

ENTRUST US

WITH YOUR DREAMS FOR THE FUTURE



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In a period of increased uncertainties on a global scale and higher risk perception towards emerging economies, VakıfBank continues consistently its growth performance. That is because, Turkey trusts us, and entrusts us with its savings, goals and dreams for the future.

We, in turn, consider ourselves as our customers' companions, and take good care of what they entrust us with.

AGENDA OF THE 62ND ORDINARY GENERAL ASSEMBLY MEETING

THE AGENDA OF THE 62ND ORDINARY GENERAL ASSEMBLY MEETING DATING MARCH 29, 2016 OF TÜRKİYE VAKIFLAR BANKASI T.A.O.

1. Opening and the formation of Presidency Council,
2. Reading and discussion of the 2015 Board of Directors' Annual Activity Report, Turkish Court of Accounts Report and Audit Board Report,
3. Reading of Auditors' Report,
4. Reading, discussion and approval of 2015 financial report,
5. Discharge of the Board members and Auditors regarding the 2015 activities,
6. Determination of profit usage and the amount of profit to be distributed according to the Board of Directors' proposal,
7. Voting of the amendment on Article 5 of the Articles of Incorporation related to address of head office,
8. The renewal of the elections for the Board of Directors,
9. The renewal of the elections for the Audit Board,
10. Determination on the remuneration of the members of the Board of Directors and the Audit Board,
11. Authorization of the Board Members to conduct business with the Bank in accordance with Articles 395 and 396 of the Turkish Commercial Code, which will be further subject to Board of Directors approval,
12. Election of Auditor,
13. Informing shareholders about the donations made during the year,
14. Wishes and comments,
15. Closing remark.

2015 PROFIT DISTRIBUTION PROPOSAL AND DIVIDEND POLICY

TÜRKİYE VAKIFLAR BANKASI T.A.O. DIVIDEND POLICY

Issues about VakıfBank's profit distribution are regulated in the Article 9 of VakıfBank's Law No.6219 and the Article 84 and 85 of Articles of Incorporation. According to this, from the annual profit of the Bank, the following amounts shall be distributed to:

- a) 5% to the ordinary reserve up to the amount of paid-in capital,
- b) 5% to the first extraordinary reserve,
- c) 9% to the employees as dividend premium to be distributed within the principles determined by the Board of Directors as limited with three months gross salary of the employee,
- d) To the second extraordinary reserve from remaining balance in the amount that will be determined by the General Assembly in case of a necessity for the Bank to continuously improve and to provide its steady profit distribution or reinstate the assets according to the Article 523/2 of Turkish Commercial Code,

Remaining ordinary reserve is allocated for the possible losses that will occur in the future and first extraordinary reserve is allocated to retrieve extraordinary losses of the Bank.

General Assembly can decide to use the second extraordinary reserve for reinstating the assets or continuous improvement of the Bank and providing its steady profit distribution. Meanwhile, it can be also decided to use the excess capital from the capital increase partially or totally this sense.

According to profit distribution policy, a balanced policy is pursued between the benefits of the shareholders and partnership.

Within this scope, VakıfBank determines its profit distribution policy by considering the compliance of Banking Regulation and Supervision Agency and meeting the targeted standard ratios stated in the Protective Provisions of Banking Law No. 5411 with prospective growth strategy, financial needs, general economic conditions and capital adequacy ratio.

Each year, Board of Directors submits its profit distribution proposal to the General Assembly. The profit distribution proposal of the Board of Directors is discussed and decided in the General Assembly and announced to the public through Public Disclosure Platform at the same day.

Profit is distributed in line with the way and date determined by the General Assembly within the scope of relevant legislation.

TÜRKİYE VAKIFLAR BANKASI T.A.O. PROFIT DISTRIBUTION PROPOSAL

The Bank's Board of Directors convened on 03.03.2016 and reached the following resolutions:

The profit of TL 1,930,109,388.95- posted in the balance sheet as a result of the operations of 2015, shall be distributed as seen in the profit distribution table presented below, in line with the Article 9 of VakıfBank Law no. 6219 and Article 84 of the Articles of Incorporation,

As per the Article 9/D of VakıfBank Law and the Article 84/C of our Articles of Incorporation, a decision was made to transfer the TL 144,017,464.32 in employee dividends -written off as an expense in 2015 after setting aside the necessary reserves- to the relevant account in order to distribute the stated amount to the employees, and to pay the amount set aside as dividends -that will be limited to gross three month salary- to all employees on the date that will be determined by our Board of Directors.

TL 1,660,664.19- which is 75% of the TL 2,214,218.92 in proceeds received from the sale of subsidiaries and real estate properties disposed of during 2015, shall be transferred to a special liability-side reserve account pursuant to Article 5/1-e of Corporate Tax Law No. 5520.

| 2015 PROFIT DISTRIBUTION TABLE (TL) | |
|--|-------------------------|
| NET PROFIT | 1,930,109,388.95 |
| Distributable Net Profit | 1,930,109,388.95 |
| I- Legal Reserves | 193,010,938.90 |
| 1. First Legal Reserve | 96,505,469.45 |
| 2. Legal Reserves set aside as per the Bank's Act and Articles of Incorporation (The Article 9/D of VakıfBank Law) | 96,505,469.45 |
| II- Profit Distributable to Shareholders | 1,737,098,450.05 |
| III- Special Reserves | 1,660,664.19 |
| IV- Extraordinary Reserves (The Article 9/E of VakıfBank Law) | 1,635,437,785.86 |
| V- Dividends to be Paid to Shareholders | 100,000,000.00 |

COMPLIANCE OPINION ON THE ANNUAL REPORT

INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT

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

Report on the Board of Directors' Annual Report in accordance with Independent Audit Standards

We have audited the annual report of the Türkiye Vakıflar Bankası T.A.O. ("Bank") and consolidated subsidiaries of it (together will be referred as "the Group") for the accounting period ending on 31 December 2015.

Board of Directors' Responsibility for the Annual Report

The Bank management is responsible for performing the necessary internal control to ensure that the annual report is prepared as an accurate document in compliance with Article 514 of the Turkish Commercial Code no. 6102, "Regulation on the Methods and Principles for the Preparation and Publication of Annual Reports by Banks" issued on the Official Gazette dated 1 November 2006 and numbered 26333, Banking Regulation and Supervision Authority's (BRSA) regulations on banks' accounting methodology, BRSA's communiqués and statements, as well as Turkish Accounting Standards; and in consistency with the consolidated financial statements ("financial statements") issued as per "BRSA Legislation on Accounting and Financial Reporting".

Independent Auditor's Responsibility

Our responsibility is to present our opinion as to whether the financial information included in the Bank's annual report is accurate and consistent with the Bank's consolidated financial statements and on the basis of our independent audit based on Article 397 of Turkish Commercial Code, and "Regulation on the Independent Audit of Banks" issued on the Official Gazette dated 2 April 2015 and numbered 29314.

Our independent audit process was in compliance with Independent Audit Standards ("BDS"), a part of the Turkish Audit Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). These standards require compliance with ethical stipulations and demand that the independent audit be planned so as to provide assurance that the financial information in the annual report is accurate and in accordance with the consolidated financial statements.

Independent audit involves the application of audit procedures to produce audit evidence on historical financial data. The selection of these procedures depends on the professional judgement of the independent auditor.

We believe that the independent audit evidence we have collected during the independent audit provide an appropriate and sufficient basis to allow us formulate an opinion.

Opinion

In our opinion, the financial statements included in the Board of Directors' annual report, in all material respects, are fairly presented and consistent with the consolidated financial statements subject to our audit.

Other Responsibilities Arising from the Legislation

As per Article 402, paragraph 3 of the Turkish Commercial Code No. 6102, in the framework of the BDS 570 on "Continuity of the Enterprise", we found no issue worthy of reporting which could jeopardize the continuity of the Bank's operations in the foreseeable future.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers



ZEYNEP URAS, SMMM
Partner

Istanbul, March 4, 2016

DECLARATION OF RESPONSIBILITY

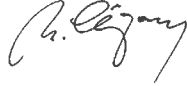
We have examined the Bank's "2015 Annual Report" and we acknowledge and state that:

Based on the information we possess pursuant to our duties and responsibilities within the Bank, the report does not contain any misstatements in material aspects or omissions that may be construed as misleading;

As of the period the report is prepared for, financial statements and other information on financial matters contained in the report honestly and realistically reflect the financial position of the Bank as well as all major risks and uncertainties it is exposed to.



RAMAZAN GÜNDÜZ
Chairman of the Board



MEHMET EMİN ÖZCAN
Deputy Chairman of the Board and
Member of the Audit Committee



SABAHATTİN BİRDAL
Board Member and Member
of the Audit Committee



HALİL AYDOĞAN
General Manager



METİN RECEP ZAFER
CFO



MUSTAFA SEÇKİN ONÜR
Strategy Development Manager

VAKIFBANK IN BRIEF

| | |
|--|--|
| Date of Incorporation | April 13, 1954 |
| Head Office | İstanbul |
| Paid-in Capital | TL 2,500,000,000 |
| Number of Employees | 15,410 |
| Number of Domestic Branches | 917 (832 branches, 85 satellite branches) |
| Number of Overseas Branches | 3 (New York, Bahrain and Arbil branches) |
| Number of Regional Directorates | 23 |
| Number of Subsidiaries and Affiliates | 23 |
| Independent Audit Company | Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. |
| Address | Türkiye Vakıflar Bankası T.A.O. Head Office Sultan Selim Mahallesi, Eski Büyükdere Caddesi, No: 59 34415, Kağıthane/İstanbul |
| Telephone | (90 212) 398 15 15 - (90 212) 398 10 00 |
| Fax | (90 212) 398 11 55 |
| Website | http://www.vakifbank.com.tr |

**A LONG-ESTABLISHED,
COMPASSIONATE BANK**

VAKIFBANK'S CORNERSTONES

VAKIFBANK'S MISSION

Continuously increasing the value created for customers, employees, shareholders and society by utilizing its assets productively. Managing the values it has been entrusted with effectively and efficiently on the strength of its foundation ("Vakıf" in Turkish) culture.

VAKIFBANK'S VISION

Becoming the best, most preferred, and highest value-creating bank in the region.

VAKIFBANK'S CORE VALUES

- Reliability
- Social responsibility
- Result orientation
- Customer focus
- Innovative approach
- Teamwork
- Loyalty
- Leadership



ENTRUSTED WITH THE FUTURE OF PRODUCTIVE TURKEY

We continued to contribute to the Turkish economy as we raised the ratio of loans to total assets up to 67.2%.

ASSET SIZE

TL **183** BILLION

HISTORY AND OWNERSHIP STRUCTURE

In addition to core banking products and services, VakıfBank also runs investment banking and capital markets operations. VakıfBank presents to its customers **the widest possible range of financial products** via cutting edge technologies.

THE BANK'S HISTORICAL DEVELOPMENT

VakıfBank was established under a special charter act; Law No. 6219 dated January 11, 1954, so as to utilize foundations' monies in the most efficient manner, contribute to Turkey's savings rate based on modern banking principles, and to channel the deposits collected toward the country's economic development. VakıfBank commenced its operations on April 13, 1954, with an initial capital of TL 50 million. Since its foundation, the Bank has been subject to special legal provisions and has contributed significantly to the growth and development of the Turkish economy.

Representing a well-established tradition with longstanding experience and know-how in the Turkish banking system, VakıfBank has not only succeeded in becoming one of the most profitable banks in the sector, it has also helped the Turkish economy to grow, develop and integrate with the global economy. The Bank also managed to execute a rapid and sustainable growth strategy, quickly caught up with large-scale banks, and strengthened its leading position in the sector.

Today, VakıfBank provides a complete range of modern banking products and services via its corporate, commercial and SME banking, as well as its retail and private banking business lines.

In addition to core banking products and services, VakıfBank is also active in investment banking and capital markets; the Bank provides a wide range of financial services including insurance, financial leasing and factoring through its financial subsidiaries, using advanced technological platforms and applications.

TURKEY'S PIONEER BANK

Always a pioneer in international banking in Turkey, VakıfBank has remained the most active Turkish bank in global markets in 2015, by issuing the first ever Basel III-compliant Tier II bond in Turkey, selling dedicated bonds as part of its global medium-term note program, as well as securing syndication loans, securitization loans and long and medium-term financing from diverse resources. Furthermore, the Bank established the Residential Mortgage Covered Bond Issuance Program in order to further expand and diversify its funding base in the coming period.

TURKEY'S FIRST OVERSEAS BASEL III-COMPLIANT SUBORDINATED LOAN (SUPPLEMENTARY CAPITAL) ISSUE

Having already become the first Turkish bank to initiate a global medium-term note program, VakıfBank made yet another ground-breaking achievement in 2015 by issuing Turkey's first overseas Basel III-compliant subordinated loan (supplementary capital) issue in February. The USD 500 million issuance had a maturity date of February 3, 2025, having a call option on February 3, 2020, coupon rate of 6.875% and issue yield of 6.95%.

THE VISIONARY BANK
ALWAYS WORKING TO BE "THE BEST"

OWNERSHIP STRUCTURE OF TÜRKİYE VAKIFLAR BANKASI T.A.O.

| Shareholders | Number of Shares (Hundred per Share) | Capital (TL Thousand) | Share Capital (%) |
|--|---|----------------------------------|------------------------------|
| Registered Foundations Represented by the General Directorate of Foundations (Group A) | 1,075,058,640 | 1,075,058 | 43.00 |
| VakıfBank Pension Fund (Group C) | 402,552,666 | 402,553 | 16.10 |
| Appendant Foundations Represented by the General Directorate of Foundations (Group B) | 386,224,785 | 386,225 | 15.45 |
| Other Appendant Foundations (Group B) | 3,091,997 | 3,092 | 0.13 |
| Other Registered Foundations (Group B) | 1,448,543 | 1,448 | 0.06 |
| Individuals and Legal Entities (Group C) | 1,532,753 | 1,533 | 0.06 |
| Free Float (Group D) | 630,090,616 | 630,091 | 25.20 |
| Total | 2,500,000,000 | 2,500,000 | 100.00 |

**SHARES OWNED BY THE CHAIRMAN,
BOARD MEMBERS, GENERAL MANAGER
AND EXECUTIVE VICE PRESIDENTS**

İsmail Alptekin, a Member of the Bank's Board of Directors, holds VakıfBank "Class C" stock representing TL 59.36 of share capital. (0.00000237%).

**DISCLOSURES MADE TO BORSA İSTANBUL
WITHIN THE CONTEXT OF INFORMING
SHAREHOLDERS**

Pursuant to CMB Communiqué (II-15.1): "Principles for Material Disclosures to Public", the Bank issued 260 material event disclosures in 2015. These disclosures were concurrently published on the ISE Public Disclosure Platform (www.kap.gov.tr) and on the Bank's website (www.vakifbank.com.tr).

AMENDMENTS TO THE ARTICLES OF INCORPORATION

FORMER VERSION

Capital

Article: 7-(Amended type with the Ordinary General Assembly dated on 25.03.2011)

The Bank adopted registered capital system according to the provisions of Capital Market Law No. 2499, and adapted the registered capital system with the permission of Capital Markets Board dated 15/09/2005 with No. 37/1122, and with the permission of Capital Markets Board dated 03/03/2006 with No. 10/242, the registered capital of the Bank has been determined as TL 5,000,000,000 (Five billion Turkish Lira).

The ceiling of the authorized capital as given by the Capital Markets Board is valid for 2011-2015 (5 years). From 2015 onwards, even if the capital does not reach the permitted ceiling level, following the permission of Capital Markets Board for a new ceiling amount or the current ceiling amount, the authorization of General Assembly for a new period is obligatory in order to take a capital increase decision. Failure to obtain authorization will affect the ejection of the Bank from the Registered Capital System.

NEW VERSION

Capital

Article: 7-(Amended type with the Ordinary General Assembly dated on 30.03.2015)

The Bank adopted registered capital system according to the provisions of Capital Market Law No. 6362 and adapted the registered capital system with the permission of Capital Markets Board dated 15/09/2005 with No. 37/1122. The registered capital ceiling of the Bank is TL 10,000,000,000 (Tenbillion Turkish Lira) and it is divided into 1,000,000,000,000 (Onetrillion) registered shares, each of which amounts 1 (One) Kuruş nominal.

The ceiling of the authorized capital as given by the Capital Markets Board is valid for 2015-2019 (5 years). From 2019 onwards, even if the capital does not reach the permitted ceiling level, following the permission of Capital Markets Board for a new ceiling amount or the current ceiling amount, the authorization of General Assembly for a new period, not more than 5 years, is obligatory in order to take a capital increase decision. In case of a failure to obtain aforesaid authorization, capital increase cannot be made with Board of Directors decision.

FORMER VERSION**Capital****Article: 7-(Amended type with the Ordinary General Assembly dated on 25.03.2011)**

Capital in paid is TL 2,500,000,000- (twobillionfivehundredmillion Turkish Lira) and it is divided to 250 billion shares of which every share equal to 1 Kuruş; and its TL 1,075,058,639.56 (onebillionseventyfive millionfiftyeightthousandsixhundredthirtynine Turkish Lira and fiftysix Kuruş) part is divided to TL 107,505,863,956- (onehundredseven billionfivehundredfivemillioneighthundredsixtythreethousandnine hundredfiftysix) pieces Group (A); and its TL 390,848,306.75-(three hundredninemillioneighthundredfortyeighthousandthreehundredsix Turkish Lira and seventyfive Kuruş) part is divided to 39,084,830,675- (thirtyninebillioneightyfourmillioneighthundred thirtythousandsixhundred sevetyfive) pieces Group (B); and its TL 404,350,498.34- (fourhundred fourmillionthreehundredfiftythousandfourhundredninetyeight Turkish Lira and thirtyfour Kuruş) art is divided to 40,435,049,834- (fortybillionfourhundredthirtyfivemillionfortyninethousandeighthundred thirtyfour) pieces Group (C) and its TL 629,742,555.35- (sixhundred twentyninemillionsevenhundredfortytwothousandfivehundredfiftyfive Turkish Lira and thirtyfive Kuruş) part is divided to 62,974,255,535- (sixtytwobillionninehundredsevetyfourmilliontwohundredfiftyfive thousandfivehundredthirtyfive) pieces Group (D), shares completely registered shares.

NEW VERSION**Capital****Article: 7-(Amended type with the Ordinary General Assembly dated on 30.03.2015)**

Capital in paid of the Bank is TL 2,500,000,000- (twobillionfive hundredmillion) and capital in paid is totally paid off free of collusion.

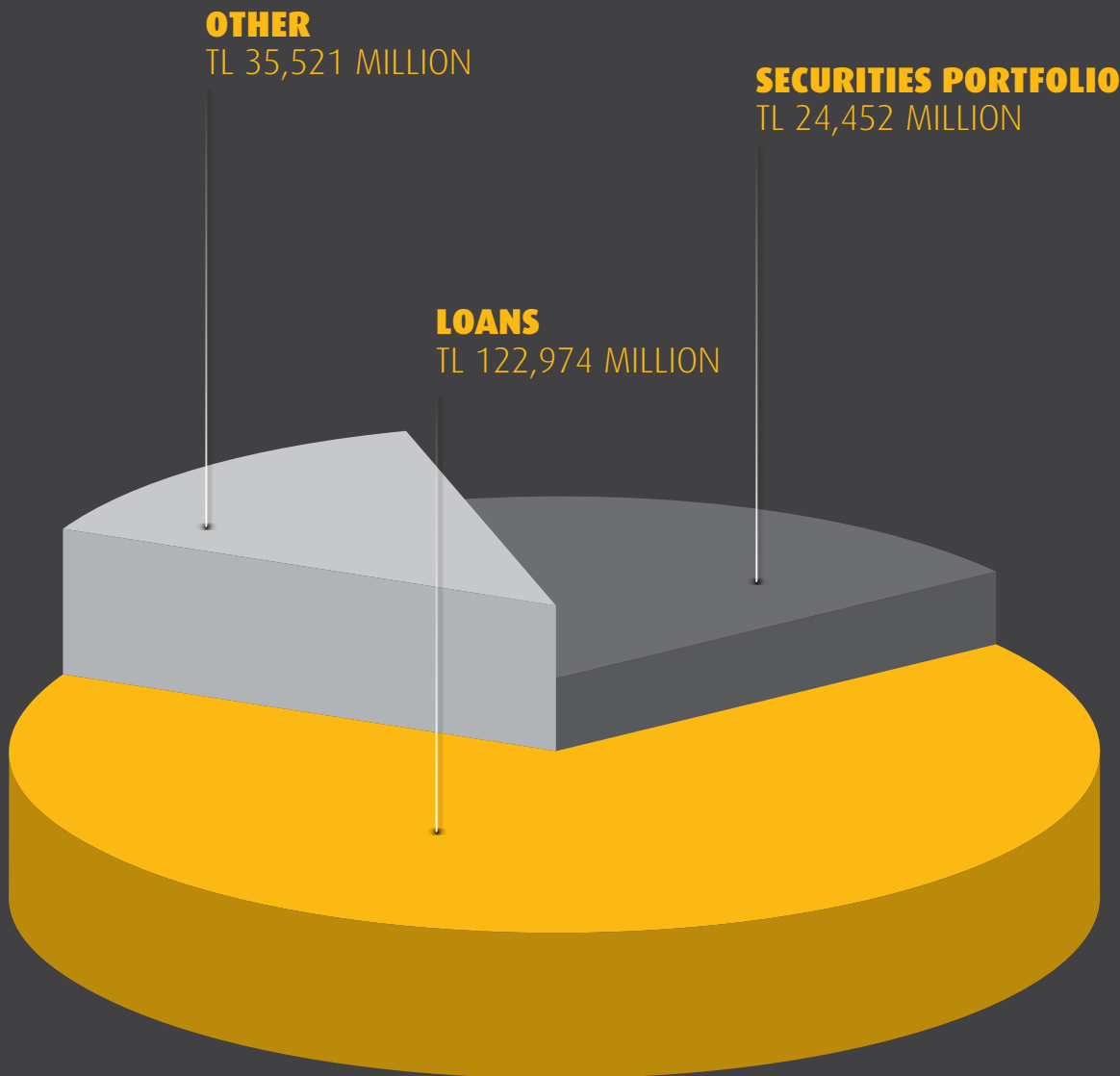
Shares representing the capital are monitored in line with dematerialization rules.

Capital of the Bank can be increased or decreased in case of a need within the provisions of Turkish Commercial Code, Capital Market Legislation and Banking Legislation.

In accordance with the provisions of Capital Markets Law, the Board of Directors is authorized to increase the capital in-paid by issuing shares up to the registered capital ceiling, to limit the rights of preferred shareholders and to restrict buying new shares, to issue shares above or below their nominal values. Authorization to restrict buying new shares cannot be used causing inequality among the shareholders.

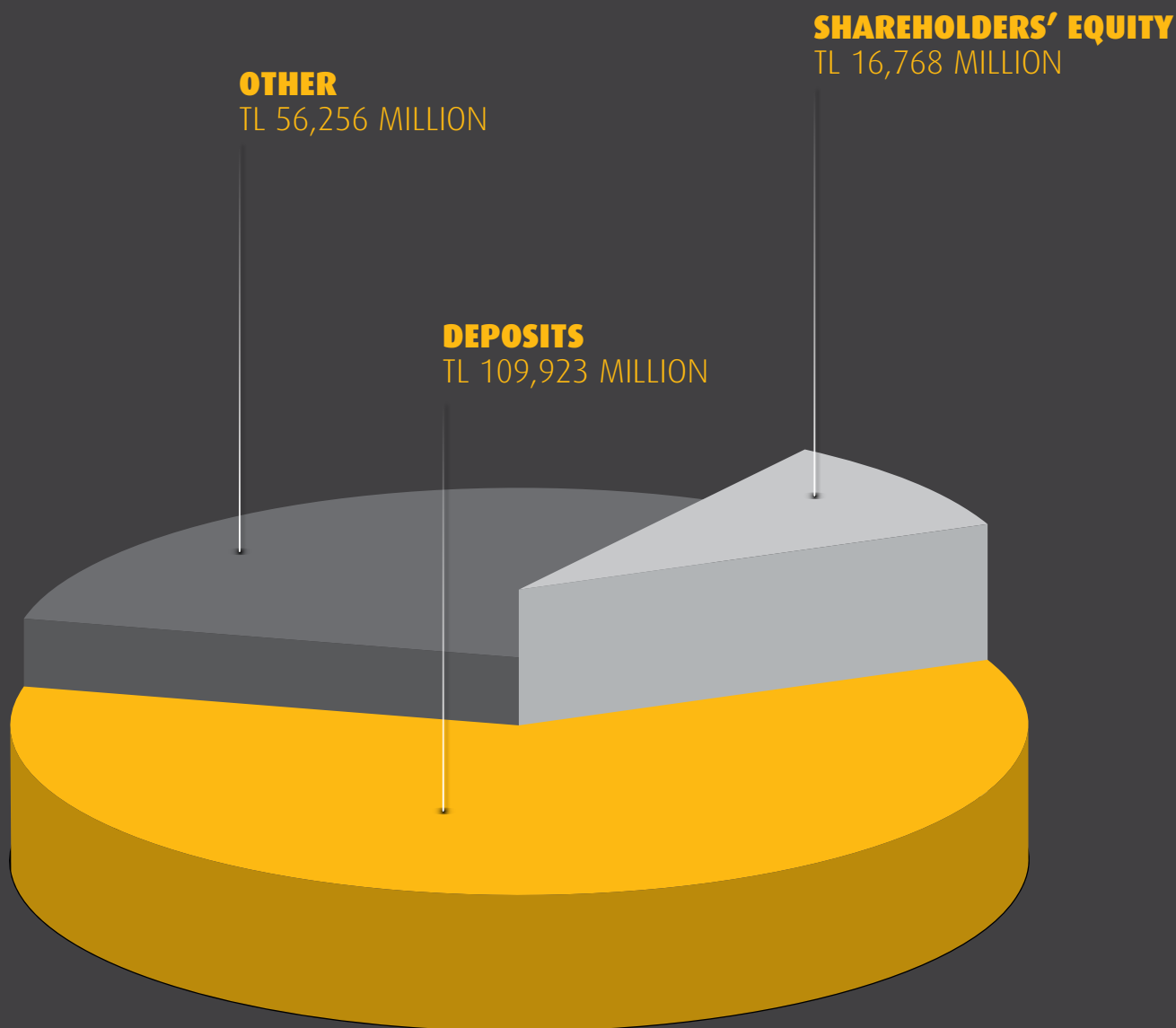
Capital in paid is composed of completely registered shares and its TL 1,075,058,639.56 (onebillionseventyfivemillionfiftyeightthousandsix hundredthirtynine Turkish Lira and fiftysix Kuruş) part is divided to TL 107,505,863,956- (onehundredsevenbillionfivehundredfivemillion eighthundredsixtythreethousandninehundredfiftysix) pieces Group (A); and its TL 390,774,611.23-(threehundredninemillionseven hundredseventyfourthousandsixhundredeleven Turkish Lira and twentythree Kuruş) part is divided to 39,077,461,123- (thirtynine billionseventysevenmillionfourhundredsixtyonethousand onehundredtwentythree) pieces Group (B); its TL 404,086,452.62- (fourhundredfourmillioneightysixthousandfourhundredfiftytwo Turkish Lira and sixtytwo Kuruş) part is divided to 40,408,645.262- (fortybillionfourhundredeightmillionsixhundredfourtyfivethousand twohundredsixtytwo) pieces Group (C) and its TL 630,080,296.59- (sixhundredthirtymillioneightyfourthousandtwohundredninety six Turkish Lira and fiftynine Kuruş) part is divided to 63,008,029,659- (sixtythreebillioneightmilliontwenty ninethousandsixhundredfifty nine) pieces Group (D) shares.

KEY FINANCIAL INDICATORS



TOTAL ASSETS

TL 182,947 MILLION

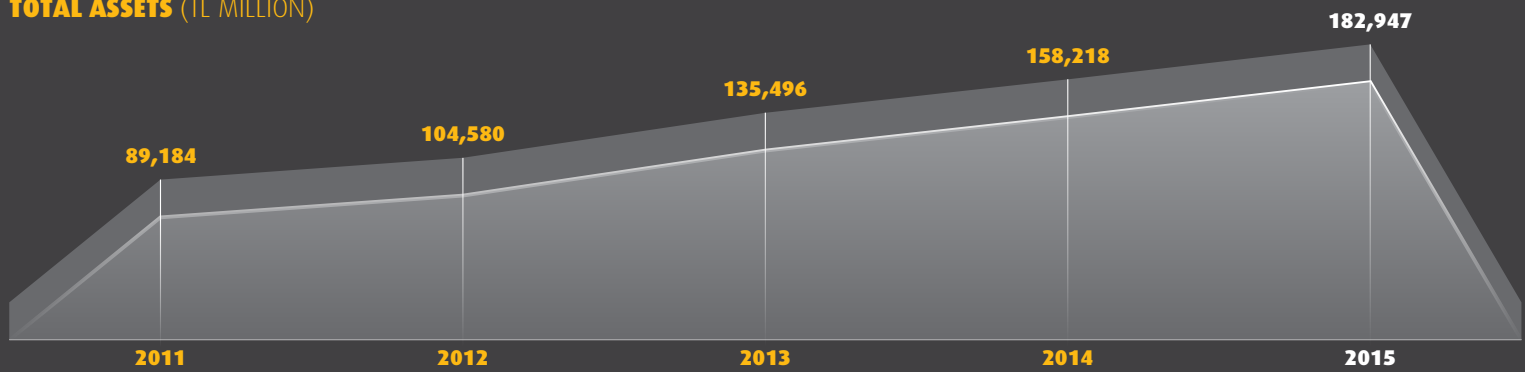


TOTAL LIABILITIES

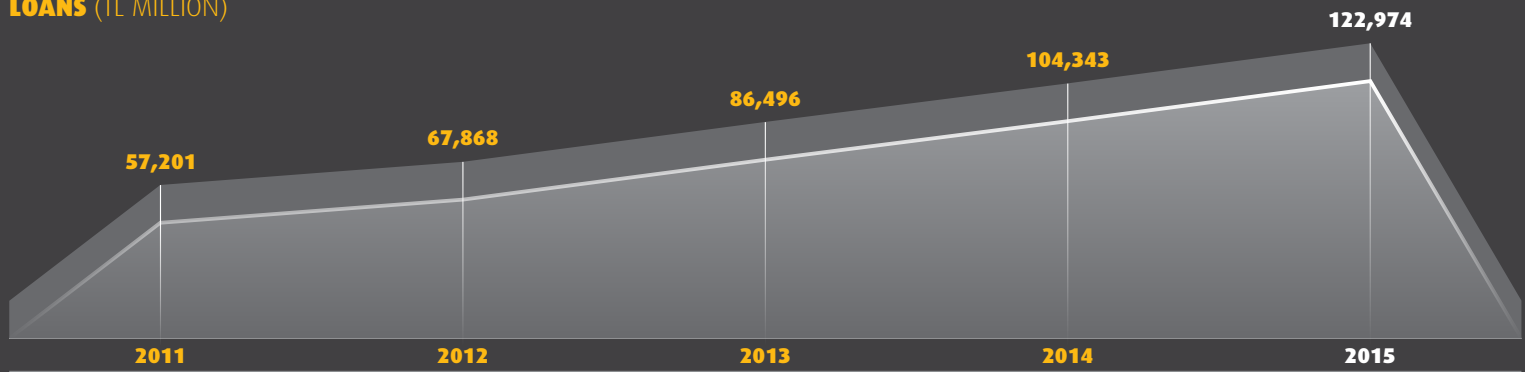
TL 182,947 MILLION

KEY FINANCIAL INDICATORS

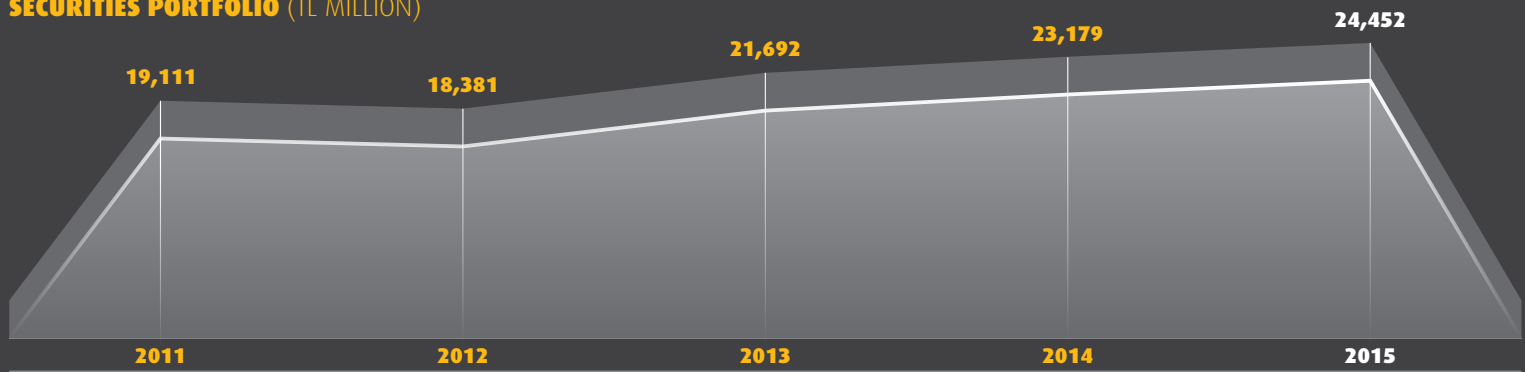
TOTAL ASSETS (TL MILLION)



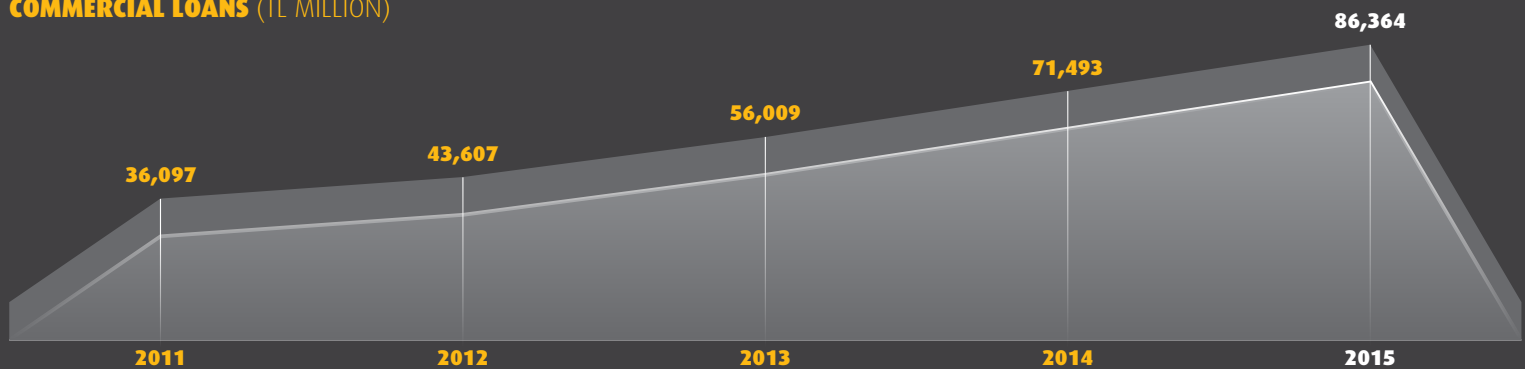
LOANS (TL MILLION)



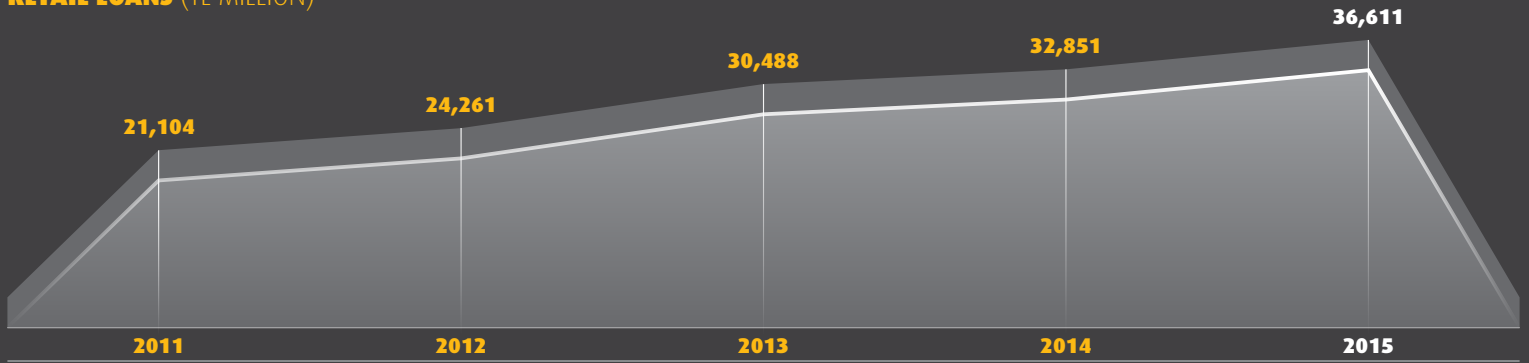
SECURITIES PORTFOLIO (TL MILLION)



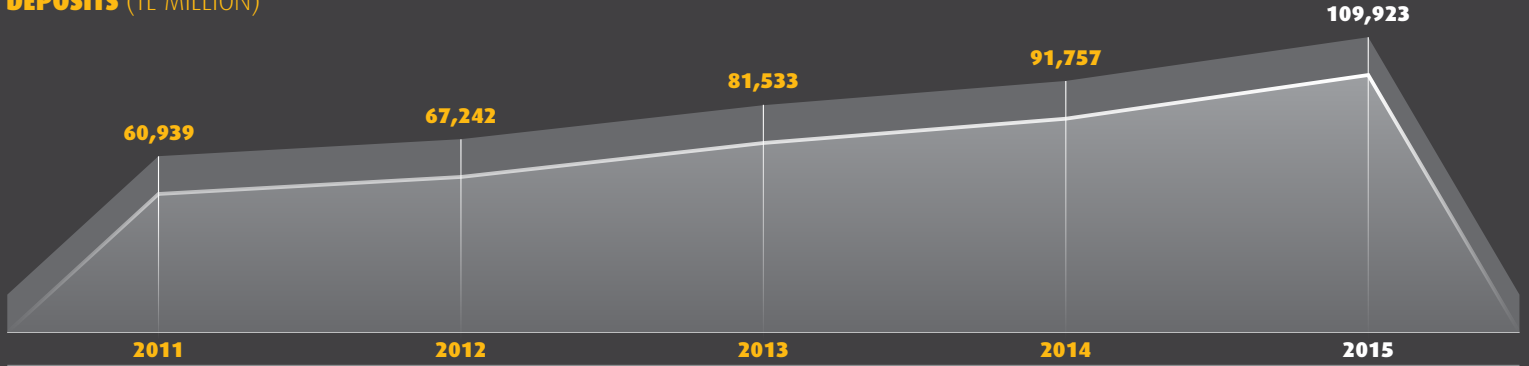
COMMERCIAL LOANS (TL MILLION)



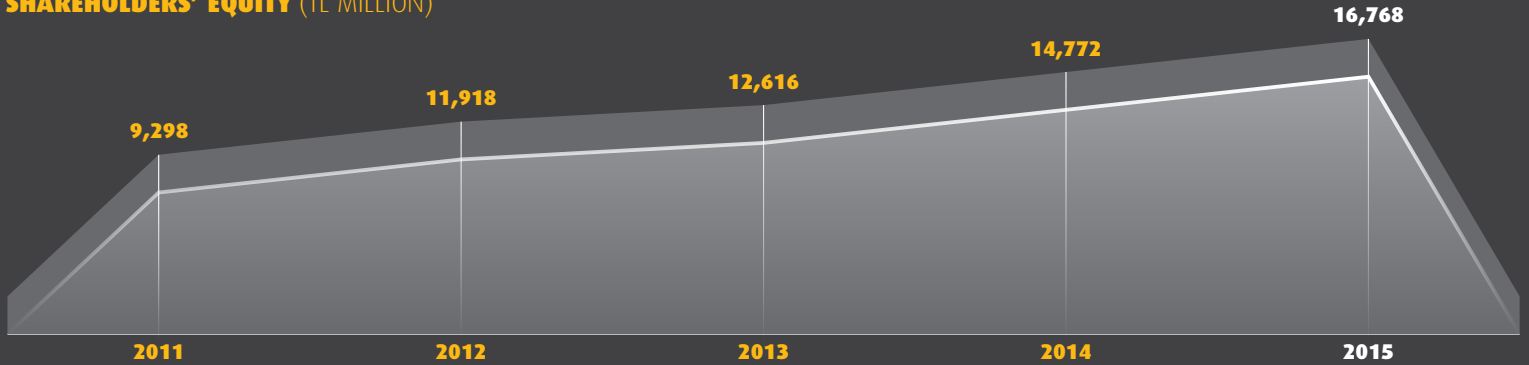
RETAIL LOANS (TL MILLION)



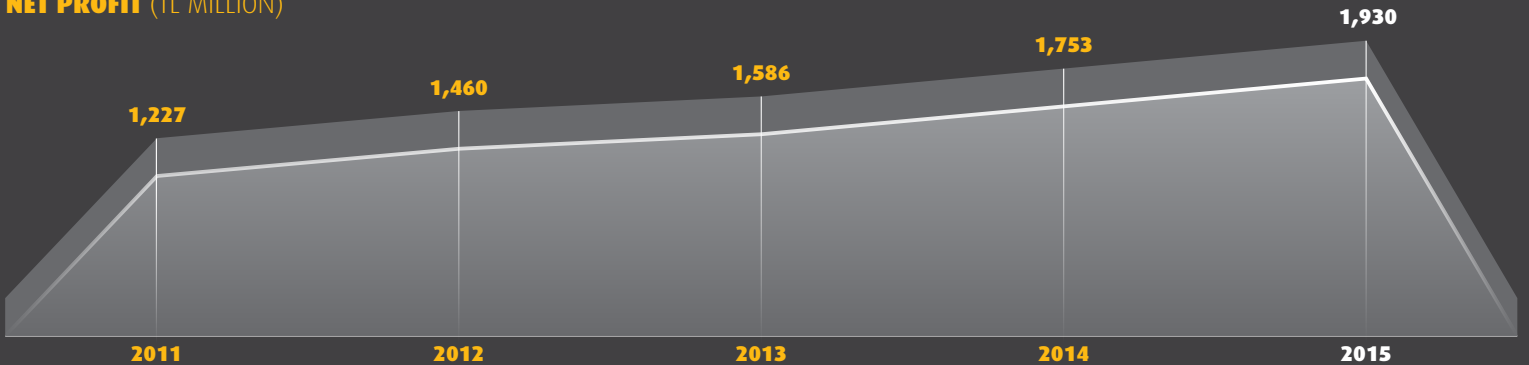
DEPOSITS (TL MILLION)



SHAREHOLDERS' EQUITY (TL MILLION)

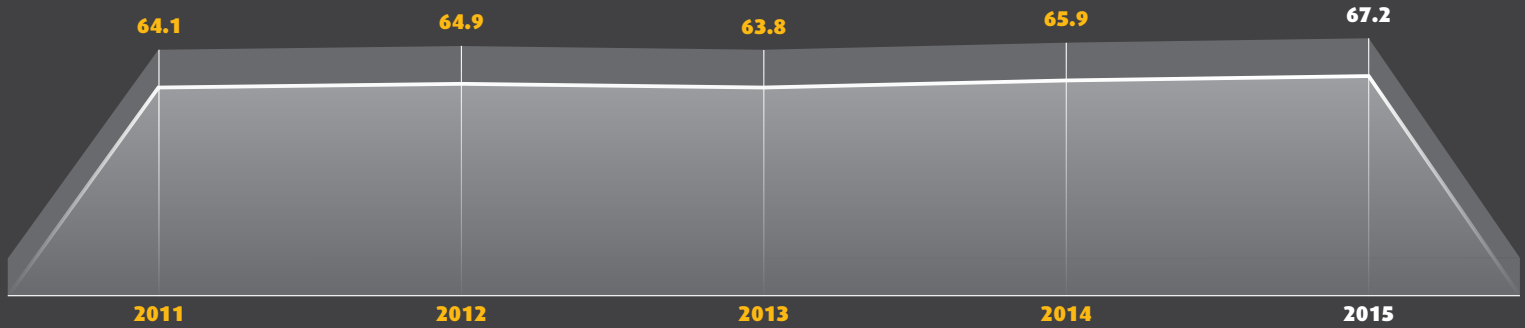


NET PROFIT (TL MILLION)

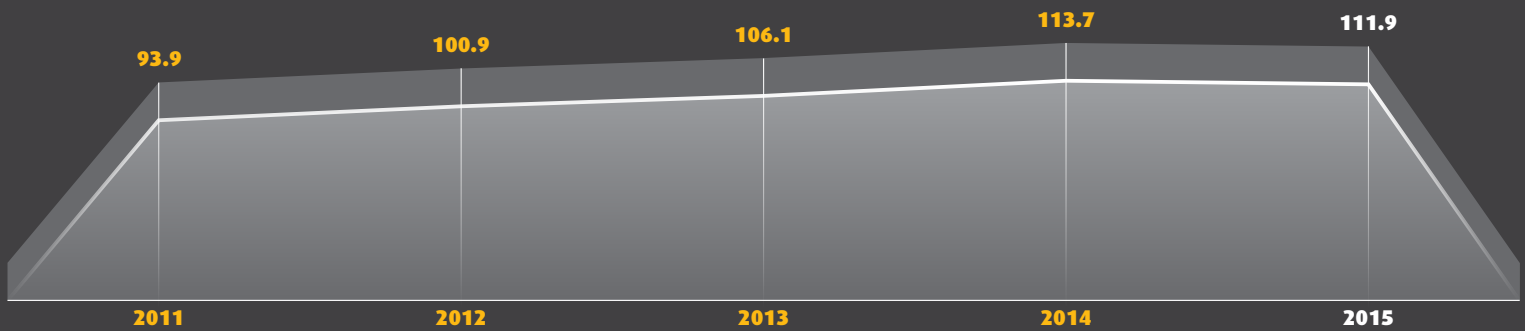


KEY RATIOS

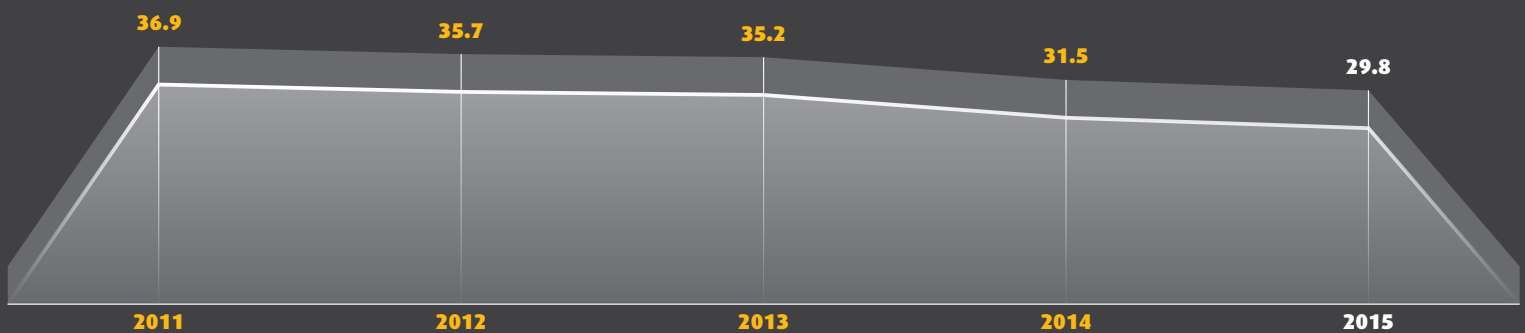
LOANS/TOTAL ASSETS (%)



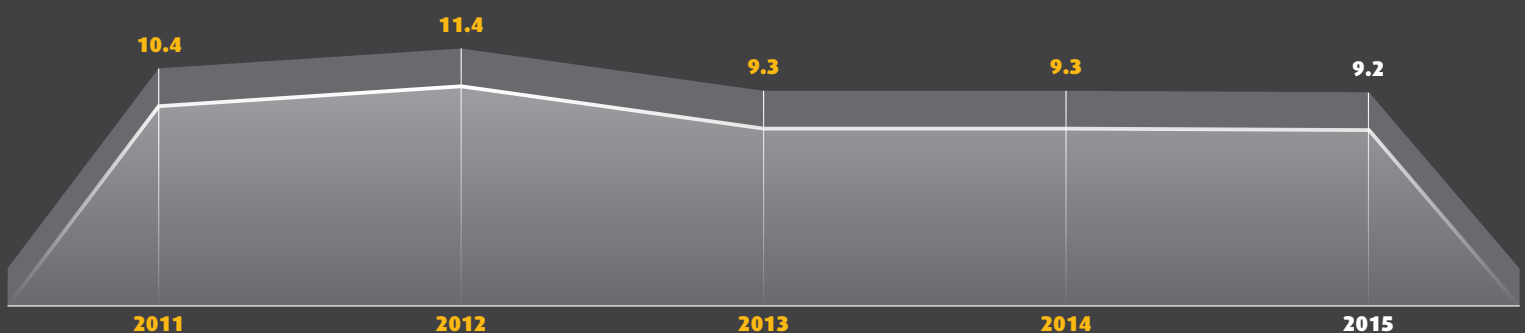
LOANS/DEPOSITS (%)



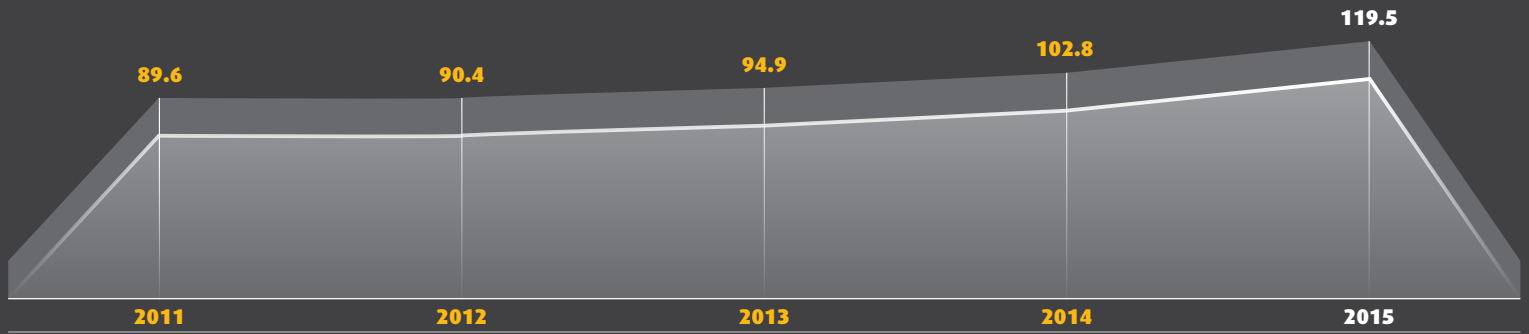
RETAIL LOANS/TOTAL LOANS (%)



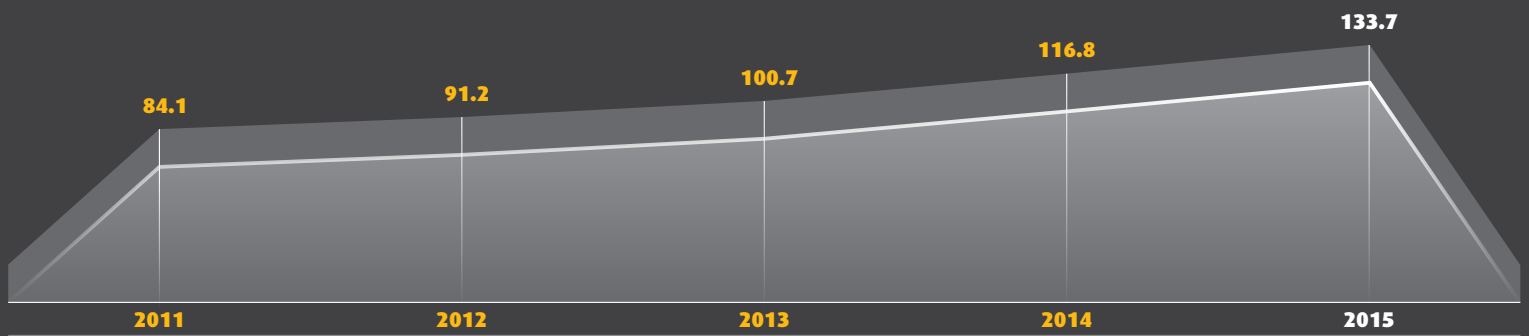
SHAREHOLDERS' EQUITY/TOTAL LIABILITIES (%)



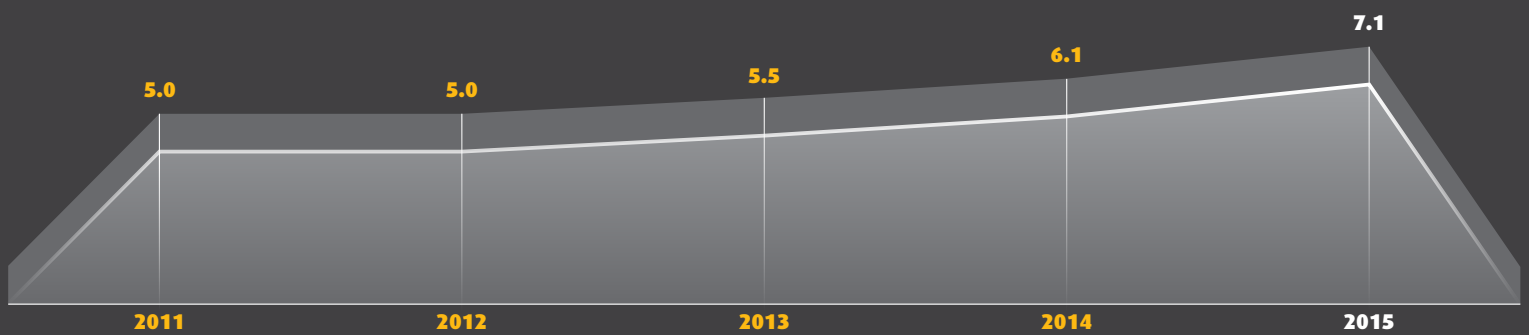
DEPOSITS PER BRANCH (TL MILLION)



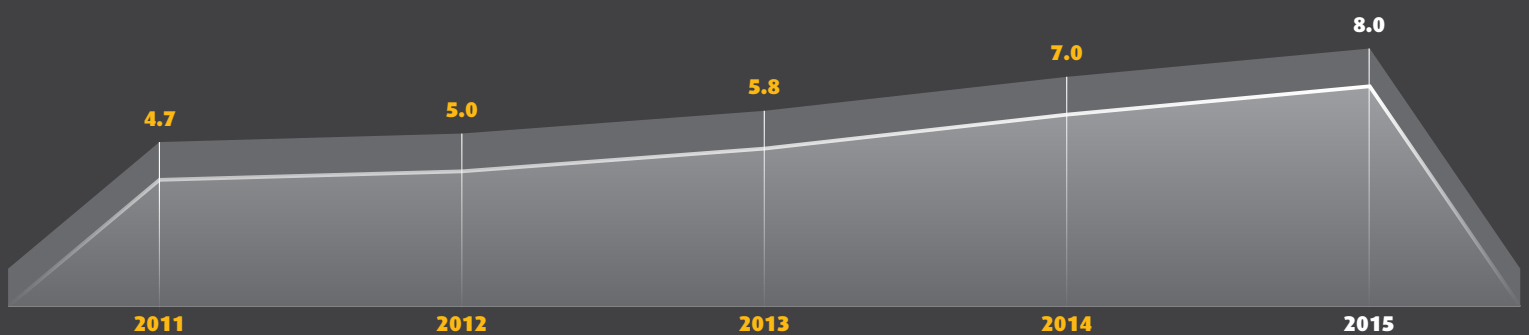
LOANS PER BRANCH (TL MILLION)



DEPOSITS PER EMPLOYEE (TL MILLION)



LOANS PER EMPLOYEE (TL MILLION)



MESSAGE FROM THE CHAIRMAN

As the Turkish banking sector preserved its robust structure and maintained its growth performance, VakıfBank also continued to grow and **raised its total assets to TL 182,947 million in 2015.**

Esteemed Stakeholders,

After the global crisis, developed nations such as the USA and the EU have had recourse to quantitative easing to prompt the recovery of their economies until 2014. In 2014 and 2015, the monetary policies pursued by developed countries' central banks started to diverge. The Fed ended its third quantitative easing program in October 2014 and announced its decision to raise interest rates in December 2015, for the first time in nearly 10 years. With this decision, the Fed increased its policy rate by 0.25 percentage points to the interval of 0.25-0.50%. In the statement issued after the meeting it was indicated that rate rises would continue gradually in the coming period. Following this rate rise, anticipated with anxiety by global markets since early 2015, uncertainties about monetary policy were reduced and the decision had an overall positive effect on the markets.

