

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED FINANCIAL STATEMENTS AND RELATED
DISCLOSURES AT DECEMBER 31, 2017 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

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



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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Consolidated Financial Statements

1. Qualified Opinion

We have audited the accompanying consolidated financial statements of Türkiye Vakıflar Bankası T.A.O. (the "Bank"), and its subsidiaries (collectively referred to as the "Group") which comprise the statement of consolidated balance sheet as at 31 December 2017, 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 for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, except for the effect of the matter on the consolidated financial statements described in the basis for the qualified opinion section below, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended 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 Standards ("TAS") for those matters not regulated by the aforementioned regulations.

2. Basis for Qualified Opinion

As explained in Section Five Part II-7 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 31 December 2017 include a free provision amounting to TL 500,000 thousand recognized in the current period provided by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions.

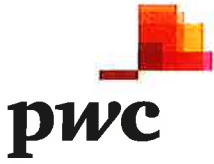
Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified opinion.



3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p><i>Impairment of loans and receivables</i></p> <p>The Group has total provision for impairment of TL 8,722,425 thousands in respect to loans and receivables of TL 186,548,784 thousands which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2017. Explanations and notes related to provision for impairment of loans and receivables are presented Section III Part VII, Section V Part I-5 and Section V Part II-7 in the accompanying consolidated financial statements as at 31 December 2017.</p> <p>The reason we focused on this area during our audit is; the size of loans and receivables, the importance of their classification in accordance with the relevant legislation and estimation of impairment provision related to these loan and receivables. Timely and correctly identification of loss event and other subjective judgments and estimates made by management as well as objective judgments determined in accordance with the relevant legislation have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p>Within our audit procedures, we assessed and tested the design and operating effectiveness of controls applied by the Group with respect to classification of loans and receivables and allocation, commitment, collateralization, follow-up procedure and calculation of impairment in-line with the framework of the relevant legislation. We have carried credit review on a selected sample of loans and receivables with the objective to identify whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation. In addition, we have tasted the appropriateness of specific provision calculation made for non-performing loans in line with the relevant legislation. For the portfolio of loans subject to the general provision we have examined the appropriateness of the general provision established in line with the related rules and other notifications made by the BRSA. Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.</p>



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p data-bbox="276 544 807 577"><i>Valuation of Pension Fund Obligations</i></p> <p data-bbox="276 618 839 757">Explanations on Valuation of Pension Obligations are presented in the Section III Part XVII in the accompanying consolidated financial statements as at 31 December 2017.</p> <p data-bbox="276 797 839 1554">“Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). Council of Ministers are authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Bank’s management uses external actuaries for the purpose of valuations of pension obligations.</p> <p data-bbox="276 1594 839 1883">During our audit, above mentioned fundamental assumption and estimates used in calculations of pension fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.</p>	<p data-bbox="873 544 1473 757">Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets.</p> <p data-bbox="873 797 1473 976">We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes.</p> <p data-bbox="873 1016 1473 1155">Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.</p>



4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



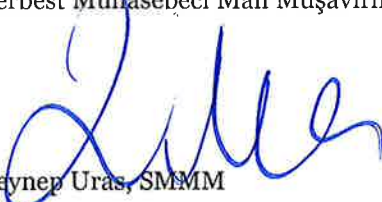
B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Bank’s bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Bank’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

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, 2 March 2018

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S 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 YEAR ENDED DECEMBER 31, 2017**

Address : Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi
No: 7/A-B 34768 Ümraniye/İSTANBUL
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Electronic mail address : mevzuat@vakifbank.com.tr

The consolidated financial report as at and for the year ended December 31, 2017 prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES
- INDEPENDENT AUDITOR'S 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 AG	-	-
Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	-	-
Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	-	-

The consolidated financial statements for the year 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.

March 2, 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:

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

Name-Surname/Title: Burcu Sütcü AKDAĞ / Asst. Manager
Phone no : 0 312 591 11 93
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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 EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

SECTION ONE

GENERAL INFORMATION

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (“The Bank” or “The Parent Bank”) was established to operate as stated in the disclosure V of this section, under the authorization of a special law numbered 6219, called “the Law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı”, on 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 December 31, 2017 and December 31, 2016, The Bank’s paid-in capital is TL 2,500,000 divided into 250,000,000,000 shares with each has a nominal value of Kr 1.

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

Shareholders	Number of Shares (100 unit)	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058,640	1,075,058	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.10
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,224,785	386,225	15.45
Other appendant foundations (Group B)	2,673,619	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 A and Group B stocks of the Bank, the stocks are transferred to the treasury, by taking their per share value into consideration, over the calculated average value of the values that are mentioned in the conclusion sections of the valuation projects that are prepared by three different firms. The absolute amount of the stocks are recorded in the share ledger on behalf of the Undersecretariat of Treasury within the seven days after the effective date of the cabinet decree.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(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, 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 FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

GENERAL INFORMATION (Continued)

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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
<u>Board of Directors</u>				
İsmail ALPTEKİN	Chairman	June 9, 2017	University	19 years
Serdar TUNÇBİLEK	Deputy Chairman	June 9, 2017	University	31 years
Mehmet Emin ÖZCAN	Member –General Manager	June 9, 2017	University	34 years
Dr.Adnan ERTEM	Member	October 28, 2010	PHD	29 years
Sabahattin BİRDAL	Member	March 31, 2014	University	40 years
Dilek YÜKSEL	Member	March 29, 2016	University	5 years
Şahin UĞUR	Member	June 9, 2017	University	31 years
Ömer ARISOY	Member	June 9, 2017	University	17 years
<u>Audit Committee</u>				
Serdar TUNÇBİLEK	Member	June 15, 2017	University	31 years
Sabahattin BİRDAL	Member	April 4, 2014	University	40 years
<u>Auditor</u>				
Yunus ARINCI	Auditor	March 19, 2010	Master	20 years
Hasan TÜRE	Auditor	June 9, 2017	University	33 years
<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, Treasury 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 KARAĞAÇ	Chief Legal Counsellor, Legal Affairs, Credit Risk Liquidation	November 8, 2013	University	28 years
Yakup ŞİMŞEK	Corporate and Investment 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, 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 EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

GENERAL INFORMATION (Continued)

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

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

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

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

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

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

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

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.

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 EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

GENERAL INFORMATION (Continued)

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.

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 December 31, 2017, The Parent Bank has 924 domestic, 3 foreign, in total 927 branches (December 31, 2016: 921 domestic, 3 foreign, in total 924 branches). As at December 31, 2017, The Parent Bank has 16,097 employees (December 31, 2016: 15,615 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 FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(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 year ended December 31, 2017, 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 year ended December 31, 2017, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

None.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

	ASSETS	Notes	Audited Current Period December 31, 2017			Audited Prior Period December 31, 2016		
			TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	4,021,442	24,634,804	28,656,246	4,409,164	19,960,151	24,369,315
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	1,926,000	150,223	2,076,223	1,644,899	144,334	1,789,233
2.1	Financial assets held for trading purpose		1,926,000	150,223	2,076,223	1,644,899	144,334	1,789,233
2.1.1	Debt securities issued by the governments		203	5,855	6,058	206	10,647	10,853
2.1.2	Equity securities		939	-	939	2,095	-	2,095
2.1.3	Derivative financial assets held for trading purpose	V-I-2	1,801,883	144,368	1,946,251	1,473,865	133,687	1,607,552
2.1.4	Other securities		122,975	-	122,975	168,733	-	168,733
2.2	Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1	Debt securities issued by the governments		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Other securities		-	-	-	-	-	-
2.2.4	Loans		-	-	-	-	-	-
III.	BANKS	V-I-3	1,176,896	12,146,903	13,323,799	1,195,786	4,079,703	5,275,489
IV.	RECEIVABLES FROM INTERBANK MONEY MARKETS		1,659,062	-	1,659,062	5,232	-	5,232
4.1	Interbank money market placements		1,652,102	-	1,652,102	-	-	-
4.2	Istanbul Stock Exchange money market placements		3,474	-	3,474	3,428	-	3,428
4.3	Receivables from reverse repurchase agreements		3,486	-	3,486	1,804	-	1,804
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	12,412,036	2,158,348	14,570,384	12,588,929	6,030,151	18,619,080
5.1	Equity securities		15	43,355	43,370	15	27,595	27,610
5.2	Debt securities issued by the governments		12,412,021	1,709,676	14,121,697	12,588,914	5,719,498	18,308,412
5.3	Other securities		-	405,317	405,317	-	283,058	283,058
VI.	LOANS AND RECEIVABLES	V-I-5	131,255,058	55,293,726	186,548,784	100,166,610	49,408,659	149,575,269
6.1	Performing loans and receivables		130,177,791	55,264,739	185,442,530	99,001,801	49,402,693	148,404,494
6.1.1	Loans provided to risk group	V-VII-1	17,077	1,051	18,128	581	36,936	37,517
6.1.2	Debt securities issued by the governments		-	-	-	-	-	-
6.1.3	Other		130,160,714	55,263,688	185,424,402	99,001,220	49,365,757	148,366,977
6.2	Loans under follow-up		7,819,393	123,793	7,943,186	6,626,073	77,310	6,703,383
6.3	Specific provisions (-)		6,742,126	94,806	6,836,932	5,461,264	71,344	5,532,608
VII.	FACTORIZING RECEIVABLES		1,922,548	269,754	2,192,302	1,171,659	219,055	1,390,714
VIII.	HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	12,235,406	4,530,665	16,766,071	8,039,914	140,621	8,180,535
8.1	Debt securities issued by the governments		12,235,406	4,286,627	16,522,033	8,039,914	-	8,039,914
8.2	Other securities		-	244,038	244,038	-	140,621	140,621
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-7	384,451	3	384,454	336,229	3	336,232
9.1	Associates, consolidated per equity method		323,654	-	323,654	275,765	-	275,765
9.2	Unconsolidated associates		60,797	3	60,800	60,464	3	60,467
9.2.1	Financial associates		48,444	-	48,444	48,111	-	48,111
9.2.2	Non-Financial associates		12,353	3	12,356	12,353	3	12,356
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	279,647	-	279,647	286,698	-	286,698
10.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated non-financial subsidiaries		279,647	-	279,647	286,698	-	286,698
XI.	INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1	Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2	Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1	Financial joint-ventures		-	-	-	-	-	-
11.2.2	Non-financial joint-ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES	V-I-10	474,045	1,406,155	1,880,200	364,209	1,182,200	1,546,409
12.1	Finance lease receivables		611,982	1,565,781	2,177,763	465,056	1,323,625	1,788,681
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned income (-)		137,937	159,626	297,563	100,847	141,425	242,272
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	-	-	-	-	-
13.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	V-I-12	1,722,037	9,372	1,731,409	1,693,745	9,358	1,703,103
XV.	INTANGIBLE ASSETS (Net)	V-I-13	255,160	302	255,462	230,242	23	230,265
15.1	Goodwill		-	-	-	-	-	-
15.2	Other intangibles		255,160	302	255,462	230,242	23	230,265
XVI.	INVESTMENT PROPERTIES (Net)	V-I-14	423,498	-	423,498	354,385	-	354,385
XVII.	TAX ASSETS		63,612	-	63,612	197,922	-	197,922
17.1	Current tax assets		1,016	-	1,016	835	-	835
17.2	Deferred tax assets	V-I-15	62,596	-	62,596	197,087	-	197,087
XVIII.	ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-16	1,312,728	-	1,312,728	1,228,102	-	1,228,102
18.1	Assets held for sale		1,312,728	-	1,312,728	1,228,102	-	1,228,102
18.2	Assets related to the discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	V-I-17	4,891,487	3,843,638	8,735,125	3,110,515	2,472,502	5,583,017
TOTAL ASSETS			176,415,113	104,443,893	280,859,006	137,024,240	83,646,760	220,671,000

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

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

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

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

	Notes	Audited Current Period December 31, 2017			Audited Prior Period December 31, 2016		
		TL	FC	Total	TL	FC	Total
LIABILITIES AND EQUITY							
I. DEPOSITS	V-II-1	102,796,242	55,191,624	157,987,866	85,815,420	40,443,889	126,259,309
1.1 Deposits of risk group	V-VII-1	2,079,489	146,601	2,226,090	1,686,765	116,088	1,802,853
1.2 Other deposits		100,716,753	55,045,023	155,761,776	84,128,655	40,327,801	124,456,456
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	1,011,508	169,034	1,180,542	955,019	199,405	1,154,424
III. FUNDS BORROWED	V-II-3	2,257,541	29,130,247	31,387,788	1,720,814	24,578,616	26,299,430
IV. INTERBANK MONEY MARKET		18,936,344	3,752,731	22,689,075	11,450,137	1,794,134	13,244,271
4.1 Interbank money market takings		11,662,376	1,631,693	13,294,069	2,501,180	-	2,501,180
4.2 Istanbul Stock Exchange money market takings		237,318	-	237,318	277,667	-	277,667
4.3 Obligations under repurchase agreements		7,036,650	2,121,038	9,157,688	8,671,290	1,794,134	10,465,424
V. SECURITIES ISSUED (Net)	V-II-3	6,967,544	12,903,215	19,870,759	3,373,519	11,309,305	14,682,824
5.1 Bills		3,996,077	-	3,996,077	3,373,519	-	3,373,519
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		2,971,467	12,903,215	15,874,682	-	11,309,305	11,309,305
VI. FUNDS		3,206	-	3,206	3,319	-	3,319
6.1 Funds against borrower's note		-	-	-	-	-	-
6.2 Other		3,206	-	3,206	3,319	-	3,319
VII. MISCELLANEOUS PAYABLES		6,343,340	989,690	7,333,030	4,622,676	920,879	5,543,555
VIII. OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	947,498	3,029,795	3,977,293	747,599	2,018,132	2,765,731
IX. FACTORING PAYABLES		221	216	437	77	4	81
X. LEASE PAYABLES (Net)	V-II-5	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	-	-	-	-	-
11.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	V-II-7	6,084,250	42,791	6,127,041	5,562,513	43,584	5,606,097
12.1 General provisions	V-II-7	1,872,826	12,667	1,885,493	2,153,773	13,670	2,167,443
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		852,775	2,763	855,538	736,608	1,791	738,399
12.4 Insurance technical provisions (Net)		2,631,507	14,011	2,645,518	2,304,345	14,000	2,318,345
12.5 Other provisions	V-II-7	727,142	13,350	740,492	367,787	14,123	381,910
XIII. TAX LIABILITIES	V-II-8	703,795	58,072	761,867	477,830	11,957	489,787
13.1 Current tax liabilities		686,133	670	686,803	463,916	2,847	466,763
13.2 Deferred tax liabilities	V-I-15	17,662	57,402	75,064	13,914	9,110	23,024
XIV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)	V-II-9	-	-	-	-	-	-
14.1 Payables related to the assets held for sale		-	-	-	-	-	-
14.2 Payables related to the discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	V-II-10	528,188	5,388,949	5,917,137	-	5,014,700	5,014,700
XVI. EQUITY		22,991,149	631,816	23,622,965	19,154,003	453,469	19,607,472
16.1 Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2 Capital reserves		1,582,247	177,252	1,759,499	1,494,226	50,440	1,544,666
16.2.1 Share premium		724,269	-	724,269	727,780	-	727,780
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Valuation differences of the marketable securities	V-II-11	(240,378)	177,252	(63,126)	(181,609)	50,440	(131,169)
16.2.4 Revaluation surplus on tangible assets		1,046,956	-	1,046,956	997,197	-	997,197
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		3,913	-	3,913	3,683	-	3,683
16.2.8 Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9 Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		47,487	-	47,487	(52,825)	-	(52,825)
16.3 Profit reserves		14,550,334	254,763	14,805,097	12,025,037	234,296	12,259,333
16.3.1 Legal reserves		1,700,302	9,553	1,709,855	1,428,436	8,351	1,436,787
16.3.2 Status reserves		6,337	-	6,337	6,337	-	6,337
16.3.3 Extraordinary reserves		12,432,750	5,389	12,438,139	10,151,977	4,598	10,156,575
16.3.4 Other profit reserves		410,945	239,821	650,766	438,287	221,347	659,634
16.4 Profit or loss		3,753,445	127,821	3,881,266	2,660,885	115,059	2,775,944
16.4.1 Prior years' profit/loss		(154,298)	103,132	(51,166)	(107,147)	93,173	(13,974)
16.4.2 Current period's profit/loss		3,907,743	24,689	3,932,432	2,768,032	21,886	2,789,918
16.5 Non-controlling interest		605,123	71,980	677,103	473,855	53,674	527,529
TOTAL LIABILITIES AND EQUITY		169,570,826	111,288,180	280,859,006	133,882,926	86,788,074	220,671,000

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

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

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

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

	Notes	Audited Current Period December 31, 2017			Audited Prior Period December 31, 2016		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		80,999,013	81,421,461	162,420,474	71,979,483	76,304,502	148,283,985
I. GUARANTEES AND SURETIES	V-III-2-4	32,656,344	18,667,358	51,323,702	26,946,124	13,714,227	40,660,351
1.1 Letters of guarantee		32,035,061	8,135,927	40,170,988	26,687,992	5,628,335	32,316,327
1.1.1 Guarantees subject to State Tender Law		3,163,898	4,099,756	7,263,654	3,203,501	2,571,209	5,774,710
1.1.2 Guarantees given for foreign trade operations		1,053,872	-	1,053,872	1,059,516	-	1,059,516
1.1.3 Other letters of guarantee		27,817,291	4,036,171	31,853,462	22,424,975	3,057,126	25,482,101
1.2 Bank acceptances		44,700	1,510,854	1,555,554	53,702	1,143,484	1,197,186
1.2.1 Import letter of acceptance		671	519,399	520,070	-	395,874	395,874
1.2.2 Other bank acceptances		44,029	991,455	1,035,484	53,702	747,610	801,312
1.3 Letters of credit		30,161	8,963,991	8,994,152	1,762	6,911,368	6,913,130
1.3.1 Documentary letters of credit		30,161	8,963,991	8,994,152	1,762	6,911,368	6,913,130
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	3,006	3,006	-	2,796	2,796
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Marketable securities underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		225,380	7,528	232,908	202,668	7,682	210,350
1.8 Other guarantees		81,074	43,996	125,070	-	16,890	16,890
1.9 Other sureties		239,968	2,056	242,024	-	3,672	3,672
II. COMMITMENTS		31,872,658	17,873,251	49,745,909	27,151,229	12,692,995	39,844,224
2.1 Irrevocable commitments		28,813,083	1,547,642	30,360,725	24,078,084	1,659,432	25,737,516
2.1.1 Asset purchase commitments	V-III-1	793,979	961,190	1,755,169	1,362,697	1,502,055	2,864,752
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	-	-	-	-	-	-
2.1.4 Loan granting commitments	V-III-1	11,843,577	74,556	11,918,133	9,817,555	34,042	9,851,597
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments	V-III-1	2,542,741	-	2,542,741	2,154,102	-	2,154,102
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	10,534,862	-	10,534,862	8,682,835	-	8,682,835
2.1.10 Commitments for credit card and banking operations promotions		761,674	-	761,674	300,108	-	300,108
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		2,336,250	511,896	2,848,146	1,760,787	123,335	1,884,122
2.2 Revocable commitments		3,059,575	16,325,609	19,385,184	3,073,145	11,033,563	14,106,708
2.2.1 Revocable loan granting commitments		3,059,575	16,325,609	19,385,184	3,024,169	11,033,563	14,057,732
2.2.2 Other revocable commitments		-	-	-	48,976	-	48,976
III. DERIVATIVE FINANCIAL INSTRUMENTS	V-III-5	16,470,011	44,880,852	61,350,863	17,882,130	49,897,280	67,779,410
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		16,470,011	44,880,852	61,350,863	17,882,130	49,897,280	67,779,410
3.2.1 Forward foreign currency purchases/sales		1,152,837	1,617,661	2,770,498	492,117	1,123,868	1,615,985
3.2.1.1 Forward foreign currency purchases		576,772	808,889	1,385,661	247,789	560,368	808,157
3.2.2.2 Forward foreign currency sales		576,065	808,772	1,384,837	244,328	563,500	807,828
3.2.2 Currency and interest rate swaps		9,715,102	31,666,680	41,381,782	16,341,272	37,911,234	54,252,506
3.2.2.1 Currency swaps-purchases		3,085,946	11,883,240	14,969,186	8,566,437	11,982,601	20,549,038
3.2.2.2 Currency swaps-sales		4,289,156	5,162,344	9,451,500	6,324,835	10,311,809	16,636,644
3.2.2.3 Interest rate swaps-purchases		1,170,000	7,310,548	8,480,548	725,000	7,808,412	8,533,412
3.2.2.4 Interest rate swaps-sales		1,170,000	7,310,548	8,480,548	725,000	7,808,412	8,533,412
3.2.3 Currency, interest rate and security options		426,094	431,542	857,636	142,676	730,632	873,308
3.2.3.1 Currency call options		412,706	13,400	426,106	121,124	306,804	427,928
3.2.3.2 Currency put options		13,388	418,142	431,530	21,552	423,828	445,380
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	-	-	-	-	-
3.2.3.6 Security put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-purchases		-	-	-	-	-	-
3.2.4.2 Currency futures-sales		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-	-	-	-
3.2.6 Other		5,175,978	11,164,969	16,340,947	906,065	10,131,546	11,037,611
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,287,928,890	807,052,180	2,094,981,070	1,045,090,768	580,650,674	1,625,741,442
IV. ITEMS HELD IN CUSTODY		59,316,964	5,617,699	64,934,663	56,357,991	4,476,062	60,834,053
4.1 Customers' securities held		923,511	-	923,511	796,204	-	796,204
4.2 Investment securities held in custody		43,471,833	135,880	43,607,713	43,543,703	147,806	43,691,509
4.3 Checks received for collection		10,617,821	2,607,299	13,225,120	9,441,126	2,589,510	12,030,636
4.4 Commercial notes received for collection		2,959,313	993,297	3,952,610	1,535,349	751,302	2,286,651
4.5 Other assets received for collection		2,152	151	2,303	2,152	141	2,293
4.6 Assets received through public offering		-	-	-	-	-	-
4.7 Other items under custody		140,536	743,875	884,411	49,414	87,056	136,470
4.8 Custodians		1,201,798	1,137,197	2,338,995	990,043	900,247	1,890,290
V. PLEDGED ITEMS		315,488,892	132,707,352	448,196,244	280,719,507	104,200,492	384,919,999
5.1 Securities		740,033	5,090	745,123	495,623	16,366	511,989
5.2 Guarantee notes		708,473	524,748	1,233,221	767,642	544,996	1,312,638
5.3 Commodities		33,014,517	759,683	33,774,200	31,750,967	775,907	32,526,874
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		240,571,560	108,037,406	348,608,966	230,190,866	86,340,346	316,531,212
5.6 Other pledged items		39,693,039	23,254,495	62,947,534	16,964,074	16,365,309	33,329,383
5.7 Pledged items-depository		761,270	125,930	887,200	550,335	157,568	707,903
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		913,123,034	668,727,129	1,581,850,163	708,013,270	471,974,120	1,179,987,390
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		1,368,927,903	888,473,641	2,257,401,544	1,117,070,251	656,955,176	1,774,025,427

