,016
17.2	Deferred tax assets	V-I-15	62,596	-	62,596
XVIII.	ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-16	1,312,728	-	1,312,728
18.1	Assets held for sale		1,312,728	-	1,312,728
18.2	Assets related to the discontinued operations		-	-	-
XIX.	OTHER ASSETS	V-I-17	4,891,487	3,843,638	8,735,125
TOTAL ASSETS			176,415,113	104,443,893	280,859,006

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT MARCH 31, 2018**

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

LIABILITIES AND EQUITY		Notes	Limited Review Current Period		Total
			TL	FC	
I.	DEPOSITS		107,234,928	57,856,826	165,091,754
II.	LOANS RECEIVED		2,295,496	32,092,926	34,388,422
III.	MONEY MARKET FUNDS		17,397,167	2,707,395	20,104,562
IV.	MARKETABLE SECURITIES (Net)		9,041,125	16,187,982	25,229,107
4.1	Bills		5,038,495	-	5,038,495
4.2	Asset backed securities		66,060	-	66,060
4.3.	Bonds		3,936,570	16,187,982	20,124,552
V.	FUNDS		3,173	-	3,173
5.1	Borrower funds		-	-	-
5.2	Other		3,173	-	3,173
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		1,297,136	165,560	1,462,696
7.1	Derivative financial liabilities at fair value through profit or loss		1,297,136	165,560	1,462,696
7.2	Derivative financial liabilities at fair value through other comprehensive income		-	-	-
VIII.	FACTORING PAYABLES		378	-	378
IX.	LEASE PAYABLES		-	-	-
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses (-)		-	-	-
X.	PROVISIONS		4,805,703	35,946	4,841,649
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		885,656	3,715	889,371
10.3	Insurance technical reserves (Net)		2,793,148	13,195	2,806,343
10.4	Other provisions		1,126,899	19,036	1,145,935
XI.	CURRENT TAX LIABILITIES		837,710	980	838,690
XII.	DEFERRED TAX LIABILITIES		5,348	18,091	23,439
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)		-	-	-
13.1	Held for sale		-	-	-
13.2	Related to discontinued operations		-	-	-
XIV.	SUBORDINATED DEBT		528,031	5,677,529	6,205,560
14.1	Loans		-	-	-
14.2	Other debt instruments		528,031	5,677,529	6,205,560
XV.	OTHER LIABILITIES		6,828,178	2,567,939	9,396,117
XVI.	SHAREHOLDERS' EQUITY		24,782,223	563,250	25,345,473
16.1	Paid-in capital		2,500,000	-	2,500,000
16.2	Capital reserves		804,673	-	804,673
36938	Equity share premiums		724,269	-	724,269
37303	Share cancellation profits		-	-	-
37668	Other capital reserves		80,404	-	80,404
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		1,051,086	(3,100)	1,047,986
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(38,050)	46,571	8,521
16.5	Profit reserves		14,534,106	303,950	14,838,056
37027	Legal reserves		1,702,949	9,553	1,712,502
37392	Statutory reserves		6,337	-	6,337
37757	Extraordinary reserves		12,437,440	5,389	12,442,829
38123	Other profit reserves		387,380	289,008	676,388
16.6	Profit or loss		5,339,408	137,985	5,477,393
37058	Prior years' profits or losses		4,231,895	127,820	4,359,715
37423	Current period net profit or loss		1,107,513	10,165	1,117,678
16.7	Minority interests		591,000	77,844	668,844
TOTAL LIABILITIES AND EQUITY			175,056,596	117,874,424	292,931,020

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

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

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

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

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED OFF-BALANCE SHEET
AS AT MARCH 31, 2018**

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

		Limited Review Current Period March 31, 2018			
		Notes	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		89,519,687	93,159,335	182,679,022
I.	GUARANTEES AND SURETIES	V-III-2-4	34,880,678	21,102,496	55,983,174
1.1.	Letters of guarantee		34,053,639	9,378,517	43,432,156
1.1.1.	Guarantees subject to State Tender Law		3,407,410	4,596,461	8,003,871
1.1.2.	Guarantees given for foreign trade operations		1,078,947	-	1,078,947
1.1.3.	Other letters of guarantee		29,567,282	4,782,056	34,349,338
1.2.	Bank acceptances		40,639	1,726,994	1,767,633
1.2.1.	Import letter of acceptance		-	581,505	581,505
1.2.2.	Other bank acceptances		40,639	1,145,489	1,186,128
1.3.	Letters of credit		26,129	9,934,697	9,960,826
1.3.1.	Documentary letters of credit		26,129	9,934,697	9,960,826
1.3.2.	Other letters of credit		-	-	-
1.4.	Guaranteed pre-financings		-	3,144	3,144
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		448,021	9,243	457,264
1.8.	Other guarantees		72,414	47,751	120,165
1.9.	Other sureties		239,836	2,150	241,986
II.	COMMITMENTS		33,362,135	20,714,620	54,076,755
2.1.	Irrevocable commitments		30,170,234	2,176,385	32,346,619
2.1.1.	Asset purchase commitments	V-III-1	773,180	1,298,809	2,071,989
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	12,444,590	136,492	12,581,082
2.1.5.	Securities issuance brokerage commitments		-	142,616	142,616
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Commitments for cheque payments	V-III-1	2,889,596	-	2,889,596
2.1.8.	Tax and fund obligations on export commitments		-	-	-
2.1.9.	Commitments for credit card limits	V-III-1	11,268,867	-	11,268,867
2.1.10.	Commitments for credit card and banking operations promotions		780,159	-	780,159
2.1.11.	Receivables from "short" sale commitments on securities		-	-	-
2.1.12.	Payables from "short" sale commitments on securities		-	-	-
2.1.13.	Other irrevocable commitments		2,013,842	598,468	2,612,310
2.2.	Revocable commitments		3,191,901	18,538,235	21,730,136
2.2.1.	Revocable loan granting commitments		3,191,901	18,538,235	21,730,136
2.2.2.	Other revocable commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	V-III-5	21,276,874	51,342,219	72,619,093
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		21,276,874	51,342,219	72,619,093
3.2.1.	Forward foreign currency purchases/sales		1,198,392	1,860,140	3,058,532
3.2.1.1.	Forward foreign currency purchases		599,747	930,146	1,529,893
3.2.2.	Forward foreign currency sales		598,645	929,994	1,528,639
3.2.2.1.	Currency and interest rate swaps		11,974,395	36,333,146	48,307,541
3.2.2.2.	Currency swaps-purchases		3,477,931	15,068,180	18,546,111
3.2.2.3.	Currency swaps-sales		6,556,464	5,973,388	12,529,852
3.2.2.4.	Interest rate swaps-purchases		970,000	7,645,789	8,615,789
3.2.3.	Interest rate swaps-sales		970,000	7,645,789	8,615,789
3.2.3.1.	Currency, interest rate and security options		712,476	743,766	1,456,242
3.2.3.2.	Currency call options		438,070	278,994	717,064
3.2.3.3.	Currency put options		274,406	464,772	739,178
3.2.3.4.	Interest rate call options		-	-	-
3.2.3.5.	Interest rate put options		-	-	-
3.2.3.6.	Security call options		-	-	-
3.2.3.7.	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		7,391,611	12,405,167	19,796,778
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,360,296,153	876,651,408	2,236,947,561
IV.	ITEMS HELD IN CUSTODY		64,573,646	4,221,852	68,795,498
4.1.	Customers' securities held		1,270,682	-	1,270,682
4.2.	Investment securities held in custody		45,383,382	158,880	45,542,262
4.3.	Checks received for collection		11,314,876	1,055,225	12,370,101
4.4.	Commercial notes received for collection		3,452,424	1,115,067	4,567,491
4.5.	Other assets received for collection		2,152	158	2,310
4.6.	Assets received through public offering		-	-	-
4.7.	Other items under custody		1,985,030	1,318,947	3,303,977
4.8.	Custodians		1,165,100	573,575	1,738,675
V.	PLEDGED ITEMS		332,656,423	146,770,735	479,427,158
5.1.	Securities		659,903	7,162	667,065
5.2.	Guarantee notes		655,861	394,901	1,050,762
5.3.	Commodities		33,218,662	871,593	34,090,255
5.4.	Warranties		-	-	-
5.5.	Real estates		252,984,745	119,836,192	372,820,937
5.6.	Other pledged items		44,176,286	25,466,915	69,643,201
5.7.	Pledged items-depository		960,966	193,972	1,154,938
VI.	CONFIRMED BILLS OF EXCHANGE AND SURETIES		963,066,084	725,658,821	1,688,724,905
TOTAL OFF-BALANCE SHEET ITEMS (A+B)			1,449,815,840	969,810,743	2,419,626,583

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 31 DECEMBER 2017**

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

	Notes	Audited Prior Period December 31, 2017		Total
		TL	FC	
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		80,999,013	81,421,461	162,420,474
I. GUARANTEES AND SURETIES		32,656,344	18,667,358	51,323,702
1.1 Letters of guarantee		32,035,061	8,135,927	40,170,988
1.1.1 Guarantees subject to State Tender Law		3,163,898	4,099,756	7,263,654
1.1.2 Guarantees given for foreign trade operations		1,053,872	-	1,053,872
1.1.3 Other letters of guarantee		27,817,291	4,036,171	31,853,462
1.2 Bank acceptances		44,700	1,510,854	1,555,554
1.2.1 Import letter of acceptance		671	519,399	520,070
1.2.2 Other bank acceptances		44,029	991,455	1,035,484
1.3 Letters of credit		30,161	8,963,991	8,994,152
1.3.1 Documentary letters of credit		30,161	8,963,991	8,994,152
1.3.2 Other letters of credit		-	-	-
1.4 Guaranteed pre-financings		-	3,006	3,006
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other endorsements		-	-	-
1.6 Marketable securities underwriting commitments		-	-	-
1.7 Factoring related guarantees		225,380	7,528	232,908
1.8 Other guarantees		81,074	43,996	125,070
1.9 Other sureties		239,968	2,056	242,024
II. COMMITMENTS		31,872,658	17,873,251	49,745,909
2.1 Irrevocable commitments		28,813,083	1,547,642	30,360,725
2.1.1 Asset purchase commitments		793,979	961,190	1,755,169
2.1.2 Deposit purchase and sales commitments		-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-
2.1.4 Loan granting commitments		11,843,577	74,556	11,918,133
2.1.5 Securities issuance brokerage commitments		-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-
2.1.7 Commitments for cheque payments		2,542,741	-	2,542,741
2.1.8 Tax and fund obligations on export commitments		-	-	-
2.1.9 Commitments for credit card limits		10,534,862	-	10,534,862
2.1.10 Commitments for credit card and banking operations promotions		761,674	-	761,674
2.1.11 Receivables from "short" sale commitments on securities		-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-
2.1.13 Other irrevocable commitments		2,336,250	511,896	2,848,146
2.2 Revocable commitments		3,059,575	16,325,609	19,385,184
2.2.1 Revocable loan granting commitments		3,059,575	16,325,609	19,385,184
2.2.2 Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		16,470,011	44,880,852	61,350,863
3.1 Derivative financial instruments held for risk management		-	-	-
3.1.1 Fair value hedges		-	-	-
3.1.2 Cash flow hedges		-	-	-
3.1.3 Net foreign investment hedges		-	-	-
3.2 Trading derivatives		16,470,011	44,880,852	61,350,863
3.2.1 Forward foreign currency purchases/sales		1,152,837	1,617,661	2,770,498
3.2.1.1 Forward foreign currency purchases		576,772	808,889	1,385,661
3.2.1.2 Forward foreign currency sales		576,065	808,772	1,384,837
3.2.2 Currency and interest rate swaps		9,715,102	31,666,680	41,381,782
3.2.2.1 Currency swaps-purchases		3,085,946	11,883,240	14,969,186
3.2.2.2 Currency swaps-sales		4,289,156	5,162,344	9,451,500
3.2.2.3 Interest rate swaps-purchases		1,170,000	7,310,548	8,480,548
3.2.2.4 Interest rate swaps-sales		1,170,000	7,310,548	8,480,548
3.2.3 Currency, interest rate and security options		426,094	431,542	857,636
3.2.3.1 Currency call options		412,706	13,400	426,106
3.2.3.2 Currency put options		13,388	418,142	431,530
3.2.3.3 Interest rate call options		-	-	-
3.2.3.4 Interest rate put options		-	-	-
3.2.3.5 Security call options		-	-	-
3.2.3.6 Security put options		-	-	-
3.2.4 Currency futures		-	-	-
3.2.4.1 Currency futures-purchases		-	-	-
3.2.4.2 Currency futures-sales		-	-	-
3.2.5 Interest rate futures		-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-
3.2.6 Other		5,175,978	11,164,969	16,340,947
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,287,928,890	807,052,180	2,094,981,070
IV. ITEMS HELD IN CUSTODY		59,316,964	5,617,699	64,934,663
4.1 Customers' securities held		923,511	-	923,511
4.2 Investment securities held in custody		43,471,833	135,880	43,607,713
4.3 Checks received for collection		10,617,821	2,607,299	13,225,120
4.4 Commercial notes received for collection		2,959,313	993,297	3,952,610
4.5 Other assets received for collection		2,152	151	2,303
4.6 Assets received through public offering		-	-	-
4.7 Other items under custody		140,536	743,875	884,411
4.8 Custodians		1,201,798	1,137,197	2,338,995
V. PLEDGED ITEMS		315,488,892	132,707,352	448,196,244
5.1 Securities		740,033	5,090	745,123
5.2 Guarantee notes		708,473	524,748	1,233,221
5.3 Commodities		33,014,517	759,683	33,774,200
5.4 Warranties		-	-	-
5.5 Real estates		240,571,560	108,037,406	348,608,966
5.6 Other pledged items		39,693,039	23,254,495	62,947,534
5.7 Pledged items-depository		761,270	125,930	887,200
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		913,123,034	668,727,129	1,581,850,163
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		1,368,927,903	888,473,641	2,257,401,544

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, 2018**

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

		Notes	Limited Review Current Period January 1, 2018- March 31, 2018
I.	INTEREST INCOME	V-IV-1	6,569,012
1.1	Interest on loans	V-IV-1	5,599,960
1.2	Interest received from reserve deposits		76,024
1.3	Interest received from banks	V-IV-1	64,779
1.4	Interest received from money market transactions		4,013
1.5	Interest received from marketable securities portfolio	V-IV-1	769,552
1.5.1	Financial assets at fair value through profit or loss		3,172
1.5.2	Financial assets at fair value through other comprehensive income		163,187
1.5.3	Financial assets measured at amortised cost		603,193
1.6	Finance lease income		41,380
1.7	Other interest income		13,304
II.	INTEREST EXPENSES		4,160,516
2.1	Interest on deposits	V-IV-2	2,776,262
2.2	Interest on funds borrowed	V-IV-2	273,707
2.3	Interest on money market transactions		545,086
2.4	Interest on securities issued	V-IV-2	426,040
2.5	Other interest expenses		139,421
III.	NET INTEREST INCOME/EXPENSE (I - II)		2,408,496
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		415,784
4.1	Fees and commissions received		588,429
4.1.1	Non-cash loans		92,462
4.1.2	Other		495,967
4.2	Fees and commissions paid		172,645
4.2.1	Non-cash loans		1,117
4.2.2	Other		171,528
V.	PERSONNEL EXPENSES (-)		601,803
VI.	DIVIDEND INCOME		44,433
VII.	TRADING PROFIT/LOSS (Net)	V-IV-3	135,395
7.1	Profit/losses from capital market transactions	V-IV-3	27,849
7.2	Profit/losses from derivative financial transactions	V-IV-3	80,515
7.3	Foreign exchange profit/losses	V-IV-3	27,031
VIII.	OTHER OPERATING INCOME	V-IV-4	1,343,924
IX.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		3,746,229
X.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	V-IV-5	1,311,262
XI.	OTHER OPERATING EXPENSES (-)	V-IV-6	1,057,921
XII.	NET OPERATING PROFIT/LOSS (IX-X-XI)		1,377,046
XIII.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-
XIV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		13,945
XV.	NET MONETARY POSITION GAIN/LOSS		-
XVI.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	V-IV-7	1,390,991
XVII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	V-IV-10	(267,302)
17.1	Current tax provision	V-IV-10	(312,060)
17.2	Expense effect of deferred tax (+)		(91,386)
17.3	Income effect of deferred tax (-)		136,144
XIII.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	V-IV-9	1,123,689
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-
19.1	Income from assets held for sale		-
19.2	Profit from sale of associates, subsidiaries and joint ventures		-
19.3	Other income from discontinued operations		-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1	Expenses on assets held for sale		-
20.2	Losses from sale of associates, subsidiaries and joint ventures		-
20.3	Other expenses from discontinued operations		-
XXI.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)		-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1	Current tax provision		-
22.2	Expense effect of deferred tax (+)		-
22.3	Income effect of deferred tax (-)		-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV.	NET PROFIT/LOSSES (XVIII+XXIII)	V-IV-11	1,123,689
24.1.	Profit/Loss per share		1,117,678
24.2.	Non-controlling interest(-)		6,011
	Earnings per 100 Share (full TL)	III-XXIV	0.4471

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017**

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

		Limited Review Prior Period	
		January 1, 2017-	
		March 31, 2017	
	Notes		
I.	INTEREST INCOME		4,969,787
1.1	Interest income from loans	V-IV-1	3,940,462
1.2	Interest income from reserve deposits		43,402
1.3	Interest income from banks	V-IV-1	36,962
1.4	Interest income from money market transactions		14,012
1.5	Interest income from securities portfolio	V-IV-1	856,465
1.5.1	Trading financial assets		4,217
1.5.2	Financial assets designated at fair value through profit or loss		-
1.5.3	Available-for-sale financial assets		507,614
1.5.4	Held-to-maturity investments		344,634
1.6	Finance lease income		31,837
1.7	Other interest income		46,647
II.	INTEREST EXPENSE		2,516,884
2.1	Interest expense on deposits	V-IV-2	1,736,243
2.2	Interest expense on funds borrowed	V-IV-2	178,752
2.3	Interest expense on money market transactions		275,462
2.4	Interest expense on securities issued	V-IV-2	217,010
2.5	Other interest expenses		109,417
III.	NET INTEREST INCOME (I – II)		2,452,903
IV.	NET FEES AND COMMISSIONS INCOME		267,488
4.1	Fees and commissions received		409,903
4.1.1	Non-cash loans		67,908
4.1.2	Others		341,995
4.2	Fees and commissions paid		142,415
4.2.1	Non-cash loans		948
4.2.2	Others		141,467
V.	DIVIDEND INCOME	V-IV-3	43,054
VI.	TRADING INCOME/LOSSES (Net)	V-IV-4	129,139
6.1	Trading account income/losses	V-IV-4	23,476
6.2	Income/losses from derivative financial instruments	V-IV-4	41,205
6.3	Foreign exchange gains/losses	V-IV-4	64,458
VII.	OTHER OPERATING INCOME	V-IV-5	738,825
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		3,631,409
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	759,642
X.	OTHER OPERATING EXPENSES (-)	V-IV-7	1,317,886
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,553,881
XII.	INCOME RESULTED FROM MERGERS		-
XIII.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		12,109
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-
XV.	INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)		1,565,990
XVI.	CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-11	(298,847)
16.1	Current tax charges		(217,809)
16.2	Deferred tax credits		(81,038)
XVII.	NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-12	1,267,143
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)	V-IV-12	1,267,143
23.1.	Equity holders of the Bank		1,255,074
23.2.	Non-controlling interest(-)		12,069
	Earnings per 100 Share (full TL)	III-XXIV	0.502

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

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**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 OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Limited Review Current Period January 1, 2018- March 31, 2018
I.	PROFIT (LOSS)	1,123,689
II.	OTHER COMPREHENSIVE INCOME	(59,238)
2.1.	Other comprehensive income that will not be reclassified to profit or loss	(29,438)
2.1.1.	Gains (Losses) on Revaluation of Property, Plant and Equipment	(2,315)
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(483)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	1,732
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(28,372)
2.2.	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(29,800)
2.2.1.	Exchange Differences on Translation	-
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(33,199)
2.2.3.	Income (Loss) Related with Cash Flow Hedges	-
2.2.4.	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-
2.2.5.	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-
2.2.6.	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	3,399
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	1,064,451

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED 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.)