As for the Euro Zone, which was expected to end the year 2015 on a relatively more positive note compared to 2014, the latest data suggest that economic activity has lost some of its momentum in recent months. Europe has been fighting against low inflation and high unemployment levels for a number of years, and quantitative easing policies designed to bolster economic activity have continued in 2015. The European Central Bank (ECB) decided to extend its monthly EUR 60 billion asset purchase program, initiated in March 2015, until March 2017.

Developed and developing economies alike continued their fight against inflation in the year 2015. In Japan, worries remained about the low inflation rate -despite the ongoing quantitative easing program. In the third quarter of 2015, the Japanese economy, the world's third largest at the present, entered recession for the second time in two years in technical terms.

Continuing to positive a downside risk for global growth, China adopted a number of measures such as devaluation to speed up its economic growth, however, without being able to reach the much anticipated recovery. In the coming period, the Chinese government is expected to focus on slashing excess capacity in industry, reducing the real estate inventory, and bring down companies' costs.

The Turkish economy, on the other hand, grew by 2.5% in the first quarter of 2015, followed by 3.8% in the second. In the first nine months, the economy expanded by 3.4% year-on-year in real terms. As electoral uncertainties were overcome, investments picked up and exports headed upwards, which are expected to bring Turkish economic growth to at least 4% in 2016, as targeted in the Medium Term Program.

Pursuing a policy focused on price stability as well as financial stability, the Central Bank of Turkey maintained its tight monetary policy stance in 2015, announcing that its monetary policy decisions in the coming period will depend on inflation data.

In 2015, in the context of these global and domestic developments, the Turkish banking sector grew by 18.21%. In 2015, too, loans remained a decisive factor underlying asset growth and the weight of loans in total assets reached 62.98%. In the same period, deposits grew by 18.31% over the prior year and accounted for 52.83% of funding resources. Non-deposit sources, viewed as the alternative financing resource of the banking sector, displayed in

August 2015 their fastest ever rise since April 2014, increasing 19.76% year-on-year to reach TL 849.8 billion. Non-deposit sources came to account for 36.05% of total liabilities. The net profit for the period, which had headed down in the first half of 2014, tilted upwards in 2015 with the contribution of the base effect, yet lost steam in the third quarter. As a result, the net profit for the period increased by 5.90% on an annual basis.

As the Turkish banking sector preserved its robust structure and maintained its growth performance, VakıfBank also continued to grow and brought its total assets to TL 182,947 million in 2015. The Bank's net profit reached the order of TL 1,930 million. I am fully confident that the Bank, powered by Turkey, will continue to make significant strides in the coming period towards its objectives, and further raise its profits with the support of its customers, shareholders, investors and hard-working employees. I would like to take this occasion to offer my gratitude to our customers, employees, shareholders and investors for their contribution to our success in 2015.

Yours sincerely,



RAMAZAN GÜNDÜZ
Chairman

THE PRIVATE BANK

OF THE PUBLIC SECTOR SHARING ITS SUCCESS WITH TURKEY

SHAREHOLDERS' EQUITY
TL 16,768 MILLION



VakıfBank

MESSAGE FROM THE GENERAL MANAGER

In 2015, we continued to meet commercial customers' financing needs arising from investments and projects, thanks to our vast know-how and experience in the field, **increasing our project loans by 54.71%.**

Esteemed stakeholders,

In 2015, the global markets were focused on the Fed's decision to raise its policy rate. The Fed raised its rates in december, for the first time since 2006, to the interval of 0.25-0.50%, becoming the very first developed country central bank to do so in the period after the global crisis. On the other hand, the ECB announced its decision to implement a bond-buying program of EUR 60 billion per month, planned to last until September 2016. These decisions by the Fed and the ECB were accompanied by important resolutions from the central banks of Japan and China. Seeing four consecutive quarters of contraction in the Japanese economy, Bank of Japan decided to maintain its quantitative easing program, whereas the People's Bank of China opted for devaluation due to the weak performance of the national economy.

The Central Bank of Turkey lowered its policy rate, the one-week repo rate, by a cumulative 75 basis points, to 7.5%. In august, Central Bank of Turkey announced that it planned to simplify its monetary policy, and that it awaited the Fed's rate decision before taking action. After which, Central Bank of Turkey left its policy rate unchanged at 7.50%, the upper limit of the interest rate corridor -the marginal lending rate- at 10.75% and its lower limit at 7.25% at the december meeting of its Monetary Policy Board (PPK). At the same meeting it was also announced that Central Bank of Turkey could start to implement simplification measures from January 2016 onwards, in case the Fed's rate rise is followed by a permanent reduction of market volatility.

As is known, the Turkish economy grew in the third quarter of 2015 by 4% year-on-year, at fixed prices. It had grown by 2.5% in the first quarter and 3.8% in the second, the Turkish economy, bringing the nine-monthly year-on-year growth rate to 3.4% in real terms. As such, growth was seen to have gained momentum in the first nine months of 2015, when compared to the same period of the prior year. Furthermore, the Turkish economy once again proved its sustainable growth drive, having posted positive growth in 24 quarters in a row.

As Turkey once again showcased its political and economic stability, we at VakıfBank, powered by the national economy, brought our total assets up by 15.63% over the prior year to TL 182,947 million and continued our contribution to the Turkish economy. Loans increased by 17.86% to reach a total of TL 122,974 million.

In 2015, we met the financing needs of over 2 million customers under convenient terms. Buoyed by this customer-focused approach, we expanded the volume of our general purpose consumer loans by 14.86% to TL 17,191 million, mortgage loans by 5.59% to TL 15,117 million, auto loans by 7.24% to TL 467 million. As such, our total retail loans grew by 11.45% to reach TL 36,611 million.

By correctly analyzing the needs of SMEs, the driving force of our economy, we provided financial and non-financial products and services to SMEs, continuing to stand by them in the year 2015. The result was a consistent growth in our SME banking business, which translated into a 19.47% growth in SME loans to TL 33,035 million.

THE THRIVING BANK

WHILE CONSIDERING ITS COUNTRY



TOTAL ASSETS
TL **182,947** MILLION

MESSAGE FROM THE GENERAL MANAGER

The Bank's net interest income **rose by 17.95% between year-end 2015 and 2014 to reach TL 5.5 billion**, making a huge contribution to the Bank's profitability.

In accordance with our compassionate banking approach, we also formulated bespoke solutions for agricultural banking, and signed loan protocols with numerous chambers of agriculture. Within the scope of these protocols, we offered chamber members the opportunity to meet all of their requirements related to agricultural operations with the Bank's support. Furthermore, we offered the Turkish Grain Board (TMO) the TMO Kart, which provides immense convenience to producers or merchants of wheat, barley, corn and rice.

With our vast product range and extensive branch network, we met the financing needs of our commercial customers as well. As of year-end 2015, there was a 20.80% growth in commercial loans. In this period, we continued to meet commercial customers' financing needs arising from investments and projects, thanks to our vast know-how and experience in the field, increasing our project loans by 54.71%. We also signed the financing deal for Istanbul's 3rd airport, the biggest project of the history of the Turkish Republic.

In 2015, thanks to effective and dynamic policies designed to expand our deposit base and volume, we further reinforced our deposit structure, bringing our total deposits to TL 109,923 million by the year-end, in a growth of 19.80% over the previous year.

With a view to diversifying funding resources, decreasing interest rate risk, contributing to liquidity management and extending the maturity terms of financing facilities, we issued bank bonds, notes as well as subordinated loans.

Having already become the first Turkish bank to initiate a global medium term note program, VakıfBank made yet another ground-breaking achievement in 2015 by issuing Turkey's first overseas Basel III-compliant subordinated loan in the international markets. The USD 500 million issuance in February 2015 had a maturity date of 3 February 2025, having a call option on 3 February 2020, and coupon rate of 6.875% and issue yield of 6.95%. This issuance earned us the first prize in International Bond Issuance of the Year category at the Bonds & Loans 2015 award ceremony organized by Global Financial Conferences (GFC), considered to be one of the most prestigious awards for the Turkish financial sector and capital markets.

We completed our work on residential mortgage covered bonds recently introduced to Turkey, and on 29 July 2015, established the EUR 3 billion Residential Mortgage Covered Securities Program (İTMK) which received an A3 credit rating from Moody's. In 2016, we are planning to keep a close eye on developments in the international markets, seize any opportunities, and perform the first issuance under the program.

In 2015, our shareholders' equity also continued its expansion to reach TL 16,768 million. Over this period, by issuing subordinated loans, and increasing shareholders' equity by 13.51%, we managed to bring our capital adequacy ratio up to 14.52%.

We posted profits of TL 1,930 million. A comparison of year-end 2015 with year-end 2014 reveals that net interest revenue, which went up by 17.95% to reach TL 5.5 billion, were key to the Bank's profitability. During this period, our net fee and commission revenues grew by 29.85% year-on-year to reach TL 921 million.

THE PROFITABLE BANK
THAT WORKS HARD TO WIN THE FUTURE

Today's intensifying competition places more importance on alternative distribution channels. Cognizant of the change in conditions, we continue to undertake investments in this field. As a result of intense efforts in Internet banking, it has become easier to access the Internet banking channel, transactions were simplified, and high level security was established via the Mobile Signature scheme. As of year-end 2015, this yielded a 51% increase in Internet and mobile transactions over the prior year. Besides, we increased the number of our call center employees. In parallel, the Call Center Voice Response System was simplified so as to enable customers to swiftly connect to customer representatives and complete their transactions in a shorter span of time. During this period, we also geared up efforts to expand the ATM network and modernize existing ATMs.

In 2015, VakıfBank took important steps in the sustainability issue. In order to establish coordination in this field and ensure that efforts are expended in a more healthy manner, we launched our sustainability organization structure. "Sustainability Committee" was established as the ultimate instance of decision making and responsibility, and the "Sustainability Sub-Committee" was created to report to the former. In order to conduct sustainability activities, "Sustainability Service" under the Investor Relations Department and "Environmental Management Service" under the Head of Support Services also continue their activities.

On the other hand, we reported to the Carbon Disclosure Project (CDP) which focuses on climate change strategy, risk management, and carbon emissions. As a result of the assessment, in the very first year we joined the program, we received a disclosure rating of 91 over a possible 100 in the C performance band, which represents a very significant achievement. Our first Sustainability Report which covers the period from 2014 until June 2015 was issued in line with Global Reporting Initiative G4 standards and submitted to stakeholders.

In the coming period, we shall build on these exalting results and make even more ambitious strides. On this occasion, I would like to extend my gratitude to our customers, whom we see as members of the VakıfBank family, our employees, whose diligent efforts are key to our achievement, our shareholders and investors, who have shown us their unfaltering trust, as well as the Board of Directors, who have always stood by us.

Sincerely yours,



HALİL AYDOĞAN
General Manager



SMEs **ENTRUST US** WITH THEIR OBJECTIVES

We signed a EUR 200 million loan agreement with the European Investment Bank and started to allocate the first tranche of the loan, worth EUR 100 million, to SMEs and large scale enterprises. The total loans which we extended to SMEs in 2015 reached TL 33,035 million.

COMMERCIAL LOANS

TL **86,364** MILLION

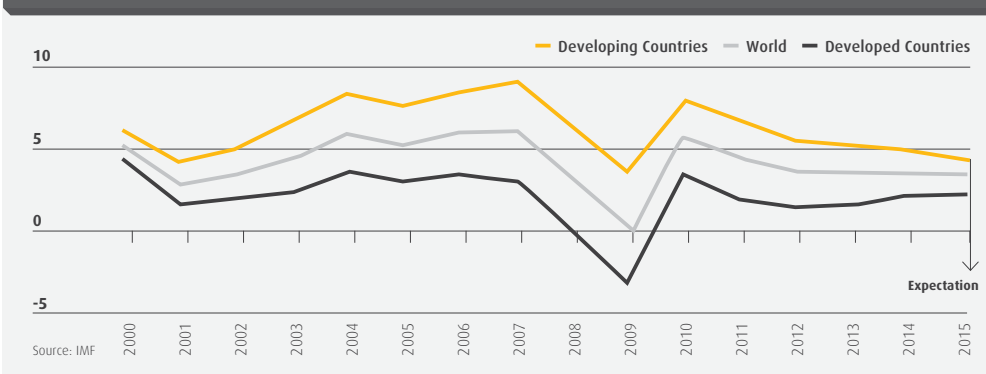
THE WORLD AND TURKEY IN 2015

After growing by 3.4% in 2014, the global economy is expected by the **IMF to close the year 2015 with a growth rate of 3.1%**.

The US economy posted a 2.4% growth rate for the year 2015.

GLOBAL ECONOMY

REAL ECONOMIC GROWTH (Y-Y, %)



THE GLOBAL ECONOMY CONTINUES TO EXHIBIT SIGNS OF MODERATE RECOVERY

After growing by 3.4% in 2014, the global economy is expected by the IMF to close the year 2015 with a growth rate of 3.1%. The US economy posted a 2.4% growth rate for the year 2015. Private consumption and public expenditure were important factors bringing Euro Zone's growth rate to the anticipated level of 1.6% in the third quarter of 2015. On the other hand, due to the weak performance of the global economy, exports had a negative effect

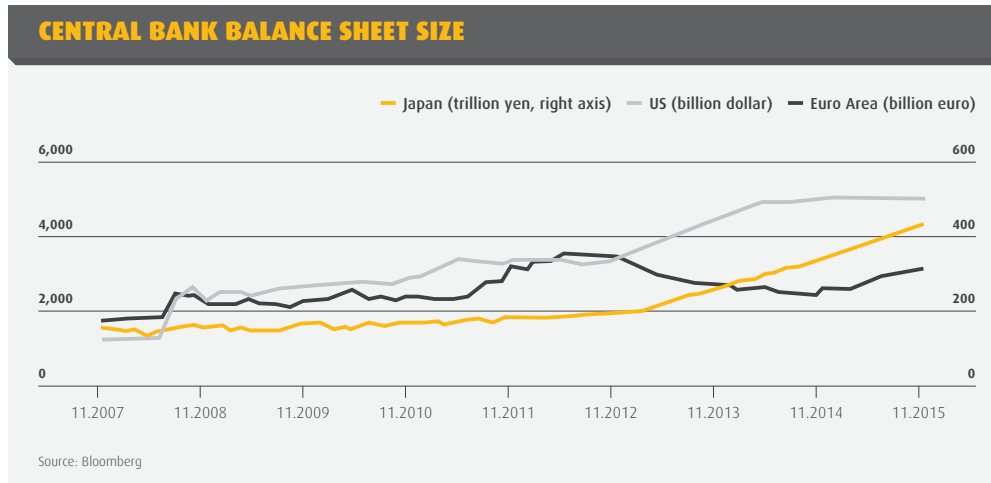
on growth. As for the Japanese economy, after four consecutive quarters of negative growth, there was a weak 0.7% growth in the second quarter of 2015, followed by 1.6% in the third quarter. The Chinese economy, which plays a crucial role in the global economic performance, closed the year with a 6.9% growth rate. To add momentum to the economy, Chinese officials took a number of measures including devaluation; however, the expected recover has yet to be seen, creating a downside risk on the global growth outlook.

THE EUROPEAN AND JAPANESE CENTRAL BANKS STICK ON THEIR QUANTITATIVE EASING PROGRAMS, WHILE THE FED HAS ALREADY TAKEN THE FIRST STEP TOWARDS TIGHTENING ITS MONETARY POLICY.

Developed economies such as the USA, Europe and Japan have generally pursued expansionary monetary policies to trigger the recovery of the global economy. In 2014 and 2015, there was a divergence between the monetary policies of developed country central banks. The Fed ended on 29 October 2014 its QE3 program, initiated in September 2012, and in December 2015, announced its decision to raise the policy rate for the first time in 10 years. The US policy rate went up by 0.25% percentage points, from the 0-0.25% interval to the 0.25-0.50% interval. However, in her speech delivered after the meeting the Fed President Janet Yellen indicated that four interest rate rises could take place in 2016, and for the first time, used the world "gradual" to describe these upcoming rises.

THE GLOBAL BANK

WHICH UNDERSTANDS THE WORLD



In Europe, which has been grappling with low inflation and high unemployment levels for many years, the ECB continues its quantitative easing policy designed to bolster economic activity. In March 2015, ECB announced its decision to implement a bond-buying program of EUR 60 billion per month, to last until September 2016. During the year, it was indicated that the program could be extended and the interest rates could be lowered further. In its December meeting, the ECB lowered the deposit rate by 10 basis points, from -0.20% to -0.30, and extended the deadline of the bond-buying program from September 2016 to March 2017. The volume of asset purchases, however, remained unchanged at EUR 60 billion. In his speech after the meeting, the ECB President Mario Draghi suggested that quantitative easing would continue until the inflation target is attained and that the bond-buying program would be diversified with regional bonds.

Japan is also continuing to pursue expansionary policies to stimulate its economy. The Bank of Japan (BoJ) declared that it would continue its expansionary monetary policy until the inflation rate reaches 2%. On the other hand, the Japanese government has approved the 2016 budget, which focuses on raising high tax revenues in order to add impetus to the economy and reduce the public debt. The Japanese Prime Minister Shinzo Abe called upon companies to pay higher wages and boost capital expenditure so as to overcome deflation.

The lackluster performance of the Chinese economy in 2015 urged the decision-makers to take more policy measures for boosting the economy. In this respect, People's Bank of China (PBOC) devaluated the renminbi (yuan) to bring momentum to the exports and put a brake on capital outflow, which has accelerated in recent months. On the other hand, November 2015 talks concerning the inclusion of yuan in the SDR (Special Drawing Rights) basket, defined as IMF's international reserve asset, were positive, and it was decided to add the yuan to the SDR basket by January 2016. Finally, the PBOC announced six interest rate reductions since 2014 to boost the economy. The one-year borrowing rate was lowered to 4.35% and the one-year deposit rate to 1.5%. In parallel, a 50 basis point reduction was made to the required reserve in October 2015.

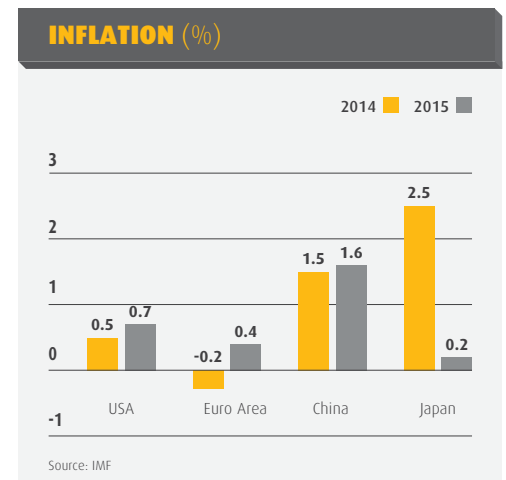
THE WORLD'S ECONOMIES HAVE CONTINUED TO GRAPPLE WITH DEFLATION

Developed and developing economies alike continued to grapple with deflation in the year 2015. In the US economy, where the exit from expansionary monetary policies started in 2014, the 2015 inflation rate reached 0.7%, way below the Fed's target of 2%. The inflation rate in the Euro Zone closed the year at 0.4%, in a drop of 0.2% percentage points from the previous year. As such, the inflation outlook was more positive in 2015, despite ongoing deflationary worries. In Japan, too, in spite of

the ongoing expansionary policies, concerns about the low inflation rate were not over in 2015. Indeed, the inflation dropped sharply over the previous year to hit 0.2% in 2015.

OIL PRICES CONTINUED TO DROP SHARPLY IN 2015

After their significant drop in 2014, oil prices continued to head downwards in 2015. Oil prices reached a peak of USD 66.6 per barrel, before falling to as low as USD 36.5 per barrel in December. Factors underlying this drop were the excess supply on the global level, as well as OPEC's announcement at its 25 November meeting that it would not cut oil supply. The downward pressure on oil prices grew stronger following the OPEC decision, prompting the closure of numerous wells and towers in the USA for not being profitable at that price level. The drop in oil prices had a positive effect on importing countries such as Turkey, even as petroleum exporters such as Russia were badly affected. Supply side continue due to the ongoing impact of the OPEC decision, as well as Iran's statement that it could even increase production in case of additional demand in 2016. However, the global growth expectation for 2016 is higher than that for 2015, which might mean that the supply-related downward pressure on oil prices are not going to be as strong as expected. Furthermore, OPEC's announcement that the oil price cannot continue to drop at this pace and that corrections will be observed in a year, has led to the expectation in the markets that the organization could take a measure against the price fall in the coming period. As such, in 2016, oil prices could fluctuate less and hover around USD 35 per barrel.

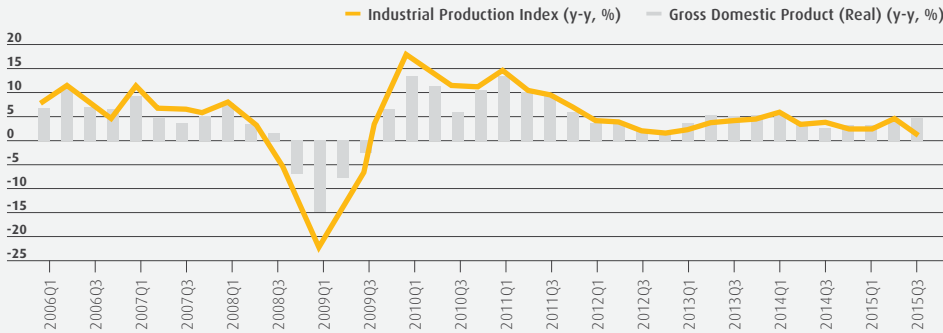


THE WORLD AND TURKEY IN 2015

In the third quarter of 2015, the Turkish GDP **grew 4% year-on-year in constant prices.**

TURKISH ECONOMY

REAL GROWTH (Y-Y, %)



Source: CBRT

TURKISH ECONOMY GREW BY 4% IN THE THIRD QUARTER OF 2015

In the third quarter of 2015, the Turkish GDP grew 4% year-on-year in constant prices. Having grown by 2.5% in the first and 3.8% in the second quarters, the economy posted a cumulative year-on-year growth of 3.4% in the first nine months of the year. As such, growth was seen to gain momentum in this

period in comparison to the first nine months of 2014. GDP in current prices, on the other hand, expanded by 11.1% year-on-year. GDP data suggest that the Turkish economy has reached a higher-than-anticipated performance in the first three quarters. According to GDP data after seasonal and calendar adjustment, the growth rate was 1.3 percentage points higher in the third quarter than over the second quarter.

Household consumption expenditure, which in 2014 had grown by 1.8% over the previous year and contributed 1.27 points to the GDP growth rate, surged 3.6% year-on-year in the first three quarters of 2015 and contributed 2.54 points to GDP growth. Household consumption expenditure accounted for 70.2% of GDP in the first three quarters, and headed higher in the third quarter. As a result, household consumption expenditure made the biggest contribution to growth in these first nine months.

After growing 4.7% year-on-year and contributing 0.52 points to GDP growth in 2014, public sector consumption expenditure went up 5.9% year-on-year and contributed 0.62 points to GDP growth in the first three quarters of 2015. Public investment expenditure, on the other hand, fell by 1.9% year-on-year in the first months of 2015, even as private sector investment grew by 4.3%. As such, investment expenditure contributed 0.76 points to GDP growth in total. The slowdown in public sector investments in the first quarter of 2015 ended from the second quarter onwards, suggesting that public sector could return to its dynamism.

THE PIONEER BANK

THAT SUPPORTS TURKEY

As for private sector investments, there was a slowdown in the third quarter, which however was compensated for by the rises in the first two quarters.

In the first nine months of 2015, there was a 1% drop in exports versus a 1.4% increase in imports, year-on-year. The depreciation of the TL in 2015 in comparison to 2014 had a negative effect on exports while bringing imports up. As such, net exports, which had made the biggest contribution to growth in the first nine months of 2014, had a negative effect on growth in the first nine months of 2015.

The service sector, on the other hand, accounted for 59.1% of GDP in 2015, in an increase of 4.4% year-on-year. In the first nine months of 2015, the biggest contribution to growth came from the service sector, with 2.61 points. Finance and insurance activities, part of the service sector, continued their ascent which began in the first quarter of the year and contributed 1.34 points to growth, by expanding 10% year-on-year in the first nine months. In the first three quarters of 2015, agriculture grew 8.9% year-on-year. Although it accounts for a small share of GDP, agriculture became one of the fastest growing sectors and contributed 0.82 points to GDP growth during the said period. After contracting in 2014 owing to drought and adverse weather conditions, agriculture could make a higher contribution to growth in 2015 owing to a returned to normal in the weather and the base effect from the last year. As for manufacturing, which grew by 3.5% in the first nine months of 2014 to become one of the biggest contributors to growth, grew by 2.5% year-on-year in 2015 and thus made a smaller contribution to growth.

Although GDP growth in real terms was weaker in the first quarter of 2015 than in 2014, the growth performance gained momentum in the second and third quarters. As a result, the Turkish economy grew by 3.4% year-on-year in the first nine months of 2015, beating most expectations. The macro-prudential measures adopted by public authorities in the beginning of 2014 to limit domestic consumption were effective in slowing down the growth in

credit card spending and consumer loans, as well as household consumption. The rise in household consumption observed from the first quarter of 2015 onwards was related to the partial relaxation of the said macro-prudential measures in early 2015. This increase in household consumption expenditure were crucial in reaching higher growth in the first nine months of 2015 compared to the prior year. Another key factor was the recovery of the agriculture sector, which after contracting in 2014 due to adverse weather conditions such as drought, enjoyed better conditions and the base effect in 2015. As such, although it accounts for a small share of GDP, agriculture figured among the fastest growing sectors. On the other hand manufacturing, considered to be the driving engine of growth, made a strong start to the final quarter of the year, promising to make a significant contribution to growth.

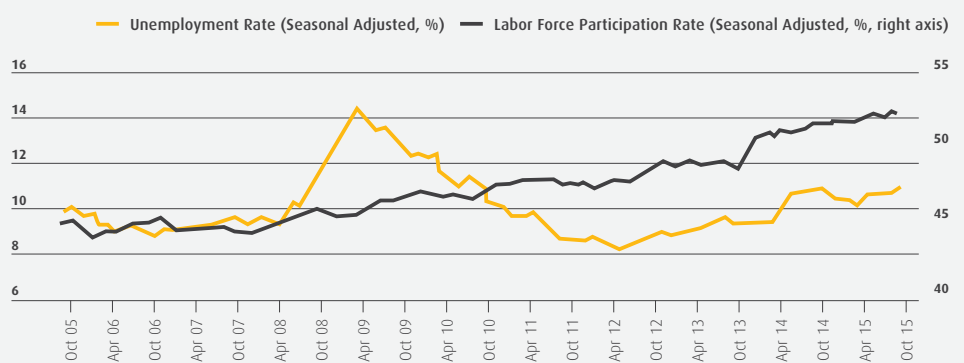
Furthermore, now that election-related uncertainties are over, investment has gained momentum, construction -which has spill-over effects in many other sectors- is seen to recover, and the export performance is improving, all of which suggest that the economy will fare better in the coming period. As such, the Turkish economy is expected to close the year 2016 at a 4% growth rate, which corresponds to the objective set in the Medium Term Program.

THE UNEMPLOYMENT RATE STOOD AT 10.5% AS OF OCTOBER 2015

As of October 2015, the unemployment rate stood at 10.5% according to not seasonally adjusted data and at 10.6% according to seasonally adjusted data. As such, the unemployment has hit its highest level since March 2015. Despite the recovery in economic activity in 2015, the expected drop in unemployment has yet to materialize. However, according to seasonally adjusted data for October 2015, agriculture, industry and services sectors increased employment at rates above historical averages.

The improved growth performance in the year 2016 is expected to bring down unemployment levels. In case the expansion in the workforce seen in recent years especially due to higher participation rates among women continues in 2016, the drop in unemployment will remain limited. Furthermore, the hike in the minimum wage could slightly increase informal employment, leading to some increase in unemployment figures.

UNEMPLOYMENT RATE (%)



Source: Bloomberg

THE WORLD AND TURKEY IN 2015

Pursuing a policy focused on price stability

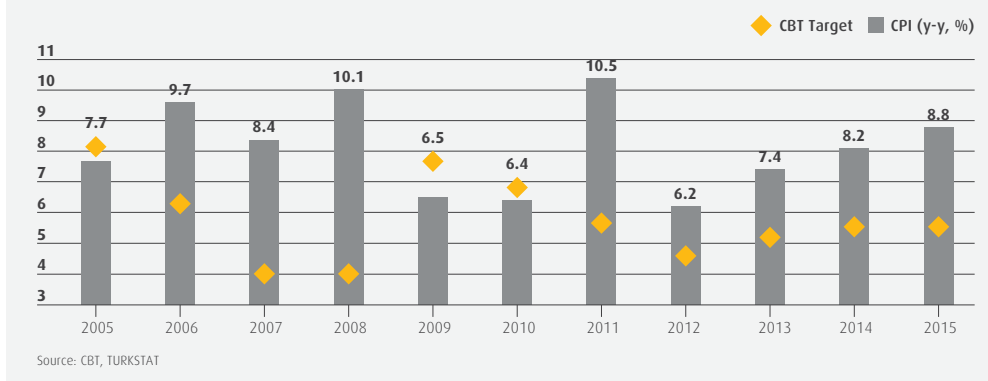
as well as financial stability, Central Bank of Turkey continued to employ interest rates and other instruments in 2015.

FOREIGN TRADE DEFICIT LOWERED TO USD 63.3 BILLION IN 2015

In 2015, there was a considerable improvement in the foreign trade deficit over the prior year. The said improvement is closely related to the drop in imports. As lower oil prices brought down Turkey's energy import bill, foreign trade deficit contracted in 2015. Besides, sluggish domestic demand during the said period also contributed to the contraction of the foreign trade deficit. However, exports were also seen to drop in the said period, due to ongoing economic woes in Turkey's main commercial partners and the depreciation of the euro against the dollar.

The fall in energy prices and its favorable base effect on the foreign trade deficit will end in 2016, and the Turkish lira continues to appreciate against the euro, both of which suggest that the improvement in Turkish foreign trade could be interrupted. Furthermore, the de-escalation of the tension between Turkey and Russia and the disappearance of electoral uncertainties could lead to a surge in domestic consumption, which could reverse the improved foreign trade performance.

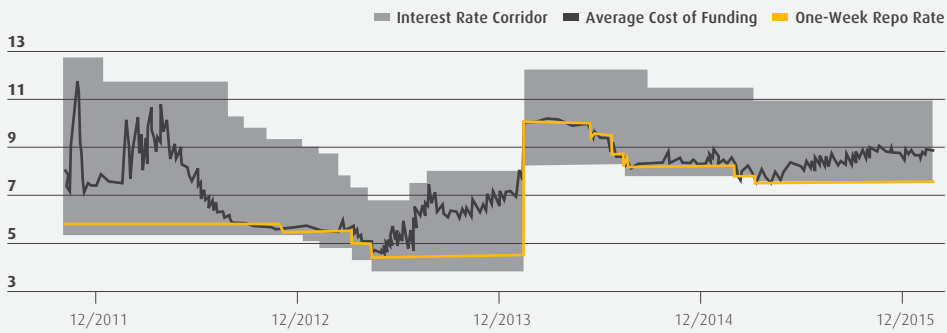
CPI BY YEAR



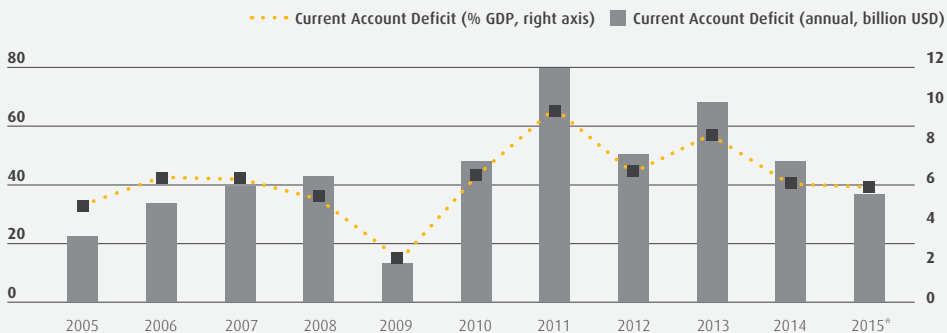
INFLATION REMAINED HIGH IN 2015 DUE TO THE EXCHANGE RATE

The inflation rate closed the year 2015 at 8.81%, higher than the previous year and the objective set by Central Bank of Turkey. In 2015, the exchange rate, food prices, and lower international oil prices were key factors determining the inflation rate. Although inflation tilted downwards due to the global drop in oil prices in 2015, the fluctuation of the exchange rate during the year led to a spike. Overall,

the inflation rate closed the year at higher than expected levels. In the coming era, the evolution of food prices and the exchange rate are set to remain key factors affecting inflation. Furthermore, the 30% increase in the minimum wage could add 0.5 to 0.8 points to the inflation for 2016. Taking all these factors into account, it should be expected that upward pressures on inflation will continue in 2016 and that the year-end inflation rate could once again be higher than anticipated.

CBT INTEREST RATES (%)

Source: CBT

CURRENT ACCOUNT DEFICIT

Source: CBT
 *Current Account Deficit November 2015
 Current Account Deficit/GDP Q3 data

CURRENT DEFICIT DROPPED TO USD 34.7 BILLION IN NOVEMBER 2015 DUE TO THE RECOVERY OF FOREIGN TRADE

The current deficit, which stood at USD 46.5 billion in the year 2014 and corresponded to 5.9% of GDP, fell to USD 34.7 billion as of November 2015 according to cumulative figures. The improvement of the current account deficit in the first 11 months of 2015 was largely due to the contraction of the foreign trade deficit, which in turn was related to lower oil prices bringing down Turkey's energy import bill. Furthermore, in another key development, the contraction of the global trade volume led to lower Turkish imports. Foreign trade related developments in the period from January to November 2015 contributed to the contraction

of the current account deficit, while slipping net service revenues and the outflow of foreign currency had an adverse impact. The drop in net service revenues can be explained largely by the reduction in tourist number owing to economic woes in neighboring countries, while the foreign currency outflow can be attributed to the spike in profit transfers.

The sharp drop in energy prices will have a more limited positive effect on the current account deficit in the next year due to the base effect; while the de-escalation of the tension between Turkey and Russia and the disappearance of electoral uncertainties could lead to a surge in domestic consumption, which could result in a milder improvement in foreign trade performance in 2016 compared to 2015.

CBT MAINTAINED ITS TIGHT MONETARY STANCE IN 2015 AND SIGNALLED A POSSIBLE SIMPLIFICATION IN INTEREST RATE POLICY

Pursuing a policy focused on price stability as well as financial stability, the Central Bank of Turkey continued to rely on interest rates and other instruments in 2015. At its January Monetary Market Board meeting, Central Bank of Turkey slashed the policy rate by 50 basis points to 7.75%, while keeping the upper and lower limits of the interest rate corridor unchanged. This reduction of the policy rate can be explained by the expectation that inflation would fall due to lower oil and other commodity prices. At the February meeting of its Monetary Market Board, Central Bank of Turkey lowered both the policy rate and the upper and lower limits of the interest rate corridor: CBT brought the policy rate down by 25 basis points to 7.5%, the upper limit of the corridor -the marginal lending rate- by 50 basis points to 10.75%, and the lower limit by 25 basis points to 7.25%. On the whole, the interest rate was brought down from 8.25% as of year-end 2014 to 7.50% in mid-February 2015. At the press conference for the CBT inflation report, CBT Chairman Erdem Başçı announced that the monetary policy could be simplified. In August, CBT announced the road map it will follow in parallel to the normalization of the global monetary policy, and announced its first measures towards monetary policy simplification in this context. CBT divided these measures into the periods of pre-normalization and post-normalization, and suggested that the interest rate corridor could become more symmetrical and narrower during normalization. On the other hand, the expectation that the Fed could raise rates in 2015 had an effect on CBT's monetary policy. In the road map it outlined in August, CBT stated that it would await Fed's rate rise before changing its interest rates. Eventually the Fed raised the policy rate by 25 basis points in December to the interval of 0.25-0.50%, and announced that the rate rise would continue in the coming period.

THE WORLD AND TURKEY IN 2015

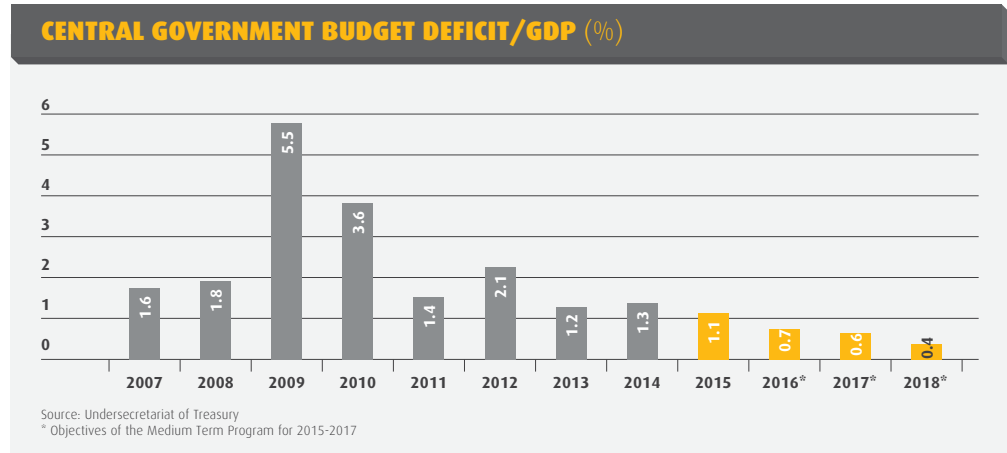
With a view to expanding the investor base and diversifying the borrowing instruments, the Bank continued in 2015 to issue lease certificates, which were first issued in 2012 and started being regularly offered to the domestic market from 2013 onwards.

Following the Fed decision, CBT raised the interest it pays on dollar denominated required reserves, reserve options and time-free accounts from 0.24% to 0.49%. At the december meeting of its Monetary Market Board, Central Bank of Turkey kept the policy rate unchanged at 7.50%. Besides, it announced that, if a permanent reduction is observed in market fluctuation following the Fed's rate rise, it would measures of simplification from January 2016 onwards. At its december meeting, CBT emphasized once again that its monetary policy decisions in the coming period would depend on the inflation outlook and that the tight monetary stance would continue.

In 2016, the trajectory of the inflation, evolution of the exchange rate and geopolitical developments are set to play a key role in CBT's policy.

BUDGET BALANCE SHOWED A DEFICIT OF TL 17.8 BILLION IN DECEMBER 2015

The central administration budget balance showed a deficit of TL 17.8 billion in December 2015, versus TL 11.3 billion in December 2014. As a result, the central administration budget deficit was TL 22.6 billion in 2015 versus



TL 23.4 billion in 2014. The central administration's budget revenues grew by 12.8% in 2015 over the prior year, even as budget expenditure rose by 13.6%. The ratio of the central administration budget deficit to the GDP, which was 1.3% in 2014, is expected to fall to 1.1% in 2015, and to drop further to 0.7% in 2016 -in accordance with the Medium Term Program (2016-2018). Nevertheless, the fact that the state will cover certain expenditures related to the 30% minimum wage increase is expected to create an additional burden on the budget.

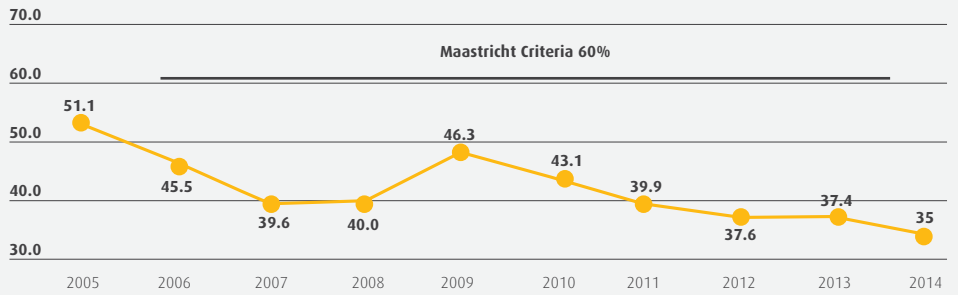
As such, the budget deficit could soar above the Medium Term Program's objective in 2016. On the other hand, the primary surplus for 2015 was 14.1% higher than in 2014. A key component of debt management efforts, the primary deficit was seen to climb from TL 26.5 billion in 2014 to TL 30.4 billion in 2015.

CENTRAL GOVERNMENT GROSS DEBT STOCK

The Central Government Gross Debt Stock stood at TL 677.6 billion at end-December 2015; of which, TL 440.1 billion was in the form of local currency debt and TL 237.5 billion in foreign currency denominated debt. Within the framework of the Maastricht Criteria, also referred as the “EU’s Financial Rule,” the debt stock to GDP ratio has been declining steadily, particularly since 2009. This proves the importance of progress in fiscal policies and public administration in Turkey, which boasts an investment-grade credit rating.

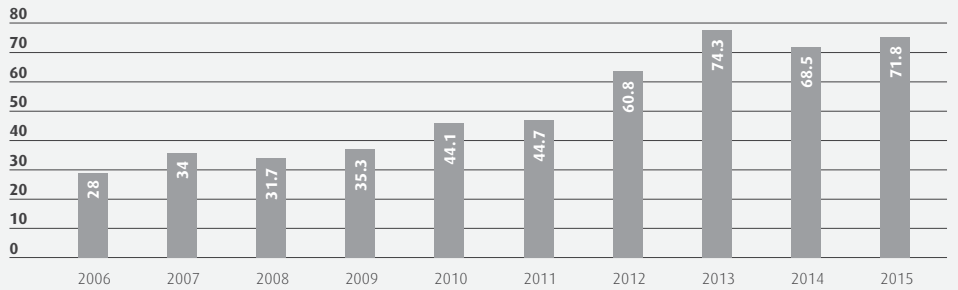
As per 2015 realizations, the average cost of fixed income TL-denominated debt declined from 9.7% in 2014 to 9.5% while the average maturity of domestic cash debt decreased to 71.8 months in 2015 from 68.5 months in 2014. In order to broaden the investor base and diversify the funding base, Turkey continued to issue lease certificates, which were issued for the first time in 2012 and regularly issued in the domestic market since 2013. In this scope, lease certificates totaling TL 3.4 billion were issued in the domestic market during the months of february and august. According to the 2016 borrowing strategy announced by the Undersecretariat of Treasury, domestic borrowing will reach TL 79.9 billion and the total domestic debt roll-over ratio will reach 85%.

CENTRAL GOVERNMENT GROSS DEBT STOCK (% GDP)



Source: Undersecretariat of Treasury

DOMESTIC DEBT MATURITY (MONTHS)



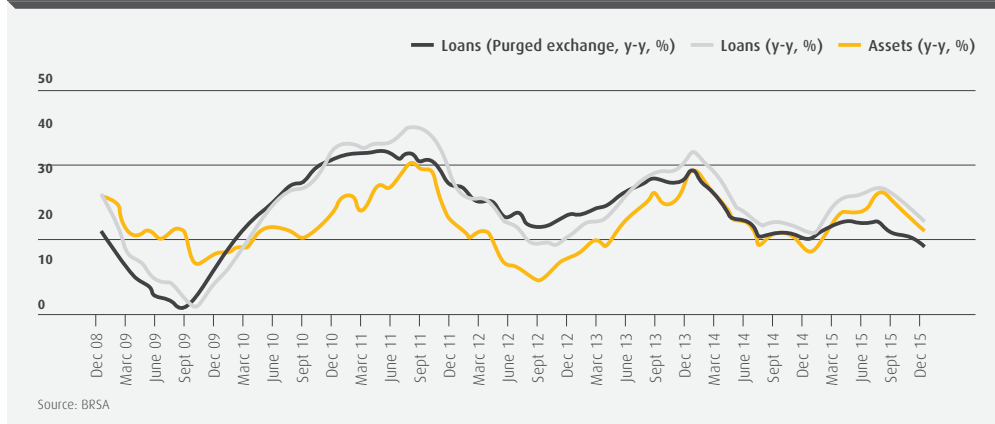
Source: Undersecretariat of Treasury

THE WORLD AND TURKEY IN 2015

The total assets of the Turkish banking sector **increased 18.2% year-on-year in December 2015 to reach TL 2,358 billion.**

BANKING SECTOR

LOANS



THE BANKING SECTOR GEARED UP ITS LOAN GROWTH IN 2015

The total assets of the Turkish banking sector increased 18.2% year-on-year in December 2015 to reach TL 2,358 billion. The sector's total assets corresponded to 126.6% of GDP in the third quarter of 2015. In 2015, loans continued to play a crucial role in the growth of assets, and the percentage of loans among total assets reached

63%, preserving its historically high level. The growth rate of loans is closely related to the rise in the exchange rate, and policy makers' decision in 2015 to soften the measures taken in previous years to boost personal savings. A regulation of the Banking Regulation and Supervision Agency (BDDK), which came into effect in 25 November, relaxed the previous limitations on credit card installments and retail loan maturity terms. These changes could spur the annual growth rate of

retail loans in the coming period. As a result of the said measures, the annual growth rate of retail loans went up from 18.5% in December 2014 to 19.7% in December 2015. Hence, loan volume reached TL 1,485 billion as of December 2015. The annual growth rate of nominal non-performing loans tilted upwards in the second half of 2015, slowed down in the beginning of the quarter, and closed the year at 30.5%. During the same period the NPL ratio rose to 3.1%.

In 2015, the share of loans in total assets increased, while the share of the securities portfolio in total assets declined. The share of securities portfolio in total assets was 14% in December 2015, down from 15% in December 2014. The rise in the exchange rate in 2015 added momentum to the annual growth rate of the securities portfolio, which in December 2015 expanded 9% on an annual basis to reach TL 326.7 billion. Foreign investors' portfolio sell-offs were covered by the domestic banking sector, which was another factor bringing up the annual growth rate of the securities portfolio.

THE EXEMPLARY BANK

THAT LEADS THE PACK

THE SHARE OF DEPOSITS IN LIABILITIES ROSE SLIGHTLY IN 2015

Displaying a mild upward trend in the third quarter of 2015, the share of deposits in the funding sources of the banking sector reached 52.8% in December 2015. The growth rate of deposits gained momentum from the beginning of 2015 onwards and accelerated further in the final quarter of 2015: Deposits closed the year at an annual growth of 18.3%. An analysis of the annual change in domestic and foreign currency deposits reveals that both of these showed an increase in the third quarter over the previous quarter, however, the growth in domestic currency deposits lost steam in the final quarter. As in 2014, most deposits were had short maturity terms. The weight of deposits with a maturity term of 1 to 3 months in total deposits went up from 53.72% in December 2014 to 54.82% in December 2015.

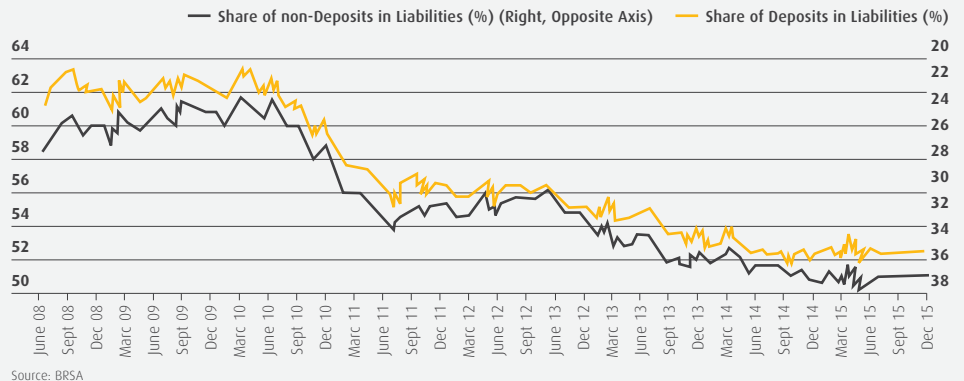
Non-deposit sources (NDS), considered to be the alternative financing means of the banking sector, gained further importance owing to the rise in overall funding costs. After exhibiting in August 2015 its largest increase since April 2014, the NDS lost some steam in december, and on the whole, rose 19.7% the year-on-year to reach TL 849.8 billion. During the same period, the weight of NDS in total liabilities stood at 36%. Shareholders' equity, whose annual growth rate dropped from year-end 2014 until July 2015, stood at 13% in december. The share of shareholders' equity in total liabilities was 11% in the said month.

PROFITABILITY RECOVERED IN 2015 AFTER THE DROP IN THE PREVIOUS YEAR

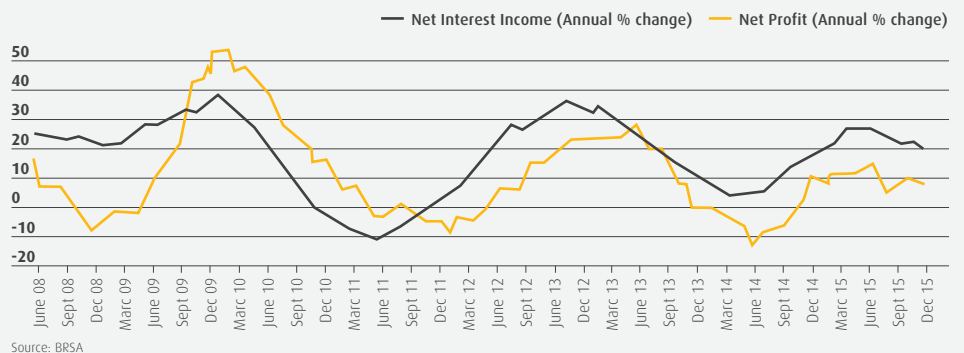
The sector's annual net profit, after dropping in the first half of 2014, tilted upwards in 2015 in part due to the base effect, and reached 5.9% on an annual basis despite another slowdown in the third quarter of 2015. As a result, the net profit for the period stood at TL 26.1 billion as of december. The rise in net interest income was key to this increase in profitability. Net interest revenue soared by 18% in december on annual basis to hit TL 77.3 billion. Profitability ratios continued their trends in 2014. The sector's RoA declined to 1.11%, from 1.23% in 2014, while RoE declined to 9.94%, from 10.6% in 2014.

The capital adequacy ratio, which shows the ratio of the sector's capital to its risk-bearing assets, is above the legal limit of 8% and the target ratio of 12%; nevertheless, exhibited a downtrend in 2015 and tilted upward only from october onwards. As such, the capital adequacy ratio

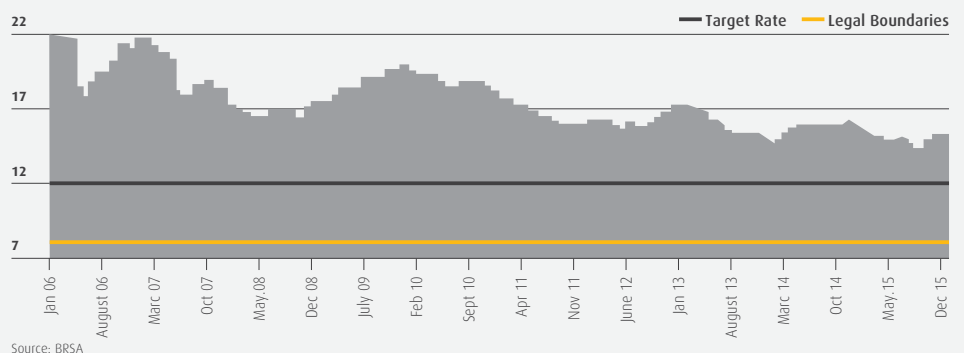
SHARE OF DEPOSITS IN LIABILITIES



NET PROFIT AND NET INTEREST INCOME



CAPITAL ADEQUACY RATIO (CAR)



dropped from 16.28% in 2014 to 15.6% in 2015. The fact that the capital adequacy ratio has been falling since the first quarter suggests that the banks need to further expand their shareholders' equity to meet their risk-bearing assets.

The Fed's decision in December 2015 to raise its policy rate has eliminated a significant uncertainty factor. Furthermore, it was

announced that rate rises would continue gradually in 2016. This announcement has lessened the pressure on interest rates and exchange rate. In 2015, the rise in the exchange rate played a crucial role in the rapid loan and asset growth of the banking industry. In 2016, however, the annual growth rate of loans and assets is expected to decelerate to a certain degree.

2015 AT A GLANCE

The financing agreement for Istanbul's third airport, the largest project ever in the history of the Turkish Republic, was signed in October.



INTERNATIONAL DEAL OF THE YEAR AWARD

"At the Bonds & Loans 2015 Award Ceremony" organized by Global Financial Conferences (GFC) considered to be one of the most prestigious awards of the Turkish capital markets and financial sector, VakıfBank received the first prize in the category of International Bond Issuance of the Year, for Turkey's first Basel III-compliant subordinated loan issuance worth USD 500 million in January 2015.



PARTNERSHIP WITH KOSGEB

In a joint project by VakıfBank and KOSGEB, enterprises who have up-to-date SME certificates registered to the KOSGEB database were offered special loans at convenient conditions and maturity terms. As part of this partnership program, VakıfBank will offer SMEs loans and banking services under special terms. On the other hand, VakıfBank will also enable these enterprises to enjoy the technological support that it offers via its special banking products and services.



EVENTS IN THE ESTABLISHMENT ANNIVERSARY

VakıfBank celebrated its anniversary on 13 April with a new traditional organization. The screening of the motivational film which featured all Bank directors was highly appreciated at the event. During the event attended by all Head Office and Regional Directorate employees, senior employees who have worked for the Bank for 15 or 20 years were presented with awards.

THE VALUE-CREATING BANK WHICH CONTINUOUSLY ADVANCES



30TH SEASON IN VOLLEYBALL

VakıfBank Volleyball Women's Team celebrated its 30th anniversary in the season 2015-2016, and in the start of the season, organized a majestic press conference to announce its latest transfers and new jerseys. The team, which made its mark at the finals in 2015, shared with the press its objectives for the new season and introduced the players which recently joined its ranks.



FINANCING SUPPORT FOR THE 3RD AIRPORT

The financing agreement for İstanbul's third airport, the largest project ever in the history of the Turkish Republic, was signed in October. The EUR 4.5 billion loan package created by VakıfBank and five other banks was allocated to the İstanbul Grand Airport consortium which will develop the project. President Recep Tayyip Erdoğan and Prime Minister Ahmet Davutoğlu also participated in the event, where the loan agreement for the first stage of the project, which includes three north to south runways with an annual aggregate passenger capacity of 90 million, was signed.



THE TMO KART SUPPORTS PRODUCERS

VakıfBank has launched the TMO Kart, which provides immense convenience to producers or merchants who sell wheat, barley, corn or rice to Turkish Grain Board (TMO). Enabling producers or merchants to receive payments quickly for their products delivered to the TMO, VakıfBank TMO Kart can also be used in other banking transactions.





FARMERS ENTRUST US WITH THEIR HARD- EARNED SAVINGS

The Bank reached a deal with the European Bank for Reconstruction and Development (EBRD) and secured a new financing facility worth USD 95 million for Turkey, within the Turkey Agribusiness Financing Facility (TurAFF). This facility helps us offer more support to our hard-working farmers.

REVIEW OF OPERATIONS IN 2015

VakıfBank provided financing facilities to its corporate customers in 2015 through **long-term cash and non-cash allocations for their investments.**

CORPORATE BANKING

VakıfBank meets the entire corporate banking product and service needs of its customers with a specialized sales and operations staff, rich product portfolio, advanced technology infrastructure and efficient business processes.

In the corporate banking segment, VakıfBank developed a strategy and an action plan focusing on asset quality and profitability, increasing the number of customers served, as well as the cross-sales ratio and segment profitability. VakıfBank increased the number of its Corporate Banking customers by 14% in 2015.

NEW CUSTOMER ACQUISITION

In accordance with the Bank's strategic targets to grow and acquire market share in the small and medium-size enterprise segments, VakıfBank used a wide variety of offerings to achieve this objective, including direct debit system (DDS), card-based collection systems, dealership letter of guarantee agreements covering the dealer and supplier networks of corporate customers, and wholesale payment systems. Thus, the Bank made an important progress in its striving to become the primary bank of corporate customers, their affiliates and subsidiaries. In addition, VakıfBank acquired numerous new customers among supplier and dealer firms, and companies in other areas of the financial value chain.

EFFICIENT AND PRODUCTIVE OPERATIONS IN CORPORATE BANKING "TO BE THE MAIN BANK OF CUSTOMERS"...

