

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

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



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

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

Introduction

We have reviewed the consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 September 2017 and the related consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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



Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its consolidated subsidiaries at 30 September 2017 and the results of its operations and its cash flows for the nine-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation:

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

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

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

Zeynep Uras, SMMM
Partner

Istanbul, 13 November 2017

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED INTERIM FINANCIAL REPORT
AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017**

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE PARENT BANK
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES
- LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

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

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

November 13, 2017

İsmail ALPTEKİN
Chairman of
the Board of Directors

Serdar TUNÇBİLEK
Board Member and
Audit Committee Member

Sabahattin BİRDAL
Board member and
Audit Committee Member

Mehmet Emin ÖZCAN
General Manager and
Board Member

Şuayyip İLBİLGİ
Assistant General Manager

Ferkan MERDAN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL
SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017**

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

As at September 30, 2017 and December 31, 2016, The Bank’s paid-in capital is TL 2,500,000 divided into 250,000,000,000 shares with each has a nominal value of Kr 1.

The Parent Bank’s shareholders structure as at September 30, 2017 is stated below:

Shareholders	Number of Shares (100 unit)	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058,640	1,075,058	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.10
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,224,785	386,225	15.45
Other appendant foundations (Group B)	2,699,565	2,700	0.11
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,529,007	1,529	0.06
Publicly traded (Group D)	630,486,794	630,487	25.22
Total	2,500,000,000	2,500,000	100.00

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

GENERAL INFORMATION (Continued)

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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
<u>Board of Directors</u>				
İsmail ALPTEKİN	Chairman	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	29 March, 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 TUNCBİLEK	Member	April 15, 2014	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	21 years
Hasan ECESÖY	Treasury Management, International Banking and Investor Relations, Treasury Management Middle Office	June 18, 2010	PHD	23 years
Osman DEMREN	Commercial Loans, Corporate Loans, Consumer Loans, SME and Local Government Loan Allocation Management	April 6, 2011	Master	26 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	University	21 years
Mustafa SAYDAM	Administrative Affairs, Construction, Real Estate and Purchasing	October 28, 2013	University	23 years
Mehmet Emin KARAAĞAÇ	Chief Legal Counsellor, Legal Affairs, Credit Risk Liquidation	November 8, 2013	University	27 years
Yakup ŞİMŞEK	Corporate and Investment Banking Marketing, Commercial Banking Marketing, Cash Management Affairs, Corporate Branches	September 7, 2016	University	20 years
Hüseyin Uğur BİLGİN	Human Resources, Corporate Development and Academy	August 1, 2017	University	30 years

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

GENERAL INFORMATION (Continued)

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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
Şeyh Mehmet BOZ	Application of Credit Policies and Processes, Loans Planning and Follow-up, Evaluation and rating	August 1, 2017	Master	22 years
İlker YESİL	Payment Systems, Digital Banking and Distribution Channels	August 1, 2017	University	22 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	University	21 years
Ersin ÖZOĞUZ	SME Banking, Marketing, Local Government Banking Marketing	August 1, 2017	University	21 years

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

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

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

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

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

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

İsmail ALPTEKİN, 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.

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SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017**

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

GENERAL INFORMATION (Continued)

IV. INFORMATION ON THE PARENT BANK’S QUALIFIED SHAREHOLDERS

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 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.

**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 September 30, 2017, The Parent Bank has 923 domestic, 3 foreign, in total 926 branches (December 31, 2016: 921 domestic, 3 foreign, in total 924branches). As at September 30, 2017, The Parent Bank has 16,152 employees (December 31, 2016: 15,615 employees).

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED
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SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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 nine-month period ended September 30, 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 nine-month period ended September 30, 2017, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED
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TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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 SEPTEMBER 30, 2017**

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

	ASSETS	Notes	Reviewed Current Period September 30, 2017			Audited Prior Period December 31, 2016		
			TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	3,830,709	22,420,904	26,251,613	4,409,164	19,960,151	24,369,315
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	1,536,365	281,051	1,817,416	1,644,899	144,334	1,789,233
2.1	Financial assets held for trading purpose		1,536,365	281,051	1,817,416	1,644,899	144,334	1,789,233
2.1.1	Debt securities issued by the governments		293	5,481	5,774	206	10,647	10,853
2.1.2	Equity securities		8,843	-	8,843	2,095	-	2,095
2.1.3	Derivative financial assets held for trading purpose	V-I-2	1,372,856	275,570	1,648,426	1,473,865	133,687	1,607,552
2.1.4	Other securities		154,373	-	154,373	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	1,188,783	6,202,916	7,391,699	1,195,786	4,079,703	5,275,489
IV.	RECEIVABLES FROM INTERBANK MONEY MARKETS		1,527	-	1,527	5,232	-	5,232
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		1,515	-	1,515	3,428	-	3,428
4.3	Receivables from reverse repurchase agreements		12	-	12	1,804	-	1,804
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	14,754,785	5,761,853	20,516,638	12,588,929	6,030,151	18,619,080
5.1	Equity securities		15	37,714	37,729	15	27,595	27,610
5.2	Debt securities issued by the governments		14,754,770	5,343,829	20,098,599	12,588,914	5,719,498	18,308,412
5.3	Other securities		-	380,310	380,310	-	283,058	283,058
VI.	LOANS AND RECEIVABLES	V-I-5	126,278,563	50,911,545	177,190,108	100,166,610	49,408,659	149,575,269
6.1	Performing loans and receivables		125,277,092	50,881,391	176,158,483	99,001,801	49,402,693	148,404,494
6.1.1	Loans provided to risk group	V-V-1	220	11,483	11,703	581	36,936	37,517
6.1.2	Debt securities issued by the governments		-	-	-	-	-	-
6.1.3	Other		125,276,872	50,869,908	176,146,780	99,001,220	49,365,757	148,366,977
6.2	Loans under follow-up		7,367,139	117,563	7,484,702	6,626,073	77,310	6,703,383
6.3	Specific provisions (-)	V-I-5	6,365,668	87,409	6,453,077	5,461,264	71,344	5,532,608
VII.	FACTORING RECEIVABLES		1,326,493	177,979	1,504,472	1,171,659	219,055	1,390,714
VIII.	HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	8,704,557	286,399	8,990,956	8,039,914	140,621	8,180,535
8.1	Debt securities issued by the governments		8,704,557	179,467	8,884,024	8,039,914	-	8,039,914
8.2	Other securities		-	106,932	106,932	-	140,621	140,621
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-7	372,654	3	372,657	336,229	3	336,232
9.1	Associates, consolidated per equity method		311,841	-	311,841	275,765	-	275,765
9.2	Unconsolidated associates		60,813	3	60,816	60,464	3	60,467
9.2.1	Financial associates		48,460	-	48,460	48,111	-	48,111
9.2.2	Non-Financial associates		12,353	3	12,356	12,353	3	12,356
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	285,993	-	285,993	286,698	-	286,698
10.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated non-financial subsidiaries		285,993	-	285,993	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	456,868	1,242,407	1,699,275	364,209	1,182,200	1,546,409
12.1	Finance lease receivables		590,464	1,377,261	1,967,725	465,056	1,323,625	1,788,681
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned income (-)		133,596	134,854	268,450	100,847	141,425	242,272
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	-	-	-	-	-
13.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)		1,666,943	9,184	1,676,127	1,693,745	9,358	1,703,103
XV.	INTANGIBLE ASSETS (Net)		253,558	297	253,855	230,242	23	230,265
15.1	Goodwill		-	-	-	-	-	-
15.2	Other intangibles		253,558	297	253,855	230,242	23	230,265
XVI.	INVESTMENT PROPERTIES (Net)	V-I-12	381,138	-	381,138	354,385	-	354,385
XVII.	TAX ASSETS	V-I-13	112,701	-	112,701	197,922	-	197,922
17.1	Current tax assets	V-I-13	928	-	928	835	-	835
17.2	Deferred tax assets	V-I-13	111,773	-	111,773	197,087	-	197,087
XVIII.	ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-14	1,267,091	-	1,267,091	1,228,102	-	1,228,102
18.1	Assets held for sale		1,267,091	-	1,267,091	1,228,102	-	1,228,102
18.2	Assets related to the discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	V-I-15	4,097,351	2,113,877	6,211,228	3,110,515	2,472,502	5,583,017
TOTAL ASSETS			166,516,079	89,408,415	255,924,494	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 SEPTEMBER 30, 2017**

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

	Notes	Reviewed Current Period September 30, 2017			Audited Prior Period December 31, 2016		
		TL	FC	Total	TL	FC	Total
I. LIABILITIES AND EQUITY							
I. DEPOSITS	V-II-1	101,377,495	47,213,422	148,590,917	85,815,420	40,443,889	126,259,309
1.1 Deposits of risk group	V-V-1	2,187,240	225,282	2,412,522	1,686,765	116,088	1,802,853
1.2 Other deposits		99,190,255	46,988,140	146,178,395	84,128,655	40,327,801	124,456,456
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	733,913	179,426	913,339	955,019	199,405	1,154,424
III. FUNDS BORROWED	V-II-3	1,669,261	28,013,798	29,683,059	1,720,814	24,578,616	26,299,430
IV. INTERBANK MONEY MARKET		14,533,189	1,892,752	16,425,941	11,450,137	1,794,134	13,244,271
4.1 Interbank money market takings		7,770,139	-	7,770,139	2,501,180	-	2,501,180
4.2 Istanbul Stock Exchange money market takings		231,962	-	231,962	277,667	-	277,667
4.3 Obligations under repurchase agreements		6,531,088	1,892,752	8,423,840	8,671,290	1,794,134	10,465,424
V. SECURITIES ISSUED (Net)	V-II-3	4,208,152	12,316,974	16,525,126	3,373,519	11,309,305	14,682,824
5.1 Bills		4,116,407	-	4,116,407	3,373,519	-	3,373,519
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		91,745	12,316,974	12,408,719	-	11,309,305	11,309,305
VI. FUNDS		3,284	-	3,284	3,319	-	3,319
6.1 Funds against borrower's note		-	-	-	-	-	-
6.2 Other		3,284	-	3,284	3,319	-	3,319
VII. MISCELLANEOUS PAYABLES		5,980,178	797,423	6,777,601	4,622,676	920,879	5,543,555
VIII. OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	751,926	1,547,657	2,299,583	747,599	2,018,132	2,765,731
IX. FACTORING PAYABLES		135	3	138	77	4	81
X. LEASE PAYABLES (Net)	V-II-5	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	-	-	-	-	-
11.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	V-II-7	5,746,582	41,840	5,788,422	5,562,513	43,584	5,606,097
12.1 General provisions	V-II-7	2,323,657	11,774	2,335,431	2,153,773	13,670	2,167,443
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		779,269	2,533	781,802	736,608	1,791	738,399
12.4 Insurance technical provisions (Net)		2,436,668	12,031	2,448,699	2,304,345	14,000	2,318,345
12.5 Other provisions	V-II-7	206,988	15,502	222,490	367,787	14,123	381,910
XIII. TAX LIABILITIES	V-II-8	516,981	71,500	588,481	477,830	11,957	489,787
13.1 Current tax liabilities		462,038	1,799	463,837	463,916	2,847	466,763
13.2 Deferred tax liabilities	V-I-13	54,943	69,701	124,644	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	527,616	5,100,706	5,628,322	-	5,014,700	5,014,700
XVI. EQUITY		22,007,452	692,829	22,700,281	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		1,560,171	200,535	1,760,706	1,494,226	50,440	1,544,666
16.2.1 Share premium		727,780	-	727,780	727,780	-	727,780
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Valuation differences of the marketable securities	V-II-11	(162,703)	200,535	37,832	(181,609)	50,440	(131,169)
16.2.4 Revaluation surplus on tangible assets		1,044,656	-	1,044,656	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		3,614	-	3,614	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		(53,176)	-	(53,176)	(52,825)	-	(52,825)
16.3 Profit reserves		14,577,654	297,028	14,874,682	12,025,037	234,296	12,259,333
16.3.1 Legal reserves		1,700,912	9,553	1,710,465	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		12,434,644	4,598	12,439,242	10,151,977	4,598	10,156,575
16.3.4 Other profit reserves		435,761	282,877	718,638	438,287	221,347	659,634
16.4 Profit or loss		2,779,600	131,657	2,911,257	2,660,885	115,059	2,775,944
16.4.1 Prior years' profit/loss		(179,626)	116,244	(63,382)	(107,147)	93,173	(13,974)
16.4.2 Current period's profit/loss		2,959,226	15,413	2,974,639	2,768,032	21,886	2,789,918
16.5 Non-controlling interest		590,027	63,609	653,636	473,855	53,674	527,529
TOTAL LIABILITIES AND EQUITY		158,056,164	97,868,330	255,924,494	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 SEPTEMBER 30, 2017**