		Limited Review Prior Period January 1, 2017- March 31, 2017
GAINS AND LOSSES RECOGNIZED IN EQUITY		
I.	VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	174,599
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	(382)
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-
IV.	CURRENCY TRANSLATION DIFFERENCES	20,879
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)
IX.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(30,998)
X.	NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	120,374
XI.	CURRENT PERIOD'S PROFIT/(LOSS)	1,267,143
11.1	Change in fair value of securities (transfers to the statement of income)	2,456
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
XII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	1,387,517

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

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**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, 2018**

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

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total SE without minority share	Minority interest	Total
Reviewed	Notes	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6						
Current Period																	
March 31, 2018																	
I.	Prior Period End Balance	2,500,000	724,269	-	80,404	1,046,956	(29,004)	56,141	-	(119,267)	-	14,805,097	3,881,265	-	22,945,861	677,103	23,622,964
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
2.1.	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
III.	Adjusted Beginning Balance (I-II)	2,500,000	724,269	-	80,404	1,046,956	(29,004)	56,141	-	42,369	-	14,805,097	4,387,867	-	23,614,099	677,103	24,291,202
3.1.	Total Comprehensive Income	-	-	-	-	(48,286)	(483)	22,662	-	(33,848)	-	-	-	1,117,678	1,057,723	6,728	1,064,451
3.2.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3.	Capital Increase by Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.4.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.5.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.6.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.7.	Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	32,959	(28,152)	-	4,807	(14,987)	(10,180)
IV.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2.	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance		2,500,000	724,269	-	80,404	998,670	(29,487)	78,803	-	8,521	-	14,838,056	4,359,715	1,117,678	24,676,629	668,844	25,345,473

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF 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	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 Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
I.	Prior 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
II.	Changes during the period																		
III.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Associates, Subsidiaries and "Available-for-sale" securities	V-V- 1	-	-	-	-	-	-	-	-	-	147,606	-	-	-	-	147,606	455	148,061
IV.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net cash flow hedges	V-V- 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign 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	V-V- 3	-	-	-	-	-	-	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 Bank'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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transferred to reserves	-	-	-	-	2,088	-	729	-	-	(3,056)	-	239	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ending Balance	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
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, 2018**

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

		Notes	Limited Review Current Period March 31, 2018
A.	A. CASH FLOWS FROM BANKING OPERATIONS		
1.1	1.1. Operating profit before changes in operating assets and liabilities (+)		2,377,072
1.1.1	1.1.1. Interest received (+)		5,486,317
1.1.2	1.1.2. Interest paid (-)		(3,347,532)
1.1.3	1.1.3. Dividends received (+)		1,310
1.1.4	1.1.4. Fees and commissions received (+)		588,429
1.1.5	1.1.5. Other income (+)		370,225
1.1.6	1.1.6. Collections from previously written off loans and other receivables (+)		509,025
1.1.7	1.1.7. Cash payments to personnel and service suppliers (-)		(662,802)
1.1.8	1.1.8. Taxes paid (-)		(394,043)
1.1.9	1.1.9. Other (+/-)		(173,857)
1.2	1.2. Changes in operating assets and liabilities subject to banking operations		(11,339,499)
1.2.1	1.2.1. Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)		9,640
1.2.2	1.2.2. Net increase (decrease) in due from banks (+/-)		(2,942,928)
1.2.3	1.2.3. Net increase (decrease) in loans		(13,780,863)
1.2.4	1.2.4. Net increase (decrease) in other assets (+/-)		678,185
1.2.5	1.2.5. Net increase (decrease) in bank deposits (+/-)		(1,130,587)
1.2.6	1.2.6. Net increase (decrease) in other deposits (+/-)		8,016,799
1.2.7	1.2.7. Net increase (decrease) in financial liabilities at fair value through profit or loss (+/-)		-
1.2.8	1.2.8. Net increase (decrease) in funds borrowed (+/-)		2,954,832
1.2.9	1.2.9. Net increase (decrease) in matured payables (+/-)		-
1.2.10	1.2.10. Net increase (decrease) in other liabilities (+/-)		(5,144,577)
I.	I. Net cash provided from banking operations(+/-)		(8,962,427)
B.	B. CASH FLOWS FROM INVESTING ACTIVITIES		
II.	II. Net cash provided from investing activities(+/-)		(780,410)
2.1	2.1. Cash paid for the purchase of associates, subsidiaries and joint ventures		-
2.2	2.2. Cash obtained from the sale of associates, subsidiaries and joint ventures		-
2.3	2.3. Cash paid for the purchase of tangible and intangible asset (-)		(58,725)
2.4	2.4. Cash obtained from the sale of tangible and intangible asset (+)		209,011
2.5	2.5. Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)		(1,693,610)
2.6	2.6. Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)		1,037,232
2.7	2.7. Cash paid for the purchase of financial assets at amortised cost (-)		(647,475)
2.8	2.8. Cash obtained from sale of financial assets at amortised cost (+)		406,377
2.9	2.9. Other (+/-)		(33,220)
C.	C. CASH FLOWS FROM FINANCING ACTIVITIES		
III.	III. Net cash flows from financing activities (+/-)		5,394,102
3.1	3.1. Cash obtained from funds borrowed and securities issued (+)		7,947,874
3.2	3.2. Cash outflow from funds borrowed and securities issued (-)		(2,553,772)
3.3	3.3. Equity instruments issued (+)		-
3.4	3.4. Dividends paid (-)		-
3.5	3.5. Payments for finance lease liabilities (-)		-
3.6	3.6. Other (+/-)		-
IV.	IV. Effect of change in foreign exchange rate on cash and cash equivalents		68,175
V.	V. Net increase/decrease in cash and cash equivalents (I+II+III+IV)		(4,280,560)
VI.	VI. Cash and cash equivalents at beginning of the period (+)		21,762,807
VII.	VII. Cash and cash equivalents at end of the period (V+VI)		17,482,247

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW**

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

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

		Limited Review Prior Period March 31, 2017
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating profit before changes in operating assets and liabilities	2,447,810
1.1.1	Interests received	4,368,695
1.1.2	Interests paid	(2,240,294)
1.1.3	Dividends received	12,828
1.1.4	Fee and commissions received	409,903
1.1.5	Other income	309,535
1.1.6	Collections from previously written-off loans and other receivables	298,122
1.1.7	Payments to personnel and service suppliers	(499,491)
1.1.8	Taxes paid	(196,372)
1.1.9	Other	(15,116)
1.2	Changes in operating assets and liabilities	(1,867,096)
1.2.1	Net (increase) decrease in financial assets held for trading purpose	17,933
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
1.2.4	Net (increase) decrease in loans	(6,594,079)
1.2.5	Net (increase) decrease in other assets	(220,022)
1.2.6	Net increase (decrease) in bank deposits	1,679,523
1.2.7	Net increase (decrease) in other deposits	4,498,378
1.2.8	Net increase (decrease) in funds borrowed	2,288,242
1.2.9	Net increase (decrease) in matured payables	-
1.2.10	Net increase (decrease) in other liabilities	(3,746,562)
I.	Net cash flow from banking operations	580,714
B.	CASH FLOWS FROM INVESTING ACTIVITIES	
II.	Net cash flow from investing activities	(425,853)
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)
2.4	Proceeds from disposal of tangible assets	105,420
2.5	Cash paid for purchase of available-for-sale financial assets	(2,234,372)
2.6	Proceeds from disposal of available-for-sale financial assets	1,956,822
2.7	Cash paid for purchase of held-to-maturity investments	(1,203,427)
2.8	Proceeds from disposal of held-to-maturity investments	996,919
2.9	Other	(18,788)
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net cash flow from financing activities	946,985
3.1	Cash obtained from funds borrowed and securities issued	2,692,631
3.2	Cash used for repayment of funds borrowed and securities issued	(1,745,646)
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
V.	Net (decrease) / increase in cash and cash equivalents	1,120,822
VI.	Cash and cash equivalents at the beginning of the period	12,421,404
VII.	Cash and cash equivalents at the end of the period	13,542,226

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH
PERIOD ENDED MARCH 31, 2018**

(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 November 1, 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” or “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. General board and some regulatory authorities has the authorization to change the legal financial statements after they are published.

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

TFRS 9 “Financial Instruments”, which is effective as of January 1, 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated January 19, 2017. “TAS 39 Financial Instruments: Recognition and Measurement” has been replaced with TFRS 9, related to the classification and measurement of financial instruments. Financial statements and related footnotes of the previous period have not been rearranged according to transition regulations of TFRS 9.

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

Additional paragraph for convenience translation to English

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH
PERIOD ENDED MARCH 31, 2018**

(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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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH
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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, 2018 is TL 23,564. 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, 2018, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS-39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

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

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

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

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

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

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

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

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

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

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

Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to May 24, 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at March 31, 2018 and December 31, 2017 but until the liquidation decision date its accumulated previous years' loss has been included in the accompanying consolidated financial statements.

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ACCOUNTING POLICIES (Continued)

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

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

As per the resolution of the Board of Directors of the Parent Bank held on September 8, 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with Mülga Law No: 6762, article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at March 31, 2018 and December 31, 2017, but its equity until the merger date has been included in the accompanying consolidated financial statements.

Investments in associates consolidated per equity method

As at and for the three-month period ended March 31, 2018, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

The derivative transactions of the Group mainly consist of currency and interest rate swaps, precious metal swaps, foreign currency forward contracts and currency options. The Group has classified its derivative transactions as "trading purpose derivatives" in accordance with the TFRS 9 - 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

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

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

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Financial assets at fair value through profit or loss

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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

Financial Assets Measured at Amortized Cost

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

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

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

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Loans

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

VIII. INFORMATION ON EXPECTED CREDIT LOSS

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

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

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

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

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

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ACCOUNTING POLICIES (Continued)

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

Securities subject to repurchase agreements ("Repos") are classified as "Financial assets at fair value difference through profit or loss", "Financial assets at fair value difference through other comprehensive income" and "Measured at amortized cost" in the balance sheet according to the investment purposes and measured according to the portfolio at fair value or at amortized cost, depending on which classification they belong to. Funds obtained under repurchase agreements are accounted under "Funds provided under repurchase agreements" in balance sheet and differences between the sale and the expense accrual is recorded for the accrued portion of the interest expense as of the balance sheet date.

Funds given against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from money market" in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is recorded for the accrued portion of the difference between the purchase and resale prices of securities purchased under reverse repurchase agreements.

XI. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

The Group has no discontinued operations.

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON TANGIBLE ASSETS

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

Gains and losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price and is recognized in the income statement of the period.

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

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

Operational leases

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

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ACCOUNTING POLICIES (Continued)

XV. INFORMATION ON PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

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

XVI. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at March 31, 2018 is TL 5,002 (full TL) (December 31, 2017: TL 4,732 (full TL)).

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

As at March 31, 2018 and December 31, 2017, the major actuarial assumptions used in the calculation of the total liability are as follows:

	Current Period – March 31, 2018
Discount Rate	%12.32
Estimated Inflation Rate	%8.00
Increase in Real Wage Rate	%9.00

	Prior Period – December 31, 2017
Discount Rate	%12.32
Estimated Inflation Rate	%8.00
Increase in Real Wage Rate	%9.00

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.

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ACCOUNTING POLICIES (Continued)

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

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.

Pension fund

The employees of the Parent Bank are the members of “Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) established on May 15, 1957 as per the temporary article no. 20 of the Social Security Law no. 506.

As part of Social Security Law’s 506 numbered, temporary article no.20, monthly income or salary is eligible for whose disabled with fund’s associates, senility and death insurance is subjected according to the first paragraph of the temporary article no. 23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the November 1, 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court’s March 22, 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on December 15, 2007 in the Official Gazette no. 26731. The reason for the cancellation decision by Constitutional Court was stated as possible future losses on acquired rights of Fund members.

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

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

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

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

Law requires the transfer to be completed in three years beginning from January 1, 2008. The three year period has expired on May 8, 2011; however, it has been extended to May 8, 2013 with the decision of Council of Ministers published in Official Gazette dated April 9, 2011. Before the expiration date, with the decision of Council of Ministers published in Official Gazette dated May 3, 2013, the period for transferring banks, insurance and reinsurance firms, board of trade, exchanges or participants, monthly salary paid individuals and beneficiaries of the funds that are constructed for their personnel to Social Security Institution in the scope of the temporary article no. 20 of the Social Security Law no. 506 published in Official Gazette dated April 30, 2014 extended for one year. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 numbered 29335.

The employer of pension fund participants (the Banks) will continue to pay the non-transferable social rights, which are already disclosed in the article of association of the pension fund, to the pension participants and their right owners, even though the salary payment obligation has been transferred to the Social Security 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, 2017 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at December 31, 2017.

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION

Corporate tax

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

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

75% of the associate shares that hold at least 2 years (this rate is 50% for sales after December 5, 2017 for real estates) and profits from property sales are exceptional from corporate taxes if there is a capital increase according to Corporate Tax Law or it is hold for a 5 years on special fund account. The Bank follows these profits in "Revaluation surplus on tangible assets" under the equity.

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

Advance tax that is calculated 20% of the profit from the quarterly period has to be paid on 17th in the two months followed which is declared on 14th of the same month. Advance tax which is paid during the year is to be set off on corporate taxes that calculates on corporate tax return. Taxes paid is to collect in cash or is to set off on other financial debts.

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

There is no practice about reaching an agreement with laws in Turkey. Corporate taxes are paid on 25th of the fourth month that is followed form the end of the accounting period. Firms that allowed to analyze taxes, can examine the accounting records and change the amount if there is a wrong transaction.

Corporation tax legislation for the foreign branches

Bahrain (Manama)

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

North Iraq (Erbil)

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

USA (New York)

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

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION (Continued)

Banking and Insurance Transaction Tax

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

Deferred taxes

According to the TAS 12 - Income Taxes; deferred tax assets and liabilities are recognized, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, and initial recognition of assets and liabilities which affect neither accounting nor taxable profit. The delayed tax debt or assets is determined by calculating the "taxable temporary differences" between the assets' and debts' book values versus the values on the legal tax base accounts. According to tax legislation, differences that do not affect the financial or commercial profit of the assets or liabilities at the acquisition date are excluded from these calculations.

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

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

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

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

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

Transfer Pricing

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

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

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ACCOUNTING POLICIES (Continued)

XVIII. 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.

XIX. ADDITIONAL INFORMATION ON BORROWINGS

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

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

The group is not hedging about debt instruments.

XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

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

XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXII. INFORMATION ON GOVERNMENT INCENTIVES

As at March 31, 2018, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 179,566 (December 31, 2017: TL 186,717).

XXIII. INFORMATION ON SEGMENT REPORTING

An operating segment is a component of an entity:

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

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

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS

Earnings per shares

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

As at and for the three-month period ended March 31, 2018, earnings per 100 shares are full TL 0.4501 (March 31, 2017: full TL 0.5020).

Related parties

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

Insurance operations

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

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

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

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

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

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

Individual pension business

Individual pension system receivables presented under ‘other assets’ in the accompanying consolidated financial statements consists of ‘receivables from the clearing house on behalf of the participants’. Pension funds are the mutual funds that the individual pension companies invest in, by the contributions of the participants. Shares of the participants are kept at the clearing house on behalf of the participants.

‘Receivables from the clearing house on behalf of the participants’ is the receivable from the clearing house on pension fund basis against the contributions of the participants. The same amount is also recorded as payables to participants for the funds acquired against their contributions under the ‘individual pension system payables’.

In addition to the ‘payables to participants’ account, mentioned in the previous paragraph, individual pension system payables also includes participants’ temporary accounts, and payables to individual pension agencies. The temporary account of participants includes the contributions of participants that have not yet been invested. Individual pension system payables are presented under other liabilities and provisions in the accompanying consolidated financial statements.

Fees received from individual pension business consist of investment management fees, fees levied on contributions and entrance fees. Fees received from individual pension business are recognized in other income in the accompanying consolidated statement of comprehensive income.

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

Classifications

Reclassification procedures in scope of TFRS 9 are stated below.

TFRS 9 Financial Instruments implementation and effects

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

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

Classification and measurement of financial instruments

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

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

As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39. Explanations of the effect from Parent Bank’s application of TFRS 9 can be found below:

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

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

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

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

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

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

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

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

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

(*) Consists of derivative financial assets.

(**) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "General Provision" and expected credit loss for stage 3 non-cash loans is classified "Other Provisions" under liabilities.

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

Effects on equity with TFRS 9 transition

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

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

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

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

Financial assets at fair value through profit or loss

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

Financial assets held for trading are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

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

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

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

Available-for-sale financial assets

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

Held-to-maturity investments

Held to maturity investments are the financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables. Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any.

Financial assets classified as held to maturity investment however sold before its' maturity or reclassified, are not allowed to be classified as held to maturity investment for two years with respect to IAS 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.

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PERIOD ENDED MARCH 31, 2018****

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

ACCOUNTING POLICIES (Continued)

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

Loans and Receivables

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

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

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

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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, 2018 Group’s capital adequacy ratio is 14.78 (December 31, 2017: 14.95)).