Serving in the corporate banking segment with a customer-focused sales and marketing strategy, a company-specific service approach and an approach that values customers as long-term business partners, VakıfBank also managed to increase its transaction volume in 2015 thanks to its "Effective and Efficient Strategy To Be the Main Bank of Customers" vision.

Despite the adverse impact of global economic problems on the Turkish economy, the Bank succeeded in continuing to provide loan support to the real economy by selecting customers according to judicious criteria and establishing a loan portfolio with high asset quality, and increased its corporate cash loans by 26% and corporate non-cash loans by 13% in 2015.

VakıfBank pursued an active policy in financing the high value added projects of its corporate customers in 2015, and created financing facilities by allocating long term cash and non-cash loans for customers' investments.

In addition, VakıfBank continued providing high-quality and efficient services to corporate customers with significant foreign trade volumes through its extensive network of

international correspondent banks, expert sales and operational staff, retooled foreign trade business processes, and advanced technology infrastructure. In 2015, as in the prior year, the Bank generated sources that enabled it to extend the average maturity of the liabilities side of the Bank's balance sheet and reduce funding costs. These activities lowered the funding cost along with the use of products that generated non-deposit resources.

Thanks to the strategy of increasing cross selling to corporate segment customers, VakıfBank increased the volume of collection and payment cheques intermediated by the Bank by respectively 37% and 13%, boosted the volume of tax and social security collections by 118%, and raised the number of customers using Gümkart by 54%.

In 2015, VakıfBank aims to further strengthen cooperation with existing customers with its innovative products and cash/non-cash loan facilities, and further increase its weight in the corporate segment by acquiring new customers. VakıfBank sees its customer relations as the foundation of long-term partnerships and stands by its customers under all circumstances and market conditions, and shall continue to pursue this policy in corporate banking in 2016.

**THE COMPASSIONATE BANK
THAT ALWAYS CONSIDERS CUSTOMERS**

With its vast know-how and experience, in 2015 VakıfBank continued to meet the financing needs of commercial customers arising from their investments and projects.

COMMERCIAL BANKING

Serving medium- and large-scale enterprises as well as public institutions and enterprises through its Commercial Banking business unit structured under the Commercial and Corporate business line, VakıfBank maintained its steady and broad-based growth in 2015 with products and services customized according to customer expectations and needs.

BROAD-BASED GROWTH

With its dynamic and expert human resource, the Bank not only met the expectations and needs of its customers but also focused on offering innovative and alternative financial solutions, increasing the number of commercial customers by 9.04% in 2015.

Offering customers financing solutions suited to their financial structures thanks to a vast product range and vast branch network, VakıfBank expanded its commercial cash loans by 22.76% and non-cash loans by 21.74% as of year-end 2015.

The international trade transactions of commercial customers were carried out in a swift and secure fashion, via the Bank's upgraded IT systems infrastructure and well-experienced personnel.

In the scope of the loan agreement between VakıfBank and the European Bank for Reconstruction and Development (EBRD) designed to meet the financing needs of commercial customers for foreign trade transactions, the limit allocated by EBRD to the Bank was increased as a result of productive and effective collaborative efforts between the two institutions. As such, financing needs of commercial customers for foreign trade transactions were met under convenient terms.

PROJECT FINANCING

With its vast know-how and experience in the field, VakıfBank continued in 2015 to meet the financing needs of commercial customers arising from their investments and projects. By providing the funds obtained from the EIB and

the World Bank as investment and operating capital to commercial customers, the Bank diversified its financial solutions on offer. As such, volume of project loans provided by the Bank to commercial customers rose 54.71%, and further contribution was made to the development of the national economy and the real economy in 2015.

VakıfBank focuses on an eco-friendly and sustainable development which minimizes the adverse effects of global climate change, and is featured in the Borsa İstanbul's (BİST) Sustainability Index. In line with this mission, the Bank continued to provide loans at exclusive conditions to commercial customers in the fields of energy efficiency and renewable energy projects.

Via its modernized IT infrastructure, vast branch network, specialized and dynamic personnel, the Bank continues to offer financial solutions suited to customer needs. In 2016, the Bank will retain its broad-based growth, and aim at becoming the business partner and main bank of its commercial customers.

REVIEW OF OPERATIONS IN 2015

VakifBank continued in 2015 to **provide its full support to SMEs** which are members of Chambers of Industry and Commerce.

SME BANKING

INCREASING ITS CASH LOANS BY 19.47% IN 2015, VAKIFBANK CONTINUED TO GIVE ITS FULL SUPPORT FOR SME CUSTOMERS.

VakifBank accurately analyzed the needs of SMEs, which are the driving force of the economy, and continued to stand by SMEs in 2015 with non-financial products and services, continuing its consistent growth in the SME Banking segment.

2015 PERFORMANCE

On the basis of the provisions for the "Regulation on Definition, Classification and Qualifications of Small and Medium Size Enterprises," VakifBank continued supporting SME customers in 2015; cash loans increased by 19.47% compared to the previous year.

VakifBank continued to develop innovative products to meet the specific needs of SME customers in 2015:

- As part of the "KOSGEB Partnership program" initiated through a protocol signed by VakifBank and KOSGEB, enterprises who have up-to-date SME certificates registered to the KOSGEB database were offered a specially designed loan product, as well as interest rate advantages in certain loans, special discounts in banking products and services, as well as exemptions.
- **In the scope of the Greater Anatolia Guarantee Facility program signed by the Bank and EIB, a loan facility of EUR 100 million was secured to meet the financing needs of SMEs and commercial firms in the Regions with Development Priority, (43 provinces in the 12 NUTS regions).**
- The Credit Guarantee Fund (KGF) and the Bank reached a new protocol to regulate "loan guarantee transactions in the scope of Treasury support" and the Treasury-supported KGF guarantee scheme was accordingly revised.
- In the scope of a protocol signed by VakifBank and The Banks Association of Turkey (TBB), the Bank can intermediate in services such as "Loan Limit/Loan Risk and Unliquidated Liabilities Report, Dishonored Cheque and Paid Cheque Report, Protested Bill Report and Negative Retail Loan Report" made available by TBB to commercial and retail customers.
- The Bank's system was integrated with "Letter of Guarantee Inquiry System" (TMDS) launched by the Credit Registry Agency (KKB). As such, addressees who hold letters of guarantee issued by banks can check for the validity of the letter addressed to them.

THE DYNAMIC BANK

WITH HIGH ENERGY



SME BANKING NUMBER OF CUSTOMERS

238,299

In 2015, the number of our SME Banking customers reached 238,299.

- VakıfBank continued to provide its full support to SMEs which are members of Chambers of Industry and Commerce in 2015. To this end, partnership protocols were signed with Chambers of Industry and Commerce in cities from all regions including Malatya, Zonguldak and Elazığ, and in the scope of these protocols, long-term financing facilities with maturity terms of up to seven years were offered to chamber members under exclusive conditions.
- In the first quarter of 2015, VakıfBank met the cash needs of SMEs arising from their operational activities via the SME Winter Loan without Documentation Fee, which has no documentation fee and comes in five different repayment options to SMEs.
- For its 61st Anniversary, VakıfBank provided SMEs with the 61st Anniversary Loan that is available with 60-month terms at affordable interest rates and includes a documentation fee of only TL 61. For the cash needs of SMEs, the Bank also provided the "Summer Loan Campaign" with options including the 3-month grace period at flexible interest rates, installment deferrals up to four installments in total and flexible payment plans with installments.
- The "Hesap Ortada Loan Campaign" was developed to support the unexpected financial needs of SMEs in interim periods. With this campaign, SMEs were offered various loan opportunities with interest rates starting from 0%.

NEW PRODUCTS WERE DEVELOPED

- By taking as pledge Electronic Product Notes (ELÜS) -a legal instrument which ensures the representation of agricultural products, and can be given as pledge- VakıfBank extends spot loans called ELÜS Spot Loan to real and legal persons such as SMEs and commercial firms holder of the said product notes, in order to meet their financial needs.
- VakıfBank continues to secure cost-effective facilities from abroad and present them to the use of SMEs. In this scope, funding amounting to EUR 100 million provided by the European Investment Bank was allocated for the use of Turkish SME, commercial and corporate firms to help them meet their finance their operations, exports and investments, under the name EIB-Funded Operating, Export and Investment Loan-2. USD 95 million secured from the European Bank for Reconstruction and Development was allocated to meet the financing needs of agriculturalists and firms in the agricultural value chain in the form of TURAFF Agricultural Enterprise Financing Loan. Furthermore, EUR 200 million obtained from the German Development Bank (KfW) was presented to Turkish SMEs in order to meet their financing needs, under the name of KfW-Funded Operating and Investment Loan.

- In order to ensure that SMEs can access free-of-charge all VakıfBank products and services, up-to-date financial data, the calendar of national and international fairs, and other useful information on grants, investment subsidies and supports, the web site www.vakifbankkobidost.com.tr was put to the use of SMEs.

OBJECTIVES FOR 2016

VakıfBank shall continue to support its SME customers in 2016. As SMEs' needs diversify in the face of changing market conditions, the Bank is keen on becoming the best service provider by keeping a close watch on the market and SMEs. To this end, VakıfBank plans to offer new financial and non-financial products and services to the use of SMEs in 2016. In order to offer financing at affordable rates to SMEs, the bank will continue to secure credit facilities from international financial institutions. In addition, by means of latest technological advancements, the Bank will contribute to Turkey's transition to an information society by offering technologically beneficial products and services to SMEs.

REVIEW OF OPERATIONS IN 2015

VakıfBank diversified its Agricultural Banking services with the addition of **You Are Welcome, Prize Harvest Season, and The World Farmers' Day** loan campaigns.

AGRICULTURAL BANKING

- VakıfBank conducts its Agricultural Banking operations with its agriculture-focused units established in 2014, a specialized and well-experienced personnel and vast branch network. In line with its compassionate service philosophy, it develops its Agricultural Banking product and service range in response to agriculturalists' needs and conducts efforts to swiftly meet their financial needs.
- Our new credit cards and loans with flexible repayment terms were developed to provide service for all producers operating in various segments, from crop planting, greenhouse farming, and animal husbandry to poultry farming, beekeeping and aquaculture. The Bank introduced these products to producers via customer and village visits carried out by specialized regional directors and roughly 300 agricultural branch personnel who are knowledgeable with agriculture field.
- VakıfBank diversified its Agricultural Banking services with the addition of You Are Welcome, Prize Harvest Season, and The World Farmers' Day loan campaigns, which provided important advantages to producers in terms of loans and other banking services.
- **In order to deliver producers its compassionate Agricultural Banking services, VakıfBank designed sector-specific radio, VakıfBank web site, posters and flyers. Thus, special products such as loans repaid during harvest time, animal husbandry loans, agricultural insurance, and cards with a single annual repayment ensured the swift delivery of support to producers.**
- For producers who prioritize the nature and human health, and thus focus their efforts in organic agriculture, the Bank designed and launched the product Organic Agriculture loan. In this scope, producers who hold an organic agriculture certificate were offered loans at affordable rates and without documentation fee, as well as free access to banking services such as EFT, money transfer and account maintenance.
- In order to enhance the quality of services to producers, Agricultural Engineering Regional Directors highly experience in agricultural banking provided training on agricultural banking to agricultural portfolio managers employed at the branches at 14 Regional Directorates.
- Agricultural banking training programs were held among specialized loan and insurance personnel in order to ensure that they can efficiently inform farmers about VakıfBank's loans with flexible repayment terms, and thus correctly analyze producers' needs and offer them higher quality service.
- VakıfBank continued to secure cost-effective funds from overseas and allocate these to agricultural producers. The Bank reached a deal with the European Bank for Reconstruction and Development (EBRD) and secured a new financing facility worth USD 95 million within the Turkey Agribusiness Financing Facility (TurAFF) to be allocated to producers in regions with development priority.
- The Bank continued to support farmers who were granted affordable investment loans and grants from the Agriculture and Rural Development Support Institution's (TKDK) IPARD-supported investment program, or loans with long grace periods in line with agricultural cash flow from the Ministry of Food, Agriculture and Livestock's Grant-Supported Rural Development and

THE PRODUCTIVE BANK
THAT STANDS BY THE FARMER



Investment Program. Special posters and flyers were printed on the matter to ensure that producers can access those state grants.

- At agricultural fairs held in Bursa, İzmir, Antalya, Adana, Konya, Denizli and visited by over 100 thousand producers, agricultural banking booths were set up. Regional branches' personnel specialized in agricultural banking took turns serving in these booths, providing detailed information on agricultural banking operations to visitors such as members of agricultural chambers and unions as well as other players in the agricultural value chain.
- In order to precisely identify the needs of agricultural producers and offer them loans at rates convenient for the industry, the Bank established partnerships with producers' chambers, unions and cooperatives covering issues such as operating capital or dairy animal purchases. In this scope, from 2015 onwards, the Bank has developed nearly 100 such affordable loan schemes in collaboration with Chamber of Agriculture, Union of Dairy Farmers, Union of Breeding Cattle Farmers, and Association of Red Meat Producers.
- In order to successfully promote VakıfBank's support to the sector, from September 2015 onwards, the Agricultural Banking Visit Weeks

program was initiated. In this scope, every branch with a set agricultural loan target paid regular visits to chambers of agriculture, unions of producers as well as firms in the agricultural value chain. In total, the branches carried out over 1,500 visits to such farmers' associations or markets.

- **VakıfBank has also launched the TMO Kart, which allows wheat, barley, corn or rice producers to receive their payments from Turkish Grain Board (TMO) in a quick and practical fashion. VakıfBank TMO Kart holders were offered free access to banking services such as EFT, money transfer and account maintenance, thereby expanding the scope of our support to farmers.**
- In November 2015, the Bank launched the product called TarımKart, which enables agricultural producers to purchase from contracted merchants their basic needs such as animal feed, fertilizer, fuel, seeds, saplings and pesticides without interest payments for up to six months, allows them to repay card debt in harvest time, and enables them to withdraw money from the ATMs of all banks. TarımKart is available to all producers engaged in any activity from crop plantation to animal husbandry. When

they receive their bank statement, VakıfBank TarımKart holders can choose to pay a minimum amount and postpone the rest of the payment until the next period, issue supplementary cards, pay their SGK, BAĞKUR premiums or phone, water and power bills with automatic payment orders at harvest time, and to take out loans, pay debt and make inquiries via the VakıfBank mobile app. True to its banking philosophy compassionate to producers, VakıfBank allows farmers to apply for TarımKart via not only branches, but also SMS, call center, and online banking.

- The Bank joined forces with its insurance subsidiary Güneş Sigorta A.Ş. to offer agricultural producers state-supported insurance policies from the Agricultural Insurance Pool (TARSİM), to help them protect their crops and animals against disease, frost, hail, flooding and other natural risks. Half of this insurance premium is covered by the state. Sales personnel received one-on-one training on state-supported agricultural insurance schemes launched in 2006, and award campaigns targeting branch managers and employees were organized in agricultural banking branches to encourage them to better market insurance services to producers.

REVIEW OF OPERATIONS IN 2015

As a result of improvements to loan allocation processes in 2015, **the work load and operational risk of branches was reduced, while customer satisfaction** was enhanced.

RETAIL BANKING

Serving around 12 million retail customers, VakıfBank continues to be one of the leaders of the sector with its experience in Retail Banking and its custom-focused strategy. VakıfBank responded to the financing needs of over 2 million customers in 2015 under proper conditions. Thanks to this customer-focused approach, the share of general purpose consumer loans in total retail loans rose by 52.45%; while the share of auto loans reached 1.42% and that of mortgage loans attained 46.12% year-on-year.

CONTINUED GROWTH IN GENERAL PURPOSE CONSUMER LOANS

In 2015, VakıfBank did its utmost to make customers dreams come true in fields such as wedding, education, healthcare and energy efficiency. The Bank's general purpose consumer loans rose by 14.86% annually, allowing it to offer the necessary support to meet retail customers' financing requirements. Setting out to resolve consumers' problems along with its compassionate banking philosophy, VakıfBank's market share in general purpose consumer loans was 11.01% as of year-end 2015.

CUSTOMER-FOCUSED RETAIL LOAN PRODUCTS

In 2015, VakıfBank further developed the loan application infrastructure through Alternative Distribution Channels, and expanded the target audience by means of customer-focused retail loan products. In 2015, the Bank launched the Gold and Platinum Customer General Purpose Consumer Loans to offer customers in the upper income segment as a special loan facility. Additionally, VakıfBank continued its pioneer position in the sector by offering the "Anniversary of Establishment Loan", "Holiday Loan", "New Year's Loan" and other traditional loan campaigns to all retail customers.

INCREASED MARKET SHARE IN AUTO LOANS

In an environment where auto sales are heading downwards and the market is contracting, VakıfBank succeeded in increasing its market share in auto loans from 6.37% to 7.24% in 2015 by applying astute strategies in auto loans. In order to expand its auto loan

market share in 2015 the Bank expanded the network of its contracted auto dealers and provided alternative payment options including "Anniversary of Establishment New Car Purchase Loan" and "New Car Loan for the New Year", allowing more than 9,000 families to purchase the automobile of their choice.

VAKIFBANK CONTINUED TO EXPAND ITS MORTGAGE LOANS IN 2015

Maintaining its leading market position in the sector in 2015, VakıfBank recorded 5.59% growth in its mortgage loan portfolio. Offering mortgage loan services under the "Yellow-Shutter" brand, VakıfBank secured a 10.53% market share in mortgage lending in 2015 thanks to a wide range of products offered through its high quality service concept, personalized flexible payment options, and effective campaigns.

Through a specialized mortgage team, the web site www.saripanjur.com.tr and the 444 5 724 Call Center, Yellow-Shutter Mortgage Loans offer prospective homeowners the opportunity to find answers to all of their questions and apply for loans in a fast and convenient manner.

THE HARD-WORKING BANK THAT DIFFERENTIATES IN RETAIL BANKING

In 2015, VakıfBank continued to offer loans to customers who wish to become homeowners in real estate projects. The Bank reached agreements with leading companies in the sector such as EGYO, TOKİ, and KİPTAŞ, along with municipalities, housing cooperatives and urban transformation companies enabling prospective homeowners to purchase their house with the support of VakıfBank. As such, the Bank contributed to the sector's development and provided financing for nearly 450 branded residence, office and urban transformation projects.

In addition, customers who want to become homeowners with personalized payment options from VakıfBank Yellow-Shutter (SarıPanjur), can access the contracted housing projects by visiting www.saripanjur.com.tr, as well as through VakıfBank stands in real estate development project sales offices.

In order to increase communication with customers via digital channels and to adapt to cutting edge technologies, the Bank started to collect mortgage loan applications and give preliminary approval via alternative distribution channels such as SMS and Call Center. Following system upgrades to the online channel Yellow-Shutter Apply Now designed to help branches in their preliminary application assessments and to lessen their work burden, there was an increase of more than 100% over the prior year in mortgage loan applications and allocations via the web site www.saripanjur.com.tr.

Improvements to loan allocation processes in 2015 resulted in lesser work load and operational risk for the branches, as well as improvements in customer satisfaction. The mortgage loan customer survey revealed a customer satisfaction level of 97% in 2015, which confirms the success of ongoing efforts.

In 2015, customers who have taken out Yellow-Shutter mortgage loans and have a VakıfBank Worldcard, were offered shopping offers with discount and installments via the web site www.cardium.com.tr.

As part of its customer-focused banking approach, VakıfBank continued to offer mortgage loans and products in line with the needs of the marketplace and customer demands. In addition to various Yellow-Shutter products presented in previous years, the Bank continued with special mortgage loan campaigns for public sector employees, Police Solidarity and Assistance Fund (POLSAN), Turkish Armed Forces Assistance and Pension Fund (OYAK) members, as well as the winter housing loan campaign, allowing 360 thousand people to become homeowners via the Yellow-Shutter scheme as of year-end 2015.

INCREASED VOLUME IN THE VAKIFBANK-PTT PARTNERSHIP

Thanks to the loan transaction agreement signed between VakıfBank and the General Directorate of Post and Telegraph Organization (PTT), VakıfBank has reached a broader customer portfolio by allocating loans to PTT customers, PTT employees and Social Security Institution pensioners that receive their payments through the PTT.

RISE IN THE OVERDRAFT ACCOUNT VOLUME

In overdraft accounts, which allow customers to meet their instant cash needs in a swift and affordable way, VakıfBank increased the number of customers, total limit and allocation at a rate higher than the sector's average in 2015.

GOLDEN ERA ACCOUNT

VakıfBank increased its Golden Era Account customers by 15.01% in 2015. This account allows customers to receive additional income on their gold holdings while protecting their gold assets from theft and labor loss. In addition, customers are also offered the opportunity to save by authorizing the Bank to make purchases and sales of gold on a gram-by-gram basis. In this way, the Bank also appeals to customers who are not open to investing in interest-yielding instruments.

MOBILE BANKING

VakıfBank upgraded its Mobile Banking app in 2015, with its customer-focused and customers' experience. Retail customers can now easily download the Mobile Banking app on their mobile device to carry out a number of transactions in a much more practical manner.



STRATEGIES FOR 2016

VakıfBank aims to enrich its product range, create alternative payment methods and products for customers, access new customers via new channels, and expand its market share and consumer loan portfolio by reaching new customer segments in 2016.

In addition, as part of its customer satisfaction-oriented service approach, VakıfBank plans to expand its portfolio of ATM cards to encompass a wider variety of products, and offer new products to various customer segments.

By investing in its technological infrastructure and organizing campaigns that will maximize customer productivity, VakıfBank continues to work towards increasing non-interest revenues. The Bank also carries out efforts to boost customer loyalty so as to increase the cross-selling ratio and further strengthen its competitive stance in the banking sector.

CORPORATE PAYROLL ACTIVITIES

As one of the leading banks in corporate payroll activities, a fiercely competitive segment of the banking sector, VakıfBank expanded its pension operations, becoming one of the most preferred banks by employees of both the public and private sectors as well as by pensioners.

REVIEW OF OPERATIONS IN 2015

At special service locations designed to maximize customer comfort, Private Banking offers not only the standard banking product range, but also alternative investment options suited to the **needs and expectations of Private Banking customers.**

PRIVATE BANKING

VakıfBank Private Banking started operations with the opening of Ankara Private Banking Branch in 2011, and increased the number of its branches to seven by 2014 with branches in Ankara, İzmir, Bursa and Adana, as well as three branches in İstanbul.

Building its growth strategies on new customer acquisition and customer satisfaction since its establishment, VakıfBank Private Banking increased its total assets under management (AUM) by 22% year-on-year in 2015 reaching TL 2 billion in AUM. New customer acquisitions accounted for around 95% of the total AUM.

In the Turkish banking system, Private Banking operations started in the end of 1990s and reached an intensive level of competition in recent years. According to december 2015 data by BRSA, individuals whose domestic and foreign currency savings exceed TL 250,000 account for 0.80% of all savers, yet 53.45% of all savings.

The number of depositors who have foreign currency deposit accounts and savings accounts worth more than TL 1 million grew from 76,103 at year-end 2014 to 92,201 in december 2015.

Private Banking provides customized financial solutions for customers of high income group in its branches through Private Banking Portfolio Managers, who are specialized in their respective fields. At special service locations designed to maximize customer comfort, Private Banking offers not only the standard banking product range, but also alternative investment options suited to the needs and expectations of Private Banking customers.

The “Private Banking Yacht Loan” product was rolled out in order to effectively compete against other banks in the Private Banking segment, and reach out to segment customers by means of special loan products. In order to enhance productivity by presenting a high quality and diversified product range that suits the expectations of Private Banking customers, the Bank designed the “Enjoyable Retirement” product packages, which include Individual and Group Retirement plans. Aiming to stand by its customers at every moment of their lives, VakıfBank Private Banking also launched private health insurance products with a comprehensive scope.

Aside from financial privileges, VakıfBank Private Banking also offers customers non-financial privileges, as well as boutique events and organizations that appeal to individual preferences so as to stay ahead of the competition. The Bank aims to present experiences that make customers feel privileged and special during the activity management. To this end, numerous activities on history and art are organized with a view to laying the foundations of long-term relations with current and potential customers.

Private Banking shall continue to expand its total assets under management and service range, and to formulate customized solutions with its expert staff in line with customer needs and expectations.

THE PRIVATE BANK

THAT OFFERS PRIVILEGES TO CUSTOMERS

Improvements in product range and service offer led to successful results in Cash Management products in 2015.

CASH MANAGEMENT

System upgrade activities continued in 2015 and new upgrades were carried out in response to changing market trends, working conditions and the applicable legislation. Improvements in product range and service offer led to successful results in Cash Management products in 2015.

In the field of corporate collections, which allow firms and individuals to pay their taxes, SSK/Bağ-Kur premiums, tuition fees as well as power, water, phone, nature gas and ADSL bills via VakıfBank, new protocols were signed and infrastructure upgrades were effectuated in 2015. Important public sector projects such as title deed and tax payments for Turkish Coal Enterprises, Turkish Atomic Energy Authority, Türksat E-Payment scheme were intermediated by the Bank. As a result of improvements to collection diversity, service quality and infrastructure, corporate collections rose by 27% over the year 2014. In two of the most important accounts in corporate collections, tax and social security collections, transaction volumes grew by 37% and 48% respectively.

VakıfBank made intense efforts to market Gümkart, which enables export and import firms to effectuate their payments in swift, secure and productive way in 2015 and acquired new customers, increasing Gümkart collections by 20% over the prior year. Designed in due consideration of competitive market conditions and customer demands and needs as an alternative to current customs tax payment methods, the "Customs Tax Payments via SMS" project was completed in 2015 and customers started to pay their customs tax with SMS via mobile phones.

The processing infrastructure of the Direct Debit System (DDS), which ensures the swift and secure collection by parent companies of their receivables from customers, gained a very functional structure upon the overhaul of the Bank's IT infrastructure. As a result there was a 33% increase in collections via DDS.

Playing a significant role in supply chain financing, the Dealer Collection System (DCS) exhibited a significant growth over the previous year, as volume of collections rose by 7% and number of customers in collections by 134% in 2015. The General Directorate of Forestry (OGM) was added to the network of the DCS as a parent company and through intensive marketing efforts in 2015, the OGM Kart, designed specially for the directorate, came to play an important role in DCS collections.

There was a rise in the total active customer number of the Mass Payment System, which reduces the operational overhead of both banks and customers by effectuating automatic payments for customers who have a large money transfer and EFT transaction volume, as well as that of the Mass Cheque Collection System, which makes it easier for firms to monitor their cheques, and automatizes data entries for cheque performance by the accounting or finance departments.

There was a ten-fold increase in the number of customers enjoying electronic receipt issue, dispatch, receiving and archiving services from the Bank as part of its E-Invoice Special Integrator Services. Upgrades for the E-Transformation projects continued in 2015. The Bank finalized its preliminary work on the E-Ledger meant to swiftly meet regulatory and customer needs, and initiated its software and archiving services for the E-Ledger. Another key upgrade in 2015 concerned the automatization of the entry of E-Invoice data to the accounting software.

PROJECTIONS FOR 2016

Accordingly, in 2016 the Bank will continue to develop all of its cash management products in response to competitive market conditions and customer needs, and view product quality and customer satisfaction as its number one priority. The Bank plans to design and roll out new products in line with customer needs and technological advancements.





CUSTOMERS ENTRUST US WITH THEIR FUTURE PLANS

In 2015, we continued to increase our retail loan product range, and expand our target audience by reaching out to new sectors. By offering a large array of loan options, we helped over 2 million customers make their dreams come true.

TOTAL RETAIL LOANS

TL **36,611** MILLION

REVIEW OF OPERATIONS IN 2015

Treasury Marketing and Sales Department **offers a wide range of services to customers** from all segments.

TREASURY MANAGEMENT

Like the previous year, 2015 was a period when developments in global monetary policy from May 2013 onwards were the main factor underlying the trajectory of the financial markets. The repricing of almost all financial assets on a global scale continued, while global growth worries continued to play a crucial role in world markets. The Fed's forward guidance as regards the timing and tempo of the rate hike was one of the key factors for the financial markets in 2015. Market fluctuations seemed to ease partially owing to the perception that the rate hike expected for the third quarter would be delayed, the ECB's decision to continue quantitative easing, and the People's Bank of China's new measures to prop up the economy; however, the clear US economic recovery suggested by indicators such as employment increased anticipations of a rate hike in the fourth quarter. At its december meeting, the Fed raised rates by 25 basis points for the first time since 2006, to the interval of 0.25-0.50%. The decision resulted in the relative relaxation of the markets since the Bank had provided ample forward guidance in the run up to the rate hike and the rate hike was already priced by the markets. Nevertheless it is expected that the number, tempo and volume of possible rate hikes in the year 2016 will be at the top of the global markets' agenda.

The recovery of the European economies continued at a slow tempo throughout the year, and at its last meeting for the year, the ECB announced a new quantitative easing scheme, which however failed to meet expectations fully. The Bank extended its quantitative easing program for longer than anticipated, and the drop in the deposit rate was in line with expectations; however, there was no change in the volume of the monthly bond-buying program. As a result, the Euro started to appreciate against other currencies during the end of the year, in contrast to its depreciation throughout the year.

The Chinese economy continues its slowdown, which reflects in weaker foreign trade figures, as well as downtrend in commodity prices and the world trade. These drops in commodity prices trigger capital outflow from emerging countries dependent on commodity exports, create pressure on their currencies and inflation rates, and in general have an adverse impact on emerging markets.

In the final months of the year, the OPEC's decision to keep its oil supply unchanged, oil producing countries efforts' to preserve their market shares, the appreciation of the US dollar, and the US Senate's decision to lift the previous ban on oil exports resulted in a downtrend in oil prices.

Emerging economies generally struggled to grow in 2015. Of countries which played a key role in world economic growth in recent years, Chinese and Indian economies continued to lose steam, and commodity exporters like Brazil, South Africa and Russia experienced a much more remarkable contraction. Emerging market currencies lost significant value in 2015, and the Turkish lira was seen to move more or less in parallel with these currencies.

The delayed effects of the exchange rate and the rise in food prices had a negative impact on inflation, while core inflation remained high. On the other hand, the drop in import prices partially compensated for the exchange rate's adverse impact on inflation.

THE RELIABLE BANK
WHICH BROADENS SAVINGS AWARENESS

Even as domestic and international uncertainties posed a downward risk to the economy in 2015, domestic demand helped maintain a moderate growth trend. The establishment of political stability in the last two months of the year has led to higher growth expectations for the year 2016. The manufacturing industry maintains its mild upward trend and the recovery of the European economies bolsters Turkish growth.

The improvement in the current account deficit can be attributed to the domestic demand's moderate increase, the slowdown in consumer loans and the drops in commodity prices. Although geopolitical developments towards the end of the year limited the rise in exports, especially the decline in the oil price is expected to have a positive impact on the current account balance.

Even though consumer loan interest rates have tilted downwards in late 2015, they remain rather high. The tight monetary policy and macro-prudential measures have slashed the annual loan growth rate.

The ongoing fiscal discipline has been a factor rendering the economy more resilient against external shock.

Central Bank of Turkey held on to its tight monetary policy in 2015, and gave signals of a possible simplification in 2016 in the case of a permanent reduction in indicators of global volatility.

POLICIES IN LINE WITH THE PRINCIPLES OF PROFITABILITY AND PRUDENCE WERE ADOPTED IN LIQUIDITY MANAGEMENT

Taking into consideration of the CBT's monetary policies and market interest rates, and in line with the principles profitability and prudence principles, the Bank has implemented a dynamic liquidity management program actively expanded across different markets to seize cost advantages, by actively utilizing CBT's the reserve option mechanism and foreign currency required reserves. The Bank's liquidity management strategy in 2016 will continue to be driven primarily by CBT's monetary policies as well as by interest rate expectations in the market.

CREATION OF A DYNAMIC STRUCTURE IN SECURITIES PORTFOLIO MANAGEMENT

The Bank followed a dynamic securities portfolio management strategy according to a sound assessment of market conditions and interest rate expectations, and duly modified its securities portfolio in terms of interest rates, maturities, and asset types. Also in 2016, the Bank will continue to implement a dynamic securities management strategy by deciding on the timing for expanding or narrowing the portfolio according to market conditions, and increase the Bank's trading income by taking into accounts the principles of effective risk management in capital markets trading and foreign exchange transactions.

VAKIFBANK'S TOTAL DEPOSITS REACHED TL 109.9 BILLION IN 2015

In 2015, thanks to efficient and dynamic policies designed to extend the deposit base and increase the deposit volume, the deposit structure has gained further strength and VakıfBank's total deposits rose by 19.80% over the prior year reaching TL 109.9 billion. In 2015, the Bank's total deposits materialized as TL 76.5 billion in domestic currency and TL 33.4 billion in foreign currency.

With strategies and efforts focused on enhancing efficiency and productivity and broadening savings awareness, VakıfBank expanded its savings deposits by 24% over year-end 2014 to reach TL 45.1 billion. In the same period, savings deposits in TL increased by 17.8% over the year-end 2014 to reach TL 28.3 billion and savings in foreign currency by 36.2% to reach TL 16.7 billion. The share of savings deposits to total deposits went up from 39.6% in 2014 to 41% in 2015.

Demand deposits, which offer a significant advantage to the Bank in terms of cost management, maintained its upward trend to increase from TL 16.8 billion in 2014 to TL 20.3 billion in 2015, with an increase of 20.6%. The share of demand deposits in total deposit materialized as 18.4%.

SAVINGS DEPOSITS
TL 45.1 BILLION

TOTAL DEPOSITS
TL 109.9 BILLION

The Bank keeps a continuous watch on changing market conditions to frequently review its deposit policies and strategies, and takes actions to diversify its product range and extend maturity terms. In 2016, the Bank will continue such efforts geared towards customer satisfaction and undertake new projects so as to sustain the consistent growth trend in deposits.

In 2015, work on compliance to Capital Markets Law no. 6362 and relevant communiqués was completed and Capital Markets Board gave its approval to the Bank's performing the concerned investment services and operations.

VakıfBank's investment services and activities are planned to be carried out under Treasury Management. In this scope, portfolio intermediation activities will be run by Treasury Marketing and Sales Department and order transfer intermediation and trading intermediation will be performed by Investment Banking Department.

Treasury Marketing and Sales Department offers a wide range of services to customers from all segments. In line with the principle of offering top quality service to customers, the customer base was broadened and a consistent growth was reached in trading volume.

In 2016, Treasury Marketing and Sales Department aims at increasing its customer numbers and market share by meeting customers' treasury demands through new products based on a stronger technological infrastructure, better service quality, customer needs, and market conditions, in compliance with the latest capital markets legislation.

REVIEW OF OPERATIONS IN 2015

As part of its Investment Banking activities, VakıfBank offers customers investment products such as **mutual funds, bonds and gold.**

INVESTMENT BANKING

With a prominent position in the banking sector, VakıfBank formulates business strategies that are focused on investing customer assets in the best way to generate optimal results, developing customized solutions, and attaining greater expertise in the use of advanced investment techniques. As a result, VakıfBank aims to become a highly-valued business partner in money and capital markets for retail and corporate customers.

BROKERAGE SERVICES FOR CAPITAL MARKETS INSTRUMENTS

As part of its Investment Banking activities, VakıfBank offers customers investment products such as equity, derivative transactions and options, mutual funds, bonds, and gold. Developments in the markets are closely monitored according to customer needs and expectations, and new products and services are delivered to a large customer base through various channels.

Equity and Derivatives Market transactions are carried out by the Bank subsidiary Vakıf Yatırım Menkul Değerler A.Ş. (Vakıf Investment Securities) as part of order transfer intermediation activities, and in addition, the Bank intermediates in IPO brokerage as well as equity transactions such as capital increase, invitation and dividend payments.

All capital markets transactions other than equities and derivatives can be performed through any of the Bank's branches, investment centers, private banking branches, ATMs, mobile banking, internet banking, call center. Equity transactions can only be placed through investment centers, private banking branches, mobile banking, internet banking, call center and VakıfBank Trade Online transaction platform. Derivatives Market (VIOP) transactions are performed by private banking branches, investment centers and Internet banking.

BANK BONDS

In order to diversify the Bank's funding sources, reduce interest rate risk, contribute to liquidity management and increase the average maturity of liabilities VakıfBank obtained authorization from the Capital Markets Board to issue a total nominal value of TL 12 billion in bank bonds of various types and maturities in domestic and international markets. In 2015, the Bank issued 23 bank bonds with a total nominal value of TL 8.03 billion, solidifying its leading position in the sector. In the coming period, VakıfBank bonds will continue to be presented to corporate and retail investors as an alternative investment instrument.

**THE SOLUTION-ORIENTED BANK
THAT OFFERS ALTERNATIVES TO INVESTORS**



MUTUAL FUNDS

As per the new capital markets legislation no. 6362, the Bank transferred the 11 mutual funds it created to its subsidiary Vakıf Portföy Yönetimi A.Ş. (Vakıf Portfolio Management). Vakıf Portfolio's money market funds and short term debt instruments fund can be traded via all branches, investment centers, as well as alternative distribution channels such as Internet banking, call center, ATMs and mobile banking. All the other funds can be accessed via the branches and internet banking, over the TEFAS Platform (Turkish Electronic Fund Trading Platform).

Under the administration of expert portfolio managers with strategies tailored to meet the needs of its customers, Vakıf Portfolio holds a 6.29% market share in mutual funds as of year-end 2015, with total assets under management (AUM) of TL 2.1 billion.

GOLD BANKING AND GOLD DAYS

As one of the first banks to launch gold banking, VakıfBank makes its 25 years of experience in this segment available to customers through its branches as well as alternative channels.

VakıfBank's gold trading volume reached nearly 60 tons in 2015, with a gold reserve volume of 6.5 tons. As part of VakıfBank Gold Days, initiated in early 2013 and held every Wednesday, Cumhuriyet gold coins in quarters and halves as well as all-carat gold jewelry including bracelets, rings, and necklaces are assessed by gold experts and corresponding amounts are deposited into customers' Golden Era Accounts in grams of gold. Gold Days were organized at 574 branches in 2015 and VakıfBank will expand this initiative further in 2016.

TRADING VOLUME
NEARLY 60 TONS
GOLD RESERVE
6.5 TONS

REVIEW OF OPERATIONS IN 2015

While tapping new funding sources in different currencies at various maturities, VakıfBank also **expanded its investor base with new structured finance products which it pioneers.**

FOREIGN TRADE AND CORRESPONDENT BANKING

TURKEY'S LEADING BANK

Always a pioneer in international banking in Turkey, VakıfBank has remained in 2015 the most active Turkish bank in global markets, by issuing the first ever Basel III-compliant Tier II bond in Turkey, issuing private placements as part of its global medium term note program, as well as securing syndication loans, securitization loans and long and medium term financing at affordable terms from diverse resources.

BROADER INVESTOR BASE

While tapping new funding sources in different currencies at various maturities, VakıfBank also expanded its investor base with new structured finance products which it pioneers. By increasing the maturity of its sources in this manner, VakıfBank remains an important contributor to the Turkish economy and a dedicated supporter of the real economy through long-term and cost-effective facilities.

TURKEY'S FIRST BASEL III-COMPLIANT SUBORDINATED LOAN ISSUE

As the first bank to establish the Global Medium Term Notes (GMTN) program in Turkey, VakıfBank also issued the first ever euro-denominated Eurobond of Turkey apart from the sovereign within the scope of GMTN program which breaks a new ground in 2014. In a ground-breaking achievement, the Bank became the first Turkish bank to issue Basel III-compliant subordinated notes in international capital markets in 2015. The issuance, amounting USD 500 million with a maturity date of 3 February 2025 and having a call option on 3 February 2020, priced at a yield of 6.95% and a coupon rate of 6.875%.

ONE OF THE LARGEST ISSUERS OF PRIVATE PLACEMENTS

As part of its medium term note program, the Bank performed a total of 198 private placements with 16 different banks. The transactions was carried out in different currencies (US dollars, euros and Swiss

francs) and maturities of three months, six months, one year and two years with a total amount of USD 4.25 billion. In 2015, a total of 92 private placements helped raise USD 1.56 billion in funds, making VakıfBank the second largest Turkish bank in transactions.

SYNDICATION LOANS

In april 2015, VakıfBank secured a one-year USD 1 billion equivalent syndicated loan consisting two tranches of USD 204 million and EUR 763 million with the participation of 35 banks. The total cost of the loan secured for the purpose of foreign trade financing was Libor/Euribor + 0.80%. In the second half of 2015, with the participation of 30 banks, the Bank secured another one-year syndicated loan facility of USD 938 million structured in two tranches of USD 168.5 million and EUR 679.5 million with a total cost of Libor/Euribor + 0.75%. With these transactions, the Bank obtained a total of USD 1.94 billion in syndicated loans in 2015.

**THE AWARD-WINNING BANK
WITH ITS SUCCESS IN BOND ISSUANCE**

SUPPORTING THE REAL ECONOMY VIA BILATERAL AGREEMENTS

VakifBank continues to collaborate with the European Investment Bank (EIB), the World Bank and the European Bank for Reconstruction and Development (EBRD) to provide long-term, low-cost funding to the real economy.

Due to its successful performance in the EUR 75 million Greater Anatolia Guarantee Facility (GAGF-I) secured from EIB through an agreement in 2010, the second phase (GAGF II) worth EUR 50 million was allocated to the VakifBank in 2015. As part of the project, the Bank continues to finance SMEs operating in development priority regions. The said financing facility has a five-year maturity, and the capital will be repaid in a lump payment at the end of the maturity term. As part of GAGF II Project, EIB allocated to VakifBank another fund worth EUR 25 million and the loan agreement for this tranche was signed on 18 December 2015.

The first EUR 100 million tranche of the EUR 200 million facility obtained under the Small and Medium-Sized Enterprises Project II signed with the EIB in 2014 and guaranteed by the Undersecretariat of Treasury was used up in 2015. The loan agreement for the second tranche of the said facility was signed on 28 May 2015 under the guarantee of the Undersecretariat of Treasury and VakifBank has received the first EUR 50 million on 17 December 2015. The said financing facility has a five-year maturity, and the capital will be repaid in a lump payment at the end of the maturity term.

In addition to the USD 80 million Turkey Sustainable Energy Financing II Project (TurSEFF II) secured through an agreement between VakifBank and EBRD on 10 May 2013, an eight-year co-financing facility of EUR 50 million with a three-year grace period was secured with an agreement signed with the EIB on 15 July 2013 under the guarantee of Undersecretariat of Treasury. The second tranche worth EUR 25 million of the said loan was transferred to the Bank's account on 3 December 2015 and VakifBank continues to disbursement of the loans as part of the said project.

LOAN AGREEMENTS WITH KfW

The EUR 100 million loan facility extended to VakifBank to be used in financing micro, small and medium-size companies operating in Turkey, secured through an agreement signed with KfW in 2013, was transferred to the Bank's account on 15 November 2013. This facility was disbursed in as short as one and a half months.

In recognition of VakifBank's success in this project, work was initiated with KfW on another loan tranche with the same characteristics. As a result of these efforts, a loan agreement of EUR 200 million was signed between the Bank and KfW on 24 June 2015 under the guarantee of Undersecretariat of Treasury. This ten-year facility with a three-year grace period was transferred to the Bank's account on 30 July 2015. The said loan represents the largest single agreement signed by KfW with a Turkish bank.

RESIDENTIAL MORTGAGE COVERED BOND ISSUANCE PROGRAM

In order to tap into alternative financing facilities in international capital markets, VakifBank set up on 29 July 2015 a EUR 3 billion Residential Mortgage Covered Bond Issuance Program composed of covered bonds, which are in use since many years in developed markets such as Europe as a funding instrument, and are allowed in Turkey since the CMB's 2007 Communiqué on Mortgage Covered Bonds. VakifBank plans to seize opportunities which could appear in international markets and perform its first issuance as part of the said program in 2016.

THE BEST BOND ISSUANCE OF THE YEAR AWARD

Turkey's pioneer bank in the international capital markets, VakifBank received the first prize in the International Bond Issuance of the Year category at the Bonds & Loans 2015 award ceremony organized by Global Financial Conferences, considered to be one of the most prestigious awards for the Turkish financial sector and capital markets, for issuing Turkey's first ever Basel III-compliant subordinated notes amounting USD 500 million in January.

WE ISSUED TURKEY'S FIRST EVER BASEL III-COMPLIANT SUBORDINATED NOTES.

FOREIGN TRADE AND CORRESPONDENT BANKS

VakifBank's robust correspondent bank network, comprised of 1,643 banks and financial institutions in 119 countries across the world. The network is managed in line with the principles of mutual trust, collaboration, and transparency by a dynamic team specialized in CRM focused on creating fast and alternative solutions for their customers. This network continues to expand by the day with the establishment of new relationships. Following the agreements signed with the EBRD and the International Finance Corporation (IFC) to develop foreign trade, VakifBank acts as an intermediary for export letters of credit and guarantees from the banks supported in the program under the umbrella of these institutions. Thanks to its extensive network of correspondent banks as well as its lines of credit, VakifBank continues to support funding for foreign trade transactions and remains one of the most preferred banks in this segment.

VAKIFBANK'S INTERNATIONAL ORGANIZATION

VakifBank International AG

VakifBank International AG, headquartered in Vienna, was established in 1999 in line with VakifBank's plans to expand overseas and conduct international banking operations.

New York Branch

The New York Branch was established in 1995 to better exploit opportunities in international financial markets and to provide more comprehensive solutions to customers in foreign trade.

REVIEW OF OPERATIONS IN 2015

Since its launch, VakifBank Investor Relations app was downloaded to tablet PCs and smartphones **by 4,710 users as of year-end 2015.**

Bahrain Branch

The Bahrain Branch was established in 2005 to finance foreign trade transactions, which continue to expand due to the soaring business volume between Turkey and the Gulf Region, and to fund projects planned in this region.

Arbil Branch

Pioneering the banking sector once again, VakifBank secured its place among the first Turkish banks that have opened branches in Northern Iraq. The Bank's aim is to support the commercial and economic collaboration between Turkey and Iraq and to back Turkish entrepreneurs who make investments in the region. The Arbil Branch commenced operation in February 2011.

EFFECTIVE COMMUNICATION WITH INVESTORS

During 2015, VakifBank regularly provided information about its corporate affairs and operations to investors and securities firms.

In 2015, the Investor Relations Department:

- Attended 19 local and international investor conferences, and held face-to-face meetings with approximately 650 foreign and local institutional investors.
- Held more than 200 meetings at the Bank's Istanbul office, and met with approximately 450 investors/analysts. Organized four teleconferences to assess the results of financial statements, and published the records of these teleconferences on the Bank's English-language website. Held regular annual assessment meeting with four credit rating agencies (Fitch, Moody's, S&P, and Capital Intelligence). Remained in close contact with numerous equity analysts issuing reports about VakifBank and provided timely and accurate input during the preparatory stages of the reports. Feedback on these reports was communicated to the analysts. Continuously updated the English version of the Bank's website and provided convenience English translations for material event disclosures published on the Public Disclosure Platform, allowing all stakeholders and shareholders to remain informed in an accurate and up-to-date manner. The 61st Ordinary General Assembly Meeting in 2015 was organized in the scope and manner demanded by the Banking Law, Capital Markets Law, Corporate Governance Communique, the Bank's Articles of Incorporation and other applicable legislation.
- Established under the Investor Relations Department and reporting directly to the Sustainability Sub-Committee, Sustainability Service continued its operations to ensure the effective management of the Bank's sustainability efforts.
- VakifBank had a fruitful discussion with the firm EIRIS, which evaluates Borsa Istanbul-listed companies according to international sustainability criteria, as regards their assessment report on VakifBank. Afterwards, relevant departments carried out joint efforts to improve the Bank's performance according to suggestions in the said report so as to ensure the Bank's continuity in the index.
- In order to produce the Bank's Sustainability Report and share it in a transparent fashion with stakeholders, all departments expended coordinated efforts. The first Sustainability Report, which covers the activity period from 2014 until June 2015 is prepared in accordance with the G4 standards of Global Reporting Initiative (GRI) and was submitted to stakeholders' information.
- For the first time in Turkish Banking, VakifBank Investor Relations designed and launched in 2014 its Investor Relations App for the iPhone and iPad users among its investor base. The app was downloaded to tablet PCs and smartphones by 4,710 users as of year-end 2015.

THE ECO-FRIENDLY BANK
THAT THINKS OF THE FUTURE

In the very first year of joining the Carbon Disclosure Project, VakıfBank accomplished a **disclosure rating of 91** over a possible 100 in the C performance band.

SUSTAINABILITY ORGANIZATION

In order to ensure that sustainability activities are carried out in an effective and productive manner so as to contribute to the Bank's corporate identity, and to make the Bank a permanent participant to the BIST Sustainability Index, we created our sustainability organization structure in 2015.

This structure comprises a "Sustainability Committee" as the highest decision-making and responsible authority and a related "Sustainability Subcommittee", a "Sustainability Service" within the Department of Investor Relations to carry out sustainability services and an "Environmental Management Service" within the Head of Support Services.

ENVIRONMENTAL SUSTAINABILITY

In 2015, the Bank presented its disclosure to the Carbon Disclosure Project (CDP) climate change program which focuses on climate change strategy, risk management, and carbon emissions. As a result of the assessment, in the very first year of joining the program, VakıfBank accomplished a disclosure rating of 91 over a possible 100 in the C performance band, which represents a very significant achievement.

SUSTAINABILITY REPORTING

VakıfBank's first Sustainability Report, which covers the activity period from 2014 until June 2015 and is prepared in accordance with the G4 standards of Global Reporting Initiative (GRI), was submitted to stakeholders' information.

SUSTAINABILITY COMMITTEE

Sustainability Sub-Committee

Sustainability Service
(Investor Relations Department)

Environmental Management Service
(Head of Support Services)

REVIEW OF OPERATIONS IN 2015

VakıfBank MilPlus Platinum is offered to upper-segment customers, and allows cardholders **to earn three times more World points** while purchasing domestic or overseas airplane tickets.

PAYMENT SYSTEMS

Focusing on customer satisfaction in its payment systems, VakıfBank continued to grow its market share steadily in credit cards by enhancing its products with value-added services through the "Generous Card That Understands Shopping" concept in 2015.

VakıfBank easily outpaced the average sector growth of 15% in credit cards as VakıfBank Worldcard registered 23% YoY increase in turnover, to TL 26.0 billion in 2015. Worldcard's transaction volume growth was nearly three times that of the overall sector, rising to more than 193 million transactions annually.

The brand is positioned as a generous card with customer-oriented solutions that meets the basic needs of customers. While the redefined credit cards and VakıfBank Worldcard meet the general needs of customers at world-class standards, the Bank has pursued a policy aimed at adopting new technologies and expanding its co-branding and loyalty programs with cards that appeal to different groups and enterprises. As a result of this approach, the Bank has been enjoying steady market share growth in the credit cards segment.

VakıfBank's rich portfolio of credit cards includes:

- MilPlus Classic and MilPlus Platinum Exclusive offering features for high-income individuals focused on travel,
- VakıfBank Platinum, equipped with special services designed for high-income individuals,
- Rail&Miles, for those who prefer to travel by train,
- **Beşiktaş, Fenerbahçe, Galatasaray, Trabzonspor, Gaziantepspor and Diyarbakırspor Team Credit Cards, for sports fans who want to support their favorite teams,**
- Öğretmenim, ASES and KAMUSEN credit cards, designed to meet the needs of specific professional groups,
- VakıfBank BusinessCard, to meet the needs of commercial enterprises,
- Like Card and Campus Card, designed for university students and intended for the youth segment, providing campaign-based advantages,
- Social Assistance Card for social institutions,
- Tercih Card for customers who do not want to pay annual credit card fees.

VakıfBank Classic and Gold credit cards are available for customer groups not included in the above segments. VakıfBank credit card holders can benefit from all opportunities offered both in VakıfBank and in World member firms. In addition, the Bank offers additional benefits for customers through special projects and campaigns.

EXCLUSIVE SERVICES FOR PLATINUM CARDHOLDERS

VakıfBank Platinum Credit Cards, offered to upper-segment customers, continued to offer features designed to meet the unique needs of these cardholders in 2015. To make domestic and overseas trips more comfortable and enjoyable, cardholders are offered discounts at the passenger lounges at the domestic and international terminals at Sabiha Gökçen Airport in Istanbul, and Esenboğa Airport in Ankara.

THE GENEROUS BANK

WITH A WIN-WIN PHILOSOPHY



CREDIT CARDS

| | 2011 | Market Share | 2012 | Market Share | 2013 | Market Share | 2014 | Market Share | 2015 | Market Share |
|---|-----------|--------------|-----------|--------------|-----------|--------------|-----------|--------------|-----------|--------------|
| Credit Card Debt Receivables (TL million) | 1,850 | 3.33% | 2,639 | 3.69% | 3,256 | 3.92% | 3,129 | 4.22% | 3,832 | 4.87% |
| Credit Card Turnover (TL million) | 9,671 | 3.33% | 13,699 | 3.79% | 17,802 | 4.20% | 21,208 | 4.47% | 26,037 | 4.79% |
| Number of Credit Cards | 2,626,880 | 5.11% | 2,768,491 | 5.09% | 2,985,056 | 5.25% | 3,178,033 | 5.57% | 3,104,233 | 5.32% |

In addition, VakıfBank Platinum cardholders can enjoy Rail&Miles CIP Lounges free-of-charge in the Ankara, Eskişehir, and Konya rail terminals.

Free overseas travel insurance coverage from Güneş Sigorta is also provided to customers who are traveling abroad. Furthermore, these customers were offered 5% discount in their overseas shopping as well as the chance to delay repayments by three months.

In addition to these travel services, more practical services were unveiled for Platinum cardholders, including discounts at dry cleaners, transportation providers, gift shops, and selected restaurants.

EASIER TRAVELLING WITH THE VAKIFBANK MILPLUS CARD

Designed to appeal to frequent travellers, the MilPlus Card Program provides exclusive benefits for VakıfBank customers who travel extensively.

Customers with Worldpoints balances, earned by making purchases or participating in campaigns, can use them at twice their value while purchasing flight tickets with the MilPlus. If they do not have enough points for the purchase, they are still able to use two times the value with Avans Puan (Advance Points) to quickly get the tickets they want. MilPlus Platinum Card holders can use their Worldpoints at three times their value in flight ticket purchases. Meanwhile, BusinessCard owners can benefit from the MilPlus Travel Program and use their points at twice their value in flight ticket purchases.

Cardholders can also benefit from special promotions when purchasing flight tickets during the regular campaigns. With a traditional campaign, cardholders have the opportunity to purchase round-trip tickets to Europe for TL 249, and to American countries for TL 499, using Worldpoint options.

CO-BRANDED CARDS

Exclusive opportunities were offered to specific customer segments through co-branded products in 2015.

Annual credit card fees are not applicable for the Şişli and Üsküdar Credit Cards offered to residents of Şişli and Üsküdar along with the Öğretmenim, ASES, and Kamu-Sen Credit Cards that are offered to specific professional groups. The cards operated in agreement with these and similar institutions are mostly regarded as social projects, and a certain percentage of the purchases made with these cards are donated to the organization's aid pool, the assistance campaign, or the relevant union.

Cardholders can support social responsibility projects without any extra cost; the donated funds are transferred to Şişli and Üsküdar Municipalities' social assistance pool as the cards are used.

REVIEW OF OPERATIONS IN 2015

Enjoying a significant share in the bank cards market, VakıfBank enhanced customer satisfaction in 2015 **with product-focused campaigns.**

ASES – a special card for occupational groups – is a unique product provided only for the members of the Police Solidarity and Assistance Fund, TCDD Foundation, and Elementary School Teachers' Health Care and Social Assistance Fund. In addition to the services offered to the other cards, discounts are provided from affiliated merchants with this card.

CREDIT CARD FOR YOUNG PEOPLE: THE LIKE CARD

In 2015, VakıfBank continued to market its Like Card, designed exclusively for university students.

Like Card holders earn Likepoints in addition to Worldpoints, and can use their Likepoints for the campaigns on www.likecard.com.tr to win prizes such as Mini Coopers, iPhones, or iPads.

Cardholders who make online purchases of at least TL 150 earn 15% of the purchase as Worldpoints, while cardholders celebrating their academic success are awarded with extra Likepoints and cardholders shopping during the week before their birthdays are awarded with extra Worldpoints.

Interest-free/free-of-charge three-month installments are offered for the fees of the university students attending secondary education programs while three-month installments free-of-charge are provided for Like Card holders' spending on special events.

VAKIFBANK FAN CARDS

In an effort to appeal to sports fans, VakıfBank provides an exclusive credit card for the fans of the four biggest football clubs Beşiktaş, Fenerbahçe, Galatasaray, and Trabzonspor- as well as for two additional teams from Anatolia, Gaziantepspor and Diyarbakırspor. In line with specific agreements made with each team, a portion of the monthly card transactions is transferred to the clubs.