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

	Notes	Reviewed Current Period September 30, 2017			Audited Prior Period December 31, 2016		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		73,808,488	79,254,674	153,063,162	71,979,483	76,304,502	148,283,985
I. GUARANTEES AND SURETIES	V-III-2	30,336,031	15,643,289	45,979,320	26,946,124	13,714,227	40,660,351
1.1 Letters of guarantee	V-III-1	29,707,500	6,216,751	35,924,251	26,687,992	5,628,335	32,316,327
1.1.1 Guarantees subject to State Tender Law		3,174,903	3,189,679	6,364,582	3,203,501	2,571,209	5,774,710
1.1.2 Guarantees given for foreign trade operations		1,050,776	-	1,050,776	1,059,516	-	1,059,516
1.1.3 Other letters of guarantee		25,481,821	3,027,072	28,508,893	22,424,975	3,057,126	25,482,101
1.2 Bank acceptances		48,693	1,192,109	1,240,802	53,702	1,143,484	1,197,186
1.2.1 Import letter of acceptance		2,168	393,890	396,058	-	395,874	395,874
1.2.2 Other bank acceptances		46,525	798,219	844,744	53,702	747,610	801,312
1.3 Letters of credit		18,885	8,178,339	8,197,224	1,762	6,911,368	6,913,130
1.3.1 Documentary letters of credit		18,885	8,178,339	8,197,224	1,762	6,911,368	6,913,130
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	2,833	2,833	-	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		329,452	9,854	339,306	202,668	7,682	210,350
1.8 Other guarantees		58,993	41,465	100,458	-	16,890	16,890
1.9 Other sureties		172,508	1,938	174,446	-	3,672	3,672
II. COMMITMENTS		29,714,280	17,529,720	47,244,000	27,151,229	12,692,995	39,844,224
2.1 Irrevocable commitments		26,619,129	1,656,423	28,275,552	24,078,084	1,659,432	25,737,516
2.1.1 Asset purchase commitments	V-III-1	450,041	1,162,344	1,612,385	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	11,052,514	3,676	11,056,190	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	2,445,227	-	2,445,227	2,154,102	-	2,154,102
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	9,879,025	-	9,879,025	8,682,835	-	8,682,835
2.1.10 Commitments for credit card and banking operations promotions		860,264	-	860,264	300,108	-	300,108
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1,932,058	490,403	2,422,461	1,760,787	123,335	1,884,122
2.2 Revocable commitments		3,095,151	15,873,297	18,968,448	3,073,145	11,033,563	14,106,708
2.2.1 Revocable loan granting commitments		3,095,151	15,873,297	18,968,448	3,024,169	11,033,563	14,057,732
2.2.2 Other revocable commitments		-	-	-	48,976	-	48,976
III. DERIVATIVE FINANCIAL INSTRUMENTS		13,758,177	46,081,665	59,839,842	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		13,758,177	46,081,665	59,839,842	17,882,130	49,897,280	67,779,410
3.2.1 Forward foreign currency purchases/sales		1,082,153	1,454,904	2,537,057	492,117	1,123,868	1,615,985
3.2.1.1 Forward foreign currency purchases		541,342	727,489	1,268,831	247,789	560,368	808,157
3.2.1.2 Forward foreign currency sales		540,811	727,415	1,268,226	244,328	563,500	807,828
3.2.2 Currency and interest rate swaps		11,347,381	32,907,130	44,254,511	16,341,272	37,911,234	54,252,506
3.2.2.1 Currency swaps-purchases		3,014,988	13,290,113	16,305,101	8,566,437	11,982,601	20,549,038
3.2.2.2 Currency swaps-sales		6,382,393	4,478,543	10,860,936	6,324,835	10,311,809	16,636,644
3.2.2.3 Interest rate swaps-purchases		975,000	7,569,237	8,544,237	725,000	7,808,412	8,533,412
3.2.2.4 Interest rate swaps-sales		975,000	7,569,237	8,544,237	725,000	7,808,412	8,533,412
3.2.3 Currency, interest rate and security options		537,144	632,610	1,169,754	142,676	730,632	873,308
3.2.3.1 Currency call options		163,850	417,140	580,990	121,124	306,804	427,928
3.2.3.2 Currency put options		373,294	215,470	588,764	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		791,499	11,087,021	11,878,520	906,065	10,131,546	11,037,611
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,215,280,110	719,526,539	1,934,806,649	1,045,090,768	580,650,674	1,625,741,442
IV. ITEMS HELD IN CUSTODY		59,666,569	4,993,854	64,660,423	56,357,991	4,476,062	60,834,053
4.1 Customers' securities held		916,167	-	916,167	796,204	-	796,204
4.2 Investment securities held in custody		45,634,119	161,866	45,795,985	43,543,703	147,806	43,691,509
4.3 Checks received for collection		9,506,931	2,411,708	11,918,639	9,441,126	2,589,510	12,030,636
4.4 Commercial notes received for collection		1,922,270	828,580	2,750,850	1,535,349	751,302	2,286,651
4.5 Other assets received for collection		2,152	143	2,295	2,152	141	2,293
4.6 Assets received through public offering		-	-	-	-	-	-
4.7 Other items under custody		584,108	533,880	1,117,988	49,414	87,056	136,470
4.8 Custodians		1,100,822	1,057,677	2,158,499	990,043	900,247	1,890,290
V. PLEDGED ITEMS		309,845,621	118,162,428	428,008,049	280,719,507	104,200,492	384,919,999
5.1 Securities		593,887	11,285	605,172	495,623	16,366	511,989
5.2 Guarantee notes		684,502	460,733	1,145,235	767,642	544,996	1,312,638
5.3 Commodities		32,664,531	648,820	33,313,351	31,750,967	775,907	32,526,874
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		237,736,978	96,365,595	334,102,573	230,190,866	86,340,346	316,531,212
5.6 Other pledged items		37,578,557	20,549,791	58,128,348	16,964,074	16,365,309	33,329,383
5.7 Pledged items-depository		587,166	126,204	713,370	550,335	157,568	707,903
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		845,767,920	596,370,257	1,442,138,177	708,013,270	471,974,120	1,179,987,390
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		1,289,088,598	798,781,213	2,087,869,811	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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

	Notes	Limited Review Current Period January 1, 2017- September 30, 2017	Limited Review Prior Period January 1, 2016- September 30, 2016	Limited Review Current Period July 1, 2017- September 30, 2017	Limited Review Prior Period July 1, 2016- September 30, 2016
I. INTEREST INCOME		15,713,842	12,409,059	5,446,818	4,372,749
1.1 Interest income from loans	V-IV-1	13,079,654	10,367,772	4,770,082	3,663,504
1.2 Interest income from reserve deposits		155,913	81,523	61,816	26,581
1.3 Interest income from banks	V-IV-1	148,016	86,290	61,308	28,505
1.4 Interest income from money market transactions		27,007	461	4,552	145
1.5 Interest income from securities portfolio	V-IV-1	2,060,244	1,703,003	461,096	596,097
1.5.1 Trading financial assets		14,542	5,778	6,107	1,893
1.5.2 Financial assets designated at fair value through profit or loss		-	-	-	-
1.5.3 Available-for-sale financial assets		1,295,072	1,156,000	330,519	395,396
1.5.4 Held-to-maturity investments		750,630	541,225	124,470	198,808
1.6 Finance lease income		100,643	82,198	35,931	27,975
1.7 Other interest income		142,365	87,812	52,033	29,942
II. INTEREST EXPENSE		9,153,670	7,189,427	3,546,271	2,387,139
2.1 Interest expense on deposits	V-IV-2	6,536,078	5,376,104	2,584,078	1,763,784
2.2 Interest expense on funds borrowed	V-IV-2	591,942	339,385	212,720	121,596
2.3 Interest expense on money market transactions		1,031,649	752,749	397,740	263,632
2.4 Interest expense on securities issued	V-IV-2	709,272	486,885	263,557	167,902
2.5 Other interest expenses		284,729	234,304	88,176	70,225
III. NET INTEREST INCOME (I – II)		6,560,172	5,219,632	1,900,547	1,985,610
IV. NET FEES AND COMMISSIONS INCOME		891,966	658,184	334,212	251,128
4.1 Fees and commissions received		1,368,668	1,052,107	506,590	379,483
4.1.1 Non-cash loans		215,926	165,820	75,813	56,738
4.1.2 Others		1,152,742	886,287	430,777	322,745
4.2 Fees and commissions paid		476,702	393,923	172,378	128,355
4.2.1 Non-cash loans		2,775	1,138	655	393
4.2.2 Others		473,927	392,785	171,723	127,962
V. DIVIDEND INCOME		47,421	61,142	790	3
VI. TRADING INCOME/LOSSES (Net)	V-IV-3	136,652	225,020	8,389	154,191
6.1 Trading account income/losses		58,328	49,522	14,493	8,508
6.2 Income/losses from derivative financial instruments		(62,980)	86,870	(34,723)	108,876
6.3 Foreign exchange gains/losses		141,304	88,628	28,619	36,807
VII. OTHER OPERATING INCOME	V-IV-4	2,101,662	1,549,637	676,943	473,448
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		9,737,873	7,713,615	2,920,881	2,864,380
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5	1,963,326	1,570,866	578,918	559,436
X. OTHER OPERATING EXPENSES (-)	V-IV-6	4,032,859	3,668,078	1,341,056	1,209,668
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		3,741,688	2,474,671	1,000,907	1,095,276
XII. INCOME RESULTED FROM MERGERS		-	-	-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		39,923	30,260	14,275	9,777
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)		3,781,611	2,504,931	1,015,182	1,105,053
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES		(734,561)	(526,571)	(179,893)	(229,263)
16.1 Current tax charges	V-IV-7	(589,607)	(610,722)	(122,268)	(175,247)
16.2 Deferred tax credits	V-IV-7	(144,954)	84,151	(57,625)	(54,016)
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)		3,047,050	1,978,360	835,289	875,790
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)		3,047,050	1,978,360	835,289	875,790
23.1. Equity holders of the Bank		2,974,639	1,973,741	780,684	850,266
23.2. Non-controlling interest(-)	V-IV-9	72,411	4,619	54,605	25,524
Earnings per 100 Share (full TL)	III-XXXV	1.1899	0.7895	0.3123	0.3401

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017**

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

	Limited Review Current Period January 1, 2017- September 30, 2017	Limited Review Prior Period January 1, 2016- September 30, 2016
GAINS AND LOSSES RECOGNIZED IN EQUITY		
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN		
VALUATION DIFFERENCES OF MARKETABLE SECURITIES	210,828	244,583
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	(33,048)	311
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. CURRENCY TRANSLATION DIFFERENCES	38,956	14,136
V. GAINS/(LOSSES) FROM CASH FLOW HEDGES		
(Effective Portion of Fair Value Changes)	-	-
VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS	-	-
VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS	7,368	(7,945)
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(40,059)	(47,815)
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	184,045	203,270
XI. CURRENT PERIOD'S PROFIT/(LOSS)	3,047,050	1,978,360
11.1 Change in fair value of securities (transfers to the statement of income)	757	32,999
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	3,046,293	1,945,361
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	3,231,095	2,181,630

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017**

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

	Reviewed	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
PRIOR PERIOD – September 30, 2016																				
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		-	-	-	-	-	-	-	-	-	-	209,224	-	-	-	-	209,224	2,173	211,397
VI.	Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	(11)	-	-	-	(11)	325	314
VIII.	Revaluation surplus on intangible as		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	11,618	-	-	-	-	-	-	-	-	-	-
X.	Translation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,618	2,518	14,136
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)	2,482	-	-	-	-	(22,549)	-	(22,549)
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		-	-	-	-	-	-	-	(197)	-	441	-	-	-	-	-	244	(272)	(28)
XIX.	Current period's net profit/loss		-	-	-	-	-	-	-	-	1,973,741	-	-	-	-	-	-	1,973,741	4,619	1,978,360
XX.	Profit distribution		-	-	-	197,551	-	-	1,674,921	(4,239)	-	(1,996,589)	-	23,443	-	-	-	(104,913)	(327)	(105,240)
20.1	Dividends		-	-	-	-	-	-	-	-	-	(104,913)	-	-	-	-	-	(104,913)	(327)	(105,240)
20.2	Transferred to reserves		-	-	-	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	-	1,433,717	6,337	10,154,969	563,923	1,973,741	(5,238)	241,717	964,089	3,683	-	-	18,564,718	514,427	19,079,145

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Reviewed	Notes	Paid in Capital	Capital Reserves from Inflation Adjustments to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extra-ordinary Reserves	Other Profit Reserves	Current Year's Net Profit/(Loss)	Prior Period's Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s.	Shareholders' Equity before Minority Shares	Non-controlling Interest	Total Shareholders' Equity	
I.	Current Period – September 30, 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																				
			-	-	-	-	-	-	-	-	-	-	164,457	-	-	-	-	164,457	1,415	165,872	
IV.	Hedging reserves																				
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1	Cash flow hedges																				
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.2	Net investment hedges																				
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Revaluation surplus on tangible assets																				
			-	-	-	-	-	-	-	-	-	(31,349)	-	(2,127)	-	-	-	(33,476)	511	(32,965)	
VI.	Revaluation surplus on intangible assets																				
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Bonus shares of associates, subsidiaries and joint-ventures																				
			-	-	-	-	-	-	-	-	-	-	-	-	(69)	-	-	(69)	-	(69)	
VIII.	Translation differences																				
			-	-	-	-	-	-	-	38,956	-	-	-	-	-	-	-	38,956	-	38,956	
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)	4,544	-	-	-	-	(32,552)	(615)	(33,167)	
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																				
			-	-	-	(31)	-	-	-	(351)	-	(1,629)	-	142	-	-	-	(1,869)	47,287	45,418	
XVII.	Current period's net profit/loss																				
			-	-	-	-	-	-	-	-	2,974,639	-	-	-	-	-	-	2,974,639	72,411	3,047,050	
XVIII.	Profit distribution																				
			-	-	-	273,709	-	-	2,282,667	20,048	-	(2,769,252)	-	49,444	-	-	-	(143,384)	5,098	(138,286)	
18.1	Dividends																				
			-	-	-	-	-	-	-	-	-	(120,000)	-	-	-	-	-	(120,000)	(18,286)	(138,286)	
18.2	Transferred to reserves																				
			-	-	-	273,709	-	-	2,282,667	20,048	-	(2,649,252)	-	49,444	-	-	-	(23,384)	23,384	-	
18.3	Other																				
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Balances at the end of the period																				
			2,500,000	-	727,780	-	1,710,465	6,337	12,439,242	665,462	2,974,639	(63,382)	37,832	1,044,656	3,614	-	-	22,046,645	653,636	22,700,281	

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

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

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

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

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

	Reviewed Current Period September 30, 2017	Reviewed Prior Period September 30, 2016
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	4,919,667	3,238,461
1.1.1 Interests received	14,545,668	11,823,291
1.1.2 Interests paid	(8,635,534)	(7,015,124)
1.1.3 Dividends received	17,805	10,563
1.1.4 Fee and commissions received	1,368,668	1,052,107
1.1.5 Other income	983,609	825,228
1.1.6 Collections from previously written-off loans and other receivables	971,914	852,670
1.1.7 Payments to personnel and service suppliers	(1,615,771)	(1,404,293)
1.1.8 Taxes paid	(686,199)	(748,197)
1.1.9 Other	(2,030,493)	(2,157,784)
1.2 Changes in operating assets and liabilities	(4,225,523)	(3,832,061)
1.2.1 Net (increase) decrease in financial assets held for trading purpose	14,623	(17,365)
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	(2,523,001)	812,899
1.2.4 Net (increase) decrease in loans	(28,656,490)	(15,378,089)
1.2.5 Net (increase) decrease in other assets	(651,892)	240,045
1.2.6 Net increase (decrease) in bank deposits	1,484,118	531,631
1.2.7 Net increase (decrease) in other deposits	20,121,337	9,154,870
1.2.8 Net increase (decrease) in funds borrowed	3,283,354	(760,829)
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	2,702,428	1,584,777
I. Net cash flow from banking operations	694,144	(593,600)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	(1,466,561)	(212,032)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	-	-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	232	-
2.3 Cash paid for purchase of tangible assets	(200,390)	(131,215)
2.4 Proceeds from disposal of tangible assets	400,076	283,254
2.5 Cash paid for purchase of available-for-sale financial assets	(5,696,303)	(4,162,468)
2.6 Proceeds from disposal of available-for-sale financial assets	4,425,315	4,015,013
2.7 Cash paid for purchase of held-to-maturity investments	(1,602,467)	(1,734,464)
2.8 Proceeds from disposal of held-to-maturity investments	1,256,354	1,554,938
2.9 Other	(49,378)	(37,090)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	2,215,330	1,444,890
3.1 Cash obtained from funds borrowed and securities issued	9,158,817	8,334,577
3.2 Cash used for repayment of funds borrowed and securities issued	(6,805,201)	(6,789,360)
3.3 Equity instruments issued	-	-
3.4 Dividends paid	(138,286)	(100,327)
3.5 Repayments for finance leases	-	-
3.6 Other	-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents	26,665	34,180
V. Net (decrease) / increase in cash and cash equivalents	1,469,578	673,438
VI. Cash and cash equivalents at the beginning of the period	12,421,404	9,057,127
VII. Cash and cash equivalents at the end of the period	13,890,982	9,730,565

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

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiques, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards 34 “Interim Financial Reporting Standard”, and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” “TAS”) (together referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” and amendments to this Communiqué. The General Assembly and regulatory authorities have the rights to change the financial statements after published.

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

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

The amendments to TAS and TFRS, effective from 1 January 2017, have no material impact on the Group’s accounting policies, financial position and performance. The amendments to TAS and TFRS, except for TFRS 9 Financial Instruments, which have been published but not came into force as of financial statement date, will have no impact on the accounting policies, financial condition and performance of the Parent Bank. The Group assesses the impact of TFRS 9 Financial Instruments standard.