Information about the consolidated shareholder equity items

Current Period	Amount	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	724,269	-
Reserves	14,838,056	-
Income recognized under equity in accordance with TAS	1,126,054	-
Profit	5,477,393	-
Current Period’s Profit	1,117,678	-
Prior Period’s Profit	4,359,715	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	80,404	-
Minority shares	663,176	-
Common Equity Tier 1 Capital Before Deductions	25,409,352	-
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	69,547	-
Leasehold Improvements on Operational Leases	194,698	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	268,559	268,559
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	532,804	-
Common Equity Tier 1 capital (CET1)	24,876,548	-
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%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Current Period	Amount	Amount as per the regulation before 1/1/2014(*)
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
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 (ATT)	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	24,876,548	-
TIER 2 CAPITAL	-	-
Bank's borrowing instruments and related issuance premium	4,046,809	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	651,526	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	5,668	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,423,969	-
Tier 2 Capital Before Deductions	6,476,446	-
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	6,476,446	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	31,352,994	-
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 (-)	-	-
Other items to be defined by the BRSA (-)	1,538	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
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	31,351,456	-
Total Risk Weighted Amounts	212,153,758	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	11.73	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.73	-
Consolidated Capital Adequacy Ratio (%)	14.78	-
BUFFERS		
Total buffer requirement	2.63	-
Capital conservation buffer requirement (%)	1.88	-
Bank specific counter-cyclical buffer requirement (%)	0.01	-
Systemically important banks buffer requirement (%)	0.75	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.23	-
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)	2,726,259	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,423,969	-
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.

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

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

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

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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	Amount	Amount as per the regulation before 1/1/2014(*)
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	51,092	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 Capital (ATI)	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	23,174,257	-
TIER 2 CAPITAL	-	-
Bank's borrowing instruments and related issuance premium	4,079,148	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	809,717	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	6,385	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,885,493	-
Tier 2 Capital Before Deductions	5,971,026	-
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	5,971,026	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	29,145,283	-
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 (-)	-	-
Other items to be defined by the BRSA (-)	1,355	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
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	29,143,928	-
Total Risk Weighted Amounts	194,903,773	-
CAPITAL ADEQUACY RATIOS	-	-
Consolidated Core Capital Adequacy Ratio (%)	11.92	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.89	-
Consolidated Capital Adequacy Ratio (%)	14.95	-
BUFFERS	-	-
Total buffer requirement	1.753	-
Capital conservation buffer requirement (%)	1.250	-
Bank specific counter-cyclical buffer requirement (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	0.50	-
Amounts below deduction thresholds	7.42	-
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)	-	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,885,493	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	2,244,752	-
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.

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

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Current Period - March 31, 2018	
Issuer	T.Vakıflar Bankası T.A.O.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91 XS1175854923/ US90015WAC73 XS1551747733/ US90015WAE30 TRSVKFB92719
Governing law(s) of the instrument	Debt Instrument 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. TRSVKFB92719 is not subject to deduction.
Eligible at solo/group/group&solo	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	4,047
Par value of instrument	6,060
Accounting classification	347011 - 346011 Subordinated Liabilities
Original date of issuance	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015 XS1551747733/ US90015WAE30 February 13, 2017 TRSVKFB92719 September 18,2017
Perpetual or dated	XS0849728190/ US90015NAB91 Dated (10 years) Maturity Date: November 1, 2022 XS1175854923/ US90015WAC73 Dated (10 years) Maturity Date: February 3, 2025 XS1551747733/ US90015WAE30 Dated (10 years) Maturity Date: November 1, 2027 TRSVKFB92719 Dated (10 years) Maturity Date:September 6, 2027
Issue date	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015 XS1551747733/ US90015WAE30 February 13, 2017 TRSVKFB92719 Dated (10 years) Maturity Date:September 6, 2027
Issuer call subject to prior supervisory approval	Yes
Call option dates, conditioned call dates and call amount	XS0849728190/ US90015NAB91 Not available XS1175854923/ US90015WAC73 early call date at February 3, 2020 is available. XS1551747733/ US90015WAE30 early call date at November 1, 2022 is available. TRSVKFB92719 early call date at the end of five years.
Subsequent call dates, if applicable	XS0849728190/ US90015NAB91 Not available XS1175854923/ US90015WAC73 only one call option is available. XS1551747733/ US90015WAE30 only one call option is available. TRSVKFB92719 only one call option is available.
Coupons / dividends	
Fixed or floating dividend/coupon	XS0849728190/ US90015NAB91 Fixed interest rate/ Interest payment once in six month, principal payment at the maturity date. XS1175854923/ US90015WAC73 Fixed interest rate/ Interest payment once in six month, principal payment at the maturity date. XS15517447733/ US90015WAE30 Fixed interest rate/ Interest payment once in six month, principal payment at the maturity date. TRSVKFB92719 Floating interest rate/ Interest payment once in three month, principal payment at the maturity date.
Coupon rate and any related index	XS0849728190/ US90015NAB91 6% fixed interest rate XS1175854923/ US90015WAC73 6.875% fixed interest rate XS1551747733/ US90015WAE30 8% fixed interest rate TRSVKFB92719 5 years maturity "Indicator Government Debt Security" +350 basis points
Existence of a dividend stopper	Nil
Fully discretionary, partially discretionary or mandatory	Nil
Existence of step up or other incentive to redeem	Nil
Noncumulative or cumulative	Noncumulative

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL
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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Current Period - March 31, 2018	
Convertible or non-convertible	
If convertible, conversion trigger (s)	Nil
If convertible, fully or partially	Nil
If convertible, conversion rate	Nil
If convertible, mandatory or optional conversion	Nil
If convertible, specify instrument type convertible into	Nil
If convertible, specify issuer of instrument it converts into	Nil
Write-down feature	
If write-down, write-down trigger(s)	XS0849728190/ US90015NAB91 Not available. XS1175854923/ US90015WAC73 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events XS1551747733/ US90015WAE30 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events TRSVKFB92719 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events
If write-down, full or partial	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has full or partial write down feature. XS1551747733/ US90015WAE30 has full or partial write down feature. TRSVKFB92719 has full or partial write down feature.
If write-down, permanent or temporary	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has permanent write down feature. XS1551747733/ US90015WAE30 has permanent write down feature. TRSVKFB92719 has permanent write down feature.
If temporary write-down, description of write-up mechanism	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has no write-up mechanism. XS1551747733/ US90015WAE30 has no write-up mechanism. TRSVKFB92719 has no write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments included in Tier II Capital after deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess Article 8
According to article 7 and 8 of Banks' shareholders' equity law that are not possessed	Not Possess Article 7

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

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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

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL
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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)
II. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)**

**Information about the debt instruments included in the consolidated equity calculation
(Continued)**

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

Reconciliation of capital items to balance sheet:

	March 31, 2018
Shareholders' equity	25,345,473
Leasehold improvements on operational leases	(194,698)
Goodwill and intangible assets	(268,559)
General provision (1.25% of the amount that subject to credit risk)	2,423,969
Subordinated debt	4,046,809
Deductions from shareholders' equity	(1,538)
Capital	31,351,456
	December 31, 2017
Shareholders' equity	23,622,965
Leasehold improvements on operational leases	(186,861)
Goodwill and intangible assets	(204,370)
General provision (1.25% of the amount that subject to credit risk)	1,885,493
Subordinated debt	4,079,148
Deductions from shareholders' equity	(52,447)
Capital	29,143,928

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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, 2018 and December 31, 2017, the Group does not have derivative financial instruments held for risk management purpose.

Foreign exchange risk management policy

Risk policy of the Parent Bank is based on the transactions within the limits and keeping the currency position well-balanced.

In the light of the national legislations and international applications, the Parent Bank has established a foreign currency risk management policy that enables the Group to take position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the Parent Bank.

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

	US Dollar	Euro
The Bank’s foreign currency purchase rate at the balance sheet date	3.9533	4.8722
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	3.9659	4.8886
Day 2	4.0120	4.9521
Day 3	3.9809	4.9331
Day 4	3.9746	4.9430
Day 5	3.9620	4.8872
	US Dollar	Euro
Last 30-days arithmetical average rate	3.8639	4.7627

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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
<i>Assets:</i>				
Cash and balances with the Central Bank of the Republic of Turkey	4,177,267	16,741,288	6,526,554	27,445,109
Banks	1,520,610	7,803,773	495,643	9,820,026
Financial assets at fair value through profit or loss (1)	-	53,291	-	53,291
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	1,187,003	407,675	-	1,594,678
Loans and receivables (2)	30,923,024	35,614,934	76,600	66,614,558
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	584,069	4,996,006	-	5,580,075
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,795	7,939	-	9,734
Intangible assets	312	-	-	312
Other assets (3) (4)	1,345,750	1,801,835	16	3,147,601
Total assets	39,739,833	67,426,741	7,098,813	114,265,387
<i>Liabilities:</i>				
Bank deposits	429,870	5,876,138	462,082	6,768,090
Foreign currency deposits	22,368,367	26,803,630	1,916,739	51,088,736
Interbank money market takings	338,226	2,369,169	-	2,707,395
Funds borrowed	13,909,990	18,180,157	2,779	32,092,926
Securities issued	4,936,941	11,251,041	-	16,187,982
Miscellaneous payables	886,354	133,714	61,702	1,081,770
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities (1) (4) (5)	672,945	6,904,855	19,963	7,597,763
Total liabilities	43,542,693	71,518,704	2,463,265	117,524,662
Net 'on balance sheet' position			4,635,548	(3,259,275)
	(3,802,860)	(4,091,963)		
Net 'off-balance sheet' position	3,839,898	5,274,847		4,485,384
			(4,629,361)	
Derivative assets (6)	7,640,131	20,155,932	767,143	28,563,206
Derivative liabilities (6)	3,800,233	14,881,085	5,396,504	24,077,822
Non-cash loans (7)	7,022,501	13,777,999	301,996	21,102,496
ABD				
Prior Period	Avro	Doları	Diğer YP	Toplam
Total assets	37,222,119	65,202,842	6,871,680	109,296,641
Total liabilities	38,874,988	69,228,054	2,260,915	110,363,957
Net 'on balance sheet' position			4,610,765	(1,067,316)
	(1,652,869)	(4,025,212)		
Net 'off-balance sheet' position	2,191,663	4,803,952		2,388,030
			(4,607,585)	
Derivative assets (6)	5,174,385	18,670,060	270,591	24,115,036
Derivative liabilities (6)	2,982,722	13,866,108	4,878,176	21,727,006
Non-cash loans (7)	5,616,304	12,773,108	277,946	18,667,358

- (1) Derivative financial assets amounting to TL 5,824 (December 31, 2017: TL 13,982) and liabilities amounting to TL 36,320 (December 31, 2017: TL 34,557) resulting from changes in foreign exchange rates are not included.
- (2) Foreign currency indexed loans amounting to TL 4,920,922 (December 31, 2017: TL 4,702,183) presented in TL in the financial statements are included in the above table.
- (3) Foreign currency indexed factoring receivables amounting to TL 219,966 (December 31, 2017: TL 259,923) presented in TL column in the accompanying consolidated balance sheet are included.
- (4) Prepaid expenses amounting to TL 104,455 (December 31, 2017: TL 95,376) are not included.
- (5) Unearned income amounting to TL 223,627 (December 31, 2017: TL 197,598), deferred tax liabilities amounting to TL 18,091 (December 31, 2017: 60,252) and equity amounting to TL 631,816 TL (December 31, 2017: TL 631,816) are not included.
- (6) Asset purchase commitments amounting to TL 638,421 (December 31, 2017: TL 232,555), asset sales commitments amounting to TL 660,388 (December 31, 2017: TL 728,635) are included.
- (7) Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

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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, 2018 and 2017 would have effect on consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

	Current Period- March 31, 2018	
	Profit or loss	Equity (*)
US Dollar	(117,495)	(117,495)
Euro	(3,493)	(72,693)
Other currencies	(619)	(619)
Total, net (**)	(121,607)	(190,807)

	Prior Period- December 31, 2017	
	Profit or loss	Equity (*)
US Dollar	145,592	145,592
Euro	31,664	84,319
Other currencies	2,595	2,595
Total, net (**)	179,851	232,506

(*) 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, 2018 and 2017 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	Current Period- March 31, 2018	
	Profit or loss	Equity (*)
US Dollar	117,495	117,495
Euro	3,493	72,693
Other currencies	619	619
Total, net (**)	121,607	190,807

	Prior Period- December 31, 2017	
	Profit or loss	Equity (*)
US Dollar	(145,592)	(145,592)
Euro	(31,664)	(84,319)
Other currencies	(2,595)	(2,595)
Total, net (**)	(179,851)	(232,506)

(*) 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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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
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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	18,227,832	-	-	-	-	12,638,221	30,866,053
Banks	8,252,404	905,322	6,335	-	-	1,800,700	10,964,761
Financial assets at fair value through profit/loss	31,417	51,323	32,078	81	5,640	53,546	174,085
Interbank money market placements	466,005	527	-	-	-	-	466,532
Available-for-sale financial assets	300,464	1,188,344	2,538,671	2,147,766	1,036,993	-	7,212,238
Loans and receivables (***)	89,708,941	20,835,417	25,434,113	42,077,688	21,893,150	1,924,483	201,873,792
Held-to-maturity investments	2,256,513	6,347,420	7,092,965	6,504,187	3,552,272	-	25,753,357
Other assets (*)	461,890	625,264	32,811	1,009,577	118,016	13,372,644	15,620,202
Total assets	119,705,466	29,953,617	35,136,973	51,739,299	26,606,071	29,789,594	292,931,020
<i>Liabilities:</i>							
Bank deposits	7,159,244	1,146,154	105,055	-	-	240,472	8,650,925
Other deposits	85,997,603	28,184,009	12,062,075	1,415,343	40,883	28,740,916	156,440,829
Interbank money market takings	19,035,117	148,748	-	849,260	71,437	-	20,104,562
Miscellaneous payables	-	-	-	-	-	6,769,483	6,769,483
Securities issued	3,270,131	2,813,434	4,968,753	13,432,190	744,599	-	25,229,107
Funds borrowed	10,131,117	12,614,990	6,782,809	2,680,322	1,797,257	381,927	34,388,422
Other liabilities (**)	223,422	378,562	1,195,929	5,696,903	2,520,857	31,332,019	41,347,692
Total liabilities	125,816,634	45,285,897	25,114,621	24,074,018	5,175,033	67,464,817	292,931,020
On balance sheet long position	-	-	10,022,352	27,665,281	21,431,038	-	59,118,671
On balance sheet short position	(6,111,168)	(15,332,280)	-	-	-	(37,675,223)	(59,118,671)
Off-balance sheet long position	1,311,988	3,956,836	-	-	163,766	-	5,432,590
Off-balance sheet short position	-	-	(47,002)	(2,653,771)	-	-	(2,700,773)
Net position	(4,799,180)	(11,375,444)	9,975,350	25,011,510	21,594,804	(37,675,223)	2,731,817

(*) 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.

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

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

(*) 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
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	1.50	-	4.00
Banks	0.13	2.10	-	14.31
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	12.76
Available-for-sale financial assets	4.21	5.80	-	10.83
Loans and receivables	4.86	6.81	-	16.37
Held-to-maturity investments	5.05	6.38	-	10.35
<i>Liabilities:</i>				
Bank deposits	0.86	1.86	-	14.41
Other deposits	1.70	3.57	-	12.32
Interbank money market takings	1.04	2.19	-	12.61
Miscellaneous payables	-	-	-	-
Securities issued	2.91	5.08	-	14.16
Funds borrowed	1.32	3.60	-	15.98
Prior Period				
	Euro	US Dollar	Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	1.50	-	4.00
Banks	0.19	4.02	-	14.18
Financial assets at fair value through profit/loss	-	11.82	-	13.81
Interbank money market placements	-	-	-	12.75
Available-for-sale financial assets	4.25	4.12	-	11.96
Loans and receivables	4.81	6.51	-	15.96
Held-to-maturity investments	5.05	6.52	-	11.51
<i>Liabilities:</i>				
Bank deposits	0.36	1.53	-	14.33
Other deposits	1.72	3.54	-	12.11
Interbank money market takings	-	2.09	-	12.61
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.84	-	13.73
Funds borrowed	1.32	3.21	-	13.37

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

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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		
	Carrying Value	Fair Value(*)	Market Value(*)
Stock Investments			
Stocks quoted in exchange(*)	313,738	313,738	313,738
1.Stocks Investments Group A	313,689	313,689	313,689
2.Stock Investments Group B	49	49	49
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange(**)	404,941	293,226	-

(*) 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		
	Carrying Value	Fair Value(*)	Market Value(*)
Stock Investments			
Stocks quoted in exchange(*)	310,918	310,918	310,918
1.Stocks Investments Group A	310,918	310,918	310,918
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange(**)	396,553	291,653	-

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

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

Total unearned gain or loss, total revaluation surplus and values included to principal and supplementary capital

Total unrealized gain or loss, total appraisal surplus and values included to principal and supplementary capital are given in the below table:

Portfolio-Current Period	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total (*)	Included in Supplementary Capital	Total (*)	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	65,089	65,089	-	-
4. Total	-	65,089	65,089	-	-

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED STOCK POSITION RISK (Continued)

Portfolio-Current Period	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total (*)	Included in Supplementary Capital	Total (*)	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	61,709	61,709	-	-
4. Total	-	61,709	61,709	-	-

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

Explanations on Equity Shares Risk Arising from Banking Book

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

Portfolio-Current Period	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	310,918	310,918	24,873
3.Other Stocks	396,553	396,553	31,724
4. Total	707,471	707,471	56,597

V. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

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

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	March 2018	109.11	March 2018	222.64
The highest value	January 2018	116.19	February 2018	287.41

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)			37,425,512	26,838,928
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	77,006,923	28,379,165	6,595,769	2,837,916
3	Stable deposits	22,098,468	-	1,104,923	-
4	Less stable deposits	54,908,455	28,379,165	5,490,846	2,837,916
5	Unsecured wholesale funding, of which:	71,850,197	22,801,575	31,665,202	11,819,209
6	Operational deposits	39,139,335	8,408,995	9,784,834	2,102,248
7	Non-operational deposits	23,892,215	11,048,717	13,198,791	6,505,162
8	Unsecured debt	8,818,647	3,343,863	8,681,577	3,211,799
9	Secured wholesale funding			-	-
10	Additional requirements of which:	8,890,982	7,497,413	8,890,982	7,497,413
11	Outflows related to derivative exposures and other collateral requirements	8,890,982	7,497,413	8,890,982	7,497,413
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	18,082,187	17,679,520	904,110	883,976
15	Other contingent funding obligations	66,081,608	17,018,509	5,349,347	1,248,577
16	TOTAL CASH OUTFLOWS			53,405,410	24,287,091
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	18,009,111	8,765,014	13,482,932	7,905,740
19	Other cash inflows	6,405,204	5,783,161	6,405,204	5,783,161
20	TOTAL CASH INFLOWS	24,414,315	14,548,175	19,888,136	13,688,901
Upper Limit Applied Values					
21	TOTAL HQLA			37,425,512	26,838,928
22	TOTAL NET CASH OUTFLOWS			33,517,274	10,598,190
23	LIQUIDITY COVERAGE RATIO (%)			111.74	256.51