On top of the World and VakıfBank campaigns organized for Fan Card customers, additional campaigns to encourage card usage habits were conducted in 2015. These special campaigns included gift tickets, jerseys and licensed products, season ticket sales for specific teams, discounts at team fan shops, gift Worldpoints, and new installment plans.

PRE-PAID SOCIAL ASSISTANCE CARDS

VakıfBank continued its operations in prepaid and social assistance cards in 2015. Partnerships continue with 25 municipalities and social assistance foundations.

Some 72,000 new cards were issued in 2015 across these projects while the Bank provided support for social assistance projects through a total of 215,000 cards.

DEBIT CARDS

With its considerable market share in debit cards, VakıfBank raised customer satisfaction with campaigns related to these products, and continued to implement efforts to increase the usage of debit cards in shopping as well as for cash withdrawals in 2015.

Total shopping turnover of debit cards increased 27% year-on-year, to TL 2,635 million in 2015, while the market share in shopping turnover stood at 7.02%. Total annual turnover of debit cards was up by 9.70% in 2015.

In 2015 year end, VakıfBank ranked fourth in the sector with 11.2 million debit cards issued.

THE ACCESSIBLE BANK

THAT APPEALS TO EVERYONE

NEW DEVELOPMENTS IN MERCHANT SERVICES

| Member Merchants | 2011 | Market Share | 2012 | Market Share | 2013 | Market Share | 2014 | Market Share | 2015 | Market Share |
|--|--------|--------------|---------|--------------|---------|--------------|---------|--------------|---------|--------------|
| Number of POS Devices | 81,625 | 4.13% | 104,776 | 4.91% | 130,215 | 5.68% | 150,668 | 6.31% | 172,546 | 5.97% |
| Member Merchants Turnover (TL million) | 12,070 | 4.11% | 16,563 | 4.53% | 21,447 | 5.01% | 26,649 | 5.61% | 31,983 | 5.83% |

GROWTH OF BUSINESS CARDS CONTINUED IN 2015

The Bank tried to maximize customer satisfaction by adding product features, services and campaigns to VakıfBank BusinessCard, which is intended for existing and new loan customers in the corporate, commercial and especially SME segments.

Segmentation efforts have been initiated in line with the growing commercial credit card portfolio, as the Bank is working to develop new products which appeal to specific segments and customer groups.

BusinessCard turnover continued to grow in 2015 as in the previous year and rose 23%. The number of cards in circulation was up by 10%, and BusinessCard loan receivables increased by 11% during the period. VakıfBank's market share in BusinessCard turnover materialized as 7.43%, ranking the Bank at sixth place in the market.

TERCİH CARD WITH NO CARD FEES

VakıfBank launched the Tercih Card product for customers who are fee-sensitive and do not want to pay annual card fees. In 2015, Tercih Card offered its users special installments, Worldpuan points and discount campaigns according to their shopping habits.

With the Tercih Card, customers pay only for the features and campaigns they choose to use, and are exempted from annual card fees. Tercih Card holders can benefit from basic World advantages such as Worldpoints earned at VakıfBank and World merchants or complimentary installments. Special campaigns for additional installments, deferments, Worldpoints, and discount campaigns, as well as other services, are provided for VakıfBank credit card holders in exchange for specified fees.

VakıfBank merchant network expanded to 144,313 members as of year-end 2015. The Bank's merchant turnover increased 20% year-on-year; with a market share of 5.83%, the Bank ranks fifth among banks that offer merchant services. The overall merchant services market generated TL 549 billion in turnover, up by 14% YoY in 2015.

In 2015, the Bank carried out new generation applications and campaigns to increase the scope, turnover and efficiency of its merchant network.

TRANSITION TO CASH REGISTER POS DEVICES

The Bank made the necessary changes for businesses that are required to use new generation POS cash registers pursuant to new regulations; as a result, VakıfBank's applications were made compatible with TÜBİTAK-approved new generation payment recording devices. In addition, VakıfBank offered discounts, installments, points, and advantages to help merchant customers procure POS cash registers. In response to this new legislation, the Bank completed the necessary software updates for the Fixed POS and PC-connected Cash Register POS, planned for launch in the coming period, rendering VakıfBank POS payment infrastructure ready for the transition.

V-POS RENEWED

In order to provide more dynamic, faster, and more secure services, and to meet all the demands of contracted merchants in line with changing customer needs and advances in technology, improvements to the Bank's Virtual POS infrastructure have been completed, and new V-POS products were offered to contracted merchants.



With its advanced features, the new V-POS product offers contracted merchants swift and practical payment solutions over the Internet and easily meets needs such as reconciliation, reporting management etc. for collections thanks to its user-friendly interface.

V-POS product enables the Bank to offer Recurring Collection System (TTS) service to schools, insurance agencies, housing projects, associations etc. which receive regular payments and/or perform card-free (Mail-Order) transactions. Recurring Collection System allows contracted merchants to carry out their collections regularly after entering customer data, payment times and payments methods to the system once, without need for any additional software.

AGRICULTURAL OPERATIONS NOW EASIER WITH TARIMPOS

Designed especially for agriculturalists, "TarımPOS" (Agricultural POS) allows Tarım Kart (Agricultural Card) holders to shop for seeds, saplings, fertilizers, pesticides, animal medicine and veterinary services by enjoying discounts, installments and interest-free periods. VakıfBank TarımPOS offers contracted merchants advantages such as swift and instant collection, special campaign prices for TarımPOS, and payment in advance and installment schemes aligned to harvest time which suit Tarım Kart holders.

REVIEW OF OPERATIONS IN 2015

The mobile banking app reached 650 thousand active users in only a year and a half after its launch. **There was a 436% increase in transactions performed through this channel.**

DISTRIBUTION CHANNELS

The Bank is going through a process in which almost all banking transactions can be performed via non-branch channels and alternative channels which account for a large number of transactions; as a result of this process, the Bank establishes new channels to facilitate its communication with customers and takes steps to increase the number of transactions performed in current channels.

INTERNET BANKING

The simplification of the Internet Banking login procedure and online transactions as well as the strengthening of security via mobile signature increased the loyalty of Internet customers to the channel, as a result of which the number of active users went up by 24% in 2015 over prior year.

In line with the rise in customer numbers, the number of financial transactions over Internet and mobile banking channels also displayed an increase, soaring by 51% at the end of 2015 compare to previous year.

One development which contributes to the rise in the number of users is the application "Become an Internet Customer" which was launched in 2015 to enable customers to initiate their Internet banking subscription via the Bank web site, without having to visit a branch.

Another novelty launched during the year is the "ATM Card Transactions" platform which customers can access with their ATM card data in order to analyze their bank accounts and effectuate bill payments.

Towards the end of 2015, the Bank inaugurated its Commercial Internet Banking channel where commercial and corporate customers enjoy a flexible authorization structure and a lean business flow.

In 2016, the Bank plans to continue with upgrades to diversify the transactions performed over the Commercial Internet Channel and also increase this channel's customer and transaction numbers.

The design and launch of the mobile version of the Commercial Internet Channel also figures among the Bank's plans for 2016.

MOBILE BANKING

The Mobile Banking app launched in mid-2013 has reached 650 thousand active users in as little as one and a half years. As of year-end 2015, the number of active users has risen by 134% over prior year.

The number of transactions performed via Mobile Banking exploded in 2015, rising by 436% over prior year -much faster than the rise in total active users.

The Bank plans the inclusion of new transactions in the Mobile Banking channel, provision of mobile banking notifications to customers and the collection of their demands via mobile banking in 2016.

THE SINCERE BANK

THAT STANDS BY THE CUSTOMERS



CALL CENTER

In 2015, Call Center's Voice Guidance System was simplified. The system started to recognize customers from their phone numbers, welcome them with their names and simply their card password entry. As such, customers could connect to customer representatives in a shorter space of time and complete their transactions more quickly.

Instead of the external software used to support customer representatives in transactions, the Bank launched its in-house software and managed to cut licensing costs. The number of customer representatives was increased and the call response rates were improved. Service quality was boosted as a result of intense customer representative training programs.

In 2016, further investments will be made to the human resources and technological infrastructure of the Call Center so as to improve the call response rates and speed.

Furthermore, plans were made to enhance the role of the Call Center in the Bank's marketing and sales operations.

ATM

In 2015, the Bank continued the efforts initiated in 2013 to expand the ATM network and modernize the current ATMs. The total number of ATMs deployed rose from 3.197 in 2014 to 3.576 in 2015, in an increase of 12%.

As part of efforts to modernize the current ATM stock, the number of cash deposit ATMs increased 35% from 2,298 as of year-end 2014 to 3.093 as of year-end 2015. In parallel to the rise in ATM numbers, the number of financial transactions intermediated by ATMs rose by 12% over prior year.

In 2016, as in previous years, efforts to modernize and increase the number of ATMs will continue.

On the other hand, the ATM software was given a complete overhaul and the new software was put to the use of customers. The new software gives customers a wider transaction menu to choose from. The new software also allows the Bank to monitor and repair ATM breakdowns in a more efficient way and in a shorter space of time.

The Bank plans to complete all the aspects of the new software and run this software in all the ATMs in the field in 2016.

Cognizant that ensuring the seamless functioning of ATMs requires monitoring not only the hardware but also the cabins which include power systems, air conditioners and UPS, the Bank procured software and hardware which enable the centralized surveillance of out-of-branch ATMs and initiated pilot studies.

The efficiency of the project will be monitored in 2016. In case the results turn out to be satisfactory and efficient, it will be extended to all out-of-branch ATMs.

CUSTOMER SATISFACTION AND CUSTOMER DEMAND MANAGEMENT

In order to manage customer demands, suggestions and complaints communicated round-the-clock through various contact points (branches, call center, web page, post, social media posts, internet sites etc.), the customer demand management scheme was given an overhaul in early 2015, the number of employee was boosted and service quality was enhanced through employee training programs.

With a view to measure customer perception of products and services, customer satisfaction surveys were organized for the first time at the Bank.

Viewing customer feedback as an opportunity to improve its services, VakıfBank periodically evaluates these statistical results at committees across the Bank, as well as the Board of Directors meetings. Reports on customer demands and questionnaire results are issued and shared with all users on a monthly basis; while three-monthly meetings are held with relevant business units to restructure the Bank's systems and processes in such a way so as to enhance customer satisfaction. Accordingly, the Bank not only resolves individual complaints but also performs general improvements to products and services with a view to further increase customer satisfaction.

REVIEW OF OPERATIONS IN 2015

In the field of Information Technologies, **innovations and technological advancements in the sector were closely monitored** and the necessary IT investment was undertaken.

INFORMATION TECHNOLOGIES

Information Technologies Department continued in 2015 to meet the Bank's technology, service and new product requirements and offer services centered on high performance and productivity. The Bank's technological infrastructure and banking practices were structured so as to swiftly respond to changing business needs and market conditions, quickly adapt to new technologies, and rapidly design new services and products. The integration of these cutting edge technologies to business processes continues to yield results that enhance our competitiveness.

In the field of Information Technologies, innovations and technological advancements in the sector were closely monitored and the necessary IT investment was undertaken. A number of value-adding projects were initiated in due consideration of the Bank's strategies and objectives.

OPERATIONS IN 2015

As a result of intense efforts, the Bank completed the technological transformation program dubbed VIT (VakifBank Innovative Transformation), launched in 2011, and carried out its technological renewal.

Efforts were made on the VIT platform to formulate swift, reliable, practical and marketing-oriented solutions and the VIT practices enhancing the Bank's sales efficiency and productivity were adopted in across all branches.

OPERATIONAL DEVELOPMENT PROJECTS COMPLETED IN 2015

VIT-Basic Banking-Deposit Account Phase-2

The project has not only brought about a new infrastructure, but also improved current processes and transaction rules to perform module transitions.

VIT-Commercial Loans-Allocation

By monitoring and managing the loan proposal process via the system, the Bank has eradicated the paperwork, shortened the operational process in proposal changes and produced reports which facilitate the historical changes in the limit.

VIT-Commercial Loans-Commercial Loan Allocation with Interest Number

A cutting edge technological infrastructure was established to formulate new product concepts, and transition to structure based on flexible pricing and allocation was completed. FX Panel's integration functions were also performed as part of this project.

VIT-Commercial Loans-Letters of Guarantee

Thanks to an application which is easy to use and manage, Letters of Reference, Letters of Intent and Confirmation as well as Dealer TKM agreement texts -complete with relevant expenses- are now being performed in a single flow by the system. Stock follow-up, transfer to follow-up, changes in commission rates following transfer, and the return of the expense and default interest at the branches all started being carried out by the system.

VIT-Retail Loans-Retail Loans

Flexible, parametric and user-friendly steps were formed so as to optimize the allocation, disbursement and follow-up of Retail Loan products.

VIT-Sales and Marketing-CRM

The project has given the Bank a central CRM module integrated to the VIT. All customer data (product, channel, allocation etc.) can now be managed from a single monitor (180/360/720), portfolio managers are able to monitor customers and their daily work with ease, and the entire end-to-end process was brought under the scope of CRM module management starting from the target audience assignment until the sales of the product to the customer and its follow-up.

THE INNOVATIVE BANK

THAT TAKES TECHNOLOGICAL STEPS



VIT-Sales and Marketing-Campaign Management

An infrastructure was established to allow Business Units to formulate campaigns by easily designating the target customer group and the needs for minimum technical support and demand. The Bank's campaign management was centralized in a single hub.

VIT-Cash Management-Collections

The parametric has allows the initiation of a new corporate collection in the shortest possible time, and business units were able to take faster action in the competitive market.

VIT-Cash Management-Payments

Instead of carrying out separate upgrades for each corporation, a parametric infrastructure was established to save labor and facilitate product management, and integration with corporations in the market was rendered easier.

VIT-Foreign Trade Module

All products in the VIT-Foreign Trade Module were extended across the Bank.

VIT-Treasury and Investment-FTF

The follow-up of the fund transfer pricing (FTF) operations were rendered simpler and more flexible in parallel with technological advancements.

VIT-Integration-Kondor

The integration between the core banking system and Kondor has enabled the instant and mutual transfer of data between the two systems. The project also makes it possible to transfer the exchange rate in core banking to the Kondor+ system.

VIT-Reporting and Notifications-Risk Management, MIS and DWH Projects

The reports started being issued from a single system and manually prepared reports have been shifted to the system reducing the risk of error. The ease of access to data has been an immense support to strategic decision-making by business units.

Commercial Loan Process Follow-Up Portal

A portal has been designed in order to monitor and report commercial loan allocation and demand processes in a more efficient manner, and take the necessary action on time.

Derivatives Market (VIOP) Project

A system has been established to enable Bank customers to transfer orders to Borsa İstanbul Derivatives Market (VIOP), follow up on these orders, positions and collaterals and produce bank statements and statutory reportings.

Operating Loan Package for SMEs

Efforts were expended to launch a new product package which will offer alternative payment options to SME customers and provide differential pricing according to customer subsegments.

Customer Registration and Product Application via Optic Form

In order to reduce branches' workload and enhance customer satisfaction, a system has been developed to enable customer registration and product application with optic forms.

Customer Demand Management Project

A new infrastructure has been developed to manage customer demand processes.

The TEFAS Project

The TEFAS Application has made it possible to sell funds managed by the Bank and other banks to brokerage firms and other banks' customers via branches and the Internet.

Electronic Product Notes (ELÜS)

Upgrades were developed to ensure that ELÜS notes, currently under the custody of Central Registry Agency (MKK), can be visualized in customer portfolios complete with data on their price and volume. The necessary infrastructure was created to enable the utilization of ELÜS notes in transactions such as money transfer, conditional money transfer, pledge and loan collateral.

NASDAQ Transition

The Bank's order transfer channels were revised according to BIST's integration with NASDAQ, and were integrated with the Geneks system.

E-Ledger

Ledger information was created and the system infrastructure was established for the notifications to the Directorate of Internal Revenue.

Automatic Goal Revision

A system was developed to automatically revise the goals assigned to branches and teams by the goal performance system when customers change their location.

REVIEW OF OPERATIONS IN 2015

As part of the VakıfBank İstanbul Data Center project, **the construction of the new data center was completed** and systems in different locations started being moved to this new center.

OTHER PROMINENT PROJECTS

- Commercial Scoring Project
- Centralization of Promissory Note Operations
- KGR (Kondor Global Risk) Implementation
- Becoming a Portfolio Custody Company and Providing Custody Service
- Investment Products (Forex) Trading Platform Mobile Application
- Treasury Appraisal Implementation
- Tarım Kart Project
- Takasbank Electronic Fund Distribution Platform Integration
- Foundation of the Virtual Branch
- Virtual POS Implementation
- Application Performance Management Tool Implementation
- MASAK Account Investigation
- Tercih Kart and Signin/Batch Campaign Module
- Establishing PCI DSS Compatibility
- Vakıf Leasing Application Overhaul
- Pension Fund and Private Social Security Foundation Premium and Personnel Operations
- Consumer Application Transactions and Payment
- Statute of Limitation on Investment Accounts
- VIT Equity Public Offering Revisions
- Branch Safe Insurance Cost Distribution and Safe Follow-Up

- Bulk Money Deposit and Withdrawal to Investment Accounts
- Gold Inventory Structure
- External Money Transfer in Investment Funds
- Systemic Follow-Up of Gold Day Transactions
- Automatic Written Notifications to Retail Customers

INVESTMENT AND INFRASTRUCTURE PROJECTS

- As part of the VakıfBank İstanbul Data Center project, the construction of the new data center was completed and systems in different locations started being moved to this new center.
- There is ongoing work on the construction and modernization of the Ankara Data Center.
- The project to broaden the field network for off-site ATMs via 3G technology was completed.
- The branch and ATM networks shifted to fiber connections, leading to a significant reduction in network breakdowns.
- An active Internet access infrastructure with back-up was established via alternative operators.
- The In Memory technology, notably profitability module, was established and commissioned.

- The launch of the Digital Safe has enabled a more secure access to the Bank's systems.
- With the File Auditing Product, the Bank has started to monitor the access and changes to files which include critical data.
- The necessary technology infrastructure for the Ankara Training Center was completed.
- Outdated PCs and other end-user devices employed across the Bank continued to be replaced with new devices.
- Obsolete ATMs were replaced with 622 cash deposit ATMs.
- It became possible for customers to access the Call Center via numbers starting with 0850.
- The e-mail system was upgraded and transferred to the live archiving system.
- New servers, storage facilities, network, security and monitoring systems were set up in the IT infrastructure.
- A new generation disk-based back-up system was commissioned. A high back-up performance and capacity productivity were achieved across the database, e-mail archives, and server and file systems.
- Security controls, infiltration tests and adaptation to PCI standards were effectuated.

THE PRODUCTIVE BANK

THAT DESIGNS NEW PROJECTS

Conducting very active communication efforts via print, visual and social media channels, VakıfBank enjoys **an effective, productive and robust communication with current as well as potential customers.**

CORPORATE COMMUNICATION

VakıfBank's corporate image and communications efforts continued effectively throughout 2015. Campaigns organized throughout the year ensured the continuity of the communication strategy. Conducting very active communication efforts via print, visual and social media channels, VakıfBank enjoyed an effective, productive and robust communication with current as well as potential customers. Various press meetings were held to announce cooperation agreements executed during the year, drawing ample attention from the press. Among these, 3. Airport Financing Signature Ceremony, KOSGEB Partnership Signature Ceremony, and the signing of protocols with chambers of commerce, industry and agriculture stood out as especially significant.

THE BANK OF EMERGING TURKEY

VakıfBank's services and products were promoted via all available communication channels. The firm supporter of Turkey's recent infrastructure, superstructure and energy projects, as well as the craftsman, SMEs, farmers and exporters, VakıfBank underscored its mission with a new image commercial film released in May. The concept "Compassionate Bank" was emphasized in both above the line and below the line advertising companies organized during the year.

In addition, below the line communications efforts for the VakıfBank's MilPlus and MilPlus Platinum cards which multiply the value of Worldpuan points in airplane, bus and hotel/tour bookings were intensified this year. In 2015, VakıfBank's recently launched credit card Tercih Kart, which allows cardholders to customize its features, was promoted extensively through communication campaigns. Furthermore, communications efforts for the Like Card designed for university students and other VakıfBank cards such as Rail&Miles were also geared up.

Various communication activities for Retail Banking Products designed within the season and special days concepts for Retail Banking products, which were promoted to customers via various campaigns, were carried out. Once again a commercial video was shot for VakıfBank's Traditional Holiday Loans in 2015.

In 2015, VakıfBank intensified its communication efforts in the field of Agricultural Banking, which it initiated with immense ambition in 2014. Communication campaigns were held for the products TMO Kart and Organic Agriculture Loan rolled out in 2015 to provide practical solutions to agricultural producers, and direct communication channels such as fair organizations were also employed.

In the field of SME Banking, VakıfBank started the year 2015 with intense communication campaigns and the commercial film for Winter Loan Without Documentation Fee shot in february became very popular. SME Banking activities were another area of focus in the image commercial film shot in may, aside from Agricultural Banking.





CUSTOMERS **ENTRUST US** WITH HUGE PROJECTS OF FUTURE

We reinforced our leading position in financing crucial, large-scale infrastructure projects which add value to the country, such as airports, bridges and highways. Our total project financing loans in real terms rose 13.58% year-on-year to the order of USD 7.8 billion.

PROJECT FINANCING LOANS

USD **7.8 BILLION**

CORPORATE SOCIAL RESPONSIBILITY

VakıfBank continues to carry out **sponsorship and communication programs** in line with its long-established social responsibility strategy in 2015.



VakıfBank, which pursues the communication and sponsorship projects in accordance with its long-established social responsibility strategy, continued to contribute to projects in education, sports, culture and arts, and finance in 2015. In line with its image of "Compassionate Bank", VakıfBank supported as ever training programs, projects and activities across the country.

Fully supporting Turkish volleyball for 29 years, VakıfBank remained the main sponsor of the VakıfBank Sports Club, which went from strength to strength in 2015. The club made it to the



finals once again and maintained its steep ascent with the addition of global stars to the team, continuing to be the strongest candidate for championship.

VakıfBank continued to host artists and art enthusiasts in various organizations held in the foyer areas of its Head Offices in İstanbul and Ankara, while the Turkish Folk Music and Turkish Classical Music choruses comprised of Bank employees gave concerts and contributed to arts and culture in this special way.

THE RESPONSIBLE BANK

ADDING VALUE TO THE SOCIETY

AFFILIATES AND SUBSIDIARIES

VakıfBank contributes to the national economy with modern banking services, as well as **the operations of its subsidiaries and affiliates** active in diverse sectors.

Along with its modern banking services, VakıfBank contributes to the Turkish economy through the activities of its subsidiaries and affiliates in various sectors. The number of subsidiaries and affiliates remained at 23 in 2015, unchanged from 2014.

Thirteen of VakıfBank's affiliates and subsidiaries operate in the financial services sector (four in banking, two in insurance and seven in other financial lines of business) while 10 are non-financial subsidiaries (one in energy, two in tourism, one in manufacturing and six in other commercial companies).

The value of the Bank's subsidiary and affiliate portfolio increased to TL 1.9 billion as of december 2015, up from TL 1.7 billion in 2014.

FINANCIAL SERVICES GROUP

VakıfBank International AG

VakıfBank International AG was established in Australia in 1999 to grow VakıfBank's international operations in line with its strategy to expand abroad. VakıfBank controls a 90% stake in the Company's capital of EUR 70 million.

Kıbrıs Vakıflar Bankası Ltd.

Established in the Turkish Republic of Northern Cyprus by the Cyprus Administration for Foundations, VakıfBank owns a 15% stake in Kıbrıs Vakıflar Bankası Ltd., which runs banking activities with the capital of TL 40 million.

Türkiye Sınai Kalkınma Bankası A.Ş.

Established in 1950, Türkiye Sınai Kalkınma Bankası A.Ş. provides long-term funds for medium and large-scale investment projects, engages in investment banking activities, and offers corporate finance services. VakıfBank owns an 8.38% stake in the Bank's share capital of TL 1.75 billion.

Takasbank-İstanbul Takas ve Saklama Bankası A.Ş.

İstanbul Takas ve Saklama Bankası A.Ş. (Takasbank) is engaged in clearing and custody services as well as investment banking services. VakıfBank owns a 4.37% stake in the Bank's share capital of TL 600 million.

Güneş Sigorta A.Ş.

Güneş Sigorta is a general (non-life) insurer originally established in 1957 under VakıfBank's direction. VakıfBank owns a 36.35% stake in the Company's share capital of TL 150 million.

Vakıf Emeklilik A.Ş.

Vakıf Emeklilik A.Ş. was established in 1991 as a life insurer. On August 1, 2003, the company acquired a license to sell private pensions pursuant to Private Pension Savings and Investment System Law No. 4632; on September 5, 2003, the company received a license to establish private pension funds. VakıfBank owns a 53.90% stake in the Company's share capital of TL 26.5 million.

Vakıf Finansal Kiralama A.Ş.

Vakıf Finansal Kiralama A.Ş. was founded in 1988 to provide a comprehensive range of leasing services. VakıfBank owns a 58.71% stake in the Company's share capital of TL 65 million.

AFFILIATES AND SUBSIDIARIES

Thirteen of VakıfBank's subsidiaries operate in the financial services sector **(four in banking, two in insurance and seven in other financial lines of business)** while 10 are non-financial subsidiaries **(one in energy, two in tourism, one in manufacturing and six in other commercial companies).**

Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.

Established in 1991 as a publicly held company, Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. is an investment trust. It professionally manages the assets of small and individual investors in the stock exchange, facilitates the trading of marketable securities and maximizes the returns of its portfolio by closely monitoring foreign exchange, stock and money markets. VakıfBank owns a 22.89% stake in the Company's share capital of TL 20 million.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was founded under the guidance of VakıfBank as the first real estate investment trust in Turkey with an issued capital of TL 250,000. The company was set up to establish and manage a portfolio of real estate properties and real estate backed capital markets instruments. VakıfBank owns a 38.70% stake in the Company's share capital of TL 205.4 million.

Vakıf Factoring A.Ş.

Vakıf Factoring A.Ş. was established in 1998 to provide factoring services for domestic and international commercial transactions. VakıfBank owns a 78.39% stake in the Company's share capital of TL 22.4 million.

Vakıf Yatırım Menkul Değerler A.Ş.

Vakıf Yatırım Menkul Değerler A.Ş. was originally established as Vakıf Yatırım A.Ş. (Vakıf Investment Inc.) under the direction of VakıfBank to conduct capital market activities in the same year pursuant to the Capital Markets Board's resolutions dated August 15, 1996. VakıfBank owns a 99% stake in the Company's share capital of TL 35 million. In addition to providing brokerage services, Vakıf Yatırım Menkul Değerler A.Ş. (Vakıf Investment Inc.) performs repurchasing agreements of securities (repo transactions), and provides investment consultancy services.

Vakıf Portföy Yönetimi A.Ş.

Vakıf Portföy Yönetimi A.Ş. was established to manage customer portfolios consisting of capital markets instruments as the authorized agent under discretionary portfolio management agreements pursuant to the Capital Markets Law and other applicable legislation. The Company's core business is setting up and managing mutual funds in line with CMB regulations and other applicable legislation. The Company also provides investment advisory and capital markets services. VakıfBank owns a 100% stake in the Company's share capital of TL 3 million.

Kredi Garanti Fonu A.Ş.

Kredi Garanti Fonu A.Ş. was established in 1991 to provide collateral for all types of loans in favor of SMEs, farmers, artisans, craftsmen and the self-employed. VakıfBank participated in the Company in 2009 and owns a 1.69% stake in its share capital of TL 278.4 million.

VAKIFBANK

EMBRACES EVERYONE VIA ITS SUBSIDIARIES

NON-FINANCIAL SERVICES GROUP

Taksim Otelcilik A.Ş.

Taksim Otelcilik A.Ş. was established in 1966 to build, contract out and manage hotels, motels and similar facilities capable of increasing Turkey's incoming tourism potential. VakıfBank owns a 51% stake in the Company's share capital of TL 334.3 million.

Vakıf Gayrimenkul Değerleme A.Ş.

Vakıf Gayrimenkul Değerleme A.Ş. was established in 1995 to provide appraisal and valuation services for all types of real estate properties. VakıfBank owns a 54.29% stake in the Company's share capital of TL 14 million.

Vakıf Pazarlama Sanayi ve Ticaret A.Ş.

Providing recruitment support service for companies and engaging in marketing activities, Vakıf Pazarlama Sanayi ve Ticaret A.Ş. has a capital of TL 30.2 million, of which the Bank owns a 69.33% share.

Vakıf Enerji ve Madencilik A.Ş.

Vakıf Enerji ve Madencilik A.Ş. was established to build electric and heat energy generation facilities, to generate energy at these facilities and to sell the energy it produces within the framework of current laws, regulations and administrative provisions. VakıfBank owns a 65.50% stake in the Company's share capital of TL 85 million.

Roketsan Roket Sanayii ve Ticaret A.Ş.

Roketsan Roket Sanayii ve Ticaret A.Ş. engages in the production, manufacturing and sale of rocket fuel as well as missiles, rockets and rocket launchers, and their engines. VakıfBank owns a 9.93% stake in the Company's share capital of TL 147 million.

Kredi Kayıt Bürosu A.Ş. (KKB)

Kredi Kayıt Bürosu A.Ş. was established in 1995 to manage the flow of loan information. VakıfBank owns a 9.09% stake in the Company's share capital of TL 7.4 million.

Bankalararası Kart Merkezi A.Ş.

Bankalararası Kart Merkezi A.Ş. was established in 1990 to conduct card based payment systems, clearing and provisioning services. VakıfBank owns a 9.70% stake in the Company's share capital of TL 14 million.

İzmir Enternasyonal Otelcilik A.Ş.

İzmir Enternasyonal Otelcilik A.Ş. engages in contracting out of the building and the management of touristic hotels and commercial centers. VakıfBank owns a 5% stake in the Company's share capital of TL 120,000.

Güçbirliği Holding A.Ş.

Güçbirliği Holding A.Ş. was established in 1995 to invest in companies engaged in agriculture and commerce, and to contribute to the development of the national economy. VakıfBank owns a 0.07% stake in the Company's share capital of TL 30 million.

World Vakıf UBB Ltd. in Liquidation

World Vakıf UBB Ltd. in Liquidation was founded in the Turkish Republic of Northern Cyprus with capital of USD 500,000 and VakıfBank has an 82% stake in the Company. Court of Lefkoşa Kaza in TRNC has ruled for the liquidation of the company with its resolution dated 24 May 2010, and the resolution was reaffirmed as of 2013.

SUMMARY REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

In the year 2015 the US economy grew 2.4%, whereas annual inflation materialized as 0.7%, remaining below the 2% target designated by the Fed. In view of developments in employment and inflation, the Fed postponed its rate rise until december 2015, when it increased its policy rate. The Fed raised the rate by 25 basis points to the interval of 0.25-0.50% and announced that it would gradually increase the rate in the coming period.

The Euro Zone, on the other hand, grew 1.6% in the third quarter in line with expectations, owing to the rise in private consumption and public expenditure; however, due to the sluggish performance of the global economy, European exports had a negative effect on the growth rate. The inflation rate, which stood at negative 0.2% in 2014, closed the year 2015 at 0.4%. Despite deflationary worries about the region, 2015 painted a more positive picture for inflation compared to the previous year. In march 2015, the European Central Bank (ECB) announced a EUR 60 billion bond-buying program to continue until september 2016. During the year it was argued that the program could be extended and that the interest rates could be lowered further, and at its december meeting ECB brought down the deposit interest rate by 10 basis points from -0.20% to -0.30%, and extended the bond-buying program until march 2017. The volume of bond-buying was kept unchanged at EUR 60 billion.

The Turkish economy, on the other hand, grew by 4% year-on-year in the third quarter of 2015, which followed 2.5% in the first and 3.8% growth in the second quarters. In total, the economy grew by 3.4% year-on-year in the first nine months of the year 2015 in real terms. As such, growth was seen to gain momentum in the first nine months of 2015 compared to the same period in 2014. The rise in household consumption spending was an important factor behind this development. The end of electoral uncertainty gave impetus to investments, and the construction sector and exports picked up, which could be expected to have spill-over effects across the economy as a whole. In november 2015, according to 12-monthly cumulative figures, the current account deficit fell to USD 34.7 billion. The fall in the oil price, and as a result in Turkey's import bill, was particularly important in bring down the deficit.

Due to the ongoing fall in the oil price and favorable developments on the inflation front in the first two months of 2015, the Central Bank of Turkey (CBT) lowered the one-week repo rate -its policy rate- by 75 basis points, to 7.5%. The rise in the exchange rate from the second quarter onwards, the uncertainty of the inflation outlook, and questions on Fed's

rate rise led to an increase in market interest rates. In august, CBT announced that it would simplify its monetary policy and wait for the Fed's interest rate decision before taking the first steps in simplification. The Fed started to increase the rate in its december meeting, and CBT, at its Monetary Policy Board meeting, announced its decision to keep the interest rate unchanged at 7.50%; besides, the upper limit of the interest rate corridor, the marginal funding rate remained fixed at 10.75% and the lower limit at 7.25%. At the Monetary Policy Board meeting of december, the CBT signaled that it would initiate monetary simplification in January 2016, in case the Fed's interest rate decision led to a permanent reduction in market fluctuations.

The total assets of the Turkish banking sector went up by 18.2% in december 2015 on an annual basis to reach TL 2 trillion 358 billion. The ratio of the sector's total assets to the GDP materialized as 126.6% in the third quarter of 2015. Loans continued to be a determinant factor in asset growth in 2015 as the ratio of loans to total assets climbed to as high as 63%. The annual growth rate of total assets went up from 18.5% in december 2014 to 19.7% in december 2015. Total loans, on the other hand, stood at TL 1.485 billion as of december 2015.

Deposits, which exhibited a slight upward trend in the third quarter of 2015, came to account for 52.8% of the total funds of the banking sector. Gaining momentum since the beginning of 2015, the deposit growth rate rose further in the final quarter. As a result, total deposits rose by 18.3% on annual basis as of december 2015. After exhibiting a downward trend from year-end 2014 until july 2015, shareholders' equity closed the year at a 13% annual growth rate in december 2015. The share of shareholders' equity in total liabilities materialized as 11% in the same period. The net profit for the period, which had dropped in the first half of 2014, tilted upwards in 2015 partially owing to the base effect before losing steam in the third quarter. As a result, the net profit for the period had grown by 5.9% on an annual basis as of december.

Against the backdrop of these developments across the sector, VakıfBank expanded its total assets by 15.63% over the prior year's end to TL 182,947 million. In 2015, loans once again made the biggest contribution to growth. In this period, VakıfBank expanded its total loans, the core service of the banking business, by 17.86% to the order of TL 122,974 million. As of year-end 2015, commercial loans grew by 20.80% to TL 86,364 million and retail loans by 11.45% to TL 36,611 million, helping the Bank preserve its position in the market. VakıfBank continued to stand by SMEs in 2015 and kept up its consistent growth in SME banking, expanding its SME loans by 19.47% to TL 33,035 million.

Deposits, the Bank's most important source of funding, grew 19.80%, to TL 109,923 million as of year-end 2015. Of this total, 69.57% was in TL and the remaining 30.43% in foreign currency. VakıfBank continued to secure foreign financing with affordable terms in 2015. In this scope, in april 2015, the Bank secured a one-year syndication loan worth USD 1 billion -in two tranches of USD 204 million and EUR 763 million- extended by a consortium of 35 banks. In the second half of the year, the Bank obtained another one-year syndication loan, worth USD 938 million -in two tranches of USD 168.5 million and EUR 679.5 million-, from a consortium of 30 banks. These syndication loans point to the trust and prestige enjoyed by VakıfBank in international markets.

VakıfBank made yet another ground-breaking achievement in 2015 by issuing Turkey's first overseas Basel III-compliant subordinated loan (supplementary capital) issue in February. The USD 500 million issuance had a maturity date of 3 February 2025, having a call option on 3 February 2020, coupon rate of 6.875% and issue yield of 6.95%.

Over this period, VakıfBank expanded its shareholders' equity by 13.51% to TL 16,768 million, and its net profit for the period by 10.09% to TL 1,930 million. As of year-end

2015, VakıfBank's average return on equity materialized as 12.24%, and its average return on assets as 1.13%.

In another important development, VakıfBank presented its disclosure to the Carbon Disclosure Project (CDP) which focuses on climate change strategy, risk management, and carbon emissions. As a result of the assessment, in the very first year we joined the program, we received a disclosure rating of 91 over a possible 100 in the C performance band, which represents a very significant achievement.

We would like to thank our loyal customers, our employees who have contributed to our success with their diligent efforts, and our valued shareholders who have always supported us.

Respectfully,

TÜRKİYE VAKIFLAR BANKASI T.A.O.
BOARD OF DIRECTORS

BOARD OF DIRECTORS



RAMAZAN GÜNDÜZ
Chairman

Ramazan Gündüz began his banking career as an intern at VakıfBank in 1977. Subsequently, he worked as Assistant Auditor and Auditor before serving in various managerial positions including Assistant Manager of the İstanbul Region, Manager of the İstanbul Financial Analysis and Intelligence Department, Manager of the Şişli Branch, Manager of the Medium-Sized Loans Department, Head of the Loans Department, Manager of the İstanbul Regional Directorate, Executive Vice President and Board member. Following his retirement, Ramazan Gündüz served as General Manager of Vakıf Menkul Kıymetler Yatırım Ortaklığı and Vakıf Leasing, both of which are subsidiaries of VakıfBank. He was appointed to the Board at the General Assembly Meeting dated April 3, 2009. He has been the Chairman of the Board of Directors since March 29, 2013.



MEHMET EMİN ÖZCAN
Deputy Chairman - Independent Board Member

Mehmet Emin Özcan graduated from Ankara University, Faculty of Political Sciences, Department of Economics and Finance in 1982 and began his professional career at Türkiye İş Bankası A.Ş. as Assistant Auditor in 1983. Subsequently, he assumed various managerial responsibilities at Albaraka Türk Katılım Bankası A.Ş. He was Executive Member of the Board of Directors of Halk Bankası A.Ş. between March 2003 and April 2005. At the same time, he assumed duties as Bank Representative at Institute of International Finance (IIF), Member of the Board of Directors at Demir-Halk Bank/Netherlands, Halk Yatırım Menkul Değerler A.Ş. and Halk Finansal Kiralama A.Ş. He served as Member of the Board of Directors of T.C. Ziraat Bankası A.Ş. between April 2005 and May 2010. He also assumed duties at various subsidiaries of T.C. Ziraat Bankası A.Ş. as Chairman/Member of the Board of Directors. He served as Vice Chairman of the Board of Directors of Türkiye Halk Bankası A.Ş. from April 2010 to March 2013. Mr. Özcan became Vice Chairman of the Board of Directors at VakıfBank on March 29, 2013 and also serves as Chairman of Vakıf Yatırım A.Ş. and Vice Chairman of Güneş Sigorta A.Ş. Mr. Özcan is married and has three children.



HALİL AYDOĞAN
General Manager

Born in 1950 in Afyonkarahisar, Halil Aydoğan graduated from İstanbul University, Faculty of Economics, Department of Business Administration and Finance in 1976. He began his career at VakıfBank as Assistant Auditor in 1977. Subsequently, he served as Auditor from 1980 to 1983; Assistant Manager in the Mecidiyeköy Branch between 1983 and 1985; and Branch Manager in the Kadıköy, Mecidiyeköy, Taksim, İstanbul and Şişli branches from 1985 until 1996. Mr. Aydoğan assumed the positions of Executive Vice President at VakıfBank between 1996 and 1999 and General Manager at Vakıf Finansal Kiralama A.Ş. from 1999 to 2000. He was a Member of Parliament from Afyonkarahisar for the 22nd and 23rd terms, a member of the State Owned Enterprises Commission for two years, and a member of the Planning and Budget Commission for seven years. On January 5, 2012, Mr. Aydoğan was appointed as Chairman of the Board of Directors of VakıfBank and has served as General Manager of the Bank since March 29, 2013. He also holds the position of Chairman of the Board of Directors at Taksim Otelcilik A.Ş. and at Güneş Sigorta A.Ş. and is a Board member of Türkiye Sınai Kalkınma Bankası A.Ş. and Foreign Economic Affairs.



İSMAİL ALPTEKİN
Board Member

Having graduated from İstanbul University, Faculty of Law in 1968, İsmail Alptekin began his professional career as an attorney at Türkiye Zirai Donatım Kurumu and subsequently worked as Auditor at TÜBİTAK. He held positions as a Board member at VakıfBank for two terms (1975-1978, 1996-1997), a member of Ankara Metropolitan Municipality Council, and as a Member of Parliament from Bolu during the 21st term and from Ankara during the 22nd term. He was also appointed Vice Chairman of the Parliament during his terms in office. İsmail Alptekin was appointed as a Member of the Board of Directors at the Ordinary General Assembly Meeting dated April 3, 2009. Mr. Alptekin is a member of the Corporate Governance Committee.



DR. ADNAN ERTEM
Board Member

Born in 1965, Adnan Ertem completed his secondary education in Erzurum. He graduated from İstanbul University, Faculty of Political Sciences, Department of Public Administration in 1987, and earned his Ph.D. in 1997 in Sociology. Starting his career as Assistant Auditor at the General Directorate of Foundations in 1988, Dr. Ertem was appointed as Auditor in 1991 and Chief Auditor in 2002. Between 2002 and 2007, he served as the Deputy Manager at the İstanbul Regional Directorate of Foundations. Between 2007 and 2010, Dr. Ertem served as Deputy Undersecretary of the Turkish Prime Ministry and in October 2010 he was appointed as General Director of the Turkish Prime Ministry, General Directorate of Foundations. On October 27th, 2010, he was appointed as a Member of Board of Directors at VakıfBank. He is married with two daughters. Dr. Ertem is also a member of the Bank's Remuneration Committee.



ÖZTÜRK ORAN
Independent Board Member

Öztürk Oran was born in Kars in 1956. He graduated from Erzurum Kazım Karabekir Training Institute, Department of Turkish Language (Turkish Language and Literature). Mr. Oran also holds a degree from the Banking and Trade Law Training Institute and İstanbul University, Faculty of Business Administration Accounting Institute Budgeting and Standard Costs specialty program. He began his professional career in 1974 at VakıfBank as an officer. At the same time, he attended Foreign Trade, English, Accounting and Bank Management trainings at the Training Center of the Banks Association of Turkey for a period of three years and received an honorary degree. During his 28 years of banking experience, he worked 12 years at VakıfBank and 16 years at Faisal Finance Participation Bank, assuming duties at various departments and all levels. Since 2003, he has served as Chairman of the Board of Directors at pharmaceutical companies where he is also a partner. Mr. Oran is a Member of the Board of Directors and a Council Member at İstanbul Chamber of Commerce and Member of Board of Directors at World Trade Center İstanbul. In addition, he held various managerial roles in a number of civil society organizations and foundations such as the Orphans Association and Orphans Foundation. He is married with two daughters. Öztürk Oran is fluent in English. He was elected as Member of the Board of Directors at VakıfBank's Extraordinary General Assembly Meeting dated April 30, 2014. He is also a member of Corporate Governance Committee Remuneration Committee. He also serves as Vice Chairman at Vakıf International AG and Chairman at Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş.

BOARD OF DIRECTORS



ŞEREF AKSAÇ
Board Member

Şeref Aksaç was born in Bayburt in 1956. He graduated from İstanbul Economics and Commercial Sciences Academy, Faculty of Political Sciences, Department of Public Administration in 1979. Mr. Aksaç began his professional career in 1982 as Assistant Auditor at Ziraat Bank and was promoted to Auditor in 1986. Şeref Aksaç assumed duties as Assistant Manager at the İstanbul Branch between 1990 and 1993 and as Manager in various branches of Ziraat Bank between 1993 and 2003. He was appointed Executive Vice President responsible for Human Resources between 2003 and 2005. In addition to these duties, he served as Audit Committee Member at Başak Insurance, and as Member of the Board of Directors at Türkmen Turkish Joint-Stock Commercial Bank and at Ziraat Investment and Securities. While serving as Executive Vice President responsible for Sales and Marketing and as Deputy General Manager at Ziraat Hayat ve Emeklilik A.Ş. in August 2012, Mr. Aksaç was appointed General Manager at Ziraat Hayat ve Emeklilik A.Ş. as of March 2013. He is married with one child. He was elected as Member of the Board of Directors at VakıfBank's Extraordinary General Assembly dated on April 30, 2014. He is also a member of the Remuneration Committee and Credit Committee.



SABAHATTİN BİRDAL
Independent Board Member

Sabahattin Birdal was born in Kemah/Erzincan in 1952. He graduated from İstanbul University, Faculty of Economics, Department of Business Administration-Public Finance. Mr. Birdal began his professional career as Assistant Auditor at VakıfBank and subsequently assumed duties as Auditor and Branch Manager. He served as Bank Services Manager at Faisal Finance Bank, as Branch and Department Manager and as Executive Vice President at Kuveyt Türk Evkaf Finance House. Mr. Birdal assumed duties as Deputy Mayor of Üsküdar Municipality between April 2004 and March 2008, and as Member of the Board of Directors of VakıfBank between March 2008 and October 2010. He was appointed to Halkbank's Board of Directors on October 27, 2010. Sabahattin Birdal was elected Member of VakıfBank's Board of Directors at the meeting held on March 31, 2014. He is also a member of the Audit Committee and an alternate member of the Credit Committee. He is also the Chairman of Vakıf GYO, Chairman of Vakıf GYO-Halk GYO Adi Ortaklığı and Vice Chairman of Vakıf Yatırım.

BOARD OF STATUTORY AUDITORS



MEHMET HALTAŞ
Board of Statutory Auditors Member

Mehmet Haltaş graduated from Ankara İ.T.A. Başkent School of Economics and Commercial Sciences. Subsequently, he worked as Auditor and Chief Auditor at the General Directorate of Foundations for 24 years; currently, he is serving as the Head of Counseling and Audit Department in the same organization. He was appointed member of the Board of Statutory Auditors on March 29, 2013.



YUNUS ARINCI
Board of Statutory Auditors Member

Yunus Arıncı graduated from Ankara University, Faculty of Political Sciences, Department of Public Administration. He began his professional career as Assistant Auditor at the Prime Ministry in 1997 and later completed his post graduate degree at Indiana University between 2007 and 2009. After serving as Auditor and Chief Auditor at the Prime Minister's Office, he took office as Head of Audit Committee between October 14, 2009- July 13, 2015. Yunus Arıncı was appointed as Chairman of Presidential State Audit Committee on July 13, 2015, an office he continues to hold. He was appointed Member of the Audit Committee of T. Vakıflar Bankası T.A.O. on March 29, 2013.

EXECUTIVE MANAGEMENT



HALİL AYDOĞAN
General Manager

Born in 1950 in Afyonkarahisar, Halil Aydoğan graduated from İstanbul University, Faculty of Economics, Department of Business Administration and Finance in 1976. He began his career at VakıfBank as Assistant Auditor in 1977. Subsequently, he served as Auditor from 1980 to 1983; Assistant Manager in the Mecidiyeköy Branch between 1983 and 1985; and Branch Manager in the Kadıköy, Mecidiyeköy, Taksim, İstanbul and Şişli branches from 1985 until 1996. Mr. Aydoğan assumed the positions of Executive Vice President at VakıfBank between 1996 and 1999 and General Manager at Vakıf Finansal Kiralama A.Ş. from 1999 to 2000. He was a Member of Parliament from Afyonkarahisar for the 22nd and 23rd terms, a member of the State Owned Enterprises Commission for two years, and a member of the Planning and Budget Commission for seven years. On January 5, 2012, Mr. Aydoğan was appointed as Chairman of the Board of Directors of VakıfBank and has served as General Manager of the Bank since March 29, 2013. He also holds the position of Chairman of the Board of Directors at Taksim Otelcilik A.Ş. and at Güneş Sigorta A.Ş. and is a Board member of Türkiye Sınai Kalkınma Bankası A.Ş. and member of Foreign Economic Affairs.



METİN RECEP ZAFER
Executive Vice President

(General Accounting and Financial Transactions - Treasury and Foreign Operations - Banking Operations - Consumer Relations Coordination) Metin Recep Zafer is a graduate of Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics. He earned his MA and Ph.D. from the same university and is fluent in English. Starting his banking career in 1992, he served as Assistant Associate, Auditor and Department Manager at the branches, head offices and audit committees of various banks. He was appointed as Executive Vice President at T. Vakıflar Bankası T.A.O. on June 13, 2006.



SERDAR SATOĞLU
Executive Vice President

(Private Banking Department-Subsidiaries Department) Serdar Satoğlu was born in Ankara in 1972. He graduated from TED Ankara College in 1990 and Ankara University, Faculty of Political Science, Department of Finance in 1994. Serdar Satoğlu received his Master's degree in Capital Markets and Stock Exchanges at Marmara University, Banking and Insurance Institute in 2006. He received his Ph.D. in Banking in 2010 from the same Institute. He joined T. Vakıflar Bankası T.A.O. on March 6, 1995 as Assistant Auditor and was appointed Head of the Audit Committee of Vakıf Yatırım Menkul Değerler A.Ş. in 2001. He subsequently served as General Manager at the same company for seven years between 2003 and 2010. He was promoted to Executive Vice President at T. Vakıflar Bankası T.A.O. as of June 17, 2010. He was a Member of the Board of Directors at TakasBank between 2008 and 2010; first Member of the Audit Committee and then Member of Board of Directors at TSPAKB between May 23, 2011 and July 8, 2014; Board Member at the Turkish Derivatives Exchange (VOB A.Ş.) between 2011 and 2012; and Board Member at the Central Registry Agency (MKK) between March 29, 2012 and August 25, 2014; Board Member at Vakıf Portföy Yönetimi A.Ş. between January 2011-February 2014. He continues his stint as Board Member of Takasbank A.Ş., to which he was reelected in March 2015, and also serves as Chairman of the Audit Committee. Serdar Satoğlu is married, has three children and is fluent in English.



HASAN ECESOY
Executive Vice President

(Treasury Banking-International Banking and Investor Relations Directorate-International Branches Coordination)

Hasan Ecesoy graduated from Uludağ University, Faculty of Engineering, Department of Electronics, and holds a Master's degree from İstanbul Technical University, Department of Business Administration as well as a Ph.D. from Marmara University, Department of Economics. He started his banking career in 1993 at Ziraat Bankası Banking School, went on to take office in the treasury departments of various banks, before being appointed as Executive Vice President of the Bank in June 2010. Hasan Ecesoy is fluent in English.



ALİ ENGİN EROĞLU
Executive Vice President

(Software Development Directorate 1 - Software Development Directorate 2 - System Management Directorate - IT Operation and Support Directorate - IT Services Planning Directorate - IT Process Management and Compliance - Project Management - Information Security)

Ali Engin Eroğlu graduated from Boğaziçi University, Department of Computer Engineering and received his Master's degree in Computer Engineering from Gebze Hi-Tech Institute. After working as Software Engineer, Project Director, Manager and Executive Vice President at several firms since 1996, Ali Engin Eroğlu was appointed as Executive Vice President to the Bank on July 29, 2010. Mr. Eroğlu is fluent in English.



OSMAN DEMREN
Executive Vice President

(Commercial & Corporate Loans Department - Retail & SME Loans Department -Appraisal & Financial Analysis)

Osman Demren is a graduate of Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Business Administration and received his Master's degree from Okan University's Banking Program. Joining T. Vakıflar Bankası T.A.O. on December 16, 1996 as Assistant Auditor, Osman Demren was appointed as Executive Vice President on March 23, 2011 after working as Auditor, Assistant Manager and Regional Manager for several years at the Bank. He is fluent in English.

EXECUTIVE MANAGEMENT



MUHAMMET LÜTFÜ ÇELEBİ
Executive Vice President

(Corporate and Commercial Banking - SME Banking - Cash Management Operations - Bank Insurance Department - Corporate Branches)
Muhammet Lütfü Çelebi is a 1992 graduate of İstanbul University, Faculty of Economics and Administrative Sciences, Department of Economics. He started his career in 1995 at T. Vakıflar Bankası T.A.O. as Assistant Auditor. Between 1998 and 2001, he worked as Assistant Manager and Manager at a number of the Bank's branches. From 2011 to 2013, he held the position of the Head of Retail Banking; he was appointed as Executive Vice President of T. Vakıflar Bankası T.A.O. on October 4, 2013. He is fluent in English.



MUSTAFA SAYDAM
Executive Vice President

(Human Resources - Support Services - Distribution Channels - Retail Banking - Payment Systems - Payment Systems Operations)
Mustafa Saydam is a graduate of Gazi University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He started his career in 1993 at T. Vakıflar Bankası T.A.O. as Assistant Auditor. After working as Auditor between 1996 and 1999, he served as Assistant Manager and Manager in various branches/ departments at the Bank.. He worked as the Head of Human Resources from 2005 until 2010, and as the Head of the Audit Board between 2010 and 2013. Mr. Saydam was appointed as Executive Vice President of T. Vakıflar Bankası T.A.O. on October 7, 2013. He is fluent in English.



MEHMET EMİN KARAAĞAÇ
Executive Vice President

(Loan Monitoring and Legal Proceedings - Legal Services)
Mehmet Emin Karaağaç graduated from İstanbul University, Faculty of Law in 1989 and started his career as an attorney at T. İş Bankası A.Ş. He served as Assistant Legal Counsel and Legal Counsel at various units of T. İş Bankası A.Ş. until January 2, 2012. He assumed the position of Chief Legal Advisor in the VakıfBank Legal Counseling Department from January 3, 2012 onwards. Mehmet Emin Karaağaç was appointed as Executive Vice President of the Bank on October 25, 2013.

INTERNAL CONTROL SYSTEMS EXECUTIVES

ERSİN ÖZOĞUZ

Head of the Audit Board

Ersin Özoğuz is a graduate of Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Finance. Ersin Özoğuz started working as Assistant Auditor on the Board of Auditors on December 16, 1996. Subsequently, he served as Manager at various branches, Regional Manager and Head at the Bank's various Head Office departments. While serving as the Head of Cash Management Operations, he was appointed as Head of the Audit Board on February 20, 2014.

ZEKİ SÖZEN

Head of Risk Management

Zeki Sözen graduated from Middle East Technical University, Department of Computer Engineering; he completed postgraduate study at the same institution. Zeki Sözen began his professional career at VakıfBank as a Programmer in the Electronic Business Intelligence Systems (EBIS) Department on September 9, 1987. Subsequently, he served as Senior Programmer, Assistant Manager, Manager and Head of different departments of the EBIS Department prior to his appointment to Head of Risk Management on August 7, 2008.

RAMAZAN SIRYOL

Head of Internal Audit

Ramazan Sıryol is a graduate of İstanbul University, Faculty of Economics, Department of Public Finance. He began his career in 1993 as Assistant Auditor under the Head of the Audit Board. Since 2001, he has assumed managerial duties in various Bank branches. He was appointed as Head of the Audit Committee in 2008. Internal Audit, Legislation Monitoring and Compliance and Assessment are within the scope of his field of responsibilities. He speaks English.

COMMITTEES

AUDIT COMMITTEE

Mehmet Emin Özcan and Sabahattin Birdal were elected to the Audit Committee that was established in order to assist the VakıfBank Board of Directors in carrying out its auditing and oversight responsibilities.

The Audit Committee has assumed the following duties and functions:

- Overseeing the effectiveness and adequacy of the internal control systems of the Bank; functioning of these systems as well as the accounting and reporting systems in accordance with applicable laws and regulations; and maintaining the integrity of the information generated by these systems on behalf of the Board of Directors,
- Performing the preliminary assessments required for the selection of the independent audit firms by the Board of Directors,
- Monitoring the activities of the independent audit firms selected by the Board of Directors on a regular basis,
- Ensuring the consolidated functioning and coordination of the internal audit functions of the institutions subject to consolidated audit,
- Receiving regular reports from the departments in charge of and independent audit companies working on internal audit, internal control and risk management systems as regards their operations.

CREDIT COMMITTEE

VakıfBank Credit Committee is comprised of two permanent members and two alternate members, in addition to the General Manager. Mehmet Emin Özcan and Şeref Aksaç serve as permanent members while Sabahattin Birdal and İsmail Alptekin are alternate members.

The functions of the Credit Committee are as follows:

- Performing the tasks stipulated in the Banking Law in accordance with the principles set forth by the Board of Directors,
- Soliciting the written recommendation of the Head Office in lending decisions, and providing the financial analysis and news and intelligence reports about those applying for loans with respect to recommendations for loans that require the procurement of account status documentation,
- Providing any type of information that may be requested by any of the members of the Board of Directors about the Committee's activities and cooperating in the performance of any checks and controls since the Committee's activities are overseen by the Board of Directors.

CORPORATE GOVERNANCE COMMITTEE

VakıfBank Corporate Governance Committee consists of Chairman Öztürk Oran and Members İsmail Alptekin and Mustafa Turan. Corporate Governance Committee is responsible for overseeing the Bank's compliance with the Corporate Governance Principles.