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

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

		Independent Auditor's Current Period January 1, 2017-December 31, 2017	Independent Auditor's Prior Period January 1, 2016-December 31, 2016
I. INTEREST INCOME		22,045,179	16,964,189
1.1 Interest income from loans	V-IV-1	18,315,576	14,268,928
1.2 Interest income from reserve deposits		221,541	111,798
1.3 Interest income from banks	V-IV-1	210,696	121,181
1.4 Interest income from money market transactions		35,753	600
1.5 Interest income from securities portfolio	V-IV-1	2,914,538	2,230,139
1.5.1 Trading financial assets		19,051	8,946
1.5.2 Financial assets designated at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets		1,735,213	1,513,449
1.5.4 Held-to-maturity investments		1,160,274	707,744
1.6 Finance lease income		138,960	110,201
1.7 Other interest income		208,115	121,342
II. INTEREST EXPENSE		13,073,305	9,727,956
2.1 Interest expense on deposits	V-IV-2	9,200,620	7,194,767
2.2 Interest expense on funds borrowed	V-IV-2	841,072	508,116
2.3 Interest expense on money market transactions		1,553,389	1,007,022
2.4 Interest expense on securities issued	V-IV-2	1,059,739	691,897
2.5 Other interest expenses		418,485	326,154
III. NET INTEREST INCOME (I – II)		8,971,874	7,236,233
IV. NET FEES AND COMMISSIONS INCOME		1,235,550	912,483
4.1 Fees and commissions received		1,896,758	1,458,702
4.1.1 Non-cash loans		300,942	229,775
4.1.2 Others		1,595,816	1,228,927
4.2 Fees and commissions paid		661,208	546,219
4.2.1 Non-cash loans		4,190	1,916
4.2.2 Others		657,018	544,303
V. DIVIDEND INCOME	V-IV-3	47,481	61,736
VI. TRADING INCOME/LOSSES (Net)	V-IV-4	194,447	505,038
6.1 Trading account income/losses	V-IV-4	48,446	24,051
6.2 Income/losses from derivative financial instruments	V-IV-4	(15,681)	354,798
6.3 Foreign exchange gains/losses	V-IV-4	161,682	126,189
VII. OTHER OPERATING INCOME	V-IV-5	3,085,245	2,004,336
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		13,534,597	10,719,826
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	2,842,558	2,333,609
X. OTHER OPERATING EXPENSES (-)	V-IV-7	5,734,147	4,906,704
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		4,957,892	3,479,513
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		51,481	37,267
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)		5,009,373	3,516,780
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-11	(992,027)	(724,334)
16.1 Current tax charges		(831,655)	(741,888)
16.2 Deferred tax credits		(160,372)	17,554
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-12	4,017,346	2,792,446
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	4,017,346	2,792,446
23.1. Equity holders of the Bank		3,932,432	2,789,918
23.2. Non-controlling interest(-)		84,914	2,528
Earnings per 100 Share (full TL)	III-XXIV	1.5730	1.1160

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 YEAR ENDED DECEMBER 31, 2017**

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

GAINS AND LOSSES RECOGNIZED IN EQUITY	Independent Auditor's Current Period January 1, 2017- December 31, 2017	Independent Auditor's Prior Period January 1, 2016- December 31, 2016
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	86,257	(234,289)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	333	16,708
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. CURRENCY TRANSLATION DIFFERENCES	(27,252)	59,217
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	88,820	31,515
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(21,448)	44,360
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	126,710	(82,489)
XI. CURRENT PERIOD'S PROFIT/(LOSS)	4,017,346	2,792,446
11.1 Change in fair value of securities (transfers to the statement of income)	(34,098)	(5,576)
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	4,051,444	2,798,022
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	4,144,056	2,709,957

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017**

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

	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
I.	Balances at the beginning of the period	2,500,000	-	727,780	-	1,236,166	6,337	8,480,048	556,741	-	2,015,941	30,011	940,657	3,683	-	-	16,497,364	505,391	17,002,755
II.	Corrections made according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	The effect of corrections of error	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	The effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted beginning balance (I+II) Changes during the period	2,500,000	-	727,780	-	1,236,166	6,337	8,480,048	556,741	-	2,015,941	30,011	940,657	3,683	-	-	16,497,364	505,391	17,002,755
IV.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Associates, Subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	(157,650)	-	-	-	-	(157,650)	933	(156,717)
VI.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	7,643	-	-	-	7,643	7,154	14,797
VIII.	Revaluation surplus on intangible as	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Translation differences	-	-	-	-	-	-	-	52,130	-	-	-	-	-	-	-	52,130	7,087	59,217
XI.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	-	(25,031)	(3,530)	-	-	-	-	(28,561)	-	(28,561)
XIV.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	3,070	-	1,606	2,177	-	(8,295)	-	25,454	-	-	-	24,012	4,763	28,775
XIX.	Current period's net profit/loss	-	-	-	-	-	-	-	-	2,789,918	-	-	-	-	-	-	2,789,918	2,528	2,792,446
XX.	Profit distribution	-	-	-	-	197,551	-	1,674,921	(4,239)	-	(1,996,589)	-	23,443	-	-	-	(104,913)	(327)	(105,240)
20.1	Dividends	V-V-5	-	-	-	-	-	-	-	-	(104,913)	-	-	-	-	-	(104,913)	(327)	(105,240)
20.2	Transferred to reserves	V-V-5	-	-	-	197,551	-	1,674,921	(4,239)	-	(1,891,676)	-	23,443	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period	2,500,000	-	727,780	-	1,436,787	6,337	10,156,575	606,809	2,789,918	(13,974)	(131,169)	997,197	3,683	-	-	19,079,943	527,529	19,607,472

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017**

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

		Paid in	Capital	Share	Share	Legal	Status	Extra-	Other	Current	Prior	Valuation	Revaluation	Bonus	Revaluation	Shareholders'	Non-	Total	
	Notes	Capital	Reserves from Inflation Adjustments to Paid in Capital	Premium	Cancellation Profits	Reserves	Reserves	ordinary Reserves	Profit Reserves	Year's Net Profit/(Loss)	Period's Net Profit/(Loss)	Differences of the Marketable Securities	Surplus on Tangible, Intangible Assets and Investment Property	Shares of Associates, Subsidiaries and Joint Ventures	Surp. On Assets Held for Sale and Assets of Discount. Op.s	Equity before Minority Shares	controlling Interest	Shareholders' Equity	
I.																			
	Current Period – December 31, 2017																		
	Balances at the beginning of the period	2,500,000	-	727,780	-	1,436,787	6,337	10,156,575	606,809	-	2,775,944	(131,169)	997,197	3,683	-	-	19,079,943	527,529	19,607,472
	Changes during the period																		
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation differences of the marketable securities	V-V-1	-	-	-	-	-	-	-	-	-	64,587	-	-	-	-	64,587	-	64,587
IV.	Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash flow hedges	V-V-2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	(873)	-	-	-	(873)	7,065	6,192
VI.	Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	230	-	-	230	-	230
VIII.	Translation differences	V-V-3	-	-	-	-	-	-	(27,252)	-	-	-	-	-	-	-	(27,252)	-	(27,252)
IX.	Changes resulted from disposal of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Group's equity		-	-	-	-	-	-	-	-	(37,096)	3,456	1,188	-	-	-	(32,452)	-	(32,452)
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		-	-	(3,511)	(584)	-	(1,128)	98,648	-	(37,192)	-	-	-	-	-	56,233	59,172	115,405
XVII.	Current period's net profit/loss		-	-	-	-	-	-	-	3,932,432	-	-	-	-	-	-	3,932,432	84,914	4,017,346
XVIII.	Profit distribution		-	-	-	273,652	-	2,282,692	20,048	-	(2,752,822)	-	49,444	-	-	(126,986)	(1,577)	(128,563)	
18.1	Dividends		-	-	-	-	-	-	-	-	(120,000)	-	-	-	-	(120,000)	(8,563)	(128,563)	
18.2	Transferred to reserves		-	-	-	273,652	-	2,282,692	20,048	-	(2,632,822)	-	49,444	-	-	(6,986)	6,986	-	
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Balances at the end of the period	2,500,000	-	724,269	-	1,709,855	6,337	12,438,139	698,253	3,932,432	(51,166)	(63,126)	1,046,956	3,913	-	-	22,945,862	677,103	23,622,965

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2017**

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

	Notes	Audited Current Period December 31, 2017	Audited Prior Period December 31, 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		6,846,022	4,169,924
1.1.1 Interests received		20,390,595	15,649,451
1.1.2 Interests paid		(12,569,147)	(9,579,425)
1.1.3 Dividends received		17,865	10,225
1.1.4 Fee and commissions received		1,896,758	1,458,702
1.1.5 Other income		1,503,221	1,155,052
1.1.6 Collections from previously written-off loans and other receivables		1,378,167	1,203,154
1.1.7 Payments to personnel and service suppliers		(2,239,442)	(1,886,447)
1.1.8 Taxes paid		(813,686)	(950,946)
1.1.9 Other	V-VI-1	(2,718,309)	(2,889,842)
1.2 Changes in operating assets and liabilities		(502,403)	(4,359,432)
1.2.1 Net (increase) decrease in financial assets held for trading purpose		52,705	(68,142)
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		(4,638,887)	1,386,426
1.2.4 Net (increase) decrease in loans		(39,057,735)	(26,315,387)
1.2.5 Net (increase) decrease in other assets		(3,821,724)	(353,827)
1.2.6 Net increase (decrease) in bank deposits		4,631,612	(469,133)
1.2.7 Net increase (decrease) in other deposits		26,388,303	14,656,938
1.2.8 Net increase (decrease) in funds borrowed		4,868,590	6,024,640
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	V-VI-1	11,074,733	779,053
I. Net cash flow from banking operations		6,343,619	(189,508)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		(2,727,581)	(1,212,616)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-	-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	V-VI-3	232	-
2.3 Cash paid for purchase of tangible assets		(171,566)	(248,621)
2.4 Proceeds from disposal of tangible assets		574,326	462,653
2.5 Cash paid for purchase of available-for-sale financial assets		(7,485,592)	(6,636,883)
2.6 Proceeds from disposal of available-for-sale financial assets		4,650,615	5,466,684
2.7 Cash paid for purchase of held-to-maturity investments		(2,423,358)	(1,873,688)
2.8 Proceeds from disposal of held-to-maturity investments		2,186,864	1,673,758
2.9 Other	V-VI-1	(59,102)	(56,519)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		5,862,857	4,712,885
3.1 Cash obtained from funds borrowed and securities issued		16,823,204	13,644,312
3.2 Cash used for repayment of funds borrowed and securities issued		(10,831,784)	(8,831,100)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(128,563)	(100,327)
3.5 Repayments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents	V-VI-1	(137,492)	53,516
V. Net (decrease) / increase in cash and cash equivalents		9,341,403	3,364,277
VI. Cash and cash equivalents at the beginning of the period	V-VI-4	12,421,404	9,057,127
VII. Cash and cash equivalents at the end of the period	V-VI-4	21,762,807	12,421,404

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 DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2017**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Current Period December 31, 2017	Prior Period December 31, 2016
I. DISTRIBUTION OF CURRENT YEAR PROFIT^(***)			
1.1 CURRENT YEAR'S PROFIT		4,675,132	3,395,524
1.2 TAXES AND LEGAL DUTIES PAYABLE		(951,749)	(692,482)
1.2.1 Corporate tax (income tax)	V-IV-11	(792,677)	(712,424)
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties ^(**)	V-IV-11	(159,072)	19,942
A. NET PROFIT FOR THE YEAR		3,723,383	2,703,042
1.3 DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES	V-IV-11	-	19,941
B. NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME		3,723,383	2,683,101
1.4 ACCUMULATED LOSSES		-	-
1.5 FIRST LEGAL RESERVES	V-V-5	-	134,155
1.6 OTHER STATUTORY RESERVES	V-V-5	-	134,155
C. NET PROFIT AVAILABLE FOR DISTRIBUTION^(*)		-	2,414,791
1.7 FIRST DIVIDEND TO SHAREHOLDERS		-	120,000
1.7.1 To owners of ordinary shares		-	120,000
1.7.2 To owners of privileged shares		-	-
1.7.3 To owners of redeemed shares		-	-
1.7.4 To profit sharing bonds		-	-
1.7.5 To holders of profit and loss sharing certificates		-	-
1.8 DIVIDENDS TO PERSONNEL		-	-
1.9 DIVIDENDS TO BOARD OF DIRECTORS		-	-
1.10 SECOND DIVIDEND TO SHAREHOLDERS		-	-
1.10.1 To owners of ordinary shares		-	-
1.10.2 To owners of privileged shares		-	-
1.10.3 To owners of redeemed shares		-	-
1.10.4 To profit sharing bonds		-	-
1.10.5 To holders of profit and loss sharing certificates		-	-
1.11 SECOND LEGAL RESERVES		-	-
1.12 STATUS RESERVES		-	-
1.13 EXTRAORDINARY RESERVES	V-V-5	-	2,245,347
1.14 OTHER RESERVES		-	-
1.15 SPECIAL FUNDS	V-V-5	-	49,444
II. DISTRIBUTION FROM RESERVES		-	-
2.1 DISTRIBUTION OF RESERVES		-	-
2.2 SECOND LEGAL RESERVES		-	-
2.3 DIVIDENDS TO SHAREHOLDERS		-	-
2.3.1 To owners of ordinary shares		-	-
2.3.2 To owners of privileged shares		-	-
2.3.3 To owners of redeemed shares		-	-
2.3.4 To profit sharing bonds		-	-
2.3.5 To holders of profit and loss sharing certificates		-	-
2.4 DIVIDENDS TO PERSONNEL		-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS		-	-
III. EARNINGS PER SHARE		-	-
3.1 TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)		1.4894	1.0812
3.2 TO OWNERS OF ORDINARY SHARES (%)		148.94	108.12
3.3 TO OWNERS OF PRIVILEGED SHARES		-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1 TO OWNERS OF ORDINARY SHARES		-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3 TO OWNERS OF PRIVILEGED SHARES		-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-

(*) As of the report date, distributable net profit of the period is not shown as any decision regarding the 2017 profit distribution is not taken.

(**) The amount shown in other taxes and legal liabilities is deferred income/expense tax, and deferred tax income is not subject to profit distribution.

(***) The profit distribution is based on the non-consolidated financial statements of the Parent Bank.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

The amendments to TAS and TFRS, effective from January 1, 2017, have no material impact on the Group’s accounting policies, financial position and performance. The amendments to TAS and TFRS, which have been published but not came into force as of financial statement date, will have no impact on the accounting policies, financial condition and performance of the Group.

Disclosures of IFRS 9 Financial Instruments:

TFRS 9 “Financial Instruments”, which is effective as at January 1, 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 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.

The Parent Bank will apply the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at January 1, 2018, with no restatement of comparative periods.

Classification and measurement of financial assets

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).

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 EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued)

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 (“FVOCI”). 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.

The combined application of the contractual cash flow characteristics and business models as at January 1, 2018 is expected to result in no major difference in the classification of financial assets when compared to the classification under TAS 39.

Impairment of financial assets

As of January 1, 2018, the Parent Bank will recognize provisions for impairment in accordance with the 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 as mentioned in the Section 3 Part VII of Explanation on Accounting Policies will be changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

These financial assets will be 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 will be 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 will be transferred to Stage 2. Impairment for credit risk will be 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 will recognize an adjustment to opening retained earnings at January 1, 2018, to reflect the application of the new requirements at the adoption date. The primary impact is attributable to changes in the allowance for credit losses under the new impairment requirements and the related deferred taxes.

The Parent Bank will recognize an adjustment to opening retained earnings at January 1, 2018, to reflect the application of the new requirements at the adoption date. As of the date of preparation of these financial statements, the Bank continues to work in order to comply with TFRS 9 standard, it is not anticipated a significant impact on the total equity as a result of the impairment calculation based on expected credit loss model. In addition, in accordance with TFRS 9, the Parent Bank will calculate deferred tax on the expected credit losses calculated on Stage 1 and Stage 2 loans, and the impact regarding calculated deferred tax asset will be accounted under shareholder’s equity with initial application.

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 EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued)

Additional paragraph for convenience translation to English

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

II. STRATEGY FOR THE USE OF FINANCIAL INSTRUMENTS AND INFORMATION ON FOREIGN CURRENCY TRANSACTIONS

Strategy for the use of financial instruments

The Parent Bank’s core operations are based on retail banking, corporate banking, private banking, foreign exchange operations, money market operations, investment security transactions, and international banking in accordance with the requirements of its economic development while utilizing foundation resources. As a result of the nature of its operations, the Parent Bank intensively utilizes financial instruments. The Parent Bank accepts deposits consisting various maturities as the main source of funding with deposits being in high return as well as carefully utilizing them in high quality financial activities.

The most important fund sources of the Parent Bank other than the deposits are its equity and medium and long-term borrowings obtained from foreign financial institutions. The Parent Bank pursues an effective asset-liability management strategy by securing balance between funding resources and investments so as to reduce risks and increase returns. Accordingly, the Parent Bank attaches great significance to long-term placements bearing higher interest rates.

It is essential to consider the maturity structure of assets and liabilities in liquidity management. The essence of asset liability management is the keep the liquidity risk, exchange rate risk and credit risk within reasonable limits; while enhancing profitability and strengthening the Parent Bank’s shareholders’ equity.

Investments in marketable securities and lending loans generate higher return than the average rate of return of the Bank’s operating activities on the basis of maturity structures and market conditions. When bank placements are considered, they have short term maturity in terms of liquidity management and have lower return. The Bank can take various positions on short-term foreign exchange risk, interest rate risk and market risk in money and capital markets, by considering market conditions, within specified limits set by regulations. The Parent Bank hedges itself and controls its position against the foreign exchange risk being exposed due to foreign currency available-for-sale investments, investments in other portfolios and other foreign currency transactions by various derivative transactions and setting the equilibrium between foreign currency denominated assets and liabilities.

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

In order to avoid interest rate risk, assets and liabilities having fixed and floating interest rates are kept in balance, taking the maturity structure into consideration.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

ACCOUNTING POLICIES (Continued)

II. STRATEGY FOR THE USE OF FINANCIAL INSTRUMENTS AND INFORMATION ON FOREIGN CURRENCY TRANSACTIONS (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 Parent Bank started the fair value risk hedging strategy in order to avoid currency risk due to the share of Vakıfbank International AG's 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the Bank on May 4, 2016 with a maturity date of May 4, 2021 has been declared as the hedging instrument. In the subject process, the fair value changes that are related to the hedged investments abroad are recognized in the income statements as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement as at December 31, 2017 is TL 55,219. 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 December 31, 2017, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS-39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The Parent Bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

ACCOUNTING POLICIES (Continued)

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

Consolidated subsidiaries

As at and for the year ended December 31, 2017, 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 authorization of World Vakıf UBB Ltd., a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to May 24, 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at December 31, 2017 and December 31, 2016 but until the liquidation decision date its accumulated previous years' loss has been included in the accompanying consolidated financial statements.

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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 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 December 31, 2017 and December 31, 2016, but its equity until the merger date has been included in the accompanying consolidated financial statements.

Investments in associates consolidated per equity method

As at and for the year ended December 31, 2017, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

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

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

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

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ACCOUNTING POLICIES (Continued)

V. INFORMATION ON INTEREST INCOME AND EXPENSES

Banking activities

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

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

Finance leasing activities

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

Factoring operations

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

VI. INFORMATION ON FEES AND COMMISSIONS

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

VII. INFORMATION ON FINANCIAL ASSETS

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

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

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

Financial assets at fair value through profit or loss

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

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

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Financial assets classified as financial assets at fair value through profit or loss are financial assets which are not acquired for trading, however during initial recognition classified as financial assets at fair value through profit or loss including transaction costs. Such an asset is not present in the Group’s portfolio.

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

Available-for-sale financial assets

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

Held to maturity investments

Held to maturity investments are the financial assets with fixed maturities and pre-determined payment schedules that the Group has the intent and ability to hold until maturity, excluding loans and receivables.

Financial assets classified as held to maturity investment however sold before its’ maturity or reclassified, are not allowed to be classified as held to maturity investment for two years with respect to TAS 39 rules. There are no financial assets in the Bank’s portfolio contradictory to the standard.

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

Loans and receivables

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

Loans and receivables are initially recognized with their purchase and carried at their amortized costs using the effective interest method at the subsequent recognition.

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

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

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

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

Securities sold under repurchase agreements ("repo") are classified under "Held for Trading Purpose", "Available for Sale" and/or "Held-to-Maturity" portfolios according to their holding purposes in the Group's portfolio, and they are valued based on the revaluation principles of the related portfolios. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis of balance sheet date.

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

XI. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Tangible assets 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.

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ACCOUNTING POLICIES (Continued)

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

XIII. INFORMATION ON TANGIBLE ASSETS

The costs of the tangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the inflationary 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.

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ACCOUNTING POLICIES (Continued)

XIV. INFORMATION ON INVESTMENT PROPERTIES

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

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

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

XV. INFORMATION ON LEASING ACTIVITIES

Leasing activities

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

- *Finance leasing activities as the lessee*

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

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

- *Finance leasing transactions as lessor*

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

Operational leases

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

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ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

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

XVII. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2017 is TL 4,732 (full TL) (December 31, 2016: TL 4,297 (full TL)).

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

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

	Current Period	Prior Period
Discount Rate	12.32%	11.10%
Estimated Inflation Rate	8.00%	7.80%
Increase in Real Wage Rate	9.00%	8.80%

Other benefits to employees

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

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

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ACCOUNTING POLICIES (Continued)

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

Pension fund

The employees of the Parent Bank are the members of “Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) established on 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)

XVIII. 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 between 2018-2020, 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 until the 17th evening in the two months followed which is declared on 14th day 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 within five years 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 May 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)

XVIII. INFORMATION ON TAXATION (Continued)

Banking and Insurance Transaction Tax

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

Deferred taxes

According to the TAS 12 - Income Taxes; deferred tax assets and liabilities are recognized, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, and initial recognition of assets and liabilities which affect neither accounting nor taxable profit. The delayed tax debt or assets is determined by calculating the “taxable temporary differences “ between the assets’ and debts’ book values versus the values on the legal tax base accounts . According to tax legislation, differences that do not affect the financial or commercial profit of the assets or liabilities at the acquisition date are excluded from these calculations. The Law regarding amendments on Certain Tax Laws was approved in The Grand National Assembly of Turkey on November 28, 2017 and the Law was published in the Official Gazette on December 5, 2017. Accordingly, the corporate income tax rate will be increased from 20% to 22% for the years 2018, 2019 and 2020. According to the Law that have been enacted, deferred tax asset and liabilities shall be measured at the tax rate 22% that are expected to apply to these periods when the assets is realized or the liability is settled. For the periods 2021 and after deferred tax assets and liabilities will be measured by 20% tax rate.

According to December 8, 2004 BRSA DZM 2/13/1-a-3 notice;

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

Deferred tax rate shall be measured over general provision according to IFRS 9 articles from January 1, 2018.

Deferred taxes’ book value is revised in every balance sheet date. Deferred tax book value can be reduced if there is improbable to create revenue.

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

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

Transfer Pricing

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

XIX. INFORMATION ON CASH AND CASH EQUIVALENT

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

XX. ADDITIONAL INFORMATION ON BORROWINGS

The Parent Bank 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.

XXI. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

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

XXII. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXIII. INFORMATION ON GOVERNMENT INCENTIVES

As at December 31, 2017, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 186,717 (December 31, 2016: TL 199,946).

XXIV. INFORMATION ON SEGMENT REPORTING

An operating segment is a component of an entity:

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

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

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ACCOUNTING POLICIES (Continued)

XXV. OTHER MATTERS

Earnings per shares

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

As at and for the year ended December 31, 2017, earnings per 100 shares are full TL 1.5730 (December 31, 2016: full TL 1.1160).

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.

Classifications

None.

Insurance operations

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

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

Reserve for outstanding claims: Accounts for outstanding claim reserve for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts, and in the calculations related to the claim reserves, claim recoveries, salvage and similar gains are not deducted. The difference between the outstanding claim reserve that is accrued and determined on account and the amount that is calculated by using the actuarial chain ladder method, of which the content and implementation fundamentals are determined on the Legislation for Technical Provision and the "Circular on Outstanding Claim Reserve" numbered. 2014/16 and dated 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.

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ACCOUNTING POLICIES (Continued)

XXV. OTHER MATTERS (Continued)

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

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

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

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

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

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

Individual pension 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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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 December 31, 2017 Group’s capital adequacy ratio is 14.95% (December 31, 2016: 13.88%).