Additional paragraph for convenience translation to English

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

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ACCOUNTING POLICIES (Continued)

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

Strategy for the use of financial instruments

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

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

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

Information on foreign currency transactions

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

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

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

As of September 30, 2016 reporting period, the Bank started the fair value risk hedging strategy in order to avoid currency risk due to the share of Vakıfbank International AG's 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the Bank on May 4, 2016 with a maturity date of May 4, 2021 has been declared as the hedging instrument. In the subject process, the fair value changes that are related to the hedged investments abroad are recognized in the income statements as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement as at September 30, 2017 is TL 33,616. 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 September 30, 2017, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS-39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

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ACCOUNTING POLICIES (Continued)

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

Consolidated subsidiaries

As at and for the nine-month period ended September 30, 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.

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ACCOUNTING POLICIES (Continued)

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

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

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

As per the resolution of the Board of Directors of the Parent Bank held on 8 September 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with Mülga Law No: 6762, article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at September 30, 2017 and December 31, 2016, but its equity until the merger date has been included in the accompanying consolidated financial statements.

Investments in associates consolidated per equity method

As at and for the nine-month period ended September 30, 2017, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

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

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

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ACCOUNTING POLICIES (Continued)

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

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

V. INFORMATION ON INTEREST INCOME AND EXPENSES

Banking activities

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

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

Finance leasing activities

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

Factoring operations

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

VI. INFORMATION ON FEES AND COMMISSIONS

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

VII. INFORMATION ON FINANCIAL ASSETS

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

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

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

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Financial assets at fair value through profit or loss

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

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

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

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

Available-for-sale financial assets

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

Held to maturity investments

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

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

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

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Loans and receivables

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

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

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

VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

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

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ACCOUNTING POLICIES (Continued)

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

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

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

XI. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

The Group has no discontinued operations.

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

The costs of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the high 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%.

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ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON TANGIBLE ASSETS

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

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

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

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

Depreciation rates of tangible assets and estimated useful lives are:

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

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

At each reporting date, the Group evaluates whether there is objective evidence of impairment on its assets. If there is an objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the TAS 36 - Impairment of Assets and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

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).

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ACCOUNTING POLICIES (Continued)

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.

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.

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at September 30, 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 September 30, 2017 and December 31, 2016, the major actuarial assumptions used in the calculation of the total liability are as follows:

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

Other benefits to employees

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

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

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

Pension fund

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

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

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

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ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

The technical financial statements of the Fund are audited by the certified actuary according to the “Actuaries Regulation” which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report regarding December 31, 2016 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at December 31, 2016.

XVIII. INFORMATION ON TAXATION

Corporate tax

Corporate tax rate is 20% in Turkey according to Article 32 of the Corporate Taxes Law No. 5520. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

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

75% of the associate shares that hold at least 2 years and profits from property sales are exceptional from corporate taxes if there is a capital increase according to Corporate Tax Law or it is hold for a 5 years on special fund account. The Bank follows these profits in “Revaluation surplus on tangible assets” under the equity.

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ACCOUNTING POLICIES (Continued)

XVIII. INFORMATION ON TAXATION (Continued)

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

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

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

There is no practice about reaching an agreement with laws in Turkey. Corporate taxes are paid on 25th of the fourth month that is followed form the end of the accounting period. Entities that are authorized in the tax investigation, can examine the accounting records and change the amount if there is a wrong transaction, for a five year period.

Corporation tax legislation for the foreign branches

Bahrain (Manama)

The Parent Bank’s branch that is operating in Bahrain is nontaxable because there is no corporate tax practice in that country. Bahrain Branch’s income is added to headquarters income and it is taxed in Turkey according to Law No. 5520 on Corporate Tax Laws published in the Official Gazette dated 05 June 2012, numbered B.07.1.GİB.4.99.16.02-KVK-5/1-b-128.

North Iraq (Erbil)

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

USA (New York)

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

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.

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ACCOUNTING POLICIES (Continued)

XVIII. INFORMATION ON TAXATION (Continued)

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

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

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

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

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

Transfer Pricing

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

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

XIX. INFORMATION ON CASH AND CASH EQUIVALENT

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

XX. ADDITIONAL INFORMATION ON BORROWINGS

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

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

The group is not hedging about debt instruments.

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ACCOUNTING POLICIES (Continued)

XXI. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

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

XXII. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXIII. INFORMATION ON GOVERNMENT INCENTIVES

As at September 30, 2017, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 190,324 (December 31, 2016: TL 199,946).

XXIV. INFORMATION ON SEGMENT REPORTING

An operating segment is a component of an entity:

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

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

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 nine-month period ended September 30, 2017, earnings per 100 shares are full TL 1.1899 (September 30, 2016: full TL 0.7895).

Related parties

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

Classifications

None.

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ACCOUNTING POLICIES (Continued)

XXV. OTHER MATTERS (Continued)

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 “ACLM”, of which the content and implementation fundamentals are determined on the Legislation for Technical Provision and the "Circular on Outstanding Claim Reserve" numbered. 2014/16 and dated 5 December 2014 and is effective from 1 January 2015, is accounted as incurred but not reported claims reserve. The calculation of incurred but not reported outstanding claim reserve considering best estimations of the Company’s actuary has been calculated in the line with the related regulation.

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

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.

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ACCOUNTING POLICIES (Continued)

XXV. OTHER MATTERS (Continued)

Liability adequacy test: At each reporting date, a liability adequacy test is performed, to measure the adequacy of both provisions that set aside for the assumed risk for group insurance contracts and 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 September 30, 2017 Group’s capital adequacy ratio is 15.77% (December 31, 2016: 13.88%).

Information about the consolidated shareholder equity items

	Current Period September 30, 2017	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	-
Share Premium	727,780	-
Reserves	14,874,682	-
Income recognized under equity in accordance with TAS	1,082,488	-
Profit	2,911,257	-
Current Period’s Profit	2,974,639	-
Prior Period’s Profit	(63,382)	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	3,614	-
Minority shares	646,168	-
Common Equity Tier 1 Capital Before Deductions	22,745,989	-
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	53,176	-
Leasehold Improvements on Operational Leases	172,022	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	203,084	253,855
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	-	-
Communiq� 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	428,282	-
Common Equity Tier 1 capital (CET1)	22,317,707	-

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Current Period September 30, 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 1 capital -	-	-
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital	-	-
Bank's 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 (-)	50,771	-
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)	22,266,936	-
TIER 2 CAPITAL	-	-
Bank's borrowing instruments and related issuance premium	3,921,249	-
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)	7,468	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,044,807	-
Tier 2 Capital Before Deductions	5,973,524	-
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	5,973,524	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	28,240,460	-
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 (-)	1,046	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-

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)

	Current Period September 30, 2017	Amount as per the regulation before 1/1/2014(*)
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL		
Total Capital	28,239,414	-
Total Risk Weighted Amounts	179,058,505	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	12.46	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	12.44	-
Consolidated Capital Adequacy Ratio (%)	15.77	-
BUFFERS		
Total buffer requirement	1.75	-
Capital conservation buffer requirement (%)	1.25	-
Bank specific counter-cyclical buffer requirement (%)	0.00	-
Systemically important banks buffer requirement(**)	0.50	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.96	-
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)	2,335,431	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,044,807	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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)

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 1 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	-

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)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount as per the	
	Prior Period December 31, 2016	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%	-	-
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	-	-

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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(*)
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.O.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91 XS1175854923/ US90015WAC73 XS1551747733 / US90015WAE30 TRSVKFB92719
Governing law(s) of the instrument	Debt Instrument Communique numbered CMB-II-31.1 BRSA regulation on bank's shareholder equity
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	XS0849728190/ US90015NAB91 is subject to deduction. XS1175854923/ US90015WAC73 is not subject to deduction. XS1551747733/ US90015WAE30 is not subject to deduction. TRSVKFB92719 is not subject to deduction.
Eligible at solo/group/group&solo	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	3,921
Par value of instrument	5,495
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
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

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)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

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:

	September 30, 2017
Shareholders' equity	22,700,281
Leasehold improvements on operational leases	(172,022)
Goodwill and intangible assets	(203,084)
General provision (1.25% of the amount that subject to credit risk)	2,044,807
Subordinated debt	3,921,249
Deductions from shareholders' equity	(51,817)
Capital	28,239,414

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK

Foreign exchange risk that the Parent Bank is exposed to, estimation of effects of exposures, and the limits set by the Board of Directors of the Parent Bank for the positions monitored on a daily basis

The Standard Method which is also used in the legal reporting is used in measuring the currency risk of The Parent Bank.

The Parent Bank's and all consolidated financial subsidiaries' foreign currency assets and liabilities and the forward foreign-currency transactions are taken into consideration in calculating the capital obligation for the consolidated currency risk. The net long and short positions are calculated in Turkish Lira equivalent of the each currency. The position with the biggest absolute value is determined as the base amount for the capital obligation. The capital obligation is calculated at that amount.

The magnitude of hedging foreign currency debt instruments and net investment in foreign operations by using derivatives

As at September 30, 2017 and December 31, 2016, the Group does not have derivative financial instruments held for risk management purpose.

Foreign exchange risk management policy

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

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	3.56252	4.2029
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	3.5151	4.1547
Day 2	3.5265	4.1427
Day 3	3.4999	4.1332
Day 4	3.4761	4.1381
Day 5	3.4453	4.1328
	US Dollar	Euro
Last 30-days arithmetical average rate	3.4348	4.0832

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	3,209,568	13,232,494	5,978,842	22,420,904
Banks	1,738,580	4,383,775	80,561	6,202,916
Financial assets at fair value through profit or loss ⁽¹⁾	1,285	131,676	-	132,961
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	1,484,663	4,277,190	-	5,761,853
Loans and receivables ⁽²⁾	24,723,595	30,382,943	69,870	55,176,408
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	-	286,399	-	286,399
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,697	7,487	-	9,184
Intangible assets	297	-	-	297
Other assets ⁽³⁾⁽⁴⁾	1,824,184	1,684,199	2,866	3,511,249
Total assets	32,983,872	54,386,163	6,132,139	93,502,174
Liabilities:				
Bank deposits	369,131	4,510,802	206,393	5,086,326
Foreign currency deposits	17,585,396	22,922,772	1,618,928	42,127,096
Interbank money market takings	21,015	1,871,737	-	1,892,752
Funds borrowed	11,112,503	16,901,295	-	28,013,798
Securities issued	4,214,644	8,102,330	-	12,316,974
Miscellaneous payables	665,282	107,598	24,543	797,423
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities ⁽¹⁾⁽⁴⁾⁽⁵⁾	106,564	6,567,255	5,381	6,679,200
Total liabilities	34,074,535	60,983,789	1,855,245	96,913,569
Net ‘on balance sheet’ position	(1,090,663)	(6,597,626)	4,276,894	(3,411,395)
Net ‘off-balance sheet’ position	1,861,717	7,726,349	(4,280,103)	5,307,963
Derivative assets ⁽⁶⁾	4,702,138	21,004,666	569,182	26,275,986
Derivative liabilities ⁽⁶⁾	2,840,421	13,278,317	4,849,285	20,968,023
Non-cash loans ⁽⁷⁾	4,811,317	10,582,593	249,379	15,643,289
	Euro	US Dollar	Other FC	Total
Prior Period				
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 148,090 (December 31, 2016: TL 21,109) and liabilities amounting to TL 14,842 (December 31, 2016: TL 43,941) resulting from changes in foreign exchange rates are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 4,264,863 (December 31, 2016: TL 4,493,820) presented in TL in the financial statements are included in the above table.

⁽³⁾ Foreign currency indexed factoring receivables amounting to TL 70,728 (December 31, 2016: TL 150,892) presented in TL column in the accompanying consolidated balance sheet are included.

⁽⁴⁾ Prepaid expenses amounting to TL 93,742 (December 31, 2016: TL 80,727) are not included.

⁽⁵⁾ Unearned income amounting to TL 177,389 (December 31, 2016: TL 165,259), deferred tax liabilities amounting to TL 69,701 (December 31, 2016: 9,632) and equity amounting to TL 692,829 TL (December 31, 2016: TL 453,469) are not included.

⁽⁶⁾ Asset purchase commitments amounting to TL 505,911 (December 31, 2016: TL 918,356), asset sales commitments amounting to TL 656,433 (December 31, 2016: TL 583,699) are included.

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

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

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

	September 30, 2017		September 30, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	112,124	112,124	137,712	137,712
Euro	76,906	135,057	44,464	88,681
Other currencies	(321)	(321)	350	350
Total, net (**)	188,709	246,860	182,526	226,743

(*) 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 nine-month period ended September 30, 2017 and 2016 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	September 30, 2017		September 30, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(112,124)	(112,124)	(137,712)	(137,712)
Euro	(76,906)	(135,057)	(44,464)	(88,681)
Other currencies	321	321	(350)	(350)
Total, net (**)	(188,709)	(246,860)	(182,526)	(226,743)

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED INTEREST RATE RISK

Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the weekly Assets-Liabilities Committee meetings taking into account the developments in market conditions.

The Parent Bank’s interest rate risk is measured by the standard method.

Measurements for standard method are carried out monthly using the maturity ladder table.

Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	15,056,201	-	-	-	-	11,195,412	26,251,613
Banks	4,692,831	1,099,379	-	-	-	1,599,489	7,391,699
Financial assets at fair value through profit/loss	449,197	487,228	142,448	609,050	114,415	15,078	1,817,416
Interbank money market placements	1,527	-	-	-	-	-	1,527
Available-for-sale financial assets	2,225,684	2,103,594	5,997,436	6,717,955	3,434,240	37,729	20,516,638
Loans and receivables	57,185,001	31,868,787	29,891,498	36,937,407	20,275,790	1,031,625	177,190,108
Held-to-maturity investments	126,309	4,321,178	2,888,719	1,244,965	409,785	-	8,990,956
Other assets ^(*)	93,299	558,099	759,706	1,557,023	150,322	10,646,088	13,764,537
Total assets	79,830,049	40,438,265	39,679,807	47,066,400	24,384,552	24,525,421	255,924,494
<i>Liabilities:</i>							
Bank deposits	5,475,370	624,298	164,898	-	-	360,841	6,625,407
Other deposits	78,355,118	26,144,851	8,888,905	1,241,132	32,026	27,303,478	141,965,510
Interbank money market takings	15,788,157	105,687	-	446,905	64,177	21,015	16,425,941
Miscellaneous payables	-	-	-	-	-	6,777,601	6,777,601
Securities issued	910,846	2,733,124	3,737,724	9,143,432	-	-	16,525,126
Funds borrowed	8,246,482	12,236,947	5,586,654	1,839,011	1,773,965	-	29,683,059
Other liabilities ^(**)	9,866	181,938	393,782	1,942,410	4,016,949	31,376,905	37,921,850
Total liabilities	108,785,839	42,026,845	18,771,963	14,612,890	5,887,117	65,839,840	255,924,494
On balance sheet long position	-	-	20,907,844	32,453,510	18,497,435	-	71,858,789
On balance sheet short position	(28,955,790)	(1,588,580)	-	-	-	(41,314,419)	(71,858,789)
Off-balance sheet long position	1,538,540	3,586,267	-	-	-	-	5,124,807
Off-balance sheet short position	-	-	(187,175)	(3,121,180)	(168,307)	-	(3,476,662)
Net position	(27,417,250)	1,997,687	20,720,669	29,332,330	18,329,128	(41,314,419)	1,648,145

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED INTEREST RATE RISK (Continued)

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED INTEREST RATE RISK (Continued)