Corporate Governance Committee also fulfills the following functions:

- Overseeing the degree of compliance with the Corporate Governance Principles within the Bank and determining the reasons in case of non-compliance as well as determining the negative impacts resulting from incomplete adherence to these principles and recommending corrective actions to be taken in respect thereof,
- Formulating methods that will provide transparency in the identification of the candidates for the Board of Directors to be recommended to the Board of Directors,
- Undertaking research and developing recommendations about the number of executives in senior management positions,
- Formulating recommendations and monitoring the implementations related to the principles and practices for performance evaluation and compensation of the members of the Board of Directors and the executives,
- Providing recommendations to the Board of Directors pertaining to the persons to be appointed to the Bank's senior management positions consisting of Executive Vice Presidents and equivalents,
- Investigating the independence of the members of the Board of Directors and uncovering any conflicts of interest,
- Providing assessments and recommendations related to the structure and operating principles of the committees reporting to the Board of Directors.

REMUNERATION COMMITTEE

With the Board of Directors decision numbered 82893 and dated January 26, 2012, the VakıfBank Remuneration Committee was established in line with Article 6 of the Corporate Governance Principles that was amended with the "Regulation on Making Amendment to the Regulation Regarding the Corporate Governance Principles of Banks" that was published in the Official Gazette No. 27959 dated June 9, 2011. The Committee Chairman is Öztürk Oran and the members are Dr. Adnan Ertem and Şeref Aksaç.

The Remuneration Committee;

- Evaluates remuneration policies and practices in the context of risk management, and reports its recommendations to the Board of Directors annually.
- Develops its recommendations regarding the remuneration of the members of the Board of Directors and senior executives by taking into consideration the Bank's long-term objectives. The Committee identifies remuneration criteria that are linked to respective the performance of both the Bank and the Board Members. Considering the degree of realization of the criteria, the Committee submits its remuneration proposals regarding Board Members and senior executives to the Board of Directors.

ASSET/LIABILITY MANAGEMENT COMMITTEE

The Asset/Liability Management Committee meets on a weekly basis to evaluate economic and market developments and to discuss the impact of these developments on the Bank's balance sheet. In addition, by reviewing the cost of funding as well as currency, interest rate, liquidity and credit risks, the Committee provides direction to ensure that actions impacting the Bank's balance sheet are in line with the Bank's objectives and strategies. In addition, the Committee monitors resources and resource utilization movements that generate cash inflows and outflows in the short term, and evaluates measures and actions that will give direction to the liquidity-resource procurement-resource utilization transactions that are suitable for the Bank's primary objectives and strategies.

The Committee being chaired by the General Manager is comprised of Executive Vice Presidents, the Manager of Economic Research and the Head of Risk Management.

COMMITTEE MEETING FREQUENCY AND ATTENDANCE AT MEETINGS

Board of Directors

It generally convenes every 15 days, but more frequently in case of emergencies. The Board of Directors convened for 31 meetings and passed 1,456 resolutions in 2015.

Audit Committee

The Audit Committee generally convenes once a month. The Audit Committee convened for 16 meetings and passed 45 resolutions in 2015.

Credit Committee

It generally convenes every 15 days and holds extraordinary meetings in case of emergencies. The meeting time is determined based on the number of agenda items received by the meeting secretariat and their urgency status. The Committee convened for 65 meetings and passed 398 resolutions in 2015.

Asset/Liability Management Committee

Usually convening weekly, the Committee held 43 meetings in 2015.

Corporate Governance Committee

It convenes at the dates specified by the Committee Chairman; generally every three months or at least twice a year, but not to exceed six months between meetings. The Committee convened for two meetings in 2015.

Remuneration Committee

It meets at least once a year. The Committee convened once in 2015.

HUMAN RESOURCES PRACTICES

As a result of the human resources practices that was pursued in 2015 based on the regional needs for the continuity of the Bank's success, VakıfBank was able to establish a strong organizational structure by helping develop banking industry specialists and ensuring the efficient development of the Bank's branch network in order to recruit the optimal number of employees, administer training programs to improve the competencies and skills of employees, and provide effective, efficient and high-quality services within the framework of the Bank's overarching objectives and policies.

As part of the performance assessment and incentive system, performance bonuses are paid to branch personnel and sales personnel according to their own success points in line with the regional directorates with assigned targets, and to Head Office personnel according to the success averages of the branches, every six months, in due consideration of seniority.

EMPLOYEE MANAGEMENT

Through recruitment and employee selection processes conducted in line with its requirements in 2015, VakıfBank aimed to employ the right employees who possess the qualifications required by the banking sector and who fit in the Bank's corporate culture. In this respect, 1,161 new employees were hired in 2015 with the aim of recruiting the right candidates who will increase the quality of the Bank's workforce in line with its Human Resources policy. Some 671 employees left the Bank due to retirement, resignation and other reasons during the reporting period; as of year-end 2015, the number of Bank employees totaled 15,410.

CAREER AND PERFORMANCE

Pursuing a career policy that is consistent with its strategy of "being a bank that develops its own directors", VakıfBank, in line with pre-determined criteria, offers a career path that provides promotion opportunities in certain periods to every promising employee and to the employees who exhibit personal and professional development.

With its career planning and promotion processes that it provided to employees in 2015, the Bank made contributions to the improvement of managerial and leadership skills of employees by assigning them new responsibilities in an attempt to increase employee engagement and strengthen their loyalty to the Bank.

The aim of the performance management system is to establish a link between the Bank's objectives and employee goals; meanwhile, the mutual and continuous information flow between employees and their managers serves to furnish a common culture based on high performance. In terms of recognizing and rewarding high performance, the performance measurement system acts as an important communication mechanism that ensures compatibility between personal goals and corporate goals.

In 2015, performance evaluations of sales personnel were conducted on a monthly basis according to measurable, attainable, and realistic targets, which were set by taking into consideration the skill sets and current job descriptions of the employee, and objective and fair evaluations in accordance with these targets. The Bank also achieved a high level of employee motivation by making semi-annual incentive payments to its employees.

TRAINING

Within the framework of its human resources policies, VakıfBank supports the progress of its employees in line with their career targets, improves their motivation, creates job satisfaction and increases work efficiency through trainings. In line with the "Training Need Assessment", 2,300 classroom training sessions were conducted on 398 different topics in 2015. Some 57,953 participants received a total of 484,423.75 hours of training during these sessions. The Bank's average employee count was 15,410 during 2015; 12,641 employees attended at least one training session while 8,837 employees attended more than one training session. In addition to classroom training sessions, 176,508 participants attended e-learning modules offered on 77 topics.

PLANNING AND ORGANIZATION

In order to ensure the efficient and productive functioning of Bank departments, VakıfBank keeps a close watch on developments in the banking sector and expends efforts towards organizational restructuring. In response to the requirements of departments and legislative obligations, the Bank inaugurated four departments in 2015. The Operational Guidelines of eight departments were upgraded so as to align the functioning of the Bank's departments according to current-day conditions and legislative procedures.

HUMAN RESOURCES PRACTICES

In order to support the Bank's sustainability efforts and create an organizational structure in step with these sustainability principles, a Sustainability Committee under the Board of Directors and a Sustainability Sub-Committee reporting to the former were established. In order to conduct day-to-day sustainability operations, "Sustainability Service" reporting to the Investor Relations Department and "Environment Management Service" under the Head of Support Services were created.

With the aim of boosting business productivity and employing human resources – the most important capital of the organization – optimally, the permanent staff project was continued in 2015 with a view to determining the exact number of personnel required by the Bank departments and branches.

With its strong capital structure, asset quality and an extensive branch network in the Turkish banking industry, VakıfBank adopted the principle of providing effective, efficient and customer-oriented services. To this end, in order to ensure the continuity of its strong organization in 2015, VakıfBank increased the number of its branches from 893 to 920, by inaugurating 21 branches and six satellite branches.

In order to become more accessible to customers, ensure the continuity of services in cases of emergencies such as natural catastrophes, and to perform transactions such as corporate collections on site, the Bank completed the purchase of two Otobanks (Mobile Branches), which are currently in production.

2016 strategic targets of the Bank regarding human resources practices are given below:

- With the aim of ensuring the continuity of the Bank's accelerating progress and its success, making the necessary employee hiring in 2016 in due consideration of new and current branches and departments by managing the current human resources in an efficient and productive manner,
- Performing an Internal Customer Satisfaction Survey in order to evaluate the service received by the Bank branch personnel from Head Office departments, and to increase the quality of this service,
- With the aim of boosting employee motivation and productivity by increasing the communication within the organization, converting the portal – where the screens, which are linked to the Bank's Corporate Portal that contain all the information and proposals about the Human Resources practices, are located – to a platform that can be actively utilized by all the employee,
- As part of the Bank's growth process, by taking into consideration the deficiencies in the permanent staff of the Bank's Branches/Departments, needs for authorized employees in the Branches/Departments that were recently launched or will soon be launched, fostering employee promotions to a higher title,
- Making career plans for the employees according to their performance, skills and trainings they attended,
- Monitoring and implementing the latest HR practices, creating a work environment that increases the motivation and productivity of the Bank's employees in order to ensure employee engagement,
- Ensuring that the trainings administered under employee needs can be put into practice, support social learning, focus on business results, and use technology intensively,
- In line with the targets and strategies of VakıfBank; structuring the Bank's organization in manner that will meet the needs, and reviewing and aligning the duties and responsibilities of all departments with the workflow processes of the Bank,
- With the awareness of the fact that the most important manpower resource of the Bank is human; working on necessary norm staff in order to determine the optimum personnel requirement in the departments and branches,
- With the strength we derive from Bank's customers and in line with the profitability, growth, deposit and loan increase targets for 2016, continuing to perform the projects as planned for expanding the Bank's branch network.

OUTSOURCED SUPPORT SERVICES

VakıfBank procures support services from various companies pursuant to the Regulation on Procurement of Support Services of Banks, Banking Law No. 5411 dated May 11, 2011 and numbered 28106 in order to improve its service quality and maximize customer satisfaction.

As part of the services received from the companies specified within the framework of the Law No. 5188 regarding "Private Security Services," support services such as private security and cash transportation, information systems, various campaigns, merchant verification, and call center services included in the scope of improving Bank's registries, retail marketing and data input services, negotiable instrument printing, human resources, et al. are procured from the following companies, provided that the Bank has the authority in management, content, access, control, auditing and updating.

For private security and cash transportation services received from companies in accordance with Law No. 5188 on Private Security Services

- Group 4 Securicor Güvenlik Hizmetleri A.Ş.
- Desmer Güvenlik Hizmetleri A.Ş.
- Ekol Grup Güvenlik Ltd. Şti.
- Securitas Güvenlik Hizmetleri A.Ş.

For the Maintenance of IT Systems Software Services

- Asseco See Teknoloji A.Ş.
- Bilişim Bilgisayar Hizmetleri Ltd. Şti.
- Crif Enformasyon Derecelendirme ve Dan. Hizm. San. ve Tic. A.Ş.
- Diebold ATM Cihazları Tic. A.Ş.
- DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

- Ereteam Bilgisayar Hizmetleri ve Danışmanlık Ltd. Şti.
- Etcbase Yazılım ve Bilişim Teknolojileri Ltd. Şti.
- Experian Bilgi Hizmetleri Ltd. Şti.
- Global Bilişim Bilgisayar Yazılım Danışmanlık San. ve Tic. Ltd. Şti.
- IBM Global Services İş ve Teknoloji Hizmetleri Tic. Ltd. Şti.
- ICS Financial Systems Ltd.
- Infina Yazılım A.Ş.
- Innova Bilişim Çözümleri A.Ş.
- Key Internet Hizmetleri Bilgisayar Yazılım Don. Mühendislik Müş. San. ve Tic. Ltd. Şti.
- Kobil Bilgisayar Enerji ve Elektrik Sistemleri San. Tic. Ltd. Şti.
- OBSS Bilişim Bilgisayar Hiz. Dan. San. ve Tic. Ltd. Şti.
- Optiim İş Çözümleri A.Ş.
- Provus Bilişim Hizmetleri A.Ş.
- Pronet Güvenlik Hizmetleri A.Ş.
- Riskaktif Danışmanlık Eğitim ve Yazılım San. Tic. Ltd. Şti.
- Suntec Business Solutions FZE
- Turkstrust Bilgi İletişim ve Bilişim Güvenliği Hiz. A.Ş.
- Troy TRM Enformasyon ve Yazılım San. Tic. Ltd. Şti.
- Uzman Bilişim Danışmanlık A.Ş.
- V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Dan. Hiz. Tic. A.Ş.
- Verifone Elektronik ve Danışmanlık Ltd. Şti.

For Call Center Services

- CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.
- Assisst Rehberlik ve Müşteri Hizmetleri A.Ş.

For Retail Marketing and Data Entry Services

- Infoverify Danışmanlık Hizmetleri A.Ş.
- PTT Genel Müdürlüğü
- 5 Car Dealers

For the Printing of Negotiable Instruments

- MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri San. ve Tic. A.Ş.

For Outsourcing

- Vakıf Pazarlama Sanayi ve Ticaret A.Ş.
- GNY Tanıtım İletişim Hizmetleri ve Dış Tic. Ltd. Şti.
- OBSS Bilişim Bilgisayar Hiz. Dan. San. ve Tic. Ltd. Şti.
- LYNKS Bilişim Hizmetleri San. Tic. Ltd. Şti.
- GMG Bilgi Teknolojileri Ltd. Şti.
- Binova Bilişim Danışmanlık Ltd. Şti.
- Sar Yazılım Bilgi Teknolojileri Danışmanlık Eğitim Ltd. Şti.
- Mirsis Bilgi Teknolojileri Ltd. Şti.
- Kratos İnsan Kaynakları Danışmanlık Ltd. Şti.
- Set Bilgisayar Yazılım Donanım Eğitim Müş. Hiz. Ltd. Şti.

For Credit Cards Distribution Services

- Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.

TRANSACTIONS WITH THE BANK'S RISK GROUP

The details of the transactions with the Bank's risk group in 2015 and related explanations are presented in the annual report as a note to Section VII of the Independent Audit Report on Unconsolidated Financial Statements.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CHAPTER I - DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE

Türkiye Vakıflar Bankası T.A.O. ("VakıfBank" or "Bank"), has adopted the Corporate Governance Principles stipulated in accordance with the Banking Legislation, Capital Markets Legislation, Turkish Commercial Code and other relevant regulations. VakıfBank pays utmost attention in order to actualize these principles and has adopted the equality, transparency, accountability and responsibility concepts of the Corporate Governance Principles published by Capital Markets Board (CMB).

The Bank ensured compliance with the following Corporate Governance Principles from among those stipulated in the Annex of the Corporate Governance Communiqué II-17.1 that entered into force after being published in the Official Gazette (no. 28871) on the 3rd of January 2014;

a-) The Bank is in compliance with the following compulsory principles that must be implemented by the banks: (1.3.1.), (1.3.5.), (1.3.6.), (1.3.9.), (4.2.6.), (4.3.1.), (4.3.2.), (4.3.3.), (4.3.4.), (4.3.5.), (4.3.6.), (4.3.7.), (4.3.8.), (4.5.1.), (4.5.2.), (4.5.3.), (4.5.4.), (4.5.9.), (4.5.10.), (4.5.11.), (4.5.12.), (4.5.13.), (4.6.2.) and (4.6.3.).

b-) Regarding the non-compulsory principles:

In order to achieve compliance with the principle no. 1.3.10, the Bank's Board of Directors established a "Donation and Aid Policy" within the period and this policy was published on the website in Turkish and English. The policy was approved by the shareholders at the 61st Ordinary General Assembly Meeting held in 2015, and thus full compliance with the principle was achieved.

In order to comply with principle no.1.6.1, the Bank's Board of Directors established a "Profit Distribution Policy" in 2014, and published the policy document in Turkish and English on the website. The policy was approved by the shareholders at the 61st Ordinary General Assembly Meeting held in 2015, and thus full compliance with the principle was achieved.

There are no female members on the Bank's Board of Directors. No target ratio and time were determined for female members to be included on the Board of Directors. Although the Bank currently could not achieve compliance with the advisory principle no. 4.3.9, there was no conflict of interest among the stakeholders due to a non-compliance with the mentioned principle.

In order to ensure that companies set forth their approach towards sustainability issues such as environment, global warming, depletion of natural resources, employee rights, occupational health and safety, Corporate Governance, and that their decisions about their activities are analyzed with an independent evaluation system in international standards; a Sustainability Index was established in 2014 within the structure of Borsa İstanbul (BİST). In this context, VakıfBank maintained its position in the index in 2015. VakıfBank is one of the five banks in the index listing 29 companies. VakıfBank's participation in this index, which is one of the significant indicators in terms of corporate governance, shows the Bank's sensitivity in this field.

CHAPTER II - SHAREHOLDERS

2.1 Investor Relations Department

The Investor Relations Department carries out its activities under the Head of International Banking and Investor Relations that reports to the Executive Vice President Mr. Hasan Ecesoy.

Conducting relations with foreign and corporate investors, rating institutions and shareholders, the Investor Relations Department makes required notifications regarding all activities carried out and quarterly submits presentations, in particular, regarding the financial comparative analysis of VakıfBank with its peers to the Board of Directors.

The licenses of the department directors are as shown below:

| Name-Surname | Title | License |
|----------------|---------|--|
| Mustafa TURAN* | Head | Capital Market Activities Advanced Level License, Derivative Instruments License, Corporate Governance License |
| Ali TAHAN | Manager | Capital Market Activities Advanced Level License, Derivative Instruments License, Corporate Governance License |

* Assumes duties as a member of the Corporate Governance Committee as per the 11th Article and 2nd paragraph of the Corporate Governance Communiqué.

Employees serving in the Investor Relations Department are as follows:

| Name-Surname | Title | Phone | E-mail |
|-----------------------|---------------------|-------------------|---------------------------------------|
| Mustafa TURAN | Head | +90 212 316 73 90 | mustafa.turan@vakifbank.com.tr |
| Ali TAHAN | Manager | +90 212 316 73 36 | ali.tahan@vakifbank.com.tr |
| Nazan KILIÇ | Assistant Manager | +90 212 316 73 86 | nazan.kilic@vakifbank.com.tr |
| Zeynep Nihan DİNCEL | Associate | +90 212 316 73 83 | zeynepnihan.dincel@vakifbank.com.tr |
| Yasemin KEÇELİOĞLU | Associate | +90 212 316 73 85 | yasemin.kecelioglu@vakifbank.com.tr |
| Ece Seda YASAN | Assistant Associate | +90 212 316 74 01 | eceseda.yasan@vakifbank.com.tr |
| Yusuf YILMAZ | Assistant Associate | +90 212 316 73 88 | yusuf.yilmaz2@vakifbank.com.tr |
| Berna SELEM ARSLANTAŞ | Assistant Officer | +90 212 316 75 94 | bernaselem.arslantas@vakifbank.com.tr |

The main duties and responsibilities of the Investor Relations Department are as follows:

- Managing the relations with existing and potential foreign and local institutional investors and rating institutions,
- Maintaining the relations with brokerage companies' analysts who prepare reports about the Bank,
- Attending meetings organized inside and outside the country on behalf of VakıfBank,
- Preparing quarterly presentations regarding results of the financial statements and making teleconferences,
- Preparing corporate presentations and similar type of meeting tools that publicize the Bank, arranging various target-driven publicity and informative meetings,
- Keeping the "Investor Relations" page up-to-date that includes Turkish and English contents on the Bank's website,
- Working in coordination with the relevant Headquarters departments in preparing and updating the Corporate Governance Principles Compliance Report,
- Answering the shareholders' written information requests about the Bank,
- Preparing documents that must be submitted for the shareholders' information and review regarding Ordinary and Extraordinary General Assembly meetings and holding General Assembly meetings in compliance with the relevant legislation, the Bank's Articles of Incorporation and other internal regulations,
- Making the disclosure of material matters - required to be made within the scope of the Capital Markets Legislation and the relevant legislation that the Bank is liable to comply with - via Public Disclosure Platform,
- Coordinating projects regarding sustainability.

During 2015, the Investor Relations Department:

- Approximately 1,500 information requests submitted by the shareholders were responded to.
- 19 local and foreign investor conferences were attended, and face-to-face meetings were held with approximately 650 foreign and local institutional investors.
- More than 200 meetings were held in the Bank's Istanbul office and roughly 450 investors/analysts were interviewed.
- Following the investor conferences attended, reports were prepared in line with the feedback obtained from the investors and presented to the top management.

- Four teleconferences about the results of the financial statements were arranged and their records were published on the English version of the website.
- Annual ordinary evaluation meetings were held with four rating institutions (Fitch, Moody's, S&P and Capital Intelligence).
- Close contact was made with all the analysts issuing reports about the Bank, accurate and reliable information was given to the analysts at the report preparation stages and opinions were shared with the analysts on the prepared reports.
- It was ensured that 2015 Ordinary General Assembly meetings were held within the scope and in compliance with the Banking Law, Capital Markets Law, Corporate Governance Communiqué, the Bank's Articles of Incorporation and other legislations.
- With the aim of coordinating the projects regarding sustainability, secretarial office works of the Sustainability Working Group that carries out its activities under the Corporate Governance Committee were performed; meetings related to sustainability, meeting agenda and actions to be taken were determined.
- The EIRIS firm was contacted for the evaluation of the sustainability projects; transactions to be made about this subject were determined in the order of priority; and the ideas were exchanged about the reports prepared by EIRIS about VakıfBank.
- The first Sustainability Report, covering 2014 and 2015 June activity period, was prepared in compliance with the Global Reporting Initiative G4, and submitted for the information of the stakeholders.
- For the institutional and foreign investors, Turkey's first investor relations application in English that was prepared by the related Bank units in 2014 for iPhone and iPad users, was actualized with the name "VakıfBank IR." From the date of activating the application until the end of 2015, 4,710 users downloaded the application and started using it on tablets and smartphones.

2.2 Exercise of Shareholders' Right to Information

Questions asked in writing or via phone calls to the Investor Relations Department are answered, except the ones that interfere with confidential information and trade secrets, by contacting with the most authorized person who is the addressee of the question.

Information and developments that interest the shareholders such as stock transaction, capital increase, dividend transactions, General Assembly meetings, financial statements, disclosure of material matters, are regularly communicated with the related parties via websites, newspaper ads, mails or phone calls. Mentioned developments and information are shared with the investors located abroad via e-mail. Moreover, information requests made within the activity period by the domestic shareholders about the status of their stocks, conversion transactions of the existing shares and stock sharing transactions upon death are responded in writing.

VakıfBank has two separate investor relations websites prepared both in Turkish and English. These are:

Investor Relations website in Turkish:
http://www.vakifbank.com.tr/Yatirimci_Iliskileri.aspx?pageID=657

Investor Relations website in English:
<http://www.vakifbank.com.tr/investor-relations.aspx?pageID=625>

On these websites, VakıfBank's corporate information, periodical financial statements and activity reports, corporate governance information, share certificate information and announcements about developments in the bank are available. There is no information or disclosure in the Bank's corporate website that may have an impact on the use of the shareholders' rights.

The Articles of Incorporation of VakıfBank does not regulate the issue of appointing a private auditor. Provisions on requesting a private auditor were evaluated within the scope of the Turkish Code of Commerce and the Capital Markets Law. At the 2015 Ordinary General Assembly, no requests to appoint a private auditor were received from the shareholders.

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2.3 General Assembly Meetings

The Ordinary General Assembly Meeting was held at the Headquarters' address in 2015. 61st Ordinary General Assembly Meeting was held on the 30th of March 2015 and meeting quorum was 85.08%.

Ordinary General Assembly Meeting was held as per the provisions of the "Regulation On The General Assemblies Of The Joint Stock Companies That Will Be Made In Electronic Environment" and "Communiqué On The General Assembly System That Will Be Used In The General Assemblies Of The Joint Stock Companies". The shareholders had the opportunity to attend the General Assembly meeting on an electronic platform, express their opinions, make suggestions, and cast their votes.

In order to inform the shareholders in prior to General Assembly Meetings, the call for General Assembly, the agenda, power of attorney sample and other attached documents were publicly announced in conformity with the relevant legislation via Public Disclosure Platform, Turkish Trade Registry Gazette, Electronic General Assembly System and at least on two newspapers (published nationwide) selected by the Board of Directors. These documents were also published in Turkish and English on the Bank's website. A minimum of 21 days prior (meeting and call dates excluded), a call for a General Assembly is made in the Central Registry Agency system for the e-General Assembly service that enables participating, making proposals and statements, and voting at the Bank's General Assembly Meeting on electronic platform. Moreover, these documents are sent to the shareholders whose up-to-date addresses are listed on the Bank's records.

The 2014 Annual Report – composed of the Bank's Balance Sheet and Profit & Loss Statements for the 2014 accounting period, Board of Directors' Annual Report, Audit Report and Independent External Audit Firm's Report – prepared for the General Assembly, was available for the information of the shareholders in the Central Registry Agency system and in all branches of the Bank before the General Assembly so that they had the opportunity to have information about and to review the Annual Report. Furthermore, in case shareholders request, Bank's branch staff will be providing them with the copies of the call for General Assembly, agenda and power

of attorney samples. Shareholders, entitled to attend the General Assembly, who completed the necessary procedures did attend the Ordinary General Assembly Meeting held in 2015.

The invitation letters published before the meetings contain the following information:

- Date, time and location of the meeting,
- Agenda of the meeting,
- The body inviting shareholders to the meeting (e.g. Bank's Board of Directors),
- The locations where the annual report, balance sheet and profit/loss accounts statements are available for review by shareholders in case of ordinary meeting announcements (Head Office and branches),
- Sample power of attorney for shareholders who will not attend the meeting in person.

The annual report contains information on the operations of the Bank, information on the top management, the Bank's balance sheets, footnotes on the balance sheet, Independent Auditors' Report, Board of Audit Report, Board of Directors' Dividend Distribution Proposal, with Corporate Governance Principles Compliance Report and other relevant information. Upon request, the Investor Relations Department provides shareholders with a copy of the annual report before or after the General Assembly meeting.

All shareholders, irrespective of the size of their participating share, are entitled to speak, to express opinion and to ask questions related to the agenda items of both Ordinary and Extraordinary General Shareholders' meetings. The answers given by the Meeting Chairman and Council to the questions, suggestions and opinions, and to other issues of the shareholders – who physically and/or electronically attended the Ordinary General Assembly Meeting held on the 30th of March 2015 was included in detail in the General Assembly minutes. Following the General Assembly, General Assembly Meeting minutes and annexes are publicly announced via Public Disclosure Platform, Turkish Trade Registry Gazette, e-Company Information Portal and Electronic General Assembly System, and furthermore on the Bank's website.

The 39th Article of the Bank's Articles of Incorporation is as follows: "Every shareholder attending the General Assembly Meeting has the opportunity to declare his/her opinions and ask question about the agenda items, under equal circumstances and within the framework

of the principles regarding the conduct of the meeting. Questions asked to the Board of Directors, are verbally answered right on the spot if possible, if not they will be answered in writing within one week following the General Assembly provided that they are necessary for using shareholders' rights and that they do not interfere with trade secrets." At the Ordinary General Assembly Meeting held on the 30th of March 2015, shareholders' questions were answered during the meeting by the Investor Relations Department. Furthermore, within the scope of the Corporate Governance Principle no. 1.3.5; the questions asked at the General Assembly meeting and the answers given, were published on the Bank's website within the 30 days following the meeting date. There were no unanswered questions at the 61st Ordinary General Assembly Meeting. Therefore, no announcement was made about this issue on the website.

At the 61st Ordinary General Assembly Meeting, the question asked by a shareholder attending the meeting about not having appointed female Members in the Board of Directors as per CMB Corporate Governance Principles; was answered explaining that "No requests were received from the shareholders about the issue, and the issue would be presented to the General Assembly's evaluation if any request is received."

At the Ordinary General Assembly Meeting held on the 30th of March 2015, the 7th Article with title "Capital" of the Articles of Incorporation of the Bank was amended. The upper limit of the registered capital of the Bank was increased from 5,000,000,000 Turkish Liras to 10,000,000,000 Turkish Liras.

At the Ordinary General Assembly Meeting held in 2015, shareholders did not make any request to add an item on the agenda of the Ordinary General Assembly Meeting.

In addition in 2015, there was no matter left to the General Assembly for resolution due to the majority of the independent Members of the Board of Directors not casting affirmative vote.

In 2015, shareholders (who control the management of the Company), Board of Directors' members, managers who have administrative responsibilities, and their spouses and blood relatives and relatives by marriage up to second-degree did not make any important transaction with the Bank or its

associate companies which may lead to conflicts of interest. Furthermore, the aforementioned persons did not make any transaction, related to a commercial business that is within the scope of the Bank's or its associate companies' field of activity, for their own account or for the account of others or did not become unlimited partners in other companies carrying out similar commercial businesses.

2.4 Voting and Minority Rights

The provisions regarding voting rights of the shareholders and the use of these rights are stipulated in the Article 30 of VakıfBank Articles of Incorporation. As per the Articles 43 and 48 of the Bank's Articles of Incorporation; group (A), (B) and (C) shareholders have the privilege to nominate in the election of the Board of Directors while group (A) and (C) shareholders have the privilege in the election of the Audit Committee.

Bank shares are divided into Class (A), (B), (C) and (D) group. The nominal values and voting rights of the share certificates of all classes are equal. Class (D) consists of publicly traded shares.

Shareholders who hold or represent 10 shares are entitled to one vote at the General Assembly meetings while those who hold more than 10 shares are entitled to a number of votes calculated as per the proportion specified above without any limitation.

In VakıfBank's capital, there is no mutual participation relationship. The use of the minority rights is subject to Turkish Commercial Code, Capital Markets Law, relevant legislation and to the communiqué and resolutions of CMB.

2.5 Dividend Rights

There are no provisions in the Bank's Articles of Incorporation that stipulates privileges in participating in profit sharing. The principles regarding the profit distribution of VakıfBank's shares are stipulated in the Articles 82, 83, 84, 85 of the Bank's Articles of Incorporation.

Each year, Board of Directors of VakıfBank submits its proposal on profit distribution to the General Assembly and to the Shareholders' information via annual report prior to the General Assembly meeting. The proposal of the Board of Directors regarding profit distribution is discussed and resolved at the General Assembly. Profit distribution procedures were completed within the legal timeframe

in line with the decision taken by the General Assembly about distributing 2014 Profit and necessary notifications were made to the public authorities. Furthermore, the relevant decision was publicly announced on the same day via Public Disclosure Platform.

In profit distribution, a balanced policy is pursued between the benefits of the shareholders and partnership.

With the aim of complying with the Corporate Governance Principle no. 1.6.1., in 2014, the Board of Directors of the Bank created a "Profit Distribution Policy" and published the document in Turkish and English on the corporate website. Profit Distribution Policy was presented to the approval of the shareholders at the Ordinary General Assembly Meeting held in 2015. Thus, full compliance with the relevant principle was achieved.

2.6 Transfer of Shares

All Bank shares are registered shares and divided into Class (A), (B), (C), and (D) groups.

The Council of Ministers is entitled to sell and to determine the procedures and principles of the sale of Class (A) shares of the Bank and the Class (B) shares held by the attendant foundations under the General Directorate of Foundations.

The Bank's Articles of Incorporation does not include any provisions to restrict the transfer of Class (B) shares held by other attendant foundations and of Class (C) and (D) shares.

However, the Bank's Board of Directors is authorized to convert Class (B) shares held by attendant foundations (subject to permission by the General Directorate of Foundations) and Class (C) shares into Class (D) shares at the request of the Shareholders.

CHAPTER III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Bank Website and Its Content

VakıfBank's websites both in Turkish and English are available at the URL of www.vakifbank.com.tr.

Bank's website is in compliance with the CMB's Corporate Governance Communiqué (II-17.1; date: 03.01.2014) principles no. (2.1.1), no. (2.1.2), no. (2.1.3) and no. (2.1.4) regarding corporate websites. Most of the announcements

made by the Bank via Public Disclosure Platform are translated into English and published on the webpage. Furthermore, it is made sure that the English version is consistent with the Turkish version and is prepared in a manner that will be correct, complete, direct, comprehensible, and sufficient enough for the persons who will make use of the announcement to make a decision.

3.2 Annual Report

Bank's Annual Report is in compliance with the CMB's Corporate Governance Communiqué (II-17.1; date: 03.01.2014) principles no. (2.2.1) and no. (2.2.2) regarding Annual Report.

CHAPTER IV - STAKEHOLDERS

4.1 Disclosure of Information to Stakeholders

VakıfBank stakeholders are informed regularly about the issues deemed necessary, through press releases, press conferences, interviews, annual reports, news on the website, announcements and various meetings.

In order to ensure accurate and reliable flow of information, the Investor Relations Department prepares presentations regarding the financial statements disclosed each quarter, shares these presentations with the investors via website and e-mail and also announces them through live teleconferences. The Department, by attending the investor meetings organized by the investment companies, shares the developments related with the Bank and the sector and answers any type of related question and request over the phone or via e-mail on a daily basis. On the Bank's website; necessary technical infrastructure was built in the "Sorun Çözelim" section for the Bank customers' information requests, comments or complaints about the Bank's services and products. Information requests, suggestions and complaints of customers about the Bank's products and services as well as the problems of customers are resolved by all relevant departments of the Bank in the most effective manner.

In order to speed up stakeholders' access to information, and to facilitate Corporate Governance Committee's access to the Bank's transactions that are contrary to legislation and that are ethically not appropriate, mail addresses surdurulebilirlik@vakifbank.com.tr and sustainability@vakifbank.com.tr were made available and presented for the information of the stakeholders on the corporate website in the Investor Relations section.

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The Information System Portal was built in order to provide information to Bank employees. All announcements are made on this intranet portal that is an internal information sharing system. At different locations employees can have immediate and effective access to the information they are looking for due to the fact that all internal information is available on the system. In this manner, as employee satisfaction increases, time and energy loss is prevented, as well. The aim is to achieve cost saving and faster communication with the help of this portal.

The oversight of the existing control mechanisms for the compliance of the transactions performed by VakıfBank with the relevant legislation, banking practices, Bank's internal policies and ethical principles, is done by the Compliance Directorate with the coordination of Audit Board Department, Internal Control Department and Risk Management Department. The scope of the compliance function consists of: tracking of the compliance risks that may arise from the international regulations, in the foreign branches and consolidated partners of VakıfBank, performing necessary tasks in order to continuously increase the compliance awareness and culture within the Bank. The Audit Board is directly informed about the results of the activities carried out regarding the compliance function.

4.2 Stakeholder Participation in Management

The Bank takes utmost care of its employees and all the stakeholders and thereby aiming to meet the expectations of its internal and external customers by improving the quality of its products and services: In order to achieve this aim, it designs all its systems in a manner that they can be continuously improved.

VakıfBank pays utmost attention that its employees play an effective role at the development stage of new products and services. With an e-mail address created in the Bank, employees are given the opportunity to state their opinions within the scope of the new product development. The presented opinions, after being evaluated by the departments of the Head Office, can be brought to the project stage.

If necessary, the Bank also provides information to the stakeholders who are not Bank employees, about the issues that concern them via e-mail, phone and other communication channels. The Bank established the department called Consumer Relations Coordination Center, accessible via the Internet, to ensure customer satisfaction. All suggestions, complaints or positive feedback about the Bank's products and services are communicated to the relevant department via e-mail. Additionally, customers can perform all banking transactions through a direct call to VakıfBank 7/24 branch at 0850 222 0 724.

4.3 Human Resources Policy

Within the scope of the sustainability efforts, the "Human Rights and Employee Rights Policy" that fulfills the requisites of the principle no. 3.3.1. of the Corporate Governance Communiqué (II-17.1) was made available for the information of the stakeholders on the corporate website.

Making maximum use of its existing human resources with its HR practices in order to reach its targets, the Bank also aims to maintain the labor peace with the equal opportunity working environment it provides to its staff.

In this context, the growth strategy followed by considering the increasing competition in the banking sector, through its existing HR policies the Bank supports its employees' development, and prioritizes the issue of creating motivation and job satisfaction. The Bank also aims to maximize employee loyalty and happiness.

The main principles of the Human Resources policy carried out by the Bank are given below:

- Creating and maintaining a working environment that will increase the motivation and efficiency of the Bank employee,
- Prioritizing the concept of gender equality in performing the policy and procedures of the Bank without discriminating among the female-male employee members, and thus providing a working environment where all employee members have equal opportunities and labor peace,
- Maintaining a permanent working environment open to communication at all levels,
- Evaluating employees' success and performance at work, encourage them,

maintaining their moral and motivation at the highest level,

- Considering the material and moral interests of the employees' and pursuing, maintaining, developing a fair wage policy where equal wages are given for equal jobs without making any gender discrimination,
- Developing their knowhow and skills through training programs given to the employee within the Bank,
- Cultivating its employee in line with their career targets within the framework of the Bank's training policy,
- Taking necessary measures to increase health, safety, and welfare of the female/male employees, and increasing their loyalty to the Bank,
- Providing the employees with opportunities to get title promotions on the basis of female male equality, and contributing to improving their management and leadership skills with the new responsibilities given,
- Creating high motivation by developing individual and professional competencies of the employee and strengthening their loyalty to the Bank,
- Keeping track of the modern HR practices and developments, adapting the latest HR practices in the Bank's system and making them practicable.

The criteria about the personnel to be employed at the Bank, are specified in the Bank Personnel Directive. Recruitment process is carried out in line with the principles stipulated in the relevant legislation, taking long term strategic targets of the Bank and norm staff of the branches and departments into consideration.

For the Bank's success to continue, the aim is to effectively and efficiently manage the current human resources, and to carry out activities in the branches/departments with optimum number of personnel.

In the recruitment process carried out to meet the need for personnel, candidates can start working for the Bank as an assistant auditor or an assistant financial analyst/associate or as an officer. The personnel who will be working at the Bank are chosen from among the candidates who have a bachelor's degree in banking from a 4-year department of the universities. Special attention is paid to make sure candidates have a postgraduate degree and knowledge of foreign language.

Considering the lack of permanent staff in the Branches/Departments, and the need for authorized employee in the existing/future Branches/Departments employee, and probable retirements, resignations and the like, promotion exams are made in accordance with the Bank Employee Directive's relevant clauses that regulate promoting.

The aim is to create a structure based on the specialization of the staff members in line with their competencies and thus to determine their career steps by taking their performance measurements and trainings into consideration. Making evaluations with an organizational approach that cultivates its managers/executives, and monitoring the employee members who have the competencies necessary for the job, and making sure that they are cultivated for executive positions. To this end, efforts are made to increase the corporate (employee) loyalty, and to create an organization where activities are carried out adopting the corporate culture.

The performance process is continuously reviewed and improved as the performance measurements of branches and regional directorates are made; performances are fairly and objectively evaluated; bonuses are paid to staff members depending on their performances.

Training programs inside and outside the Bank are carried out to improve the competencies of the staff and to ensure that the employees are

specialized in their jobs in line with their career plans through the approach targeting continuous learning, innovation and perfection.

Moreover, the Training Department provides orientation trainings within the scope of special programs for novice assistant auditors, assistant financial analysts/associates and officers in order to help them get adapted to the Bank and in order to make sure that the corporate culture is adopted.

Employees are informed about their job descriptions and distribution as well as performance and awarding principles.

The Bank's staff works in accordance with the provisions of private law, and is recruited in conformity with the provisions of the Labor Law no. 4857 currently in effect. Bank employees are "Turkish Bank and Insurance Company Employees Union" (BASS) members, and thus working conditions of the employees are determined with the collective bargaining agreements between the Bank and the union. Currently, CBA for the 22nd Period between 01.05.2015 and 30.04.2017 is in effect.

Relations between the employees and employers are carried out by the directors and representatives of the abovementioned unions. The union representatives forward the requests and complaints of the employees of the Bank about working conditions, personal rights, duties and responsibilities to the employers and monitor the process. Furthermore, there are union representatives, elected among the staff working in the Bank's Branches/Departments, (i) who should monitor whether or not the Collective Bargaining Agreement and the laws in force about the union members are practiced in line with their purposes and, (ii) who should verbally or in writing inform the director of that workplace about the insufficiency and discrepancy they detected on these issues. To date, there has not been any complaint from the employees about any discrimination issues. The names, surnames and duties of the directors of the abovementioned unions are given below.

4.4 Ethical Rules and Social Responsibility

Pursuant to its objectives of protecting stability and reliability in the banking sector by preventing unfair competition, improving service quality and maintaining the reputation of the banking profession before the public, the Bank, with Board of Directors' resolution numbered 74205, dated February 16, 2006, adopted the Bank's Banking Ethical Rules, issued by the Banks Association of Turkey and has undertaken to comply with these rules. This resolution was approved by the General Assembly held on March 31, 2006. Business Ethics in Banking (Code of Ethics) is available in Turkish and English on the Bank's website. Assuring to comply with the Business Ethics in Banking, VakıfBank has adopted the principle of contributing to social life at the maximum level. In line with the influence of the "foundation heritage" in its roots and the image of "Compassionate Bank", the Bank carried out important projects in the fields of sponsorship and social responsibility also in 2015.

With the support it has uninterruptedly given to volleyball for 29 years, VakıfBank continued to be the main sponsor of VakıfBank Sports Club. VakıfBank Sports Club again achieved new successes in all championships playing in the finals.

VakıfBank also made considerable progress in the sport complex that is being constructed. The structure, with 33,300 square meters of indoor sports space in total, has been planned to open in august 2016. Having made more than TL 40 million investment, VakıfBank will present the sport complex to serve Turkish sports for at least 25 years.

Carrying its support for sports and education to schools all across the country, VakıfBank has provided a great number of schools with sports equipment and stationery materials by its own means and by means of the sports club and has also sponsored and hosted numerous national organizations.

Continuing to support arts also in this year, VakıfBank gave many painters the opportunity to exhibit their works in the galleries in Ankara and İstanbul. Moreover, Turkish Folk Music and Turkish Classical Music choruses formed within the Bank continued their activities throughout the year, while these activities and concerts were supported by VakıfBank.

| Name-Surname | Position |
|---------------|---------------------------|
| Turgut YILMAZ | President |
| Mustafa EREN | Secretary General |
| Salih KALFA | Secretary General-Finance |

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CHAPTER V - BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

| NAME - SURNAME | POSITION | START DATE OF POSITION |
|--------------------------|--|------------------------|
| Ramazan GÜNDÜZ | Chairman | 29.03.2013 |
| | Board Member (C) | 06.04.2009 |
| Mehmet Emin ÖZCAN | Independent Board Member (D) | 28.03.2014 |
| | Deputy Chairman | 29.03.2013 |
| | Credit Committee Member | 05.04.2013 |
| | Audit Committee Member | 04.04.2014 |
| Halil AYDOĞAN | General Manager- Executive Board Member-Ordinary Member | 29.03.2013 |
| İsmail ALPTEKİN | Board Member (A) | 06.04.2009 |
| | Corporate Governance Committee Member | 07.04.2009 |
| | Credit Committee Substitute Member | 30.03.2015 |
| Dr. Adnan ERTEM | Board Member (A) | 28.10.2010 |
| | Remuneration Committee Member | 06.04.2012 |
| Öztürk ORAN | Independent Board Member (A) | 30.04.2014 |
| | Corporate Governance Committee Member | 08.05.2014 |
| | Remuneration Committee Member | 30.03.2015 |
| Şeref AKSAÇ | Board Member (B) | 30.04.2014 |
| | Remuneration Committee Member | 08.05.2014 |
| | Credit Committee Member | 29.12.2015 |
| Sabahattin BİRDAL | Independent Board Member (C) | 31.03.2014 |
| | Audit Committee Member | 04.04.2014 |
| | Credit Committee Substitute Member | 29.12.2015 |
| BOARD OF AUDITORS | | |
| Mehmet HALTAŞ | Audit Board Member | 19.03.2010 |
| Yunus ARINCI | Audit Board Member | 19.03.2010 |

Pursuant to the regulations of the Banking Regulation and Supervision Agency, the Chairman of the Board of Directors does not have executive tasks and duties. The General Manager Halil AYDOĞAN is an executive member of the Board of Directors. There are no other executive members in the Board of Directors except the General Manager. The term of office of the members of the Board of Directors is three years. Members completing their term of office can be reelected. Résumés of the Members of the Board of Directors are included on <http://www.vakifbank.com.tr/management.aspx?pageID=843>

As per the Capital Markets Board regulations regarding Corporate Governance Principles, the number of Independent Members of the Board of Directors was determined as "three". Mehmet Emin ÖZCAN's and Sabahattin BİRDAL's statements of independence, stating that they are independent within the framework of the criteria specified in the legislation, the Bank's Articles of Incorporation and the relevant Capital Markets Board Communiqué, are available in the Corporate Governance Committee Decision dated 26.01.2015. Independent Members

were presented to the Board of Directors on 29.01.2015 and at the Bank Ordinary General Assembly, Mehmet Emin ÖZCAN, Sabahattin BİRDAL and Öztürk ORAN were elected as Independent Members of the Board of Directors.

Independent Members of the Board of Directors' statements of independence are available, and there is no breach of independence as of the relevant activity period.

Duties of the Members of the Board of Directors outside the Bank within the Group:

| NAME - SURNAME | SUBSIDIARY | POSITION IN THE SUBSIDIARY | START DATE OF POSITION |
|-------------------|---|--------------------------------|--|
| Ramazan GÜNDÜZ | VakıfBank International AG | Chairman | 27.04.2015 |
| Mehmet Emin ÖZCAN | Güneş Sigorta A.Ş. Vakıf Yatırım Menkul Değerler A.Ş. | Deputy Chairman Chairman | 27.03.2015 27.03.2015 |
| Halil AYDOĞAN | Güneş Sigorta A.Ş. Taksim Otelcilik A.Ş. TSKB A.Ş. | Chairman Chairman Member | 09.04.2013 15.02.2012 16.12.2013 |
| İsmail ALPTEKİN | Vakıf Gayrimenkul Değerleme A.Ş. Taksim Otelcilik A.Ş. | Chairman Member | 31.05.2010 01.01.2011 |
| Dr. Adnan ERTEM | Vakıf Emeklilik A.Ş. | Chairman | 30.03.2011 |
| Sabahattin BİRDAL | Vakıf Yatırım Menkul Değerler A.Ş. Vakıf Gayrimenkul Yatırım Ort. A.Ş. | Deputy Chairman Chairman | 27.03.2015 30.04.2014 |
| Öztürk ORAN | Vakıf Menkul Kıymet Yat. Ort. A.Ş. VakıfBank International AG | Chairman Deputy Chairman | 09.05.2014 27.04.2015 |
| Şeref AKSAÇ | Vakıf Emeklilik A.Ş. Vakıf Finansal Kiralama A.Ş. | Vice Chairman Chairman | 27.03.2015 01.04.2015 |

Member of the Board of Directors Dr. Adnan ERTEM's duties outside VakıfBank and the Group are; General Manager of the General Directorate of Foundations, Member of the Board of Directors of the Social Aid Fund Board, Member of the Board of Directors of Supreme Council of Antiquities and Monuments, Member of the Board of Trustees of Recep Tayyip Erdoğan University Foundation, Member of the Board of Trustees of Bezmi Alem University Foundation, Member of the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş., Chairman of the Board of Directors of Press Advertising Institution, and Deputy Chairman of the Board of Directors of Vakıf Katılım Bankası A.Ş.

Member of the Board of Directors Öztürk ORAN's duties outside VakıfBank and the Group; Since 2003, he continues his professional life as Chairman of the Board of Directors in the pharmaceutical companies where he also is a partner. He is a Member of the Board of Directors in Istanbul Chamber of Commerce and in the World Trade Center. He is also the Chairman of the Board of Directors of Vakıf Katılım Bankası A.Ş.

The fourth paragraph of the 60th Article of the Bank's Articles of Incorporation is as follows: "Without getting approval from the General

Assembly, Members of the Board of Directors cannot perform any transactions related to a commercial business that is within the scope of the Bank's field of activity, for their own account or for the account of others, or cannot become unlimited partners in other companies carrying out similar commercial businesses." Within this scope, without getting permission from the General Assembly of the Bank, the Members of the Board of Directors cannot directly or indirectly make any transactions with the Bank on behalf of themselves or others and cannot be executive members in a corporation making transactions with the Bank. Furthermore as per the Banking Law no. 5411, Members of the Board of Directors who assume tasks in the Audit Committee do not have any tasks/duties/positions in the unconsolidated subsidiaries.

5.2 Operating Principles of the Board of Directors

Board of Directors must convene at least twice a month upon the call made by the Chairman or at least two members in line with the necessity of the Bank affairs. However, if there are not any issues on the agenda, the meeting can be postponed only for one time with the approval of the Chairman (Article 53 of the Bank's Articles of Incorporation). Meeting agendas are prepared according to the memorandums sent

from the Head Office departments while various reports the Board of Directors requested from the management and various issues presented by the Board Members are discussed during the meeting. The agenda and relevant files are presented to the members prior to the meeting.

Informational and communication activities for the Members of the Board of Directors of the Bank are carried out by the Board of Directors Administrative Department. In 2015, 31 Board of Directors meetings were held. Members of the Board of Directors did attend the Board Meetings except in cases they had excuses. Decisions were made unanimously. All questions, opinions and objections of the Members during the Board of Directors Meeting are recorded in the meeting minutes. Each Member of the Board of Directors has one right to vote, and members do not have weighted right to vote and/or negative veto right.

At the Board of Directors Meetings, majority of the Members must be present. Decisions are taken by majority of the attending members. In case of equality of votes, the voted issue will be added on the agenda of the next meeting; and will be deemed refused in case of equality for another time in that meeting (54th Article of the Articles of Incorporation of the Bank).

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In the Board of Directors' decisions regarding the Bank's significant related party transactions, approval is required by majority of the Independent Members. In case any such transaction is not approved by the majority of the Independent Members, (i) the situation will be publicly announced within the framework of public disclosure regulations in such a manner that will include sufficient information regarding the transaction; and (ii) the transaction will be presented to the approval of the General Assembly. Board of Directors' decisions that are not made in conformity with the specified principles will not be valid (54th Article of the Articles of Incorporation of the Bank).

An electronic meeting system was established to enable the Members of the Board of Directors of the Bank to attend the meetings and to vote on electronic platform.

Losses incurred by the members of the Board of Directors as a result of their faults during their term of office, are covered under insurance. Employer's Liability Insurance 2015 policy's total value is USD 75,000,000 for each damage within the term of the policy.

5.3 Number, Structure and Independency of Committees Established by the Board of Directors

In order to efficiently and effectively carry out its activities in line with the Banking Law no. 5411, Banking Regulation and Supervision Agency's "Regulation on Corporate Governance Principles in Banks", Capital Markets Board's Corporate Governance Principles and the Articles of Incorporation of the Bank; the Board of Directors has established Audit Committee, Credit Committee, Corporate Governance Committee and Remuneration Committee. All Members of the Audit Committee and the Chairmen of the other committees are Independent Members. Due to the fact that there are no Executive Members except the General Manager, in the Board of Directors, Committee Members are non-executive members. Committees are not entitled to take executive decision.

The Audit Committee is composed of the Independent Members of the Board of Directors; Mehmet Emin ÖZCAN and Sabahattin BIRDAL. The Audit Committee convenes at least once a month on the specified date.

Credit Committee is composed of two permanent members and General Manager. Permanent members are Mehmet Emin ÖZCAN (independent member) and Şeref AKSAÇ. There are two substitute members for a member who will not attend a meeting. Substitute members are Sabahattin BIRDAL and İsmail ALPTEKİN. The Credit Committee generally convenes once every 15 days, and holds an extraordinary meeting in urgent cases. The Committee's meeting date is set according to the number and urgency of the agenda items that are received by the meeting secretary.

The Corporate Governance Committee is composed of the Members of the Board of Directors Öztürk ORAN (Committee Chairman - Independent Member), İsmail ALPTEKİN and Head of International Banking and Investor Relations Mustafa TURAN. The Committee generally convenes once every three months or at least twice in a year on semi-annual basis on a date determined by the Committee Chairman.

The Remuneration Committee is composed of Öztürk ORAN (Committee Chairman - Independent Member), Dr. Adnan ERTEM and Şeref AKSAÇ. Remuneration Committee evaluates the remuneration policy and applications within the scope of risk management and submits the suggestions as a report to the Board of Directors every year. The Committee convenes once every year.

Committees carry out their tasks within the scope of the framework of the working principles specified in the Articles of Incorporation of the Bank. Committees meet at a regularity required by their tasks. All tasks are carried out in writing and necessary records are kept. Furthermore, the procedures and principles practiced by the committees in carrying out their activities are available in the Annual Report. The number of the Members of the Board of Directors of the Bank is "9". However, the number of the Members of the Board of Directors carrying out tasks as of the report date is "8". (The term of office of the Member of the Board of Directors Halim KANATCI ended on 30.04.2015. The Prime Ministry Office has not appointed a new member in his vacant position yet.). Board Members assume duties in more than one committee since the number of the members of the committees of the Board

of Directors is greater than the number of the members of the Board of Directors as stipulated in the principles of the Capital Markets Board Corporate Governance Principles and Banking Regulation and Supervision Agency. Committees are composed of at least 2 members.

5.4 Risk Management and Internal Control Mechanism

The Risk Management Department directly reporting to the Audit Committee is responsible for carrying out activities for defining, measuring, reporting, monitoring and controlling the risks the Bank faces. Furthermore, all departments are considered as a part of the risk management system.

Risk Management activities in the Bank are carried out in conformity with the legal legislation, also international best practices are pursued. Within this scope, risk management strategies were established, as the policies for managing each of the risks were written within the framework of principle of materiality.

A capital structure in conformity with the risk level is closely monitored, as the Bank's resistance against unexpected and negative developments is measured via scenario analysis and stress tests. Besides measuring legal capital requirement, İSEDES (Internal Capital Adequacy and Evaluation Process) activities that include internally evaluating the capital requirement for the risks the Bank faces/will face also carried out, as the results are evaluated by the top management.

Furthermore, Risk Management Department carries out its activities in coordination with the Audit Board and Internal Control Department, within the scope of the "Regulation on Banks' Internal Systems and Internal Capital Adequacy Evaluation Process".

An efficient and effective internal control system was established in order to make sure that; Bank activities are carried out within the framework of the current legal legislation, in conformity with the targets, policies and strategies specified by the top management. In order to establish, develop and coordinate a healthy internal control system in the Bank and to enable the reliability, integrity of the accounting and financial reporting system,

and timely access to information, the Internal Control Department – carrying out its activities under the supervision and control of the Audit Committee – controls the operational procedures for carrying out activities in all branches and departments of the Bank, bank’s communication channels, information systems, financial reporting systems and business processes.

Internal Control Department; i) controls the functional separation of tasks, and distribution of duties and responsibilities, for defining, measuring and preventing the Bank risks, ii) reviews the processes, iii) determines check points, iv) carries out activities to increase the effectiveness of the control process, and to establish auto-control mechanisms in processes. While necessary measures are taken, processes and systems to be activated, are evaluated with a proactive approach covering risks that have not been previously encountered or defined.

Compliance Department carries out necessary activities in order to ensure compliance with the legal obligations within the scope of “Prevention of Laundering of Proceeds of Crime and Financing of Terrorism”, and with the international rules and principles on the same issue.

Legislation Monitoring and Evaluation Department; i) regularly monitors the developments (related to banking activities) in legislation and banking practices, ii) interprets the impacts of the legislation changes on the banking activities, iii) determines, within this scope, the measures to be taken by the Bank, and changes to be made in Bank’s internal legislation and practices, and provides written information about the issue to the relevant departments of the Bank, iv) requests necessary measures to be taken. Furthermore, relevant departments are informed about draft regulations related to banking, necessary procedures are initiated before the regulations enter into force. The Department monitors

the activities carried out by the relevant departments, measures taken, changes made in practices, and the internal legislation regulations, and moreover coordinates the processes of i) eliminating deficiencies (as the Department counsels if necessary) and ii) taking necessary measures in order to promptly and fully comply with the legislation, iii) updating the general legislation and guidelines that will be prepared by the business units in this context. Moreover, the Department i) performs tasks regarding the compliance controls within the scope of the “Regulation On Banks’ Internal Systems and Internal Capital Adequacy Evaluation Process”, ii) examines and evaluates the new products and services of the Bank in terms of internal legislation regulations compliance risk, iii) ensures that necessary corrections, changes are made and measures are taken.

5.5 Company’s Strategic Targets

The general strategies of the Bank are determined in line with the expectations on the economy and sector at the meetings chaired by the General Manager with the participation of the top management. Forecasts regarding the annual projection in line with the strategies and business plans are received from the business units of the Bank and the business plans along with data received from units are evaluated by the management. Consequently, strategies of the Bank, annual projections and business plans are presented by the Strategy Development Department to the approval of the Board of Directors. The final version of the approved projections and strategies are forwarded to the Executive Vice Presidents of the Bank and announced to the Bank employees. Information regarding these projections and strategies are assessed at the monthly held “target achievement performance” meetings by the Assets and Liabilities Committee according to the data received from the Performance Evaluation and Career Planning Department. Furthermore, at the periodically held meetings

these strategies and projections are reviewed while target achievement performance and activities are evaluated and necessary actions are taken. Furthermore, in case of having unexpected developments in the sector, the projection is revised if necessary.