Information about the consolidated shareholder equity items

	Current Period December 31, 2017	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	-
Share Premium	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	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Current Period December 31, 2017	Amount as per the regulation before 1/1/2014(*)
Additional Tier 1 capital: instruments	-	-
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	-	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital -	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital	-	-
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	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	-	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Current Period December 31, 2017	Amount as per the regulation before 1/1/2014(*)
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL		
Total Capital	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 (%)	0.003	-
Systemically important banks buffer requirement (%)	0.500	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.42	-
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)	1,885,493	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,244,752	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Information about the consolidated shareholder equity items

	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	-
Share Premium	727,780	-
Reserves	12,259,333	-
Income recognized under equity in accordance with TAS	866,028	-
Profit	2,775,944	-
Current Period’s Profit	2,789,918	-
Prior Period’s Profit	(13,974)	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	3,683	-
Minority shares	521,476	-
Common Equity Tier 1 Capital Before Deductions	19,654,244	-
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	52,825	-
Leasehold Improvements on Operational Leases	162,121	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	138,159	230,265
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	353,105	-
Common Equity Tier 1 capital (CET1)	19,301,139	-

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014(*)
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	-	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital -	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital		
Bank's direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	-
Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	92,106	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (AT1)	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	19,209,033	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	2,723,659	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	977,288	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	6,053	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,983,272	-
Tier 2 Capital Before Deductions	4,712,984	-
Deductions From Tier 2 Capital		
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	4,712,984	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	23,922,017	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	112,142	-
Other items to be defined by the BRSA (-)	1,166	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014(*)
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL		
Total Capital	23,808,709	-
Total Risk Weighted Amounts	171,540,121	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	11.25	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.20	-
Consolidated Capital Adequacy Ratio (%)	13.88	-
BUFFERS		
Total buffer requirement	0.627	-
Capital conservation buffer requirement (%)	0.625	-
Bank specific counter-cyclical buffer requirement (%)	0.002	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.75	-
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2,167,443	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,983,272	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

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

Issuer	T.Vakıflar Bankası T.A.Ö.
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 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	Fixed/Interest payment once in six month, principal payment at the maturity date
Coupon rate and any related index	XS0849728190/ US90015NAB91 6% fixed interest rate XS1175854923/ US90015WAC73 6.875% fixed interest rate XS1551747733/ US90015WAE30 8% fixed interest rate 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
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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

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:

	December 31, 2017	December 31, 2016
Shareholders’ equity	23,622,965	19,607,472
Leasehold improvements on operational leases	(186,861)	(162,121)
Goodwill and intangible assets	(204,370)	(138,159)
General provision (1.25% of the amount that subject to credit risk)	1,885,493	1,983,272
Subordinated debt	4,079,148	2,723,659
Deductions from shareholders’ equity	(52,447)	(205,414)
Capital	29,143,928	23,808,709

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK

Credit risk is defined as the counterparty’s possibility of failing to fulfil its obligations on the terms set by the agreement. Credit risk means risks and losses that may occur if the counterparty fails to comply with the agreement’s requirements and cannot perform its obligations partially or completely on the terms set. It covers the possible risks arising from futures and option agreements and other agreements alike and the credit risks arising from credit transactions that have been defined by the Banking Law.

In compliance with the articles 51 and 54 set forth in Banking Law and ancillary regulation, credit limits are set by The Parent Bank for the financial position and credit requirements of customers within the authorization limits assigned for branches, regional directorates, lending departments, assistant general manager responsible of lending, general manager, credit committee and board of directors and credits are given regarding these limits in order to limit credit risk in lending facilities.

Credit limits are determined separately for the individual customer, company, group of companies, risk groups on a product basis. In accordance with the related Lending Policy, several criteria are used in the course of determining these credit limits. Customers should have a long-standing and a successful business past, a high commercial morality, possess a good financial position and a high morality, the nature of their business should be appropriate to use the credit, possess their commercial operations in an affirmative and a balanced manner, have experience and specialization in their profession, be able to adopt themselves to the economic conditions, to be accredited on the market, have sufficient equity capital, possess the ability to create funds with their operations and finance their placement costs. Also the sector and the geographical position of customers, where they operate and other factors that may affect their operations are considered in the evaluation process of loans. Apart from ordinary intelligence operations, the financial position of the customer is mainly analyzed based on the balance sheets and the income statements provided by the loan customer, the documents received in accordance with the related regulation for their state of accounts and other related documents. Credit limits are subject to revision regarding the overall economic developments and the changes in the financial information and operations of the customers.

Collaterals for the credit limits are determined on a customer basis in order to ensure bank placements and their liquidity. The amount and type of the collateral are determined regarding the creditworthiness of the credit users. The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

The Group has risk control limits for derivative transaction (futures, options, etc.) positions, which effects credit risk and market risk.

For credit risk management purposes, Risk Management Department operates in

- The determination of credit risk policies in coordination with the Bank’s other units,
- The determination and monitoring of the distribution of concentration limits with respect to sector, geography and credit type,
- The contribution to the formation of rating and scoring systems,
- The submit to the Board of Directors and the senior management of not only credit risk management reports about credit portfolio’s distribution (borrower, sector, geographical region), credit quality (impaired loans, credit risk ratings) and credit concentration but also scenario analysis reports, stress tests and other analyses,
- The studies regarding the formation of advanced credit risk measurement approaches.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Credit risk is defined and managed for all cash and non-cash agreements and transactions, which carry counterparty risk. Loans with renegotiated terms are followed in accordance with The Parent Bank’s credit risk management and follow-up principles. The financial position and trading operations of related customers are continuously analyzed and principal and interest payments, scheduled in renegotiation agreement, are strictly controlled by related departments. In the framework of The Parent Bank’s risk management concept, long term commitments are accepted more risky than short term commitments. Besides, risk limits defined for long term commitments and collaterals that should be taken against long term commitments are handled in a wider range compared to short term commitments.

Indemnified non-cash loans are regarded as the same risk weight with the loans that are past due and unpaid.

Banking operations and lending activities carried in foreign countries are not exposed to material credit risks, due to related countries’ financial conditions, customers and their operations.

The Group classifies its past due and impaired receivables as shown below in accordance with the “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables and Provisions to be Set Aside”.

- For which recovery of principal and interest or both delays from their terms or due dates are more than 90 days but not more than 180 days are classified as “Group Three- Loans and Other Receivables With Limited Recovery”,
- For which recovery of principal and interest or both delays from their terms or due dates are more than 180 days but not more than 360 days are classified as “Group Four- Loans and Other Receivables With Suspicious Recovery”,
- For which recovery of principal and interest or both delays from their terms or due dates are more than 360 days are classified as “Group Five - Loans and Other Receivables Having the Nature of Loss”,

Regardless of the guarantees and pledges received, the Group provides 20% provision for the Loans and Other Receivables classified in Group Three, 50% provision for the Loans and Other Receivables classified in Group Four and 100% in Group Five.

The Group’s largest 100 cash loan customers compose 26.16% of the total cash loan portfolio (December 31, 2016: 26.83%).

The Group’s largest 100 non-cash loan customers compose 52.90% of the total non-cash loan portfolio (December 31, 2016: 55.78%).

The Group’s largest 100 cash loan customers compose 17.27% of total assets of the Group and the Group’s largest 100 non-cash loan customers compose 16.71% of total off-balance sheet items (December 31, 2016: 18.04% and 15.30%).

The Group’s largest 200 cash loan customers compose 32.46% of the total cash loan portfolio (December 31, 2016: 32.99%).

The Group’s largest 200 non-cash loan customers compose 65.02% of the total non-cash loan portfolio (December 31, 2016: 67.94%).

The Group’s largest 200 cash loan customers compose 21.43% of total assets of the Group and the Bank’s largest 200 non-cash loan customers compose 20.54% of total off-balance sheet items (December 31, 2016: 22.19% and 18.63%).

The general provision for credit risk amounts to TL 1,885,493 (December 31, 2016: TL 2,167,443)

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Risk Classifications:	Current Period	Average Risk
	Risk Amount^(**)	Amount^(*)(**)
Claims on sovereigns and Central Banks	94,576,550	75,796,482
Claims on regional governments or local authorities	6,911,220	5,775,138
Claims on administrative bodies and other non-commercial undertakings	438,918	1,108,723
Claims on multilateral development banks	19,615	17,081
Claims on international organizations	-	-
Claims on banks and intermediary institutions	17,508,822	14,473,488
Claims on corporate	93,630,912	84,784,246
Claims included in the regulatory retail portfolios	50,830,366	48,090,373
Claims secured by residential property	48,390,011	46,101,812
Past due loans	1,106,254	1,145,360
Higher risk categories decided by the Agency	283,262	271,061
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	263	168
Stock Investments	707,498	682,341
Other claims	10,375,891	8,433,671

(*) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2017 period.

(**) Before reducing the credit risk, the rate of the post credit conversion is given.

Risk Classifications:	Prior Period	Average Risk
	Risk Amount^(**)	Amount^(*)(**)
Claims on sovereigns and Central Banks	58,031,079	61,716,668
Claims on regional governments or local authorities	4,754,757	4,084,721
Claims on administrative bodies and other non-commercial undertakings	1,321,061	1,499,245
Claims on multilateral development banks	3,705	436
Claims on international organizations	-	-
Claims on banks and intermediary institutions	17,387,089	13,984,837
Claims on corporate	75,239,181	68,943,308
Claims included in the regulatory retail portfolios	45,732,251	40,238,614
Claims secured by residential property	43,946,760	39,721,096
Past due loans	1,170,775	1,050,056
Higher risk categories decided by the Agency	402,675	2,140,556
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	5
Stock Investments	650,567	576,735
Other claims	7,538,274	6,986,070

(*) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2016 period.

(**) Before reducing the credit risk, the rate of the post credit conversion is given.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Risk profile according to the geographical concentration (*)**

Current Period	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
Domestic	85,032,643	6,907,986	438,918	18,032	-	4,189,404	85,058,214	50,809,900	48,042,682	1,102,757	62,596	-	-	-	263	43,397	9,515,272	291,222,064
EU countries	712,487	-	-	1,447	-	10,715,905	618,620	6,856	-	3,497	476	-	-	-	-	-	26,775	12,086,063
OECD countries (*)	-	-	-	-	-	498,484	4	-	-	-	-	-	-	-	-	-	-	498,488
Off-shore banking regions	-	3,234	-	-	-	113,075	4,247,432	2,953	328,856	-	-	-	-	-	-	-	-	4,695,550
USA, Canada	8,831,420	-	-	136	-	1,426,112	1,810,290	-	18,473	-	-	-	-	-	-	-	-	12,086,431
Other countries	-	-	-	-	-	460,940	1,896,352	10,657	-	-	220,190	-	-	-	-	-	-	2,588,139
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	104,902	-	-	-	-	-	-	-	-	-	664,101	-	769,003
Undistributed Assets/Liabilities(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	833,844	833,844
Total	94,576,550	6,911,220	438,918	19,615	-	17,508,822	93,630,912	50,830,366	48,390,011	1,106,254	283,262	-	-	-	263	707,498	10,375,891	324,779,582

(*) EU countries, OECD countries except USA and Canada.

(**) The assets and liabilities that can not be distributed according to a consistent base.

(***) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

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 EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Risk profile according to the geographical concentration (*)**

Prior Period	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
Domestic	54,800,963	4,754,757	1,310,984	3,705	-	7,196,080	71,454,598	45,723,566	43,898,829	1,164,809	197,087	-	-	-	-	27,637	6,648,036	237,181,051
EU countries	448,596	-	10,077	-	-	8,551,401	1,944,141	6,990	-	5,966	-	-	-	-	-	-	17,972	10,985,143
OECD countries (*)	-	-	-	-	-	13,085	-	-	-	-	-	-	-	-	-	-	-	13,085
Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	2,781,520	-	-	-	-	1,536,287	1,748,377	1,695	47,931	-	-	-	-	-	-	-	-	6,115,810
Other countries	-	-	-	-	-	90,236	92,065	-	-	-	205,588	-	-	-	-	-	-	387,889
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	622,930	-	622,930
Undistributed Assets/Liabilities(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	872,266
Total	58,031,079	4,754,757	1,321,061	3,705	-	17,387,089	75,239,181	45,732,251	43,946,760	1,170,775	402,675	-	-	-	-	650,567	7,538,274	256,178,174

(*) EU countries, OECD countries except USA and Canada.

(**) The assets and liabilities that can not be distributed according to a consistent base.

(***) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

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 EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Risk profile according to sectors and counterparties (*)

Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	190,377	444	10	-	-	-	284,243	543,542	445,896	-	-	-	-	-	-	-	-	1,312,669	151,843	1,464,512
<i>Farming and raising livestock</i>	<i>182,614</i>	<i>444</i>	<i>10</i>	-	-	-	<i>282,767</i>	<i>513,294</i>	<i>432,391</i>	-	-	-	-	-	-	-	-	<i>1,264,547</i>	<i>146,973</i>	<i>1,411,520</i>
<i>Forestry</i>	<i>6,204</i>	-	-	-	-	-	<i>50</i>	<i>18,521</i>	<i>4,603</i>	-	-	-	-	-	-	-	-	<i>29,378</i>	-	<i>29,378</i>
<i>Fishing</i>	<i>1,559</i>	-	-	-	-	-	<i>1,426</i>	<i>11,727</i>	<i>8,902</i>	-	-	-	-	-	-	-	-	<i>18,744</i>	<i>4,870</i>	<i>23,614</i>
Manufacturing	5,112,339	187,304	61,438	-	-	-	37,073,078	4,057,765	6,413,129	-	-	-	-	-	-	-	-	21,999,278	30,905,775	52,905,053
<i>Mining</i>	<i>130,473</i>	-	-	-	-	-	<i>2,962,565</i>	<i>158,487</i>	<i>145,433</i>	-	-	-	-	-	-	-	-	<i>682,621</i>	<i>2,714,337</i>	<i>3,396,958</i>
<i>Production</i>	<i>4,903,832</i>	<i>30</i>	<i>75</i>	-	-	-	<i>23,338,653</i>	<i>3,650,483</i>	<i>6,089,190</i>	-	-	-	-	-	-	-	-	<i>17,975,215</i>	<i>20,007,048</i>	<i>37,982,263</i>
<i>Electric, Gas, Water</i>	<i>78,034</i>	<i>187,274</i>	<i>61,363</i>	-	-	-	<i>10,771,860</i>	<i>248,795</i>	<i>178,506</i>	-	-	-	-	-	-	-	-	<i>3,341,442</i>	<i>8,184,390</i>	<i>11,525,832</i>
Construction	2,952,799	890	3,395	-	-	-	11,744,362	2,775,701	6,780,970	-	-	-	-	-	-	-	-	15,711,802	8,546,315	24,258,117
Services	50,467,597	6,706,806	176,802	19,615	-	17,508,822	20,142,747	7,159,786	8,239,232	-	220,667	-	-	-	263	43,370	-	60,428,292	50,257,415	110,685,707
<i>Wholesale and retail trade</i>	<i>6,852</i>	<i>232</i>	-	-	-	-	<i>563,912</i>	<i>108,697</i>	<i>1,784</i>	-	-	-	-	-	-	-	-	<i>340,597</i>	<i>340,880</i>	<i>681,477</i>
<i>Hotel, Food and Beverage Services</i>	<i>526,253</i>	<i>11</i>	<i>263</i>	-	-	-	<i>1,792,862</i>	<i>797,125</i>	<i>3,323,258</i>	-	-	-	-	-	-	-	-	<i>2,346,056</i>	<i>4,093,716</i>	<i>6,439,772</i>
<i>Transportation and Telecommunication</i>	<i>913,632</i>	<i>11,378</i>	<i>23,533</i>	-	-	-	<i>11,049,289</i>	<i>4,649,438</i>	<i>2,230,411</i>	-	-	-	-	-	-	-	-	<i>8,579,416</i>	<i>10,298,265</i>	<i>18,877,681</i>
<i>Financial Institutions</i>	<i>48,222,227</i>	<i>10</i>	<i>733</i>	<i>19,615</i>	-	<i>17,508,822</i>	<i>4,665,354</i>	<i>148,801</i>	<i>946,723</i>	-	<i>220,667</i>	-	-	-	<i>263</i>	<i>43,370</i>	-	<i>38,341,752</i>	<i>33,434,833</i>	<i>71,776,585</i>
<i>Real Estate and renting services</i>	<i>215,895</i>	-	<i>70,183</i>	-	-	-	<i>1,248,419</i>	<i>1,067,057</i>	<i>919,586</i>	-	-	-	-	-	-	-	-	<i>2,626,874</i>	<i>894,266</i>	<i>3,521,140</i>
<i>Self-employment services</i>	<i>4,905</i>	<i>1,513</i>	<i>241</i>	-	-	-	<i>8,415</i>	<i>10,669</i>	-	-	-	-	-	-	-	-	-	<i>14,903</i>	<i>10,840</i>	<i>25,743</i>
<i>Education services</i>	<i>164,013</i>	<i>11</i>	<i>626</i>	-	-	-	<i>274,797</i>	<i>168,283</i>	<i>420,193</i>	-	-	-	-	-	-	-	-	<i>935,978</i>	<i>91,945</i>	<i>1,027,923</i>
<i>Health and social services</i>	<i>413,820</i>	<i>6,693,651</i>	<i>81,223</i>	-	-	-	<i>539,699</i>	<i>209,716</i>	<i>397,277</i>	-	-	-	-	-	-	-	-	<i>7,242,716</i>	<i>1,092,670</i>	<i>8,335,386</i>
Other	35,853,438	15,776	197,273	-	-	-	24,386,482	36,293,572	26,510,784	1,106,254	62,595	-	-	-	-	664,128	10,375,891	93,246,271	42,219,922	135,466,193
Total	94,576,550	6,911,220	438,918	19,615	-	17,508,822	93,630,912	50,830,366	48,390,011	1,106,254	283,262	-	-	-	263	707,498	10,375,891	192,698,312	132,081,270	324,779,582

(*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

- 1- Claims on sovereigns and Central Banks
- 2- Claims on regional governments or local authorities
- 3- Claims on administrative bodies and other non-commercial undertakings
- 4- Claims on multilateral development banks
- 5- Claims on international organizations
- 6- Claims on banks and intermediary institutions
- 7- Claims on corporates
- 8- Claims included in the regulatory retail portfolios
- 9- Claims secured by residential property
- 10- Past due loans
- 11- Higher risk categories decided by the Board
- 12- Secured by mortgages
- 13- Securitization positions
- 14- Short-term claims and short term corporate claims on banks and intermediary institutions
- 15- Undertakings for collective investments in mutual funds
- 16- Stock Investments
- 17- Other receivables

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

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Risk profile according to sectors and counterparties (*)

Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	2,306	54	207,563	-	-	-	1,265,696	628,586	667,275	-	-	-	-	-	-	-	-	1,925,166	846,314	2,771,480
<i>Farming and raising livestock</i>	<i>1,833</i>	<i>54</i>	<i>207,563</i>	-	-	-	<i>961,861</i>	<i>570,802</i>	<i>628,685</i>	-	-	-	-	-	-	-	-	<i>1,792,861</i>	<i>577,937</i>	<i>2,370,798</i>
<i>Forestry</i>	<i>471</i>	-	-	-	-	-	<i>258,674</i>	<i>29,458</i>	<i>19,454</i>	-	-	-	-	-	-	-	-	<i>80,584</i>	<i>227,473</i>	<i>308,057</i>
<i>Fishing</i>	<i>2</i>	-	-	-	-	-	<i>45,161</i>	<i>28,326</i>	<i>19,136</i>	-	-	-	-	-	-	-	-	<i>51,721</i>	<i>40,904</i>	<i>92,625</i>
Manufacturing	5,917	570	171,838	-	-	-	32,036,896	4,011,586	5,229,920	-	-	-	-	-	-	-	-	14,872,642	26,584,085	41,456,727
<i>Mining</i>	<i>707</i>	-	<i>6,712</i>	-	-	-	<i>1,406,125</i>	<i>156,918</i>	<i>211,494</i>	-	-	-	-	-	-	-	-	<i>558,930</i>	<i>1,223,026</i>	<i>1,781,956</i>
<i>Production</i>	<i>5,210</i>	<i>23</i>	<i>49,004</i>	-	-	-	<i>21,506,151</i>	<i>3,721,968</i>	<i>4,890,928</i>	-	-	-	-	-	-	-	-	<i>12,288,286</i>	<i>17,884,998</i>	<i>30,173,284</i>
<i>Electric, Gas, Water</i>	-	<i>547</i>	<i>116,122</i>	-	-	-	<i>9,124,620</i>	<i>132,700</i>	<i>127,498</i>	-	-	-	-	-	-	-	-	<i>2,025,426</i>	<i>7,476,061</i>	<i>9,501,487</i>
Construction	434	105	73,780	-	-	-	10,681,069	2,626,315	5,891,523	-	-	-	-	-	-	-	-	11,263,498	8,009,728	19,273,226
Services	34,903,667	4,624,121	700,690	3,700	-	17,386,596	24,649,122	12,764,924	15,372,177	-	205,588	-	-	-	-	27,610	-	66,896,612	43,741,583	110,638,195
<i>Wholesale and retail trade</i>	<i>184,370</i>	<i>583</i>	<i>43</i>	-	-	-	<i>8,817,625</i>	<i>7,441,861</i>	<i>8,473,190</i>	-	-	-	-	-	-	-	-	<i>19,003,181</i>	<i>5,914,491</i>	<i>24,917,672</i>
<i>Hotel, Food and Beverage Services</i>	<i>2,282</i>	<i>17</i>	<i>64</i>	-	-	-	<i>2,450,566</i>	<i>498,907</i>	<i>3,130,880</i>	-	-	-	-	-	-	-	-	<i>1,455,534</i>	<i>4,627,182</i>	<i>6,082,716</i>
<i>Transportation and Telecommunication</i>	<i>283</i>	<i>7,554</i>	<i>365,546</i>	-	-	-	<i>8,323,167</i>	<i>4,174,378</i>	<i>1,476,312</i>	-	-	-	-	-	-	-	-	<i>6,498,613</i>	<i>7,848,627</i>	<i>14,347,240</i>
<i>Financial Institutions</i>	<i>34,488,078</i>	<i>7</i>	<i>1,010</i>	<i>3,700</i>	-	<i>17,386,596</i>	<i>3,611,257</i>	<i>50,347</i>	<i>1,086,383</i>	-	<i>205,588</i>	-	-	-	-	<i>27,610</i>	-	<i>33,038,141</i>	<i>23,822,435</i>	<i>56,860,576</i>
<i>Real Estate and renting services</i>	-	-	<i>4</i>	-	-	-	<i>374,326</i>	<i>133,167</i>	<i>489,797</i>	-	-	-	-	-	-	-	-	<i>432,085</i>	<i>565,209</i>	<i>997,294</i>
<i>Self-employment services</i>	<i>480</i>	<i>1,254</i>	<i>16,839</i>	-	-	-	<i>20,133</i>	<i>68</i>	-	-	-	-	-	-	-	-	-	<i>38,774</i>	-	<i>38,774</i>
<i>Education services</i>	<i>51,276</i>	<i>32</i>	<i>1,026</i>	-	-	-	<i>445,396</i>	<i>100,796</i>	<i>292,437</i>	-	-	-	-	-	-	-	-	<i>853,897</i>	<i>37,066</i>	<i>890,963</i>
<i>Health and social services</i>	<i>176,898</i>	<i>4,614,674</i>	<i>316,158</i>	-	-	-	<i>606,652</i>	<i>365,400</i>	<i>423,178</i>	-	-	-	-	-	-	-	-	<i>5,576,387</i>	<i>926,573</i>	<i>6,502,960</i>
Other	23,118,755	129,907	167,190	5	-	493	6,606,398	25,700,840	16,785,865	1,170,775	197,087	-	-	-	-	622,957	7,538,274	56,420,395	25,618,151	82,038,546
Total	58,031,079	4,754,757	1,321,061	3,705	-	17,387,089	75,239,181	45,732,251	43,946,760	1,170,775	402,675	-	-	-	-	650,567	7,538,274	151,378,313	104,799,861	256,178,174

(*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

- 1- Claims on sovereigns and Central Banks
- 2- Claims on regional governments or local authorities
- 3- Claims on administrative bodies and other non-commercial undertakings
- 4- Claims on multilateral development banks
- 5- Claims on international organizations
- 6- Claims on banks and intermediary institutions
- 7- Claims on corporates
- 8- Claims included in the regulatory retail portfolios
- 9- Claims secured by residential property
- 10- Past due loans
- 11- Higher risk categories decided by the Board
- 12- Secured by mortgages
- 13- Securitization positions
- 14- Short-term claims and short term corporate claims on banks and intermediary institutions
- 15- Undertakings for collective investments in mutual funds
- 16- Stock Investments
- 17- Other receivables

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Distribution of maturity risk factors according to their outstanding maturities (*)

Risk Classifications-Current Period	According to their outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
Claims on sovereigns and Central Banks	7,428,731	252,551	759,428	1,577,698	84,558,142
Claims on regional governments or local authorities	9,682	9,196	28,124	235,743	6,628,475
Claims on administrative bodies and other non-commercial undertakings	1,426	1,690	3,390	66,624	365,788
Claims on multilateral development banks	1,583	-	-	-	18,032
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	4,338,096	2,725,079	590,843	58,677	9,796,127
Claims on corporate	3,892,114	4,532,885	7,287,286	13,925,617	63,993,010
Claims included in the regulatory retail portfolios	598,470	1,420,475	2,438,990	6,355,744	40,016,687
Claims secured by residential property	715,960	1,295,000	2,647,802	6,139,142	37,592,107
Past due loans	-	-	-	-	1,106,254
Higher risk categories decided by the Agency	4,083	1,105	2,265	887	274,922
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	263
Stock Investments	3	-	-	-	707,495
Other claims	26,775	-	-	-	10,349,116
Total	17,016,923	10,237,981	13,758,128	28,360,132	255,406,418

(*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

Distribution of maturity risk factors according to their outstanding maturities (*)

Risk Classifications-Prior Period	According to their outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
Claims on sovereigns and Central Banks	5,378,866	225,795	409,148	1,583,377	50,433,893
Claims on regional governments or local authorities	1,782	21,645	28,086	388,627	4,314,617
Claims on administrative bodies and other non-commercial undertakings	42,633	278,512	9,991	64,845	925,080
Claims on multilateral development banks	-	-	-	-	3,705
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	6,646,906	2,506,413	270,739	481,645	7,481,386
Claims on corporate	2,748,096	3,463,594	6,864,871	11,067,646	51,094,974
Claims included in the regulatory retail portfolios	717,876	1,483,285	2,597,138	6,293,548	34,640,404
Claims secured by residential property	672,308	1,262,278	2,192,723	5,051,028	34,768,423
Past due loans	-	-	-	-	1,170,775
Higher risk categories decided by the Agency	-	300	-	-	402,375
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Stock Investments	3	-	-	-	650,564
Other claims	17,974	-	-	-	7,520,300
Total	16,226,444	9,241,822	12,372,696	24,930,716	193,406,496

(*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Risk balances according to risk weights

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	86,314,704	-	6,519,704	23,271,806	46,149,416	50,830,366	111,410,324	220,666	-	62,596	-	443,678
Amount after Credit Risk Mitigation	89,381,822	-	4,909,786	23,271,806	48,686,466	50,496,251	107,750,188	220,667	-	62,596	-	443,678

Risk Weights	0%	10%	20%	%35	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	32,700,554	-	9,993,765	21,214,639	56,561,380	45,732,250	89,572,911	205,588	-	197,087	-	505,694
Amount after Credit Risk Mitigation	39,936,159	-	4,432,856	21,214,639	58,565,139	45,441,195	86,185,511	205,588	-	197,087	-	505,694

Credit rating of the credit rating agency, related to the Bank's Capital Adequacy Assessment of the Measurement is listed in Appendix 1 which corresponds to the credit quality step that is given in the table below.