(*) 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)

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

Liquidity Coverage Ratio

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

(*) 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 – March 31, 2018	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	30,866,053	-	-	-	-	-	-	30,866,053
Banks	1,800,702	8,252,405	905,319	6,335	-	-	-	10,964,761
Financial assets at fair value through profit/loss	54,419	21,112	24,025	47,852	15,460	11,217	-	174,085
Interbank money market placements	-	466,005	527	-	-	-	-	466,532
Available-for-sale financial assets	-	87,663	126,163	1,648,711	3,687,670	1,662,031	-	7,212,238
Loans and receivables	-	16,751,006	8,454,941	36,744,845	88,464,361	49,534,156	1,924,483	201,873,792
Held-to-maturity investments	-	457,657	-	1,285,120	12,347,516	11,663,064	-	25,753,357
Other assets	8,758	1,614,164	211,534	242,659	1,979,518	182,638	11,380,931	15,620,202
Total assets	32,729,932	27,650,012	9,722,509	39,975,522	106,494,525	63,053,106	13,305,414	292,931,020
Liabilities:								
Bank deposits	240,474	7,159,244	1,146,154	105,055	-	-	-	8,650,927
Other deposits	29,363,169	85,951,028	28,013,810	11,648,758	1,423,179	40,883	-	156,440,827
Funds borrowed	-	5,758,927	2,301,982	10,766,722	9,002,615	6,558,176	-	34,388,422
Interbank money market takings	-	18,887,710	148,748	-	849,260	218,844	-	20,104,562
Securities issued	-	3,167,620	2,528,058	4,370,398	13,745,302	1,417,729	-	25,229,107
Miscellaneous payables	-	46,659	111,998	220,807	1,587	-	6,389,218	6,770,269
Other liabilities	72,918	1,158,210	1,382,887	1,380,999	4,024,345	3,574,188	29,753,359	41,346,906
Total liabilities	29,676,561	122,129,398	35,633,637	28,492,739	29,046,288	11,809,820	36,142,577	292,931,020
Liquidity gap	3,053,371	(94,479,386)	(25,911,128)	11,482,783	77,448,237	51,243,286	(22,837,163)	-
Net Off Balance Sheet Position	-	(4,538)	43,316	49,956	1,620,298	956,359	-	2,665,391
Receivables from Derivative Financial Instruments	-	6,764,137	5,141,428	1,931,604	15,844,354	7,960,719	-	37,642,242
Payables from Derivative Financial Instruments	-	6,768,675	5,098,112	1,881,648	14,224,056	7,004,360	-	34,976,851
Non-cash Loans	5,086,941	1,947,811	31,434,158	8,827,040	7,456,949	988,136	242,139	55,983,174
Prior Period – December 31, 2017								
Total assets	29,970,756	30,113,078	7,703,109	36,938,146	106,325,658	57,729,995	12,078,264	280,859,006
Total liabilities	30,123,512	120,627,784	30,938,749	31,902,986	23,974,261	11,467,155	31,824,559	280,859,006
Liquidity gap	(152,756)	(90,514,706)	(23,235,640)	5,035,160	82,351,397	46,262,840	(19,746,295)	-
Net Off Balance Sheet Position	-	94,163	5,183	113,226	1,271,821	974,446	-	2,458,839
Receivables from Derivative Financial Instruments	-	4,193,884	3,236,673	2,895,897	13,990,524	7,587,873	-	31,904,851
Payables from Derivative Financial Instruments	-	4,099,721	3,231,490	2,782,671	12,718,703	6,613,427	-	29,446,012
Non-cash Loans	5,213,196	1,431,728	29,600,053	7,378,630	6,202,111	1,255,848	242,136	51,323,702

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

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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” actualised as %6.82. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (December 31, 2017: %6.39). The Regulation adjudicated minimum leverage rate as 3%.

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

	Current Period March 31, 2018
Total asset amount in the consolidated financial statements prepared as per TAS (1)	279,467,917
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)	(1,391,089)
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(2,990,223)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	8,243,607
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	18,235,655
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(107,061,018)
Total risk amount	356,808,447

	Prior Period December 31, 2017
Total asset amount in the consolidated financial statements prepared as per TAS (1)	218,939,563
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)
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)
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
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
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)
Total risk amount	283,709,054

(1) The amounts represent June 30, 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 (*) March 31, 2018
On-balance sheet exposures		
1.	On-balance sheet items (excluding derivatives and SFTs; including collateral)	284,800,361
2.	Assets deducted in determining Basel III Tier 1 capital	(454,858)
3.	Total on-balance sheet exposures (excluding derivatives and SFTs)	284,345,503
Derivative exposures		
4.	Replacement cost	2,551,337
5.	Add-on amount	656,720
6.	Total derivative exposures	3,208,057
Securities financing transaction exposures		
7.	Gross SFT assets (with no recognition of accounting netting)	779,076
8.	Agent transaction exposures	-
9.	Total securities financing transaction exposures	779,076
Other off-balance sheet exposures		
10.	Off-balance sheet exposures with gross nominal amount	107,379,408
11.	Adjustment amount off-balance sheet exposures with credit conversion factor	(36,639,837)
12.	Total off-balance sheet exposures	70,739,571
Capital and total exposures		
13.	Tier 1 capital	24,482,234
14.	Total exposures	359,072,207
Leverage ratio		
15.	Leverage ratio	6.82

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. CONSOLIDATED SEGMENT REPORTING

The Parent Bank operates in corporate, commercial, small business, retail and investment banking. Accordingly, the banking products served to customers are; time and demand deposit, accumulating account, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, overdraft facilities, gold loans, foreign currency loans, Eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account, cheques, safety boxes, bill payments, tax collections, payment orders.

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

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

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

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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 March 31, 2018	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	1,596,950	3,514,869	1,443,889	13,304	6,569,012
<i>Interest income from loans</i>	<i>1,596,950</i>	<i>3,473,489</i>	<i>529,521</i>	-	<i>5,599,960</i>
<i>Interest income from reserve deposits</i>	-	-	<i>76,024</i>	-	<i>76,024</i>
<i>Interest income from securities portfolio</i>	-	-	<i>769,552</i>	-	<i>769,552</i>
<i>Interest income from banks</i>	-	-	<i>64,779</i>	-	<i>64,779</i>
<i>Interest income from money market transactions</i>	-	-	<i>4,013</i>	-	<i>4,013</i>
<i>Finance lease income</i>	-	<i>41,380</i>	-	-	<i>41,380</i>
<i>Other interest income</i>	-	-	-	<i>13,304</i>	<i>13,304</i>
Interest Expense	1,398,169	1,372,055	1,343,622	46,670	4,160,516
<i>Interest expense on deposits</i>	<i>1,398,169</i>	<i>1,293,266</i>	<i>84,827</i>	-	<i>2,776,262</i>
<i>Interest expense on funds borrowed</i>	-	<i>78,789</i>	<i>194,918</i>	-	<i>273,707</i>
<i>Interest expense on money market transactions</i>	-	-	<i>545,086</i>	-	<i>545,086</i>
<i>Interest expense on securities issued</i>	-	-	<i>426,040</i>	-	<i>426,040</i>
<i>Other interest expenses</i>	-	-	<i>92,751</i>	<i>46,670</i>	<i>139,421</i>
Net Interest Income	198,781	2,142,814	100,267	(33,366)	2,408,496
Net Fees and Commissions Income	144,730	232,433	38,621	-	415,784
Trading Income/ Losses (Net)	-	-	135,395	-	135,395
Dividend Income	-	-	44,433	-	44,433
Other Income (*)	-	-	-	1,343,924	1,343,924
Provision For Losses on Loans and Other Receivables	279,889	1,021,173	10,200	-	1,311,262
Other Expenses (**)	-	-	-	1,659,724	1,659,724
Income/Loss From Investments Under Equity Accounting	-	-	13,945	-	13,945
Profit Before Taxes	63,622	1,354,074	322,461	(349,166)	1,390,991
Provision for taxes	-	-	-	(267,302)	(267,302)
Net Profit/ Loss	63,622	1,354,074	322,461	(616,468)	1,123,689
SEGMENT ASSETS					
Securities Portfolio	-	-	33,139,680	-	33,139,680
Derivative Financial Assets Held for Trading Purpose	-	-	2,290,714	-	2,290,714
Banks and Receivables From Money Markets	-	-	11,431,293	-	11,431,293
Investments in Associates and Subsidiaries	-	-	669,567	-	669,567
Loans and Receivables	49,305,641	118,532,984	34,035,167	-	201,873,792
Other Assets	-	-	32,177,051	11,348,923	43,525,974
TOTAL ASSETS	49,305,641	118,532,984	113,743,472	11,348,923	292,931,020
SEGMENT LIABILITIES					
Deposits	73,945,277	82,495,550	8,650,927	-	165,091,754
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,462,696	-	1,462,696
Interbank Money Market Takings	-	-	20,104,562	-	20,104,562
Funds Borrowed	-	1,630,683	32,757,739	-	34,388,422
Securities Issued	-	-	25,229,107	-	25,229,107
Other Liabilities	-	378	6,208,733	9,396,117	15,605,228
Provisions and Tax Liabilities	-	-	-	5,703,778	5,703,778
Equity	-	-	-	25,345,473	25,345,473
TOTAL LIABILITIES AND EQUITY	73,945,277	84,126,611	94,413,764	40,445,368	292,931,020

(*) TL 334,654 amount of TL 1,343,924 shown in other income consist of acquired insurance premiums, TL 800,764 of income from reversal of the specific provisions for loans from prior periods, TL 50,018 of income from the sale of Group's assets, TL 9,150 from communications income, TL 81 of leasing income, TL 29,947 of income from private pension activities and the remaining TL 119,310 of other operating income.

(**) TL 604,751 amount of TL 1,659,725 shown in other expenses line consists of personnel expenses, TL 666,924 of other operating expenses, TL 46,738 of depreciation expenses, TL 51,177 of dividend reserves expenses to be given to personnel, TL 45,043 of Savings Deposit Insurance Fund (SDIF) expenses, TL 51,091 of taxes and funds expenses, TL 2,868 pension compensations, TL 20,918 from cumulative/noncumulative commission expenses, TL 59,642 from production commission expenses and the remaining TL 110,573 of other expenses.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Prior Period December 31, 2017	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>	1,317,737	2,241,743	380,982	-	3,940,462
<i>Interest income from reserve deposits</i>	-	-	43,402	-	43,402
<i>Interest income from securities portfolio</i>	-	-	856,465	-	856,465
<i>Interest income from banks</i>	-	-	36,962	-	36,962
<i>Interest income from money market transactions</i>	-	-	14,012	-	14,012
<i>Finance lease income</i>	-	31,837	-	-	31,837
<i>Other interest income</i>	-	35,801	-	10,846	46,647
Interest Expense	876,039	854,951	757,425	28,469	2,516,884
<i>Interest expense on deposits</i>	876,039	824,356	35,848	-	1,736,243
<i>Interest expense on funds borrowed</i>	-	30,595	148,157	-	178,752
<i>Interest expense on money market transactions</i>	-	-	275,462	-	275,462
<i>Interest expense on securities issued</i>	-	-	217,010	-	217,010
<i>Other interest expenses</i>	-	-	80,948	28,469	109,417
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	-	-	31,466,427	-	31,466,427
Derivative Financial Assets Held for Trading Purpose	-	-	1,946,251	-	1,946,251
Banks and Receivables From Money Markets	-	-	14,982,861	-	14,982,861
Investments in Associates and Subsidiaries	-	-	664,101	-	664,101
Loans and Receivables	48,230,054	107,804,983	30,513,747	-	186,548,784
Other Assets	-	4,072,502	29,037,351	12,140,729	45,250,582
TOTAL ASSETS	48,230,054	111,877,485	108,610,738	12,140,729	280,859,006
SEGMENT LIABILITIES					
Deposits	68,788,960	79,419,515	9,779,391	-	157,987,866
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,180,542	-	1,180,542
Interbank Money Market Takings	-	-	22,689,075	-	22,689,075
Funds Borrowed	-	571,707	30,816,081	-	31,387,788
Securities Issued	-	-	19,870,759	-	19,870,759
Other Liabilities	-	437	6,683,061	10,547,605	17,231,103
Provisions and Tax Liabilities	-	-	-	6,888,908	6,888,908
Equity	-	-	-	23,622,965	23,622,965
TOTAL LIABILITIES AND EQUITY	68,788,960	79,991,659	91,018,909	41,059,478	280,859,006

(*) TL 370,712 amount of TL 738,825 of income from reversal of the specific provisions for loans from prior periods, TL 241,328 of acquired insurance premiums, TL 36,227 of income from the sale of Group's assets, TL 13,707 of communications income, TL 23,519 of income from private pension activities, TL 22 of leasing income 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 95,042 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

	Current Period March 31, 2018	Risk Weighted Amount	Minimum Capital Requirements
1 Credit Risk (excluding counterparty credit risk) (*)		189,138,296	15,131,064
2 Standardised approach		189,138,296	15,131,064
3 Internal rating based approach		-	-
4 Counterparty Credit Risk		3,584,228	286,738
5 Standardised approach for counterparty credit risk		3,584,228	286,738
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		1,923	154
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		1,099,939	87,995
17 Standardised approach		1,099,939	87,995
18 Internal model approaches		-	-
19 Operational Risk		17,136,335	1,370,907
20 Basic Indicator Approach		17,136,335	1,370,907
21 Standardised approach		-	-
22 Advanced measurement approach		-	-
23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)		1,193,037	95,443
24 Floor adjustment		-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)		212,153,758	16,972,301

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

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VIII. INFORMATION ON RISK MANAGEMENT (Continued)

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE **THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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

SECTION FIVE

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. Information on cash and balances with the Central Bank

Current Period - March 31, 2018	TL	FC
Cash	1,328,667	529,703
Central Bank of the Republic of Turkey (*)	1,775,440	26,852,597
Other	316,837	62,809
Total	3,420,944	27,445,109

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

(*) TL 23,283,217 (December 31, 2017: TL 20,815,769) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

In accordance with “Announcement on Reserve Deposits” of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from 4% to 10.5% (December 31, 2017: 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, 2017: ranging from 4.5% to 24.5%).

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

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

Balances with the Central Bank of the Republic of Turkey

Current Period - March 31, 2018	TL	FC
Unrestricted demand deposits	1,699,416	3,569,380
Unrestricted time deposits	-	-
Restricted time deposits	-	-
Reserve Deposits	76,024	23,283,217
Total	1,775,440	26,852,597

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE **THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Current Period - March 31, 2018	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	4,608,548	5,723
Other	-	-
Total	4,608,548	5,723

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

Trading securities subject to repurchase agreements

None.

Positive differences on derivative financial assets held for trading purpose

Current Period - March 31, 2018	TL	FC
Forward transactions	21,610	8,534
Swap transactions	2,139,816	119,067
Futures	-	-
Options	785	902
Other	-	-
Total	2,162,211	128,503

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

3. Information on banks

Current Period - March 31, 2018	TL	FC
Banks		
Domestic	1,143,815	1,235,136
Foreign	920	8,584,890
Foreign Head Offices and Branches	-	-
Total	1,144,735	9,820,026

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE **THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

4. Information on available-for-sale financial assets

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

Current Period - March 31, 2018	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	3,833,830	330,573
Other	-	-
Total	3,833,830	330,573

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

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

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

Current Period - March 31, 2018	TL	FC
Government bonds	241,599	-
Treasury bills	-	-
Other debt securities	-	23,953
Bonds issued or guaranteed by banks	-	-
Asset backed securities	-	-
Total	241,599	23,953

Available-for-sale financial assets subject to repurchase agreements

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE **THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Information on financial assets at fair value through other comprehensive income

	Current Period - March 31, 2018
Debt securities	7,265,945
Quoted on a Stock Exchange	7,265,945
Unquoted	-
Equity securities	-
Quoted on a Stock Exchange	-
Unquoted	-
Provisions for impairment losses (-)	53,707
Total	7,212,238

Information on available-for-sale financial assets

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

5. Information on loans

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

Current Period - March 31, 2018	Cash	Non-Cash
Direct loans provided to the shareholders	-	37,842
Legal entities	-	37,842
Real persons	-	-
Indirect loans provided to the shareholders	-	-
Loans provided to the employees	138,171	306
Total	138,171	38,148

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE **THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Current Period - March 31, 2018

	Standard loans	Loans and other receivables under close monitoring		
		Loans not Subject to Restructuring	Agreement conditions modified	
			Loans with Revised Contract Terms	Refinance
Cash Loans				
Non-specialized loans	190,986,346	3,936,123	108,017	2,276,994
Loans given to enterprises	65,033,478	2,095,524	71,101	1,935,782
Export loans	8,708,757	64,142	2,778	2,318
Import loans	-	-	-	-
Loans given to financial sector	2,046,023	185	-	-
Consumer loans	43,000,988	885,285	-	229,324
Credit cards	6,992,814	126,021	26,883	11,034
Other	65,204,286	764,966	7,255	98,536
Specialized lending	-	-	-	-
Other receivables	4,838,023	19	-	-
Total	195,824,369	3,936,142	108,017	2,276,994

Prior Period - December 31, 2017

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

Current Period - March 31, 2018

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,551,694	-
Significant Increase in Credit Risk	-	549,783

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE **THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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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:

Current Period - March 31, 2018

<i>Number of modifications to extend payment plans</i>	<i>Standard Loans</i>	<i>Loans under close monitoring</i>
Extended for 1 or 2 times	1,994,561	2,370,522
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

<i>Extended period of time</i>	<i>Standard Loans</i>	<i>Loans under close monitoring</i>
0-6 Months	620	18,536
6-12 Months	100,180	56,085
1-2 Years	41,730	97,709
2-5 Years	931,681	1,464,675
5 Years and Over	920,350	733,517

Prior Period - December 31, 2017

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

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

(*) The a and b paragraph of the 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 May 28, 2011.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE **THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period - March 31, 2018	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	544,285	40,622,619	41,166,904
Housing loans	13,958	19,581,789	19,595,747
Automobile loans	5,576	431,615	437,191
General purpose loans	524,751	20,609,215	21,133,966
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	1,888	5,778	7,666
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,888	5,778	7,666
Other	-	-	-
Retail credit cards – TL	5,215,506	75,994	5,291,500
With instalment	2,164,859	72,757	2,237,616
Without instalment	3,050,647	3,237	3,053,884
Retail credit cards – FC	12,821	-	12,821
With instalment	-	-	-
Without instalment	12,821	-	12,821
Personnel loans – TL	5,605	66,776	72,381
Housing loans	12	32	44
Automobile loans	-	-	-
General purpose loans	5,593	66,744	72,337
Other	-	-	-
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans – FC	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel credit cards – TL	65,059	317	65,376
With instalment	24,366	302	24,668
Without instalment	40,693	15	40,708
Personnel credit cards – FC	414	-	414
With instalment	-	-	-
Without instalment	414	-	414
Overdraft Checking Accounts – TL (Real person)	2,833,456	-	2,833,456
Overdraft Checking Accounts – FC (Real person)	166	-	166
Total	8,679,200	40,771,484	49,450,684