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

Current Period	Euro	US Dollar	Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	1.25	-	4.00
Banks	0.09	1.20	-	14.28
Financial assets at fair value through profit/loss	-	11.82	-	13.44
Interbank money market placements	-	-	-	13.73
Available-for-sale financial assets	4.68	6.41	-	10.54
Loans and receivables	4.66	6.26	-	15.51
Held-to-maturity investments	-	4.81	-	10.78
<i>Liabilities:</i>				
Bank deposits	0.34	1.35	-	14.43
Other deposits	1.64	3.32	-	11.62
Interbank money market takings	-	1.68	-	11.91
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.82	-	13.06
Funds borrowed	1.21	3.00	-	12.43
<hr/>				
Prior Period	Euro	US Dollar	Yen	TL
	%	%	%	%
<i>Assets:</i>				
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
<i>Liabilities:</i>				
Bank deposits	0.21	1.18	-	10.87
Other deposits	1.37	2.84	-	9.17
Interbank money market takings	0.19	1.77	-	8.32
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.88	-	9.60
Funds borrowed	1.02	2.49	-	11.18

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items

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

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

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

Current Period	Comparison		
	Carrying Value	Fair Value^(*)	Market Value^(*)
Stock Investments			
Stocks quoted in exchange^(*)	298,600	298,600	298,600
1.Stocks Investments Group A	298,600	298,600	298,600
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	397,779	298,000	-

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

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED STOCK POSITION RISK (Continued)

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

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

Portfolio-Current Period	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total (*)	Included in Supplementary Capital	Total (*)	Included in Core Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	63,980	63,980	-	-
4. Total	-	63,980	63,980	-	-

(*) 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 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	298,600	298,600	23,888
3.Other Stocks	397,805	397,805	31,824
4. Total	696,405	696,405	55,712

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

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

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

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

The Group’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	August	88.29	September	177.08
The highest value	July	98.50	July	218.98

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)			33,616,831	23,028,761
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	66,942,210	22,936,857	5,670,770	2,293,686
3	Stable deposits	20,469,007	-	1,023,450	-
4	Less stable deposits	46,473,203	22,936,857	4,647,320	2,293,686
5	Unsecured wholesale funding, of which:	74,117,943	21,242,776	30,226,311	10,870,645
6	Operational deposits	50,261,419	10,087,633	12,565,355	2,521,908
7	Non-operational deposits	15,570,189	8,316,690	9,398,762	5,534,148
8	Unsecured debt	8,286,335	2,838,453	8,262,194	2,814,589
9	Secured wholesale funding			-	-
10	Additional requirements of which:	8,970,573	7,736,900	8,970,573	7,736,900
11	Outflows related to derivative exposures and other collateral requirements	8,970,573	7,736,900	8,970,573	7,736,900
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	24,084,413	23,498,020	1,204,221	1,174,901
15	Other contingent funding obligations	48,824,919	9,341,977	7,924,842	1,199,750
16	TOTAL CASH OUTFLOWS			53,996,717	23,275,882
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	15,876,086	6,804,103	11,239,882	5,682,315
19	Other cash inflows	6,497,307	6,108,484	6,497,307	6,108,484
20	TOTAL CASH INFLOWS	22,373,393	12,912,587	17,737,189	11,790,799
				Upper Limit Applied Values	
21	TOTAL HQLA			33,616,831	23,028,761
22	TOTAL NET CASH OUTFLOWS			36,259,528	11,485,083
23	LIQUIDITY COVERAGE RATIO (%)			92.78	202.28

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

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

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

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

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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Assets:								
Cash and balance with CBRT	26,251,613	-	-	-	-	-	-	26,251,613
Banks	5,123,623	1,168,697	1,099,379	-	-	-	-	7,391,699
Financial assets at fair value through profit/loss	15,078	170,939	92,474	232,730	1,160,760	145,435	-	1,817,416
Interbank money market placements	-	1,527	-	-	-	-	-	1,527
Available-for-sale financial assets	-	336,322	47,053	1,506,345	10,899,149	7,690,040	37,729	20,516,638
Loans and receivables	15,262	13,980,673	5,627,184	31,767,508	84,284,591	40,483,265	1,031,625	177,190,108
Held-to-maturity investments	-	71,305	35,627	-	3,881,260	5,002,764	-	8,990,956
Other assets	2,059	1,725,936	667,826	938,289	1,689,928	150,357	8,590,142	13,764,537
Total assets	31,407,635	17,455,399	7,569,543	34,444,872	101,915,688	53,471,861	9,659,496	255,924,494
Liabilities:								
Bank deposits	360,841	5,475,370	624,298	164,898	-	-	-	6,625,407
Other deposits	27,873,001	77,785,455	26,207,761	8,856,837	1,212,028	30,428	-	141,965,510
Funds borrowed	-	4,108,934	2,601,354	8,848,626	7,653,981	6,470,164	-	29,683,059
Interbank money market takings	-	15,676,451	105,687	-	446,905	196,898	-	16,425,941
Securities issued	-	822,863	2,635,942	3,523,074	9,543,247	-	-	16,525,126
Miscellaneous payables	-	5,278,213	161,509	66,704	2,118	-	1,269,057	6,777,601
Other liabilities	-	708,274	881,409	1,230,541	1,015,375	6,020,232	28,066,019	37,921,850
Total liabilities	28,233,842	109,855,560	33,217,960	22,690,680	19,873,654	12,717,722	29,335,076	255,924,494
Liquidity gap	3,173,793	(92,400,161)	(25,648,417)	11,754,192	82,042,034	40,754,139	(19,675,580)	-
Net Off Balance Sheet Position								
Receivables from Derivative Financial Instruments	-	126,483	33,890	234,857	743,630	601,056	-	1,739,916
Payables from Derivative Financial Instruments	-	7,116,115	2,112,766	3,221,253	12,369,893	5,969,853	-	30,789,880
Non-cash Loans	4,920,640	1,216,046	25,939,543	7,430,600	5,194,631	1,103,604	174,256	45,979,320
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)

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

Residual contractual maturities of financial liabilities ()*

Current period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	6,625,407	6,643,272	360,841	5,479,109	634,576	168,746	-	-
Other deposits	141,965,510	143,199,222	27,873,029	78,042,635	26,576,467	9,272,245	1,395,326	39,520
Funds borrowed	29,683,059	32,905,067	-	4,144,465	2,639,941	9,024,705	8,923,055	8,172,901
Money market takings	16,425,941	16,545,732	-	15,683,007	107,068	-	521,274	234,383
Issued Securities (Net)	16,525,126	18,908,122	-	825,657	2,684,925	3,937,707	11,459,833	-
Miscellaneous payables	6,777,601	6,777,601	1,269,057	5,278,213	161,509	66,704	2,118	-
Other liabilities	8,245,871	10,660,238	1,453,157	247,003	19,560	123,277	676,126	8,141,115
Total	226,248,515	235,639,254	30,956,084	109,700,089	32,824,046	22,593,384	22,977,732	16,587,919
Non-Cash Loans	45,979,320	45,979,320	5,094,896	1,216,046	25,939,543	7,430,600	5,194,631	1,103,604

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.

VI. CONSOLIDATED LEVERAGE RATIO

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

The Group’s consolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as 6.73%. 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 30 June 2017 and 31 December 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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. CONSOLIDATED LEVERAGE RATIO (Continued)

Leverage ratio common disclosure template

		Current Period^(*)	Prior Period^(*)
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs; including collateral)	250,149,940	216,824,485
2	Assets deducted in determining Basel III Tier 1 capital	(425,369)	(314,602)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	249,724,571	216,509,883
Derivative exposures			
4	Replacement cost	1,491,729	1,384,507
5	Add-on amount	574,486	649,441
6	Total derivative exposures	2,066,215	2,033,948
Securities financing transaction exposures			
7	Gross SFT assets (with no recognition of accounting netting)	609,551	653,844
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	609,551	653,844
Other off-balance sheet exposures			
10	Off-balance sheet exposures with gross nominal amount	72,064,394	63,161,241
11	Adjustment amount off-balance sheet exposures with credit conversion factor	1,913,657	1,350,160
12	Total off-balance sheet exposures	73,978,051	64,511,401
Capital and total exposures			
13	Tier 1 capital	21,960,852	19,017,854
14	Total exposures	326,378,388	283,709,076
Leverage ratio			
15	Leverage ratio (%)	6.73	6.71

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

VII. CONSOLIDATED SEGMENT REPORTING

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	4,104,108	8,002,183	3,593,089	14,462	15,713,842
<i>Interest income from loans</i>	<i>4,104,108</i>	<i>7,773,637</i>	<i>1,201,909</i>	-	<i>13,079,654</i>
<i>Interest income from reserve deposits</i>	-	-	<i>155,913</i>	-	<i>155,913</i>
<i>Interest income from securities portfolio</i>	-	-	<i>2,060,244</i>	-	<i>2,060,244</i>
<i>Interest income from banks</i>	-	-	<i>148,016</i>	-	<i>148,016</i>
<i>Interest income from money market transactions</i>	-	-	<i>27,007</i>	-	<i>27,007</i>
<i>Finance lease income</i>	-	<i>100,643</i>	-	-	<i>100,643</i>
<i>Other interest income</i>	-	<i>127,903</i>	-	<i>14,462</i>	<i>142,365</i>
Interest Expense	3,096,037	3,362,530	2,653,525	41,578	9,153,670
<i>Interest expense on deposits</i>	<i>3,096,037</i>	<i>3,263,957</i>	<i>176,084</i>	-	<i>6,536,078</i>
<i>Interest expense on funds borrowed</i>	-	<i>98,573</i>	<i>493,369</i>	-	<i>591,942</i>
<i>Interest expense on money market transactions</i>	-	-	<i>1,031,649</i>	-	<i>1,031,649</i>
<i>Interest expense on securities issued</i>	-	-	<i>709,272</i>	-	<i>709,272</i>
<i>Other interest expenses</i>	-	-	<i>243,151</i>	<i>41,578</i>	<i>284,729</i>
Net Interest Income	1,008,071	4,639,653	939,564	(27,116)	6,560,172
Net Fees and Commissions Income	373,591	458,157	60,218	-	891,966
Trading Income/ Losses (Net)	-	-	136,652	-	136,652
Dividend Income	-	-	47,421	-	47,421
Other Income (*)	-	-	-	2,101,662	2,101,662
Provision For Losses on Loans and Other Receivables	408,883	1,354,346	24,048	176,049	1,963,326
Other Expenses (**)	-	-	-	4,032,859	4,032,859
Income/Loss From Investments Under Equity Accounting	-	-	39,923	-	39,923
Profit Before Taxes	972,779	3,743,464	1,199,730	(2,134,362)	3,781,611
Provision for taxes	-	-	-	(734,561)	(734,561)
Net Profit/ Loss	972,779	3,743,464	1,199,730	(2,868,923)	3,047,050
SEGMENT ASSETS					
Securities Portfolio	-	-	29,676,584	-	29,676,584
Derivative Financial Assets Held for Trading Purpose	-	-	1,648,426	-	1,648,426
Banks and Receivables From Money Markets	-	-	7,393,226	-	7,393,226
Investments in Associates and Subsidiaries	-	-	658,650	-	658,650
Loans and Receivables	46,498,663	103,352,967	27,338,478	-	177,190,108
Other Assets	-	3,203,747	25,778,514	10,375,239	39,357,500
TOTAL ASSETS	46,498,663	106,556,714	92,493,878	10,375,239	255,924,494
SEGMENT LIABILITIES					
Deposits	62,616,126	79,349,384	6,625,407	-	148,590,917
Derivative Financial Liabilities Held for Trading Purpose	-	-	913,339	-	913,339
Interbank Money Market Takings	-	-	16,425,941	-	16,425,941
Funds Borrowed	-	828,015	28,855,044	-	29,683,059
Securities Issued	-	-	16,525,126	-	16,525,126
Other Liabilities	-	138	6,340,817	8,367,973	14,708,928
Provisions and Tax Liabilities	-	-	-	6,376,903	6,376,903
Equity	-	-	-	22,700,281	22,700,281
TOTAL LIABILITIES AND EQUITY	62,616,126	80,177,537	75,685,674	37,445,157	255,924,494

(*) TL 769,139 amount of TL 2,101,662 shown in other income consist of acquired insurance premiums, TL 795,206 of income from reversal of the specific provisions for loans from prior periods, TL 111,229 of income from the sale of Group’s assets, TL 33,860 from communications income, TL 332 of leasing income, TL 74,535 of income from private pension activities and the remaining TL 317,361 of other operating income.

(**) TL 1,440,974 amount of TL 4,032,859 shown in other expenses line consists of personnel expenses, TL 1,579,243 of other operating expenses, TL 135,370 of depreciation expenses, TL 123,172 of dividend reserves expenses to be given to personnel, TL 126,216 of Savings Deposit Insurance Fund (SDIF) expenses, TL 120,930 of taxes and funds expenses, TL 8,658 pension compensations, TL 48,892 from cumulative/noncumulative commission expenses, TL 187,137 from production commission expenses and the remaining TL 262,267 of other expenses.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	3,632,877	6,081,271	2,684,357	10,554	12,409,059
Interest income from loans	3,632,877	5,921,815	813,080	-	10,367,772
Interest income from reserve deposits	-	-	81,523	-	81,523
Interest income from securities portfolio	-	-	1,703,003	-	1,703,003
Interest income from banks	-	-	86,290	-	86,290
Interest income from money market transactions	-	-	461	-	461
Finance lease income	-	82,198	-	-	82,198
Other interest income	-	77,258	-	10,554	87,812
Interest Expense	2,484,661	2,746,974	1,916,738	41,054	7,189,427
Interest expense on deposits	2,484,661	2,690,827	200,616	-	5,376,104
Interest expense on funds borrowed	-	56,147	283,238	-	339,385
Interest expense on money market transactions	-	-	752,749	-	752,749
Interest expense on securities issued	-	-	486,885	-	486,885
Other interest expenses	-	-	193,250	41,054	234,304
Net Interest Income	1,148,216	3,334,297	767,619	(30,500)	5,219,632
Net Fees and Commissions Income	311,596	296,986	49,602	-	658,184
Trading Income/ Losses (Net)	-	-	225,020	-	225,020
Dividend Income	-	-	61,142	-	61,142
Other Income (*)	-	-	-	1,549,637	1,549,637
Provision For Losses on Loans and Other Receivables	311,961	1,040,679	23,307	194,919	1,570,866
Other Expenses (**)	-	-	-	3,668,078	3,668,078
Income/Loss From Investments Under Equity Accounting	-	-	30,260	-	30,260
Profit Before Taxes	1,147,851	2,590,604	1,110,336	(2,343,860)	2,504,931
Provision for taxes	-	-	-	(526,571)	(526,571)
Net Profit/ Loss	1,147,851	2,590,604	1,110,336	(2,870,431)	1,978,360
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 561,877 amount of TL 1,549,637 of income from reversal of the specific provisions for loans from prior periods, TL 641,143 of acquired insurance premiums, TL 142,881 of income from the sale of Group’s assets, TL 31,144 of communications income, TL 56,826 of income from private pension activities, TL 871 of leasing income and the remaining TL 114,895 of other operating income.