Ratings Matched	Credit Quality Rank	Fitch Ratings
Long Term Credit Ratings	1	Between AAA and AA-
	2	Between A+ and A-
	3	Between BBB+ and BBB-
	4	Between BB+ and BB-
	5	Between B+ and B-
	6	CCC+ and below
Short Term Credit Ratings	1	Between F1+ and F1
	2	F2
	3	F3
	4	F3 and below
	5	-
	6	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Information According to Sectors and Counterparties

Current Period	Loans			
	Impaired (*)	Past Due (**)	Value Adjustments (***)	Provisions
Agricultural	69,085	73,741	1,420	55,315
<i>Farming and raising livestock</i>	64,741	72,536	1,395	51,758
<i>Forestry</i>	2,258	923	20	2,093
<i>Fishing</i>	2,086	282	5	1,464
Manufacturing	1,628,025	662,702	18,754	1,307,257
<i>Mining</i>	134,821	71,292	1,641	128,422
<i>Production</i>	1,487,022	502,312	13,001	1,172,949
<i>Electric, Gas, Water</i>	6,182	89,098	4,112	5,886
Construction	801,891	580,653	12,394	707,644
Services	2,979,614	2,982,220	68,074	2,589,472
<i>Wholesale and retail trade</i>	2,049,107	1,114,163	25,183	1,804,680
<i>Hotel, Food and Beverage Services</i>	107,964	187,259	3,844	93,282
<i>Transportation and telecommunication</i>	405,285	759,229	13,311	346,845
<i>Financial Institutions</i>	23,368	15,741	203	22,498
<i>Real estate and renting services</i>	96,090	835,721	16,650	87,526
<i>Self-employment services</i>	185,072	6,922	7,555	151,398
<i>Education services</i>	20,029	40,977	938	19,385
<i>Health and social services</i>	92,699	22,208	390	63,858
Other	2,464,571	4,232,963	213,400	2,177,244
Total	7,943,186	8,532,279	314,042	6,836,932

(*) Impaired loans are composed of group 3, 4 and 5 loans.

(**) Past due loans and other receivables consist of loans and other receivables that are past due up to 90 days.

(***) Value adjustments represents general provisions of non-performing loans.

Prior Period	Loans			
	Impaired (*)	Past Due (**)	Value Adjustments (***)	Provisions
Agricultural	127,068	56,562	1,580	107,103
<i>Farming and raising livestock</i>	116,360	51,912	1,424	98,027
<i>Forestry</i>	7,897	3,064	91	7,046
<i>Fishing</i>	2,811	1,586	65	2,030
Manufacturing	1,251,018	572,232	15,267	1,067,661
<i>Mining</i>	61,077	69,885	1,436	49,541
<i>Production</i>	1,178,844	490,172	13,644	1,008,911
<i>Electric, Gas, Water</i>	11,097	12,175	187	9,209
Construction	618,199	235,419	8,541	534,429
Services	1,854,467	2,237,522	49,129	1,559,932
<i>Wholesale and retail trade</i>	1,237,429	607,124	18,008	1,020,355
<i>Hotel, Food and Beverage Services</i>	137,051	97,034	2,808	117,059
<i>Transportation and telecommunication</i>	230,134	1,228,172	20,804	196,319
<i>Financial Institutions</i>	13,331	1,950	58	12,487
<i>Real estate and renting services</i>	45,269	32,707	1,104	42,390
<i>Self-employment services</i>	113,724	183,281	3,788	104,510
<i>Education services</i>	20,923	20,255	721	15,099
<i>Health and social services</i>	56,606	66,999	1,838	51,713
Other	2,852,631	3,215,435	232,451	2,263,483
Total	6,703,383	6,317,170	306,968	5,532,608

(*) Impaired loans are composed of group three, four and five loans.

(**) Past due loans and other receivables consist of loans and other receivables that are past due up to ninety days.

(***) Value adjustments represents general provisions of non-performing loans.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Information on Changes in Value Adjustments and Credit Provisions

Current Period	The opening Balance	Provisions amounts set aside during the period	The cancellation of the provisions	Other Adjustments^(*)	Closing Balance
Specific	5,532,608	2,214,490	(937,669)	27,503	6,836,932
General	2,167,443	208	(280,949)	(1,209)	1,885,493

^(*) Includes effect of currency translations differences and other provisions' classifications.

^(**) In the Parent Bank the TL 500,000 which occurs under the General Provisions on the current period, has been cancelled as of December 31, 2017, and free provision was made in the same amount.

Prior Period	The opening Balance	Provisions amounts set aside during the period	The cancellation of the provisions	Other Adjustments^(*)	Closing Balance
Specific	4,229,179	1,963,013	(668,315)	8,731	5,532,608
General	1,957,603	213,855	-	(4,015)	2,167,443

^(*) Includes effect of currency translations differences and other provisions' classifications

Fair value of collateral held against impaired loans

	December 31, 2017	December 31, 2016
Cash collateral ^(*)	-	-
Mortgage	3,108,721	2,551,197
Promissory note ^(*)	-	-
Others ^(**)	4,834,465	4,152,186
Total	7,943,186	6,703,383

^(*) As a policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral and promissory note are shown as zero in the table above.

^(**) Sureties obtained for impaired loans are presented in this raw to the extent that the amount does not exceed the amount of impaired loans.

The detail of collateral held against performing cash and non-cash loans by the Group

Cash loans	December 31, 2017	December 31, 2016
Secured Loans:	144,015,639	114,150,134
Secured by mortgages	46,691,223	43,031,980
Secured by cash collateral	804,174	976,854
Guarantees issued by financial institutions	617,766	581,869
Secured by government institutions or government securities	19,124,808	2,420,844
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	76,777,668	67,138,587
Unsecured Loans	45,499,393	37,191,483
Total performing loans	189,515,032	151,341,617

Non-cash loans	December 31, 2017	December 31, 2016
Secured Loans:	24,609,912	16,831,486
Secured by mortgages	3,210,379	2,105,139
Secured by cash collateral	149,782	126,971
Guarantees issued by financial institutions	239,268	240,422
Secured by treasury or public sector marketable securities	570,608	-
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	20,439,875	14,358,954
Unsecured Loans	26,713,790	23,828,865
Total non-cash loans	51,323,702	40,660,351

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Exposures subject to countercyclical capital buffer

Current Period

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA calculations for Trading Book	Total
Turkey	165,183,221	-	165,183,221
England	1,743,516	-	1,743,516
France	1,367,860	-	1,367,860
USA	2,098,103	-	2,098,103
Netherlands	462,605	-	462,605
Iraq	414,494	-	414,494
Niger	248,828	-	248,828
Germany	230,123	-	230,123
Austria	158,427	-	158,427
Switzerland	118,788	-	118,788
Other	4,674,859	-	4,674,859
Total	176,700,824	-	176,700,824

Prior Period

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA calculations for Trading Book	Total
Turkey	137,360,356	-	137,360,356
USA	2,136,618	-	2,136,618
England	1,588,910	-	1,588,910
France	922,499	-	922,499
Iraq	632,187	-	632,187
Switzerland	400,361	-	400,361
Netherlands	245,176	-	245,176
Germany	173,084	-	173,084
Austria	94,428	-	94,428
Albania	15,201	-	15,201
Other	3,182,771	-	3,182,771
Total	146,751,591	-	146,751,591

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. 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 December 31, 2017 and December 31, 2016, the Group does not have derivative financial instruments held for risk management purpose.

Foreign exchange risk management policy

Risk policy 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, a foreign currency risk management policy that enables to take position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held.

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	3.7800	4.5230
<u>Foreign currency purchase rates for the days before balance sheet date;</u>		
Day 1	3.7757	4.5106
Day 2	3.8241	4.5514
Day 3	3.8073	4.5139
Day 4	3.8037	4.5177
Day 5	3.8190	4.5271
	US Dollar	Euro
Last 30-days arithmetical average rate	3.8678	4.5781

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period	Euro	US Dollar	Other FC	Total
Assets:				
Cash and balances with the Central Bank of the Republic of Turkey	3,790,729	14,497,302	6,346,773	24,634,804
Banks	1,841,979	9,857,191	447,733	12,146,903
Financial assets at fair value through profit or loss ⁽¹⁾	9,774	126,467	-	136,241
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	1,041,343	1,117,005	-	2,158,348
Loans and receivables ⁽²⁾	27,550,577	32,370,838	74,494	59,995,909
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	570,123	3,960,542	-	4,530,665
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,753	7,619	-	9,372
Intangible assets	302	-	-	302
Other assets ⁽³⁾⁽⁴⁾	2,415,536	3,265,878	2,680	5,684,094
Total assets	37,222,119	65,202,842	6,871,680	109,296,641
Liabilities:				
Bank deposits	370,001	7,583,591	313,320	8,266,912
Foreign currency deposits	20,182,588	24,865,394	1,876,730	46,924,712
Interbank money market takings	180,920	3,571,811	-	3,752,731
Funds borrowed	12,569,352	16,560,895	-	29,130,247
Securities issued	4,570,699	8,332,516	-	12,903,215
Miscellaneous payables	748,589	182,200	58,901	989,690
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities ⁽¹⁾⁽⁴⁾⁽⁵⁾	252,839	8,131,647	11,964	8,396,450
Total liabilities	38,874,988	69,228,054	2,260,915	110,363,957
Net 'on balance sheet' position	(1,652,869)	(4,025,212)	4,610,765	(1,067,316)
Net 'off-balance sheet' position	2,191,663	4,803,952	(4,607,585)	2,388,030
Derivative assets ⁽⁶⁾	5,174,385	18,670,060	270,591	24,115,036
Derivative liabilities ⁽⁶⁾	2,982,722	13,866,108	4,878,176	21,727,006
Non-cash loans ⁽⁷⁾	5,616,304	12,773,108	277,946	18,667,358
Prior Period	Euro	US Dollar	Other FC	Total
Total assets	29,643,175	53,825,420	4,721,041	88,189,636
Total liabilities	30,154,430	54,523,092	1,438,251	86,115,773
Net 'on balance sheet' position	(511,255)	(697,672)	3,282,790	2,073,863
Net 'off-balance sheet' position	665,383	2,658,591	(3,282,690)	41,284
Derivative assets ⁽⁶⁾	3,755,331	21,698,055	290,944	25,744,330
Derivative liabilities ⁽⁶⁾	3,089,948	19,039,464	3,573,634	25,703,046
Non-cash loans ⁽⁷⁾	4,082,706	9,339,955	291,566	13,714,227

⁽¹⁾ Derivative financial assets amounting to TL 13,982 (December 31, 2016: TL 21,109) and liabilities amounting to TL 34,557 (December 31, 2016: TL 43,941) resulting from changes in foreign exchange rates are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 4,702,183 (December 31, 2016: TL 4,493,820) presented in TL in the financial statements are included in the above table.

⁽³⁾ Foreign currency indexed factoring receivables amounted to TL 259,923 (December 31, 2016: TL 150,892) presented in TL column in the accompanying consolidated balance sheet are included.

⁽⁴⁾ Prepaid expenses amounting to TL 95,376 (December 31, 2016: TL 80,727) are not included.

⁽⁵⁾ Unearned income amounting to TL 197,598 (December 31, 2016: TL 165,259), deferred tax liabilities amounting to TL 60,252 (December 31, 2016: 9,632) and equity amounting to TL 631,816 TL (December 31, 2016: TL 453,469) are not included.

⁽⁶⁾ Asset purchase commitments amounting to TL 232,555 (December 31, 2016: TL 918,356), asset sales commitments amounting to TL 728,635 (December 31, 2016: TL 583,699) are included.

⁽⁷⁾ Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10 percent depreciation of the TL against the following currencies as at and for the year ended December 31, 2017 and 2016 would have effect on consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

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

	December 31, 2017		December 31, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	77,112	77,112	195,299	195,299
Euro	53,674	114,642	15,267	15,267
Other currencies	318	318	10	10
Total, net (**)	131,104	192,072	210,576	210,576

(*) 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 year ended December 31, 2017 and 2016 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	December 31, 2017		December 31, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(77,112)	(77,112)	(195,299)	(195,299)
Euro	(53,674)	(114,642)	(15,267)	(15,267)
Other currencies	(318)	(318)	(10)	(10)
Total, net (**)	(131,104)	(192,072)	(210,576)	(210,576)

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. 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	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, and deferred tax are included in “non-interest bearing” column.

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED INTEREST RATE RISK (Continued)

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED INTEREST RATE RISK (Continued)

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

Current Period	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBRT	-	1.50	-	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
Liabilities:				
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
Prior Period				
	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBRT	-	0.75	-	3.31
Banks	0.19	1.02	-	11.49
Financial assets at fair value through profit/loss	5.50	11.78	-	10.91
Interbank money market placements	-	-	-	9.81
Available-for-sale financial assets	4.82	6.54	-	9.49
Loans and receivables	4.24	4.99	-	12.34
Held-to-maturity investments	-	2.68	-	9.65
Liabilities:				
Bank deposits	0.21	1.18	-	10.87
Other deposits	1.37	2.84	-	9.17
Interbank money market takings	0.19	1.77	-	8.32
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.88	-	9.60
Funds borrowed	1.02	2.49	-	11.18

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items

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

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

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

Current Period	Comparison		
Stock Investments	Carrying Value	Fair Value^(*)	Market Value^(*)
Stocks quoted in exchange^(*)	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.

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. CONSOLIDATED STOCK POSITION RISK (Continued)

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

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

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

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

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

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

Explanations on Equity Shares Risk Arising from Banking Book

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. 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.

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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VI. 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	October	90.46	October	234.96
The highest value	December	113.84	November	243.80

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

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

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

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

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

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

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Assets:								
Cash and balance with CBRT	28,656,246	-	-	-	-	-	-	28,656,246
Banks	1,275,845	11,160,027	879,740	8,187	-	-	-	13,323,799
Financial assets at fair value through profit/loss	7,893	125,950	47,634	163,788	1,563,687	167,271	-	2,076,223
Interbank money market placements	-	1,657,596	957	509	-	-	-	1,659,062
Available-for-sale financial assets	-	367,288	222,590	1,514,607	7,117,757	5,304,772	43,370	14,570,384
Loans and receivables	27,331	15,033,785	5,711,157	33,139,366	85,661,984	45,868,907	1,106,254	186,548,784
Held-to-maturity investments	-	75,675	37,804	329,917	10,046,465	6,276,210	-	16,766,071
Other assets	3,441	1,692,757	803,227	1,781,772	1,935,765	112,835	10,928,640	17,258,437
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
Liabilities:								
Bank deposits	491,073	8,268,276	842,741	177,301	-	-	-	9,779,391
Other deposits	29,632,439	81,441,570	24,580,392	11,175,827	1,336,926	41,321	-	148,208,475
Funds borrowed	-	1,098,000	2,013,560	13,248,094	8,769,383	6,258,751	-	31,387,788
Interbank money market takings	-	22,019,375	15,047	-	449,402	205,251	-	22,689,075
Securities issued	-	1,247,389	2,050,535	5,605,001	9,594,565	1,373,269	-	19,870,759
Miscellaneous payables	-	5,628,784	305,845	231,107	1,808	-	1,165,486	7,333,030
Other liabilities	-	924,390	1,130,629	1,465,656	3,822,177	3,588,563	30,659,073	41,590,488
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								
Receivables from Derivative Financial Instruments	-	94,163	5,183	113,226	1,271,821	974,446	-	2,458,839
Payables from Derivative Financial Instruments	-	4,193,884	3,236,673	2,895,897	13,990,524	7,587,873	-	31,904,851
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
Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Total assets	28,037,787	16,311,836	7,328,645	33,931,797	79,690,315	46,063,541	9,307,079	220,671,000
Total liabilities	24,939,864	88,813,514	26,286,246	23,795,349	19,097,068	11,268,137	26,470,822	220,671,000
Liquidity gap	3,097,923	(72,501,678)	(18,957,601)	10,136,448	60,593,247	34,795,404	(17,163,743)	-
Net Off Balance Sheet Position								
Receivables from Derivative Financial Instruments	-	(479,339)	(6,902)	423,379	933,313	652,787	-	1,523,238
Payables from Derivative Financial Instruments	-	8,668,204	4,637,320	2,809,733	12,736,387	5,799,680	-	34,651,324
Non-cash Loans	3,594,694	1,317,799	23,411,576	6,463,985	5,003,522	868,775	-	40,660,351

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

Residual contractual maturities of financial liabilities

Current period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	9,779,391	9,798,057	491,073	8,272,414	854,421	180,149	-	-
Other deposits	148,208,475	149,654,628	29,632,439	81,727,081	24,963,127	11,665,683	1,601,914	64,384
Funds borrowed	31,387,788	35,000,273	-	1,102,883	2,035,644	13,484,725	10,359,242	8,017,779
Money market takings	22,689,075	22,803,056	-	22,029,291	15,273	-	515,576	242,916
Issued Securities (Net)	19,870,759	21,395,325	-	1,257,646	2,097,659	5,772,621	10,750,978	1,516,421
Miscellaneous payables	7,333,030	7,333,030	1,165,486	5,628,784	305,845	231,107	1,808	-
Other liabilities	10,441,299	13,506,537	2,949,344	332,158	94,975	188,394	4,097,269	5,844,397
Total	249,709,817	259,490,906	34,238,342	120,350,257	30,366,944	31,522,679	27,326,787	15,685,897
Non-Cash Loans	51,323,702	51,323,702	5,455,332	1,431,728	29,600,053	7,378,630	6,202,111	1,255,848

Prior period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	5,075,901	5,085,671	243,644	4,287,093	459,456	95,478	-	-
Other deposits	121,183,408	122,125,718	24,600,347	66,481,532	20,858,252	8,055,182	2,052,190	78,215
Funds borrowed	26,299,430	29,135,873	-	689,930	1,278,907	11,742,778	7,845,281	7,578,977
Money market takings	13,244,271	13,376,729	-	11,596,992	1,141,262	-	548,086	90,389
Issued Securities (Net)	14,682,824	15,769,709	-	540,447	1,733,134	3,211,213	10,284,915	-
Miscellaneous payables	5,543,555	5,543,555	1,216,250	4,061,654	174,010	89,602	2,039	-
Other liabilities	8,480,070	10,486,315	1,931,584	884,634	92,437	27,654	466,873	7,083,133
Total	194,509,459	201,523,570	27,991,825	88,542,282	25,737,458	23,221,907	21,199,384	14,830,714
Non-Cash Loans	40,660,351	40,660,351	3,594,694	1,317,799	23,411,576	6,463,985	5,003,522	868,775

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. CONSOLIDATED LEVERAGE RATIO

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

The Group’s consolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualized as 6.39%. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (December 31, 2016: 6.71%). The Regulation adjudicated minimum leverage rate as 3%.

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

	Current Period	Prior Period
Total asset amount in the consolidated financial statements prepared as per TAS ⁽¹⁾	243,233,266	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⁾	(1,913,734)	(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⁾	(2,434,636)	(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⁾	7,733,292	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⁾	18,349,982	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⁾	(98,128,516)	(84,701,860)
Total risk amount	316,732,130	283,709,054

⁽¹⁾ The amounts represent June 30, 2017 and December 31, 2016 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.

Leverage ratio common disclosure template

	Current Period^(*)	Prior Period^(*)
On-balance sheet exposures		
1 On-balance sheet items (excluding derivatives and SFTs; including collateral)	271,106,074	216,824,485
2 Assets deducted in determining Basel III Tier 1 capital	(416,652)	(314,602)
3 Total on-balance sheet exposures (excluding derivatives and SFTs)	270,689,422	216,509,883
Derivative exposures		
4 Replacement cost	2,364,565	1,384,507
5 Add-on amount	625,658	649,441
6 Total derivative exposures	2,990,223	2,033,948
Securities financing transaction exposures		
7 Gross SFT assets (with no recognition of accounting netting)	657,737	653,844
8 Agent transaction exposures	-	-
9 Total securities financing transaction exposures	657,737	653,844
Other off-balance sheet exposures		
10 Off-balance sheet exposures with gross nominal amount	80,461,669	63,161,241
11 Adjustment amount off-balance sheet exposures with credit conversion factor	2,009,397	1,350,160
12 Total off-balance sheet exposures	82,471,066	64,511,401
Capital and total exposures		
13 Tier 1 capital	22,786,340	19,017,854
14 Total exposures	356,808,448	283,709,076
Leverage ratio		
15 Leverage ratio	6.39	6.71

^(*) 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)

VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets:				
Receivables from Interbank Money Markets	1,659,062	5,232	1,659,062	5,232
Banks	13,323,799	5,275,489	13,323,799	5,275,489
Available-for-Sale Financial Assets	14,570,384	18,619,080	14,570,384	18,619,080
Held-to-Maturity Investments	16,766,071	8,180,535	16,466,094	7,992,774
Loans	186,548,784	149,575,269	188,124,330	149,812,100
Financial Leasing Receivables	1,880,200	1,546,409	1,880,200	1,546,409
Factoring Receivables	2,192,302	1,390,714	2,192,302	1,390,714
Financial Liabilities:				
Bank Deposits	9,779,391	5,075,901	9,779,391	5,139,171
Other Deposits	148,208,475	121,183,408	148,014,699	121,240,772
Funds Borrowed	31,387,788	26,299,430	31,362,999	27,221,894
Securities Issued	19,870,759	14,682,824	19,672,545	14,898,154
Subordinated Loans	5,917,137	5,014,700	5,837,524	4,694,264
Miscellaneous Payables	7,333,030	5,543,555	7,333,030	5,543,555

Fair values of available-for-sale financial assets and held-to-maturity investments are derived from market prices or in case of absence of such prices they are derived from prices of other marketable securities, whose interest rate, maturity date and other conditions are similar to securities held.