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE **THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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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

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Instalment based commercial loans and corporate credit cards

Current Period - March 31, 2018	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	1,129,415	45,402,421	46,531,836
Real estate loans	1,047	1,106,254	1,107,301
Automobile loans	113,844	1,960,006	2,073,850
General purpose loans	1,014,524	42,336,161	43,350,685
Other	-	-	-
Instalment-based commercial loans – FC indexed	2,680	1,559,390	1,562,070
Real estate loans	-	-	-
Automobile loans	-	185,694	185,694
General purpose loans	2,680	1,373,696	1,376,376
Other	-	-	-
Instalment-based commercial loans – FC	9,745	10,403,423	10,413,168
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	99	9,159,665	9,159,764
Other	9,646	1,243,758	1,253,404
Corporate credit cards – TL	1,780,014	4,972	1,784,986
With instalment	438,547	4,972	443,519
Without instalment	1,341,467	-	1,341,467
Corporate credit cards – FC	1,655	-	1,655
With instalment	-	-	-
Without instalment	1,655	-	1,655
Overdraft Checking Accounts – TL (Corporate)	1,605,552	-	1,605,552
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	4,529,061	57,370,206	61,899,267

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE **THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Allocation of domestic and overseas loans

	Current Period - March 31, 2018
Domestic loans	196,327,127
Foreign loans	980,354
Total	197,307,481

	Prior Period - December 31, 2017
Domestic loans	184,512,099
Foreign loans	930,431
Total	185,442,530

Loans to associates and subsidiaries

	Current Period - March 31, 2018
Direct loans to associates and subsidiaries	510
Indirect loans to associates and subsidiaries	-
Total	510

	Prior Period- December 31, 2017
Direct loans to associates and subsidiaries	17
Indirect loans to associates and subsidiaries	-
Total	17

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE **THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Specific provisions accounted for loans (Stage 3)

	Current Period - March 31, 2018
Loans and receivables with limited collectability	296,492
Loans and receivables with doubtful collectability	590,932
Uncollectible loans and receivables	5,541,979
Total	6,429,403

Specific provisions for loans

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

Information on non-performing loans (Net)

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current period - March 31, 2018			
Gross Amounts Before The Reserves	137,821	145,290	182,212
Loans Which Are Restructured	137,821	145,290	182,212

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period - December 31, 2017			
(Gross amounts before the specific reserves)	80,662	118,684	135,790
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	80,662	118,684	135,790

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Movements in non-performing loan groups

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - March 31, 2018			
Balance at the beginning of the period	764,052	874,268	6,304,866
Additions (+)	731,949	17,922	76,078
Transfers from other categories of loans under follow-up (+)	-	797,211	480,952
Transfers to other categories of loans under follow-up (-) (*)	711,958	570,700	3,115
Collections (-)	117,357	90,929	300,739
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	-	372
Corporate and commercial loans	-	-	372
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	7	376	6,639
Balance at the end of the period	666,693	1,028,148	6,564,309
Provision (-)(**)	297,386	590,932	5,541,085
Net balance	369,307	437,216	1,023,224

(*) 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.

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

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

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - March 31, 2018			
Balance at the end of the period	3,308	48,639	592,636
Specific provision (-)	1,355	35,127	479,564
Net balance on balance sheet	1,953	13,512	113,072
Prior Period - December 31, 2017			
Balance at the end of the period	43,425	12,519	581,510
Specific provision (-)	9,094	7,242	540,597
Net balance on balance sheet	34,331	5,277	40,913

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

Explanation on Write-off Policy

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

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - March 31, 2018			
Current Period (Net)	369,307	437,216	1,023,224
Consumer and Commercial Loans (Gross)	666,613	1,028,012	6,465,875
Specific Provision (-)	297,344	590,816	5,448,542
Consumer and Commercial Loans (Net)	369,269	437,196	1,017,333
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	80	136	96,883
Specific Provision (-)	42	116	90,992
Other Loans and Receivables (Net)	38	20	5,891

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period (Net) - March 31, 2018			
Interest accruals and valuation differences	40,910	5	-
Provision (-)	-	-	-

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

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

6. Information on measured at amortized cost investments

Measured at amortized cost debt securities issued by the governments

Current Period - March 31, 2018	TL	FC
Government bonds	20,173,282	2,495,532
Treasury bills	-	-
Other securities issued by the governments	-	2,879,490
Total	20,173,282	5,375,022

Held-to-maturity debt securities issued by the governments

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE **THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

İtfa edilmiş maliyeti üzerinden değerlendirilen finansal varlıklara ilişkin bilgiler

	Current Period - March 31, 2018
Debt Securities	25,753,357
<i>Quoted at stock exchanges</i>	25,634,665
<i>Unquoted at stock exchanges</i>	118,692
Impairment losses (-)	-
Total	25,753,357

Information on held-to-maturity investment securities

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

The movement table of the financial assets measured at amortised cost

	Current Period - March 31, 2018
Balances at the beginning of the period	16,766,071
Foreign currency differences on monetary assets	242,174
Purchases during the period	1,228,098
IFRS9 Classification	7,656,572
Disposals through sales/redemptions	(414,068)
Change in Impairment losses	-
Change in amortized costs of the securities (*)	274,510
Balances at the end of the period	25,753,357

The movement table of the held-to-maturity investments

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

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

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

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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

	Cost		Carrying Value	
	TL	FC	TL	FC
Current Period - March 31, 2018				
Collateralized/blocked investment securities	10,366,381	1,923,111	11,739,363	1,946,102
Investments subject to repurchase agreements	5,573,254	2,816,924	6,994,675	2,856,591
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	1,229,370	765,011	1,439,244	777,382
Total	17,169,005	5,505,046	20,173,282	5,580,075

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

	Cost		Carrying Value	
	TL	FC	TL	FC
Prior Period - December 31, 2017				
Collateralized/blocked investment securities	5,856,554	1,879,125	6,591,740	1,886,904
Investments subject to repurchase agreements	4,581,632	2,242,632	5,510,791	2,256,226
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	107,882	384,828	132,875	387,535
Total	10,546,068	4,506,585	12,235,406	4,530,665

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

7. Investments in associates

Unconsolidated investments in associates

Title	Address (City/ Country)	Parent Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ	Ankara/Türkiye	9.93	9.93
2 Bankalararası Kart Merkezi AŞ	İstanbul/Türkiye	9.70	9.70
3 KKB Kredi Kayıt Bürosu AŞ	İstanbul/Türkiye	9.09	9.09
4 Güçbirliği Holding AŞ	İzmir/Türkiye	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ	İstanbul/Türkiye	5.00	5.00
6 İstanbul Takas ve Saklama Bankası AŞ	İstanbul/Türkiye	4.37	4.37
7 Kredi Garanti Fonu AŞ	Ankara/Türkiye	1,54	1,54
8 Tasfiye Halinde World Vakıf UBB Ltd. (*)	Lefkoşa/KKTC	82.00	85.32

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Period’s Profit/Loss	Fair Value
1	4,720,403	1,282,109	906,570	5,915	-	74,779	(9,615)	-
2	86,772	53,658	46,024	565	-	4,564	3,416	-
3	287,212	196,196	177,616	2,879	-	12,874	14,597	-
4	143,886	(69,107)	88,086	-	-	(23,422)	(2,975)	-
5	118,239	(36,436)	82,732	-	-	(7,340)	(5,948)	-
6	10,069,021	1,355,493	112,017	123,960	1,017	90,884	59,697	-
7	672,324	495,361	12,352	8,591	-	37,381	63,507	-
8	1,104	(125,554)	-	66	-	(12,193)	(8,988)	-

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

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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 Bankalararası Kart Merkezi AŞ from TL 14,000 to TL 30,000 in the Ordinary General Meeting of the Company dated March 22, 2018. The share of the Parent Bank amounted to TL 1,551.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Kredi Garanti Fonu AŞ from TL 278,439 to TL 318,282. The share of the Parent Bank amounted to TL 177. During the capital increase, the share of the Bank decreased from 1.69% to 1.54% due to the participation of new banks in the association.

The title of World Vakıf Off Shore Banking Ltd, a subsidiary of the Parent Bank, was changed as World Vakıf UBB. Ltd. On February 4, 2009. Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official 86th 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 May 24, 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. Will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. In year 2010, due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified as “Investments in associates”. The liquidation process of World Vakıf UBB Ltd, an associate of the Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed on August 27, 2013. Thus, the company’s title has been changed as “World Vakıf UBB Ltd in Liquidation”.

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

İstanbul Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ have not been consolidated since their total assets and net operating profit/loss) individually or as a whole, do not comprise a material portion within the consolidated totals. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

Consolidated investments in associates

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	1,139,555	89,403	8	22,589	1,156	4,489	313	-
2	32,130,260	3,726,797	3,871,951	469,668	115,689	158,428	143,985	3,678,095

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

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,400,000 to TL 2,800,000 in the Ordinary General Meeting of the Company dated March 22, 2018. The share of the Parent Bank amounted to TL 33,510.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,050,000 to TL 2,400,000 in the Ordinary General Meeting of the Company dated March 23, 2017. The share of the Parent Bank amounted to TL 29,321.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Movement of consolidated investments in associates

	Current Period - March 31, 2018
Balance at the beginning of the period	302,959
Movements during the period	15,884
Transfers	-
Acquisitions	-
Bonus shares received	33,510
Share of current year profit	-
Sales/liquidations	-
Fair value changes	(17,626)
Impairment losses	-
Balance at the end of the period	318,843
Capital commitments	-
Share percentage at the end of period (%)	-

	Prior Period - December 31, 2017
Balance at the beginning of the period	253,457
Movements during the period	49,502
Transfers	-
Acquisitions	-
Bonus shares received	29,321
Share of current year profit	-
Sales/liquidations	-
Fair value changes	20,181
Impairment losses	-
Balance at the end of the period	302,959
Capital commitments	-
Share percentage at the end of period (%)	-

Sectoral distribution of consolidated investments and associates

	Current Period - March 31, 2018
Banks	318,843
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial associates	-
Total	318,843

	Prior Period - December 31, 2017
Banks	302,959
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial associates	-
Total	302,959

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Quoted associates

	Current Period - March 31, 2018
Quoted at domestic stock exchanges	308,224
Quoted at international stock exchanges	-
Total	308,224

	Prior Period - December 31, 2017
Quoted at domestic stock exchanges	292,341
Quoted at international stock exchanges	-
Total	292,341

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.

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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 AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Current Period - March 31, 2018									
Paid in Capital	114,483	109,000	35,000	70,000	270,000	26,500	12,000	217,500	20,000
Share Premium	-	1,447	137	-	6,112	10,615	15	268,330	93
Equity share premiums	-	-	-	-	655	-	-	246,731	-
Share cancellation profits	-	-	-	-	-	-	-	-	-
Other capital reserves	-	1,447	137	-	5,457	10,615	15	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	20,302	93,575	403	629,821	43,735	59	500	(30)
Other accumulated comprehensive income that will be reclassified in profit or loss	30,997	-	-	-	-	-	-	-	-
Profit Reserves	417,741	39,946	15,804	51,448	36,425	123,265	8,399	115,668	395
Legal Reserves	10,614	6,301	6,128	5,824	17,179	18,385	1,347	7,543	395
Statutory reserves	-	-	-	-	-	-	-	-	-
Extraordinary Reserves	-	33,645	7,368	45,624	19,246	104,880	7,052	108,125	-
Other Profit Reserves	407,127	-	2,308	-	-	-	-	-	-
Profit/Loss	168,511	(4,539)	28,244	19,261	(338,788)	187,163	10,303	2,846	(2,901)
Prior Period's Profit/Loss	157,216	(7,134)	21,170	9,355	(331,938)	154,888	7,801	3,451	(3,008)
Current Period's Profit/Loss	11,295	2,595	7,074	9,906	(6,850)	32,275	2,502	(605)	107
Minority Rights	-	60	-	-	-	-	-	-	-
Total Core Capital	731,732	166,216	172,760	141,112	603,570	391,278	30,776	604,844	17,557
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-	-
CAPITAL	731,732	166,216	172,760	141,112	603,570	391,278	30,776	604,844	17,557
NET AVAILABLE EQUITY	731,732	166,216	172,760	141,112	603,570	391,278	30,776	604,844	17,557

(*) Reviewed BRSA financial statements as of March 31, 2018 are considered.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Prior Period - December 31, 2017									
Paid in Capital	114,483	109,000	35,000	70,000	270,000	26,500	12,000	217,500	20,000
Share Premium	-	-	-	-	655	-	-	246,731	-
Adjustment to paid-in capital	-	206	(109)	51	(2,369)	5,832	74	21,600	63
Valuation changes in marketable securities	38,306	3,821	92,327	352	413,605	869	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	16,596	-	-	218,237	50,005	-	547	-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	1,094	-	-	4,010	191	-	-	-
Legal Reserves	10,614	6,286	6,128	5,824	17,179	18,385	1,347	7,543	395
Extraordinary Reserves	-	33,523	7,368	45,624	19,246	104,880	7,050	108,125	-
Other Profit Reserves	352,474	-	2,308	-	-	-	-	-	-
Profit/Loss	157,216	34,514	21,246	23,195	(331,590)	155,164	7,809	5,469	(3,007)
<i>Prior Period's Profit/Loss</i>	129,784	(18)	1,623	-	(439,449)	73,393	-	-	(3,008)
<i>Current Period's Profit/Loss</i>	27,432	34,532	19,623	23,195	107,859	81,771	7,809	5,469	1
Minority Rights	-	98	-	-	-	-	-	-	-
Total Core Capital	673,093	205,138	164,268	145,046	608,973	361,826	28,280	607,515	17,451
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-	-
CAPITAL	673,093	205,138	164,268	145,046	608,973	361,826	28,280	607,515	17,451
NET AVAILABLE EQUITY	673,093	205,138	164,268	145,046	608,973	361,826	28,280	607,515	17,451

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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 AŞ, which is one of the consolidated subsidiaries of the Parent Bank, calculates capital adequacy in accordance with “Communiqué on Capital and Capital Adequacy of Intermediary Firms” of Capital Markets Board as six months periods. Güneş Sigorta AŞ and Vakıf Emeklilik AŞ, which are the consolidated subsidiaries of the Parent Bank operating in insurance sector, calculate capital adequacy in accordance with “Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms” published by Republic of Turkey Undersecretariat of Treasury as six months periods. According to the calculations at March 31, 2018, there is no capital requirement for the subsidiaries mentioned.

Unconsolidated investments in subsidiaries

Title	Address (City / Country)	Bank’s Share –If Different, Voting Rights (%)	Bank’s Risk Group Share (%)
1 Vakıf Enerji ve Madencilik AŞ (*)	Ankara/TÜRKİYE	65.50	85.52
2 Taksim Otelcilik AŞ	İstanbul/TÜRKİYE	51.00	51.69
3 Vakıf Pazarlama Sanayi ve Ticaret AŞ	İstanbul/TÜRKİYE	69.33	76.18
4 Vakıf Gayrimenkul Değerleme AŞ	Ankara/TÜRKİYE	54.29	58.73

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	27,804	12,972	1,040	1,236	-	1,316	6,020	14,494
2	366,819	354,100	216,915	3,648	-	(671)	(2,661)	403,062
3	82,457	57,929	12,016	484	-	352	1,570	49,458
4	31,279	24,523	412	991	-	(1,587)	222	26,479

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

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

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

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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 AŞ	İstanbul/TÜRKİYE	48.02	48.02
2 Vakıf Emeklilik ve Hayat AŞ	İstanbul/TÜRKİYE	53.90	79.67
3 Vakıf Faktoring AŞ	İstanbul/TÜRKİYE	78.39	88.68
4 Vakıf Finansal Kiralama AŞ	İstanbul/TÜRKİYE	58.71	66.23
5 Vakıf Yatırım Menkul Değerler AŞ	İstanbul/TÜRKİYE	99.00	99.48
6 Vakıfbank International AG	Viyana/AVUSTURYA	90.00	90.00
7 Vakıf Portföy Yönetimi AŞ	İstanbul/TÜRKİYE	100.00	100.00
8 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	İstanbul/TÜRKİYE	22.89	34.55
9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/TÜRKİYE	38.70	40.86

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	2,151,178	680,245	719,565	24,413	234	1,278	2,377	492,438
2	7,511,914	377,238	136,861	15,853	75	33,758	11,592	1,149,195
3	2,728,606	155,990	576	84,995	-	10,945	5,068	157,611
4	2,266,166	217,702	21,495	41,430	-	12,570	5,870	236,648
5	500,841	172,761	2,382	9,413	7	7,075	3,736	186,870
6	4,566,145	705,018	2,123	25,067	10,232	25,051	6,740	433,568
7	32,094	30,776	417	1,061	14	2,503	1,827	81,031
8	18,027	17,556	20	142	471	107	147	30,023
9	1,245,000	938,856	797,909	563	-	(1,417)	2,398	577,717

(*) Financial information as at December 31, 2017 has been presented for these subsidiaries.

Movement table of consolidated investments in subsidiaries in consolidated financial statements

	Current Period - March 31, 2018
Balance at the beginning of the period	1,950,138
Movements during the period	54,926
Transfers	-
Acquisitions	-
Bonus shares received	-
Share of current year profit	-
Sales and liquidations	-
Fair value changes	54,926
Impairment losses	-
Balance at the end of the period	2,005,064
Capital commitments	-
Share percentage at the end of the period (%)	-

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Prior Period - December 31, 2017
Balance at the beginning of the period	1,528,228
Movements during the period	421,910
Transfers	-
Acquisitions	-
Bonus shares received	51,974
Share of current year profit	(16,825)
Sales and liquidations	(232)
Fair value changes	373,209
Impairment losses	13,784
Balance at the end of the period	1,950,138
Capital commitments	-
Share percentage at the end of the period (%)	-

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period - March 31, 2018
Measured at cost	-
Measured at fair value	2,005,064
Equity method of accounting	-
Total	2,005,064

	Prior Period - December 31, 2017
Measured at cost	-
Measured at fair value	1,950,138
Equity method of accounting	-
Total	1,950,138

Sectoral distribution of consolidated investments in financial subsidiaries

	Current Period - March 31, 2018
Banks	390,211
Insurance companies	855,885
Factoring companies	123,551
Leasing companies	138,936
Financing companies	-
Other financial subsidiaries	496,481
Total	2,005,064

	Prior Period- December 31, 2017
Banks	362,247
Insurance companies	835,401
Factoring companies	123,551
Leasing companies	136,632
Financing companies	-
Other financial subsidiaries	492,307
Total	1,950,138

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Quoted consolidated subsidiaries

	Current Period - March 31, 2018
Quoted at domestic stock exchanges	605,854
Quoted at international stock exchanges	-
Total	605,854

	Prior Period - December 31, 2017
Quoted at domestic stock exchanges	578,891
Quoted at international stock exchanges	-
Total	578,891

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, denomination of Vakıf Emeklilik AŞ has changed to “Vakıf Emeklilik ve Hayat AŞ” on July 26, 2017, respective alteration is registered officially in trade registry.