(**) TL 1,252,206 amount of TL 3,668,078 shown in other expenses line consists of personnel expenses, TL 1,432,125 of other operating expenses, TL 138,891 of depreciation expenses, TL 112,687 of dividend reserves expenses to be given to personnel, TL 101,826 of Savings Deposit Insurance Fund (SDIF) expenses, TL 104,959 of taxes and funds expenses, TL 75,346 pension compensations, TL 71,885 from cumulative/noncumulative commission expenses, TL 168,127 from production commission expenses and the remaining TL 210,026 of other expenses.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT

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

Risk weighted amounts

	Risk Weighted Amount		Minimum Capital Requirements	
	Current Period	Prior Period	Current Period	
1	Credit Risk (excluding counterparty credit risk) (*)	161,305,382	156,045,237	12,904,431
2	Standardized approach	161,305,382	156,045,237	12,904,431
3	Internal rating based approach	-	-	-
4	Counterparty Credit Risk	1,999,722	2,123,816	159,977
5	Standardized approach for counterparty credit risk	1,999,722	2,123,816	159,977
6	Internal model method	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% weighted risk approach	-	-	-
11	Settlement Risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	950,243	632,989	76,019
17	Standardized approach	950,243	632,989	76,019
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)	279,433	492,718	22,355
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	179,058,505	171,540,121	14,324,680

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

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

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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	1,336,780	645,911	1,281,060	508,933
Central Bank of the Republic of Turkey (*)	2,166,424	21,740,132	2,892,154	19,433,355
Other	327,505	34,861	235,950	17,863
Total	3,830,709	22,420,904	4,409,164	19,960,151

(*) TL 19,091,073 (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 4.0% to 10.5% (December 31, 2016: ranging from 4.0% to 10.5%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 4.0% to 24.0% in US Dollar or Euro (December 31, 2016: ranging from 4.5% to 24.5%).

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

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

Balances with the Central Bank of the Republic of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	2,104,608	2,649,059	2,861,879	2,647,870
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	1,807,942
Reserve Deposits	61,816	19,091,073	30,275	14,977,543
Total	2,166,424	21,740,132	2,892,154	19,433,355

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	35,532	5,481	68,526	10,647
Other	-	-	-	-
Total	35,532	5,481	68,526	10,647

Trading securities subject to repurchase agreements

None.

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Positive differences on derivative financial assets held for trading purpose

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	13,774	6,433	18,625	4,254
Swap transactions	1,358,973	265,203	1,455,133	129,105
Futures	-	-	-	-
Options	109	3,934	107	328
Other	-	-	-	-
Total	1,372,856	275,570	1,473,865	133,687

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	1,188,013	660,038	1,180,083	301,055
Foreign	770	5,542,878	15,703	3,778,648
Foreign Head Offices and Branches	-	-	-	-
Total	1,188,783	6,202,916	1,195,786	4,079,703

4. Information on available-for-sale financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	5,987,622	2,002,433	1,882,699	2,051,546
Other	-	-	-	-
Total	5,987,622	2,002,433	1,882,699	2,051,546

Available-for-sale financial assets subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	2,311,987	-	3,775,304	-
Treasury bills	-	-	-	-
Other debt securities	-	2,128,945	-	2,113,320
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Total	2,311,987	2,128,945	3,775,304	2,113,320

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	20,586,940	18,832,215
Quoted on a Stock Exchange	20,586,940	18,832,215
Unquoted	-	-
Equity securities	37,729	27,610
Quoted on a Stock Exchange	-	-
Unquoted	37,729	27,610
Provisions for impairment losses (-)	108,031	240,745
Total	20,516,638	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	-	38,008	-	31,720
Legal entities	-	38,008	-	31,720
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	130,393	61	117,544	41
Total	130,393	38,069	117,544	31,761

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

Cash Loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	<i>Loans and other receivables</i>	<i>Agreement conditions modified</i>		<i>Loans and other receivables</i>	<i>Agreement conditions modified</i>	
		<i>Payment plan extensions</i>	<i>Other</i>		<i>Payment plan extensions</i>	<i>Other</i>
Non-specialized loans	166,083,674	2,334,714	-	5,999,826	1,723,863	-
Loans given to enterprises	60,047,580	1,575,849	-	1,979,288	1,282,456	-
Export loans	6,412,459	10,738	-	295,862	53,954	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2,122,229	-	-	13,436	-	-
Consumer loans	38,444,750	341,688	-	1,914,520	319,640	-
Credit cards	6,446,580	9,304	-	326,299	19,294	-
Other	52,610,076	397,135	-	1,470,421	48,519	-
Specialized lending	-	-	-	-	-	-
Other receivables	16,406	-	-	-	-	-
Total	166,100,080	2,334,714	-	5,999,826	1,723,863	-

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

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

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

<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	2,334,714	1,308,525
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

<i>Extended period of time</i>	<i>Standard Loans and Other Receivables (*)</i>	<i>Loans and other receivables under close monitoring (*)</i>
0-6 Months	1,476	1,006
6-12 Months	21,769	58,162
1-2 Years	43,578	28,423
2-5 Years	1,029,028	988,701
5 Years and Over	1,238,863	232,233

(*) The a and b paragraph of the 4th article of the 5th paragraph is the loan balances within 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.

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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	543,269	37,974,526	38,517,795
Housing loans	17,192	18,064,175	18,081,367
Automobile loans	5,008	401,856	406,864
General purpose loans	521,069	19,508,495	20,029,564
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	2,383	3,968	6,351
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	2,383	3,968	6,351
Other	-	-	-
Retail credit cards – TL	4,994,535	98,270	5,092,805
With instalment	2,225,618	87,459	2,313,077
Without instalment	2,768,917	10,811	2,779,728
Retail credit cards – FC	12,106	-	12,106
With instalment	-	-	-
Without instalment	12,106	-	12,106
Personnel loans – TL	4,103	53,588	57,691
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	4,103	53,588	57,691
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	71,784	505	72,289
With instalment	30,079	463	30,542
Without instalment	41,705	42	41,747
Personnel credit cards – FC	413	-	413
With instalment	-	-	-
Without instalment	413	-	413
Overdraft Checking Accounts – TL (Real person)	2,438,602	-	2,438,602
Overdraft Checking Accounts – FC (Real person)	159	-	159
Total	8,067,354	38,130,857	46,198,211

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Instalment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	984,568	42,658,806	43,643,374
Real estate loans	954	1,018,530	1,019,484
Automobile loans	86,263	1,713,608	1,799,871
General purpose loans	897,351	39,926,668	40,824,019
Other	-	-	-
Instalment-based commercial loans – FC indexed	56,528	1,654,080	1,710,608
Real estate loans	-	-	-
Automobile loans	1,340	142,846	144,186
General purpose loans	55,188	1,511,234	1,566,422
Other	-	-	-
Instalment-based commercial loans – FC	111,567	9,582,046	9,693,613
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	111,567	9,582,046	9,693,613
Other	-	-	-
Corporate credit cards – TL	1,621,050	1,611	1,622,661
With instalment	400,227	1,611	401,838
Without instalment	1,220,823	-	1,220,823
Corporate credit cards – FC	1,203	-	1,203
With instalment	-	-	-
Without instalment	1,203	-	1,203
Overdraft Checking Accounts – TL (Corporate)	1,560,163	-	1,560,163
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	4,335,079	53,896,543	58,231,622

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic loans	175,411,428	147,783,305
Foreign loans	747,055	621,189
Total	176,158,483	148,404,494

Loans to associates and subsidiaries

	Current Period	Prior Period
Direct loans to associates and subsidiaries	168	10
Indirect loans to associates and subsidiaries	-	-
Total	168	10

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 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)

Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Loans and receivables with limited collectability	106,460	389,259
Loans and receivables with doubtful collectability	546,864	553,966
Uncollectible loans and receivables	5,799,753	4,589,383
Total	6,453,077	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	112,448	145,248	137,599
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	112,448	145,248	137,599
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 (+)	2,020,495	81,271	78,050
Transfers from other categories of loans under follow-up (+)	-	2,072,575	1,667,226
Transfers to other categories of loans under follow-up (-) ^(*)	2,199,520	1,902,186	71,999
Collections (-)	241,099	252,150	478,665
Write-offs (-)	-	-	3,073
<i>Corporate and commercial loans</i>	-	-	3,073
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Other</i>	-	-	-
Currency differences	-	-	10,394
Balance at the end of the period	526,844	1,106,627	5,851,231
Specific provisions (-) ^(**)	106,460	546,864	5,799,753
Net balance on balance sheet	420,384	559,763	51,478

^(*) 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 31,453, that are classified in group IV, as from September 30, 2017 into account, The Parent Bank had recorded provision over the remaining amount.

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

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

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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	6,251	32,842	494,750
Specific provision (-)	2,526	16,369	455,938
Net balance on balance sheet	3,725	16,473	38,812
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)	526,821	1,104,985	5,752,204
Specific Provision (-)	106,455	546,043	5,700,726
Consumer and Commercial Loans (Net)	420,366	558,942	51,478
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	23	1,642	97,476
Specific Provision (-)	5	821	97,476
Other Loans and Receivables (Net)	18	821	-
Prior Period (Net)			
Consumer and Commercial Loans (Gross)	946,835	1,097,617	4,550,247
Specific Provision (-)	389,232	549,216	4,490,332
Consumer and Commercial Loans (Net)	557,603	548,401	59,915
Banks (Gross)	-	-	8,761
Specific Provision (-)	-	-	8,761
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	133	9,500	90,290
Specific Provision (-)	27	4,750	90,290
Other Loans and Receivables (Net)	106	4,750	-

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	8,704,557	-	8,039,914	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	179,467	-	-
Total	8,704,557	179,467	8,039,914	-

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	8,994,461	8,187,293
<i>Quoted at stock exchanges</i>	8,887,529	8,046,672
<i>Unquoted at stock exchanges</i>	106,932	140,621
Impairment losses (-)	3,505	6,758
Total	8,990,956	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	12,769	7,371
Purchases during the period	1,602,467	1,873,688
Transfers to available for sale portfolio	-	-
Disposals through sales/redemptions	(1,256,354)	(1,673,758)
Impairment losses	3,253	(537)
Change in amortized costs of the securities (*)	448,286	296,042
Balances at the end of the period	8,990,956	8,180,535

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

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

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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	3,383,618	106,876	3,698,850	106,932
Investments subject to repurchase agreements	3,415,897	175,883	4,352,786	179,467
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	475,258	-	652,921	-
Total	7,274,773	282,759	8,704,557	286,399

(*) 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/Türkiye	9.93	9.93
2 Bankalararası Kart Merkezi AŞ (*)	İstanbul/Türkiye	9.70	9.70
3 KKB Kredi Kayıt Bürosu AŞ (*)	İstanbul/Türkiye	9.09	9.09
4 Güçbirliği Holding AŞ (*)	İzmir/Türkiye	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ	İstanbul/Türkiye	5.00	5.00
6 İstanbul Takas ve Saklama Bankası AŞ	İstanbul/Türkiye	4.37	4.37
7 Kredi Garanti Fonu AŞ (*)	Ankara/Türkiye	1.54	1.54
8 Tasfiye Halinde World Vakıf UBB Ltd.	Lefkoşa/TRNC	82.00	85.32

	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	80,785	43,157	49,254	701	-	3,260	9,586	-
3	242,828	166,867	175,758	2,392	-	28,103	10,180	-
4	142,232	(36,375)	87,999	359	-	(852)	(1,874)	-
5	109,492	(27,558)	84,345	-	-	(6,131)	(8,176)	-
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	1,110	(115,197)	-	48	-	(8,827)	(6,335)	-

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Kredi Garanti Fonu AŞ from TL 278,439 to TL 318,282. The share of the Bank amounting to TL 177 is presented in the movement table of investments in associates as bonus shares received. During the capital increase, the share of the Bank decreased from 1.69% to 1.54% due to the participation of new banks in the association.

The title of World Vakıf Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakıf UBB. Ltd. on February 4, 2009. Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to May 24, 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. In year 2010, due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified as “Investments in associates”. The liquidation process of World Vakıf UBB Ltd, an associate of the Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed on August 27, 2013. Thus, the company’s title has been changed as “World Vakıf UBB Ltd in Liquidation”.

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

İstanbul Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ have not been consolidated since their total assets and net operating profit/loss) individually or as a whole, do not comprise a material portion within the consolidated totals. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir 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 –		Bank Risk Group’s Share (%)
		If Different, Rights (%)	Voting Rights (%)	
1 Kıbrıs Vakıflar Bankası Ltd.	Lefkoşa/TRNC	15.00		15.00
2 Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Türkiye	8.38		8.38

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current		Fair Value
						Year’s Profit/Loss	Prior Period’s Profit/Loss	
1	1,047,132	88,271	7,571	59,475	3,603	5,231	3,640	-
2	28,061,002	3,564,312	828,064	1,033,569	299,730	467,178	354,694	3,332,598

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)

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 Meeting of the General Assembly of the Company dated 12 May 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 24 March 2016, the share of the Bank amounting to TL 25,132 is presented in the movement table of investments in associates as bonus shares received.

Movement of consolidated investments in associates

	Current Period	Prior Period
Balance at the beginning of the period	253,457	224,269
Movements during the period	36,433	29,188
Transfers	-	-
Acquisitions	-	-
Bonus shares received	29,321	29,632
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	7,112	(444)
Impairment losses	-	-
Balance at the end of the period	289,890	253,457
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Sectoral distribution of consolidated investments and associates

	Current Period	Prior Period
Insurance companies	-	-
Banks	289,890	253,457
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
Total	289,890	253,457

Quoted associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	279,272	242,838
Quoted at international stock exchanges	-	-
Total	279,272	242,838

Investments in associates disposed during the period

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

Investments in associates acquired during the period

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
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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	-	248	(271)	51	(2,046)	6,297	57	21,674	62
Valuation changes in marketable securities	41,310	3,470	64,446	347	287,304	964	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	17,517	-	-	205,045	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	19,247	104,880	7,050	108,125	-
Other Profit Reserves	309,490	-	2,308	-	-	-	-	-	-
Profit/Loss	146,910	23,115	15,473	18,022	(336,529)	138,418	5,856	6,350	(3,179)
<i>Prior Period's Profit/Loss</i>	129,784	(18)	1,123	-	(437,001)	73,395	-	-	(3,008)
<i>Current Period's Profit/Loss</i>	17,126	23,133	14,350	18,022	100,472	65,023	5,856	6,350	(171)
Minority Rights	-	84	-	-	-	-	-	-	-
Total Core Capital	622,807	194,337	130,452	139,868	464,865	345,640	26,310	608,470	17,278
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-	-
CAPITAL	622,807	194,337	130,452	139,868	464,865	345,640	26,310	608,470	17,278
NET AVAILABLE EQUITY	622,807	194,337	130,452	139,868	464,865	345,640	26,310	608,470	17,278

Reviewed BRSA financial statements as of September 30, 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” Line: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 September 30, 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	14,466
2	371,463	356,839	221,749	8,132	-	5,653	504	400,560
3	59,791	49,796	1,710	3,948	-	6,422	3,587	58,797
4	31,550	25,967	280	2,811	-	(178)	1,269	25,178

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

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

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

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

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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 ve Hayat 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	90.00	90.00
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	1,857,209	536,171	582,483	59,978	669	15,030	(71,174)	423,054
2	6,618,429	308,951	127,457	36,713	196	73,260	38,512	775,926
3	1,528,034	139,869	328	128,206	-	18,023	12,943	95,035
4	1,868,750	192,531	21,786	100,798	-	22,421	15,894	220,515
5	422,141	130,451	2,029	26,480	18	14,350	5,752	103,924
6	4,005,275	579,208	1,988	61,159	23,491	16,637	17,711	547,197
7	27,486	26,310	444	2,328	32	5,856	4,937	71,525
8	18,747	17,277	28	264	1,485	(171)	(196)	28,723
9	1,067,326	873,533	638,872	10,869	-	8,495	10,768	599,469

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	202,564	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	158,573	72,033
Impairment losses	9,074	6,326
Balance at the end of the period	1,730,792	1,528,228
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	1,730,792	1,528,228
Equity method of accounting	-	-
Total	1,730,792	1,528,228

Sectoral distribution of consolidated investments in financial subsidiaries

	Current Period	Prior Period
Banks	492,477	434,112
Insurance companies	621,374	568,089
Factoring companies	74,498	74,498
Leasing companies	129,465	79,019
Financing companies	-	-
Other financial subsidiaries	412,978	372,510
Total	1,730,792	1,528,228

Quoted consolidated subsidiaries

	Current Period	Prior Period
Quoted at domestic stock exchanges	571,183	410,160
Quoted at international stock exchanges	-	-
Total	571,183	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, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Faktoring AŞ from TL 22,400 to TL 70,000 by a bonus increase of TL 47,600 in the Ordinary General Meeting of the Company dated July 13, 2017. The share of the Bank amounting to TL 37,315 is presented in the movement table of investments in associates as bonus shares received.