5.6 Board of Directors Remuneration

The Chairman, Deputy Chairman and Members of the Board of Directors receive an annual salary that is determined by the General Assembly annually and that is implemented with the approval of the Prime Minister. This issue specified in the minutes to the General Assembly, is available on the Bank’s website.

The third paragraph of the 60th Article of the Articles of Incorporation of the Bank is as follows: “Members of the Board of Directors who are not shareholders and Members of the Board of Directors’ relatives who are not shareholders specified in the 393rd Article of the Turkish Commercial Code cannot borrow cash from the Bank. For these persons, the Bank cannot give surety, guarantee and collateral, cannot assume responsibility, and cannot take over their debts.” Within this scope, the Bank did not lend any money or extend loans to any of the Members of the Board of Directors. It did not improve the terms for loans or credits that have been given to the Members of the Board of Directors, and neither it extended loans by means of third persons and nor gave any collaterals.

With the aim of complying with the principle no. 4.6.2, the Board of Directors of the Bank established a “Remuneration Policy” within the period and published the policy document in Turkish and English on the website. The policy was submitted for the information of the shareholders at the 2015 Ordinary General Assembly Meeting.

Yours sincerely,



ÖZTÜRK ORAN
Corporate Governance
Committee Chairman



İSMAİL ALPTEKİN
Corporate Governance
Committee Member



MUSTAFA TURAN
Corporate Governance
Committee Member

STATUTORY AUDITOR'S REPORT

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

This audit report was prepared pursuant to the provision of Article 44 of Türkiye Vakıflar Bankası T.A.O. Articles of Incorporation.

While the Bank is open to public scrutiny, the Bank's external auditing is made routinely by the Court of Accounts and the Banking Regulation and Supervision Agency ("BRSA"), and also by the independent auditor as per the Article 43 of the Bank's Articles of Incorporation.

In the current period, our Bank's; i) total assets increased by 16% and reached TL 182,947,124 thousand; ii) total loans with 68% share in the assets increased by 18% and reached TL 123,780,653 thousand, iii) total deposits – with a broadened base – increased by 20% and reached TL 109,922,534 Thousand. Within this scope, demand deposits increased by 21% while savings deposits increased by 24% and reached TL 45,072,299 thousand. As a consequence of these growing figures, the Bank's net income increased by 10% –outperforming the sector – and reached TL 1,930,109 thousand.

The Bank valued its real estates, which were in use throughout the year, at a fair market value, and increased its equities with a net value of TL 548.390 thousand. Moreover, our Bank's Capital Adequacy Ratio, which is an important figure for the banking sector, increased by 60 basis points and reached 14.52% compared to the previous year.

In this period; within the scope of the policy of increasing the number of branches, the Bank opened 27 new branches. In this context, the number of its domestic branches reached 917, while the total number of personnel is 15,410. Moreover, in line with the issue on providing continuous training to the employees, it was observed that the employees attended internal on-the-job training sessions as well as domestic and international training programs organized by institutions other than the Bank.

The included financial data related with the annual activities of the Bank was reflected in compliance with the procedures and principles in force within the frame work of the Banking Law no. 5411, Turkish Commercial Code no. 6102, Capital Markets Law no. 6362, generally accepted accounting principles, relevant legislation and the Regulation of Internal Systems.

Internal auditing of the Bank: is performed by the Audit Board Department, Internal Audit and Risk Management Departments.

It was concluded that: the Bank had an annual audit plan with regard to the on-site audits conducted in the Bank covering domestic branches, overseas branches, Head Office departments and consolidated

subsidiaries; and these audits were conducted within the framework of the audit standards including the inspection of the operational transactions to carry out the Bank operations, of the Bank's communication channels and information systems, of the financial reporting systems, of the implementations for the business processes and of consistency.

Within the framework of the auditing activities, in general terms and briefly:

Within the scope of the audits conducted on-site; it was concluded that, the internal audit departments, primarily detected the risks the Bank encountered, performed controls related with these risks, determined the fields that necessitate priority, specified the details that had to be taken into account and performed risk assessments;

Furthermore, it was concluded that, after the regularity of the audit (yearly for the Head Office Departments, overseas branches and subsidiaries and monthly for the branches) was determined, it was submitted to the approval of the Audit Committee;

Upon the starting of the audit process in the branches/departments, the data included in the audit program determined for the branches/departments was in a short time assessed by the auditors conducting the audit and the audit process was systematically conducted on the risky matters and on the fields subject to the audit;

Within the scope of the centralized audits; it was concluded that; the Bank's transactions and processes were controlled periodically with the determined risk control matrixes; specific risk points were monitored daily, weekly and monthly during the year through the inquiries created by the central audit team; detected findings were analyzed in detail at the branches/departments by the auditors on the field and the conclusions reached after the control of the physical documents were reported via the central audit system;

Within the scope of the management statement activities; it was concluded that; with regard to the information systems and banking processes, by performing tasks for increasing the effectiveness of the control processes through manual and systematic control points covering the operations of all the departments, the findings were presented to the related departments with the aim of setting action plans for the control deficiencies; the management statement, after being evaluated regarding its effectiveness, competency and consistency in terms of audit period, was prepared with the purpose of ensuring safety regarding the current situation and audit activities conducted; during the audit period, even if it was not at an important level, all the abuses (if any) involved by the Bank employee were reported;

Within the scope of the audits made on the information systems; it was concluded that, taking into account the banking processes as well, the auditing of the information systems (such as applications, systems, servers, databases) which were used in these processes, was made, taking into consideration the framework of the Cobit processes, during the audit, it was monitored whether or not the information systems, related documentation and their control mechanisms were set, the procedures regarding the testing and assessment of the controls within the framework of the importance principle of design and operating effectiveness, were monitored during the audit, the actions taken for the findings discovered in consequence of the leak testing, were monitored during the audit,

Within the scope of the regulation with regard to the procurement of support service by the Banks; it was concluded that the assessments were performed regarding the compliance of the firms that the Bank purchased support services from, with the specified terms and conditions;

Within the scope of the consistency controls; it was concluded that; the legislative amendments were monitored and practices were performed to find out whether the Bank complies with these amendments or not; transactions carried out in the Bank were inspected through the programs and controlled in line with the Financial Crimes Investigation Board (MASAK).

All these issues were shared with the Bank's Senior Management.

As a consequence; it was observed that the Bank's audit mechanisms function efficiently and strict attention was paid to keep any risky and fraudulent transactions under control through the continuous on-site audits performed by the internal control departments as well as on-site and centralized audits performed by the Bank's internal auditors, in addition to the external audits. In 2015, the issues identified by the internal control departments were presented in the Management Statement which was prepared in compliance with the Communiqué of BRSA and submitted to the aforementioned Organization (BRSA) after being approved by the Board of Directors.

Yours sincerely,

Mehmet HALTAŞ
Audit Member

Yunus ARINCI
Audit Member

ASSESSMENT OF THE INTERNAL SYSTEMS AND 2015 OPERATIONS

INTERNAL AUDIT OPERATIONS

The Board of Auditors performs audit activities in order to discover whether or not the operations of the Bank's Head Office departments, domestic and overseas branches, consolidated subsidiaries, information technology (IT) departments are conducted in line with the Banking Law and other legal regulations, together with the internal legislation, strategies, policies, principles and targets of the Bank; regarding the accuracy of the fiscal data, the competency of the implementations for the protection of the assets, the effectiveness of the internal controls and risk management systems; within the framework of the relevant legislation, at the firms which the Bank gets support services from. In addition, inspection and investigation are performed on the fraudulent and non-complying (with the legislation) transactions of the staff members and on the fraud, scam or forgery made by third parties against the Bank.

The Audit Board conducts audit activities (on-site, centralized, information systems and process audits) with a risk-based auditing approach.

On-site auditing is made at the departments, branches, consolidated subsidiaries and at the firms which the Bank gets support services from, in line with the Bank's targets and strategies and within the scope of the risk-based annual audit plan prepared considering the resources of the Audit Board.

Within the scope of the centralized auditing; by early detecting the conditions with potential risks in the branches and departments, computer-aided remote auditing techniques (e-auditing techniques) are used for taking measures on time.

Within this framework of the auditing activities on the information systems and the processes; the auditing of the controls on the information systems and the banking processes is made.

In addition, the accuracy of the data used in the Internal Capital Adequacy Evaluation Process Report, the adequacy of the systems and processes and the issue whether the data, systems and processes give accurate information and chance to make analysis or not, are audited by the Head of Audit Board within the framework of the procedures and principles that will be determined.

In consequence of the audits, inspections and investigations made by the Audit Board; proposals are made for the correction of the detected issues, for taking measures in order not to face again with the similar situations, for enhancing the processes and for improving the internal control system, and the actions taken regarding these issues are followed-up.

The Audit Board only provides an advisory service on the issues requested by the Bank and this does not mean these issues are being approved.

The Audit Board makes contributions to the professional development of the auditors via training opportunities provided inside and outside the Bank and supports them to obtain the required certifications. By this means, at the same time, the Department tries to provide the well qualified and educated human resources to the Bank.

INTERNAL CONTROL OPERATIONS

Internal Audit; as per the regulation on "Banks' Internal Systems and Internal Capital Adequacy Evaluation Process"; the Internal Control system is structured to make sure that: (i) the Bank's assets are protected, (ii) the Bank's activities are carried out effectively and efficiently in conformity with the Banking Law and other relevant legislations, the Bank's internal policies and rules, and banking practices, (iii) the accounting and financial reporting system's reliability and integrity is maintained, and (iv) information is promptly obtained.

Within the framework of the check points prepared with a risk oriented approach, "on-site" or "from the center" control activities are regularly carried out in all branches of the Bank in and outside the country, and in the Headquarters departments.

Under the supervision and control of the Audit Committee, activities are carried out in order to control the operational procedures for carrying out activities, bank's communication channels, information systems, financial reporting systems and business processes. In order to prevent the risks Bank's financial and operational activities involve, and to decrease them to acceptable levels, necessary controls were established.

Auto-control mechanisms are established in all processes and systems to be activated, with a proactive approach covering risks that have not been previously encountered or defined. Controls are made on the functional separation of tasks, and distribution of duties and responsibilities, for defining, measuring and preventing the Bank risks.

Processes are reevaluated with a proactive approach, necessary measures are taken. Rules and procedures of the internal control activities are updated in line with the Laws, Regulations, International Internal Audit Standards and developing needs, and thus activities are carried out to increase the effectiveness of the control activities and decrease operational risks.

In conformity with the targets and strategies of the Bank; changing needs, risks and technological developments are tracked, and necessary adjustments are made to make sure that the internal control system is effective and functional. In this context, activities continue with the aim of increasing the internal control culture in the Bank.

COMPLIANCE DEPARTMENT ACTIVITIES

The Compliance Department directly reporting to the Audit Committee carries out activities in order to fulfill the responsibilities stipulated in the legislation issued by the Financial Crimes Investigation Board (MASAK) within the scope of "Prevention of Laundering of Criminal Proceeds and Terrorism Financing", and to comply with the international rules and principles on the same issue.

ASSESSMENT OF THE INTERNAL SYSTEMS AND 2015 OPERATIONS

Within this scope; as per the Regulation on the Compliance Program regarding the obligations of the "Prevention of Laundering of Criminal Proceeds and Terrorism Financing", in order to ensure that the Bank's obligations are fulfilled; necessary policies and procedures are structured on the issues of identifying the customers, classifying them into risk categories and monitoring them, informing about the suspicious customer transactions and controls are made to see if these policies and procedures are implemented or not, opinion/approval is given for risky sector and country transactions, the Financial Crimes Investigation Board (MASAK) is informed about the transactions that are considered suspicious in the necessary investigations and evaluations made within the framework of a risk based approach about the potentially suspicious transactions (for the Bank) detected within the scope of monitoring and controlling activities or forwarded via channels like branches to the Compliance Department.

In order to properly follow the international sanctions, the Bank uses the ban list - composed of the sanction decisions of the international organizations such as the United Nations, European Union, OFAC et al. - in the investigations and controls.

With the compliance activities carried out in the Bank's branches inside and outside the country regarding "Prevention of Laundering of Criminal Proceeds and Terrorism Financing", coordination of relevant tasks and activities is achieved. Compliance risks - that may arise from the regulations in foreign countries - of the foreign branches that are subject to the compliance program structured by the Bank in line with the legislation of the country where activities are carried out, are monitored by a staff who will control the compliance with these regulations.

While carrying out its activities, the Compliance Department works in coordination with the business units. Within the framework of training activities, the Bank employee is given in-class and online trainings to create awareness on the issue of "Prevention of Laundering of Proceeds of Crime and Financing of Terrorism".

LEGISLATION MONITORING AND EVALUATION ACTIVITIES

Carrying out activities in order to monitor relevant legislative on the banking activities and run the compliance process in an effective and efficient manner.

Regularly monitoring the recent developments in legislation and banking practices related to banking activities, interpreting the impacts of the legislation changes on the banking activities, within this scope, the measures to be taken by the Bank and changes to be made in the Bank's internal legislation and practices are detected and thereafter written information about the issue to the relevant departments of the Bank is given and necessary measures to be taken are requested. Furthermore, relevant departments are informed about draft regulations related to banking and thus necessary procedures are initiated before the regulations enter into force.

Legislation Monitoring and Evaluation Activities also include; monitoring the activities carried out by the Bank's relevant departments, measures taken, changes made in practices, and the internal legislation regulations, and moreover coordinating the processes of i) eliminating deficiencies (as the Department counsels if necessary) and ii) taking necessary measures in order to promptly and fully comply with the legislation, iii) updating the general legislation and guidelines that will be prepared by the business units in this context.

Furthermore, an employee is assigned to monitor the compliance risks - that may arise from the regulations in foreign countries - in order to achieve the compliance of the foreign branches with the legislation of the countries where they carry out activities.

RISK MANAGEMENT POLICIES APPLIED BY RISK TYPE

Risk management activities continued also in 2015 in line with the Bank's risk management policies that were prepared in parallel to legislation and international practices and then approved by the Board of Directors.

With its expanded organization structure, in 2014, due to the new developments in risk management and the increasing expectations from risk management function, Risk Management Department continued to be structured also in 2015 in conformity with the regulations of the Banking Regulation and Supervision Agency. Within this scope, under the structure of the Risk Management Department – carrying out its activities with Credit Risk and Operational Risk Management Department, Market Risk Management Department and Treasury Reporting and Middle Office Department – in July 2015; Credit Risk Control Department was established to be in charge of designing or selecting, activating, supervising, analyzing and reporting the rating systems, besides being responsible for the performance of these systems, and; Validation Department was established to be in charge of i) establishing strong and reliable systems to validate the forecasts regarding all risk parameters related to the accuracy and consistency of the rating systems and processes, ii) evaluating the supervision and control procedures that ensure the accuracy of the risk forecasts, iii) monitoring, in an interpretive and consistent manner, the performance of the internal rating and risk forecast systems and all models used by the Bank.

With the "Regulation on Banks' Internal Systems and Internal Capital Adequacy Evaluation Process" issued in July 2014 by the Banking Regulation and Supervision Agency (BRSA), and in line with the "Good Practice Guide" issued as per the mentioned Regulation, an updating and improving process of the Bank's existing risk management policy documents was launched and completed in February 2015.

In line with the "Good Practice Guides" and the mentioned Regulation, an "Internal Capital Adequacy Evaluation Process (ISEDES) Report" for the period of 2014 was prepared and submitted to BRSA in 2015.

Within the scope of Risk Management and Capital Adequacy, other regulations of BRSA and Basel Committee (BIS) were tracked.

Regarding the impacts of the economic developments and expectations on the Capital Adequacy Ratio; daily scenario analysis besides the weekly monitoring of Standard Ratio of the Interest Rate Risk Resulting From Banking Books, and Liquidity Coverage Ratio continued in 2015. At the end of each month, Stress Test Reports, covering all risk factors, were issued and reported regularly to the top management.

Studies in the calculation of the Market Risk over the "Value at Risk (RMD)" model and studies about improving the model were proceeded.

Within the scope of operational risk management, studies in collecting and analyzing the operational loss data were repeated, and moreover the Impact Analysis made on the business processes was completed. Furthermore, the studies for the evaluation of Operational Risk data on consolidated basis are in progress.

Efforts to monitor and develop risk management practices have been conducted within the scope of national and international regulatory authorities' approaches and internationally best practices.

Within the Treasury Reporting and Middle Office Department; KGR (Treasury Department Bank Limit Monitoring System) is used for monitoring compliance with the limits applied to the banks the Treasury Department is authorized (by our Board of Directors) to make transactions with. On this system; Loan Limits and Reconciliation Limits are synchronously monitored while treasury users are given the opportunity to make inquiries about the limits' status before making transaction with the banks. Necessary warning signals were developed for exceeded limits in the system. All risk figures reflected on bank limits within the scope of treasury transactions, are shared with all users 2 times a day (closing in the evening; opening in the morning) and, when necessary, systemic reportings are shared with (Reports About Warnings Before Exceeding Limits, Reports About Exceeded Limits) all users and relevant Executive Vice Presidents of the Bank.

In the Bank; with the aim of building the Middle Office Management (Middle Office Management) system's infrastructure, and integrating this system with the other treasury systems used by the Bank, the Treasury Valuation Module Project was planned in 3 Phases and the 1st Phase of the project was launched in 2015.

Within the scope of the Project; 4 modules were installed in the Bank.

1. Treasury Valuation Module (Reporting the daily values of the Treasury Portfolios based on market prices)
2. Limit Management System (Monitoring Compliance With Board of Directors' Limit Decisions)
3. Market Control Module (Controlling if transaction prices differ from market prices or not)
4. Treasury Profit/Loss Module (Daily, monthly, annually funded p/l calculations on transactions)

With the formulated structure, transactions will be uploaded to the Treasury Valuation Module via Kondor + program and VIT. After reconciling (via data transfer reconciliation) the market data uploaded from Bloomberg and Reuters, the Department will be reporting the transaction data. With this module, the plan is to; i) monitor the potential changes in all Treasury portfolios compared to market prices, and their impacts, ii) control the simulations (stress tests) to be made, besides the suitability of the market prices of the transactions performed, and iii) prepare funded P/L reports.

Treasury Reporting and Middle Office Department Activity Reports are presented biannually to the Audit Committee, as information is given to the Committee Members about the control results of the Treasury Transactions, and the activities carried out.

Market Risk

The Bank is exposed to market risk depending on potential changes in foreign exchange rates, interest rates and the market price of stocks resulting from fluctuations in financial markets. The market risk arising from the Bank's trading activities is measured and monitored using the Standard Method and internal models in line with local and international banking practices. Market Risk management is carried out pursuant to the "Market Risk Management Policy Document."

RISK MANAGEMENT POLICIES APPLIED BY RISK TYPE

The market risk measurement results are calculated monthly on an unconsolidated and a consolidated basis by using the Standard Method under the provisions of the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" and are reported to the Bank's top management and to the Banking Regulation and Supervision Agency. The portfolio, which is used in the calculation, is determined under the Bank's "Trading Strategy, Policy and Implementation Procedures Document."

Moreover, VaR (Value at Risk) calculations are made on a daily basis and reported accordingly. VaR is calculated on a daily basis via Historical Simulation and the Monte Carlo Simulation using a one-sided 99% confidence interval. The VaR calculated for one day is scaled to 10 business days on the basis of the square-root-of-time rule. The historical observation period used for VaR calculation is one year.

The Bank performs daily backtesting analyses in order to test the reliability and performance of the model results. Furthermore, scenario analyses and stress tests are performed to support the Standard Method and internal models.

With the aim to restrict the market risks, VaR-based limit practices followed according to the overall bank limit and early warning signal are monitored on a daily basis.

Interest Rate Risk

Interest rate risk, which the Bank may be exposed to due to maturity mismatch on its balance sheet, is managed pursuant to the "Interest Rate Risk Management Policy Document." Besides, The Standard Ratio of the Interest Rate Risk on the Banking Book is calculated on a monthly basis and reported to the BRSA; in order to monitor the ratio and to take the required precautions, these calculations can be performed on a weekly basis. Furthermore, Repricing Gap Analysis and Interest Rate Risk reporting are made, and duration results are analyzed. All results of the analysis are reported to the Board of Directors, Audit Committee and Bank's top management.

Furthermore, studies were launched for setting limits on the basis of maturity segments.

Liquidity Risk

The Bank's liquidity risk is managed in accordance with the "Liquidity Risk Management Policy Document." The Bank's approach for liquidity risk management is to monitor liquidity risk throughout the day on a continuous basis. To this end, cash inflows and outflows in both Turkish lira and foreign exchange are tried to be kept under control at any moment, long-term cash flow tables are prepared, and scenario analysis and stress tests based on the experiences and expectations are performed in order to determine the Bank's strength against sudden crises. In addition to all, our Bank complies with and monitors regulatory authorities' stipulations regarding liquidity. In 2015, activities were carried out to determine liquidity risk appetite.

Operational Risk

Operational risk refers to the likelihood of damage, including legal risk, which may arise from inadequate or failed internal processes, people and systems or from external events. The management of operational risks is performed in accordance with the "Operational Risk Framework," which was created for the determination and definition of all the significant risks faced by the Bank in comprehensive categories and which is a common dictionary containing examples of these risks, and the Bank's "Operational Risk Management Policy and Implementation Guidelines" document. The evaluation of the operational risks is carried out by Audit Board and Internal Audit Departments. In the management of operational risk, the Bank collects operational risk loss and potential risk data, which also enable the implementation of the advanced measurement approaches. The operational loss data is analyzed in order to identify the risk factors and the findings were presented to the Bank's management.

Within the scope of the project carried out within the framework of the Corporate Risk Management Principles, transfer of operational risk loss and collection data and Impact Analysis studies to the integrated infrastructure (built with the relevant project) was launched.

Activities carried out to evaluate Operational Risk data on consolidate basis are proceeded.

The Impact Analysis studies covering the Head Office Departments were remade through the analysis of the business processes to get operational risks under control by identifying inefficient and inadequate controls and taking necessary measures. Studies on "Findings Tracker" and evaluation of changing and incipient business processes within the scope of Impact Analysis are constantly proceeded.

Risk assessments related to the new products are made within the scope of the "New Product Development Regulation."

Moreover, risk assessments related to the purchase of the support services are made within the scope of the "Support Service Procurement Procedures and the Risk Management Program."

In 2015, Operational Risk Management Policy Document was updated within the scope of the new developments and arising needs. Furthermore, "New Product Development Directive" and "Support Service Procurement Procedures Risk Management Program" were reviewed. "Value At Operational Risk" is calculated on unconsolidated and consolidated basis, with a "Key Indicator Approach" within the framework of the provisions of the "Regulation On Measurement and Evaluation Capital Adequacy of Banks", and annually reported to the Bank's top management and the Banking Regulation and Supervision Agency. Bank's ultimate target is to use advanced measurement approach in measuring Operational Risk. Activities continue within the framework of the relevant legislation, in order to calculate Operational Risk with Advanced Measurement Approach.

Credit Risk

Credit risk arises from the failure of a counterparty to fulfil its obligations, partially or completely, in accordance with contractual requirements. The credit risk definition of the Bank takes the credit risk definition of the Banking Law as a base and comprises the credit risks involved in all products and activities.

Credit Risk is managed within the scope of the "Credit Risk Management Policy Document". Furthermore, the Bank evaluated the Country Risk (previously specified under the Credit Risk) in a separate Policy Document, due to the fact that a Country Risk Guide was issued by the Banking Regulation and Supervision Agency. "Country Risk Management Policy Document" describes the Country Risk as; "As consequence of incidents or uncertainties impacting economic, social and political circumstances; if debtors in a foreign country (central management, corporate or other) cannot fulfill their responsibilities abroad or avoid fulfilling their responsibilities abroad, Country Risk is the possibility of loss a Bank may face directly and/or indirectly carrying the risks of the debtors in the foreign country in its portfolio". Indirect country risk, central management risk, transmission risk, macroeconomic risk, indirect FX risk and transfer risk are evaluated within the scope of Country Risk Management Process, as the main components of the Country Risk. The findings being obtained from analyses of the composition and concentration of the Bank's loan portfolio (type of loan, currency, maturity, sector, geographic region, borrower, holding, group, subsidiaries); from the portfolio quality (standard loans, non-performing loans, deferred loans, analysis of the data obtained from the credit rating system); from the portfolio analysis (duration, average maturity, interest rate sensitivity); from country risk and scenario analyses and the studies on possible events of default are reported to the Board of Directors, the Audit Committee and the Bank's top management as individual and monthly reports.

The Bank uses rating and scoring models for the assessment of the debtor's credit quality. For the mentioned models, validation studies are made at regular intervals. These activities will be carried out by the Validation Department established in 2015.

Sector concentration limits and country risk limits are determined with an aim to define the risks resulting from credit concentrations and to create a well-balanced credit portfolio. These limits are updated taking into consideration the Bank's credit policy and macroeconomic developments.

Credit risk in fair value, measured within the scope of the provisions of the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks," is reported to the Bank's top management and the BRSA in unconsolidated and consolidated basis quarterly. Capital Adequacy Standard Ratio is closely monitored in the Bank, calculated on a daily basis and reported to the top management after the scenario analysis/stress testing is performed.

The Bank's ultimate goal is to use credit risk internal methods in accordance with Basel III, the European Union Capital Adequacy Regulations and international best practices. Within this scope, the activities for Credit The Internal Ratings-Based (iDD) Approach, initiated within the Bank, are carried out in coordination with the Appraisal & Financial Analysis Department.

Counterparty Credit Risk

Counterparty credit risk is the risk that a counterparty to a mutual transaction, that obligates both parties, will default before the date of final payment of such transaction is due. This risk type is managed pursuant to the "Counterparty Credit Risk Management Policy Document" updated in 2015.

Counterparty credit risk exposures are calculated on the basis of the banking book and the trading book portfolios, in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" and using the Fair Value Valuation Method. Within the context of the capital adequacy calculations, the exposure values are reported to BRSA and the Bank's top management monthly on an unconsolidated and a consolidated basis.

Concentration Risk

Concentration risk arises due to a specific concentration of the Bank's assets, liabilities, and business lines; this risk type is managed pursuant to the "Concentration Risk Management Policy Document" updated in 2015. The Bank establishes concentration limits, which are closely monitored and reported to top management. Limits are controlled on a regular basis and revised if needed, in parallel with economic developments, expectations, and the Bank's objectives and strategies.

TÜRKİYE VAKIFLAR BANKASI
TÜRK ANONİM ORTAKLIĞI

PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2015

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



**CONVENIENCE TRANSLATION INTO ENGLISH OF THE
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

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

Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") as at 31 December 2015 and the related unconsolidated statement of income, unconsolidated income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Unconsolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and 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, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and Independent Auditing Standards that are part of Turkish Standards on Auditing published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by bank's management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

Report on Other Responsibilities Arising From Regulatory Requirements

In accordance with subparagraph 4 of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2015 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated 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.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

ZEYNEP URAS, SMMM
Partner
Istanbul, 11 February 2016

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**THE UNCONSOLIDATED FINANCIAL REPORT OF
TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
AS OF 31 DECEMBER 2015**

Address : Sultan Selim Mahallesi, Eski Büyükdere Caddesi
No:59, Kağıthane/ İstanbul
Telephone : 0212 398 15 15 - 0212 398 10 00
Fax : 0212 398 11 55
Electronic web site : www.vakifbank.com.tr
Electronic mail address : posta@vakifbank.com.tr

The unconsolidated financial report as at and for the year ended 31 December 2015, 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 BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS
- ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related disclosures and footnotes that were independently audited, 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 unconsolidated financial report is presented in thousands of Turkish Lira (TL), and has been independently audited.

11 February 2016



RAMAZAN GÜNDÜZ
Chairman of the
Board of Directors



MEHMET EMİN ÖZCAN
Deputy Chairman of the Board and
Audit Committee Member



SABAHATTİN BİRDAL
Board member and
Audit Committee Member



HALİL AYDOĞAN
General Manager and
Board Member



METİN RECEP ZAFER
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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Phone no : +90 312 591 11 48
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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

SECTION ONE

GENERAL INFORMATION

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("The 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 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 Bank is the General Directorate of the Foundations.

As at 31 December 2015 and 31 December 2014, 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 Bank's shareholders structure as at 31 December 2015 is as 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) | 3,091,997 | 3,092 | 0.13 |
| Other registered foundations (Group B) | 1,448,543 | 1,448 | 0.06 |
| Other real persons and legal entities (Group C) | 1,532,753 | 1,533 | 0.06 |
| Publicly traded (Group D) | 630,090,616 | 630,091 | 25.20 |
| Total | 2,500,000,000 | 2,500,000 | 100.00 |

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI**UNCONSOLIDATED FINANCIAL REPORT****FOR THE YEAR ENDED 31 DECEMBER 2015**

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

III. INFORMATION ON THE 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 |
|---------------------------|--|---------------------|------------|--------------------------------------|
| Board of Directors | | | | |
| Ramazan GÜNDÜZ | Chairman | 29 March 2013 | University | 37 years |
| Mehmet Emin ÖZCAN | Deputy Chairman | 29 March 2013 | University | 32 years |
| Halil AYDOĞAN | Member – General Manager | 29 March 2013 | University | 38 years |
| İsmail ALPTEKİN | Member | 6 April 2009 | University | 17 years |
| Dr.Adnan ERTEM | Member | 28 October 2010 | PHD | 27 years |
| Sabahattin BİRDAL | Member | 31 March 2014 | University | 38 years |
| Öztürk ORAN | Member | 30 April 2014 | University | 40 years |
| Şeref AKSAÇ | Member | 30 April 2014 | University | 33 years |
| Audit Committee | | | | |
| Mehmet Emin ÖZCAN | Member | 4 April 2014 | University | 32 years |
| Sabahattin BİRDAL | Member | 4 April 2014 | University | 38 years |
| Auditor | | | | |
| Mehmet HALTAŞ | Auditor | 19 March 2010 | University | 38 years |
| Yunus ARINCI | Auditor | 19 March 2010 | Master | 18 years |
| Assistant Managers | | | | |
| Metin Recep ZAFER | Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant | 13 June 2006 | PHD | 20 years |
| Hasan ECESÖY | Treasury, International Relations and Investor Relations, Coordination of Foreign Branches | 18 June 2010 | PHD | 22 years |
| Serdar SATOĞLU | Private Banking, Associates | 2 July 2010 | PHD | 20 years |
| Ali Engin EROĞLU | Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate | 18 August 2010 | Master | 19 years |
| Osman DEMREN | Commercial and Corporate Loans, Consumer and SME Loans, Intelligence | 6 April 2011 | Master | 25 years |
| Muhammet Lütfü ÇELEBİ | Commercial and Corporate Banking, SME Banking, Cash Management Affairs, Insurance Banking | 23 October 2013 | University | 20 years |
| Mustafa SAYDAM | Human Resources, Support Services, Distribution Channels, Retail Banking, Payment Systems, Payment System Operations | 28 October 2013 | University | 22 years |
| Mehmet Emin KARAAĞAÇ | Loans and Follow-up, Legal Affairs | 8 November 2013 | University | 26 years |

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

At the resolution of the first Board of Directors after 61st Ordinary Meeting of the General Assembly dated 30 March 2015, the distribution of roles has remained the same.

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

IV. INFORMATION ON THE BANK'S QUALIFIED SHAREHOLDERS

| Name Surname/ Title | Share Amount (Nominal) | 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 Bank is the General Directorate of the Foundations and Appendant foundations represented by the General Directorate of the Foundations having 58.45% of the Bank's outstanding shares. Another organization holding qualified share in the 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 BANK

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

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

As at 31 December 2015, the Bank has 917 domestic, 3 foreign, in total 920 branches (31 December 2014: 890 domestic, 3 foreign, in total 893 branches). As at 31 December 2015, the Bank has 15,410 employees (31 December 2014: 14,920 employees).

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

None

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS AT 31 DECEMBER 2015

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

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

| ASSETS | Notes | Audited Current Period 31 December 2015 | | | Audited Prior Period 31 December 2014 | | |
|--|---------------|--|-------------------|--------------------|--|-------------------|--------------------|
| | | TL | FC | Total | TL | FC | Total |
| I. CASH AND BALANCES WITH THE CENTRAL BANK | V-I-1 | 2,133,980 | 19,350,809 | 21,484,789 | 4,126,328 | 17,758,651 | 21,884,979 |
| II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net) | V-I-2 | 739,339 | 146,128 | 885,467 | 343,094 | 37,101 | 380,195 |
| 2.1 Financial assets held for trading purpose | | 739,339 | 146,128 | 885,467 | 343,094 | 37,101 | 380,195 |
| 2.1.1 Debt securities issued by the governments | | - | - | - | - | - | - |
| 2.1.2 Equity securities | | - | - | - | - | - | - |
| 2.1.3 Derivative financial assets held for trading purpose | V-I-2 | 739,339 | 146,128 | 885,467 | 342,475 | 37,101 | 379,576 |
| 2.1.4 Other securities | | - | - | - | 619 | - | 619 |
| 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 Loans | | - | - | - | - | - | - |
| 2.2.4 Other securities | | - | - | - | - | - | - |
| III. BANKS | V-I-3 | 370,201 | 4,864,065 | 5,234,266 | 14,733 | 2,555,887 | 2,570,620 |
| IV. RECEIVABLES FROM INTERBANK MONEY MARKETS | | - | - | - | - | - | - |
| 4.1 Interbank money market placements | | - | - | - | - | - | - |
| 4.2 Istanbul Stock Exchange money market placements | | - | - | - | - | - | - |
| 4.3 Receivables from reverse repurchase agreements | | - | - | - | - | - | - |
| V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net) | V-I-4 | 12,100,346 | 4,673,623 | 16,773,969 | 12,629,821 | 3,693,476 | 16,323,297 |
| 5.1 Equity securities | | 15 | 79,238 | 79,253 | 15 | - | 15 |
| 5.2 Debt securities issued by the governments | | 12,100,331 | 4,594,385 | 16,694,716 | 12,629,806 | 3,693,476 | 16,323,282 |
| 5.3 Other securities | | - | - | - | - | - | - |
| VI. LOANS AND RECEIVABLES | V-I-5 | 88,430,947 | 35,349,706 | 123,780,653 | 76,682,669 | 27,900,848 | 104,583,517 |
| 6.1 Performing loans and receivables | | 87,624,772 | 35,349,706 | 122,974,478 | 76,442,594 | 27,900,848 | 104,343,442 |
| 6.1.1 Loans provided to risk group | V-VII-1 | 86,394 | 60,304 | 146,698 | 57,996 | 22,347 | 80,343 |
| 6.1.2 Debt securities issued by the governments | | - | - | - | - | - | - |
| 6.1.3 Other | | 87,538,378 | 35,289,402 | 122,827,780 | 76,384,598 | 27,878,501 | 104,263,099 |
| 6.2 Loans under follow-up | | 4,850,213 | - | 4,850,213 | 3,974,372 | - | 3,974,372 |
| 6.3 Specific provisions (-) | | 4,044,038 | - | 4,044,038 | 3,734,297 | - | 3,734,297 |
| VII. FACTORING RECEIVABLES | | - | - | - | - | - | - |
| VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net) | V-I-6 | 7,546,748 | 130,981 | 7,677,729 | 6,761,749 | 92,844 | 6,854,593 |
| 8.1 Debt securities issued by the governments | | 7,546,748 | - | 7,546,748 | 6,761,749 | - | 6,761,749 |
| 8.2 Other securities | | - | 130,981 | 130,981 | - | 92,844 | 92,844 |
| IX. INVESTMENTS IN ASSOCIATES (Net) | V-I-7 | 270,290 | - | 270,290 | 305,469 | - | 305,469 |
| 9.1 Associates, consolidated per equity method | | - | - | - | - | - | - |
| 9.2 Unconsolidated associates | | 270,290 | - | 270,290 | 305,469 | - | 305,469 |
| 9.2.1 Financial associates | | 258,890 | - | 258,890 | 294,069 | - | 294,069 |
| 9.2.2 Non-financial associates | | 11,400 | - | 11,400 | 11,400 | - | 11,400 |
| X. INVESTMENTS IN SUBSIDIARIES (Net) | V-I-8 | 1,170,175 | 434,144 | 1,604,319 | 1,110,389 | 321,124 | 1,431,513 |
| 10.1 Unconsolidated financial subsidiaries | | 916,026 | 434,144 | 1,350,170 | 866,473 | 321,124 | 1,187,597 |
| 10.2 Unconsolidated non-financial subsidiaries | | 254,149 | - | 254,149 | 243,916 | - | 243,916 |
| 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 | - | - | - | - | - | - |
| 12.1 Finance lease receivables | | - | - | - | - | - | - |
| 12.2 Operational lease receivables | | - | - | - | - | - | - |
| 12.3 Other | | - | - | - | - | - | - |
| 12.4 Unearned income (-) | | - | - | - | - | - | - |
| XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE | V-I-11 | - | - | - | - | - | - |
| 13.1 Fair value hedges | | - | - | - | - | - | - |
| 13.2 Cash flow hedges | | - | - | - | - | - | - |
| 13.3 Hedges of net investment in foreign operations | | - | - | - | - | - | - |
| XIV. TANGIBLE ASSETS (Net) | V-I-12 | 1,378,858 | 4,292 | 1,383,150 | 707,628 | 1,372 | 709,000 |
| XV. INTANGIBLE ASSETS (Net) | V-I-13 | 171,277 | - | 171,277 | 140,639 | 111 | 140,750 |
| 15.1 Goodwill | | - | - | - | - | - | - |
| 15.2 Other intangibles | | 171,277 | - | 171,277 | 140,639 | 111 | 140,750 |
| XVI. INVESTMENT PROPERTIES (Net) | V-I-14 | - | - | - | - | - | - |
| XVII. TAX ASSETS | | 15,421 | - | 15,421 | 72,437 | - | 72,437 |
| 17.1 Current tax assets | | - | - | - | - | - | - |
| 17.2 Deferred tax assets | V-I-15 | 15,421 | - | 15,421 | 72,437 | - | 72,437 |
| XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net) | V-I-16 | 994,964 | - | 994,964 | 745,883 | - | 745,883 |
| 18.1 Assets held for sale | | 994,964 | - | 994,964 | 745,883 | - | 745,883 |
| 18.2 Assets related to the discontinued operations | | - | - | - | - | - | - |
| XIX. OTHER ASSETS | V-I-17 | 1,638,950 | 1,031,880 | 2,670,830 | 1,556,242 | 659,231 | 2,215,473 |
| TOTAL ASSETS | | 116,961,496 | 65,985,628 | 182,947,124 | 105,197,081 | 53,020,645 | 158,217,726 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS AT 31 DECEMBER 2015

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

| LIABILITIES AND EQUITY | Notes | Audited Current Period 31 December 2015 | | | Audited Prior Period 31 December 2014 | | |
|--|----------------|--|-------------------|--------------------|--|-------------------|--------------------|
| | | TL | FC | Total | TL | FC | Total |
| I. DEPOSITS | V-II-1 | 76,470,518 | 33,452,016 | 109,922,534 | 65,703,337 | 26,053,631 | 91,756,968 |
| 1.1 Deposits of the risk group | V-VII-1 | 1,625,019 | 185,477 | 1,810,496 | 1,511,586 | 216,777 | 1,728,363 |
| 1.2 Other deposits | | 74,845,499 | 33,266,539 | 108,112,038 | 64,191,751 | 25,836,854 | 90,028,605 |
| II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE | V-II-2 | 139,504 | 150,085 | 289,589 | 54,233 | 196,019 | 250,252 |
| III. FUNDS BORROWED | V-II-3 | 332,783 | 18,223,214 | 18,555,997 | 887,938 | 14,039,110 | 14,927,048 |
| IV. INTERBANK MONEY MARKET | | 9,340,604 | 3,403,437 | 12,744,041 | 9,793,634 | 6,591,668 | 16,385,302 |
| 4.1 Interbank money market takings | | 1,150,343 | - | 1,150,343 | 200,000 | - | 200,000 |
| 4.2 Istanbul Stock Exchange money market takings | | - | - | - | - | - | - |
| 4.3 Obligations under repurchase agreements | | 8,190,261 | 3,403,437 | 11,593,698 | 9,593,634 | 6,591,668 | 16,185,302 |
| V. SECURITIES ISSUED (Net) | V-II-3 | 3,128,044 | 7,419,715 | 10,547,759 | 2,913,190 | 7,544,567 | 10,457,757 |
| 5.1 Bills | | 3,128,044 | - | 3,128,044 | 2,913,190 | - | 2,913,190 |
| 5.2 Asset backed securities | | - | - | - | - | - | - |
| 5.3 Bonds | | - | 7,419,715 | 7,419,715 | - | 7,544,567 | 7,544,567 |
| VI. FUNDS | | 4,228 | - | 4,228 | 20,089 | - | 20,089 |
| 6.1 Funds against borrower's note | | - | - | - | - | - | - |
| 6.2 Other | | 4,228 | - | 4,228 | 20,089 | - | 20,089 |
| VII. MISCELLANEOUS PAYABLES | | 3,539,365 | 620,852 | 4,160,217 | 2,937,216 | 223,199 | 3,160,415 |
| VIII. OTHER EXTERNAL RESOURCES PAYABLE | V-II-4 | 601,292 | 1,770,238 | 2,371,530 | 517,101 | 938,558 | 1,455,659 |
| IX. FACTORING PAYABLES | | - | - | - | - | - | - |
| X. LEASE PAYABLES | 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 | 2,906,753 | 17,019 | 2,923,772 | 2,424,177 | 12,962 | 2,437,139 |
| 12.1 General provisions | V-II-7 | 1,944,150 | 13,453 | 1,957,603 | 1,591,002 | 12,240 | 1,603,242 |
| 12.2 Restructuring reserves | | - | - | - | - | - | - |
| 12.3 Reserve for employee benefits | | 674,894 | - | 674,894 | 603,083 | - | 603,083 |
| 12.4 Insurance technical provisions (Net) | | - | - | - | - | - | - |
| 12.5 Other provisions | V-II-7 | 287,709 | 3,566 | 291,275 | 230,092 | 722 | 230,814 |
| XIII. TAX LIABILITIES | V-II-8 | 488,757 | 1,678 | 490,435 | 456,288 | 1,029 | 457,317 |
| 13.1 Current tax liabilities | | 488,757 | 1,678 | 490,435 | 456,288 | 1,029 | 457,317 |
| 13.2 Deferred tax liabilities | V-I-15 | - | - | - | - | - | - |
| XIV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS | 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 | - | 4,169,474 | 4,169,474 | - | 2,138,030 | 2,138,030 |
| XVI. EQUITY | | 16,336,411 | 431,137 | 16,767,548 | 14,396,856 | 374,894 | 14,771,750 |
| 16.1 Paid-in capital | V-II-11 | 2,500,000 | - | 2,500,000 | 2,500,000 | - | 2,500,000 |
| 16.2 Capital reserves | | 1,972,304 | 431,137 | 2,403,441 | 1,680,852 | 374,894 | 2,055,746 |
| 16.2.1 Share premium | | 723,918 | - | 723,918 | 723,918 | - | 723,918 |
| 16.2.2 Share cancellation profits | | - | - | - | - | - | - |
| 16.2.3 Valuation differences of the marketable securities | V-II-11 | 399,276 | 431,137 | 830,413 | 842,075 | 374,894 | 1,216,969 |
| 16.2.4 Revaluation surplus on tangible assets | | 830,149 | - | 830,149 | 45,637 | - | 45,637 |
| 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 | | 69,222 | - | 69,222 | 69,222 | - | 69,222 |
| 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 | | (50,261) | - | (50,261) | - | - | - |
| 16.3 Profit reserves | | 9,933,998 | - | 9,933,998 | 8,462,731 | - | 8,462,731 |
| 16.3.1 Legal reserves | | 1,174,010 | - | 1,174,010 | 1,012,796 | - | 1,012,796 |
| 16.3.2 Status reserves | | - | - | - | - | - | - |
| 16.3.3 Extraordinary reserves | | 8,329,529 | - | 8,329,529 | 7,214,708 | - | 7,214,708 |
| 16.3.4 Other profit reserves | | 430,459 | - | 430,459 | 235,227 | - | 235,227 |
| 16.4 Profit or loss | | 1,930,109 | - | 1,930,109 | 1,753,273 | - | 1,753,273 |
| 16.4.1 Prior years' profit/loss | | - | - | - | - | - | - |
| 16.4.2 Current period's profit/loss | | 1,930,109 | - | 1,930,109 | 1,753,273 | - | 1,753,273 |
| TOTAL LIABILITIES AND EQUITY | | 113,288,259 | 69,658,865 | 182,947,124 | 100,104,059 | 58,113,667 | 158,217,726 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED OFF-BALANCE SHEET ITEMS

AS AT 31 DECEMBER 2015

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

| | Notes | Audited Current Period 31 December 2015 | | | Audited Prior Period 31 December 2014 | | |
|--|------------------|--|--------------------|----------------------|--|--------------------|----------------------|
| | | TL | FC | Total | TL | FC | Total |
| A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II-III) | | 54,047,046 | 63,505,765 | 117,552,811 | 42,543,635 | 48,918,083 | 91,461,718 |
| I. GUARANTEES AND SURETIES | V-III-2-4 | 22,083,837 | 10,984,524 | 33,068,361 | 16,863,185 | 11,770,738 | 28,633,923 |
| 1.1 Letters of guarantee | | 21,980,769 | 4,810,034 | 26,790,803 | 16,842,349 | 4,610,122 | 21,452,471 |
| 1.1.1 Guarantees subject to State Tender Law | | 2,542,809 | 2,199,589 | 4,742,398 | 1,869,107 | 2,266,261 | 4,135,368 |
| 1.1.2 Guarantees given for foreign trade operations | | 1,030,530 | - | 1,030,530 | 913,389 | - | 913,389 |
| 1.1.3 Other letters of guarantee | | 18,407,430 | 2,610,445 | 21,017,875 | 14,059,853 | 2,343,861 | 16,403,714 |
| 1.2 Bank acceptances | | 86,762 | 1,389,251 | 1,476,013 | 20,836 | 1,943,257 | 1,964,093 |
| 1.2.1 Import letter of acceptance | | 1,590 | 189,471 | 191,061 | 2,190 | 78,990 | 81,180 |
| 1.2.2 Other bank acceptances | | 85,172 | 1,199,780 | 1,284,952 | 18,646 | 1,864,267 | 1,882,913 |
| 1.3 Letters of credit | | 16,306 | 4,772,403 | 4,788,709 | - | 5,212,911 | 5,212,911 |
| 1.3.1 Documentary letters of credit | | 16,306 | 4,772,403 | 4,788,709 | - | 5,212,911 | 5,212,911 |
| 1.3.2 Other letters of credit | | - | - | - | - | - | - |
| 1.4 Guaranteed pre-financings | | - | 2,314 | 2,314 | - | 1,845 | 1,845 |
| 1.5 Endorsements | | - | - | - | - | - | - |
| 1.5.1 Endorsements to the Central Bank of Republic of Turkey | | - | - | - | - | - | - |
| 1.5.2 Other endorsements | | - | - | - | - | - | - |
| 1.6 Marketable securities underwriting commitments | | - | - | - | - | - | - |
| 1.7 Factoring related guarantees | | - | - | - | - | - | - |
| 1.8 Other guarantees | | - | 10,522 | 10,522 | - | 2,603 | 2,603 |
| 1.9 Other sureties | | - | - | - | - | - | - |
| II. COMMITMENTS | | 21,439,019 | 13,120,948 | 34,559,967 | 19,162,556 | 7,458,391 | 26,620,947 |
| 2.1 Irrevocable commitments | | 19,031,959 | 3,730,953 | 22,762,912 | 17,652,664 | 2,640,634 | 20,293,298 |
| 2.1.1 Asset purchase commitments | V-III-1 | 112,420 | 3,730,953 | 3,843,373 | 46,228 | 2,640,634 | 2,686,862 |
| 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 | 8,482,816 | - | 8,482,816 | 8,053,342 | - | 8,053,342 |
| 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 | 1,805,569 | - | 1,805,569 | 1,638,976 | - | 1,638,976 |
| 2.1.8 Tax and fund obligations on export commitments | | - | - | - | - | - | - |
| 2.1.9 Commitments for credit card limits | V-III-1 | 7,399,361 | - | 7,399,361 | 7,641,987 | - | 7,641,987 |
| 2.1.10 Commitments for credit card and banking operations promotions | | 196,037 | - | 196,037 | 247,938 | - | 247,938 |
| 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 | | 1,035,756 | - | 1,035,756 | 24,193 | - | 24,193 |
| 2.2 Revocable commitments | | 2,407,060 | 9,389,995 | 11,797,055 | 1,509,892 | 4,817,757 | 6,327,649 |
| 2.2.1 Revocable loan granting commitments | | 2,407,060 | 9,389,995 | 11,797,055 | 1,509,892 | 4,817,757 | 6,327,649 |
| 2.2.2 Other revocable commitments | | - | - | - | - | - | - |
| III. DERIVATIVE FINANCIAL INSTRUMENTS | V-III-5 | 10,524,190 | 39,400,293 | 49,924,483 | 6,517,894 | 29,688,954 | 36,206,848 |
| 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 | | 10,524,190 | 39,400,293 | 49,924,483 | 6,517,894 | 29,688,954 | 36,206,848 |
| 3.2.1 Forward foreign currency purchases/sales | | 211,514 | 257,246 | 468,760 | 242,929 | 312,275 | 555,204 |
| 3.2.1.1 Forward foreign currency purchases | | 106,014 | 128,693 | 234,707 | 121,619 | 156,202 | 277,821 |
| 3.2.1.2 Forward foreign currency sales | | 105,500 | 128,553 | 234,053 | 121,310 | 156,073 | 277,383 |
| 3.2.2 Currency and interest rate swaps | | 9,442,940 | 30,544,698 | 39,987,638 | 5,631,655 | 22,183,274 | 27,814,929 |
| 3.2.2.1 Currency swaps-purchases | | 4,382,013 | 12,050,672 | 16,432,685 | 1,659,308 | 10,977,077 | 12,636,385 |
| 3.2.2.2 Currency swaps-sales | | 4,160,927 | 6,080,268 | 10,241,195 | 3,772,347 | 3,927,959 | 7,700,306 |
| 3.2.2.3 Interest rate swaps-purchases | | 450,000 | 6,206,879 | 6,656,879 | 100,000 | 3,639,119 | 3,739,119 |
| 3.2.2.4 Interest rate swaps-sales | | 450,000 | 6,206,879 | 6,656,879 | 100,000 | 3,639,119 | 3,739,119 |
| 3.2.3 Currency, interest rate and security options | | 258,134 | 255,396 | 513,530 | 385,290 | 671,258 | 1,056,548 |
| 3.2.3.1 Currency call options | | 65,004 | 185,976 | 250,980 | 192,645 | 335,629 | 528,274 |
| 3.2.3.2 Currency put options | | 193,130 | 69,420 | 262,550 | 192,645 | 335,629 | 528,274 |
| 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 | | 611,602 | 8,342,953 | 8,954,555 | 258,020 | 6,522,147 | 6,780,167 |
| B. CUSTODY AND PLEDGED ITEMS (IV+V+VI) | | 899,689,613 | 421,931,972 | 1,321,621,585 | 706,821,902 | 298,845,575 | 1,005,667,477 |
| IV. ITEMS HELD IN CUSTODY | | 74,007,877 | 3,193,339 | 77,201,216 | 58,297,898 | 2,105,489 | 60,403,387 |
| 4.1 Customers' securities held | | - | 28,306 | 28,306 | - | 22,567 | 22,567 |
| 4.2 Investment securities held in custody | | 63,189,794 | 118,086 | 63,307,880 | 48,295,375 | 94,082 | 48,389,457 |
| 4.3 Checks received for collection | | 8,967,543 | 2,282,378 | 11,249,921 | 8,300,087 | 1,452,398 | 9,752,485 |
| 4.4 Commercial notes received for collection | | 1,065,285 | 310,417 | 1,375,702 | 1,129,279 | 182,687 | 1,311,966 |
| 4.5 Other assets received for collection | | 2,152 | 116 | 2,268 | 2,152 | 93 | 2,245 |
| 4.6 Assets received through public offering | | - | - | - | - | 6,818 | 6,818 |
| 4.7 Other items under custody | | 309 | 48,883 | 49,192 | 309 | 77,724 | 78,033 |
| 4.8 Custodians | | 782,794 | 405,153 | 1,187,947 | 570,696 | 269,120 | 839,816 |
| V. PLEDGED ITEMS | | 235,391,497 | 82,272,386 | 317,663,883 | 180,351,054 | 59,408,743 | 239,759,797 |
| 5.1 Securities | | 435,193 | 14,171 | 449,364 | 241,614 | 18,614 | 260,228 |
| 5.2 Guarantee notes | | 792,339 | 429,076 | 1,221,415 | 943,912 | 232,965 | 1,176,877 |
| 5.3 Commodities | | 28,164,121 | 681,732 | 28,845,853 | 25,696,626 | 590,812 | 26,287,438 |
| 5.4 Warranties | | - | - | - | - | - | - |
| 5.5 Real estates | | 191,738,765 | 67,309,165 | 259,047,930 | 142,283,678 | 47,319,679 | 189,603,357 |
| 5.6 Other pledged items | | 13,657,901 | 13,683,601 | 27,341,502 | 10,332,202 | 11,114,594 | 21,446,796 |
| 5.7 Pledged items-depository | | 603,178 | 154,641 | 757,819 | 853,022 | 132,079 | 985,101 |
| VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES | | 590,290,239 | 336,466,247 | 926,756,486 | 468,172,950 | 237,331,343 | 705,504,293 |
| TOTAL OFF-BALANCE SHEET ITEMS (A+B) | | 953,736,659 | 485,437,737 | 1,439,174,396 | 749,365,537 | 347,763,658 | 1,097,129,195 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

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

| | Notes | Audited Current Period 1 January 2015-31 December 2015 | Audited Prior Period 1 January 2014-31 December 2014 |
|--|----------|---|---|
| I. INTEREST INCOME | | 13,630,050 | 11,373,587 |
| 1.1 Interest income from loans | V-IV-1 | 11,529,678 | 9,326,415 |
| 1.2 Interest income from reserve deposits | | 38,684 | 2,015 |
| 1.3 Interest income from banks | V-IV-1 | 10,622 | 7,006 |
| 1.4 Interest income from money market transactions | | - | 380 |
| 1.5 Interest income from securities portfolio | V-IV-1 | 2,049,544 | 2,035,273 |
| 1.5.1 Trading financial assets | | - | - |
| 1.5.2 Financial assets designated at fair value through profit or loss | | - | - |
| 1.5.3 Available-for-sale financial assets | | 1,393,700 | 1,475,012 |
| 1.5.4 Held-to-maturity investments | | 655,844 | 560,261 |
| 1.6 Finance lease income | | - | - |
| 1.7 Other interest income | | 1,522 | 2,498 |
| II. INTEREST EXPENSE | | 8,143,569 | 6,722,109 |
| 2.1 Interest expense on deposits | V-IV-2 | 6,131,010 | 5,044,633 |
| 2.2 Interest expense on funds borrowed | V-IV-2 | 260,836 | 167,476 |
| 2.3 Interest expense on money market transactions | | 881,816 | 912,931 |
| 2.4 Interest expense on securities issued | V-IV-2 | 596,952 | 450,732 |
| 2.5 Other interest expenses | | 272,955 | 146,337 |
| III. NET INTEREST INCOME (I - II) | | 5,486,481 | 4,651,478 |
| IV. NET FEES AND COMMISSIONS INCOME | | 921,084 | 709,334 |
| 4.1 Fees and commissions received | | 1,403,631 | 1,145,329 |
| 4.1.1 Non-cash loans | | 186,862 | 162,814 |
| 4.1.2 Others | | 1,216,769 | 982,515 |
| 4.2 Fees and commissions paid | | 482,547 | 435,995 |
| 4.2.1 Non-cash loans | | 166 | 206 |
| 4.2.2 Others | | 482,381 | 435,789 |
| V. DIVIDEND INCOME | V-IV-3 | 62,219 | 66,288 |
| VI. TRADING INCOME/LOSSES (Net) | V-IV-4 | 99,474 | 223,119 |
| 6.1 Trading account income/losses | V-IV-4 | 46,127 | 174,760 |
| 6.2 Income/losses from derivative financial instruments | V-IV-4 | (13,176) | (51,247) |
| 6.3 Foreign exchange gains/losses | V-IV-4 | 66,523 | 99,606 |
| VII. OTHER OPERATING INCOME | V-IV-5 | 1,048,278 | 1,345,534 |
| VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII) | | 7,617,536 | 6,995,753 |
| IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-) | V-IV-6 | 1,537,060 | 1,671,867 |
| X. OTHER OPERATING EXPENSES (-) | V-IV-7 | 3,610,183 | 3,110,210 |
| XI. NET OPERATING PROFIT/LOSS (VIII-IX-X) | | 2,470,293 | 2,213,676 |
| XII. INCOME RESULTED FROM MERGERS | | - | - |
| XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING | | - | - |
| XIV. GAIN/LOSS ON NET MONETARY POSITION | | - | - |
| XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV) | | 2,470,293 | 2,213,676 |
| XVI. CONTINUING OPERATIONS PROVISION FOR TAXES | V-IV-11 | (540,184) | (460,403) |
| 16.1 Current tax charges | | (404,310) | (601,519) |
| 16.2 Deferred tax credits | | (135,874) | 141,116 |
| XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI) | V-IV-12 | 1,930,109 | 1,753,273 |
| 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 | | - | - |
| XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES | | - | - |
| 21.1 Current tax charge | | - | - |
| 21.2 Deferred tax charge | | - | - |
| XXII. NET INCOME/LOSS AFRET TAXES FROM DISCONTINUED OPERATIONS | | - | - |
| XXIII. NET PROFIT/LOSS (XVII+XXII) | V-IV-12 | 1,930,109 | 1,753,273 |
| Profit/Loss per 100 shares (full TL) | III-XXIV | 0.7720 | 0.7013 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