In the prior period, at the Ordinary General Assembly Meeting held on July 13, 2017, Vakıf Faktoring AŞ, an affiliate of our Bank, has resolved to increase its capital through bonus issues from TL 22,400 to TL 70,000. TL 37,315, corresponding to our Bank’s shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the prior period, it is decided to sell Güneş Sigorta AŞ’s 500,000 shares, that are traded in the stock market. After the selling, the bank’s share had decreased to TL 129,643 from 130,143 TL. The sold shares, amounting TL 232, are presented in the Sales, in the movement table for the affiliates. After the selling, the bank’s share in Güneş Sigorta AŞ had decreased to 48.02% from 48.20%.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayimenkul Yatırım Ortaklığı AŞ from TL 213,000 to TL 217,500 by a bonus increase of TL 4,500 in the Ordinary General Meeting of the Company dated June 16, 2017. The share of the Bank amounting to TL 1,742 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ from TL 87,000 to TL 109,000 by a bonus increase of TL 22,000 in the Ordinary General Meeting of the Company dated June 14, 2017. The share of the Bank amounting to TL 12,917 is presented in the movement table of investments in associates as bonus shares received.

9. Investments in joint-ventures

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

Current Period - March 31, 2018	Gross	Net
Less than 1 year	395,922	375,507
Between 1-4 years	1,344,151	1,163,100
Longer than 4 years	720,594	601,622
Total	2,460,667	2,140,229

Prior Period - December 31, 2017	Gross	Net
Less than 1 year	329,412	315,471
Between 1-4 years	1,268,523	1,092,496
Longer than 4 years	579,828	472,233
Total	2,177,763	1,880,200

Net investments in finance lease receivables

	Current Period - March 31, 2018
Gross finance lease receivables	2,460,667
Unearned income on finance lease receivables (-)	320,438
Terminated lease contracts (-)	-
Net finance lease receivables	2,140,229

	Prior Period - December 31, 2017
Gross finance lease receivables	2,177,763
Unearned income on finance lease receivables (-)	297,563
Terminated lease contracts (-)	-
Net finance lease receivables	1,880,200

Finance lease agreements

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

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on investment properties

As of March 31, 2018, the Group does not have any 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 8,377 and its subsidiaries which are operating in real estate investment business is TL 415,121.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

13. Information on tax assets

a) Current tax assets

As at March 31, 2018 the current tax asset of the Group amounts to TL 452 (December 31, 2017: TL 1,016).

b) Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at March 31, 2018 and December 31, 2017:

	Current Period - March 31, 2018
Provision for employee termination benefits and unused vacations	111,352
Other provisions	55,266
Valuation differences of associates and subsidiaries	115,639
Deductible financial losses	22,656
Investment incentives	359
Valuation differences of financial assets and liabilities	136,218
Reporting Standards - Tax Code depreciation differences	2,151
Provision (General Provision)	535,815
Other differences	16,642
Deferred tax assets	996,098
Net-off of the deferred tax assets and liabilities from the same entity	(518,883)
Deferred tax assets, (net)	477,215
Valuation differences of financial assets and liabilities	362,583
Valuation difference for associates and subsidiaries	93,064
Valuation differences of properties	70,675
Other differences	16,000
Deferred tax liabilities	542,322
Net-off of the deferred tax assets and liabilities from the same entity	(518,883)
Deferred tax liabilities, (net)	23,439
	Prior Period - December 31, 2017
Provision for employee termination benefits and unused vacations	103,455
Other provisions	57,514
Valuation differences of associates and subsidiaries	55,424
Deductible financial losses	24,099
Investment incentives	373
Valuation differences of financial assets and liabilities	80,160
Reporting Standards - Tax Code depreciation differences	-
Other differences	17,108
Deferred tax assets	338,133
Net-off of the deferred tax assets and liabilities from the same entity	(275,537)
Deferred tax assets, (net)	62,596
Valuation differences of financial assets and liabilities	254,360
Valuation difference for associates and subsidiaries	21,501
Valuation differences of properties	51,801
Other differences	22,939
Deferred tax liabilities	350,601
Net-off of the deferred tax assets and liabilities from the same entity	(275,537)
Deferred tax liabilities, (net)	75,064

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

As at March 31, 2018 and December 31, 2017, items generating deferred tax assets or liabilities movement table is listed below:

	Current Period - March 31, 2018
As of 1 January	(113,735)
Amendment made on January 1 in accordance with TAS	(40,408)
Deferred tax income/loss	44,758
Deferred tax that is accounted under Equity	24,973
Deferred tax that is accounted under general provision	489,041
Exchange differences	49,147
Deferred tax asset/(Liability)	453,776
	Prior Period - December 31, 2017
As of 1 January	174,063
Deferred tax income/loss	(160,372)
Deferred tax that is accounted under Equity	(21,448)
Exchange differences	(4,711)
Deferred tax asset/(Liability)	(12,468)

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

As at March 31, 2018, net book value of assets held for sale of the Group is amounting to TL 1,326,980 (December 31, 2017: TL 1,312,728).

15. Information on other assets

As at March 31, 2018 and December 31, 2017, the details of other assets are as follows:

	Current Period - March 31, 2018
Receivables from insurance operations	1,481,872
Receivables from credit card payments	1,195,301
Prepaid expenses	1,249,339
Guarantees given for repurchase agreements	7306
Guarantees given for derivative financial instruments	3,597,483
Receivables from term sale of assets	48,602
Receivables from reinsurance companies	58,466
Deferred commission expenses	52,534
Investment properties	457,320
Other	800,682
Total	8,948,905
	Prior Period - December 31, 2017
Receivables from insurance operations	1,352,349
Receivables from credit card payments	1,173,158
Prepaid expenses	1,097,170
Guarantees given for repurchase agreements	151
Guarantees given for derivative financial instruments	2,749,121
Receivables from term sale of assets	11,116
Receivables from reinsurance companies	60,613
Deferred commission expenses	43,083
Other	2,248,364
Total	8,735,125

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

16. Information on expected loss provisions for financial assets

	Current Period - March 31, 2018
Cash and balances with the Central Bank of the Republic of Turkey	1,462
Banks	17,627
Stock securities portfolio	4,884
Other Assets	73,128
Total	97,101

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period March 31, 2018	7							Accumulating Deposit Accounts	Total
	Demand	Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Saving deposits	6,554,551	-	4,277,820	33,043,406	2,250,361	293,097	169,603	2,469	46,591,307
Foreign currency deposits	6,862,115	-	2,756,127	28,368,908	2,033,483	2,247,546	7,234,781	-	49,502,960
Residents in Turkey	5,678,162	-	2,742,809	27,892,499	1,552,326	940,688	1,052,481	-	39,858,965
Residents in abroad	1,183,953	-	13,318	476,409	481,157	1,306,858	6,182,300	-	9,643,995
Public sector deposits	7,376,876	-	5,524,287	8,242,273	818,970	5,135,548	177,699	-	27,275,653
Commercial deposits	3,157,837	-	5,890,405	10,943,653	2,192,134	197,223	10,519	-	22,391,771
Other	3,826,015	-	1,070,424	3,355,310	789,010	19,901	32,701	-	9,093,361
Precious metal deposits	1,585,775	-	-	-	-	-	-	-	1,585,775
Bank deposits	240,474	-	5,390,852	2,265,574	564,387	63,595	126,045	-	8,650,927
Central Bank	1,385	-	-	-	-	-	-	-	1,385
Domestic banks	67,618	-	5,299,385	979,407	7,619	-	-	-	6,354,029
Foreign banks	131,111	-	91,467	1,286,167	-	63,595	45,110	-	1,617,450
Participation banks	40,360	-	-	-	556,768	-	80,935	-	678,063
Other	-	-	-	-	-	-	-	-	-
Total	29,603,643	-	24,909,915	86,219,124	8,648,345	7,956,910	7,751,348	2,469	165,091,754

Prior Period December 31, 2017	7							Accumulating Deposit Accounts	Total
	Demand	Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Saving deposits	6,056,971	-	3,050,910	31,050,795	2,289,658	270,480	177,229	2,178	42,898,221
Foreign currency deposits	7,190,052	-	2,538,293	24,512,375	1,965,662	2,017,138	7,100,230	-	45,323,750
Residents in Turkey	6,808,852	-	2,536,245	24,058,549	1,430,203	720,911	998,723	-	36,553,483
Residents in abroad	381,200	-	2,048	453,826	535,459	1,296,227	6,101,507	-	8,770,267
Public sector deposits	7,188,859	-	6,443,410	7,672,161	1,141,489	4,439,864	176,770	-	27,062,553
Commercial deposits	3,761,274	-	5,698,290	10,001,770	2,281,607	190,433	8,957	-	21,942,331
Other	3,834,320	-	982,513	3,345,561	1,163,948	21,913	32,402	-	9,380,657
Precious metal deposits	1,600,963	-	-	-	-	-	-	-	1,600,963
Bank deposits	491,073	-	7,033,739	2,058,712	18,565	59,147	118,155	-	9,779,391
Central Bank	1,349	-	-	-	-	-	-	-	1,349
Domestic banks	140,492	-	6,644,460	947,960	18,565	-	-	-	7,751,477
Foreign banks	256,993	-	200,144	768,660	-	59,147	41,441	-	1,326,385
Participation banks	92,239	-	189,135	342,092	-	-	76,714	-	700,180
Other	-	-	-	-	-	-	-	-	-
Total	30,123,512	-	25,747,155	78,641,374	8,860,929	6,998,975	7,613,743	2,178	157,987,866

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 - March 31, 2018		
Saving deposits	23,524,915	23,066,392
Foreign currency saving deposits	6,505,201	17,153,515
Other saving deposits	-	-
Foreign branches' deposits under foreign insurance coverage	-	-
Off-Shore deposits under foreign insurance coverage	-	-
Total	30,030,116	40,219,907

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Prior Period - December 31, 2017	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	21,807,725	21,090,496
Foreign currency saving deposits	6,571,401	15,854,203
Other saving deposits	-	-
Foreign branches’ deposits under foreign insurance coverage	-	-
Off-Shore deposits under foreign insurance coverage	-	-
Total	28,379,126	36,944,699

Saving deposits out of insurance coverage limits

	Current Period March 31, 2018
Deposits and other accounts at foreign branches	32,157
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	3,009
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	-

	Prior Period December 31, 2017
Deposits and other accounts at foreign branches	22,958
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	2,399
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-

2. Information on derivative financial liabilities held for trading purpose

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

Current Period - March 31, 2018	TL	FC
Forwards	20,542	8,382
Swaps	1,230,053	156,413
Futures	-	-
Options	46,541	765
Other	-	-
Total	1,297,136	165,560

Prior Period - December 31, 2017	TL	FC
Forwards	19,903	5,240
Swaps	961,269	162,879
Futures	-	-
Options	30,336	915
Other	-	-
Total	1,011,508	169,034

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on banks and other financial institutions

Current Period - March 31, 2018	TL	FC
Central Bank of the Republic of Turkey	-	381,927
Domestic banks and institutions	1,528,616	2,148,186
Foreign banks, institutions and funds	766,880	29,562,813
Total	2,295,496	32,092,926

Prior Period - December 31, 2017	TL	FC
Central Bank of the Republic of Turkey	-	235,102
Domestic banks and institutions	1,321,299	1,452,085
Foreign banks, institutions and funds	936,242	27,443,060
Total	2,257,541	29,130,247

Maturity information of funds borrowed

Current Period - March 31, 2018	TL	FC
Short-term (*)	1,328,824	3,390,150
Medium and Long-term (*)	966,672	28,702,776
Total	2,295,496	32,092,926

Prior Period - December 31, 2017	TL	FC
Short-term (*)	1,341,505	3,012,169
Medium and Long-term (*)	916,036	26,118,078
Total	2,257,541	29,130,247

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

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for %12.85 (December 31, 2017: %12.20) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

On April 24, 2017, the Parent Bank’s loan has been renewed with a new syndicated loan amounting to US Dollar 185.5 million and Euro 716.5 million with the interest rate of US Libor + 1.15% and Euribor + 1.05% at a maturity of 367 days with participation of 37 banks, Bank of America Merrill Lynch International Limited and Emirates NBD Bank PJSC acting as coordinator, and, National Bank of Abu Dhabi PJSC acting as agent bank.

On September 25, 2017, the Parent Bank’s loan has been renewed with a new syndicated loan amounting to US Dollar 131 million and Euro 634 million with the interest rate of US Libor + 1.35% and Euribor + 1.25% at a maturity of 367 days with participation of 22 banks from 22 countries, ING Bank London Branch and Emiratesacting as coordinator.

On April 20, 2016, the Parent Bank’s loan has been renewed with a new syndicated loan amounting to US Dollar 207 million and Euro 631.5 million with the interest rate of US Libor + 0.85% and Euribor + 0.75% at a maturity of 367 days with participation of 30 banks, Wells Fargo Bank, London Branch and National Bank of Abu Dhabi PJSC acting as coordinator and agent bank. On April 24, 2017, the loan has been renewed with a new syndicated loan amounting to US Dollar 188.5 million and Euro 716.5 million with the interest rate of US Libor + 1.15% and Euribor + 1.05% at a maturity of 367 days with participation of 37 banks, Bank of America Merrill Lynch International Limited and Emirates NBD Bank PJSC and National Bank of Abu Dhabi PJSC acting as coordinator and agent bank.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

On September 26, 2016, the Parent Bank’s 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 September 25, 2017, the mentioned loan has been renewed with a new syndicated loan amounting to 131 Million US Dollars and 634 Million Euros with the interest rate of US Libor + 1.35% and Euribor + 1.25% with a maturity of 367 days and with participation of 22 banks from 12 countries, where the ING Bank and Emirates NBD acted as common coordinator banks and ING Bank London Branch acted as the agent bank.

On December 19, 2014, the Parent Bank has obtained securitization loan at the amount of US Dollar 928.6 million related to foreign transfers and treasury transactions in Euro and US Dollar. Loan amounting to US Dollar 500 million has been obtained related to foreign transfers at a maturity of five years and loan at the amount of US Dollar 428.6 million has been obtained related to treasury transactions at a maturity of seven years in seven different segments in total.

The loan obtained from European Bank for Reconstruction and Development (EBRD) amounting to US Dollar 125 million in 2014-A segment in order to finance medium term loans including to meet the needs of agricultural enterprises and support woman entrepreneurs. 2014-B segment of the loan has been obtained from Wells Fargo Bank, N.A., 2014-C segment of the loan has been obtained from Raiffeisen Bank International AG, 2014-D segment of the loan has been obtained from Standard Chartered Bank, 2014-E segment of the loan has been obtained from Societe Generale, 2014-G segment of the loan has been obtained from Bank of America, N.A. and 2014-F segment of the loan related to treasury transactions has been obtained from JP Morgan Securities plc. in the scope of programme.

Information on securities issued

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Turkey’s first Eurobond apart from Republic of Turkey Undersecretariat of Treasury. The bond has been issued in GMTN programme on June 17, 2014 has a nominal value of 500 million Euros, maturity date on June 17, 2019 with fixed rate, 5 years maturity and annually coupon paid with 3.65% return and coupon rate 3.50%.

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Eurobond. The bond has been issued in GMTN programme on October 27, 2016 has a nominal value of US Dollar 500 million, maturity date on October 27, 2021 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.50%.

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Eurobond. The bond has been issued in GMTN programme on May 30, 2017 has a nominal value of US Dollar 500 million, maturity date on May 30, 2022 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.625%.

At January 30, 2018, the Parent Bank has issued a new bond with a maturity of 5 years with a coupon rate of %5.75, and a final yield of %5.85 amounting to USD 650 million. This transaction has been the highest consistent bond issuance transaction the Bank has ever undertaken. The total demand from over 150 investors in the export has exceeded 1.5 billion dollars.

The context of Global Medium Term Notes (GMTN), the Parent Bank has issued 233 private placements with 19 different banks from June 2013 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 4,889 million US Dollar private placements as of the date of March 31, 2018. The total private placements are 102.1 million US Dollar as of the same date on.

The Parent Bank has issued Turkey’s first Euro covered bond on May 4, 2016. The bond has 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.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

On October 9, 2017, the Parent Bank had issued a private placement for the qualified foreign institutional investor within the context of Global Medium Term Notes (GMTN), with 5.5 years of maturity, and a nominal value of 1.333 million Turkish Liras.

The Parent Bank had realized the second Global Medium Term Notes (GMTN) on December 14, 2017 with HSBC Bank Plc with with 5 years of maturity, and a nominal value of 1.333 million Turkish Liras.

On February 28, 2018, the Parent Bank also carried out Covered Bond transaction with a nominal value of TL 1,000 million with a 5-year maturity and realized a total of TL 6.2 billion under the program.

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Current Period - March 31, 2018				
Nominal	5,293,055	3,816,000	82,826	15,837,482
Cost	5,026,678	3,815,999	82,827	15,750,354
Net Book Value	5,104,630	3,936,495	82,984	16,104,998

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Prior Period - December 31, 2017				
Nominal	4,189,913	2,816,000	98,149	12,697,366
Cost	4,016,622	2,816,000	98,149	12,625,204
Net Book Value	4,090,998	2,876,546	98,742	12,804,473

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

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

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

Obligations under finance leases

None.

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

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

None.

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on provisions

Information on general provisions

	Prior Period - December 31, 2017
Provisions for loans and receivables in Group I	1,527,551
-Additional provision for loans with extended payment plans	67,249
Provisions for loans and receivables in Group II	181,119
-Additional provision for loans with extended payment plans	32,611
Provisions for non-cash loans	137,421
Other	39,402
Total	1,885,493

Provision for currency exchange loss on foreign currency indexed loans

	Current Period - March 31, 2018
Provision for currency exchange loss on foreign currency indexed loans	245

	Prior Period - December 31, 2017
Provision for currency exchange loss on foreign currency indexed loans	10,253

The Group has recorded provision amounting to TL 245 (December 31, 2017: TL 10,253) for foreign exchange losses on principal amounts of foreign currency indexed loans and reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.