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 associates. 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.

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

In the prior period, within the registered capital ceiling of TL 300,000 of Güneş Sigorta AŞ, the paid-in capital increased from TL 150,000 to TL 270,000 by increasing TL 120,000. In this context, our fair value was fully used in the capital increase of the Company and our Bank's current nominal share was TL 43,619. In addition, TL 32,536 has been paid for the premiums not used by other shareholders (from the shares offered to the public on the BİAŞ share market) for the nominal 32.000.000 shares purchased from the prices formed in the BİST Primary Market. Total share capital of the Bank amounting to TL 76,155 is included in Purchases in the movement table of subsidiaries. After the capital increase, our nominal share of TL 54,524 in the capital of Güneş Sigorta AŞ has increased to TL 130,143 and our share of 36.35% has increased to 48.20%.

In the prior period, Vakıf Portföy Yönetimi AŞ's capital of TL 3,000 was increased by TL 9,000 through a bonus issue, reaching TL 12,000. Following the bonus issue, the Bank's existing nominal share of TL 3,000 was raised to TL 12,000, representing an increase of TL 9,000, with its shareholding percentage remaining the same (100.00%). Capital amounting to TL 9,000, corresponding to the Bank is booked under Bonus Shares Received in the table of movement of investments in associates.

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

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

9. Investments in joint-ventures

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	259,127	248,194	127,815	124,560
Between 1-4 years	1,079,591	940,538	1,069,370	940,008
Longer than 4 years	629,007	510,543	591,496	481,841
Total	1,967,725	1,699,275	1,788,681	1,546,409

Net investments in finance lease receivables

	Current Period	Prior Period
Gross finance lease receivables	1,967,725	1,788,681
Unearned income on finance lease receivables (-)	268,450	242,272
Terminated lease contracts (-)	-	-
Net finance lease receivables	1,699,275	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.

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on investment properties

As of September 30, 2017, the Group has investment properties that have book amount of its subsidiaries which are operating in the insurance business is TL 8,531 (December 31, 2016: TL 8,877) and its subsidiaries which are operating in real estate investment business is TL 372,607 (December 31, 2016: TL 345,508).

13. Information on tax assets

(a) Current tax assets

As at September 30, 2017 the current tax asset of the Group amounts to TL 928 (December 31, 2016: TL 835).

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(b) Deferred tax assets

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

	Current Period	Prior Period
Provision for employee termination benefits and unused vacations	110,929	97,828
Other provisions	51,644	93,646
Valuation differences of associates and subsidiaries	27,488	27,488
Deductible financial losses	26,418	26,418
Investment incentives	380	4,314
Valuation differences of financial assets and liabilities	58,953	82,263
Reporting Standards - Tax Code depreciation differences	3,896	6,330
Other differences	17,229	16,268
Deferred tax assets	296,937	354,555
Net-off of the deferred tax assets and liabilities from the same entity	(185,164)	(157,468)
Deferred tax assets, (net)	111,773	197,087
Valuation differences of financial assets and liabilities	244,621	119,153
Valuation difference for associates and subsidiaries	11,860	17,511
Valuation differences of properties	39,005	39,593
Other differences	14,322	4,235
Deferred tax liabilities	309,808	180,492
Net-off of the deferred tax assets and liabilities from the same entity	(185,164)	(157,468)
Deferred tax liabilities, (net)	124,644	23,024

As at September 30, 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	(144,954)	17,554
Deferred tax that is accounted under equity	(40,059)	44,360
Other	(1,921)	(3,946)
Deferred tax asset/(liability)	(12,871)	174,063

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

As at September 30, 2017, net book value of assets held for sale of the Group is amounting to TL 1,267,091 (December 31, 2016: TL 1,228,102).

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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 other assets

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

	Current Period	Prior Period
Receivables from insurance operations	1,066,476	928,905
Receivables from credit card payments	1,288,847	988,257
Prepaid expenses	1,059,319	522,306
Guarantees given for repurchase agreements	13,471	-
Guarantees given for derivative financial instruments	1,800,098	1,876,321
Receivables from term sale of assets	11,023	21,746
Receivables from reinsurance companies	55,468	27,240
Deferred commission expenses	62,691	59,891
Other	853,835	1,158,351
Total	6,211,228	5,583,017

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	6,067,468	-	2,723,453	28,802,332	2,176,202	309,894	178,623	1,740	40,259,712
Foreign currency deposits	6,396,969	-	2,641,543	21,875,300	1,717,582	1,555,330	6,579,836	-	40,766,560
Residents in Turkey	5,614,886	-	2,638,532	21,471,930	1,362,395	704,361	954,975	-	32,747,079
Residents in abroad	782,083	-	3,011	403,370	355,187	850,969	5,624,861	-	8,019,481
Public sector deposits	6,561,656	-	4,240,129	8,750,007	1,280,150	3,771,175	259,990	-	24,863,107
Commercial deposits	3,675,755	-	5,387,880	12,315,384	2,796,174	184,707	8,002	-	24,367,902
Other	3,810,615	-	1,283,365	3,964,973	1,193,960	71,107	23,671	-	10,347,691
Precious metal deposits	1,360,538	-	-	-	-	-	-	-	1,360,538
Bank deposits	360,841	-	4,892,674	1,169,497	37,495	54,925	109,975	-	6,625,407
Central Bank	1,253	-	-	-	-	-	-	-	1,253
Domestic banks	53,700	-	4,289,688	969,151	8,049	-	-	-	5,320,588
Foreign banks	132,295	-	103,849	200,346	29,446	54,925	38,317	-	559,178
Participation banks	173,593	-	499,137	-	-	-	71,658	-	744,388
Other	-	-	-	-	-	-	-	-	-
Total	28,233,842	-	21,169,044	76,877,493	9,201,563	5,947,138	7,160,097	1,740	148,590,917

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

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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	21,111,104	19,306,192	19,148,608	15,591,405
Foreign currency saving deposits	6,410,727	5,092,943	15,351,605	14,160,086
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	27,521,831	24,399,135	34,500,213	29,751,491

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	22,016	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	2,447	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	13,275	6,358	22,407	4,202
Swaps	700,308	169,514	894,453	194,876
Futures	-	-	-	-
Options	20,330	3,554	38,159	327
Other	-	-	-	-
Total	733,913	179,426	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	-	-	-	-
Domestic banks and institutions	961,127	1,226,489	1,081,208	1,023,229
Foreign banks, institutions and funds	708,134	26,787,309	639,606	23,555,387
Total	1,669,261	28,013,798	1,720,814	24,578,616

Maturity information of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term (*)	757,207	3,136,228	715,655	2,342,821
Medium and Long-term (*)	912,054	24,877,570	1,005,159	22,235,795
Total	1,669,261	28,013,798	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 12.73% (December 31, 2016: 13.08%) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

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

On September 26, 2016, the loan has been renewed with a new syndicated loan amounting to 224.5 million US Dollar and 544 million Euros with the interest rate of US Libor + 1.10% and Euribor + 1.00% at a maturity of 367 days with participation of 22 banks, ING Bank, London Branch and National Bank of Abu Dhabi PJSC acting as coordinator and ING Bank, London Branch acting as agent bank. On 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 19 December 2014, the Parent Bank has obtained securitization loan at the amount of US Dollar 928.6 million related to foreign transfers and treasury transactions in Euro and US Dollar. Loan amounting to US Dollar 500 million has been obtained related to foreign transfers at a maturity of five years and loan at the amount of US Dollar 428.6 million has been obtained related to treasury transactions at a maturity of seven years in seven different segments in total.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

On 4 October 2016, the Bank carried out a securitization transaction in the amount of USD 890 million equivalent in Euros and US Dollars based on foreign money transfers and treasury transactions as part of the securitization program. A total of USD 310 million was provided for 5 years and USD 535 million based on treasury financing transactions was provided with 7 years maturity, based on foreign delegations of the loan provided in seven separate segments. Within the program, 2016-A segment was collected from SMBC, 2016-B segment from Wells Fargo Bank, 2016-C segment from Credit Suisse, 2016-D segment from Standard Chartered Bank, 2016-E segment from EBRD, 2016-F segment from JP Morgan and 2016-G segment from ING Bank. EBRD participated in the securitization loan with the TurSEFF II and TurSEFF III projects. As of September 30, 2017, the sum of the securitization loans amounted to USD 1,380 million and EUR 282 million.

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

Information on securities issued

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

Within the context of Global Medium Term Notes (GMTN), the Bank has issued Eurobond. The bond has been issued in GMTN programme on 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 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 since June 2013. This private placements have issued several currencies as of (US Dollar, Euro, Swiss Frank and Japanese Yen) and the maturities are 3 months, 6 months, 1 year and 2 years. Bank has issued 4,860 million US Dollar private placements as of the date of September 30, 2017. The total private placements are 168.7 million US Dollar as of the same date on.

The bank has issued Turkey’s first Euro covered bond on May 4, 2016. The bond has been issued on May 4, 2016 has nominal value of 500 million Euros, maturity date on May 4, 2021 with fixed rate, 5 years maturity and annually interest paid with coupon rate 2.375% and 2.578% return.

Current Period	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	4,298,330	-	251,516	11,908,366
Cost	4,125,827	-	251,516	11,840,780
Net Book Value	4,208,152	-	252,228	12,064,746

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

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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	1,971,018	1,796,316
-Additional provision for loans with extended payment plans	56,908	50,986
Provisions for loans and receivables in Group II	204,029	222,879
-Additional provision for loans with extended payment plans	6,333	33,725
Provisions for non-cash loans	125,660	124,718
Other	34,724	23,530
Total	2,335,431	2,167,443

Provision for currency exchange loss on foreign currency indexed loans

	Current Period	Prior Period
<i>Provision for currency exchange loss on foreign currency indexed loans</i>	8,978	297

The Group has recorded provision amounting to TL 8,978 (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 September 30, 2017, the Parent Bank has recorded TL 74,770 (December 31, 2016: TL 59,816) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on other provisions

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Provisions for credits	3,196	184,902
Specific provisions for non-cash loans	74,770	59,816
Provision for cheques	78,979	66,959
Provisions for lawsuits against the Bank	5,739	7,662
Provisions for credit card promotions	10,400	9,595
Other provisions	49,406	52,976
Total	222,490	381,910

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Taxation

Current Taxes

As at and for the nine-month period ended September 30, 2017, the tax liability of the Group is amounting to TL 169,399 (December 31, 2016: TL 157,549).

Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	169,399	157,549
Taxation on securities	139,797	151,546
Capital gains tax on property	2,830	2,676
Banking and Insurance Transaction Tax (BITT)	98,207	92,730
Taxes on foreign exchange transactions	-	-
Value added tax payable	5,231	5,937
Other	39,787	49,051
Total	455,251	459,489

Information on premiums payable

	Current Period	Prior Period
Social security premiums- employee share	1,334	1,000
Social security premiums- employer share	4,050	3,689
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	33	25
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	965	763
Unemployment insurance- employer share	2,162	1,768
Other	42	29
Total	8,586	7,274

Information on deferred tax liabilities

Information on deferred tax liabilities is presented in disclosure 13 of information and disclosures related to assets.

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

None.

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%.

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In 2012, the Parent Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased. In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 227,605,000 which issued abroad, with the new Basel III compliant conditions, was completed on 13 February 2017 and the redemption date of the bonds to be exchanged was determined as November 1, 2027, with a maturity of 10 years (recall option in 2022) and coupon rate as 8.00%.

On September 2017, the Bank had issued a floating rated subordinated bond (secondary capital) for the qualified domestic institutional investor with nominal value of 525,000,000 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 5,628,322 as of September 30, 2017 (December 31, 2016: TL 5,014,700).

11. Information on shareholders' equity

Paid-in capital

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

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

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

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

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

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

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

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

Information on share capital increases from revaluation funds

None.

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

None

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

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	63,980	-	64,288	-
Fair value differences of available-for-sale securities	(226,683)	200,535	(245,897)	50,440
Foreign exchange differences	-	-	-	-
Total	(162,703)	200,535	(181,609)	50,440

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

1. Disclosures related to other contingent liabilities

Type and amount of consolidated irrevocable commitments

	Current Period	Prior Period
Commitments for credit card limits	9,879,025	8,682,835
Loan granting commitments	11,056,190	9,851,597
Commitments for cheque payments	2,445,227	2,154,102
Asset purchase sale commitments	1,612,385	2,864,752
Other	3,282,725	2,184,230
Total	28,275,552	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 169,232 (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 74,770 (December 31, 2016: TL 59,816).

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

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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	12,654,574	11,547,141
Letters of guarantee for advances	5,539,293	4,843,148
Letters of guarantee given to custom offices	1,050,776	1,059,516
Provisional letters of guarantee	1,115,217	994,372
Other letters of guarantee	15,564,391	13,872,150
Total	35,924,251	32,316,327

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	3,271,238	2,788,811
<i>With original maturity of 1 year or less</i>	959,838	1,126,734
<i>With original maturity of more than 1 year</i>	2,311,400	1,662,077
Other non-cash loans	42,708,082	37,871,540
Total	45,979,320	40,660,351

3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	31,593	0.11	21,948	0.14	81,809	0.30	382,403	2.79
Farming and cattle	29,902	0.10	21,948	0.14	69,203	0.26	378,930	2.76
Forestry	1,673	0.01	-	-	11,601	0.04	3,473	0.03
Fishing	18	-	-	-	1,005	-	-	-
Manufacturing	8,170,245	26.93	6,114,002	39.08	10,907,710	40.35	7,157,290	52.18
Mining	178,533	0.59	161,288	1.03	1,157,275	4.29	144,199	1.05
Production	5,575,632	18.38	5,535,945	35.39	6,697,549	24.73	6,606,838	48.17
Electric, gas and water	2,416,080	7.96	416,769	2.66	3,052,886	11.33	406,253	2.96
Construction	3,953,780	13.03	2,660,394	17.01	4,216,428	15.77	2,323,864	16.96
Services	10,442,538	34.43	3,203,017	20.46	9,412,571	34.94	2,602,185	18.97
Wholesale and retail trade	4,072,905	13.43	1,974,387	12.62	4,056,016	15.05	1,556,974	11.35
Hotel, food and beverage services	191,697	0.63	3,015	0.02	112,775	0.42	663	-
Transportation and Telecommunication	1,201,341	3.96	538,188	3.44	1,330,694	4.94	876,095	6.39
Financial institutions	2,360,683	7.78	75,699	0.48	2,492,659	9.25	66,679	0.49
Real estate and renting services	1,261,247	4.16	244,771	1.56	358,074	1.33	28,456	0.21
Self-employment services	1,095,722	3.61	363,525	2.32	700,053	2.60	66,033	0.48
Education services	135,597	0.45	103	-	18,627	0.07	1,588	0.01
Health and social services	123,346	0.41	3,329	0.02	343,673	1.28	5,697	0.04
Other	7,737,875	25.50	3,643,928	23.29	2,327,606	8.64	1,248,485	9.10
Total	30,336,031	100.00	15,643,289	99.98	26,946,124	100.00	13,714,227	100.00

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)

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	29,261,154	6,124,445	282,615	89,638
Confirmed bills of exchange and acceptances	48,693	1,191,491	-	618
Letters of credit	18,885	8,144,990	-	33,349
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	329,452	9,854	-	-
Other guarantees and sureties	231,501	43,403	-	-
Total Non-Cash Loans	29,889,685	15,514,183	282,615	123,605

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
	1,762	6,887,315	-	16,960
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	202,668	7,682	-	-
Other guarantees and sureties	-	20,562	-	-
Total Non-Cash Loans	26,484,802	13,638,954	308,947	62,489

5. Contingent assets and liabilities

Group allocates TL 5,739 as provision for lawsuits against the Group (December 31, 2016: TL 7,662).