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

| | Audited Current Period 1 January 2015- 31 December 2015 | Audited Prior Period 1 January 2014- 31 December 2014 |
|--|---|---|
| GAINS AND LOSSES RECOGNIZED IN EQUITY | | |
| I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES | (567,255) | 786,981 |
| II. REVALUATION SURPLUS ON TANGIBLE ASSETS | 577,256 | - |
| III. REVALUATION SURPLUS ON INTANGIBLE ASSETS | - | - |
| IV. CURRENCY TRANSLATION DIFFERENCES | - | - |
| V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes) | - | - |
| VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion) | - | - |
| VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS | - | - |
| VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS | 76,831 | (140,919) |
| IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES | 78,857 | (143,906) |
| X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX) | 165,689 | 502,156 |
| XI. CURRENT PERIOD'S PROFIT/(LOSS) | 1,930,109 | 1,753,273 |
| 11.1 Change in fair value of securities (transfers to the statement of income) | 35,471 | 168,110 |
| 11.2 Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges | - | - |
| 11.3 Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges | - | - |
| 11.4 Others | 1,894,638 | 1,585,163 |
| XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI) | 2,095,798 | 2,255,429 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

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

| AUDITED | Notes | Capital Reserves | | | 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 Intangible Assets and Investment Property | | | Surp. On Assets Held for Sale and Assets of Discount. Op.s | Shareholders' Equity before Minority Interest | Minority Interest | Total Shareholders' Equity | |
|-----------------------------------|---|------------------|----------------------------|----------|----------------------------|----------------|-----------------|------------------------|----------------|-----------------------------------|---------------------------------|--|--|---|------------------|--|---|-------------------|----------------------------|------------|
| | | Paid-in Capital | Adjustments from Inflation | Reserves | | | | | | | | | Revaluation Surplus on Intangible Assets and Investment Property | Bonus Shares of Associates, Subsidiaries and Joint Ventures | Hedging Reserves | | | | | |
| PRIOR PERIOD - 31 December 2014 | | | | | | | | | | | | | | | | | | | | |
| I. | Balances at the beginning of the period | 2,500,000 | - | 723,918 | - | 854,240 | - | 5,889,226 | 266,115 | - | 1,585,539 | 681,326 | 44,136 | 71,821 | - | - | 12,616,321 | - | - | 12,616,321 |
| Changes during the period | | | | | | | | | | | | | | | | | | | | |
| II. | Mergers | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. | Associates, Subsidiaries and "Available-for-sale" securities | - | - | - | - | - | - | - | - | - | 535,643 | - | - | - | - | - | 535,643 | - | - | 535,643 |
| IV. | Hedges for risk management | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.1 | Net cash flow hedges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.2 | Net foreign investment hedges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| V. | Revaluation surplus on tangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. | Revaluation surplus on intangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. | Bonus shares of associates, subsidiaries and joint-ventures | - | - | - | - | - | - | - | - | - | - | - | (2,599) | - | - | - | (2,599) | - | - | (2,599) |
| VIII. | Translation differences | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. | Changes resulted from disposal of the assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. | Changes resulted from reclassifications of the assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XI. | Effect of change in equities of associates on the Bank's equity | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 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 | - | - | - | - | - | - | - | (30,888) | - | - | - | - | - | - | - | (30,888) | - | - | (30,888) |
| XVII. | Current period's net profit/loss | - | - | - | - | - | - | - | 1,753,273 | - | 1,753,273 | - | - | - | - | - | 1,753,273 | - | - | 1,753,273 |
| XVIII. | Profit distribution | - | - | - | - | 158,556 | - | 1,325,482 | - | (1,585,539) | - | 1,501 | - | - | - | - | (100,000) | - | - | (100,000) |
| 18.1 | Dividends | - | - | - | - | - | - | - | - | (100,000) | - | - | - | - | - | - | (100,000) | - | - | (100,000) |
| 18.2 | Transferred to reserves | - | - | - | - | 158,556 | - | 1,325,482 | - | (1,485,539) | - | 1,501 | - | - | - | - | - | - | - | - |
| 18.3 | Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balances at the end of the period | | 2,500,000 | - | 723,918 | - | 1,012,796 | - | 7,214,708 | 235,227 | 1,753,273 | - | 1,216,969 | 45,637 | 69,222 | - | - | 14,771,750 | - | - | 14,771,750 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

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

| AUDITED | Notes | Paid-in Capital | Share Cancellation Premium | Share Profits | Legal Reserves | Status Reserves | Extraordinary Reserves | Other Reserves | Current Period Net Profit/ (Loss) | Prior Period Net Profit/ (Loss) | Valuation Differences of the Marketable Securities | Revaluation Surplus on Tangible, Intangible Assets and Investment Property | Bonus Shares of Associates, Subsidiaries and Joint Ventures | Hedging Reserves | Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s | Shareholders' Equity before Minority Interest | Total Shareholders' Equity | |
|--|---|------------------|----------------------------|----------------|----------------|------------------|------------------------|------------------|-----------------------------------|---------------------------------|--|--|---|------------------|--|---|----------------------------|--|
| | | | | | | | | | | | | | | | | | | Capital Reserves from Inflation Adjustments to Paid-in Capital |
| CURRENT PERIOD - 31 December 2015 | | | | | | | | | | | | | | | | | | |
| I. | | 2,500,000 | - | 723,918 | - | 1,012,796 | - | 7,214,708 | 235,227 | - | 1,753,273 | 1,216,969 | 45,637 | 69,222 | - | 14,771,750 | - | 14,771,750 |
| Changes during the period | | | | | | | | | | | | | | | | | | |
| II. | Mergers | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. | Associates, Subsidiaries and "Available-for-sale" securities | - | - | - | - | - | - | - | - | - | (386,556) | - | - | - | - | (386,556) | - | (386,556) |
| IV. | Hedges for risk management | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.1 | Net cash flow hedges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.2 | Net foreign investment hedges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| V. | Revaluation surplus on tangible assets | - | - | - | - | - | - | - | - | - | - | 548,390 | - | - | - | 548,390 | - | 548,390 |
| VI. | Revaluation surplus on intangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. | Bonus shares of associates, subsidiaries and joint-ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. | Translation differences | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. | Changes resulted from disposal of the assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. | Changes resulted from reclassifications of the assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XI. | Effect of change in equities of associates on the Bank's equity | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XII. | Capital increase | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12.1 | Cash | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12.2 | Internal sources | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIII. | Share issuance | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIV. | Share cancellation profits | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XV. | Capital reserves from inflation adjustments to paid-in capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XVI. | Other | - | - | - | - | - | - | - | 3,855 | - | - | - | - | - | - | 3,855 | - | 3,855 |
| XVII. | Current period's net profit/loss | - | - | - | - | - | - | - | 1,930,109 | - | - | - | - | - | - | 1,930,109 | - | 1,930,109 |
| XVIII. | Profit distribution | - | - | - | - | - | - | - | - | (1,753,273) | - | 236,122 | - | - | - | (100,000) | - | (100,000) |
| 18.1 | Dividends | - | - | - | - | - | - | - | - | (100,000) | - | - | - | - | - | (100,000) | - | (100,000) |
| 18.2 | Transferred to reserves | - | - | - | - | - | - | - | - | (1,653,273) | - | 236,122 | - | - | - | - | - | - |
| 18.3 | Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balances at the end of the period | | 2,500,000 | - | 723,918 | - | 1,174,010 | - | 8,329,529 | 380,198 | 1,930,109 | - | 830,413 | 830,149 | 69,222 | - | 16,767,548 | - | 16,767,548 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI**UNCONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED AT 31 DECEMBER 2015**

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

| | Notes | Audited Current Period 31 December 2015 | Audited Prior Period 31 December 2014 |
|---|-------|--|--|
| A. | | | |
| CASH FLOWS FROM BANKING OPERATIONS | | | |
| 1.1 | | 2,731,346 | 2,632,569 |
| 1.1.1 | | 12,803,948 | 10,469,845 |
| 1.1.2 | | (7,982,534) | (6,661,702) |
| 1.1.3 | | 36,072 | 43,703 |
| 1.1.4 | | 1,403,631 | 1,145,329 |
| 1.1.5 | | 92,949 | 438,067 |
| 1.1.6 | | 1,010,359 | 705,404 |
| 1.1.7 | | (1,567,534) | (1,277,830) |
| 1.1.8 | | (675,074) | (540,885) |
| 1.1.9 | VI-1 | (2,390,471) | (1,689,362) |
| 1.2 | | (3,130,897) | (3,362,318) |
| 1.2.1 | | 619 | (619) |
| 1.2.2 | | - | - |
| 1.2.3 | | (2,251,770) | (345,470) |
| 1.2.4 | | (20,095,511) | (18,811,158) |
| 1.2.5 | | (195,002) | 109,081 |
| 1.2.6 | | 720,842 | 716,239 |
| 1.2.7 | | 17,370,140 | 9,494,361 |
| 1.2.8 | | 3,621,335 | 3,517,964 |
| 1.2.9 | | - | - |
| 1.2.10 | VI-1 | (2,301,550) | 1,957,284 |
| I. | | (399,551) | (729,749) |
| B. | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| II. | | (1,544,382) | (195,210) |
| 2.1 | | - | (205,714) |
| 2.2 | | - | - |
| 2.3 | | (738,506) | (175,892) |
| 2.4 | | 582,358 | 312,382 |
| 2.5 | | (4,213,523) | (5,677,045) |
| 2.6 | | 3,355,028 | 6,819,996 |
| 2.7 | | (1,610,704) | (2,698,603) |
| 2.8 | | 1,129,187 | 1,475,540 |
| 2.9 | VI-1 | (48,222) | (45,874) |
| C. | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| III. | | 1,949,710 | 3,423,195 |
| 3.1 | | 9,872,371 | 8,649,309 |
| 3.2 | | (7,822,661) | (5,126,114) |
| 3.3 | | - | - |
| 3.4 | | (100,000) | (100,000) |
| 3.5 | | - | - |
| 3.6 | | - | - |
| IV. | VI-1 | 12,178 | 6,249 |
| V. | | 17,955 | 2,504,485 |
| VI. | VI-4 | 8,182,469 | 5,677,984 |
| VII. | VI-4 | 8,200,424 | 8,182,469 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

FOR THE YEAR ENDED 31 DECEMBER 2015

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

| | Notes | Current Period 31 December 2015 | Prior Period 31 December 2014 |
|---|--|------------------------------------|----------------------------------|
| I. DISTRIBUTION OF CURRENT YEAR PROFIT | | | |
| 1.1 | | 2,470,293 | 2,213,676 |
| 1.2 | | (540,184) | (460,403) |
| 1.2.1 | Corporate tax (income tax) | (404,310) | (601,519) |
| 1.2.2 | Withholding tax | - | - |
| 1.2.3 | Other taxes and duties ⁽¹⁾ | (135,874) | 141,116 |
| A. | NET PROFIT FOR THE YEAR | 1,930,109 | 1,753,273 |
| 1.3 | DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES | - | (141,116) |
| B. | NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME | 1,930,109 | 1,612,157 |
| 1.4 | ACCUMULATED LOSSES | - | - |
| 1.5 | FIRST LEGAL RESERVES | - | (80,607) |
| 1.6 | OTHER STATUTORY RESERVES | - | (80,607) |
| C. | NET PROFIT AVAILABLE FOR DISTRIBUTION⁽²⁾ | - | 1,450,943 |
| 1.7 | FIRST DIVIDEND TO SHAREHOLDERS | - | 100,000 |
| 1.7.1 | To owners of ordinary shares | - | 100,000 |
| 1.7.2 | To owners of privileged shares | - | - |
| 1.7.3 | To owners of redeemed shares | - | - |
| 1.7.4 | To profit sharing bonds | - | - |
| 1.7.5 | To holders of profit and loss sharing certificates | - | - |
| 1.8 | DIVIDENDS TO PERSONNEL ⁽³⁾ | - | - |
| 1.9 | DIVIDENDS TO BOARD OF DIRECTORS | - | - |
| 1.10 | SECOND DIVIDEND TO SHAREHOLDERS | - | - |
| 1.10.1 | To owners of ordinary shares | - | - |
| 1.10.2 | To owners of privileged shares | - | - |
| 1.10.3 | To owners of redeemed shares | - | - |
| 1.10.4 | To profit sharing bonds | - | - |
| 1.10.5 | To holders of profit and loss sharing certificates | - | - |
| 1.11 | SECOND LEGAL RESERVES | - | - |
| 1.12 | STATUS RESERVES | - | - |
| 1.13 | EXTRAORDINARY RESERVES | - | 1,114,821 |
| 1.14 | OTHER RESERVES | - | - |
| 1.15 | SPECIAL FUNDS | - | 236,122 |
| II. DISTRIBUTION FROM RESERVES | | | |
| 2.1 | DISTRIBUTION OF RESERVES | - | - |
| 2.2 | SECOND LEGAL RESERVES | - | - |
| 2.3 | DIVIDENDS TO SHAREHOLDERS | - | - |
| 2.3.1 | To owners of ordinary shares | - | - |
| 2.3.2 | To owners of privileged shares | - | - |
| 2.3.3 | To owners of redeemed shares | - | - |
| 2.3.4 | To profit sharing bonds | - | - |
| 2.3.5 | To holders of profit and loss sharing certificates | - | - |
| 2.4 | DIVIDENDS TO PERSONNEL ⁽³⁾ | - | - |
| 2.5 | DIVIDENDS TO BOARD OF DIRECTORS | - | - |
| III. EARNINGS PER SHARE | | | |
| 3.1 | TO OWNERS OF ORDINARY SHARES (Per 100 shares) | 0.7720 | 0.7013 |
| 3.2 | TO OWNERS OF ORDINARY SHARES (%) | 77.20 | 70.13 |
| 3.3 | TO OWNERS OF PRIVILEGED SHARES | - | - |
| 3.4 | TO OWNERS OF PRIVILEGED SHARES (%) | - | - |
| IV. DIVIDEND PER SHARE | | | |
| 4.1 | TO OWNERS OF ORDINARY SHARES (Per 100 shares) | - | 0.0400 |
| 4.2 | TO OWNERS OF ORDINARY SHARES (%) | - | 4.00 |
| 4.3 | TO OWNERS OF PRIVILEGED SHARES | - | - |
| 4.4 | TO OWNERS OF PRIVILEGED SHARES (%) | - | - |

⁽¹⁾As of the report date, distributable net profit of the period is not shown as any decision regarding the 2015 profit distribution is not taken.⁽²⁾The amount shown in other taxes and legal liabilities is deferred income/expense tax, and deferred tax income is not subject to profit distribution.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The unconsolidated 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 other regulations related to reporting principles on accounting records of banks published by Banking Regulation and Supervision Agency and its circulars and interpretations (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of reporting Turkish Accounting Standards and Turkish Financial Reporting Standards ("TFRS") and related appendices and interpretations (referred as "Turkish Accounting Standards" or "TAS") put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA").

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.

Additional paragraph for convenience translation to English

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

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

Strategy for the use of financial instruments

Core operations of the Bank, 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 Bank intensively utilizes financial instruments. The 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 Bank other than the deposits are its equity and medium and long-term borrowings obtained from foreign financial institutions. The 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 Bank gives 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 to liquidity risk, exchange risk, and credit risk within reasonable limits; while enhancing profitability and strengthening the 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 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 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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Information on foreign currency transactions

Foreign currency transactions are recorded in TL which is the functional currency of the Bank. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Turkish Lira by using the prevailing exchange. 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, they are reported as translated into TL by the rates prevailing at the date of the determination of the fair value.

III. INFORMATION OF ASSOCIATES AND SUBSIDIARIES

Subsidiaries are the entities that the Bank has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Subsidiaries are accounted in accordance with TAS 39 – Financial Instruments: Recognition and Measurement in the unconsolidated financial statements. Subsidiaries, which are traded in an active market or whose fair value can be reliably measured, are recorded at fair value.

Associates are accounted in accordance with TAS 39 - Financial Instruments: Recognition and Measurement in the unconsolidated financial statements. Associates, which are traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates which are not traded in an active market and whose fair values cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

The derivative transactions mainly consist of currency and interest rate swaps, precious metals swaps, foreign currency forward contracts and currency options. The Bank has classified its derivative transactions, mentioned above, as "trading purpose" 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.

Subsequent to initial recognition derivative transactions are measured at their fair value and, if the fair value is positive, it is recorded in the balance sheet under "Derivative financial assets held for trading purpose" or if the fair value is negative, it is recorded in the balance sheet under "Derivative financial liabilities held for trading purpose". As the result of related measurements to fair value changes of derivative transactions are recognized in the statement of income.

V. INFORMATION ON INTEREST INCOME AND EXPENSES

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.

VI. INFORMATION ON FEES AND COMMISSIONS

Banking service income is recorded as income when they are collected. Other fee and commission income are transferred to profit/loss accounts according to the principle of periodicity 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.

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VII. INFORMATION ON FINANCIAL ASSETS AND FOOTNOTES

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

Available-for-sale financial assets

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

Held to maturity investments

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

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

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

Loans and receivables

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

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

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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 (TP) 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 and 100% specific provision for non performing loans for Fourth and Fifth Group used to be reserved on condition of not being less than the minimum required rates specified within the related Regulation, 50% specific provision is reserved for the non performing loans that are transferred to Fourth Group according to changes in accounting policy about specific provisions of non performing loans that are transferred to Fourth Group as of 30 September 2015 accounting period. In this scope, the specific provision of TL 17,864 that was reserved within the previous periods is transferred to " Other Operating Income" account and the specific provision of TL 303,807 that was reserved in current period is transferred to "Provision for Losses on Loans and Other Receivables" account as of 30 September 2015.

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

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

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

Securities sold under repurchase agreements ("repo") are classified under "Held for trading purpose", "Available for sale" and/or "Held-to-maturity" portfolios according to their holding purposes in the Bank'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 "Money Market Takings" separately. The income accrual is calculated for the securities purchased under resale agreements via the difference between buying and selling prices on the balance sheet date.

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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 Bank's business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Bank has no discontinued operations.

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill on financial statements.

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

The costs of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortized 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 Bank's intangible assets are 3-15 years, and amortisation rates are between 6.67% and 33.33%.

XIII. INFORMATION ON TANGIBLE ASSETS

The costs of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. In subsequent periods no inflation adjustment is made for tangible assets, and costs which are restated as of 31 December 2004 are considered as their historical costs. Tangible assets purchased after 1 January 2005 were recorded at their historical costs after foreign exchange differences and financial expenses are deducted if any. The Bank 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. As a result of the valuation from the independent appraisal company, revaluation difference of TL 548,449 after deferred tax effect is followed under the revaluation surplus on tangible assets under shareholders' equity (As of 31 December 2015, this difference is TL 548,390).

As of 31 December 2015, the conformity between net book value that was calculated based on the cost of properties for use and revaluated values are as follows;

| | 31 December 2015 |
|---|-------------------------|
| Fair value | 909,191 |
| Net book value calculated on cost value | 331,935 |
| Before tax revaluation differences | 577,256 |
| Calculated deferred tax liability (-) | (28,866) |
| Revaluation differences-net | 548,390 |

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 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 expensed.

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There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. Depreciation rates 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 Bank evaluates whether there is objective evidence of impairment on its assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 - *Impairment of Assets* and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

XIV. INFORMATION ON LEASING ACTIVITIES

Leasing activities

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

- *Finance leasing activities as the lessee*

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

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

- *Finance leasing transactions as lessor*

The Bank does not perform as a lessor on leasing transactions.

Operational leases

Operational leasing is defined as activities except financial leasing. Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

XV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

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 Bank 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 entity. 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 Bank discloses the contingent asset.

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XVI. INFORMATION ON OBLIGATIONS OF THE BANK CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank 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 31 December 2015 is TL 3,828 (full TL) (31 December 2014: TL 3,438 (full TL)).

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

As at 31 December 2015 and 31 December 2014, the major actuarial assumptions used in the calculation of the total liability are as follows:

| | Current Period | Prior Period |
|----------------------------|----------------|--------------|
| Discount Rate | %10.20 | %8.60 |
| Estimated Inflation Rate | %7.10 | %6.50 |
| Increase in Real Wage Rate | %8.10 | %7.50 |

Other benefits to employees

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

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

Pension fund

The employees of the 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.23, 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 issue date of the Banking Law no.5411, issued in the 1 November 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court's 22 March 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on 15 December 2007 in the Official Gazette no. 26731. The reason for the cancellation decision by Constitutional Court was stated as possible future losses on acquired rights of Fund members.

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

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

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

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

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

The employer of pension fund participants 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 Foundation.

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 dated February 2016 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at 31 December 2015.

XVII. INFORMATION ON TAXATION

Corporate tax

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

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

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

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

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

According to tax legislation, financial losses which are not exceed over 5 years can be deducted from profit of the company. Losses can not 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 from the end of the accounting period. Firms that allowed to analyze taxes, can examine the accounting records and change the amount if there is a wrong transaction.

Corporation tax legislation for the foreign branches

Bahrain (Manama)

Bahrain branch is non taxable because there is no corporate tax practice in that country. Bahrain branch' 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 05.06.2012, numbered B.07.1.GİB.4.99.16.02-KVK-5/1-b-128.

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North Iraq (Erbil)

Erbil branch 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)

New York branch 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.

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

- There is 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 the 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.

XVIII. INFORMATION ON CASH AND CASH EQUIVALENT

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

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XIX. ADDITIONAL INFORMATION ON BORROWINGS

The Bank provides funding resources such as syndication and securitization transactions in case of need. In the current period, the 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 bank is not hedging about debt instruments.

XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

The shares of the 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.

XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXII. INFORMATION ON GOVERNMENT INCENTIVES

As at 31 December 2015 and 31 December 2014, the Bank does not have any government incentives.

XXIII. INFORMATION ON SEGMENT REPORTING

An operating segment is a component of an entity:

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

Reporting according to the operational segment is presented in Note X of Section Four.

XXIV. OTHER MATTERS

Earnings per shares

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

As at and for the year ended 31 December 2015, earnings per 100 shares are full TL 0.7720 (31 December 2014: full TL 0.7013).

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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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK

I. CAPITAL ADEQUACY RATIO

The Bank's unconsolidated capital adequacy ratio is 14.52 % (31 December 2014: 13.96%).

Risk measurement methods in calculation of capital adequacy ratio

Capital adequacy ratio is calculated within the scope of the "Regulation on the Measurement and Assessment of Capital Adequacy Ratios of Banks (Regulation)", "Regulation on Credit Risk Mitigation Techniques" and "Communiqué on Risk Weighted Amounts for Securitization Exposures" published Official Gazette no. 28337 dated 28 June 2012 and "Regulation on the Equity of Banks" published in Official Gazette no. 26333 dated 1 November 2006.

The data used in calculation of capital adequacy ratio is organized in accordance with the accounting records prepared in compliance with the current legislation. Besides, the Bank classifies these data as "Trading Book" and "Banking Book"; and takes into account in the calculation of market risk and credit risk accordingly. Operational risks are also included in the calculation of capital adequacy ratio.

In the calculation of risk-based amounts, the Bank classifies its receivables into risk groups described in 6th article of the Regulation and considers the ratings and risk mitigating elements. The amounts are evaluated in the related risk weight group, accordingly. The Bank applies "basic financial guarantee method" in the consideration of risk mitigating elements for banking book accounts.

Trading book accounts and the items deducted from the capital base are not included in the calculation of credit risk. In calculation of risk weighted assets, impairments, depreciation and amortization, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks", subjected to risk mitigation in accordance with the "Communique on Credit Risk Mitigation Techniques", classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the Regulation.

In the calculation of their risk-based values, Derivative Financial Instruments and Credit Derivative Contracts which are accounted in banking book, the receivable amounts due to counter parties are multiplied by the rates stated in the Appendix 2 of the Regulation, subjected to risk mitigation in accordance with the "Communique on Credit Risk Mitigation Techniques", classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the same Regulation. In compliance with Article 5 of the Regulation, repo transactions, investment securities and commodity lending transactions are accounted for "Counterparty Credit Risk". The Bank applies "Fair Value Measurement" in the calculation of "Counterparty Credit Risk".

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Information on unconsolidated capital adequacy ratio

| Current Period | 31 December 2015 | | | | | | | | | |
|--|-------------------|----------|------------------|-------------------|-------------------|-------------------|------------------|------------------|---------------|----------|
| | Risk Weights | | | | | | | | | |
| | 0% | 10% | 20% | 50% | 75% | 100% | 150% | 200% | 250% | 1250% |
| Surplus credit risk weighted | 55,276,308 | - | 7,773,091 | 45,591,407 | 27,561,064 | 69,352,259 | 3,660,714 | 7,561,275 | 45,093 | - |
| Risk classifications: | | | | | | | | | | |
| Claims on sovereigns and Central Banks | 50,214,290 | - | - | 5,976,167 | - | - | - | - | - | - |
| Claims on regional governments or local authorities | 10,516 | - | 2,945,710 | 745,047 | - | - | - | - | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 18,281 | - | 287 | - | - | 1,063,828 | - | - | - | - |
| Claims on multilateral development banks | 218 | - | - | - | - | - | - | - | - | - |
| Claims on international organizations | - | - | - | - | - | - | - | - | - | - |
| Claims on banks and intermediary institutions | 3,080,047 | - | 3,615,037 | 2,716,923 | - | 1,979 | - | - | - | - |
| Claims on corporate | 357,740 | - | 946,223 | 993,061 | - | 56,210,393 | - | - | - | - |
| Claims included in the regulatory retail portfolios | 142,049 | - | 52,558 | - | 27,561,064 | 956,724 | - | - | - | - |
| Claims secured by residential property | - | - | - | 35,160,209 | - | 4,481,845 | - | - | - | - |
| Past due loans | - | - | - | - | - | 806,175 | - | - | - | - |
| Higher risk categories decided by the Agency | 13,291 | - | 2,709 | - | - | - | 3,660,714 | 7,561,275 | 45,093 | - |
| Marketable securities secured by mortgages | - | - | - | - | - | - | - | - | - | - |
| Securitization exposures | - | - | - | - | - | - | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - | - | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - | - | - | - | - | - | - |
| Other claims | 1,439,876 | - | 210,567 | - | - | 5,831,315 | - | - | - | - |

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Information on unconsolidated capital adequacy ratio

| Prior Period | 31 December 2014 | | | | | | | | | | |
|--|-------------------|----------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|---------------|----------|----------|
| | Risk Weights | | | | | | | | | | |
| | 0% | 10% | 20% | 50% | 75% | 100% | 150% | 200% | 250% | 1250% | |
| Surplus credit risk weighted | 54,978,227 | - | 10,597,030 | 37,813,961 | 23,371,738 | 56,480,407 | 2,986,884 | 9,434,959 | 97,738 | - | - |
| Risk classifications: | | | | | | | | | | | |
| Claims on sovereigns and Central Banks | 46,173,249 | - | - | 5,454,530 | - | - | - | - | - | - | - |
| Claims on regional governments or local authorities | 16,257 | - | 2,439,440 | 507,007 | - | - | - | - | - | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 34,810 | - | 979 | - | - | 1,017,536 | - | - | - | - | - |
| Claims on multilateral development banks | - | - | - | - | - | - | - | - | - | - | - |
| Claims on international organizations | - | - | - | - | - | - | - | - | - | - | - |
| Claims on banks and intermediary institutions | 7,031,344 | - | 6,911,054 | 1,475,539 | - | 2,127 | - | - | - | - | - |
| Claims on corporate | 207,239 | - | 1,137,923 | 910,484 | - | 45,989,999 | - | - | - | - | - |
| Claims included in the regulatory retail portfolios | 121,740 | - | 41,820 | - | 23,371,738 | 1,185,664 | - | - | - | - | - |
| Claims secured by residential property | - | - | - | 29,466,401 | - | 3,401,067 | - | - | - | - | - |
| Past due loans | - | - | - | - | - | 240,075 | - | - | - | - | - |
| Higher risk categories decided by the Agency | 11,949 | - | 3,166 | - | - | - | 2,986,884 | 9,434,959 | 97,738 | - | - |
| Marketable securities secured by mortgages | - | - | - | - | - | - | - | - | - | - | - |
| Securitization exposures | - | - | - | - | - | - | - | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - | - | - | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - | - | - | - | - | - | - | - |
| Other claims | 1,381,639 | - | 62,648 | - | - | 4,643,939 | - | - | - | - | - |

Summary information related to capital adequacy ratio

| | Bank Only | |
|--|----------------|--------------|
| | Current Period | Prior Period |
| Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR) | 10,807,979 | 9,490,415 |
| Capital Requirement for Market Risk (MRCR) | 99,515 | 55,940 |
| Capital Requirement for Operational Risk (ORCR) ⁽¹⁾ | 879,185 | 777,799 |
| Shareholders' Equity | 21,398,645 | 18,013,163 |
| Shareholders' Equity/((CRCR+MRCR+ORCR) *12.5*100) | 14.52 | 13.96 |
| Tier I Capital/((CRCR+MRCR+ORCR) *12.5*100) | 11.19 | 11.26 |
| Common Equity Tier I Capital/((CRCR+MRCR+ORCR) *12.5*100) | 11.26 | 11.35 |

⁽¹⁾ In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio as at 2015 was measured by taking value at operational risk calculated based on gross incomes for the years ended 2014, 2013 and 2012 into consideration. For the year 2014, value at operational risk is being calculated based on gross incomes for the years ended 2013, 2012 and 2011.

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Information on equity items

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| COMMON EQUITY TIER I CAPITAL | | |
| Paid-in Capital to be Entitled for Compensation after all Creditors | 2,500,000 | 2,500,000 |
| Share Premium | 723,918 | 723,918 |
| Share Cancellation Profits | - | - |
| Reserves | 9,933,998 | 8,462,731 |
| Other Comprehensive Income according to TAS | 1,925,054 | 1,262,606 |
| Profit | 1,930,109 | 1,753,273 |
| Current Period Profit | 1,930,109 | 1,753,273 |
| Previous Period Profit | - | - |
| General Reserves for Possible Losses | - | - |
| Bonus shares from Associates, Subsidiaries, and Joint-Ventures not Accounted in Current Period's Profit | 69,222 | 69,222 |
| Common Equity Tier I Capital Before Deductions | 17,082,301 | 14,771,750 |
| Deductions from Common Equity Tier I Capital | | |
| Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS(-) | 314,753 | - |
| Leasehold Improvements on Operational Leases(-) | 103,893 | 97,140 |
| Goodwill and Other Intangible Assets and Related Deferred Taxes(-) | 68,511 | 28,153 |
| Net Deferred Tax Asset/Liability (-) | - | - |
| Shares Obtained against Article 56, Paragraph 4 of the Banking Law(-) | - | - |
| Direct and Indirect Investments of the Bank on its own Tier I Capital (-) | - | - |
| 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 Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - | - |
| Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) | - | - |
| Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) | - | - |
| Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - | - |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than the Issued Share Capital not deducted from Tier I Capital(-) | - | - |
| Mortgage Servicing Rights not deducted (-) | - | - |
| Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) | - | - |
| Other items to be Defined by the BRSA (-) | - | - |
| Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) | - | - |
| Total Deductions from Common Equity Tier I Capital | 487,157 | 125,293 |
| Total Common Equity Tier I Capital | 16,595,144 | 14,646,457 |
| ADDITIONAL CORE CAPITAL | | |
| Preferred Stock not Included in Tier I Capital and the Related Share Premiums | - | - |
| Debt Instruments and the Related Issuance Defined by the BRSA (Issued or Obtained after 01.01.2014) | - | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 01.01.2014) | - | - |
| Additional Core Capital before Deductions | - | - |
| Deductions from Additional Core Capital | | |
| Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) | - | - |
| 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 above Tier I Capital (-) | - | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more of 10% of the Issued Share Capital (-) | - | - |
| Other items to be Defined by the BRSA (-) | - | - |
| The amount to be deducted from Additional Tier 1 Capital (-) | - | - |

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| | Current Period | Prior Period |
|--|-------------------|-------------------|
| Total Deductions from Additional Core Capital | - | - |
| Total Additional Core Capital | - | - |
| Deductions from Core Capital | 102,766 | 112,613 |
| Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | 102,766 | 112,613 |
| Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - | - |
| Total Core Capital | 16,492,378 | 14,533,844 |
| TIER II CAPITAL | | |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) | 1,450,446 | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) | 1,905,885 | 2,117,650 |
| Pledged Assets of the Shareholders to be used for the Bank's Capital Increases | - | - |
| General Provisions | 1,688,747 | 1,482,877 |
| Tier II Capital before Deductions | 5,045,078 | 3,600,527 |
| Deductions from Tier II Capital | | |
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-) | - | - |
| 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% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-) | - | - |
| The Total of Net Long Positions of the Direct or Indirect Investments in Additional Core Capital and Tier II 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 I Capital (-) | - | - |
| Other items to be Defined by the BRSA (-) | - | - |
| Total Deductions from Tier II Capital | - | - |
| Total Tier II Capital | 5,045,078 | 3,600,527 |
| CAPITAL | 21,537,456 | 18,134,371 |
| Loans Granted against the Articles 50 and 51 of the Banking Law (-) | - | - |
| Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-) | 138,557 | 120,737 |
| Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) | - | - |
| Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - | - |
| Other items to be Defined by the BRSA (-) | 254 | 471 |
| The Portion of Total of Net Long Positions of the 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 above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | - | - |
| The Portion of Total of Net Long Positions of the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | - | - |
| The Portion of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) | - | - |
| EQUITY | 21,398,645 | 18,013,163 |
| Amounts lower than Excesses as per Deduction Rules | - | - |
| Remaining 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 | - | - |
| Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital | - | - |
| Remaining Mortgage Servicing Rights | - | - |
| Net Deferred Tax Assets arising from Temporary Differences | 15,421 | 72,437 |

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Components of items of shareholders' equity subject to temporary applications

| | Bank Only | |
|---|--|--------------|
| | Amount Included in Equity Calculation | Total Amount |
| Minorities' share in Tier I capital | - | - |
| Third Parties' share in additional core capital | - | - |
| Third Parties' share in supplementary capital | - | - |
| Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued before 01.01.2014) | 1,905,885 | 2,652,375 |
| Issuer | T.Vakıflar Bankası T.A.O. | |
| Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | XS0849728190/ US90015NAB91 | |
| XS1175854923/ US90015WAC73 | | |
| 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. | | |
| 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 million, as of most recent reporting date) | 3,356 | |
| Par value of instrument (in million) | 4,074 | |
| Accounting classification | 347011/Subordinated Liabilities | |
| Original date of issuance | XS0849728190/ US90015NAB91 1 November 2012 | |
| XS1175854923/ US90015WAC73 2 February 2015 | | |
| Perpetual or dated | XS0849728190/ US90015NAB91 Dated (10 years) Maturity Date: 1 November 2022 XS1175854923/ US90015WAC73 Dated (10 years) Maturity Date: 3 February 2025 | |
| Issue date | XS0849728190/ US90015NAB91 1 November 2012 XS1175854923/ US90015WAC73 2 February 2015 | |
| 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 3 February 2020 is available. | |
| Subsequent call dates, if applicable | XS0849728190/ US90015NAB91 Not available XS1175854923/ US90015WAC73 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 | |
| Existence of a dividend stopper | Nil | |
| Fully discretionary, partially discretionary or mandatory | Nil | |
| Existence of step up or other incentive to redeem | Nil | |
| Noncumulative or cumulative | Noncumulative | |
| Convertible or non-convertible | | |
| If convertible, conversion trigger (s) | Nil | |
| If convertible, fully or partially | Nil | |
| If convertible, conversion rate | Nil | |
| If convertible, mandatory or optional conversion | Nil | |
| If convertible, specify instrument type convertible into | Nil | |
| If convertible, specify issuer of instrument it converts into | Nil | |

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| 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 |
| If write-down, full or partial | XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has full or partial write down feature. |
| If write-down, permanent or temporary | XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 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. |
| 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 |

As a part of internal capital adequacy assessment process in terms of applied approach on inherit capital requirement's current and future activity

Internal capital requirements assessment process and capital adequacy policies in order to define the "Internal Capital Adequacy Assessment Process Document" was established in September 2012 and was approved by the Board of Directors. The document includes planning of capital, procedures and principles of risk reduction procedures of capital for making emergency plans. It is aimed to specify the current and future capital requirements, capital variety to keep up Bank's risk or potential risks with internal capital adequacy assessment process.

In the process, potential changes in market conditions and economic cycle are evaluated for effects on capital, as well as the Bank's strategy and credit growth expectations in line with the objectives, funding sources, liquidity opportunities are kept in into account. The Bank's strategic plans and capital needs assessment performed in accordance with defined growth prospects in 2016 and has taken actions to increase the amount of capital and resources in 2015.

Capital requirements for the internal assessment process, credit risk, market risk, operational risk, interest rate risk arising from the bank accounts, liquidity risk, credit risk, residual risk, concentration risk, counterparty credit risk are taken into consideration country and transfer risk, the measurement of risk and on the management policies and procedures have been developed and approved by the Board of Directors.

II. CREDIT RISK

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

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

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

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

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

For credit risk management purposes, Risk Management Department operates in

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

Credit risk is defined and managed for all cash and non-cash agreements and transactions, which carry counterparty risk. Loans with renegotiated terms are followed in accordance with Bank's credit risk management and follow-up principles. The financial position and trading operations of related customers are continuously analyzed and principal and interest payments, scheduled in renegotiation agreement, are strictly controlled by related departments. In the framework of Bank's risk management concept, long term commitments are accepted more risky than short term commitments.

Besides, risk limits defined for long term commitments and collaterals that should be taken against long term commitments are handled in a wider range compared to short term commitments.

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

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

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

- for which recovery of principal and interest or both delays from their terms or due dates are more than ninety days but not more than one hundred eighty days are classified as "Group Three- Loans and Other Receivables With Limited Recovery",
- for which recovery of principal and interest or both delays from their terms or due dates are more than one hundred and eighty days but not more one year are classified as "Group Four- Loans and Other Receivables With Suspicious Recovery",
- for which recovery of principal and interest or both delays from their terms or due dates are more than one year are classified as "Group Five - Loans and Other Receivables Having the Nature of Loss",

Regardless of the guarantees and pledges received, the Bank provides 20% provision for the Loans and Other Receivables classified in Group Three, by 30 September 2015, 50% provision for the Loans and Other Receivables classified in Group Four and 100% in Group Five. The provision amount is recognized in profit and loss statement of the period.

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The Bank's largest 100 cash loan customers compose 24.60% of the total cash loan portfolio (31 December 2014: 22.08%).

The Bank's largest 100 non-cash loan customers compose 54.95% of the total non-cash loan portfolio (31 December 2014: 56.67%).

The Bank's largest 100 cash loan customers compose 16.53 % of total assets of the Bank and the Bank's largest 100 non-cash loan customers compose 15.46% of total off-balance sheet items (31 December 2014: 14.56% and 17.74%).

The Bank's largest 200 cash loan customers compose 30.24% of the total cash loan portfolio (31 December 2014: 27.73%).

The Bank's largest 200 non-cash loan customers compose 67.04% of the total non-cash loan portfolio (31 December 2014: 68.35%).

The Bank's largest 200 cash loan customers compose 20.33 % of total assets of the Bank and the Bank's largest 200 non-cash loan customers compose 18.86% of total off-balance sheet items (31 December 2014: 18.29% ve 21.40%).

The general provision for credit risk amounts to TL 1,957,603 (31 December 2014: TL 1,603,242).

| Risk Classifications: | Current Period Risk Amount ^(*) | Average Risk Amount ^(**) |
|--|---|-------------------------------------|
| Claims on sovereigns and Central Banks | 56,190,457 | 56,978,857 |
| Claims on regional governments or local authorities | 3,701,273 | 3,248,031 |
| Claims on administrative bodies and other non-commercial undertakings | 1,082,396 | 1,081,897 |
| Claims on multilateral development banks | 218 | 36 |
| Claims on international organizations | - | - |
| Claims on banks and intermediary institutions | 9,413,986 | 11,402,422 |
| Claims on corporate | 58,507,417 | 57,111,324 |
| Claims included in the regulatory retail portfolios | 28,712,395 | 28,196,225 |
| Claims secured by residential property | 39,642,054 | 36,961,615 |
| Past due loans | 806,175 | 503,524 |
| Higher risk categories decided by the Agency | 11,283,082 | 11,158,293 |
| Marketable securities secured by mortgages | - | - |
| Securitization exposures | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - |
| Undertakings for collective investments in mutual funds | - | 548 |
| Other claims | 7,481,758 | 6,208,621 |

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

^(**) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2015 period.

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| Risk Classifications: | Prior Period Risk Amount ⁽¹⁾ | Average Risk Amount ⁽²⁾ |
|--|--|---------------------------------------|
| Claims on sovereigns and Central Banks | 51,627,779 | 46,770,220 |
| Claims on regional governments or local authorities | 2,962,704 | 2,375,575 |
| Claims on administrative bodies and other non-commercial undertakings | 1,053,325 | 761,467 |
| Claims on multilateral development banks | - | - |
| Claims on international organizations | - | - |
| Claims on banks and intermediary institutions | 15,420,064 | 14,658,166 |
| Claims on corporate | 48,245,645 | 43,603,994 |
| Claims included in the regulatory retail portfolios | 24,720,962 | 23,300,626 |
| Claims secured by residential property | 32,867,468 | 29,860,458 |
| Past due loans | 240,075 | 249,719 |
| Higher risk categories decided by the Agency | 12,534,696 | 11,615,182 |
| Marketable securities secured by mortgages | - | - |
| Securitization exposures | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - |
| Undertakings for collective investments in mutual funds | - | - |
| Other claims | 6,088,226 | 5,380,484 |

⁽¹⁾ Before reducing the credit risk, the rate of the post credit conversion is given.

⁽²⁾ Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2014 period.

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Risk profile according to the geographical concentration ^(*)

| Current Period | Claims on sovereigns and Central Banks | Claims on regional governments or local authorities | Claims on administrative bodies and other non-commercial undertakings | Claims on multilateral development banks | Claims on international organizations | Claims on banks and intermediary institutions | Claims on corporates | Claims included in the regulatory retail portfolios | Claims secured by residential property | Past due loans | Higher risk categories decided by the Board | Secured by mortgages | Securitization positions | Short-term claims and short term corporate claims on banks and intermediary institutions | Undertakings for collective investments in mutual funds | Other receivables | Total |
|--|--|---|---|--|---------------------------------------|---|----------------------|---|--|----------------|---|----------------------|--------------------------|--|---|-------------------|--------------------|
| Domestic | 52,485,415 | 3,693,576 | 1,082,396 | 2 | - | 2,264,806 | 56,874,497 | 28,675,380 | 39,615,204 | 806,175 | 11,105,364 | - | - | - | - | 5,607,149 | 202,669,964 |
| EU countries | - | - | - | 216 | - | 6,063,150 | - | - | - | - | - | - | - | - | - | - | 6,063,366 |
| OECD countries ⁽¹⁾ | - | - | - | - | - | 1,133 | - | - | - | - | - | - | - | - | - | - | 1,133 |
| Off-shore banking regions | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| USA, Canada | 3,627,192 | 7,697 | - | - | - | 951,702 | 1,501,050 | 37,015 | 26,850 | - | - | - | - | - | - | - | 6,151,506 |
| Other countries | 77,850 | - | - | - | - | 133,195 | 131,870 | - | - | - | 117,718 | - | - | - | - | - | 460,633 |
| Investment and associates, subsidiaries and joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,874,609 |
| Undistributed Assets/ Liabilities ⁽²⁾ | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 56,190,457 | 3,701,273 | 1,082,396 | 218 | - | 9,413,986 | 58,507,417 | 28,712,395 | 39,642,054 | 806,175 | 11,283,082 | - | - | - | - | 7,481,758 | 216,821,211 |

⁽¹⁾ OECD countries except from EU countries, USA, Canada.

⁽²⁾ The assets and liabilities that can not be distributed according to a consistent base.

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

| Prior Period | Claims on sovereigns and Central Banks | Claims on regional governments or local authorities | Claims on administrative bodies and other non-commercial undertakings | Claims on multilateral development banks | Claims on international organizations | Claims on banks and intermediary institutions | Claims on corporates | Claims included in the regulatory retail portfolios | Claims secured by residential property | Past due loans | Higher risk categories decided by the Board | Secured by mortgages | Securitization positions | Short-term claims and short term corporate claims on banks and intermediary institutions | Undertakings for collective investments in mutual funds | Other receivables | Total |
|--|--|---|---|--|---------------------------------------|---|----------------------|---|--|----------------|---|----------------------|--------------------------|--|---|-------------------|--------------------|
| Domestic | 49,821,796 | 2,948,965 | 1,053,324 | - | - | 5,238,277 | 47,051,039 | 24,691,264 | 32,833,278 | 240,075 | 12,447,769 | - | - | - | - | 4,351,230 | 180,677,017 |
| EU countries | - | - | - | - | - | 9,407,111 | - | - | - | - | - | - | - | - | - | - | 9,407,111 |
| OECD countries ⁽¹⁾ | - | - | - | - | - | 1,478 | - | - | - | - | - | - | - | - | - | - | 1,478 |
| Off-shore banking regions | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| USA, Canada | 1,805,983 | 13,739 | - | - | - | 676,493 | 1,049,656 | 29,698 | 34,190 | - | - | - | - | - | - | - | 3,609,759 |
| Other countries | - | - | - | - | - | 96,705 | 144,950 | - | - | - | 86,927 | - | - | - | - | 15 | 328,597 |
| Investment and associates, subsidiaries and joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,736,982 |
| Undistributed Assets/ Liabilities ⁽²⁾ | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 51,627,779 | 2,962,704 | 1,053,324 | - | - | 15,420,064 | 48,245,645 | 24,720,962 | 32,867,468 | 240,075 | 12,534,696 | - | - | - | - | 6,088,227 | 195,760,944 |

⁽¹⁾ OECD countries except from EU countries, USA, Canada.

⁽²⁾ The assets and liabilities that can not be distributed according to a consistent base.

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

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Risk profile according to sectors and counterparties (*)

| Current Period | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | TL | FC | Total |
|---|------------|-----------|-----------|-----|---|------------|------------|------------|------------|------------|------------|----|----|----|----|----|------------|-------------|------------|
| Agricultural | 2,415 | 105 | 26,352 | - | - | 1,034,594 | 439,998 | 705,330 | - | - | 59,685 | - | - | - | - | - | 1,745,859 | 522,620 | 2,268,479 |
| <i>Farming and raising livestock</i> | 2,018 | 105 | 26,352 | - | - | 716,272 | 395,678 | 647,325 | - | - | 59,637 | - | - | - | - | - | 1,610,229 | 237,158 | 1,847,387 |
| <i>Forestry</i> | 394 | - | - | - | - | 281,846 | 22,702 | 32,854 | - | - | 39 | - | - | - | - | - | 81,642 | 256,193 | 337,835 |
| <i>Fishing</i> | 3 | - | - | - | - | 36,476 | 21,618 | 25,151 | - | - | 9 | - | - | - | - | - | 53,988 | 29,269 | 83,257 |
| Manufacturing | 1,045 | 740 | 193,617 | - | - | 24,949,102 | 2,623,726 | 5,560,093 | - | - | 6,130 | - | - | - | - | - | 12,342,475 | 20,991,978 | 33,334,453 |
| <i>Mining</i> | - | - | 3,673 | - | - | 1,129,091 | 91,198 | 196,693 | - | - | 216 | - | - | - | - | - | 446,410 | 974,461 | 1,420,871 |
| <i>Production</i> | 980 | 30 | 97,208 | - | - | 16,760,236 | 2,487,187 | 5,194,456 | - | - | 5,794 | - | - | - | - | - | 10,474,961 | 14,070,930 | 24,545,891 |
| <i>Electric, Gas, Water</i> | 65 | 710 | 92,736 | - | - | 7,059,775 | 45,341 | 168,944 | - | - | 120 | - | - | - | - | - | 1,421,104 | 5,946,587 | 7,367,691 |
| Construction | 41 | 226 | 354 | - | - | 8,221,628 | 1,509,264 | 5,041,111 | - | - | 3,381 | - | - | - | - | - | 8,643,345 | 6,132,657 | 14,776,002 |
| Services | 36,310,616 | 3,634,970 | 634,288 | 216 | - | 9,413,986 | 18,404,525 | 9,966,610 | 13,806,939 | - | 147,885 | - | - | - | - | - | 79,253 | 59,036,822 | 33,362,469 |
| <i>Wholesale and retail trade</i> | 4,975 | 3,765 | 98,715 | - | - | 6,943,554 | 5,617,739 | 8,146,349 | - | - | 18,612 | - | - | - | - | - | 15,999,111 | 4,834,598 | 20,833,709 |
| <i>Hotel, Food and Beverage Services</i> | 14 | 1,026 | 622 | - | - | 1,761,395 | 295,384 | 2,560,578 | - | - | 2,137 | - | - | - | - | - | 1,206,465 | 3,414,691 | 4,621,156 |
| <i>Transportation and Telecommunication</i> | 54 | 8,501 | 34,502 | - | - | 5,754,094 | 3,646,731 | 1,758,500 | - | - | 6,977 | - | - | - | - | - | 5,983,473 | 5,225,886 | 11,209,359 |
| <i>Financial Institutions</i> | 36,137,083 | 11 | 100,192 | 216 | - | 9,413,986 | 2,850,082 | 35,139 | 465,128 | - | 117,937 | - | - | - | - | - | 79,253 | 30,545,128 | 18,653,902 |
| <i>Real Estate and leasing services</i> | - | - | - | - | - | 303,987 | 86,614 | 183,413 | - | - | 449 | - | - | - | - | - | 392,409 | 182,058 | 574,467 |
| <i>Self-employment services</i> | 159 | 724 | 2,444 | - | - | - | 288 | - | - | - | - | - | - | - | - | - | 3,615 | - | 3,615 |
| <i>Education services</i> | 4,995 | 48 | 8,889 | - | - | 127,201 | 67,764 | 272,888 | - | - | 258 | - | - | - | - | - | 430,342 | 51,701 | 482,043 |
| <i>Health and social services</i> | 163,336 | 3,620,895 | 388,920 | - | - | 663,924 | 217,239 | 420,083 | - | - | 1,515 | - | - | - | - | - | 4,476,279 | 999,633 | 5,475,912 |
| Other | 19,876,340 | 65,232 | 227,785 | 2 | - | 5,897,568 | 14,172,797 | 14,526,581 | 806,175 | 11,066,001 | 806,175 | - | - | - | - | - | 7,402,505 | 50,478,546 | 23,564,440 |
| Total | 56,190,457 | 3,701,273 | 1,082,396 | 218 | - | 9,413,986 | 58,307,417 | 28,712,395 | 39,642,054 | 806,175 | 11,283,082 | - | - | - | - | - | 7,481,758 | 132,247,047 | 84,574,164 |

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

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

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Risk profile according to sectors and counterparties (*)

| Prior Period | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | TL | FC | Total |
|---|------------|-----------|-----------|---|---|------------|------------|------------|------------|---------|------------|----|----|----|------------|------------|-------------|------------|-------------|
| Agricultural | 91 | 38 | 189,639 | - | - | - | 900,028 | 383,981 | 403,997 | - | 4,692 | - | - | - | - | - | 1,346,383 | 536,083 | 1,882,466 |
| <i>Farming and raising livestock</i> | 91 | 38 | 189,639 | - | - | - | 588,334 | 333,616 | 351,702 | - | 4,261 | - | - | - | - | - | 1,211,280 | 256,401 | 1,467,681 |
| <i>Forestry</i> | - | - | - | - | - | - | 280,965 | 31,160 | 24,346 | - | 185 | - | - | - | - | - | 71,753 | 258,903 | 336,656 |
| <i>Fishing</i> | - | - | - | - | - | - | 30,729 | 19,205 | 27,949 | - | 246 | - | - | - | - | - | 57,350 | 20,779 | 78,129 |
| Manufacturing | 1,004,291 | 39 | 160,377 | - | - | - | 19,899,003 | 2,485,075 | 4,843,193 | - | 7,121 | - | - | - | - | - | 11,480,951 | 16,918,148 | 28,399,099 |
| <i>Mining</i> | - | - | 4,644 | - | - | - | 384,726 | 94,155 | 323,949 | - | 68 | - | - | - | - | - | 417,284 | 390,258 | 807,542 |
| <i>Production</i> | 1,004,291 | 11 | 153,225 | - | - | - | 13,505,225 | 2,351,669 | 4,361,948 | - | 6,925 | - | - | - | - | - | 9,847,425 | 11,536,349 | 21,383,794 |
| <i>Electric, Gas, Water</i> | - | 28 | 2,008 | - | - | - | 6,009,052 | 39,251 | 157,296 | - | 128 | - | - | - | - | - | 1,216,242 | 4,991,521 | 6,207,763 |
| Construction | 280 | 6 | 1 | - | - | - | 6,266,898 | 1,427,900 | 4,336,534 | - | 4,491 | - | - | - | - | - | 6,908,667 | 5,127,443 | 12,036,110 |
| Services | 30,181,431 | 2,896,367 | 608,280 | - | - | 15,418,766 | 15,752,768 | 9,436,412 | 10,612,815 | - | 131,531 | - | - | 15 | 55,794,049 | 29,244,336 | 85,038,385 | 85,038,385 | |
| <i>Wholesale and retail trade</i> | 279 | 125 | 286 | - | - | - | 6,687,238 | 5,387,275 | 6,508,686 | - | 29,082 | - | - | - | - | - | 13,904,175 | 4,708,796 | 18,612,971 |
| <i>Hotel, Food and Beverage Services</i> | 9 | 6 | 78 | - | - | - | 1,331,135 | 296,071 | 1,545,078 | - | 2,885 | - | - | - | - | - | 1,000,853 | 2,174,409 | 3,175,262 |
| <i>Transportation and Telecommunication</i> | 11 | - | 240,027 | - | - | - | 4,255,744 | 3,392,287 | 1,353,077 | - | 9,016 | - | - | - | - | - | 5,309,017 | 3,941,145 | 9,250,162 |
| <i>Financial Institutions</i> | 30,054,333 | - | 69 | - | - | 15,418,766 | 2,500,834 | 34,796 | 457,626 | - | 87,390 | - | - | 15 | - | - | 31,086,536 | 17,467,293 | 48,553,829 |
| <i>Real Estate and renting services</i> | - | - | 3 | - | - | - | 299,465 | 73,037 | 138,421 | - | 1,138 | - | - | - | - | - | 396,997 | 115,067 | 512,064 |
| <i>Self-employment services</i> | - | - | 3,786 | - | - | - | 643 | - | - | - | - | - | - | - | - | - | - | - | 4,429 |
| <i>Education services</i> | 74 | 4 | 5,067 | - | - | - | 121,788 | 49,412 | 237,724 | - | 522 | - | - | - | - | - | 355,770 | 58,821 | 414,591 |
| <i>Health and social services</i> | 126,725 | 2,896,232 | 358,964 | - | - | - | 555,921 | 203,534 | 372,203 | - | 1,498 | - | - | - | - | - | 3,736,272 | 778,805 | 4,515,077 |
| Other | 20,441,686 | 66,254 | 95,027 | - | - | 1,298 | 5,426,948 | 10,987,594 | 12,670,929 | 240,075 | 12,386,861 | - | - | - | - | 6,088,212 | 46,766,457 | 21,638,427 | 68,404,884 |
| Total | 51,627,779 | 2,962,704 | 1,053,324 | - | - | 15,420,064 | 48,245,645 | 24,720,962 | 32,867,468 | 240,075 | 12,534,696 | - | - | - | - | 6,088,227 | 122,296,507 | 73,464,437 | 195,760,944 |