Provisions for non-cash loans that are not indemnified and not converted into cash

As of March 31, 2018, the Parent Bank has recorded TL 23,906 (December 31, 2017: TL 75,942) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on provision for probable risks

As of March 31, 2018, free provision recognized in 2017 amounting to TL 500,000 provided by the Parent Bank, in line with the conservatism principle considering the possible effect of the circumstances that may arise from the negative changes in the economy and market conditions. (December 31, 2017: TL 500,000)

8. Taxation

Current Taxes

As at and for the three-month period ended March 31, 2018, the tax liability of the Group is amounting to TL 481,670 (December 31, 2017: TL 323,837).

Information on taxes payable

	Current Period - March 31, 2018
Corporate taxes payable	481,670
Taxation on securities	162,974
Capital gains tax on property	3,974
Banking and Insurance Transaction Tax (BITT)	-
Taxes on foreign exchange transactions	118,642
Value added tax payable	5,731
Other	51,331
Total	824,322

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

	Prior Period - December 31, 2017
Corporate taxes payable	323,837
Taxation on securities	160,257
Capital gains tax on property	3,493
Banking and Insurance Transaction Tax (BITT)	-
Taxes on foreign exchange transactions	124,488
Value added tax payable	6,100
Other	59,620
Total	677,795

Information on premiums payable

	Current Period - March 31, 2018
Social security premiums- employee share	2,453
Social security premiums- employer share	6,565
Bank pension fund premium- employee share	-
Bank pension fund premium- employer share	38
Pension fund membership fees and provisions- employee share	-
Pension fund membership fees and provisions- employer share	-
Unemployment insurance- employee share	1,641
Unemployment insurance- employer share	3,635
Other	36
Total	14,368

	Prior Period - December 31, 2017
Social security premiums- employee share	1,407
Social security premiums- employer share	4,488
Bank pension fund premium- employee share	-
Bank pension fund premium- employer share	32
Pension fund membership fees and provisions- employee share	-
Pension fund membership fees and provisions- employer share	7
Unemployment insurance- employee share	918
Unemployment insurance- employer share	2,106
Other	50
Total	9,008

Information on deferred tax liabilities

Information on deferred tax liabilities is presented in disclosure 15 of information and disclosures related to assets.

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

None.

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%.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 February 13, 2017 and the redemption date of the bonds to be exchanged was determined as November 1, 2027, with a maturity of 10 years (recall option in 2022) and coupon rate as 8.00%.

On September 2017, the Parent Bank had issued a floating rated subordinated bond (secondary capital) for the qualified domestic institutional investor with nominal value of 525 million Turkish Liras, that has the maturity of 10 years, that is callable in 5 years, and has quarterly coupon payments.

Stated bonds' total balance sheet value is TL 6,205,560 as of March 31, 2018 (December 31, 2017: TL 5,917,137).

11. Information on shareholders' equity

Paid-in capital

	Current Period - March 31, 2018
Common stock	2,500,000
Preferred stock	-
	Prior Period - December 31, 2017
Common stock	2,500,000
Preferred stock	-

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

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

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 January 2, 2015 and 61st Ordinary Meeting of the General Assembly dated March 30, 2015, the Parent Bank's ceiling per registered share capital has been increased from TL 5,000,000 to TL 10,000,000.

Information on share capital increases and their sources; other information on any increase in capital shares during the current period

There is no share capital increase in the current year and previous year.

Information on share capital increases from revaluation funds

None.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

None

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

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the marketable securities

Current Period - March 31, 2018	TL	FC
Associates, subsidiaries and joint ventures	65,089	-
Financial assets at fair value through other comprehensive income	(39,265)	43,472
Foreign exchange differences	-	-
Total	25,824	43,472

Prior Period - December 31, 2017	TL	FC
Associates, subsidiaries and joint ventures	61,709	-
Fair value differences of available-for-sale securities	(302,087)	177,252
Foreign exchange differences	-	-
Total	(240,378)	177,252

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 - March 31, 2018
Commitments for credit card limits	11,268,867
Loan granting commitments	12,581,082
Commitments for cheque payments	2,889,596
Asset purchase sale commitments	2,071,989
Other	3,535,085
Total	32,346,619

	Prior Period - December 31, 2017
Commitments for credit card limits	10,534,862
Loan granting commitments	11,918,133
Commitments for cheque payments	2,542,741
Asset purchase sale commitments	1,755,169
Other	3,609,820
Total	30,360,725

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Guarantees, bills of exchange and acceptances and other letters of credit which can be counted as financial collateral

The Parent Bank provided specific provision amounting to TL 205,864 (December 31, 2017: TL 169,355) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 23,906 (December 31, 2017: TL 75,942).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period - March 31, 2018
Final letters of guarantee	15,428,602
Letters of guarantee for advances	7,156,353
Letters of guarantee given to custom offices	1,078,947
Provisional letters of guarantee	1,310,011
Other letters of guarantee	18,458,243
Total	43,432,156

	Prior Period - December 31, 2017
Final letters of guarantee	14,073,061
Letters of guarantee for advances	6,684,317
Letters of guarantee given to custom offices	1,053,872
Provisional letters of guarantee	1,180,248
Other letters of guarantee	17,179,490
Total	40,170,988

2. Non-cash loans

	Current Period - March 31, 2018
Non-cash loans given for cash loan risks	4,884,996
<i>With original maturity of 1 year or less</i>	1,553,862
<i>With original maturity of more than 1 year</i>	3,331,134
Other non-cash loans	51,098,178
Total	55,983,174

	Prior Period - December 31, 2017
Non-cash loans given for cash loan risks	3,771,138
<i>With original maturity of 1 year or less</i>	1,216,243
<i>With original maturity of more than 1 year</i>	2,554,895
Other non-cash loans	47,552,564
Total	51,323,702

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Sectoral risk concentrations of non-cash loans

Current Period - March 31, 2018	TL	%	FC	%
Agricultural	45,214	0.14	301,266	1.43
Farming and Cattle	40,739	0.12	301,266	1.43
Forestry	2,388	0.01	-	-
Fishing	2,087	0.01	-	-
Manufacturing	13,005,086	37.28	8,448,006	40.03
Mining	317,758	0.91	196,470	0.93
Production	8,519,043	24.42	7,765,487	36.80
Electric, gas and water	4,168,285	11.95	486,049	2.30
Construction	6,575,635	18.85	2,881,187	13.65
Services	13,708,407	39.30	4,648,070	22.03
Wholesale and retail trade	5,465,250	15.67	2,507,799	11.88
Hotel, food and beverage Services	290,092	0.83	16,785	0.08
Transportation and telecommunication	1,778,894	5.10	677,561	3.21
Financial institutions	3,271,839	9.38	260,945	1.24
Real estate and renting Services	1,367,580	3.92	312,436	1.48
Self-employment services	1,361,917	3.90	633,138	3.00
Education services	40,140	0.12	3,502	0.02
Health and social services	132,695	0.38	235,904	1.12
Other	1,546,336	4.43	4,823,967	22.86
Total	34,880,678	100.00	21,102,496	100.00

Prior Period - December 31, 2017	TL	%	FC	%
Agricultural	40,142	0.12	20,449	0.11
Farming and Cattle	35,606	0.11	20,449	0.11
Forestry	3,213	0.01	-	-
Fishing	1,323	-	-	-
Manufacturing	12,256,698	37.53	7,292,016	39.06
Mining	281,602	0.86	175,494	0.94
Production	7,930,683	24.29	6,505,402	34.85
Electric, gas and water	4,044,413	12.38	611,120	3.27
Construction	4,855,489	14.87	1,577,187	8.45
Services	13,929,661	42.66	5,399,060	28.92
Wholesale and retail trade	5,412,904	16.58	3,084,829	16.53
Hotel, food and beverage Services	269,673	0.83	18,654	0.10
Transportation and telecommunication	1,530,254	4.69	754,908	4.04
Financial institutions	3,537,700	10.83	437,710	2.34
Real estate and renting Services	1,558,909	4.77	408,524	2.19
Self-employment services	1,439,047	4.41	682,660	3.66
Education services	37,182	0.11	8,202	0.04
Health and social services	143,992	0.44	3,573	0.02
Other	1,574,354	4.82	4,378,646	23.46
Total	32,656,344	100.00	18,667,358	100.00

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period - March 31, 2018	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	33,843,444	9,272,643	45,962	64,243
Confirmed bills of exchange and acceptances	40,639	1,726,994	-	-
Letters of credit	26,129	9,934,697	-	-
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	448,021	9,243	-	-
Other guarantees and sureties	312,250	53,045	-	-
Total Non-Cash Loans	34,670,483	20,996,622	45,962	64,243

Prior Period - December 31, 2017	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	31,630,753	8,022,283	240,831	110,773
Confirmed bills of exchange and acceptances	44,700	1,510,854	-	-
Letters of credit	30,161	8,959,467	-	4,523
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	225,380	7,528	-	-
Other guarantees and sureties	321,042	46,052	-	-
Total Non-Cash Loans	32,252,036	18,546,184	240,831	115,296

5. Contingent assets and liabilities

Group allocates TL 6,114 as provision for lawsuits against the Group (December 31, 2017: TL 2,760).

6. Services rendered on behalf of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts. The Parent Bank’s custody services and banking transactions on behalf of individuals and corporate customers do not present a material portion.

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

1. Interest income

Information on interest income received from loans

Current Period - March 31, 2018	TL	FC
Short-term loans	1,554,801	59,434
Medium and long-term loans	3,188,460	746,312
Non-performing loans	50,953	-
Premiums received from resource utilization support fund	-	-
Total	4,794,214	805,746

Prior Period - December 31, 2017	TL	FC
Short-term loans	1,131,821	59,983
Medium and long-term loans	2,140,911	580,171
Non-performing loans	27,576	-
Premiums received from resource utilization support fund	-	-
Total	3,300,308	640,154

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on interest income received from banks

Current Period - March 31, 2018	TL	FC
Central Bank of the Republic of Turkey	-	-
Domestic Banks	36,333	14,520
Foreign Banks	250	13,676
Foreign Head Office and Branches	-	-
Total	36,583	28,196

Prior Period - December 31, 2017	TL	FC
Central Bank of the Republic of Turkey	-	6
Domestic Banks	29,513	857
Foreign Banks	143	6,443
Foreign Head Office and Branches	-	-
Total	29,656	7,306

Information on interest income received from marketable securities portfolio

Current Period - March 31, 2018	TL	FC
Financial assets at fair value through profit or loss	2,962	210
Financial assets at fair value through other comprehensive income	339,827	22,421
Financial assets measured at amortised cost	338,595	65,537
Total	681,384	88,168

Prior Period - December 31, 2017	TL	FC
Financial assets held for trading	3,931	286
Financial assets where fair value change is reflected to income statement	-	-
Financial assets available for sale	423,356	84,258
Investments held to maturity	344,323	311
Total	771,610	84,855

As stated in Section 3 Note VII, “Fair value through other comprehensive income” and “measured at amortized cost” securities portfolio of the Bank include Consumer Price Indexed (CPI) Bonds. The estimated inflation rate used is updated as needed within the year. In this context, as of March 31, 2018, the valuation of the related securities was based on an annual inflation forecast of 8.40%. If the valuation of these securities indexed to CPI was made according to the reference index valid for March 31, 2018, the Bank's equity valuation differences on equity would decrease by TL 13 million (full TL) and the net profit for the period would increase by TL 121 million to 1.172 Million TL (full TL amount).

Information on interest income received from associates and subsidiaries

	Current Period - March 31, 2018
Interest Received from Associates and Subsidiaries	-

	Prior Period - December 31, 2017
Interest Received from Associates and Subsidiaries	9

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Interest Expense

Interest expense on funds borrowed

Current Period - March 31, 2018	TL	FC
Banks	73,673	186,071
Central Bank of the Republic of Turkey	-	282
Domestic Banks	48,716	12,311
Foreign Banks	24,957	173,478
Foreign Head Offices and Branches	-	-
Other Institutions	-	13,963
Total	73,673	200,034

Prior Period - December 31, 2017	TL	FC
Banks	40,396	126,608
Central Bank of the Republic of Turkey	-	-
Domestic Banks	22,884	7,650
Foreign Banks	17,512	118,958
Foreign Head Offices and Branches	-	-
Other Institutions	-	11,748
Total	40,396	138,356

Interest expense paid to associates and subsidiaries

	Current Period - March 31, 2018
Interests paid to the associates and subsidiaries	44,040

	Prior Period - December 31, 2017
Interests paid to the associates and subsidiaries	6,451

Interest expense on securities issued

As at and for the three-month period ended at March 31, 2018, interest paid to securities issued is TL 426,040 (March 31, 2017: TL 217,010).

Current Period - March 31, 2018	TL	FC
Interest expense on securities issued	256,817	169,223

Prior Period - December 31, 2017	TL	FC
Interest expense on securities issued	91,300	125,710

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Maturity structure of the interest expense on deposits

Current Period March 31, 2018	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	1,705	50,220	-	-	-	-	51,925
Saving deposits	-	118,996	1,064,498	71,594	8,371	4,441	60	1,267,960
Public sector deposits	3,148	113,527	202,066	23,365	140,224	5,171	-	487,501
Commercial deposits	-	134,869	317,249	74,421	6,214	257	-	533,010
Other deposits	-	15,688	94,802	31,275	430	599	-	142,794
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	3,148	384,785	1,728,835	200,655	155,239	10,468	60	2,483,190
<i>FC</i>								
Foreign Currency deposits	5,979	10,629	204,008	13,059	13,122	27,971	-	274,768
Interbank deposits	1,065	927	1,820	6,953	2,139	5,400	-	18,304
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	7,044	11,556	205,828	20,012	15,261	33,371	-	293,072
Grand Total	10,192	396,341	1,934,663	220,667	170,500	43,839	60	2,776,262

Prior Period December 31, 2017	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	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
<i>FC</i>								
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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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on trading income/losses

	Current Period - March 31, 2018
Income	10,005,197
Income from capital market operations	1,470,791
Income from derivative financial instruments	6,600,242
Foreign exchange gains	1,934,164
Losses	(9,869,802)
Loss from capital market operations	(1,442,942)
Loss from derivative financial instruments	(6,519,727)
Foreign exchange loss	(1,907,133)
Net trading profit/loss	135,395

	Prior Period - December 31, 2017
Income	4,486,700
Income from capital market operations	1,028,337
Income from derivative financial instruments	1,463,952
Foreign exchange gains	1,994,411
Losses	(4,357,561)
Loss from capital market operations	(1,004,861)
Loss from derivative financial instruments	(1,422,747)
Foreign exchange loss	(1,929,953)
Net trading profit/loss	129,139

Net loss arising from changes in foreign exchange rate that relate to the Group’s derivative financial instruments based on foreign exchange rate is TL 43,539 as at and for the three-month period ended March 31, 2018 (March 31, 2017: net profit of TL 16,933).

4. Other operating income

	Current Period - March 31, 2018
Income from reversal of the specific provisions for loans from prior periods	800,764
Earned insurance premiums (net of reinsurance share)	334,654
Communication income	9,150
Gain on sale of assets	50,018
Income from private pension business	29,947
Rent income	81
Other income	119,310
Total	1,343,924

	Prior Period - December 31, 2017
Income from reversal of the specific provisions for loans from prior periods	937,669
Earned insurance premiums (net of reinsurance share)	1,207,630
Communication income	43,602
Gain on sale of assets	149,607
Income from private pension business	102,575
Rent income	770
Other income	643,392
Total	3,085,245

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Provision expenses for losses on loans and other receivables

	Current Period March 31, 2018
Expected Credit Loss	1,301,032
12 month expected credit loss (stage 1)	170,949
Significant increase in credit risk (stage 2)	87,499
Non-performing loans (stage 3)	1,042,584
Marketable Securities Impairment Expense	10,230
Financial Assets at Fair Value through Profit or Loss	30
Financial Assets at Fair Value Through Other Comprehensive Income	10,200
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	-
Total	1,311,262

	Prior Period December 31, 2017
Specific provisions on loans and other receivables	683,019
<i>Loans and receivables in Group III</i>	142,380
<i>Loans and receivables in Group IV</i>	248,945
<i>Loans and receivables in Group V</i>	291,694
Non-performing commissions and other receivables	-
General provision expenses	25,574
Provision for possible losses	-
Impairment losses on securities:	5,887
<i>Trading securities</i>	11
<i>Investment securities available-for-sale</i>	5,876
Impairment losses from associates, subsidiaries, joint ventures, and marketable securities held to maturity :	5,803
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint ventures</i>	-
<i>Investment securities held-to-maturity</i>	5,803
Other(*)	39,359
Total	759,642

(*) 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.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Other operating expenses

	Current Period - March 31, 2018
Personnel Costs	601,803
Reserve for Employee Termination Benefits	22,244
Deficit Provision for Pension Funds	-
Impairment Losses on Tangible Assets	-
Depreciation Expenses on Tangible Assets	38,967
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortization Expenses on Intangible Assets	7,771
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Losses on Assets to be Disposed	-
Depreciation Expenses on Assets to be Disposed	-
Impairment Losses on Assets Held for Sale	-
Other Operating Expenses	666,924
<i>Operational lease expenses</i>	70,554
<i>Repair and maintenance expenses</i>	14,478
<i>Advertisement expenses</i>	30,716
<i>Other expenses</i>	551,176
Loss on sale of assets	3,149
Other (*)	318,867
Total	1,659,725

(*) Other operating expenses amounting to TL 315,919 (March 31, 2017: TL 310,458) is comprised of provision expenses for dividends to the personnel amounting to TL 51,177 (March 31, 2017: TL : 37,098), tax, fees and funds expenses amounting to TL 51,091 (March 31, 2017: TL 39,033), Saving Deposits Insurance Fund expenses amounting to TL 45,043 (March 31, 2017: TL 49,461), Compensation pensions amounting to TL 2,868 (March 31, 2017: TL 9,243), cumulative/noncumulative commission expenses amounting to TL 20,918 (March 31, 2017: TL 39,286), production commission expenses to TL 59,642 (March 31, 2017: TL 62,513)and other expenses amounting to TL 85,180 (March 31, 2017: TL 73,824)

	Prior Period - March 31, 2017
Personnel costs	455,643
Reserve for employee termination benefits	20,215
Provision for deficit in pension funds	-
Impairment losses on tangible assets	-
Depreciation expenses on tangible assets	37,146
Impairment losses on intangible assets	106
Amortization expenses on intangible assets	7,253
Impairment losses on assets to be disposed	2,761
Depreciation expenses on assets to be disposed	6,151
Impairment losses on assets held for sale	-
Other operating expenses	477,969
<i>Operational lease related expenses</i>	57,647
<i>Repair and maintenance expenses</i>	11,149
<i>Advertisement expenses</i>	25,645
<i>Other expenses</i>	383,528
Loss on sale of assets	184
Other(*)	310,458
Total	1,317,886

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.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. 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 312,060 (March 31, 2017: TL 217,809) 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 - March 31, 2018
Arising from Origination / (Reversal) of Deductible Temporary Differences	57,282
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(12,524)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
Total	44,758

Sources of deferred tax benefit/charge	Prior Period - March 31, 2017
Arising from Origination / (Reversal) of Deductible Temporary Differences	(15,967)
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(65,071)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
Total	(81,038)

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 5,599,960 interest income and TL 4,160,516 interest expense, also incurred TL 415,784 amount of net fee and commission income from its ordinary banking operations (March 31, 2017: TL 4,969,787 interest income, TL 2,516,884 interest expense, TL 267,488 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 - March 31, 2018
Income/(losses) related to non-controlling interest	6,011
	Prior Period - March 31, 2017
Income/(losses) related to non-controlling interest	12,069

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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.