6. Services rendered on behalf of third parties

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Interest income

Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	3,495,003	163,659	3,237,854	140,892
Medium and long-term loans	7,528,953	1,793,643	5,491,164	1,277,845
Non-performing loans	98,396	-	220,017	-
Premiums received from resource utilization support fund	-	-	-	-
Total	11,122,352	1,957,302	8,949,035	1,418,737

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	6	-	39
Domestic Banks	120,205	2,680	68,160	1,173
Foreign Banks	438	24,687	247	16,671
Foreign Head Office and Branches	-	-	-	-
Total	120,643	27,373	68,407	17,883

Information on interest income received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	13,856	686	2,101	3,677
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	1,070,248	224,824	951,367	204,633
Investments held to maturity	745,469	5,161	540,275	950
Total	1,829,573	230,671	1,493,743	209,260

Information on interest income received from associates and subsidiaries

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

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)

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	137,132	417,042	99,219	209,422
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	80,742	17,638	43,772	14,474
Foreign Banks	56,390	399,404	55,447	194,948
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	37,768	-	30,744
Total	137,132	454,810	99,219	240,166

Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	80,572	16,244

Interest expense on securities issued

As at and for the nine-month period ended at September 30, 2017, interest paid to securities issued is TL 709,272 (September 30, 2016: TL 486,885).

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on securities issued	336,742	372,530	242,165	244,720

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	-	5,749	135,384	-	-	-	-	141,133
Saving deposits	-	180,044	2,353,758	154,906	23,229	12,090	74	2,724,101
Public sector deposits	6,840	251,729	515,910	78,039	252,709	13,093	-	1,118,320
Commercial deposits	-	382,810	861,739	166,029	16,990	729	-	1,428,297
Other deposits	-	63,799	284,718	110,497	6,303	957	-	466,274
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	6,840	884,131	4,151,509	509,471	299,231	26,869	74	5,878,125
FC								
Foreign Currency deposits	16,722	16,171	460,061	35,097	20,111	78,300	-	626,462
Interbank deposits	1,977	9,159	3,789	552	4,037	11,977	-	31,491
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	18,699	25,330	463,850	35,649	24,148	90,277	-	657,953
Grand Total	25,539	909,461	4,615,359	545,120	323,379	117,146	74	6,536,078

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)

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

Prior 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		
<i>TL</i>								
Interbank deposits	-	31,080	76,901	42,969	3,656	3,210	-	157,816
Saving deposits	-	31,193	2,051,979	130,782	22,097	8,813	-	2,244,864
Public sector deposits	19,303	268,650	512,985	49,226	132,399	15,910	-	998,473
Commercial deposits	2	299,183	729,391	103,811	9,086	231	-	1,141,704
Other deposits	3	65,158	245,171	63,186	2,867	1,370	-	377,755
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	19,308	695,264	3,616,427	389,974	170,105	29,534	-	4,920,612
<i>FC</i>								
Foreign Currency deposits	18,185	20,975	289,919	23,214	16,326	71,469	-	440,088
Interbank deposits	389	114	1,135	959	804	12,003	-	15,404
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	18,574	21,089	291,054	24,173	17,130	83,472	-	455,492
Grand Total	37,882	716,353	3,907,481	414,147	187,235	113,006	-	5,376,104

3. Information on trading income/losses

	Current Period	Prior Period
Income	10,369,644	5,307,192
Income from capital market operations	3,794,161	2,541,749
Income from derivative financial instruments	2,927,994	1,476,089
Foreign exchange gains	3,647,489	1,289,354
Losses	(10,232,992)	(5,082,172)
Loss from capital market operations	(3,735,833)	(2,492,227)
Loss from derivative financial instruments	(2,990,974)	(1,389,219)
Foreign exchange loss	(3,506,185)	(1,200,726)
Net trading profit/loss	136,652	225,020

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 107,255 as at and for the nine-month period ended September 30, 2017 (September 30, 2016: net profit of TL 115,467).

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Other operating income

	Current Period	Prior Period
Income from reversal of the specific provisions for loans		
from prior periods	795,206	561,877
Earned insurance premiums (net of reinsurance share)	769,139	641,143
Communication income	33,860	31,144
Gain on sale of assets	111,229	142,881
Income from private pension business	74,535	56,826
Rent income	332	871
Other income	317,361	114,895
Total	2,101,662	1,549,637

5. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	1,700,593	1,281,078
<i>Loans and receivables in Group III</i>	<i>356,741</i>	<i>346,225</i>
<i>Loans and receivables in Group IV</i>	<i>524,548</i>	<i>415,310</i>
<i>Loans and receivables in Group V</i>	<i>819,304</i>	<i>519,543</i>
Non-performing commissions and other receivables	-	-
General provision expenses	169,882	190,980
Provision for possible losses	-	-
Impairment losses on securities	4,952	4,782
<i>Trading securities</i>	<i>99</i>	<i>6</i>
<i>Investment securities available-for-sale</i>	<i>4,853</i>	<i>4,776</i>
Impairment losses from associates, subsidiaries, joint ventures and marketable securities held to maturity	17,796	18,485
<i>Associates</i>	<i>-</i>	<i>-</i>
<i>Subsidiaries</i>	<i>-</i>	<i>-</i>
<i>Joint ventures</i>	<i>-</i>	<i>-</i>
<i>Investment securities held-to-maturity</i>	<i>17,796</i>	<i>18,485</i>
Other (*)	70,103	75,541
Total	1,963,326	1,570,866

(*) Other provision expenses amounting to TL 70,103 is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 41,548, other provision expenses related to loans amounting to TL 6 and other provision expenses amounting to TL 28,549. (Other provision expenses amounting to TL 75,541 is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 46,426, other provision expenses related to loans amounting to TL 6,985 and other provision expenses amounting to TL 22,130, as of September 30, 2016.)

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)

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

6. Other operating expenses

	Current Period	Prior Period
Personnel costs	1,440,974	1,252,206
Reserve for employee termination benefits	59,473	62,693
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	112,805	104,356
Impairment losses on intangible assets	-	289
Amortization expenses on intangible assets	22,565	19,138
Impairment losses on assets to be disposed	-	4,138
Depreciation expenses on assets to be disposed	-	15,397
Impairment losses on assets held for sale	-	-
Other operating expenses	1,579,243	1,432,125
Operational lease related expenses	186,315	173,299
Repair and maintenance expenses	44,768	36,041
Advertisement expenses	80,106	61,450
Other expenses	1,268,054	1,161,335
Loss on sale of assets	473	1,347
Other ^(*)	817,326	776,389
Total	4,032,859	3,668,078

^(*) Other operating expenses amounting to TL 817,326 (September 30, 2016: TL 776,389) is comprised of provision expenses for dividends to the personnel amounting to TL 123,172 (September 30, 2016: TL 112,687), tax, fees and funds expenses amounting to TL 120,930 (September 30, 2016: TL 104,959), Saving Deposits Insurance Fund expenses amounting to TL 126,216 (September 30, 2016: TL 101,826), Compensation pensions amounting to TL 8,658 (September 30, 2016: TL 75,346), cumulative/noncumulative commission expenses amounting to TL 48,892 (September 30, 2016: TL 71,885), production commission expenses to TL 187,137 (September 30, 2016: TL 168,127) and other expenses amounting to TL 202,321 (September 30, 2016: TL 141,559)

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

Information and detailed tables on profit before tax from continuing operations are presented in disclosures 1-6 in this section. The Group has no discontinued operations.

8. Information on tax provision from discontinued and continuing operations

Information on provision for taxes on income from continuing operations is presented in disclosure 10 in this section. The Group has no discontinued operations.

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

Information on net profit/loss from continuing operations is presented in disclosures 1-12 in this section. The Group has no discontinued operations.

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

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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)

10. Provision for taxes

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

In the current period, the Group recorded a tax provision of TL 589,607 (September 30, 2016: TL 610,722) 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	(50,884)	8,931
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(94,070)	75,220
Arising from Origination/ (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	(144,954)	84,151

11. Net profit and loss

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

Group has incurred TL 15,713,842 interest income and TL 9,153,670 interest expense, also incurred TL 891,966 amount of net fee and commission income from its ordinary banking operations (September 30, 2016: TL 12,409,059 interest income, TL 7,189,427 interest expense, TL 658,184 net fee and commission income).

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

None.

12. Income/loss related to non-controlling interest

	Current Period	Prior Period
Income/(losses) related to non-controlling interest	72,411	4,619

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

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

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

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

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DISCLOSURE AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	10	1,024,338	-	31,720	37,507	22,446
Balance at the end of the year	168	1,117,930	-	38,008	11,535	33,807
Interest and commission income	-	687	-	38	604	60

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	290	-	31	231	61

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	782,881	661,402	1,303,895	977,319	325,746	164,132
Interest on deposits	80,572	16,244	74,190	46,267	14,923	196

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

None.

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

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

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

The branches of the Bank are agencies of Güneş Sigorta AŞ and Vakıf Emeklilik 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 0.007 (December 31, 2016: 0.025) and 2.588 (December 31, 2016: 2.652) respectively.

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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Current Period	Amount	Compared with the Financial Statement	
		Amount	%
Cash Loans	11,703		0.007
Non-Cash Loans	1,189,745		2.588
Deposits	2,412,522		1.624
Forward and Option Agreements	-		-

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

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

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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 income	(19,941)
Net profit of the year subject to distribution	2,683,101
Legal reserves	268,310
<i>First Legal Reserves</i>	<i>134,155</i>
<i>Reserves allocated according to banking law and articles of association.</i>	<i>134,155</i>
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

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

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

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

(*) Dates represent last report dates.

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

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 1,333,000,000 Turkish Liras.

The Parent Bank bonds of which value date are October 20, 2017 have been issued and offered to public through book-building totally 400 million (Full TL) on October 16-17-18, 2017, amounting TL 300 million (Full TL) with 126 days maturity and maturity date of which is February 23 , 2018, amounting TL 100 million (Full TL) with 217 days maturity and maturity date of which is May 25, 2018.

The Parent Bank bond with the ISIN Code TRFVKFB21822 which has 12.9685% annual compound interest, 12.4542 % simple interest and issue price was TL 95,878 with amounting TL 321,706,871 (Full TL) with 126 days maturity and maturity date of which is February 23 , 2018.

The Parent Bank bond with the ISIN Code TRFVKFB51811 which has 13.2671% annual compound interest, 12.9308 % simple interest and issue price was TL 92,861 with amounting TL 42,304,399 (Full TL) with 217 days maturity and maturity date of which is May 25, 2018.

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 after the balance sheet date. 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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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 nine-month period ended September 30, 2017, have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ. It was noted in their review report dated November 13, 2017 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group’s financial position and results of its operations as at and for the nine-month period ended September 30, 2017.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

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SECTION EIGHT

INFORMATION ON INTERIM ANNUAL REPORT

VakıfBank in brief:

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

Operation Date	13 April 1954
Head Office	İstanbul
Paid-in Capital	2,500,000,000 TL
Employees	16,152
Domestic Branches	923
Foreign Branches	3
Associates and Subsidiaries	23
Independent Audit Firm	PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ
Address	Türkiye Vakıflar Bankası T.A.O. Genel Müdürlüğü Sultan Selim Mahallesi, Eski Büyükdere Caddesi No:59 Kağıthane/İstanbul
Phone	(0212) 398 15 15 - (0212) 398 10 00
Fax	(0212) 398 11 55
Web Site	http://www.vakifbank.com.tr

VakıfBank Ownership Structure:

GROUP	SHAREHOLDERS	CAPITAL (100 Unit - TL)	PERCENTAGE %
A	Registered Foundations Represented by the General Directorate of Foundations	1,075,058,640	43.00
B	Registered Foundations Represented by the General Directorate of Foundations	386,224,785	15.45
B	Other Appendant Foundations	2,699,565	0.11
B	Other Registered Foundations	1,448,543	0.06
C	VakıfBank Pension Fund	402,552,666	16.10
C	Individuals and Legal Entities	1,529,007	0.06
D	Free Float	630,486,794	25.22
TOTAL		2,500,000,000	100.00

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.)

Consolidated Subsidiaries and Associates:

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

SUBSIDIARIES	ASSOCIATES
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	

Members of the Board of Directors:

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

Members of the Board of Auditors:

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

Members of the Audit Committee:

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

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Management:

NAME - SURNAME	TITLE - RESPONSIBILITY	DATE OF APPOINTMENT
Mehmet Emin ÖZCAN	CEO	9 June 2017
Metin Recep ZAFER	Executive Vice President (Banking Operations, Loan, Customer and Account Operations, Treasury Operations, Foreign Operations, Payment Systems Operations, Application Development Departments, System Management, IT Operations and Application Support, IT Planning and Coordination)	13 June 2006
Hasan ECESoy	Executive Vice President Treasury, International Banking and Investor Relations, Coordination of Foreign Branches and Directorate Of Treasury Management and Middle Office)	18 June 2010
Osman DEMREN	Executive Vice President (Corporate Loan Allocation Management, Commercial Loan Allocation Management, Retail Loan Allocation Management, SME and Local Government Loan Allocation Management)	6 April 2011
Muhammet Lütfü ÇELEBİ	Executive Vice President (Retail Banking Marketing, Retail Banking Marketing Services)	23 October 2013
Mustafa SAYDAM	Executive Vice President (Administrative Affairs, Construction and Real Estates Affairs and Purchasing)	28 October 2013
Mehmet Emin KARAAĞAÇ	Executive Vice President (Chief Legal Consultancy, Legal Affairs and Credit Risk Liquidation)	8 November 2013
Yakup ŞİMŞEK	Executive Vice President (Corporate and Investment Banking Marketing, Commercial Banking Marketing, Cash Management, Corporate Central Office)	7 September 2016
Hüseyin Uğur BİLGİN	Executive Vice President (Human Resources, Corporate Development and Training)	1 August 2017
Şeyh Mehmet BOZ	Executive Vice President (Lending Policy and Process, Loan Planning and Monitoring, Financial Assessment)	1 August 2017
İlker YEŞİL	Executive Vice President (Payment System and Digital Banking and Distribution Channels)	1 August 2017
Şuayyip İLBİLGİ	Executive Vice President (Accounting and Financial Affairs, Strategic Planning and Subsidiaries)	1 August 2017
Ersin ÖZOĞUZ	Executive Vice President (SME Marketing and Local Governments Marketing)	1 August 2017

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

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

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

Mr Halil AYDOĞAN, who was the Bank’s CEO for the period between 29 March 2013 and 9 June 2017 resigned his office on 9 June 2017. Mr. Mehmet Emin Özcan was appointed as CEO as of that date.