Fair value of loans are calculated by discounting future cash flows with the use of current market interest rates.

Fair value of funds borrowed with fixed interest rate are calculated by discounting cash flows with current market interest rates. Fair value of funds borrowed with floating interest rate is calculated according to repricing period by discounting cash flows with current market rates.

Fair value of other assets and liabilities is calculated by adding accumulated acquisition costs and the sum of the interest accrual.

Classification of fair value measurement

TFRS 7 - Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	13,048	2,063,175	-	2,076,223
Debt securities	6,729	116,924	-	123,653
Derivative financial assets held for trading purpose	-	1,946,251	-	1,946,251
Investment funds	5,380	-	-	5,380
Equity securities	939	-	-	939
Available-for-sale financial assets	11,554,994	3,015,375	15 ^(**)	14,570,384
Equity securities	-	43,355	15	43,370
Debt securities	11,554,994	2,972,020	-	14,527,014
Investments in associates and subsidiaries	310,918	-	291,653 ^(*)	602,571
Total Financial Assets	11,878,960	5,078,550	291,668	17,249,178
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(1,180,542)	-	(1,180,542)
Total Financial Liabilities	-	(1,180,542)	-	(1,180,542)

^(*) This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

^(**) TL 15, which is classified under financial assets available-for-sale and which is in the third level is composed of securities issued share in capital.

December 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	182,264	1,606,969	-	1,789,233
Debt securities	171,585	-	-	171,585
Derivative financial assets held for trading purpose	583	1,606,969	-	1,607,552
Investment funds	8,001	-	-	8,001
Equity securities	2,095	-	-	2,095
Available-for-sale financial assets	16,071,306	2,547,759	15 ^(**)	18,619,080
Equity securities	-	27,595	15	27,610
Debt securities	16,071,306	2,520,164	-	18,591,470
Investments in associates and subsidiaries	-	-	298,705 ^(*)	298,705
Total Financial Assets	16,253,570	4,154,728	298,720	20,707,018
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(1,154,424)	-	(1,154,424)
Total Financial Liabilities	-	(1,154,424)	-	(1,154,424)

^(*) This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

^(**) TL 15, which is classified under financial assets available-for-sale and which is in the third level is composed of securities issued share in capital.

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended December 31, 2017 is as follows:

	Level 3 Current Period	Level 3 Prior Period
Balance at the beginning of the year	298,720	351,166
Total gains or losses for the year recognized in profit or loss	-	-
Total gains or losses for the year recognized under equity	(7,052)	(52,446)
Balance at the end of the year	291,668	298,720

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IX. TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS, ITEMS HELD IN TRUST

The Parent Bank provides buying, selling and custody services and management and advisory services in financial matters for its customers. The Group is not involved in trust activities.

X. 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)

X. CONSOLIDATED SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	5,627,234	11,312,319	5,086,543	19,083	22,045,179
<i>Interest income from loans</i>	<i>5,627,234</i>	<i>10,984,327</i>	<i>1,704,015</i>	-	<i>18,315,576</i>
<i>Interest income from reserve deposits</i>	-	-	<i>221,541</i>	-	<i>221,541</i>
<i>Interest income from securities portfolio</i>	-	-	<i>2,914,538</i>	-	<i>2,914,538</i>
<i>Interest income from banks</i>	-	-	<i>210,696</i>	-	<i>210,696</i>
<i>Interest income from money market transactions</i>	-	-	<i>35,753</i>	-	<i>35,753</i>
<i>Finance lease income</i>	-	<i>138,960</i>	-	-	<i>138,960</i>
<i>Other interest income</i>	-	<i>189,032</i>	-	<i>19,083</i>	<i>208,115</i>
Interest Expense	4,372,191	4,762,843	3,866,395	71,876	13,073,305
<i>Interest expense on deposits</i>	<i>4,372,191</i>	<i>4,578,537</i>	<i>249,892</i>	-	<i>9,200,620</i>
<i>Interest expense on funds borrowed</i>	-	<i>184,306</i>	<i>656,766</i>	-	<i>841,072</i>
<i>Interest expense on money market transactions</i>	-	-	<i>1,553,389</i>	-	<i>1,553,389</i>
<i>Interest expense on securities issued</i>	-	-	<i>1,059,739</i>	-	<i>1,059,739</i>
<i>Other interest expenses</i>	-	-	<i>346,609</i>	<i>71,876</i>	<i>418,485</i>
Net Interest Income	1,255,043	6,549,476	1,220,148	(52,793)	8,971,874
Net Fees and Commissions Income	497,841	653,288	84,421	-	1,235,550
Trading Income/ Losses (Net)	-	-	194,447	-	194,447
Dividend Income	-	-	47,481	-	47,481
Other Income (*)	-	-	-	3,085,245	3,085,245
Provision For Losses on Loans and Other Receivables	484,334	1,827,038	30,979	500,207	2,842,558
Other Expenses (**)	-	-	-	5,734,147	5,734,147
Income/Loss From Investments Under Equity Accounting	-	-	51,481	-	51,481
Profit Before Taxes	1,268,550	5,375,726	1,566,999	(3,201,902)	5,009,373
Provision for taxes	-	-	-	(992,027)	(992,027)
Net Profit/ Loss	1,268,550	5,375,726	1,566,999	(4,193,929)	4,017,346
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 1,207,630 amount of TL 3,085,245 shown in other income consist of acquired insurance premiums, TL 937,669 of income from reversal of the specific provisions for loans from prior periods, TL 149,607 of income from the sale of Group's assets, TL 43,602 from communications income, TL 770 of leasing income, TL 102,575 of income from private pension activities and the remaining TL 643,392 of other operating income.

(**) TL 1,979,798 amount of TL 5,734,147 shown in other expenses line consists of personnel expenses, TL 2,413,794 of other operating expenses, TL 180,430 of depreciation expenses, TL 168,500 of dividend reserves expenses to be given to personnel, TL 168,783 of Savings Deposit Insurance Fund (SDIF) expenses, TL 163,010 of taxes and funds expenses, TL 9,807 pension compensations, TL 91,727 from cumulative/noncumulative commission expenses, TL 251,574 from production commission expenses and the remaining TL 306,724 of other expenses.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. CONSOLIDATED SEGMENT REPORTING (Continued)

Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	4,959,825	8,323,574	3,667,054	13,736	16,964,189
<i>Interest income from loans</i>	4,959,825	8,105,767	1,203,336	-	14,268,928
<i>Interest income from reserve deposits</i>	-	-	111,798	-	111,798
<i>Interest income from securities portfolio</i>	-	-	2,230,139	-	2,230,139
<i>Interest income from banks</i>	-	-	121,181	-	121,181
<i>Interest income from money market transactions</i>	-	-	600	-	600
<i>Finance lease income</i>	-	110,201	-	-	110,201
<i>Other interest income</i>	-	107,606	-	13,736	121,342
Interest Expense	3,387,865	3,631,947	2,655,536	52,608	9,727,956
<i>Interest expense on deposits</i>	3,387,865	3,552,149	254,753	-	7,194,767
<i>Interest expense on funds borrowed</i>	-	79,798	428,318	-	508,116
<i>Interest expense on money market transactions</i>	-	-	1,007,022	-	1,007,022
<i>Interest expense on securities issued</i>	-	-	691,897	-	691,897
<i>Other interest expenses</i>	-	-	273,546	52,608	326,154
Net Interest Income	1,571,960	4,691,627	1,011,518	(38,872)	7,236,233
Net Fees and Commissions Income	425,547	410,527	76,409	-	912,483
Trading Income/ Losses (Net)	-	-	505,038	-	505,038
Dividend Income	-	-	61,736	-	61,736
Other Income (*)	-	-	-	2,004,336	2,004,336
Provision For Losses on Loans and Other Receivables	431,238	1,657,372	30,432	214,567	2,333,609
Other Expenses (**)	-	-	-	4,906,704	4,906,704
Income/Loss From Investments Under Equity Accounting	-	-	37,267	-	37,267
Profit Before Taxes	1,566,269	3,444,782	1,661,536	(3,155,807)	3,516,780
Provision for taxes	-	-	-	(724,334)	(724,334)
Net Profit/ Loss	1,566,269	3,444,782	1,661,536	(3,880,141)	2,792,446
SEGMENT ASSETS					
Securities Portfolio	-	-	26,981,296	-	26,981,296
Derivative Financial Assets Held for Trading Purpose	-	-	1,607,552	-	1,607,552
Banks and Receivables From Money Markets	-	-	5,280,721	-	5,280,721
Investments in Associates and Subsidiaries	-	-	622,930	-	622,930
Loans and Receivables	41,432,801	83,828,729	24,313,739	-	149,575,269
Other Assets	-	2,937,123	24,223,603	9,442,506	36,603,232
TOTAL ASSETS	41,432,801	86,765,852	83,029,841	9,442,506	220,671,000
SEGMENT LIABILITIES					
Deposits	54,570,012	66,613,397	5,075,900	-	126,259,309
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,154,424	-	1,154,424
Interbank Money Market Takings	-	-	13,244,271	-	13,244,271
Funds Borrowed	-	662,429	25,637,001	-	26,299,430
Securities Issued	-	-	14,682,824	-	14,682,824
Other Liabilities	-	81	5,758,436	7,568,869	13,327,386
Provisions and Tax Liabilities	-	-	-	6,095,884	6,095,884
Equity	-	-	-	19,607,472	19,607,472
TOTAL LIABILITIES AND EQUITY	54,570,012	67,275,907	65,552,856	33,272,225	220,671,000

(*) TL 668,315 amount of TL 2,004,336 of income from reversal of the specific provisions for loans from prior periods, TL 892,467 of acquired insurance premiums, TL 165,307 of income from the sale of Group's assets, TL 40,316 of communications income, TL 78,307 of income from private pension activities, TL 987 of leasing income and the remaining TL 158,637 of other operating income.

(**) TL 1,663,884 amount of TL 4,906,704 shown in other expenses line consists of personnel expenses, TL 1,984,578 of other operating expenses, TL 186,400 of depreciation expenses, TL 147,970 of dividend reserves expenses to be given to personnel, TL 138,469 of Savings Deposit Insurance Fund (SDIF) expenses, TL 141,588 of taxes and funds expenses, TL 47,034 pension compensations, TL 79,694 from cumulative/noncumulative commission expenses, TL 240,428 from production commission expenses and the remaining TL 276,659 of other expenses.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. 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.

1. Information on Risk Management and Overview of Risk Weighted Amounts

Risk Management Strategy

The Group manages assets and values which are entrusted to it effectively and efficiently in order to increase the constant contribution to customers, shareholders and the society. The Group adopted the forward looking risk based approach in all activities undertaken by creating assets in a high quality and managing obligations well. The improvement of risk culture in parallel with changes in economic conjectures and risk perception is considered as an important factor by the Group and it aims to ensure the risk awareness and sensitivity in actions to be taken.

Risk management strategy of the Group is basically to avoid legal risks and risks which are unlikely to occur but have a huge impact, to take measures to minimize the risks (to reduce risks) that may arise due to the nature of banking activities, to purchase protection, insurance or techniques such as credit derivatives in order to transfer risks to the third parties (transfer of risk) and the acceptance of risks that are unlikely to occur and have small impact.

Within the scope of the general principles and principles observed by The Group in the context of risk management, the internal capital adequacy assessment process (İSEDES) is established in parallel with the budgeting process to determine the internal capital targets consistent with the risk profile and the activity environment and the effects of scenario outcomes on the Group projections is evaluated.

As a part of risk appetite structure of the Parent Bank, risk limits are set and over-limit exemptions and early warning levels are observed/followed. The limits are reviewed regularly according to the developments in the market condition, the Parent Bank strategy and risk appetite and updated if necessary. Apart from the limits, early warning levels are determined. In case of approaching or exceeding the limits, the appropriate units are taking the related actions.

The risks may arise from the new products and services and effects of these risks are analyzed. For the quantification of quantifiable risks and the qualitative evaluation of non-quantifiable. Effective and applicable systems which are compatible with the Parent Bank's product range and fields of activity are developed.

In response to the sudden and unexpected changes in the macroeconomic indicators and the Group's specific circumstances, the risks the can be exposed to such as income/expenditure effect, capital loss, economic value change , liquidity adequacy are presented by various reports and stress tests conducted daily ,weekly, monthly and annually. These reports and stress tests play an active role in the process of making decisions in the context of risk based approach. Risks subject to stress tests contains all the risks related to the Group's risk group (on the consolidated balance sheet – off the consolidated balance sheet).These risks are subject to stress test applications independently , and can be subject to stress test applications in an integrated way taking into account interactions between them.

Risks which are subject to stress test applications can be evaluated on portfolio and activities basis, consolidated and non – consolidated basis, at specific and general levels. Specific stress test applications are performed with sensitivity and scenario analysis specific to particular portfolio and activity. General stress test applications are established to ensure that Group's risks are seen in an integrated perspective. Relations between risks are taken into account by the correlation effect and relations between portfolios are considered with diversification effect. Furthermore in addition to stress tests, reverse stress tests that enable us to evaluate which risk factors and which risk concentrations causes significant loss indicators designed from the outset are conducted.

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Evaluation and monitoring of the developments in the risks, in line with the national legislation and international practices, taking the necessary precautions, identification of the risk limits, ensuring the risk requirement limits and the necessary analysis, measurements and reportings are made by the Risk Management Chairmanship.

The improvement of risk culture in parallel with changes in economic conjectures and risk perception is considered as an important factor by the Parent Bank and it aims to ensure the risk awareness and sensitivity in actions to be taken. The provided trainings in line with this direction, risk assessments and reportings, the risk reportings made with the Board of Directors, Top Management and the committees, the risk appetite framework and the internal capital adequacy evaluation process that the Parent Bank generated, contributes the dissemination of the risk culture

Risk weighted amounts

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit Risk (excluding counterparty credit risk) (*)	176,588,946	156,045,237	14,127,116
2 Standardized approach	176,588,946	156,045,237	14,127,116
3 Internal rating based approach	-	-	-
4 Counterparty Credit Risk	2,834,489	2,123,816	226,759
5 Standardized approach for counterparty credit risk	2,834,489	2,123,816	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	632,989	63,989
17 Standardized approach	799,860	632,989	63,989
18 Internal model approaches	-	-	-
19 Operational Risk	14,523,725	12,245,361	1,161,898
20 Basic Indicator Approach	14,523,725	12,245,361	1,161,898
21 Standardized approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	156,490	492,718	12,519
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	194,903,773	171,540,121	15,592,302

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

2. Linkages between Financial statements and Regulatory Exposures

a) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Current Period	Carrying values as reported in published financial statements	Carrying values of items (according to TAS)				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
Assets						
Cash and balances at central bank	28,656,246	28,656,246	-	-	-	-
Financial assets held for trading	2,076,223	-	2,076,223	-	49,126	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	13,323,799	13,323,799	-	-	-	-
Receivables from money markets	1,659,062	1,659,062	-	-	-	-
Available for sale financial assets (net)	14,570,384	14,143,749	2,019,945	-	426,635	-
Loans and receivables	186,548,784	186,547,429	-	-	-	1,355
Factoring receivables	2,192,302	-	-	-	-	-
Held to maturity investments (net)	16,766,071	16,766,071	7,767,018	-	-	-
Investments in associates (net)	384,454	384,454	-	-	-	-
Investments in subsidiaries (net)	279,647	279,647	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	1,880,200	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	1,731,409	1,544,548	-	-	-	186,861
Intangible assets (net)	255,462	-	-	-	-	255,462
Investment properties (net)	423,498	-	-	-	-	-
Tax assets	63,612	63,612	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	1,312,728	1,312,728	-	-	-	-
Other assets	8,735,125	8,735,125	-	-	-	-
Total assets	280,859,006	273,416,470	11,863,186	-	475,761	443,678
Liabilities						
Deposits	157,987,866	-	-	-	-	157,987,866
Derivative financial liabilities held for trading	1,180,542	-	1,180,542	-	49,131	1,180,542
Loans	31,387,788	-	-	-	-	31,387,788
Debt to money markets	22,689,075	-	9,157,688	-	-	13,531,387
Debt securities in issue	19,870,759	-	-	-	-	-
Funds	3,206	-	-	-	-	3,206
Various debts	7,333,030	-	-	-	-	7,333,030
Other liabilities	3,977,293	-	-	-	-	3,977,293
Factoring debts	437	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	6,127,041	-	-	-	-	6,127,041
Tax liability	761,867	-	-	-	-	761,867
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	5,917,137	-	-	-	-	5,917,137
Equity	23,622,965	-	-	-	-	23,622,965
Total liabilities	280,859,006	-	10,338,230	-	49,131	251,830,122

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Prior Period	Carrying values as reported in published financial statements	Carrying values of items (according to TAS)				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
Assets						
Cash and balances at central bank	24,369,315	24,369,315	-	-	-	-
Financial assets held for trading	1,789,233	-	1,789,233	-	57,814	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	5,275,489	5,275,489	-	-	-	-
Receivables from money markets	5,232	5,232	-	-	-	-
Available for sale financial assets (net)	18,619,080	18,083,454	5,960,349	-	535,626	-
Loans and receivables	149,575,269	149,574,103	-	-	-	1,166
Factoring receivables	1,390,714	-	-	-	-	-
Held to maturity investments (net)	8,180,535	8,180,535	5,323,555	-	-	-
Investments in associates (net)	336,232	336,232	-	-	-	-
Investments in subsidiaries (net)	286,698	286,698	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	1,546,409	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	1,703,103	1,540,982	-	-	-	162,121
Intangible assets (net)	230,265	-	-	-	-	230,265
Investment properties (net)	354,385	-	-	-	-	-
Tax assets	197,922	197,922	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	1,228,102	1,115,960	-	-	-	112,142
Other assets	5,583,017	5,583,017	-	-	-	-
Total assets	220,671,000	214,548,939	13,073,137	-	593,440	505,694
Liabilities						
Deposits	126,259,309	-	-	-	-	126,259,309
Derivative financial liabilities held for trading	1,154,424	-	1,154,424	-	45,403	1,154,424
Loans	26,299,430	-	-	-	-	26,299,430
Debt to money markets	13,244,271	-	13,244,271	-	-	13,244,271
Debt securities in issue	14,682,824	-	-	-	-	-
Funds	3,319	-	-	-	-	3,319
Various debts	5,543,555	-	-	-	-	5,543,555
Other liabilities	2,765,731	-	-	-	-	2,765,731
Factoring debts	81	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	5,606,097	-	-	-	-	5,606,097
Tax liability	489,787	-	-	-	-	489,787
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	5,014,700	-	-	-	-	5,014,700
Equity	19,607,472	-	-	-	-	19,607,472
Total liabilities	220,671,000	-	14,398,695	-	45,403	205,988,095

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

b) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Current Period		Total	Items subject to credit risk	Items subject to securitization	Items subject to counterparty credit risk	Items subject to market risk
1	Asset carrying value amount under scope of regulatory consolidation	280,415,328	273,416,470	-	11,863,186	475,761
2	Liabilities carrying value amount under regulatory scope of consolidation	29,028,884	-	-	10,338,230	(49,131)
3	Total net amount under regulatory scope of consolidation	251,386,444	273,416,470	-	1,524,956	426,630
4	Off-balance sheet amounts	133,361,088	31,380,550	-	2,750,005	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	(4,242,235)	-	-	-
9	Differences due to risk reduction	-	-	-	569,987	-
10	Exposure amounts considered for regulatory	384,747,532	300,554,785	-	3,319,992	426,630

Prior Period		Total	Items subject to credit risk	Items subject to securitization	Items subject to counterparty credit risk	Items subject to market risk
1	Asset carrying value amount under scope of regulatory consolidation	220,165,306	214,548,939	-	13,073,137	593,440
2	Liabilities carrying value amount under regulatory scope of consolidation	14,682,905	-	-	14,398,695	(45,403)
3	Total net amount under regulatory scope of consolidation	205,482,401	214,548,939	-	(1,325,558)	638,843
4	Off-balance sheet amounts	114,819,263	22,688,894	-	2,225,820	548,037
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	(3,898,133)	-	-	-
9	Differences due to risk reduction	-	-	-	769,791	-
10	Exposure amounts considered for regulatory	334,984,569	233,339,701	-	2,995,611	548,037

c) Explanations of differences between accounting and regulatory exposure amounts

There is no significant difference between the amounts assessed pursuant to TAS and the risk amounts used within the scope of capital adequacy reported on the financial statements.

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

3. Credit Risk Explanations

a) General Information on Credit Risk

If the counterparty does not partially or completely fulfil its obligations in accordance with contract, the credit risk is exposed. The Group's definition of credit risk contains the credit risk in all products and activities based on the credit definition of law of banking.

The Parent Bank's branches, regional directorates, general directorate crediting units, deputy general manager responsible for credits, general manager, credit committee and board of directors determine the credit limits for counterparties within the framework of lending authority limits and provide credits within these limits in accordance with the articles 51 and 54 of banking law and in compliance with legal legislation in order to restrict the credit risk in the crediting operations.

Crediting activities are one of the basic and extensive fields of activities. The Parent Bank can provide all kind of crediting activities with its experience, competitiveness, variety of product and services. Parallel to this, it has a wide range of organization, regulation (legislation/documentation) and system infrastructure for the marketing, allocation and monitoring process of credit.

While establishing infrastructure, it is also supervised that all activities can be performed on a risk basis, in addition to providing the highest level of efficiency in the processes of the credits.

Credit management is not the single function within the Parent Bank and it is not restricted to the only one unit and responsibility area. Credit management is a process carried out together with different units and employees with different roles, authorities and responsibilities.

Credit facility functions are mainly carried out by the consecration units and in addition to the transactions done by the business units announced by the head of the Credit Management Department, relevant policy, strategy and framework documents are constituted by taking account of the international implementations and national legislation in order to ensure the effective and healthy management of the credit risk. The basic principles and principles of the policy, strategy and framework documents and the identification, measurement, monitoring and reporting of risk within the scope of risk management are determined. In the management of the credit risk, it is essential to consider all risk categories that may lead to capital requirements. In this subjected process, allocation units, evaluation and rating units, and risk management units are playing an active role.

The Risk Management Department continues its activities to assess, analyze and report on the credit risk in line with the policy document and measurement results and to determine the effect of the Group on the capital requirement.

Within the results of the studies made in this context, it is possible to establish better portfolios with lower potential asset classes (credit types and/or counterparties) by sharing them with the Parent Bank's top management and the units managing the loan portfolios, trying to be a guide in these matters.

Sectoral, geographical and individual concentration limits and country risk limits have been determined in order to identify the risks to be created by credit concentration and to establish a balanced credit portfolio, these limits are regularly reviewed and updated considering the Parent Bank's credit policy, risk appetite and economic changes.

The eventual aim of the Parent Bank is using credit risk inherent management methods in accordance with Basel III and best international implementations. In this context, studies of IRB (Internal Ratings Based Approach) are carried out. Within the scope of IRB studies, politics and procedures are updated as risk-focused.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Credit Quality of Assets

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

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

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

	Current Period	Prior Period	
1	Defaulted Loans and debt securities at end of the previous reporting period	6,703,383	5,138,113
2	Loans and debt securities that have defaulted since the last reporting period	3,216,747	2,957,373
3	Returned to non-defaulted status	106,595	31,895
4	Amounts written-off	4,054	1,341
5	Other Changes	(1,866,295)	1,358,867
6	Defaulted Loans and debt securities at end of the reporting period (1+2-3-4+5)	7,943,186	6,703,383

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

Additional disclosure related to the credit quality of assets

The Parent Bank classifies loans and other receivables in accordance with the “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables” and other regulations. When loans that are followed under the groups except Group I mentioned in this regulation are classified as past due items, general provision is calculated for Group II, and special provision is calculated for loans followed under Group III, IV and Group V.

According to the above mentioned “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables” Minimum provision rates to Loans classified is 20% to loans on Group III, 50% to loans on Group IV and 100% to loans on Group V.

Restructuring that can be applied for performing or non-performing receivables is done by changing the terms of the loan contract or by partially or completely refinancing the loan due to the financial difficulties that the borrower is facing or is likely to encounter in the payments.