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

	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
Current Period - March 31, 2018						
Loans and other receivables						
Balance at the beginning of the year	17	1,190,628	-	38,243	18,111	34,799
Balance at the end of the year	195	1,259,009	-	37,842	112,805	46,156
Interest and commission income	-	301	-	-	3,461	34

	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
Prior Period - December 31, 2017						
Loans and other receivables						
Balance at the beginning of the year	10	1,024,338	-	31,720	37,507	22,446
Balance at the end of the year	17	1,190,628	-	38,243	18,111	34,799
Interest and commission income	-	912	-	38	-	78

Information on deposits held by the Parent Bank’s risk group

	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
Current Period - March 31, 2018						
Deposits						
Balance at the beginning of the year		661,402		977,319		164,132
Balance at the end of the year		1,026,051		346,819		195,915
Interest on deposits		44,040		31,871		5,044

	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
Prior Period - December 31, 2017						
Deposits						
Balance at the beginning of the year		475,233		740,156		104,508
Balance at the end of the year		661,402		977,319		164,132
Interest on deposits		132,348		106,934		486

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 AŞ and Vakıf Emeklilik AŞ. Vakıf Yatırım Menkul Değerler AŞ engages with the management of the funds established by the Bank.

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.065 (December 31, 2017: 0.010) and 3.044 (December 31, 2017: 2.462) respectively.

Current Period - March 31, 2018	Amount	Compared with the Financial Statement Amount %
Cash Loans	113,000	0.065
Non-Cash Loans	1,343,007	3.044
Deposits	1,568,785	1.074
Forward and Option Agreements	-	-

Prior Period - December 31, 2017	Amount	Compared with the Financial Statement Amount %
Cash Loans	18,128	0.010
Non-Cash Loans	1,263,670	2.462
Deposits	2,226,090	1.409
Forward and Option Agreements	-	-

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SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. OTHER DISCLOSURES ON THE PARENT BANK’S ACTIVITY

According to 64th Ordinary General Assembly, It has been decided to postpone the 64th Ordinary General Assembly, and the determination of the postponed date by the Board of Directors as well as conducting calls, posting and other related matters, by the suggestions of the owners of the largest shares from the (A),(B) and (C) groups and the decision of the General Assembly. Since, 64th Ordinary General Assembly has not taken place as of the reporting date, there has not been made any dividend payment for the year 2017.

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

February 1, 2018 (*)	Fitch Ratings
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Durağan
Long Term Local Currency	BBB-
Short Term Local Currency	F3
Local Currency Outlook	Durağan
National Long Term	AAA (tur)
National Outlook	Durağan
Support	3
Support Rating Floor	BB+
Viability Note	bb+
Mart 2018	Moody’s Investors’ Service
Baseline Credit Assessment	b1
Local Currency Deposit Rating	Ba2/NP
Local Currency Outlook	Durağan
Foreign Currency Deposit Rating	Ba3/NP
Foreign Currency Outlook	Durağan
Mayıs 2018	Standard&Poors
Foreign Currency Counterparty Credit Rating	BB-/B
Foreign Currency Outlook	Durağan
Local Currency Counterparty Credit Rating	BB-/B
Local Currency Outlook	Durağan
Turkey National Scale	trA+/-/trA-1
Mart 2018	JCR Eurasia
Long Term International FC	BBB- (Durağan)
Short Term International FC	A-3 (Durağan)
Long Term International TL	BBB-
Short Term International TL	A-3
Long Term NSR	AAA (Durağan)
Short Term NSR	A-1 + (Durağan)
Support	1
Independancy from Shareholders	A

(*) 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

The Parent Bank has issued and offered to public a Vakıfbank bond, which has a value date of April 20, 2018, with nominal value of TL 200,000,000 (Full TL), with 119 days maturity, and maturity date of August 17, 2018, on April 16-17-18, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFB81826, is determined with TL 213,500,283 (Full TL) nominal value, with 119 days maturity and maturity date of August 17, 2018, 14.4771% annual compound interest, 13.8229% simple interest and TL 95,688 issue price.

The Parent Bank has issued and offered to public a Vakıfbank bond, which has a value date of April 20, 2018, with nominal value of TL 100,000,000 (Full TL), with 217 days maturity, and maturity date of November 23, 2018, on April 16-17-18, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFBK1812, is determined with TL 45,034,208 (Full TL) nominal value, with 217 days maturity and maturity date of November 23, 2018, 15.0198% annual compound interest, 14.5920% simple interest and TL 92,017 issue price.

The Parent Bank has provided a multi-currency syndicated loan facility at April 24, 2018 from international markets equivalent to USD 1.3 billion, comprised of USD 329 million and EUR 778.8 million. The USD equivalent of 1.2 billion – has a one year tenor, whereas the 2 year tenor is USD 100 million. All-in cost for the one year tranches are Libor+1.30% p.a. and Euribor+1.20% p.a.; and for 2 year tranche is Libor+2.10% p.a.

The Parent Bank obtained a new foreign borrowing in Euro and USD currencies at May 4, 2018, amounting USD 380 million equivalent in total, within Diversified Payment Rights securitization program based on future flow transactions. The transaction consists of six separate tranches, each of them has 5-year maturity. The transaction was rated BBB + on the investment grade by Fitch Ratings.

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, 2018 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ. It was noted in their review report dated May 21, 2018 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, 2018.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

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

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SECTION EIGHT

INFORMATION ON INTERIM ACTIVITY REPORT

Assessment of Chairman of Board of Directors

In the first quarter of 2018, as its part of commercial protectionism, that US has introduced additional customs duties on its imports had raised the concerns about trade wars. On the other hand, geopolitical developments have also raised the perception of risk globally. Nonetheless, global growth continued to moderate in the first quarter.

Growing 2.9% in the last quarter of 2017, the US economy outperformed expectations in the first quarter of 2018, growing by 2.3% annually. In Europe, together with the asset purchase program and the expansionary monetary policy, growth has been supported and the Euro Area has grown by 2.7% annually in 2017. Developing country growths also played an important role in the growth of the global economy in 2017. The Chinese economy had grown by 6.9% in 2017.

In 2017, Turkey's economy has provided a strong recovery in domestic demand through fiscal incentives and measures supporting economic activities and CGF guaranteed loans allocation and it grew by 7.4% on an annual basis. Leading indicators determined that the economy will maintain its strong growth in 2018.

The Turkish Banking sector continued to support our country's economy in this period as well. It has increased its total assets by 3.60% in the first quarter of 2018 when compared to the end of the previous year. By the loan growth of 4.68%, it continued to support both the real sector and households.

Our Bank, one of the most important players in the Turkish Banking sector, increased its total assets to TL 282 billion in the first quarter of 2018 and continued to grow by supporting the real sector and households. As before, our Bank will continue to support the national economy with all its strength from now on.

In this way, we present our special thanks to our customers who are participants in our success, to our employees for their self-sacrificing works, and to our shareholders and investors who do not spare their supports from us on behalf of our Bank.

Best Regards,

İsmail ALPTEKİN
Chairman of Board of Directors

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Assessment of General Manager

In 2018, the US Federal Reserve Bank (Fed) continued to take steps in normalizing the monetary policy. The Fed raised the interest rate by 25 basis point to a target range of 1.5% to 1.75%. It is expected that The Fed to hike rates three times in 2018. The European Central Bank (ECB), apart from the previous months, omitted “to increase the asset purchase programme if needed” in the minutes of March meeting. The steps taken by central banks of developed countries have led to the rise of long-term bond yields in these countries.

In addition, in the first quarter of 2018; because of geopolitical developments and increased protectionism discourses in international trade, risk perception in the markets has risen from time to time. Nevertheless, global economy continued to moderate growth. The US economy beats expectations by 2.3% GDP growth in the first three months of 2017

Despite predictions to the contrary, Turkey's economy showed a relatively strong performance in the year 2017 and completed the year with 7.4% growth. Leading indicators, which were published in the first three months of the year, showed that the growth continued in 2018 without slowing down. It is also confirmed with revising 2018 Turkey's economy growth estimates of international organizations such as the IMF and the OECD

In the first quarter of 2018, our Bank also provided a healthy asset growth in the direction of profitable, efficient and high quality growth strategy. In this period, while the total assets of the sector increased by 3.60%, the total assets of our Bank increased by 4.22% and reached to 282 billion TL. Our strong support to the national economy continued and our cash and non-cash loans reached to 250 billion TL totally. We had been financially supportive to all small and large segments of our country's real sector from farmers to self-employed, from craftsmen to commercial companies, from exporters to investors. As a matter of fact, our cash-commercial loans, which made available to real sector, increased by 8.13%, reaching approximately 146 billion TL, well above the sector average of 5.51%. In the same period, the amount of retail loans made available to the households increased by 3.11% over the sector average of 2.06% and exceeded 49 billion TL.

On the funding side, our deposits increased by 4.36% to 162 billion TL. In order to reduce the general level of interest rates while our main funding source was deposits, our Bank continued to increase funding diversity in this period. Our loans that were made available, including subordinated loans, increased by 9.05%. In this period, our Bank issued a new Eurobond amounting USD 650 million under the Global Medium Term Notes Programme and amounting TL 1 billion equivalent under the Mortgage Covered Bond Programme. The securities issued increased by 26.97% to 25 billion TL thanks to these transactions.

In the first quarter of 2018, our net profit was realized at 1,051 million TL. Our shareholders' equity reached 25 billion TL with an increase of 7.50%. In this period, our return on assets was 1.52%, our return on equity was 17.43% and our capital adequacy ratio was 15.37%.

Our Bank has been honored by the awards that has entitled for its successful results in this period and has been awarded with 'Best Banking Brand' by Global Brands Magazine, one of the UK's most respected magazines, with its performance in areas of innovation, quality, branding activities, customer service, digitalization, environmental awareness and social responsibility. In addition, our Bank has obtained award in the category of "Best Sports Sponsorship in Europe" with its investments made to VakıfBank Sports Club for 32 years, who represent Turkey at international competition as successfully.

VakıfBank will continue to grow, continue to support the real sector, contribute to the sustainable growth of the national economy in all areas and continue to be the strength by its customers.

By this way, we would like to thank to our valued customers, our shareholders and investors for their trust and our employees for their efforts.

Yours Faithfully,

Mehmet Emin ÖZCAN
General Manager
Managing Member of Board of Directors

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Significant Financial Indicators Bank Only

BALANCE SHEET (TL Million)	MARCH 2018	DECEMBER 2017	DIFFERENCE(%)
TOTAL ASSETS	281,985	270,572	4.22
TOTAL SECURITIES	31,855	30,316	5.07
LOANS (*)	195,401	182,932	6.82
-Corporate and Commercial Loans	145,958	134,980	8.13
-Retail Loans	49,443	47,952	3.11
DEPOSITS	162,054	155,277	4.36
-Term Deposit	133,012	125,160	6.27
-Demand Deposit	29,042	30,117	-3.57
FUNDS BORROWED	31,136	28,308	9.99
SUBORDINATED LOANS	6,206	5,936	4.54
SECURITIES ISSUED (NET)	24,741	19,485	26.97
SHAREHOLDER’S EQUITY	24,999	23,258	7.49
NON-CASH LOANS	55,211	50,768	8.75

INCOME STATEMENT (TL million)	MARCH 2018	MARCH 2017	DIFFERENCE (%)
Net Profit/Loss	1,051	1,225	-14.15

RATIOS (%)	MARCH 2018	DECEMBER 2017
LOAN/TOTAL ASSETS (*)	69.29	67.61
LOAN/DEPOSITS (*)	120.58	117.81
NPL RATIO	3.91	4.01
CAPITAL ADEQUACY RATIO	15.37	15.52
RETURN ON AVERAGE ASSETS (ROAA) (**)	1.52	1.54
RETURN ON AVERAGE EQUITY (ROAE) (**)	17.43	17.52

(*) Excluding non-performing loans.

(**) Calculations are annualized.

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Significant Financial Indicators Consolidated

BALANCE SHEET (TL Million)	MARCH 2018	DECEMBER 2017	DIFFERENCE(%)
TOTAL ASSETS	292,931	280,859	4.30
TOTAL SECURITIES	33,140	31,466	5.32
LOANS (*)	197,307	185,443	6.40
-Corporate and Commercial Loans	147,857	137,483	7.55
-Retail Loans	49,451	47,959	3.11
DEPOSITS	165,092	157,988	4.50
-Term Deposit	135,488	127,864	5.96
-Demand Deposit	29,604	30,124	-1.73
FUNDS BORROWED	34,388	31,388	9.56
SUBORDINATED LOANS	6,206	5,917	4.87
SECURITIES ISSUED (NET)	25,229	19,871	26.97
SHAREHOLDER’S EQUITY	25,345	23,623	7.29
NON-CASH LOANS	55,983	51,324	9.08

INCOME STATEMENT (TL million)	MARCH 2018	MARCH 2017	DIFFERENCE (%)
Net Profit/Loss	1.118	1.255	-10,95

RATIOS (%)	MARCH 2018	DECEMBER 2017
LOAN/TOTAL ASSETS (*)	67.36	66.03
LOAN/DEPOSITS (*)	119.51	117.38
NPL RATIO	4.02	4.11
CAPITAL ADEQUACY RATIO	14.78	14.95
RETURN ON AVERAGE ASSETS (ROAA) (**)	1.56	1.59
RETURN ON AVERAGE EQUITY (ROAE) (**)	18.26	18.35

2018 First Quarter Assessment

Having continued its growth in the first quarter of 2018, the Group increased its total assets by 4.30% to 292,931 million TL. In this period, our performing loans increased by 6.40% reaching to 197,307 million TL and the share of performing loans in total assets was realized as 67,36%. When we look at the breakdown of the loans, it is seen that our commercial loans have reached 145,857 million TL and our total retail loans have reached 49,451 million TL.

In the first quarter of 2018, the Group deposits increased by 4.50% to 165,092 million TL.

In addition, our Bank has issued domestic bonds and eurobonds in various types and maturities in order to diversify funding sources, to assist in cost control, to reduce interest rate risk, to create additional resources, to contribute positively to liquidity management and to support credit growth.

In the first quarter of 2018, bonds with a nominal value of 3,866 million TL were issued for selling to qualified investors by our Bank.

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Our Bank, which is pioneering and innovative one of Turkey in international capital markets, has issued a new Eurobond amounting USD 650 million with 5-year maturity in January in the scope of Global Medium Term Note Programme (GMTN). The total demand from over 150 investors from all over the world has exceeded USD 1.5 billion. The coupon rate was 5.75% and final yield of the transaction which is the highest amount of Eurobond issued by VakıfBank in a single transaction have been set at 5.85%.

Under the Bank’s Mortgage Covered Bond Programme (Covered Bond), the Bank issued a new transaction amounting TL 1 billion in March. In the first quarter of 2018, VakıfBank further supports in particular decreasing and keeping interest rates for TL deposits at reasonable level by carrying on to procure long term non-deposit Turkish Lira funding from international capital markets. Thus, VakıfBank issued covered bonds amounting TL 3.7 billion in total only in the last five months with three different transactions.

Our Bank continued its strong position in terms of profitability and capital structure in the first quarter of 2018. In this period, the Group delivered 1,118 million TL net income. In this period, our average return on equity was 18.26%, our average return on assets was 1.56%, and capital adequacy ratio was 14.78%.

As of March 31, 2018, the number of branches in our Bank reached 935 and the number of employee reached 16,148.

In March, the international credit rating agency Moody's downgrade the Turkey's government debt rating to “Ba2” with stable outlook from “Ba1” with negative outlook. Following the downgrade of the Turkish government’s debt rating, the Bank’s long-term foreign currency rating was downgraded to ‘Ba3’ from ‘Ba2’ and the outlook has been upgraded from ‘Negative’ to ‘Stable’. Similarly, following the downgrade of Turkey’s local currency bond ceiling from ‘Baa1’ to ‘Baa2’, the Mortgage Covered Bond Programme’s rating of our Bank has also been lowered from ‘Baa1’ to ‘Baa2’.

In this period, a contract was signed between our Bank and JCR Eurasia Rating Incorporation Company in order to determine the credit worthiness of the Bank.

In this context, JCR Eurasia Rating Incorporation Company has completed the rating assessments for our Bank and its ratings are shown in the table below.

	Long	Short
International Foreign Currency	BBB-	A-3
International Local Currency	BBB-	A-3
International Outlook	Stable	Stable
National Local Rating	AAA	A-1 +
National Outlook	Stable	Stable
Support Rating	1	-
Stand-Alone	A	-

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Other Significant Developments

- The official address of our Bank's Head Office has been changed to "Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No: 7 / A-B Ümraniye / İstanbul" and the registry process regarding the address change has been completed by Istanbul Chamber of Commerce.
- Our Bank has received the latest “2015” editions of ISO:9001 and ISO:14001 certifications, as a result of audits conducted by TÜV SÜD during this period.
- Our Bank has been awarded in 2 fields by Global Brands Magazine, one of the UK's most respected magazines, and with 6 awards at the Stevie Awards, one of the most prestigious awards of the international business world. Our Bank was awarded gold in the category of "Mobile Field Sales Practice" and "Business Development Achievement of the Year - Financial Services Industries" at the Stevie Awards, which awarded successful organizations and executives around the world. The same practice has been awarded the bronze award in the categories of "Best Use of Sales Technology", "Sales and Marketing Mobile Application", "Sales Growth Based on Success of the Year" and "Marketing Solution". Our applications of "the calculation of the Tendency in Overdraft and General Purpose Consumer Loans" were awarded bronze award in the category of "Business Development Achievement of the Year - Financial Services Industries".
Our Bank has also been honored with championship award by Global Brands Magazine as "Best Sports Sponsorship in Europe" and "Best Banking Brand".

Amendments in Articles of Incorporation:

There has been no change in the Articles of Association during the period.