It was unanimously resolved in the Board of Directors meeting held on 9 June 2017 that Mr. İsmail ALPTEKİN be appointed as the Chairman of the Board and Mr. Serdar Tunçbilek be appointed as the Vice-chairman of the Board as per Article 52 of the Articles of Incorporation of the Bank.

It was unanimously resolved in the Board of Directors meeting held on 15 June 2017 that Mr. Serdar TUNÇBİLEK and Mr. Sabahattin BİRDAL be appointed as the Audit Committee Member as per Article 73 of the Articles of Incorporation of the Bank.

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

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

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

Significant Financial Indicators (Unconsolidated):

BALANCE SHEET (TL million)	SEPTEMBER 2017	DECEMBER 2016	CHANGE (%)
TOTAL SECURITIES	28,565	26,000	9.87
LOANS (*)	174,018	146,619	18.69
-Corporate and Commercial Loans	127,826	105,582	21.07
-Retail Loans	46,192	41,037	12.56
DEPOSITS	145,719	123,838	17.67
-Term Deposits	118,006	99,404	18.71
-Demand Deposits	27,713	24,434	13.42
FUNDS BORROWED	27,502	24,194	13.67
SUBORDINATED LOANS	5,647	5,031	12.23
SECURITIES ISSUED	16,216	14,708	10.25
EQUITY	22,232	19,239	15.56
TOTAL ASSETS	246,815	212,540	16.13
NON-CASH LOANS	45,407	40,448	12.26

INCOME STATEMENT (TL million)	SEPTEMBER 2017	SEPTEMBER 2016	CHANGE (%)
INTEREST INCOME	15,283	12,111	26.19
INTEREST EXPENSE	8,980	7,093	26.60
NET INTEREST INCOME	6,303	5,018	25.60
NET FEE&COMMISSION INCOME	959	703	36.45
DIVIDEND INCOME	94	92	1.94
TRADING INCOME/LOSSES (Net)	123	219	(43.74)
OTHER OPERATING INCOME	1,183	802	47.40
TOTAL OPERATING PROFIT	8,660	6,833	26.74
PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	1,920	1,537	24.91
OTHER OPERATING EXPENSES (-)	3,218	2,873	12.01
PROFIT BEFORE TAX	3,523	2,423	45.36
TAX PROVISION (-)	700	502	39.44
NET PROFIT/LOSS	2,822	1,921	46.91

RATIOS (%)	SEPTEMBER 2017	DECEMBER 2016
LOANS/TOTAL ASSETS (*)	70.51	68.98
LOANS/DEPOSITS (*)	119.42	118.40
NPL RATIO	3.97	4.19
CAPITAL ADEQUACY RATIO	16.19	14.16
RETURN ON AVERAGE ASSETS (ROAA) (**)	1.64	1.37
RETURN ON AVERAGE EQUITY (ROAE) (**)	18.15	15.01
INTEREST INCOME/INTEREST EXPENSE	170.18	172.64
NON-INTEREST INCOME/NON-INTEREST EXPENSE	40.39	37.06

(*) Excluding non-performing loans.

(**) Calculations are annualized.

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

Significant Financial Indicators (Consolidated):

BALANCE SHEET (TL million)	SEPTEMBER 2017	DECEMBER 2016	CHANGE (%)
TOTAL SECURITIES	29,677	26,981	9.99
LOANS (*)	176,158	148,404	18.70
-Corporate and Commercial Loans	129,960	107,360	21.05
-Retail Loans	46,198	41,044	12.56
DEPOSITS	148,591	126,259	17.69
-Term Deposits	120,357	101,415	18.68
-Demand Deposits	28,234	24,844	13.64
FUNDS BORROWED	29,683	26,299	12.87
SUBORDINATED LOANS	5,628	5,015	12.24
SECURITIES ISSUED	16,525	14,683	12.55
EQUITY	22,700	19,607	15.77
TOTAL ASSETS	255,924	220,671	15.98
NON-CASH LOANS	45,979	40,660	13.08

INCOME STATEMENT (TL million)	SEPTEMBER 2017	SEPTEMBER 2016	CHANGE (%)
INTEREST INCOME	15,714	12,409	26.63
INTEREST EXPENSE	9,154	7,189	27.32
NET INTEREST INCOME	6,560	5,220	25.68
NET FEE&COMMISSION INCOME	892	658	35.52
DIVIDEND INCOME	47	61	(22.44)
TRADING INCOME/LOSSES (Net)	137	225	(39.27)
OTHER OPERATING INCOME	2,102	1,550	35.62
TOTAL OPERATING PROFIT	9,738	7,714	26.24
PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	1,963	1,571	24.98
OTHER OPERATING EXPENSES (-)	4,033	3,668	9.94
PROFIT BEFORE TAX	3,782	2,505	50.97
TAX PROVISION (-)	735	527	39.50
NET PROFIT/LOSS	3,047	1,978	54.02

RATIOS (%)	SEPTEMBER 2017	DECEMBER 2016
LOANS/TOTAL ASSETS (*)	68.83	67.25
LOANS/DEPOSITS (*)	118.55	117.54
NPL RATIO	4.08	4.32
CAPITAL ADEQUACY RATIO	15.77	13.88
RETURN ON AVERAGE ASSETS (ROAA) (**)	1.66	1.36
RETURN ON AVERAGE EQUITY (ROAE) (**)	18.75	15.24
INTEREST INCOME/INTEREST EXPENSE	171.67	174.39
NON-INTEREST INCOME/NON-INTEREST EXPENSE	47.21	43.74

(*) Excluding non-performing loans.

(**) Calculations are annualized.

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

Assessment of the Board Chairman:

Esteemed stakeholders,

Moderate recovery in the global economy continued in the third quarter of 2017, thanks to an increase in employment and a rise in investment and trade volume. It is observed that this recovery was mostly attributable to developed countries. Political tension between North Korea and the USA is among the closely-watched developments during this quarter. Moreover, the referendum in Northern Iraq was also monitored on a regional or global scale, and geopolitical risks have risen following the said referendum. Uncertainty as to global economy policies still hovers around as the time schedule for the Brexit from the European Union has been shaped up yet.

The US economy which grew by 3.1% in the second quarter of 2017 grew by 3% in the third quarter of this year. In its meeting held on 20 September, the US Federal Bank decided to keep interest rates within the tier of 1.00% and 1.25%. The Fed also decided to start to shrink its balance sheet nearly worth 4.5 trillion dollars in October under the tapering program. US Treasury bills and mortgage-backed securities which are now worth 4.2 trillion dollars will be gradually decreased throughout the program, albeit slowly.

Along with the recovery trend in the global economy, asset purchase program and quantitative easing policy continued to support growth in Euro zone. Thanks to accelerated exports upon the expansion of global trade in the second quarter as well as and supporting financial conditions, Euro Zone economy grew by 2.3% and thus moderate economy has not stopped. European Central Bank (ECB) did not change interest rates in its meeting held on September 7, and it decided to maintain its asset purchase volume at a level of EUR 60 billion until December 2017.

Japanese economy managed to grow for six consecutive months thanks to its growth in the second quarter of 2017 by 2.5%, a first after three years. While developed countries took steps towards the normalization of monetary policy at that time, Japan announced that it would proceed with the program.

Economic activities remain strong and continue to grow in the domestic market. Turkish economy grew by 5.1% in the second quarter in 2017 on a YOY basis. The most important contribution to growth was from investment expenditures in the second quarter of the year and commercial loans distributed under the Credit Guarantee Fund (CGF) are the driving force behind these investments. Central Bank of the Republic of Turkey (CBRT) maintained its tight monetary policy this quarter in the third quarter to manage inflationist expectations and noted that it was closely monitoring pricing movements and, if it needed may take further measures towards monetary tightening.

Our Bank’s total assets grew by 16.13% in the third quarter of 2017, reaching a level of TL 246,815 million. VakıfBank will continue to grow its credit expansion, to contribute to the real sector, households and national economy in all other areas and to enhance its service quality and occupancy.

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

Yours sincerely,

İsmail ALPTEKİN

Chairman of the Board of Directors

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Assessment of the General Manager:

Esteemed Stakeholders,

In the third quarter of 2017, global economic activities have gained a momentum upwards, in particular, thanks to the support from the increased growth rates in the development countries. As a country, we have left behind a positive period with our powerful economic and financial dynamics, domestic demand revived by public measures and a strong banking sector.

During this time when support to the national economy becomes important than ever, VakıfBank continued to contribute to the national economy in many areas including supply of finance to households, SMEs, farmers and large-scale investments. During this period, we managed to increase our total asset size to TL 246,815 million with a 16.13%. . Our cash loans which hold a significant share in total assets reached TL 174,018 million by 18.69% growth compared to 2016 year end. Our retail loan portfolio reached to TL 46,192 million which means a 12.56% increase while our total commercial loans reached TL 127,826 million with an increase of 21.07%.

We especially place utmost importance on our SMEs and are striving to meet the financing needs of the entire real sector, including, in particular, SMEs. As of the third quarter in 2017, our loan portfolio reached TL 20,118 million as of 3Q17 thanks to the Treasury-guaranteed Credit Guarantee Fund Policy. Owing to the impact of the loans advanced under the CGF, our SME loan portfolio grew by 26.74% compared to 2016 year end. We will continue to support all our SMEs which contribute to our economy and employment.

Customer deposits continued to be our main funding source in the third quarter in 2017 and we funded our growth by non-deposit sources as well despite the interest pressure that is experienced in TL deposits during these times. This way, we managed to have a more diversified portfolio of funding sources, and this way we not only managed to extend the terms of our sources but also contributed to the saving and investment balance. During this period, our total deposits grew by 17.67%, reaching a level of TL 145,719. Notwithstanding the foregoing, we managed to borrow the second syndicated loan this year for a value of 891 million dollars in September 2017 with the participation of 22 banks from 12 countries under the coordination of ING Bank and Emirates NBD.

With our investment products that we offer to investors, we continued to contribute to the development of Turkey’s capital markets to give them more depth. During this time, we issued bonds worth TL 525 million in the form of Tier-II capital. We provided our Bank with a new long-term TL funding source.

Our equity grew by 15.56% in the third quarter 2017, reaching TL 22,232 million. Thanks to its strong financial structure, our Bank managed to achieve a net profit of TL 2,822 million during this period.

In near future, our Bank will always keep a close eye on changes that are experienced in financial, social and environmental fields to bring about fast, innovative and reliable solutions and to create value for our customers, shareholders and country. We would like to thank to our customers, our employees, our shareholders, Board of Directors, who never shied away from supporting us, and all other social stakeholders.

Truly yours,

Mehmet Emin ÖZCAN
CEO

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Assessment of Financial Status:

The Group managed to grow in the third quarter of 2017 and its total assets rose to TL 255,924 million by an increase of 15.98%. In this period, performing loans rose by 18.70%, reaching a level of TL 176,158 million. Share of performing loans in total assets turned out to be 68.83%. In breakdown of loans, we see that commercial loans reached TL 129,960 million and retail loans reached TL 46,198 million.

The Group maintained its strong position in terms of profitability and funding structure in the third quarter of 2017. In this period, return on average equity was 18.75%, return on average assets 1.66% and the capital adequacy ratio was 15.77%.

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

The Bank issued financial bonds worth TL 2,714 million in total in the third quarter in 2017 to sell them to qualified investors.

The Bank signed a syndicated loan agreement for a total equivalent value of USD 891 million in total, including USD 131 million and EUR 634 million, on 25 September 2017 with participation of 22 banks from, 12 countries. Moreover, it completed the sales of 10-year (3,640 days) subordinated capital bonds (Tier II capital) for a nominal value of TL 525,000,000 with variable interest rates and four interest payments a year an which can be redeemed earlier at the end of the fifth year. These bonds were marketed to national qualified investors.

In the third quarter of 2017, the Group increased its total deposits by 17.69%, reaching TL 148,591 million. During that term, the Bank delivered TL 3,047 million net income, thus increasing its net profit by 54.02% compared to the same period of previous year. In this period, we reached an increase of 26.63% in interest revenues and 27.32% in interest costs compared to the same period of previous year.

The Bank will continue its sustainable and profitable growth in line with its vision and strategic targets in the last quarter of 2017 and its strategic targets.

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Affiliates and Subsidiaries (thousand TL)

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

- Continuing to contribute to national economies with its affiliates based in various sectors in addition to its modern banking services, the number of our Bank’s affiliates and subsidiaries is 23 as of September 2017. 13 of the affiliates and subsidiaries operate in finance sector, being 4 in banking sector, 2 in insurance, 7 in other sectors, while 10 of them operate outside finance sector.
- In the current period, it was decided that the capital of Kredi Garanti Fonu AŞ, one of the Bank’s affiliates, was to be increased from 278,439 TL to 318,282 TL. Shares for a value of 177 TL which correspond to the Bank’s shareholding were included in the Bonus Shares in the affiliates’ movement table. Because new banks were admitted to the affiliate during the capital increase, the Bank’s shareholding ratio dropped to 1.54% from 1.69%.
- In the current period, at the Ordinary General Assembly Meeting held on 23 March 2017, Türkiye Sınai Kalkınma Bankası AŞ, an affiliate of our Bank, has resolved to increase its capital from TL 2,050,000 to TL 2,400,000. Shares worth TL 29,321 and corresponding to our Bank’s shareholding are presented in the Bonus Shares in the movement table for the affiliates.
- In the current period, title of Vakıf Emeklilik AŞ have been changed to “Vakıf Emeklilik ve Hayat AŞ” and registered to trade registry on 26 July 2017.
- During the current period, in the Ordinary General Meeting of Vakıf Faktoring AŞ held on 13 July 2017, it was resolved to raise its capital worth, TL 22,400 to TL 70,000 by a bonus share issue for a value of TL 47,600. The capital worth TL 37,315 which corresponds to the Bank’s shareholding is included in the subsidiaries movement table.
- In the current period it was decided to sell 500.000 shares of Güneş Sigorta AŞ traded in BİAŞ stock market. Following the sales, the Bank’s share dropped from TL 130,143 to TL 129,643. Shares worth TL 232 sold by the Bank were included in the Sales column in the subsidiaries movement table. Following the share sales, the Bank’s shareholding ratio in Güneş Sigorta AŞ declined from 48.20% to 48.02%.
- In the current period, at the Ordinary General Assembly Meeting held on 16 June 2017, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an affiliate of our Bank, has resolved to increase its capital from TL 213,000 to TL 217,500 by a bonus share issue of TL 4,500 Shares worth TL 1,742 and corresponding to our Bank’s shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the current period, at the Ordinary General Assembly Meeting held on 14 June 2017, Vakıf Finansal Kiralama AŞ, an affiliate of our Bank, has resolved to increase its capital from TL 87,000 to TL 109,000 by a bonus share issue of TL 22,000. Shares worth TL 12,917 and corresponding to our Bank’s shareholding are presented in the Bonus Shares in the movement table for the affiliates.

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Amendment of Articles of Incorporation:

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

Ratings:

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

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

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

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

(*) Dates represent last report dates.

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Other Issues:

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

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

Investor Relations Attendants:

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