Breakdown of receivables in terms of geographic regions, sectors and remaining maturities

Breakdown of receivables in terms of geographic regions

Geographical area	Current Period	Prior Period
	Credit receivables/risks	Credit receivables/risks
Domestic	179,159,737	143,862,151
European Union Countries	538,912	210,585
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	1,801,673	1,756,636
Other	8,014,710	5,512,245
Total	189,515,032	151,341,617

(*) OECD Countries other than EU countries, USA and Canada.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Breakdown of loan receivables by sector

Current Period	Cash Loans	Impaired Loans	Provisions
Agricultural	1,209,251	69,085	55,315
Farming and raising livestock	1,173,437	64,741	51,758
Forestry	14,575	2,258	2,093
Fishing	21,239	2,086	1,464
Manufacturing	40,923,643	1,628,025	1,307,257
Mining and Quarrying	3,109,601	134,821	128,422
Production	28,997,739	1,487,022	1,172,949
Electricity, Gas, Water	8,816,303	6,182	5,886
Construction	24,141,609	801,891	707,644
Services	66,970,456	2,979,614	2,589,472
Wholesale and Retail Trade	28,155,555	2,049,107	1,804,680
Accommodation and Dining	5,873,037	107,964	93,282
Transportation and Telecommunication	14,036,041	405,285	346,845
Financial Institutions	4,833,015	23,368	22,498
Real Estate and Rental Services	9,580,561	96,090	87,526
Professional Services	2,820,378	185,072	151,398
Educational Services	970,503	20,029	19,385
Health and Social Services	701,366	92,699	63,858
Other	56,270,073	2,464,571	2,177,244
Total	189,515,032	7,943,186	6,836,932

Prior Period	Cash Loans	Impaired Loans	Provisions
Agricultural	2,081,056	127,068	107,103
Farming and raising livestock	1,706,877	116,360	98,027
Forestry	286,722	7,897	7,046
Fishing	87,457	2,811	2,030
Manufacturing	28,480,421	1,251,018	1,067,661
Mining and Quarrying	1,050,381	61,077	49,541
Production	21,545,525	1,178,844	1,008,911
Electricity, Gas, Water	5,884,515	11,097	9,209
Construction	17,293,281	618,199	534,429
Services	46,173,055	1,854,467	1,559,932
Wholesale and Retail Trade	18,670,707	1,237,429	1,020,355
Accommodation and Dining	5,446,964	137,051	117,059
Transportation and Telecommunication	10,695,260	230,134	196,319
Financial Institutions	3,556,915	13,331	12,487
Real Estate and Rental Services	2,619,317	45,269	42,390
Professional Services	3,457,610	113,724	104,510
Educational Services	813,640	20,923	15,099
Health and Social Services	912,642	56,606	51,713
Other	57,313,804	2,852,631	2,263,483
Total	151,341,617	6,703,383	5,532,608

Breakdown by outstanding maturity

Current Period						
Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
27,331	15,033,785	5,711,157	33,139,366	85,661,984	45,868,907	185,442,530
Prior Period						
Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
9,441	12,646,753	5,498,653	30,852,055	63,969,529	35,428,484	148,404,915

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Amounts of provision allocated receivables (According to the definition used by the Bank in accounting) based on geographical area and sector and amounts deducted from the assets with the related provisions

Breakdown by of provision allocated receivables by geographical area

Current Period		
Geographical area	Loans Receivables(Risks)	Provisions
Domestic	7,819,393	6,742,126
European Union Countries	90,963	87,466
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	32,130	6,643
Other	700	697
Total	7,943,186	6,836,932

(*) OECD Countries other than EU countries, USA and Canada.

Prior Period		
Geographical area	Loans Receivables(Risks)	Provisions
Domestic	6,625,558	5,460,788
European Union Countries	70,100	64,134
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	65	50
Other	7,660	7,636
Total	6,703,383	5,532,608

(*) OECD Countries other than EU countries, USA and Canada.

Aging analysis for overdue receivables

	Current Period	Prior Period
31-60 days overdue	1,409,349	1,171,545
61-90 days overdue	813,948	889,662

Loan receivables with overdue loans are taken into consideration.

Breakdown of restructured receivables based on whether or not provisions are allocated

Changes Made to Extend Payment Plan	Current Period	Prior Period
Loans restructured from Standard Loans and Other Receivables	2,664,938	1,473,046
Loans restructured from Loans under Follow-up and Other Receivables	1,558,327	1,534,582
Loans restructured from Non-Performing Loans	335,136	392,162

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

b) Credit Risk Mitigation

Qualitative disclosure on credit risk mitigation techniques

Credit risk mitigation techniques in the Parent Bank are evaluated within the scope of the "Policy Document on Credit Risk Management". Within the scope of "Communiqué on Credit Risk Mitigation", published in the Official Gazette dated September 6, 2014, numbered 29111 simple financial guarantee method is used for financial guarantees. Cash and cash equivalents, Treasury Support Containing Credit Guarantee Fund Securities and guarantees are used to mitigate credit risk.

Policies regarding the valuation of financial collateral and the appraisal of the valuations and policies and procedures for the valuation of real estate established for the collateral of mortgage-backed loans, which are an asset class, have been established. These policies and procedures have been prepared in accordance with the "Communiqué on Credit Risk Mitigation" and cover the minimum requirements for collateral valuation and management.

The Parent Bank receives collaterals such as mortgages, sureties/guarantees and financial collaterals for the loans given.

Credit Risk Mitigation Techniques

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

		Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Prior Period								
1	Loans	97,586,808	54,925,584	46,872,614	3,076,521	2,649,313	-	-
2	Debt Securities	26,772,005	-	-	-	-	-	-
3	Total	124,358,813	54,925,584	46,872,614	3,076,521	2,649,313	-	-
4	Of which Defaulted	6,703,383	-	-	-	-	-	-

c) Credit risk under standardized approach

Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk

The external rating grades of the counterparties of Fitch Ratings international rating agencies and Islamic International Rating Agency are used in determining the risk weights for the risk classes specified in Article 6 of the Regulation on Measurement and Evaluation of Banks' Capital Adequacy.

When an international rating is taken into account for the entire risk category of central government or central banks, the centralized and central banks that are not rated by the Islamic International Rating Agency are based on the country risk classification issued by the Organization for Economic Co-operation and Development (OECD).

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

The following table shows that the rating scale of the credit rating agency corresponds to the credit quality levels reported in the annex of the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy.

Ratings Matched	Credit Quality Rank	Fitch Ratings
Long Term Credit Ratings	1	Between AAA and AA-
	2	Between A+ and A-
	3	Between BBB+ and BBB-
	4	Between BB+ and BB-
	5	Between B+ and B-
	6	CCC+ and below
Short Term Credit Ratings	1	Between F1+ and F1
	2	F2
	3	F3
	4	F3 and below
	5	-
	6	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects

Current Period	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	83,964,302	1,395,677	86,934,545	802,646	5,140,577	6%
2	6,667,730	518,181	6,667,730	241,940	3,416,805	49%
3	301,326	311,734	301,326	137,108	425,036	97%
4	18,032	1,583	18,032	1,583	18,032	92%
5	-	-	-	-	-	0%
6	8,266,758	1,990,510	8,266,758	1,264,050	4,260,234	45%
7	72,362,193	66,603,953	69,391,950	23,989,142	91,627,602	98%
8	47,612,387	24,689,970	47,612,387	3,212,915	37,888,045	75%
9	22,850,866	931,214	22,850,866	420,940	8,145,132	35%
10	23,816,613	2,279,165	23,816,613	1,301,591	15,449,818	62%
11	1,106,254	-	1,106,254	-	1,106,254	100%
12	274,628	15,305	274,628	8,635	487,490	172%
13	-	-	-	-	-	0%
14	-	-	-	-	-	0%
15	263	-	263	-	263	0%
16	10,375,891	-	10,375,891	-	8,072,913	78%
17	707,498	-	707,498	-	707,498	100%
18 Total	278,324,741	98,737,292	278,324,741	31,380,550	176,745,699	57%

Prior Period	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	51,462,827	492,584	53,883,670	241,211	13,566,988	25%
2	4,597,033	344,708	4,597,033	156,470	2,345,893	49%
3	636,031	1,373,402	636,031	667,205	1,298,648	100%
4	3,705	-	3,705	-	-	0%
5	-	-	-	-	-	0%
6	5,149,430	1,682,800	5,149,432	956,406	2,486,006	41%
7	60,375,270	50,259,565	57,954,425	17,018,385	73,095,869	97%
8	42,990,135	20,892,607	42,990,135	2,703,720	34,068,749	75%
9	20,926,182	703,497	20,926,182	288,457	7,425,123	35%
10	22,075,082	1,401,642	22,075,082	657,040	14,085,290	62%
11	1,170,775	-	1,170,775	-	1,170,775	100%
12	402,675	-	402,675	-	801,099	199%
13	-	-	-	-	-	0%
14	-	-	-	-	-	0%
15	-	-	-	-	-	0%
16	7,538,274	-	7,538,274	-	5,542,948	74%
17	650,567	-	650,567	-	650,567	100%
18 Total	217,977,986	77,150,805	217,977,986	22,688,894	156,537,955	65%

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Exposures by asset classes and risk weights

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

4. Counterparty Credit Risk Explanations

Qualitative disclosure on counterparty credit risk

The counterparty credit risk that may be incurred by the counterparty that is a party to a transaction that is liable to both parties due to default before the final payment in the cash flow is managed within the Parent Bank's "Counterparty Credit Risk Management Policy Document". The counterparty credit risk amounts calculated using the "Fair Value Valuation Method" within the scope of the "Communiqué on Credit Risk Mitigation" are calculated on the basis of the portfolios in the trading accounts and banking accounts, and these amounts are used within the scope of capital adequacy calculations. Various scenarios and stress tests are applied to the counterparty credit risk.

Processes related to counterparty credit risk management activities have been written down. In the direction of the policy document and measurement results, activities of evaluating, analyzing and reporting the counterparty credit risk and determining the effect of the capital requirement of the Parent Bank and Group are being continued.

In addition to the measurement activities, sensitivity and scenario analysis are used to evaluate the resistance of the Group to the changes that may be experienced in risk factors against economic developments. Monthly stress test reports include analyzes of counterparty credit risk. The distributions of positions subject to counterparty credit risk calculation, the ratings of these counterparties from independent rating agencies and transaction concentration are regularly monitored by the Risk Management Department of the Parent Bank. The Parent Bank monitors the level of concentration in terms of the counterparty of derivative transactions. The collateral process of derivative transactions, repo, marketable securities transactions etc. with foreign banks is covered with ISDA (International Swap and Derivatives Association) and ISMA (International Securities Market Association) contracts and the collateral agreements regarding the mutual rights and obligations for the transactions between the two parties.

Treasury transactions are valued on a daily basis over the market prices taking into account these contracts and rules from the beginning to the closing of the transaction and the difference between the favorable and unfavorable values of the transactions against the market prices cause the settlement call movements by agreeing with the related banks. In compliance with the limitations of the bank which exposed to counterparty risk, the Parent Bank follows the limit follow up system. Limits, which are defined as loan limits and compromise limits in the system, are monitored instantaneously.

The Parent Bank has fulfilled its statutory obligations under EMIR (European Markets Infrastructure Regulation). The clearing member of the bank has been transmitted to the "counterparty" via a bank and transactions that provide conditions within the existing transactions in the portfolio have started to be cleared under the conditions of EMIR.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Counterparty credit risk (CCR) approach analysis

Current Period	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
1 Fair Value Method (for derivatives)	2,150,962	599,043		1.4	2,750,005	1,537,085
2 Standardized Approach (for derivatives)	-	-			-	-
3 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						
4 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					569,987	142,856
5 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					14	5
6 VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
7 Total						1,679,946

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Prior Period	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
1 Fair Value Method (for derivatives)	1,598,356	627,528		1.4	2,225,884	1,095,500
2 Standardized Approach (for derivatives)	-	-			-	-
3 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						
4 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					769,791	183,644
5 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
6 VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
7 Total						1,279,144

Capital requirement for credit valuation adjustment (CVA)

Current Period	EAD post CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-
1 (i) VaR component (including the 3×multiplier)		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-
3 All portfolios subject to the Standardized CVA capital obligation	2,750,005	1,154,133
4 Total subject to the CVA capital obligation	2,750,005	1,154,133
Prior Period	EAD post CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-
1 (i) VaR component (including the 3×multiplier)		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-
3 All portfolios subject to the Standardized CVA capital obligation	2,219,529	844,350
4 Total subject to the CVA capital obligation	2,219,529	844,350

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

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

Current Period

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Prior Period

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Other	Total Credit Exposures(*)
Claims from central governments and central banks	3,906,197	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	1,216	-	38	-	-	-	-	-	-	8
Claims from administration and non-commercial entity	16,486	-	-	-	-	-	1,339	-	-	1,339
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	6,537,261	-	1,633,264	-	3,110,725	-	-	-	-	1,882,015
Corporates	54,409	-	-	-	-	-	211,962	-	-	211,962
Retail portfolios	406	-	-	-	-	37,989	-	-	-	28,492
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
Total	10,515,975	-	1,633,302	-	3,110,725	37,989	213,301	-	-	2,123,816

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Collaterals for counterparty credit risk

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

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	5,533,270	-
Domestic sovereign debts	-	-	-	-	-	1,804
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	5,533,270	1,804

Loan Derivatives

Current Period	Protection bought	Protection sold
Nominals		
Single-name credit default swaps	72,125	140,118
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Nominals	72,125	140,118
Fair Values		
Positive fair values (asset)	7,631	-
Negative fair values (liability)	-	24,444
Prior Period	Protection bought	Protection sold
Nominals		
Single-name credit default swaps	165,000	246,050
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Nominals	165,000	246,050
Fair Values		
Positive fair values (asset)	11,131	-
Negative fair values (liability)	-	24,801

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Central counterparty risks

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

Prior Period	Exposure at default (post-CRM)	RWA
1 Exposure to Qualified Central Counterparties (QCCPs) (total)		323
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3 (i) OTC Derivatives	16,124	323
4 (ii) Exchange-traded Derivatives	-	-
5 (iii) Securities financing transactions	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-
7 Segregated initial margin	-	-
8 Non-segregated initial margin	-	-
9 Pre-funded default fund contributions	-	-
10 Unfunded default fund contributions	-	-
11 Exposures to non-QCCPs (total)		-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13 (i) OTC Derivatives	-	-
14 (ii) Exchange-traded Derivatives	-	-
15 (iii) Securities financing transactions	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-
17 Segregated initial margin	-	-
18 Non-segregated initial margin	-	-
19 Pre-funded default fund contributions	-	-
20 Unfunded default fund contributions	-	-

5. Explanations on Securitizations

None.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

6. Explanations on Market Risk

Qualitative disclosure requirements related to market risk

As a result of fluctuations in the financial market, the Group is exposed to market risk, depending on the exchange rates, interest rates and changes in the market prices of the shares.

In order to evaluate the market risk, liquidity risk, interest risk or condensation risk that Bank is facing or could face, with the policies and limitations that are lineup for to control the risks there is "Market Risk Management Directorate" and it carries out the market risk management. In this extent, this Directorate design the risk measurement models, measurement results and getting regular reports from the other analyzes and give notices from the report of the analyzes to the necessary departments.

Market risks get measured and monitored with the national legislation that are parallel to international applications. This market risk management process continues by including buying and selling balance sheet both internally and externally, meeting the legal necessities, being able to analyze the all risks that can be caused from buying-selling activities and by identifying the market risk that can be caused by all portfolios.

Risk management of the Parent Bank is important in order to be understood by the all management stages and be able to get an opportunity to manage risk. In addition to that, it is similarly important to handle the loss that might cause when a risk occurs. Therefore measurements must cover the evaluations for the fund needs near the size of the risk and evaluations of the conditions that caused it. By using the methods of scenario and stress test, it is possible to see risk levels and needs of funds that can be generated from different circumstances and risky conditions.

In addition to the results of market risk measurements using standard method, which calculated in monthly periods, other daily risk dependencies can be also calculated by using internal model. There are daily back testings occurred in order to examine the trustworthiness and performance of the model results. Besides, there are also scenario analyzes and stress tests are happening in order to backing up the standard method and internal models. In addition to this, in order to limit the market risks, daily limit implementation and limit implementation in accordance with the early warning system can be monitored on daily basis.

Market Risk- Standardized approach

		Current Period	Prior Period
		RWA	RWA
Outright products			
1	Interest rate risk (general and specific)	267,113	305,400
2	Stock risk (general and specific)	15,206	20,127
3	Foreign exchange risk	483,713	307,162
4	Commodity risk	-	-
Options			
5	Simplified approach	-	-
6	Delta-plus method	33,828	300
7	Scenario approach	-	-
8	Securitization	-	-
9	Total	799,860	632,989

7. Explanations on Operational Risk

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on October 23, 2015 is used in the operational risk calculation of the Group. Under the scope of the calculation, the value found by multiplying the average of the fifteen percent of the year-end gross income amounts realized by the Group over the last three years by twelve and half is considered as the operational risk.

Annual gross revenue is calculated by deduction of profit/loss derived from the sale of available-for-sale assets and held-to maturity securities, extraordinary income and indemnity insurance gains from the total of net interest income and non-interest income.

The whole Parent bank personnel is responsible from the deduction and control of the operational risks in the context of their mission and work processes. All of the units of the Parent bank are obligated to take precautions about the risk deduction aspect related with their on operations via insurance and other risk transfer mechanisms.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Current Period

	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	6,443,949	7,355,711	9,438,300	7,745,987	15	1,161,898
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	14,523,725

Prior Period

	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	5,893,893	6,411,206	7,287,478	6,530,859	15	979,629
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	12,245,361

8. Interest Rate Risk Related to Banking Book

The Parent Bank has evaluated to interest rate risk arising from on-balance sheet and off-balance sheet positions in banking accounts in accordance within accordance with “Regulation on Measurement and Evaluation of Interest Rate Risk in Banking Accounts with Standard Shock Method” performs and reports on these measurement based results and analyzes on weekly and monthly periods. In addition, in the Asset-Liability Management Committee meetings, the sensitivity of the active, passive and off-balance sheet items to the interest rate is evaluated taking into consideration the market developments.

In line with the management of interest rate risk arising from banking accounts; Scenario analysis, gap analysis to date of re-pricing, behavioral analysis, core demand deposit level, duration and maturity mismatch metrics, option risk, base risk and yield curve risk components are followed together.

Current Period

	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains / Shareholders' Equity Losses/ Shareholders' Equity
1	TRY	500/(400)	(2,370,615) / 2,318,845	(%8.22) / %8.04
2	EURO	200/(200)	(537,399) / 364,920	(%1.86) / %1.27
3	USD	200/(200)	513,644 / (536,219)	%1.78 / (%1.86)
Total (for negative shocks)		-	2,147,546	%7.45
Total (for positive shocks)		-	(2,394,370)	(%8.30)

Prior Period

	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains / Shareholders' Equity Losses/ Shareholders' Equity
1	TRY	500/(400)	(2,210,943)/2,186,994	(%9.45)/%9.34
2	EURO	200/(200)	388,955/1,240	%1.66/%0.01
3	USD	200/(200)	603,486/(601,248)	%2.58/(%2.57)
Total (for negative shocks)		-	1,586,986	6.78%
Total (for positive shocks)		-	(1,218,502)	(5.21%)

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SECTION FIVE

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. Information on cash and balances with the Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1,395,384	595,490	1,281,060	508,933
Central Bank of the Republic of Turkey (*)	2,275,103	24,001,997	2,892,154	19,433,355
Other	350,955	37,317	235,950	17,863
Total	4,021,442	24,634,804	4,409,164	19,960,151

(*) TL 20,815,769 (December 31, 2016: TL 14,977,543) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

In accordance with "Announcement on Reserve Deposits" of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from 4% to 10.5% (December 31, 2016: ranging from 4% to 10.5%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 4% to 24% in US Dollar or Euro (December 31, 2016: ranging from 4.5% to 24.5%).

According to 2014-72 numbered and 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		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	2,209,475	3,186,228	2,861,879	2,647,870
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	1,807,942
Reserve Deposits	65,628	20,815,769	30,275	14,977,543
Total	2,275,103	24,001,997	2,892,154	19,433,355

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar	-	1,552	68,526	10,647
Other	-	-	-	-
Total	-	1,552	68,526	10,647

Trading securities subject to repurchase agreements

None.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Positive differences on derivative financial assets held for trading purpose

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	20,577	5,365	18,625	4,254
Swap transactions	1,780,873	138,506	1,455,133	129,105
Futures	-	-	-	-
Options	433	497	107	328
Other	-	-	-	-
Total	1,801,883	144,368	1,473,865	133,687

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	1,176,047	1,957,624	1,180,083	301,055
Foreign	849	10,189,279	15,703	3,778,648
Foreign Head Offices and Branches	-	-	-	-
Total	1,176,896	12,146,903	1,195,786	4,079,703

Due from foreign banks

	Unrestricted Balance		Restricted Balances ^(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	916,102	418,643	-	-
USA, Canada	8,563,253	2,753,327	339,989	308,742
OECD Countries ^(*)	91,584	89,546	-	-
Off-shore Banking Regions	1,223	1,059	-	-
Others	277,977	223,034	-	-
Total	9,850,139	3,485,609	339,989	308,742

^(*) EU countries, OECD countries except USA and Canada.

^(**) Restricted balances that occur from securization loans and other common banking activities

4. Information on available-for-sale financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	8,553,659	344,646	1,882,699	2,051,546
Other	-	-	-	-
Total	8,553,659	344,646	1,882,699	2,051,546

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

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

Available-for-sale financial assets subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1,682,275	-	3,775,304	-
Treasury bills	-	-	-	-
Other debt securities	-	156,751	-	2,113,320
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Total	1,682,275	156,751	3,775,304	2,113,320

Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	14,649,567	18,832,215
Quoted on a Stock Exchange	14,649,567	18,832,215
Unquoted	-	-
Equity securities	43,370	27,610
Quoted on a Stock Exchange	-	-
Unquoted	43,370	27,610
Provisions for impairment losses (-)	122,553	240,745
Total	14,570,384	18,619,080

5. Information on loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	38,243	-	31,720
Legal entities	-	38,243	-	31,720
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	140,344	313	117,544	41
Total	140,344	38,556	117,544	31,761

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

Cash Loans	Loans and other receivables under close monitoring					
	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Agreement conditions modified receivables	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
		Payment plan extensions	Other		Payment plan extensions	Other
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	-

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

<i>Number of modifications to extend payment plans</i>	<i>Standard Loans and Other Receivables (*)</i>	<i>Loans and other receivables under close monitoring (*)</i>
Extended for 1 or 2 times	2,664,938	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.

Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	<i>Loans and Other Receivables</i>	<i>Restructured or Rescheduled Loans and Other Receivables</i>	<i>Loans and Other Receivables</i>	<i>Restructured or Rescheduled Loans and Other Receivables</i>
Cash loans				
Short-term Loans and Other Receivables	40,281,664	30,278	2,043,156	62,739
Loans	40,281,664	30,278	2,043,156	62,739
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
Medium, Long-term Loans and Other Receivables	135,494,551	2,634,660	3,399,894	1,495,588
Loans	135,467,220	2,634,660	3,399,894	1,495,588
Specialization loans	-	-	-	-
Other Receivables	27,331	-	-	-

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	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

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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

	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

Allocation of loan customers

	Current Period	Prior Period
Public Sector	3,032,772	2,537,136
Private Sector	182,409,758	145,867,358
Total	185,442,530	148,404,494

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic loans	184,512,099	147,783,305
Foreign loans	930,431	621,189
Total	185,442,530	148,404,494

Loans to associates and subsidiaries

	Current Period	Prior Period
Direct loans to associates and subsidiaries	17	10
Indirect loans to associates and subsidiaries	-	-
Total	17	10

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Loans and receivables with limited collectability	153,441	389,259
Loans and receivables with doubtful collectability	430,333	553,966
Uncollectible loans and receivables	6,253,158	4,589,383
Total	6,836,932	5,532,608

Information on non-performing loans (Net)

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current period	80,662	118,684	135,790
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	80,662	118,684	135,790
Prior period	137,005	176,551	78,606
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	137,005	176,551	78,606

Movements in non-performing loan groups

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Balance at the beginning of the period	946,968	1,107,117	4,649,298
Additions (+)	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
<i>Corporate and commercial loans</i>	-	-	4,054
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Other</i>	-	-	-
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 and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
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
Prior Period			
Balance at the end of the period	64,048	17,087	423,134
Specific provision (-)	52,069	8,807	382,751
Net balance on balance sheet	11,979	8,280	40,383

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

Explanation on Write-off Policy

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
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	-
Prior Period (Net)			
Consumer and Commercial Loans (Gross)	946,563	1,097,026	4,551,110
Specific Provision (-)	389,232	549,216	4,490,332
Consumer and Commercial Loans (Net)	557,331	547,810	60,778
Banks (Gross)	-	-	8,761
Specific Provision (-)	-	-	8,761
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	133	9,500	90,290
Specific Provision (-)	27	4,750	90,290
Other Loans and Receivables (Net)	106	4,750	-

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	12,235,40	2,022,702	8,039,914	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	2,263,925	-	-
Total	12,235,40	4,286,627	8,039,914	-

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	16,766,071	8,187,293
<i>Quoted at stock exchanges</i>	16,652,591	8,046,672
<i>Unquoted at stock exchanges</i>	113,480	140,621
Impairment losses (-)	-	6,758
Total	16,766,071	8,180,535

The movement table of the held-to-maturity investments

	Current Period	Prior Period
Balances at the beginning of the period	8,180,535	7,677,729
Foreign currency differences on monetary assets	116,077	7,371
Purchases during the period	2,423,358	1,873,688
Transfers to available for sale portfolio ^(**)	7,501,432	-
Disposals through sales/redemptions	(2,186,864)	(1,673,758)
Impairment losses	6,758	(537)
Change in amortized costs of the securities ^(*)	724,775	296,042
Balances at the end of the period	16,766,071	8,180,535

(*) 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

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
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.

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

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

7. Investments in associates

Unconsolidated investments in associates

Title	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ (*)	Ankara/Turkey	9.93	9.93
2 Bankalararası Kart Merkezi AŞ	İstanbul/Turkey	9.70	9.70
3 KKB Kredi Kayıt Bürosu AŞ	İstanbul/Turkey	9.09	9.09
4 Güçbirliği Holding AŞ	İzmir/Turkey	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ	İstanbul/Turkey	5.00	5.00
6 İstanbul Takas ve Saklama Bankası AŞ (*)	İstanbul/Turkey	4.37	4.37
7 Kredi Garanti Fonu AŞ (*)	Ankara/Turkey	1.54	1.54
8 Tasfiye Halinde World Vakıf UBB Ltd.	Lefkoşa/TRNC	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	4,185,749	1,062,721	716,013	13,978	-	173,897	128,591	-
2	90,246	49,094	47,325	1,656	-	9,004	10,403	-
3	282,149	183,485	179,270	6,467	-	44,798	34,759	-
4	144,158	(45,685)	88,005	360	-	(10,162)	(3,360)	-
5	120,766	(27,699)	83,574	4	-	(6,271)	(21,798)	-
6	9,913,087	1,170,007	97,419	281,518	7,404	201,251	162,178	-
7	486,557	462,323	10,969	21,449	-	127,873	17,738	-
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 September 30, 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 Kredi Garanti Fonu AŞ from TL 278,439 to TL 318,282. The share of the Bank amounting to TL 177 is presented in the movement table of investments in associates as bonus shares received. During the capital increase, the share of the Bank decreased from 1.69% to 1.54% due to the participation of new banks in the association.

The title of World Vakıf Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakıf UBB. Ltd. on February 4, 2009. Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official 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 Enternasyonel AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

Consolidated investments in associates

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	1,047,132	88,271	7,571	59,475	3,603	5,231	3,640	-
2	29,917,636	3,711,341	871,378	1,440,834	438,839	611,177	443,431	3,488,552

(*) The financial statement information provided for these associates is taken from the financial statements dated September 30, 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 2,050,000 to TL 2,400,000 in the Ordinary General Meeting of the Company dated March 23, 2017. The share of the Bank amounting to TL 29,321 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Kıbrıs Vakıflar Bankası LTD. from TL 40,000 to TL 70,000 in the Extraordinary General Meeting of the Company dated May 12, 2016. The share of the Bank amounting to TL 4,500 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 1,750,000 to TL 2,050,000 in the Ordinary Meeting of General Assembly of the Company dated March 24, 2016, the share of the Bank amounting to TL 25,132 is presented in the movement table of investments in associates as bonus shares received.

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)

Movement of consolidated investments in associates

	Current Period	Prior Period
Balance at the beginning of the period	253,457	224,269
Movements during the period	49,502	29,188
Transfers	-	-
Acquisitions	-	-
Bonus shares received	29,321	29,632
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	20,181	(444)
Impairment losses	-	-
Balance at the end of the period	302,959	253,457
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Sectoral distribution of consolidated investments and associates

	Current Period	Prior Period
Banks	302,959	253,457
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
Total	302,959	253,457

Quoted associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	292,341	242,838
Quoted at international stock exchanges	-	-
Total	292,341	242,838

Investments in associates disposed during the period

There is not any associate disposed by the Parent Bank in the current period.

Investments in associates acquired during the period

There is not any associate acquired by the Parent Bank in the current period.

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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 ve Hayat AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Paid in Capital	114,483	109,000	35,000	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)
Prior Period's Profit/Loss	129,784	(18)	1,623	-	(439,449)	73,393	-	-	(3,008)
Current Period's Profit/Loss	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

(*) Reviewed BRSA financial statements as of December 31, 2017 are considered.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Vakıf Yatırım Menkul Değerler 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” serial V, No:34 of Capital Markets Board as six months periods. Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat 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 December 31, 2017, there is no capital requirement for the subsidiaries mentioned.

Unconsolidated investments in subsidiaries

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Years’ Profit/(Loss)	Fair Value
1	25,851	12,062	1,043	530	-	404	280	14,494
2	371,463	356,839	221,749	8,132	-	5,653	504	403,062
3	59,791	49,796	1,710	3,948	-	6,422	3,587	49,458
4	31,550	25,967	280	2,811	-	(178)	1,269	26,479

(*) The financial statement information provided for these subsidiaries is taken from the financial statements dated September 30, 2017.

(**) The financial statement information provided for these subsidiaries is taken from the financial statements dated June 30, 2017.

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

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

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

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

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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/Turkey	48.02	48.02
2 Vakıf Emeklilik AŞ (*)	İstanbul/Turkey	53.90	79.67
3 Vakıf Faktoring AŞ	İstanbul/Turkey	78.39	88.68
4 Vakıf Finansal Kiralama AŞ	İstanbul/Turkey	58.71	66.23
5 Vakıf Yatırım Menkul Değerler AŞ	İstanbul/Turkey	99.00	99.48
6 Vakıfbank International AG (*)	Vienna/Austria	99.00	99.00
7 Vakıf Portföy Yönetimi AŞ	İstanbul/Turkey	100.00	100.00
8 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	İstanbul/Turkey	22.89	34.55
9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/Turkey	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	2,167,689	677,599	718,869	83,947	1,419	26,493	(48,066)	449,781
2	6,618,429	308,951	127,457	36,713	196	73,260	38,512	1,149,195
3	2,246,286	145,045	3,156	189,406	-	23,194	16,098	157,611
4	2,095,369	205,138	21,591	139,151	-	33,847	23,281	232,724
5	493,702	164,268	2,491	35,659	28	19,623	8,568	186,870
6	4,005,275	579,208	1,988	61,159	23,491	16,637	17,711	402,497
7	29,555	28,280	446	3,294	42	7,809	6,855	81,031
8	18,021	17,450	24	330	1,488	1	(237)	27,963
9	1,152,183	940,321	749,372	12,671	-	75,357	42,425	568,147

(*) Financial information as at September 30, 2017 has been presented for these subsidiaries.

Movement table of consolidated investments in subsidiaries in consolidated financial statements

	Current Period	Prior Period
Balance at the beginning of the period	1,528,228	1,350,170
Movements during the period	421,910	178,058
Transfers	-	-
Acquisitions	-	76,155
Bonus shares received	51,974	24,858
Share of current year profit	(16,825)	(1,314)
Sales and liquidations	(232)	-
Fair value changes	373,209	72,033
Impairment losses	13,784	6,326
Balance at the end of the period	1,950,138	1,528,228
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	1,950,138	1,528,228
Equity method of accounting	-	-
Total	1,950,138	1,528,228

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)

Sectoral distribution of consolidated investments in financial subsidiaries

	Current Period	Prior Period
Banks	362,247	434,112
Insurance companies	835,401	568,089
Factoring companies	123,551	74,498
Leasing companies	136,632	79,019
Financing companies	-	-
Other financial subsidiaries	492,307	372,510
Total	1,950,138	1,528,228

Quoted consolidated subsidiaries

	Current Period	Prior Period
Quoted at domestic stock exchanges	578,891	410,160
Quoted at international stock exchanges	-	-
Total	578,891	410,160

Consolidated subsidiaries disposed during the period

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

Consolidated investments in subsidiaries acquired during the period

The Parent Bank does not have any subsidiary that are purchased in the current period in the scope of consolidation.

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

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Portföy Yönetimi AŞ from TL 3,000 to TL 12,000 by a bonus increase of TL 9,000. After the capital increase, Bank's current nominal share has been increased from TL 3,000 to TL 12,000 by bonus increase of 9,000 and Bank's share percentage has been remained the same (100.00%). The share of the Bank amounting to TL 9,000 is presented as bonus shares received in the movement table of investments in subsidiaries.

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

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

9. Investments in joint-ventures

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

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	329,412	315,471	127,815	124,560
Between 1-4 years	1,268,523	1,092,496	1,069,370	940,008
Longer than 4 years	579,828	472,233	591,496	481,841
Total	2,177,763	1,880,200	1,788,681	1,546,409

Net investments in finance lease receivables

	Current Period	Prior Period
Gross finance lease receivables	2,177,763	1,788,681
Unearned income on finance lease receivables (-)	297,563	242,272
Terminated lease contracts (-)	-	-
Net finance lease receivables	1,880,200	1,546,409

Finance lease agreements

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	1,196,829	120,731	29,140	1,317,756	2,664,456
Accumulated depreciation(-)	11,399	113,222	24,091	806,410	955,122
Impairment(-)	6,231	-	-	-	6,231
Net book value	1,179,199	7,509	5,049	511,346	1,703,103
Balance at the end of the current year:					
Net book value at the beginning of the current year	1,179,199	7,509	5,049	511,346	1,703,103
Additions	29,501	-	3,402	157,142	190,045
Cost of the disposals	11,008	-	8,818	21,815	41,641
Classification Among the Tangible Fixed Assets	-	(111,890)	-	111,890	-
Depreciation of the disposals (-)	1,866	-	8,501	19,928	30,295
Depreciation of the current year	10,279	1,919	1,678	132,218	146,094
Classification Among the Depreciation of the Tangible Fixed Assets	-	(109,022)	-	109,022	-
Impairment (-)	603	-	-	4,821	5,424
Exchange differences related to foreign associates	-	-	26	1,099	1,125
Cost at the end of the current year	1,215,322	120,731	23,750	1,454,182	2,813,985
Accumulated depreciation at the end of the year (-)	19,812	115,141	17,268	918,700	1,070,921
Impairment (-)	6,834	-	-	4,821	11,655
Net book value at the end of the current year	1,188,676	5,590	6,482	530,661	1,731,409

13. Information on intangible assets

Group's intangible assets consist of computer softwares and licenses. The estimated useful life of intangible assets is 5 years. Intangible assets are amortized on a straight-line basis through the estimated useful lives over their costs adjusted for inflation for the items purchased before December 31, 2004, over their initial costs for the items purchased after December 31, 2004.

In the current year an intangible asset that presents severity for the financial statements does not exist.

Additionally the Group does not have intangible assets, which are obtained by government incentives, recorded at fair value, have utilization restrictions or have been pledged.

The Group has not declared a commitment to purchase intangible assets.

14. Information on investment properties

As of December 31, 2017, the Group has investment properties that have book amount of its subsidiaries which are operating in the insurance business is TL 8,377 (December 31, 2016: TL 8,877) and its subsidiaries which are operating in real estate investment business is TL 415,121 (December 31, 2016: TL 345,508).

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

15. Information on tax assets

a) Current tax assets

As at December 31, 2017 the current tax asset of the Group amounts to TL 1,016 (December 31, 2016: TL 835).

b) Deferred tax assets

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

	Current Period	Prior Period
Provision for employee termination benefits and unused vacations	103,455	97,828
Other provisions	57,514	93,646
Valuation differences of associates and subsidiaries	55,424	27,488
Deductible financial losses	24,099	26,418
Investment incentives	373	4,314
Valuation differences of financial assets and liabilities	80,160	82,263
Reporting Standards - Tax Code depreciation differences	-	6,330
Other differences	17,108	16,268
Deferred tax assets	338,133	354,555
Net-off of the deferred tax assets and liabilities from the same entity	(275,537)	(157,468)
Deferred tax assets, (net)	62,596	197,087
Valuation differences of financial assets and liabilities	254,360	119,153
Valuation difference for associates and subsidiaries	21,501	17,511
Valuation differences of properties	51,801	39,593
Other differences	22,939	4,235
Deferred tax liabilities	350,601	180,492
Net-off of the deferred tax assets and liabilities from the same entity	(275,537)	(157,468)
Deferred tax liabilities, (net)	75,064	23,024

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

	Current Period	Previous Period
As of 1 January	174,063	116,095
Deferred tax income/loss	(160,372)	17,554
Deferred tax that is accounted under equity	(21,448)	44,360
Other	(4,711)	(3,946)
Deferred tax asset/(liability)	(12,468)	174,063

The reconciliation of the deferred tax on the assets directly related to the equity is as follows as of December 31, 2017 and December 31, 2016:

	Current period	Prior Period
Securities available for sale	(15,709)	48,081
Associates and subsidiaries	234	(1,371)
Tangible assets	(18)	(1,911)
Actuarial gains and losses	(5,955)	(439)
Total	(21,448)	44,360

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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 assets held for sale and assets related to the discontinued operations

As at December 31, 2017, net book value of assets held for sale of the Group is amounting to TL 1,312,728 (December 31, 2016: TL 1,228,102).

17. Information on other assets

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

	Current Period	Prior Period
Receivables from insurance operations	1,352,349	928,905
Receivables from credit card payments	1,173,158	988,257
Prepaid expenses	1,097,170	522,306
Guarantees given for repurchase agreements	151	-
Guarantees given for derivative financial instruments	2,749,121	1,876,321
Receivables from term sale of assets	11,116	21,746
Receivables from reinsurance companies	60,613	27,240
Deferred commission expenses	43,083	59,891
Other	2,248,364	1,158,351
Total	8,735,125	5,583,017

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	21,807,725	19,306,192	21,090,496	15,591,405
Foreign currency saving deposits	6,571,401	5,092,943	15,854,203	14,160,086
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	28,379,126	24,399,135	36,944,699	29,751,491

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	22,958	37,431
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	2,399	4,957
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	19,903	5,240	22,407	4,202
Swaps	961,269	162,879	894,453	194,876
Futures	-	-	-	-
Options	30,336	915	38,159	327
Other	-	-	-	-
Total	1,011,508	169,034	955,019	199,405

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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		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	235,102	-	-
Domestic banks and institutions	1,321,299	1,452,085	1,081,208	1,023,229
Foreign banks, institutions and funds	936,242	27,443,060	639,606	23,555,387
Total	2,257,541	29,130,247	1,720,814	24,578,616

Maturity information of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term (*)	1,341,505	3,012,169	715,655	2,342,821
Medium and Long-term (*)	916,036	26,118,078	1,005,159	22,235,795
Total	2,257,541	29,130,247	1,720,814	24,578,616

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

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 12.20% (December 31, 2016: 13.08%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On April 20, 2016, 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.

On September 26, 2016, 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.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

On October 4, 2016, the Parent Bank carried out a securitization transaction in the amount of USD 890 million equivalent in Euros and US Dollars based on foreign money transfers and treasury transactions as part of the securitization program. A total of USD 310 million was provided for 5 years and USD 535 million based on treasury financing transactions was provided with 7 years maturity, based on foreign delegations of the loan provided in seven separate segments. Within the program, 2016-A segment was collected from SMBC, 2016-B segment from Wells Fargo Bank, 2016-C segment from Credit Suisse, 2016-D segment from Standard Chartered Bank, 2016-E segment from EBRD, 2016-F segment from JP Morgan and 2016-G segment from ING Bank. EBRD participated in the securitization loan with the TurSEFF II and TurSEFF III projects. As of December 31, 2017, the sum of the securitization loans amounted to USD 1.347 million and EUR 258 million.

On March 3, 2017, under the coordination of ICBC Turkey AŞ, the Parent Bank signed a bilateral loan agreement with ICBC Dubai amounting USD 250 million with 3 years maturity which will be used for trade finance purposes together with general purpose financial needs.

Information on securities issued

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

The context of Global Medium Term Notes (GMTN), the Bank has issued 230 private placements with 19 different banks from 2013 June on .This private placements have issued several currencies as of (US Dollar, Euro, Swiss Franc and Japanese Yen) and the maturities are 3 months, 6 months, 1 year and 2 years. Bank has issued 4.860 million US Dollar private placements as of the date of December 31, 2017. The total private placements are 123.7 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.

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.

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

Obligations under finance leases

None.

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

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

None.

7. Information on provisions

Information on general provisions

	Current Period	Prior Period
Provisions for loans and receivables in Group I	1,527,551	1,796,316
-Additional provision for loans with extended payment plans	67,249	50,986
Provisions for loans and receivables in Group II	181,119	222,879
-Additional provision for loans with extended payment plans	32,611	33,725
Provisions for non-cash loans	137,421	124,718
Other	39,402	23,530
Total	1,885,493	2,167,443

Information on employee rights

According to the TAS-19- Judgments of benefits that are provided to employees, bank accounts and calculate provision to obligations of severance pay and allowance rights.

As of December 31, 2017, TL 413,371 (December 31, 2016: TL 395,650) provision for severance pay and TL 107,986 (December 31, 2016: TL 98,026) provision for unused vacation are stated in financial statements under employee rights provision.

Movement of severance pay provision in the period:

	Current Period	Previous Period
Opening balance	395,650	369,078
Current service cost	39,480	43,060
Previous service cost	8,866	-
Interest cost	40,470	35,121
Paid compensation	(42,544)	(51,300)
Payment/Reduction of benefits/Layoff accordingly		
composed loss/(gain)	(569)	1,637
Actuary loss/(gain)	(28,363)	(2,107)
Net foreign exchange differences from foreign subsidiaries	381	161
Closing balance	413,371	395,650

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on pension rights

The Fund’s technical financial statements are inspected by an actuary who is registered to the actuaries registry, in accordance with the Insurance Law no. 5684, article 21, and the “Actuaries Regulations” published referring to the mentioned article. According to the actuary report dated January 2018, there are no technical or actual deficits that requires making any provision.

Transferable retirement and health liabilities	Current Period	Previous Period
Net Present Value of Transferable Retirement Liabilities	(5,495,589)	(4,843,316)
Net Present Value of Transferable Retirement and Health Contributions	4,317,510	3,352,762
General Administration Expenses	(99,503)	(86,552)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,277,583)	(1,577,107)
Fair Value of Plan Assets (2)	5,360,551	4,299,662
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	4,082,968	2,722,555

Actuarial assumptions used in valuation of Non Transferable Benefits based on IAS 19 are as follows:

Discount Rates	Current Period	Previous Period
Benefits Transferable to SSI	9.80%	9.80%
Non Transferable Benefits	2.50%	2.50%

Distribution of total assets of the Retirement Fund as of December 31, 2017 and December 31, 2016 is presented below:

	Current Period	Previous Period
Bank placements	2,290,956	2,210,265
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	362,512	110,880
Tangible assets*	2,517,925	1,750,695
Other	189,158	227,822
Total	5,360,551	4,299,662

(*) The Tangible assets value indicates all the stocks’ and real estate properties’ market values, as of December, 31, 2017.

Provision for currency exchange loss on foreign currency indexed loans

	Current Period	Previous Period
<i>Provision for currency exchange loss on foreign currency indexed loans</i>	10,253	297

The Group has recorded provision amounting to TL 10,253 (December 31, 2016: TL 297) for foreign exchange losses on principal amounts of foreign currency indexed loans and reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.

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

As of December 31, 2017, the Parent Bank has recorded TL 75,942 (December 31, 2016: TL 59,816) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on insurance technical provisions

	Current Period	Prior Period
Unearned Premium Reserves	961,880	791,429
Outstanding Claims Reserves	1,353,675	1,232,257
Life Mathematical Reserves	304,770	273,162
Other	25,193	21,497
Total	2,645,518	2,318,345

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on other provisions

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Provisions for credits	3,207	184,902
Specific provisions for non-cash loans	75,942	59,816
Provision for cheques	5,871	7,662
Provisions for lawsuits against the Bank	79,112	66,959
Provisions for credit card promotions	9,768	9,595
Other provisions	566,592	52,976
Total	740,492	381,910

Information on provision for possible risks

The Parent Bank recognized free provision in the current year amounting to TL 500,000 in line with the conservatism principle considering the circumstances that may arise from possible changes in the economy and financial markets.

8. Taxation

Current Taxes

As at and for the year ended December 31, 2017, the tax liability of the Group is amounting to TL 323,837 (December 31, 2016: TL 157,549).

Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	323,837	157,549
Taxation on securities	160,257	151,546
Capital gains tax on property	3,493	2,676
Banking and Insurance Transaction Tax (BITT)	124,488	92,730
Taxes on foreign exchange transactions	-	-
Value added tax payable	6,100	5,937
Other	59,620	49,051
Total	677,795	459,489

Information on premiums payable

	Current Period	Prior Period
Social security premiums- employee share	1,407	1,000
Social security premiums- employer share	4,488	3,689
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	32	25
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	7	-
Unemployment insurance- employee share	918	763
Unemployment insurance- employer share	2,106	1,768
Other	50	29
Total	9,008	7,274

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.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Information on subordinated loans

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

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

In 2012, the Parent Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased. In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 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 5,917,137 as of December 31, 2017 (December 31, 2016: TL 5,014,700).

11. Information on shareholders' equity

Paid-in capital

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

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

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

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

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered capital system	2,500,000	10,000,000

At the resolutions of Board of Directors dated 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.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Information on share capital increases from revaluation funds

None.

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

None

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

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	61,709	-	64,288	-
Fair value differences of available-for-sale securities	(302,087)	177,252	(245,897)	50,440
Foreign exchange differences	-	-	-	-
Total	(240,378)	177,252	(181,609)	50,440

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

1. Disclosures related to other contingent liabilities

Type and amount of consolidated irrevocable commitments

	Current Period	Prior Period
Commitments for credit card limits	10,534,862	8,682,835
Loan granting commitments	11,918,133	9,851,597
Commitments for cheque payments	2,542,741	2,154,102
Asset purchase sale commitments	1,755,169	2,864,752
Other	3,609,820	2,184,230
Total	30,360,725	25,737,516

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

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

The Parent Bank provided specific provision amounting to TL 169,355 (December 31, 2016: TL 165,159) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 75,942 (December 31, 2016: TL 59,816).

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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)

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Final letters of guarantee	14,073,061	11,547,141
Letters of guarantee for advances	6,684,317	4,843,148
Letters of guarantee given to custom offices	1,053,872	1,059,516
Provisional letters of guarantee	1,180,248	994,372
Other letters of guarantee	17,179,490	13,872,150
Total	40,170,988	32,316,327

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	3,771,138	2,788,811
<i>With original maturity of 1 year or less</i>	<i>1,216,243</i>	<i>1,126,734</i>
<i>With original maturity of more than 1 year</i>	<i>2,554,895</i>	<i>1,662,077</i>
Other non-cash loans	47,552,564	37,871,540
Total	51,323,702	40,660,351

3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	40,142	0.12	20,449	0.11	81,809	0.30	382,403	2.79
Farming and cattle	35,606	0.11	20,449	0.11	69,203	0.26	378,930	2.76
Forestry	3,213	0.01	-	-	11,601	0.04	3,473	0.03
Fishing	1,323	-	-	-	1,005	-	-	-
Manufacturing	12,256,698	37.53	7,292,016	39.06	10,907,710	40.35	7,157,290	52.18
Mining	281,602	0.86	175,494	0.94	1,157,275	4.29	144,199	1.05
Production	7,930,683	24.29	6,505,402	34.85	6,697,549	24.73	6,606,838	48.17
Electric, gas and water	4,044,413	12.38	611,120	3.27	3,052,886	11.33	406,253	2.96
Construction	4,855,489	14.87	1,577,187	8.45	4,216,428	15.77	2,323,864	16.96
Services	13,929,661	42.66	5,399,060	28.92	9,412,571	34.94	2,602,185	18.97
Wholesale and retail trade	5,412,904	16.58	3,084,829	16.53	4,056,016	15.05	1,556,974	11.35
Hotel, food and beverage services	269,673	0.83	18,654	0.10	112,775	0.42	663	-
Transportation and Telecommunication	1,530,254	4.69	754,908	4.04	1,330,694	4.94	876,095	6.39
Financial institutions	3,537,700	10.83	437,710	2.34	2,492,659	9.25	66,679	0.49
Real estate and renting services	1,558,909	4.77	408,524	2.19	358,074	1.33	28,456	0.21
Self-employment services	1,439,047	4.41	682,660	3.66	700,053	2.60	66,033	0.48
Education services	37,182	0.11	8,202	0.04	18,627	0.07	1,588	0.01
Health and social services	143,992	0.44	3,573	0.02	343,673	1.28	5,697	0.04
Other	1,574,354	4.82	4,378,646	23.46	2,327,606	8.64	1,248,485	9.10
Total	32,656,344	100.00	18,667,358	100.00	26,946,124	100.00	13,714,227	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	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

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

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

	Current Period	Prior Period
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	28,048,820	39,674,975
Currency Forwards	2,770,498	1,615,985
Currency Swaps	24,420,686	37,185,682
Currency Futures	-	-
Currency Options	857,636	873,308
Interest Rate Derivative Transactions (II)	16,961,096	17,066,824
Interest Rate Forwards	-	-
Interest Rate Swaps	16,961,096	17,066,824
Interest Rate Options	-	-
Securities Call Put Options	-	-
Interest Rate Futures	-	-
Other Trading Derivatives (III)	16,340,947	11,037,611
A. Total Trading Derivatives (I+II+III)	61,350,863	67,779,410
Hedging Derivatives		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	-	-
Derivative Transactions (A+B)	61,350,863	67,779,410

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)

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

	December 31, 2017					Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	
Currency swaps:						
Purchase	3,321,304	3,044,756	908,460	271,380	-	7,545,900
Sale	718,359	795,056	899,832	287,826	-	2,701,073
Currency forwards:						
Purchase	191,078	237,194	861,239	96,150	-	1,385,661
Sale	190,999	237,075	860,677	96,086	-	1,384,837
Cross currency interest rate swaps:						
Purchase	264,597	37,800	303,700	6,677,071	140,118	7,423,286
Sale	161,595	25,580	303,700	6,126,870	132,682	6,750,427
Interest rate swaps:						
Purchase	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Sale	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Options:						
Purchase	333,265	19,141	73,700	-	-	426,106
Sale	336,538	19,392	75,600	-	-	431,530
Other trading derivatives:						
Purchase	38,820	75,600	415,800	2,683,002	3,430,128	6,643,350
Sale	2,646,434	2,316,290	326,755	1,945,000	2,463,118	9,697,597
Total purchases	4,249,064	3,514,491	2,562,899	13,990,524	7,587,873	31,904,851
Total sales	4,153,925	3,493,393	2,466,564	12,718,703	6,613,427	29,446,012
Total	8,402,989	7,007,884	5,029,463	26,709,227	14,201,300	61,350,863

	December 31, 2016					Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	
Currency swaps:						
Purchase	8,131,383	4,142,976	59,393	333,432	-	12,667,184
Sale	5,967,447	3,320,505	57,412	406,566	-	9,751,930
Currency forwards:						
Purchase	91,264	240,192	436,920	39,781	-	808,157
Sale	91,595	240,137	436,440	39,656	-	807,828
Cross currency interest rate swaps:						
Purchase	-	-	826,025	7,055,829	-	7,881,854
Sale	-	-	434,479	6,450,235	-	6,884,714
Interest rate swaps:						
Purchase	-	-	1,231,927	3,384,843	3,916,642	8,533,412
Sale	-	-	1,231,927	3,384,842	3,916,643	8,533,412
Options:						
Purchase	407,926	20,002	-	-	-	427,928
Sale	424,764	20,616	-	-	-	445,380
Other trading derivatives:						
Purchase	70,300	210,900	246,049	1,922,502	1,883,038	4,332,789
Sale	2,700,249	1,037,023	215,525	1,521,775	1,230,250	6,704,822
Total purchases	8,700,873	4,614,070	2,800,314	12,736,387	5,799,680	34,651,324
Total sales	9,184,055	4,618,281	2,375,783	11,803,074	5,146,893	33,128,086
Total	17,884,928	9,232,351	5,176,097	24,539,461	10,946,573	67,779,410

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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)

6. Contingent assets and liabilities

Group allocates TL 5,871 as provision for lawsuits against the Group (December 31, 2016: TL 7,662).

7. Services rendered on behalf of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts. The Parent Bank's custody services and banking transactions on behalf of individuals and corporate customers 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		Prior Period	
	TL	FC	TL	FC
Short-term loans	4,818,618	214,105	4,375,361	207,352
Medium and long-term loans	10,638,423	2,507,378	7,535,971	1,880,672
Non-performing loans	137,052	-	269,572	-
Premiums received from resource utilization support fund	-	-	-	-
Total	15,594,093	2,721,483	12,180,904	2,088,024

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	6	-	198
Domestic Banks	164,088	5,711	95,516	1,851
Foreign Banks	651	40,240	342	23,274
Foreign Head Office and Branches	-	-	-	-
Total	164,739	45,957	95,858	25,323

Information on interest income received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	18,182	869	7,891	1,055
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	1,481,282	253,931	1,225,597	287,852
Investments held to maturity	1,111,569	48,705	706,281	1,463
Total	2,611,033	303,505	1,939,769	290,370

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	-	8

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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		Prior Period	
	TL	FC	TL	FC
Banks	192,335	594,784	134,386	329,113
Central Bank of the Republic of Turkey	-	99	-	-
Domestic Banks	114,994	25,392	59,952	19,416
Foreign Banks	77,341	569,293	74,434	309,697
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	53,953	-	44,617
Total	192,335	648,737	134,386	373,730

Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	132,348	24,678

Interest expense on securities issued

As at and for the year ended at December 31, 2017, interest paid to securities issued is TL 1,059,739 (December 31, 2016: TL 691,897).

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on securities issued	532,626	527,113	321,968	369,929

Maturity structure of the interest expense on deposits

Current Period	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		
TL								
Interbank deposits	-	4,583	181,129	3,707	-	-	-	189,419
Saving deposits	-	278,663	3,336,384	226,701	32,556	16,695	119	3,891,118
Public sector deposits	9,611	362,078	699,671	111,071	375,522	20,612	-	1,578,565
Commercial deposits	87	509,951	1,211,479	247,147	22,461	793	-	1,991,918
Other deposits	-	84,740	374,560	154,694	7,720	1,302	-	623,016
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	9,698	1,240,015	5,803,223	743,320	438,259	39,402	119	8,274,036
FC								
Foreign Currency deposits	21,775	25,633	641,645	47,405	29,271	112,830	-	878,559
Interbank deposits	2,812	6,046	19,432	464	5,313	13,958	-	48,025
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	24,587	31,679	661,077	47,869	34,584	126,788	-	926,584
Grand Total	34,285	1,271,694	6,464,300	791,189	472,843	166,190	119	9,200,620

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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)

Prior Period	Time Deposits							Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Cumulative deposit	
TL								
Interbank deposits	-	50,936	124,957	-	5,449	12,337	-	193,679
Saving deposits	-	60,356	2,763,745	172,556	29,617	12,540	-	3,038,814
Public sector deposits	22,342	356,076	662,052	62,623	179,128	21,863	-	1,304,084
Commercial deposits	89	412,802	938,081	140,868	15,856	450	-	1,508,146
Other deposits	4	89,305	324,753	91,558	7,164	1,849	-	514,633
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	22,435	969,475	4,813,588	467,605	237,214	49,039	-	6,559,356
FC								
Foreign Currency deposits	24,182	25,417	410,909	31,379	19,459	98,917	-	610,263
Interbank deposits	663	1,730	12,364	2,147	1,184	7,060	-	25,148
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	24,845	27,147	423,273	33,526	20,643	105,977	-	635,411
Grand Total	47,280	996,622	5,236,861	501,131	257,857	155,016	-	7,194,767

3. Dividend Income

	Current Period	Prior Period
Trading Purpose Financial Assets	80	73
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	234	22,443
Others	47,167	39,220
Total	47,481	61,736

4. Information on trading income/losses

	Current Period	Prior Period
Income	14,405,506	9,373,771
Income from capital market operations	5,126,139	3,246,495
Income from derivative financial instruments	3,763,265	3,364,513
Foreign exchange gains	5,516,102	2,762,763
Losses	(14,211,059)	(8,868,733)
Loss from capital market operations	(5,077,693)	(3,222,444)
Loss from derivative financial instruments	(3,778,946)	(3,009,715)
Foreign exchange loss	(5,354,420)	(2,636,574)
Net trading profit/loss	194,447	505,038

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 110,499 as at and for the year ended December 31, 2017 (December 31, 2016: net profit of TL 345,690).

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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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. Other operating income

	Current Period	Prior Period
Income from reversal of the specific provisions for loans		
from prior periods	937,669	668,315
Earned insurance premiums (net of reinsurance share)	1,207,630	892,467
Communication income	43,602	40,316
Gain on sale of assets	149,607	165,307
Income from private pension business	102,575	78,307
Rent income	770	987
Other income	643,392	158,637
Total	3,085,245	2,004,336

6. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	2,214,490	1,963,013
<i>Loans and receivables in Group III</i>	495,617	743,731
<i>Loans and receivables in Group IV</i>	595,073	526,966
<i>Loans and receivables in Group V</i>	1,123,800	692,316
Non-performing commissions and other receivables	-	-
General provision expenses	208	213,855
Provision for possible losses	500,000	-
Impairment losses on securities	550	4,688
<i>Trading securities</i>	126	6
<i>Investment securities available-for-sale</i>	424	4,682
Impairment losses from associates, subsidiaries, joint ventures and marketable securities held to maturity	29,147	25,297
<i>Associates</i>	-	-
<i>Subsidiaries</i>	2,525	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	26,622	25,297
Other (*)	98,163	126,756
Total	2,842,558	2,333,609

(*) Other provision expenses amounting to TL 98,163 is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 48,866, other provision expenses related to loans amounting to TL 14,793 and other provision expenses amounting to TL 34,504. (Other provision expenses amounting to TL 126,756 is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 44,085, other provision expenses related to loans amounting to TL 22,896 and other provision expenses amounting to TL 59,775, as of December 31, 2016.)

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 EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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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)

7. Other operating expenses

	Current Period	Prior Period
Personnel costs	1,979,798	1,663,884
Reserve for employee termination benefits	49,531	30,847
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	150,160	140,921
Impairment losses on intangible assets	-	409
Amortization expenses on intangible assets	30,270	25,756
Impairment losses on assets to be disposed	-	5,278
Depreciation expenses on assets to be disposed	-	19,723
Impairment losses on assets held for sale	-	-
Other operating expenses	2,413,794	1,984,578
<i>Operational lease related expenses</i>	258,477	232,514
<i>Repair and maintenance expenses</i>	68,416	52,947
<i>Advertisement expenses</i>	129,056	94,760
<i>Other expenses</i>	1,957,845	1,604,357
Loss on sale of assets	2,302	3,351
Other ^(*)	1,108,292	1,031,957
Total	5,734,147	4,906,704

(*) Other operating expenses amounting to TL 1,108,292 (December 31, 2016: TL 1,031,957) is comprised of provision expenses for dividends to the personnel amounting to TL 168,500 (December 31, 2016: TL 147,970), tax, fees and funds expenses amounting to TL 163,010 (December 31, 2016: TL 141,588), Saving Deposits Insurance Fund expenses amounting to TL 168,783 (December 31, 2016: TL 138,469), Compensation pensions amounting to TL 9,807 (December 31, 2016: TL 47,034), cumulative/noncumulative commission expenses amounting to TL 91,727 (December 31, 2016: TL 79,694), production commission expenses to TL 251,574 (December 31, 2016: TL 240,676) and other expenses amounting to TL 254,891 (December 31, 2016: TL 236,526)

8. Information on income/loss from discontinued and continuing operations

Information and detailed tables on profit before tax from continuing operations are presented in disclosures 1-7 in this section. The Group has no discontinued operations.

9. Information on tax provision from discontinued and continuing operations

Information on provision for taxes on income from continuing operations is presented in disclosure 11 in this section. The Group has no discontinued operations.

10. Information on net profit/loss from discontinued and continuing operations

Information on net profit/loss from continuing operations is presented in disclosures 1-13 in this section. The Group has no discontinued operations.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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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)

11. 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 831,655 (December 31, 2016: TL 741,888) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination/ (Reversal) of Deductible Temporary Differences	(48,316)	26,473
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(112,056)	(8,919)
Arising from Origination/ (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	(160,372)	17,554

The table of the tax provision reconciliation related with the group for the years December 31, 2017 and December 31, 2016 is as below.

	Current Period	Prior Period
Profit before tax	4,957,892	3,395,524
Additions	1,646,277	1,090,863
Reductions	(1,517,989)	(172,535)
Other	(985,237)	(694,457)
Basis	4,166,181	3,619,395
Corporate tax rate	%20 (*)	20%
Tax calculated	804,637	723,879
Other corrections	187,390	(31,397)
Tax expense	992,027	692,482

(*) Different tax rates are used in our subsidiary operating abroad.

12. Net profit and loss

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

Group has incurred TL 22,045,179 interest income and TL 13,073,305 interest expense, also incurred TL 1,235,550 amount of net fee and commission income from its ordinary banking operations (December 31, 2016: TL 16,964,189 interest income, TL 9,727,956 interest expense, TL 912,483 net fee and commission income).

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

None.

13. Income/loss related to non-controlling interest

	Current Period	Prior Period
Income/(losses) related to non-controlling interest	84,914	2,528

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 EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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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)

14. 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 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1. Information on increases that occur after revaluation of available-for-sale investments

Movement tables related to revaluation differences of available-for-sale investments where valuation differences arising from the fair value measurement of available-for-sale assets, subsidiaries and affiliates are recorded are as follows:

Valuation Differences of Marketable Securities	Current Period	Prior Period
Valuation differences at the beginning of the year	(195,457)	(9,331)
Fair value changes in the current year	120,429	(227,237)
Valuation differences transferred to the statement of income	(34,098)	(6,970)
Effect of deferred and corporate taxes	(15,709)	48,081
Valuation differences at the end of the year	(124,835)	(195,457)

Valuation Difference of the Subsidiaries and Affiliates	Current Period	Prior Period
Valuation differences at the beginning of the year	64,288	39,342
Fair value changes in the current year	(2,813)	26,317
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	234	(1,371)
Valuation differences at the end of the year	61,709	64,288

2. Information on increases in cash flow hedges

None.

3. Reconciliation of the beginning and end of the year balances of foreign exchange differences

As of December 31, 2017, foreign currency translation differences of (27,252) TL (December 31, 2016: 59,217 TL), which occurred from converting abroad subsidiaries' financial statements to TL for consolidation purpose, is accounted under other reserves in the enclosed consolidated financial statements.

4. Information on correction differences of shareholders' equity accounts due to inflation

In compliance with BRSA's Circular on April 28, 2005 on ceasing the inflation accounting application, the balances resulted from the inflation accounting application as at December 31, 2004 and booked according to the Uniform Chart of Accounts and the related Articles, are transferred to the main accounts that were subject to the inflation accounting adjustments except for "capital reserves from inflation adjustments". The balance of "capital reserves from inflation adjustments" account is transferred to "other capital reserves" account. In 2006, the Bank has increased its paid in capital through "other capital reserves" by TL 605,763.

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. INFORMATION AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

5. Information on profit distribution

As per the resolution of 63 Annual General Assembly held on June 9, 2017, the net profit of the year 2016 which amounts to TL 2,683,101 after deferred tax income deducted is decided to be distributed as legal reserves amounting to TL 268,310, extraordinary reserves amounting to TL 2,245,347, special funds amounting to TL 49,444 and dividends to equity holders of the Parent Bank amounting to TL 120,000.

6. Information on decreases of revaluation of available-for-sale investments

Revaluation differences of available-for-sale investments has resulted with increase in the current year. Detailed information about the increases is explained above in Note 1.

VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS

1. Disclosures for "other" items in statement of cash flows and effect of change in foreign currency rates cash and cash equivalents

"Other" item under the "operating profit before changes in operating assets and liabilities" amounting to TL (2,718,309) (December 31, 2016: TL (2,889,842)) is comprised of other operating expense in the balance sheet, fees and commission expense, and cash amount of trading profit/loss.

"Net increase/decrease in other liabilities" amounting to TL 11,074,733 (December 31, 2016: TL 779,053) under "changes in operating assets and liabilities" is mainly comprised of find based cash inflows from repurchase agreements.

"Other" balance under "net cash flow from investing activities" amounting to TL (59,102) (December 31, 2016: TL (56,519)) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related assets' high turnover rate are taken into consideration. Each exchange rate's arithmetic average of the last five days before the report date and provision of average TL that is calculated from the difference from current period's exchange rate are reflected as an effect of exchange rate change on the cash flow statement. Except for the above-mentioned, banks that have less than three months to maturity are accepted as cash equivalents and average TL provision is calculated by difference between related operation's per term exchange rate and current period's exchange rate. As of December 31, 2017 impact of the exchange rate change on cash and cash equivalents is TL (137,492) (December 31, 2016: TL 53,516).

2. Cash flows from acquisition of associates, subsidiaries and joint-ventures

There is not any cash flow that is related with Bank's subsidiaries in the current and previous periods.

3. Cash flows from the disposal of associates, subsidiaries and joint-ventures

The Parent Bank had realized the sale of its shares in Güneş Sigorta A.Ş, which amounts to TL 232, corresponding to its 500,000 number of shares in the current period.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS (Continued)

4. Information on cash and cash equivalents

Information on cash and cash equivalents at the beginning of the year

	Prior Period December 31, 2016	Prior Period December 31, 2015
Cash on hand	1,789,993	1,439,972
Cash in TL	1,285,044	1,162,866
Cash in foreign currency	504,949	277,106
Cash equivalents	10,631,411	7,617,155
CBRT	22,325,509	19,834,346
Banks	5,275,489	6,176,019
Receivables from money markets	5,232	6,699
Other	253,813	215,596
Loans and advances to banks having maturity of more than 3 months	(97,573)	(90,084)
Restricted cash and cash equivalents	(17,124,659)	(18,518,574)
Unrealized foreign exchange rate differences on cash equivalents	(6,400)	(6,847)
Total	12,421,404	9,057,127

Information on cash and cash equivalents at the end of the year

	Current Period December 31, 2017	Prior Period December 31, 2016
Cash on hand	1,990,874	1,789,993
Cash in TL	1,406,685	1,285,044
Cash in foreign currency	584,189	504,949
Cash equivalents	19,771,933	10,631,411
CBT - Unrestricted demand deposit	26,277,100	22,325,509
Banks	13,323,799	5,275,489
Receivables from money markets	1,659,062	5,232
Other	388,272	253,813
Loans and advances to banks having maturity of more than 3 months	(639,854)	(97,573)
Restricted cash and cash equivalents	(21,221,265)	(17,124,659)
Unrealized foreign exchange rate differences on cash equivalents	(15,181)	(6,400)
Total	21,762,807	12,421,404

5. Management comment on restricted cash and cash equivalents due to legal requirements or other reasons taking materiality principle into account

Reserve requirements at CBRT amounting to TL 20,881,397 as at December 31, 2017 (December 31, 2016: TL 16,815,760) has not been included in cash and cash equivalents.

Deposits of the Group amounting to TL 339,868 (December 31, 2016: TL 308,711) is blocked due to securitization loans and other ordinary operations of the Group.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. INFORMATION AND DISCLOSURES RELATED TO THE PARENT BANK’S RISK GROUP

1. Information on the volume of transactions with the Parent Bank’s risk group, lending and deposits outstanding at year end and income and expenses in the current year

Information on loans and other receivables held by Parent Bank’s risk group

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Balance at the beginning of the year	10	1,024,338	-	31,720	37,507	22,446
Balance at the end of the year	17	1,190,628	-	38,243	18,111	34,799
Interest and commission income	-	912	-	38	-	78

Prior Period	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Balance at the beginning of the year	1,071	811,349	-	28,550	822	15,858
Balance at the end of the year	10	1,024,338	-	31,720	37,507	22,446
Interest and commission income	8	651	-	32	424	105

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

The Parent Bank’s Risk Group	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	Deposits					
Balance at the beginning of the year	661,402	475,233	977,319	740,156	164,132	104,508
Balance at the end of the year	884,201	661,402	1,100,243	977,319	241,646	164,132
Interest on deposits	132,348	24,678	106,934	46,267	486	288

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)

VII. 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 ve Hayat 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 0.010% (December 31, 2016: 0.025%) and 2.462% (December 31, 2016: 2.652 %) respectively.

Current Period	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	-	-

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

VIII. INFORMATION ON DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR INVESTMENTS AND FOREIGN REPRESENTATIVE OFFICES OF THE PARENT BANK

Domestic and foreign branches and representative offices

	Number of Branches	Number of Employees	Country	Total Assets	Capital
Domestic Branches^(*)	924	16,050			
Foreign Representative Offices					
Foreign Branches	1	26	USA	10,881,965	62,370
	1	16	Iraq	329,145	189,000
Off-shore Branches	1	5	Bahrain	13,839,751	-

^(*) Free zone branches in Turkey is included to domestic branches.

Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

During 2017, 7 new domestic branches (2016: 8 domestic branches) have been opened and 4 have been closed (2016: 4).

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

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SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. OTHER DISCLOSURES ON THE PARENT BANK'S ACTIVITY

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

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

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	Stable
Long Term Local Currency	BBB-
Short Term Local Currency	F3
Local Currency Outlook	Stable
National Long Term	AAA (tur)
National Outlook	Stable
Support	3
Support Rating Floor	BB+
Viability Note	bb+
February 2, 2018 (*)	Moody's Investors' Service
Baseline Credit Assessment	ba2
Local Currency Deposit Rating	Ba1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Ba2/NP
Foreign Currency Outlook	Negative
December 12, 2017 (*)	Standard&Poors
Foreign Currency Counterparty Credit Rating	BB/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	BB/B
Local Currency Outlook	Negative
Turkey National Scale	trAA- / trA-1

(*) Dates represent last report dates.

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

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

OTHER DISCLOSURES AND FOOTNOTES (Continued)

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

The Parent Bank has issued and offered to public a Vakıfbank bond, which has a value date of January 26, 2018, with nominal value of 400,000,000 (Full TL), with 154 days maturity, and maturity date of June 29, 2018, on January 22-23-24, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFB61828, is determined with 201,773,448 (Full TL) nominal value, with 154 days maturity and maturity date of June 29, 2018, 13.8236% annual compound interest, 13.3082% simple interest and TL 94,684 issue price.

Book-building process in relation to issuance of the Eurobond has been completed by the Parent Bank. Coupon rate has been set at 5.75% with a yield of 5.85% in respect of USD 650 million fixed rate notes with semi-annual interest payment, having a maturity on January 30, 2023 with a term of 5 years.

The Parent Bank has issued and offered to public a Vakıfbank bond, which has a value date of February 23, 2018, with nominal value of TL 200 million (Full TL), with 126 days maturity, and maturity date of June 29, 2018, on February 19-20-21, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFB61836, is determined with 267,253,694 (Full TL) nominal value, with 126 days maturity and maturity date of June 29, 2018, 13.7488% annual compound interest, 13.1730% simple interest and TL 95,650 issue price.

The Parent Bank has issued and offered to public a Vakıfbank bond, which has a value date of February 23, 2018, with nominal value of TL 100 million (Full TL), with 210 days maturity, and maturity date of September 21, 2018, on February 19-20-21, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFB91817, is determined with 46,272,511 (Full TL) nominal value, with 210 days maturity and maturity date of September 21, 2018, 14.0756% annual compound interest, 13.6809% simple interest and TL 92,703 issue price.

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 year ended December 31, 2017, have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ. It was noted in their review report dated March 2, 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 year ended December 31, 2017.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

There are no important aspects and necessary explanations and footnotes that are not mentioned in the sections above that are related with the Parent Bank's operations.

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