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

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

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

| Risk Classifications-Current Period | According to their outstanding maturities | | | | |
|--|---|------------------|-------------------|-------------------|--------------------|
| | 1 month | 1-3 month | 3-6 month | 6-12 month | 1 year and over |
| Claims on sovereigns and Central Banks | 7,538,323 | 151,346 | 399,825 | 1,811,782 | 46,289,181 |
| Claims on regional governments or local authorities | 9,103 | 15,418 | 85,821 | 145,517 | 3,445,414 |
| Claims on administrative bodies and other non-commercial undertakings | 32,724 | 38,442 | 89,225 | 21,979 | 900,026 |
| Claims on multilateral development banks | - | - | - | 216 | 2 |
| Claims on international organizations | - | - | - | - | - |
| Claims on banks and intermediary institutions | 4,886,750 | 826,432 | 548,154 | 71,677 | 3,080,973 |
| Claims on corporate | 2,736,080 | 3,853,483 | 5,294,896 | 8,925,453 | 37,697,505 |
| Claims included in the regulatory retail portfolios | 472,970 | 1,069,498 | 1,896,582 | 4,251,740 | 21,021,605 |
| Claims secured by residential property | 729,855 | 1,249,282 | 2,168,805 | 4,718,668 | 30,775,444 |
| Past due loans | - | - | - | - | 806,175 |
| Higher risk categories decided by the Agency | - | - | - | 14,009 | 11,269,073 |
| Marketable securities secured by mortgages | - | - | - | - | - |
| Securitization exposures | - | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - | - |
| Other claims | - | - | - | - | 7,481,758 |
| Total | 16,405,805 | 7,203,901 | 10,483,308 | 19,961,041 | 162,767,156 |

^(*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.**Distribution of maturity risk factors according to their outstanding maturities ^(*)**

| Risk Classifications-Prior Period | According to their outstanding maturities | | | | |
|--|---|------------------|------------------|-------------------|--------------------|
| | 1 month | 1-3 month | 3-6 month | 6-12 month | 1 year and over |
| Claims on sovereigns and Central Banks | 4,837,977 | 644,411 | 1,150,586 | 818,234 | 44,176,571 |
| Claims on regional governments or local authorities | 9,500 | 4,726 | 23,639 | 55,293 | 2,869,546 |
| Claims on administrative bodies and other non-commercial undertakings | 22,754 | 32,027 | 62,030 | 222,500 | 714,013 |
| Claims on multilateral development banks | - | - | - | - | - |
| Claims on international organizations | - | - | - | - | - |
| Claims on banks and intermediary institutions | 11,995,597 | 810,595 | 482,369 | 76,307 | 2,055,196 |
| Claims on corporate | 2,811,153 | 3,317,094 | 3,952,856 | 8,790,375 | 29,374,167 |
| Claims included in the regulatory retail portfolios | 491,774 | 960,663 | 1,649,647 | 4,177,825 | 17,441,053 |
| Claims secured by residential property | 573,828 | 1,048,581 | 1,696,829 | 4,030,103 | 25,518,127 |
| Past due loans | - | - | - | - | 240,075 |
| Higher risk categories decided by the Agency | - | - | - | 14,320 | 12,520,376 |
| Marketable securities secured by mortgages | - | - | - | - | - |
| Securitization exposures | - | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - | - |
| Other claims | - | - | - | - | 6,088,227 |
| Total | 20,742,583 | 6,818,097 | 9,017,956 | 18,184,957 | 140,997,351 |

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

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Risk balances according to risk weights

| Risk Weights Current Period | 0% | 10% | 20% | 50% | 75% | 100% | 150% | 200% | 250% | 1250% | Deductions from the shareholders' equity |
|--------------------------------------|------------|-----|-----------|------------|------------|------------|-----------|-----------|--------|-------|--|
| Pre-Amount of Credit Risk Mitigation | 51,653,484 | - | 9,995,432 | 44,482,520 | 27,755,671 | 71,651,022 | 3,666,757 | 7,571,232 | 45,093 | - | 413,981 |
| Amount after Credit Risk Mitigation | 55,276,308 | - | 7,773,090 | 45,591,407 | 27,561,064 | 69,352,260 | 3,660,714 | 7,561,275 | 45,093 | - | 413,981 |

| Risk Weights Prior Period | 0% | 10% | 20% | 50% | 75% | 100% | 150% | 200% | 250% | 1250% | Deductions from the shareholders' equity |
|--------------------------------------|------------|-----|------------|------------|------------|------------|-----------|-----------|--------|-------|--|
| Pre-Amount of Credit Risk Mitigation | 47,554,085 | - | 16,779,325 | 37,737,598 | 23,535,298 | 57,619,942 | 2,990,704 | 9,446,254 | 97,738 | - | 359,114 |
| Amount after Credit Risk Mitigation | 54,978,227 | - | 10,597,030 | 37,813,961 | 23,371,738 | 56,480,407 | 2,986,884 | 9,434,959 | 97,738 | - | 359,114 |

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

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

Information According to Sectors and Counterparties

| Current Period | Loans | | | |
|---|------------------|------------------|-------------------------|------------------|
| | Impaired (*) | Past Due (**) | Value Adjustments (***) | Provisions |
| Agricultural | 87,877 | 63,490 | 1,082 | 80,444 |
| <i>Farming and raising livestock</i> | 77,331 | 57,860 | 995 | 70,949 |
| <i>Forestry</i> | 8,408 | 3,188 | 75 | 7,669 |
| <i>Fishing</i> | 2,138 | 2,442 | 12 | 1,826 |
| Manufacturing | 948,135 | 263,507 | 6,344 | 831,505 |
| <i>Mining</i> | 100,016 | 7,731 | 63 | 63,998 |
| <i>Production</i> | 842,374 | 250,811 | 6,197 | 762,493 |
| <i>Electric, Gas, Water</i> | 5,745 | 4,965 | 84 | 5,014 |
| Construction | 527,749 | 214,734 | 4,877 | 460,814 |
| Services | 1,477,456 | 1,344,869 | 26,214 | 1,259,443 |
| <i>Wholesale and retail trade</i> | 958,068 | 596,895 | 12,883 | 810,598 |
| <i>Hotel, Food and Beverage Services</i> | 53,562 | 82,970 | 1,283 | 39,021 |
| <i>Transportation and telecommunication</i> | 303,162 | 448,813 | 8,132 | 265,365 |
| <i>Financial Institutions</i> | 4,482 | 4,873 | 89 | 4,315 |
| <i>Real estate and renting services</i> | 11,426 | 21,350 | 311 | 9,007 |
| <i>Self-employment services</i> | 117,833 | 145,031 | 2,792 | 104,951 |
| <i>Education services</i> | 6,353 | 17,877 | 333 | 5,782 |
| <i>Health and social services</i> | 22,570 | 27,060 | 391 | 20,404 |
| Other | 1,808,996 | 2,797,820 | 74,248 | 1,411,832 |
| Total | 4,850,213 | 4,684,420 | 112,765 | 4,044,038 |

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

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

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

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| Prior Period | Loans | | | Provisions |
|---|-------------------------|--------------------------|------------------------------|------------------|
| | Impaired ^(*) | Past Due ^(**) | Adjustments ^(***) | |
| Agricultural | 83,397 | 33,519 | 806 | 81,560 |
| <i>Farming and raising livestock</i> | <i>72,134</i> | <i>29,466</i> | <i>632</i> | <i>70,661</i> |
| <i>Forestry</i> | <i>7,255</i> | <i>1,271</i> | <i>90</i> | <i>6,917</i> |
| <i>Fishing</i> | <i>4,008</i> | <i>2,782</i> | <i>84</i> | <i>3,982</i> |
| Manufacturing | 836,017 | 281,898 | 11,181 | 807,279 |
| <i>Mining</i> | <i>29,054</i> | <i>7,706</i> | <i>3,240</i> | <i>28,379</i> |
| <i>Production</i> | <i>801,801</i> | <i>269,229</i> | <i>7,900</i> | <i>774,085</i> |
| <i>Electric, Gas, Water</i> | <i>5,162</i> | <i>4,963</i> | <i>41</i> | <i>4,815</i> |
| Construction | 443,816 | 179,450 | 5,530 | 421,708 |
| Services | 1,282,999 | 1,286,706 | 29,871 | 1,199,082 |
| <i>Wholesale and retail trade</i> | <i>801,397</i> | <i>599,838</i> | <i>15,099</i> | <i>751,491</i> |
| <i>Hotel, Food and Beverage Services</i> | <i>46,878</i> | <i>78,793</i> | <i>1,445</i> | <i>44,130</i> |
| <i>Transportation and telecommunication</i> | <i>279,587</i> | <i>433,429</i> | <i>9,073</i> | <i>260,933</i> |
| <i>Financial Institutions</i> | <i>4,889</i> | <i>2,999</i> | <i>78</i> | <i>4,160</i> |
| <i>Real estate and renting services</i> | <i>9,901</i> | <i>8,672</i> | <i>234</i> | <i>8,788</i> |
| <i>Self-employment services</i> | <i>109,544</i> | <i>121,114</i> | <i>3,041</i> | <i>101,835</i> |
| <i>Education services</i> | <i>6,055</i> | <i>9,717</i> | <i>170</i> | <i>4,031</i> |
| <i>Health and social services</i> | <i>24,748</i> | <i>32,144</i> | <i>731</i> | <i>23,714</i> |
| Other | 1,328,143 | 1,983,048 | 79,209 | 1,224,668 |
| Total | 3,974,372 | 3,764,621 | 126,597 | 3,734,297 |

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

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

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

| Current Period | The opening Balance | Provisions amounts set aside during the period | The cancelation of the provisions | Other Adjustments ^(*) | Closing Balance |
|---------------------|---------------------|--|-----------------------------------|----------------------------------|-----------------|
| Specific Provisions | 3,734,297 | 1,030,299 | (720,558) | - | 4,044,038 |
| General Provisions | 1,603,242 | 354,951 | - | (590) | 1,957,603 |

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

| Prior Period | The opening Balance | Provisions amounts set aside during the period | The cancelation of the provisions | Other Adjustments ^(*) | Closing Balance |
|---------------------|---------------------|--|-----------------------------------|----------------------------------|-----------------|
| Specific Provisions | 3,275,433 | 1,145,464 | (686,600) | - | 3,734,297 |
| General Provisions | 1,190,739 | 413,501 | - | (998) | 1,603,242 |

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

Fair value of collateral held against impaired loans

| | 31 December 2015 | 31 December 2014 |
|--------------------------------|------------------|------------------|
| Cash collateral ^(*) | - | - |
| Mortgage | 1,739,554 | 1,131,152 |
| Promissory note ^(*) | - | - |
| Others ^(**) | 3,110,659 | 2,843,220 |
| Total | 4,850,213 | 3,974,372 |

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

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

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

| Cash loans | 31 December 2015 | 31 December 2014 |
|--|--------------------|--------------------|
| Secured Loans: | 94,156,701 | 78,861,414 |
| Secured by mortgages | 38,328,569 | 32,330,313 |
| Secured by cash collateral | 833,255 | 666,941 |
| Guarantees issued by financial institutions | 505,509 | 3,586 |
| Secured by government institutions or government securities | 1,459,632 | 930,621 |
| Other collateral (pledge on assets, corporate and personal guarantees, promissory notes) | 53,029,736 | 44,929,953 |
| Unsecured Loans | 28,817,777 | 25,482,028 |
| Total performing loans | 122,974,478 | 104,343,442 |
| Non-cash loans | 31 December 2015 | 31 December 2014 |
| Secured Loans: | 14,299,777 | 12,533,762 |
| Secured by mortgages | 2,983,589 | 1,092,107 |
| Secured by cash collateral | 243,589 | 383,395 |
| Guarantees issued by financial institutions | 229,287 | - |
| Other collateral (pledge on assets, corporate and personal guarantees, promissory notes) | 10,843,312 | 11,058,260 |
| Unsecured Loans | 18,768,584 | 16,100,161 |
| Total non-cash loans | 33,068,361 | 28,633,923 |

III. MARKET RISK

The Bank calculates market risk using standard method and allocates legal capital in compliance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in 28 June dated 2012 Official Gazette no. 28337.

The market risk is defined as the potential risk of loss due to changes in interest rates, foreign exchange rates, stock prices and equity prices on balance sheet and off-balance sheet positions of the banks.

The capital needed for general market risk and specific risks is calculated using the standard method defined by the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and reported monthly.

In addition to the standard method, the Bank also uses internal models like Historical and Monte Carlo Simulations in measuring market risk. The Bank also performs daily back-testing in order to measure the reliability of the models. Besides, scenario analyses are implemented in order to support the Standard Method and internal models. In order to monitor the maturity structure of the asset and liability accounts, liquidity analysis are performed and the duration of the Bank's assets and liabilities is calculated.

The market risk analysis of the Bank is reported "monthly" and sent to the related regulatory institutions.

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Value at market risk

| | Current Period | Prior Period |
|--|------------------|----------------|
| (I) Capital Obligation against General Market Risk - Standard Method | 16,414 | 13,128 |
| (II) Capital Obligation against Specific Risks - Standard Method | - | 99 |
| Capital to be employed for specific risk in securitization positions- Standard Method | - | - |
| (III) Capital Obligation against Currency Risk - Standard Method | 66,896 | 34,268 |
| (IV) Capital Obligation against Stocks Risks - Standard Method | - | - |
| (V) Capital Obligation against Exchange Risks - Standard Method | - | - |
| (VI) Capital Obligation against Market Risks of Options - Standard Method | 47 | 234 |
| (VII) Capital Obligation Calculated for Counterparty Credit Risk - Standard Method | 16,158 | 8,211 |
| (VIII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models | - | - |
| (IX) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI+VII) | 99,515 | 55,940 |
| (X) Value-At-Market Risk (12.5xVIII) or (12.5xIX) | 1,243,935 | 699,250 |

Average values at market risk

| | Current Year | | | Prior Year | | |
|----------------------------|------------------|------------------|----------------|----------------|----------------|----------------|
| | Average | Highest | Lowest | Average | Highest | Lowest |
| Interest Rate Risk | 15,441 | 17,529 | 12,922 | 8,972 | 13,029 | 6,069 |
| Common Share Risk | 29 | 350 | - | 227 | 2,523 | - |
| Currency Risk | 60,765 | 88,564 | 25,989 | 22,858 | 35,156 | 8,046 |
| Stock Risk | - | - | - | - | - | - |
| Exchange Risk | - | - | - | - | - | - |
| Option Risk | 173 | 611 | 23 | 1,677 | 3,804 | 42 |
| Counterparty Credit Risk | 17,462 | 24,145 | 12,567 | 9,451 | 11,383 | 8,020 |
| Total Value at Risk | 1,173,376 | 1,518,498 | 671,116 | 539,814 | 703,345 | 359,499 |

Information on Counterparty Credit Risk

Counterparty credit risk is the probability of an economic loss that Bank could face because the counterparty to a transaction bringing liabilities to both parties could default before the final settlement of the transaction.

In calculation of the counterparty credit risk "Valuation Method on the Basis of Fair Value" is implemented in the scope of "Regulation on Calculation and Assessment of Capital Adequacy of the Banks". The counterparty credit risk of the derivatives includes current replacement cost and potential future credit exposure. Replacement cost is calculated on fair value of the contracts, whilst potential future credit risk exposure is calculated by multiplication of contract amounts with the credit conversion rates stated in the appendices of the regulation.

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Information about counterparty risk

| | Current Period ⁽¹⁾ | Prior Period ⁽¹⁾ |
|----------------------------------|-------------------------------|-----------------------------|
| Contracts based on interest rate | 148,593 | 60,885 |
| Contracts based on currency | 141,180 | 100,177 |
| Contracts based on commodity | - | - |
| Contracts based on stocks | - | - |
| Other | - | - |
| Gross Positive Fair Value | 289,773 | 161,062 |
| Benefits of clarification | - | - |
| Clarified current risk amount | - | - |
| The securities which are held | - | - |
| The net position of derivatives | 289,773 | 161,062 |

⁽¹⁾ Counterparty risk related to purchase/sale accounts is given.

IV. OPERATIONAL RISK

The Bank calculated the value at operational risk in accordance with the third section of "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" that is "Computation of Value of Operational Risk" published in 28 June 2012 dated Official Gazette no. 28337. The operational risk which the Bank is exposed to is calculated according to the "Basic Indicator Method" hence by multiplying the average of the last three years' actual gross income with 12.5, in line with the effective legislation practices in the country.

| Current Period | 31 December 2012 | 31 December 2013 | 31 December 2014 | Total / Total number of years for which gross income is positive | Rate (%) | Total |
|---|------------------|------------------|------------------|--|----------|-------------------|
| Gross Income | 5,191,308 | 6,159,500 | 6,232,883 | 3 | 15 | 879,185 |
| Amount subject to operational risk Total*12.5) | | | | | | 10,989,807 |

| Prior Period | 31 December 2011 | 31 December 2012 | 31 December 2013 | Total / Total number of years for which gross income is positive | Rate (%) | Total |
|---|------------------|------------------|------------------|--|----------|------------------|
| Gross Income | 6,159,500 | 5,191,308 | 4,205,182 | 3 | 15 | 777,799 |
| Amount subject to operational risk Total*12.5) | | | | | | 9,722,488 |

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V. FOREIGN CURRENCY EXCHANGE RISK

Foreign exchange risk that the Bank exposed to, estimation of effects of exposures, and the limits set by the Board of Directors of the Bank for the positions being 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 Bank.

All of the foreign currency assets and liabilities and the forward foreign-currency transactions are taken into consideration in calculating the capital obligation for the 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 and 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 31 December 2015 and 31 December 2014 the Bank does not have derivative financial instruments held for risk management.

Foreign exchange risk management policy

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

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

| | US Dollar | Euro |
|--|---------------|---------------|
| The Bank's foreign currency purchase rate at the balance sheet date | 2.9100 | 3.1661 |
| Foreign currency purchase rates for the days before balance sheet date; | | |
| Day 1 | 2.8600 | 3.1263 |
| Day 2 | 2.8500 | 3.1259 |
| Day 3 | 2.8600 | 3.1368 |
| Day 4 | 2.8500 | 3.1259 |
| Day 5 | 2.8600 | 3.1260 |
| | US Dollar | Euro |
| Last 30-days arithmetical average rate | 2.8527 | 3.0912 |

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Information on currency risk

| Current Period | Euro | US Dollar | Other FC | Total |
|--|--------------------|-------------------|--------------------|--------------------|
| Assets: | | | | |
| Cash and balances with the Central Bank of Republic of Turkey | 2,811,021 | 12,164,956 | 4,374,832 | 19,350,809 |
| Banks | 391,462 | 4,424,493 | 48,110 | 4,864,065 |
| Financial assets at fair value through profit or loss ⁽¹⁾ | 94,722 | 102,681 | - | 197,403 |
| Interbank money market placements | - | - | - | - |
| Available-for-sale financial assets | 977,075 | 3,696,548 | - | 4,673,623 |
| Loans and receivables ⁽²⁾ | 11,945,755 | 26,902,000 | 32,311 | 38,880,066 |
| Associates, subsidiaries and joint-ventures | 434,144 | - | - | 434,144 |
| Held-to-maturity investments | - | 130,981 | - | 130,981 |
| Derivative financial assets held for risk management purpose | - | - | - | - |
| Tangible assets | - | 4,292 | - | 4,292 |
| Intangible assets | - | - | - | - |
| Other assets ⁽³⁾ | 75,385 | 894,745 | 26 | 970,156 |
| Total assets | 16,729,564 | 48,320,696 | 4,455,279 | 69,505,539 |
| Liabilities: | | | | |
| Bank deposits | 169,879 | 3,360,351 | 44,199 | 3,574,429 |
| Foreign currency deposits | 10,670,962 | 18,442,961 | 763,664 | 29,877,587 |
| Interbank money market takings | - | 3,403,437 | - | 3,403,437 |
| Other funding | 7,886,670 | 10,335,468 | 1,076 | 18,223,214 |
| Securities issued | 2,206,648 | 5,200,957 | 12,110 | 7,419,715 |
| Miscellaneous payables | 515,476 | 61,928 | 43,448 | 620,852 |
| Derivative financial liabilities held for risk | - | - | - | - |
| Other liabilities ^{(1) (4)} | 65,528 | 5,948,400 | 992 | 6,014,920 |
| Total liabilities | 21,515,163 | 46,753,502 | 865,489 | 69,134,154 |
| Net 'on balance sheet' position | (4,785,599) | 1,567,194 | 3,589,790 | 371,385 |
| Net 'off-balance sheet' position | 5,449,875 | (441,420) | (3,577,895) | 1,430,560 |
| Derivative assets ⁽⁶⁾ | 7,542,857 | 12,701,193 | 2,036,853 | 22,280,903 |
| Derivative liabilities ⁽⁶⁾ | 2,092,982 | 13,142,613 | 5,614,748 | 20,850,343 |
| Non-cash loans ⁽⁵⁾ | 3,006,375 | 7,731,618 | 246,531 | 10,984,524 |
| Prior Period | | | | |
| Total assets | 11,794,857 | 39,485,470 | 4,443,232 | 55,723,559 |
| Total liabilities | 16,989,485 | 39,793,552 | 1,005,175 | 57,788,212 |
| Net 'on balance sheet' position | (5,194,628) | (308,082) | 3,438,057 | (2,064,653) |
| Net 'off-balance sheet' position | 5,259,448 | 701,095 | (3,430,091) | 2,530,452 |
| Derivative assets ⁽⁶⁾ | 7,286,590 | 8,766,209 | 1,377,221 | 17,430,020 |
| Derivative liabilities ⁽⁶⁾ | 2,027,142 | 8,065,114 | 4,807,312 | 14,899,568 |
| Non-cash loans ⁽⁵⁾ | 2,206,271 | 9,304,139 | 260,328 | 11,770,738 |

⁽¹⁾ Derivative financial assets amounting to TL 51,275 (31 December 2014: TL 4,896) and liabilities amounting to TL (12,881) (31 December 2014: TL (95,489)) resulting from changes in foreign exchange rates are not included.⁽²⁾ Foreign currency indexed loans amounting to TL 3,530,360 (31 December 2014: TL 2,764,249) which are presented in TL column in the balance sheet are included in the table above.⁽³⁾ Prepaid expenses amounting to TL 61,724 (31 December 2014: TL 56,439) is not included.⁽⁴⁾ Unearned revenues amounting to TL 106,455 (31 December 2014: TL 46,050) and equities amounting to TL 431,137 (31 December 2014: TL 374,894) are not included.⁽⁵⁾ Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.⁽⁶⁾ Asset purchase commitments amounting to TL 1,835,888 (31 December 2014: TL 1,327,706) and asset sales commitments amounting to TL 1,895,065 (31 December 2014: TL 1,312,928) are included.

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Exposure to currency risk

10 percent depreciation of the TL against the following currencies as at and for the year ended 31 December 2015 and 2014 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

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

| | 31 December 2015 | | 31 December 2014 | |
|----------------------------------|------------------|-----------------------|------------------|-----------------------|
| | Profit or loss | Equity ^(*) | Profit or loss | Equity ^(*) |
| US Dollar | 112,148 | 112,148 | 39,153 | 39,153 |
| Euro | 23,013 | 23,013 | (25,630) | (25,630) |
| Other currencies | 1,190 | 1,190 | 797 | 797 |
| Total, net^(**) | 136,351 | 136,351 | 14,320 | 14,320 |

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

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

10 percent appreciation of the TL against the following currencies as at and for the year ended 31 December 2015 and 2014 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

| | 31 December 2015 | | 31 December 2014 | |
|----------------------------------|------------------|-----------------------|------------------|-----------------------|
| | Profit or loss | Equity ^(*) | Profit or loss | Equity ^(*) |
| US Dollar | (110,822) | (110,822) | (37,658) | (37,658) |
| Euro | (23,013) | (23,013) | 25,630 | 25,630 |
| Other currencies | (1,064) | (1,064) | (571) | (571) |
| Total, net^(**) | (134,899) | (134,899) | (12,599) | (12,599) |

^(*) 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.

VI. 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.

Bank's interest rate risk is measured by the standard method.

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

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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 |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|----------------------|--------------------|
| Assets: | | | | | | | |
| Cash and balances with CBRT | 12,781,073 | - | - | - | - | 8,703,716 | 21,484,789 |
| Banks | 4,848,363 | 77,170 | - | - | - | 308,733 | 5,234,266 |
| Financial assets at fair value through profit/loss | 368,553 | 361,605 | 4,068 | 82,838 | 68,403 | - | 885,467 |
| Interbank money market placements | - | - | - | - | - | - | - |
| Available-for-sale financial assets | 2,379,177 | 2,467,096 | 4,688,228 | 5,082,470 | 2,077,745 | 79,253 | 16,773,969 |
| Loans and receivables | 42,177,039 | 26,147,770 | 26,070,684 | 18,329,170 | 10,249,815 | 806,175 | 123,780,653 |
| Held-to-maturity investments | 1,010,446 | 1,774,694 | 3,360,520 | 1,301,192 | 230,877 | - | 7,677,729 |
| Other assets ⁽¹⁾ | 14,341 | 304 | 2,856 | 26,777 | 289 | 7,065,684 | 7,110,251 |
| Total assets | 63,578,992 | 30,828,639 | 34,126,356 | 24,822,447 | 12,627,129 | 16,963,561 | 182,947,124 |
| Liabilities: | | | | | | | |
| Bank deposits | 4,509,576 | 555,665 | 151,903 | - | - | 385,739 | 5,602,883 |
| Other deposits | 58,717,429 | 19,396,268 | 6,282,049 | 31,684 | - | 19,892,221 | 104,319,651 |
| Interbank money market takings | 11,133,014 | 1,148,950 | - | 397,450 | 64,627 | - | 12,744,041 |
| Miscellaneous payables | - | - | - | - | - | 4,160,217 | 4,160,217 |
| Securities issued | 1,179,387 | 1,235,096 | 2,114,466 | 6,018,810 | - | - | 10,547,759 |
| Funds borrowed | 3,369,498 | 7,405,733 | 4,832,221 | 554,645 | 2,393,900 | - | 18,555,997 |
| Other liabilities ⁽²⁾ | 45,764 | 92,325 | 231,607 | 903,262 | 3,190,333 | 22,553,285 | 27,016,576 |
| Total liabilities | 78,954,668 | 29,834,037 | 13,612,246 | 7,905,851 | 5,648,860 | 46,991,462 | 182,947,124 |
| On balance sheet long position | - | 994,602 | 20,514,110 | 16,916,596 | 6,978,269 | - | 45,403,577 |
| On balance sheet short position | (15,375,676) | - | - | - | - | (30,027,901) | (45,403,577) |
| Off-balance sheet long position | 1,207,068 | 2,297,615 | - | - | - | - | 3,504,683 |
| Off-balance sheet short position | - | - | (315,011) | (1,725,656) | (902,100) | - | (2,942,767) |
| Net Position | (14,168,608) | 3,292,217 | 20,199,099 | 15,190,940 | 6,076,169 | (30,027,901) | 561,916 |

⁽¹⁾ Subsidiaries, associates and tangible and intangible assets, and deferred tax are stated in non-interest bearing column.⁽²⁾ Equity is included in non-interest bearing column in other liabilities line.

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| Prior Period | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Non-Interest Bearing | Total |
|--|---------------------|--------------------|-------------------|-------------------|-------------------|----------------------|--------------------|
| Assets: | | | | | | | |
| Cash and balances with CBRT | 3,055,551 | - | - | - | - | 18,829,428 | 21,884,979 |
| Banks | 2,158,787 | 114,574 | 6,245 | - | - | 291,014 | 2,570,620 |
| Financial assets at fair value through profit/loss | 158,375 | 164,087 | 6,250 | 28,995 | 21,869 | 619 | 380,195 |
| Interbank money market placements | - | - | - | - | - | - | - |
| Available-for-sale financial assets | 2,629,343 | 2,018,908 | 5,222,280 | 4,234,901 | 2,217,850 | 15 | 16,323,297 |
| Loans and receivables | 33,327,775 | 22,020,835 | 21,643,728 | 16,994,647 | 10,356,457 | 240,075 | 104,583,517 |
| Held-to-maturity investments | 281,186 | 1,559,200 | 3,180,566 | 290,780 | 1,542,861 | - | 6,854,593 |
| Other assets ⁽¹⁾ | 15,993 | 110 | 4,868 | 47,165 | 528 | 5,551,861 | 5,620,525 |
| Total assets | 41,627,010 | 25,877,714 | 30,063,937 | 21,596,488 | 14,139,565 | 24,913,012 | 158,217,726 |
| Liabilities: | | | | | | | |
| Bank deposits | 4,340,899 | 452,338 | 22,912 | - | - | 59,910 | 4,876,059 |
| Other deposits | 44,970,026 | 19,229,378 | 5,909,177 | 19,415 | - | 16,752,913 | 86,880,909 |
| Interbank money market takings | 15,596,871 | 233,330 | 349,241 | - | 205,860 | - | 16,385,302 |
| Miscellaneous payables | - | - | - | - | - | 3,160,415 | 3,160,415 |
| Securities issued | 718,111 | 2,188,178 | 2,584,786 | 4,966,682 | - | - | 10,457,757 |
| Fund borrowed | 3,795,555 | 6,750,842 | 3,566,606 | 70,562 | 743,483 | - | 14,927,048 |
| Other liabilities ⁽²⁾ | 142,908 | 19,277 | 127,000 | 458,380 | 1,660,806 | 19,121,865 | 21,530,236 |
| Total liabilities | 69,564,370 | 28,873,343 | 12,559,722 | 5,515,039 | 2,610,149 | 39,095,103 | 158,217,726 |
| On balance sheet long position | - | - | 17,504,215 | 16,081,449 | 11,529,416 | - | 45,115,080 |
| On balance sheet short position | (27,937,360) | (2,995,629) | - | - | - | (14,182,091) | (45,115,080) |
| Off-balance sheet long position | 658,387 | 1,660,268 | - | - | - | - | 2,318,655 |
| Off-balance sheet short position | - | - | - | (1,304,201) | (777,200) | - | (2,081,401) |
| Net Position | (27,278,973) | (1,335,361) | 17,504,215 | 14,777,248 | 10,752,216 | (14,182,091) | 237,254 |

⁽¹⁾ Subsidiaries, associates and tangible and intangible assets are stated in non-interest bearing column.⁽²⁾ Equity is included in non-interest bearing column in other liabilities line.

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

| Current Period | Euro | US Dollar | Yen | TL |
|--|------|-----------|------|-------|
| | % | % | % | % |
| Assets: | | | | |
| Cash and balance with CBRT | - | 0.49 | - | 3.81 |
| Banks | 0.10 | 0.36 | - | 11.27 |
| Financial assets at fair value through profit/loss | - | - | - | - |
| Interbank money market placements | - | - | - | - |
| Available-for-sale financial assets | 5.25 | 6.76 | - | 6.98 |
| Loans and receivables | 4.03 | 4.89 | - | 12.39 |
| Held-to-maturity investments | - | 3.59 | - | 5.58 |
| Liabilities: | | | | |
| Bank deposits | 0.71 | 0.67 | - | 13.07 |
| Other deposits | 1.73 | 2.07 | - | 10.77 |
| Interbank money market takings | - | 1.08 | - | 8.42 |
| Miscellaneous payables | - | - | - | - |
| Securities issued | 2.72 | 4.44 | 0.93 | 10.93 |
| Funds borrowed | 0.90 | 1.79 | - | 9.92 |

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

| Prior Period | Euro | US Dollar | Yen | TL |
|--|------|-----------|-----|-------|
| | % | % | % | % |
| Assets: | | | | |
| Cash and balance with CBRT | - | - | - | 1.51 |
| Banks | 0.01 | 0.28 | - | 10.47 |
| Financial assets at fair value through profit/loss | - | - | - | - |
| Interbank money market placements | - | - | - | - |
| Available-for-sale financial assets | 5.25 | 6.96 | - | 7.19 |
| Loans and receivables | 4.36 | 5.40 | - | 12.70 |
| Held-to-maturity investments | - | 1.58 | - | 5.56 |
| Liabilities: | | | | |
| Bank deposits | 0.66 | 0.42 | - | 8.59 |
| Other deposits | 1.99 | 2.13 | - | 9.22 |
| Interbank money market takings | - | 0.95 | - | 9.82 |
| Miscellaneous payables | - | - | - | - |
| Securities issued | 3.47 | 3.45 | - | 9.06 |
| Funds borrowed | 0.96 | 1.58 | - | 7.04 |

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

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The interest rate risk of the banking book items

Frequency of Measurement Rate of Interest Rate Risk

Interest rate risk arising from banking book accounts is calculated in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standard Shock Technique" published in the 23 August 2011 dated Official Gazette no. 28034. Legal limit is monthly monitored and reported accordingly.

The economic value changes arising from the interest rate fluctuations which are measured according to "Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standard Shock Technique" are presented in the below table:

| Currency Unit-Current Period | Applied Shock (+/- x base point) | Gain/Loss | Gain/Equity- Loss/Equity |
|------------------------------------|-------------------------------------|----------------------------|-----------------------------|
| 1. TRY | 500 / (400) | (2,022,909) / 1,994,966 | (%9.45) / %9.32 |
| 2. EURO | 200 / (200) | 237,097 / (30,443) | %1.11 / (%0.14) |
| 3. US Dollar | 200 / (200) | 592,183 / (522,416) | %2.76 / (%2.44) |
| Total (For Negative Shocks) | - | 1,442,107 | 6.74% |
| Total (For Positive Shocks) | - | (1,193,629) | (5.58%) |

| Currency Unit-Prior Period | Applied Shock (+/- x base point) | Gain/Loss | Gain/Equity- Loss/Equity |
|------------------------------------|-------------------------------------|----------------------------|-----------------------------|
| 1. TRY | 500 / (400) | (2,440,546) / 2,452,172 | (%13.54) / %13.61 |
| 2. EURO | 200 / (200) | 178,773 / (9,440) | %0.99 / (%0.05) |
| 3. US Dollar | 200 / (200) | 441,639 / (383,071) | %2.45 / (%2.13) |
| Total (For Negative Shocks) | - | 2,059,661 | %11.43 |
| Total (For Positive Shocks) | - | (1,820,134) | (%10.10) |

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

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

| Current Period | Comparison | | |
|---|------------------|---------------------------|-----------------------------|
| Stock Investments | Carrying Value | Fair Value ^(*) | Market Value ^(*) |
| Stocks quoted in exchange^(*) | 548,852 | 548,852 | 548,852 |
| 1.Stocks Investments Group A | 548,852 | 548,852 | 548,852 |
| 2.Stock Investments Group B | - | - | - |
| 3.Stock Investment Group C | - | - | - |
| Stocks unquoted in exchange^(**) | 1,405,010 | 1,273,616 | - |

^(*) 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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| Prior Period | Comparison | | |
|--|------------------|---------------------------|-----------------------------|
| Stock Investments | Carrying Value | Fair Value ^(*) | Market Value ^(*) |
| Stocks quoted in exchange^(**) | 631,875 | 631,875 | 631,875 |
| 1.Stocks Investments Group A | 631,875 | 631,875 | 631,875 |
| 2.Stock Investments Group B | - | - | - |
| 3.Stock Investment Group C | - | - | - |
| Stocks unquoted in exchange^(***) | 1,105,122 | 1,053,475 | - |

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

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

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

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

| Portfolio-Current Period | Realized Gain/Loss in Current Period | Revaluation Surplus | | Unrealized Gain and Loss | |
|--------------------------------|--------------------------------------|----------------------|-----------------------------------|--------------------------|--------------------------|
| | | Total ^(*) | Included in Supplementary Capital | Total ^(*) | Included in Core Capital |
| 1. Private Capital Investments | - | - | - | - | - |
| 2. Publicly Traded Stocks | - | - | - | 97,259 | 97,259 |
| 3. Other Stocks | - | 837,276 | 837,276 | - | - |
| 4. Total | - | 837,276 | 837,276 | 97,259 | 97,259 |

^(*) 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 Supplementary Capital | Total ^(*) | Included in Core Capital |
| 1. Private Capital Investments | - | - | - | - | - |
| 2. Publicly Traded Stocks | - | - | - | 204,847 | 204,847 |
| 3. Other Stocks | - | 583,202 | 583,202 | - | - |
| 4. Total | - | 583,202 | 583,202 | 204,847 | 204,847 |

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

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VII. 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 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.

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 our 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 our 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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FOR THE YEAR ENDED 31 DECEMBER 2015

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

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) | | 28,685,961 | 19,080,631 |
| CASH OUTFLOWS | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | | 47,000,587 | 17,301,374 |
| 3 | Stable deposits | | 19,368,439 | 4,452,105 |
| 4 | Less stable deposits | | 27,632,148 | 12,849,269 |
| 5 | Unsecured wholesale funding, of which: | | 56,964,767 | 17,007,270 |
| 6 | Operational deposits | | 39,077,820 | 8,563,008 |
| 7 | Non-operational deposits | | 11,500,011 | 6,314,138 |
| 8 | Unsecured debt | | 6,386,936 | 2,130,124 |
| 9 | Secured wholesale funding | | - | - |
| 10 | Additional requirements of which: | | 12,161,941 | 10,353,586 |
| 11 | Outflows related to derivative exposures and other collateral requirements | | 12,161,941 | 10,353,586 |
| 12 | Outflows related to loss of funding on debt products | | - | - |
| 13 | Credit and liquidity facilities | | - | - |
| 14 | Other contractual funding obligations | | 11,692,693 | 11,197,196 |
| 15 | Other contingent funding obligations | | 41,049,749 | 12,616,503 |
| 16 | TOTAL CASH OUTFLOWS | | 46,964,363 | 23,154,244 |
| CASH INFLOWS | | | | |
| 17 | Secured lending | | - | - |
| 18 | Inflows from fully performing exposures | | 12,711,460 | 6,817,505 |
| 19 | Other cash inflows | | 10,364,930 | 7,662,569 |
| 20 | TOTAL CASH INFLOWS | | 23,076,390 | 14,480,074 |
| 21 | TOTAL HQLA | | 28,685,961 | 19,080,631 |
| 22 | TOTAL NET CASH OUTFLOWS | | 27,183,794 | 9,418,093 |
| 23 | LIQUIDITY COVERAGE RATIO (%) | | 105.53 | 202.60 |

* To be calculated by simple arithmetic average monthly and consolidated average calculated for the last three months to the liquidity coverage ratio, calculated weekly simple average of the last three months to the liquidity coverage ratio is calculated by taking the arithmetic mean.

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Liquidity Coverage Ratio

| Prior Period | Total unweighted value * | | Total weighted value* | |
|---|--------------------------|------------------|-----------------------|-------------------|
| | TL+FC | FC | TL+FC | FC |
| HIGH QUALITY LIQUID ASSETS | | | | |
| 1 Total High Quality Liquid Assets (HQLA) | | | 23,245,935 | 15,727,402 |
| CASH OUTFLOWS | | | | |
| 2 Retail deposits and deposits from small business customers, of which: | 37,547,701 | 12,963,507 | 2,053,011 | 695,371 |
| 3 Stable deposits | 34,035,193 | 12,019,598 | 1,701,760 | 600,980 |
| 4 Less stable deposits | 3,512,508 | 943,909 | 351,251 | 94,391 |
| 5 Unsecured wholesale funding, of which: | 56,179,601 | 12,682,423 | 22,562,573 | 6,132,602 |
| 6 Operational deposits | 36,842,606 | 5,745,618 | 9,210,651 | 1,436,405 |
| 7 Non-operational deposits | 14,988,070 | 5,880,296 | 9,003,397 | 3,639,688 |
| 8 Unsecured debt | 4,348,925 | 1,056,509 | 4,348,525 | 1,056,509 |
| 9 Secured wholesale funding | | | - | - |
| 10 Additional requirements of which: | 3,896,442 | 3,359,233 | 3,896,442 | 3,359,233 |
| 11 Outflows related to derivative exposures and other collateral requirements | 3,896,442 | 3,359,233 | 3,896,442 | 3,359,233 |
| 12 Outflows related to loss of funding on debt products | - | - | - | - |
| 13 Credit and liquidity facilities | - | - | - | - |
| 14 Other contractual funding obligations | 11,319,735 | 7,608,304 | 565,987 | 380,415 |
| 15 Other contingent funding obligations | 46,926,725 | 15,387,896 | 5,118,041 | 1,971,397 |
| 16 TOTAL CASH OUTFLOWS | | | 34,196,054 | 12,539,018 |
| CASH INFLOWS | | | | |
| 17 Secured lending | - | - | - | - |
| 18 Inflows from fully performing exposures | 7,859,009 | 2,846,954 | 5,632,419 | 2,614,209 |
| 19 Other cash inflows | 2,787,997 | 2,387,157 | 2,787,997 | 2,387,157 |
| 20 TOTAL CASH INFLOWS | 10,647,006 | 5,234,111 | 8,420,416 | 5,001,366 |
| 21 TOTAL HQLA | | | 23,245,935 | 15,727,402 |
| 22 TOTAL NET CASH OUTFLOWS | | | 25,775,638 | 7,537,652 |
| 23 LIQUIDITY COVERAGE RATIO (%) | | | 90.19 | 208.65 |

[□] To be calculated by simple arithmetic average monthly and consolidated average calculated for the last three months to the liquidity coverage ratio, calculated weekly simple average of the last three months to the liquidity coverage ratio is calculated by taking the arithmetic mean.

The highest value in foreign currency took place in the week of 23.10.2015 in the level of 245.5%, whereas the lowest value took place in the week starting from 02.10.2015 in the level of 181.48%.

The highest value in total took place in the week of 25.12.2015 in the level of 114.81%, the lowest level took place in the week starting from 11.12.2015 in the level of 98.21%.

In the 3 month period, as a result of increase in foreign currency cash inflows between 02.10.2015 – 23.10.2015 and decrease in derivative liabilities in cash outflows the ratio increased from 181.48% to 245.5%.

The ratio in total liquidity coverage rate increased from 98.21% to 114.81% due to the decrease in cash outflows between 11.12.2015 – 25.12.2015 and increase in non – secured receivables in cash inflows.

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.

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

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

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

Maturity analysis of assets and liabilities according to remaining maturities

| Current Period | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Undistributed ⁽¹⁾ | Total |
|--|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|------------------------------|--------------------|
| Assets: | | | | | | | | |
| Cash and balance with CBRT | 21,484,789 | - | - | - | - | - | - | 21,484,789 |
| Banks | 3,935,773 | 1,221,323 | 77,170 | - | - | - | - | 5,234,266 |
| Financial assets at fair value through profit/loss | - | 91,549 | 7,289 | 70,041 | 648,185 | 68,403 | - | 885,467 |
| Interbank money market placements | - | - | - | - | - | - | - | - |
| Available-for-sale financial assets | - | 85,621 | 150,337 | 2,234,107 | 7,821,259 | 6,403,392 | 79,253 | 16,773,969 |
| Loans and receivables | - | 12,203,391 | 4,261,659 | 24,576,398 | 51,600,918 | 30,332,112 | 806,175 | 123,780,653 |
| Held-to-maturity investments | - | 421,753 | - | - | 3,774,047 | 3,481,929 | - | 7,677,729 |
| Other assets | 2,188 | 1,013,076 | 304 | 2,856 | 42,198 | 289 | 6,049,340 | 7,110,251 |
| Total assets | 25,422,750 | 15,036,713 | 4,496,759 | 26,883,402 | 63,886,607 | 40,286,125 | 6,934,768 | 182,947,124 |
| Liabilities: | | | | | | | | |
| Bank deposits | 385,739 | 4,509,576 | 555,665 | 151,903 | - | - | - | 5,602,883 |
| Other deposits | 19,892,221 | 58,717,429 | 19,396,268 | 6,282,049 | 31,684 | - | - | 104,319,651 |
| Funds borrowed | - | 298,609 | 702,288 | 9,409,878 | 2,934,999 | 5,210,223 | - | 18,555,997 |
| Interbank money market takings | - | 11,133,014 | 1,148,950 | - | 397,450 | 64,627 | - | 12,744,041 |
| Securities issued | - | 1,179,387 | 1,234,924 | 1,844,429 | 6,289,019 | - | - | 10,547,759 |
| Miscellaneous payables | - | 3,258,356 | 67,760 | - | - | - | 834,101 | 4,160,217 |
| Other liabilities | - | 635,686 | 269,833 | 39,193 | 83,026 | 4,281,899 | 21,706,939 | 27,016,576 |
| Total liabilities | 20,277,960 | 79,732,057 | 23,375,688 | 17,727,452 | 9,736,178 | 9,556,749 | 22,541,040 | 182,947,124 |
| Liquidity gap | 5,144,790 | (64,695,344) | (18,878,929) | 9,155,950 | 54,150,429 | 30,729,376 | (15,606,272) | - |
| Net Off Balance Sheet Position | - | 37,789 | (15,679) | 79,335 | 496,019 | 374,145 | - | 971,609 |
| Receivables from Derivative Financial Instruments | - | 10,214,707 | 3,472,683 | 1,297,251 | 5,540,752 | 4,922,653 | - | 25,448,046 |
| Payables from Derivative Financial Instruments | - | 10,176,918 | 3,488,362 | 1,217,916 | 5,044,733 | 4,548,508 | - | 24,476,437 |
| Non-cash Loans | 2,663,320 | 951,139 | 19,396,626 | 5,498,569 | 4,034,068 | 524,639 | - | 33,068,361 |
| Prior Period | | | | | | | | |
| Total assets | 20,926,527 | 14,139,195 | 4,676,850 | 21,078,355 | 55,931,161 | 36,611,257 | 4,854,381 | 158,217,726 |
| Total liabilities | 16,812,823 | 70,245,968 | 23,293,031 | 15,184,411 | 7,805,460 | 6,177,711 | 18,698,322 | 158,217,726 |
| Liquidity gap | 4,113,704 | (56,106,773) | (18,616,181) | 5,893,944 | 48,125,701 | 30,433,546 | (13,843,941) | - |
| Net Off Balance Sheet Position | - | (67,217) | 28,994 | 231 | 200,669 | 298,287 | - | 460,964 |
| Receivables from Derivative Financial Instruments | - | 9,251,387 | 2,398,788 | 442,164 | 2,710,310 | 3,531,257 | - | 18,333,906 |
| Payables from Derivative Financial Instruments | - | 9,318,604 | 2,369,794 | 441,933 | 2,509,641 | 3,232,970 | - | 17,872,942 |
| Non-cash Loans | 243,079 | 835,912 | 16,437,467 | 6,930,286 | 3,503,638 | 683,541 | - | 28,633,923 |

⁽¹⁾ 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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Residual contractual maturities of the 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 | 5,602,883 | 5,617,785 | 385,739 | 4,514,733 | 562,204 | 155,109 | - | - |
| Other deposits | 104,319,651 | 159,034,343 | 19,892,221 | 90,652,689 | 33,501,072 | 14,911,861 | 76,500 | - |
| Funds borrowed | 18,555,997 | 20,025,703 | - | 299,282 | 704,682 | 9,491,948 | 3,333,188 | 6,196,603 |
| Money market takings | 12,744,041 | 12,759,688 | - | 11,143,452 | 1,151,513 | - | 399,406 | 65,317 |
| Issued Securities (Net) | 10,547,759 | 11,297,272 | - | 1,185,490 | 1,246,388 | 1,897,286 | 6,968,108 | - |
| Miscellaneous payables | 4,160,217 | 4,160,217 | 834,101 | 3,258,356 | 67,760 | - | - | - |
| Other liabilities | 6,530,395 | 8,450,423 | 1,711,193 | 377,119 | 37,965 | 39,193 | 83,026 | 6,201,927 |
| Total | 162,460,943 | 221,345,431 | 22,823,254 | 111,431,121 | 37,271,584 | 26,495,397 | 10,860,228 | 12,463,847 |
| Non-Cash Loans | 33,068,361 | 33,068,361 | 2,663,320 | 951,139 | 19,396,626 | 5,498,569 | 4,034,068 | 524,639 |

| 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 | 4,876,059 | 4,879,012 | 59,910 | 4,341,671 | 453,419 | 24,012 | - | - |
| Other deposits | 86,880,909 | 87,345,379 | 16,752,913 | 45,091,487 | 19,424,640 | 6,056,284 | 20,055 | - |
| Funds borrowed | 14,927,048 | 15,845,654 | - | 1,240,618 | 854,153 | 6,607,235 | 2,794,190 | 4,349,458 |
| Money market takings | 16,385,302 | 16,396,538 | - | 15,604,502 | 233,628 | 351,133 | - | 207,275 |
| Issued Securities (Net) | 10,457,757 | 11,312,237 | - | 713,864 | 2,208,287 | 2,407,908 | 5,982,178 | - |
| Miscellaneous payables | 3,160,415 | 3,160,415 | 322,656 | 2,781,158 | 56,601 | - | - | - |
| Other liabilities | 3,601,609 | 4,553,819 | 904,356 | 393,062 | 35,016 | 9,687 | 37,883 | 3,173,815 |
| Total | 140,289,099 | 143,493,054 | 18,039,835 | 70,166,362 | 23,265,744 | 15,456,259 | 8,834,306 | 7,730,548 |
| Non-Cash Loans | 28,633,923 | 28,633,923 | 243,079 | 835,912 | 16,437,467 | 6,930,286 | 3,503,638 | 683,541 |

This table shows the undiscounted cash flows on the Bank'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 financial statements.

Securitization Positions

None.

Credit risk mitigation techniques

"Basic Financial Guarantee" method is used for the financial guarantees in accordance with "Communique on Credit Risk Mitigation". Cash or cash equivalent and guarantees are used in credit risk mitigation.

Applications on guarantees' valuation and method

Policies on the valuation of financial guarantees and their evaluation and valuation of immovable that are received as mortgage for loans have been formed. These policies and procedures are prepared in accordance with "Communique on Credit Risk Mitigation" and include minimum conditions regarding guarantee valuation and management.

Types of main guarantees received

Main types of the guarantees that Bank receives for loans provided are mortgages, guarantees/sureties and financial guarantees.

Main guarantors, credit derivatives' counterparties and their credit worthiness

Assessment of credit worthiness of main guarantors is determined and monitored in accordance with the lending and intelligence procedures of the Bank.

Information about market and credit risk concentration in credit risk mitigation

Market risk and credit risk concentrations are carefully avoided.

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Information about guarantees according to risk classifications

Information about guarantees according to risk classifications is shown in the table below:

| Risk Classification-Current Period | Amount | Financial Guarantees | Other/Physical Guarantees | Guarantees and credit derivatives |
|--|--------------------|----------------------|---------------------------|-----------------------------------|
| Claims on sovereigns and Central Banks | 56,190,457 | 7,162,734 | - | - |
| Claims on regional governments or local authorities | 3,701,273 | 14,358 | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 1,082,396 | 25,077 | - | - |
| Claims on multilateral development banks | 218 | - | - | - |
| Claims on international organizations | - | - | - | - |
| Claims on banks and intermediary institutions | 9,413,986 | 3,081,086 | - | - |
| Claims on corporate | 58,507,417 | 789,622 | - | 1,688,920 |
| Claims included in the regulatory retail portfolios | 28,712,395 | 244,557 | - | - |
| Claims secured by residential property | 39,642,054 | - | - | - |
| Past due loans | 806,175 | - | - | - |
| Higher risk categories decided by the Agency | 11,283,082 | 16,000 | - | - |
| Marketable securities secured by mortgages | - | - | - | - |
| Securitization exposures | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - |
| Other claims | 7,481,758 | - | - | - |
| Total | 216,821,211 | 11,333,434 | - | 1,688,920 |

| Risk Classification-Prior Period | Amount | Financial Guarantees | Other/Physical Guarantees | Guarantees and credit derivatives |
|--|--------------------|----------------------|---------------------------|-----------------------------------|
| Claims on sovereigns and Central Banks | 51,627,779 | 4,810,208 | - | - |
| Claims on regional governments or local authorities | 2,962,704 | 19,276 | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 1,053,325 | 63,400 | - | - |
| Claims on multilateral development banks | - | - | - | - |
| Claims on international organizations | - | - | - | - |
| Claims on banks and intermediary institutions | 15,420,064 | 7,032,378 | - | - |
| Claims on corporate | 48,245,645 | 514,692 | - | 634,888 |
| Claims included in the regulatory retail portfolios | 24,720,962 | 199,482 | - | - |
| Claims secured by residential property | 32,867,468 | - | - | - |
| Past due loans | 240,075 | - | - | - |
| Higher risk categories decided by the Agency | 12,534,696 | 15,115 | - | - |
| Marketable securities secured by mortgages | - | - | - | - |
| Securitization exposures | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - |
| Other claims | 6,088,226 | - | - | - |
| Total | 195,760,944 | 12,654,551 | - | 634,888 |

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Risk management strategies and policies

Risk management strategies are determined so as to support the Bank's objectives and goals and maintain Bank's presence by developing the present risk management strategies and corporate wide risk culture in parallel with the changing business and risk environment and by applying the well accepted national and international risk management practices.

The mission of Bank is to continuously increase the values added to the customers, employees, shareholders and society by managing the entrusted assets and values effectively and productively. In this scope, it is fundamental to adopt forward looking risk based approaches through forming high quality assets and good management of liabilities in all activities aiming high quality gains.

Bank's risk management strategy is mainly based on avoiding high risks and legal risks with high impacts even if the probability of happening is low, taking measures for the risks that may occur due to ordinary banking activities, procuring protection, transferring risks to third parties through techniques like insurance or credit derivatives and accepting risks that have low impact and probability of occurrence.

Risks are defined, measured, reported and managed in compliance with the policies and national and international standards. In this respect, not only legal limits but also in-bank limits are considered. Up-to-dateness and compliance of the limits are monitored regularly. Credit risk mitigation policies are determined and approved by the Board of Directors. Besides, possible risks are considered by following the changes in the market and economic conditions.

Risk management system and organization have been formed in compliance with the Regulation of Internal Systems.

Explanations Regarding Leverage Ratio

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

The Bank's unconsolidated leverage rate which is calculated due to "Regulation on Banks' Measurement and Evaluation of Leverage Level" actualised as 6.81%. Increase in balance sheet assets and off-balance sheet transactions resulted in change in comparison with previous period (31.12.2014: 7.04%) leverage rate. The Regulation adjudicated minimum leverage rate as 3%.

Leverage ratio common disclosure template

| | Current Period ⁽¹⁾ | Prior Period ⁽¹⁾ |
|--|-------------------------------|-----------------------------|
| On-balance sheet exposures | | |
| 1 On-balance sheet items (exclude derivatives and SFTs; include collateral) | 182,236,355 | 151,485,391 |
| 2 (Assets deducted in determining Basel III Tier 1 capital) | (568,612) | (235,199) |
| 3 Total on-balance sheet exposures (excluding derivatives and SFTs) | 181,667,743 | 151,250,192 |
| Derivative exposures | | |
| 4 Replacement cost | 956,386 | 405,580 |
| 5 Add-on amount | 365,598 | 227,723 |
| 6 Total derivative exposures | 1,321,984 | 633,303 |
| Securities financing transaction exposures | | |
| 7 Gross SFT assets (with no recognition of accounting netting) | 779,859 | 1,680,788 |
| 8 Agent transaction exposures | - | - |
| 9 Total securities financing transaction exposures | 779,859 | 1,680,788 |
| Other off-balance sheet exposures | | |
| 10 Off-balance sheet exposures with gross nominal amount | 53,969,900 | 46,200,245 |
| 11 Adjustment amount off-balance sheet exposures with credit conversion factor | 1,025,968 | 557,436 |
| 12 Total off-balance sheet exposures | 54,995,868 | 46,757,681 |
| Capital and total exposures | | |
| 13 Tier 1 capital | 16,253,544 | 14,101,453 |
| 14 Total exposures | 238,765,454 | 200,321,964 |
| Leverage ratio | | |
| 15 Leverage ratio | 6.81 | 7.04 |

⁽¹⁾ Calculated by using 3 month average of balances in Leverage Rate Notification table.

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VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

| | Carrying Value | | Fair Value | |
|--|----------------|--------------|----------------|--------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Financial Assets: | | | | |
| Receivables from Interbank Money Markets | - | - | - | - |
| Banks | 5,234,266 | 2,570,620 | 5,234,266 | 2,570,620 |
| Available-for-Sale Financial Assets | 16,773,969 | 16,323,297 | 16,773,969 | 16,323,297 |
| Held-to-Maturity Investments | 7,677,729 | 6,854,593 | 7,496,076 | 6,983,593 |
| Loans | 123,780,653 | 104,583,517 | 125,203,508 | 105,477,073 |
| Financial Liabilities: | | | | |
| Bank Deposits | 5,602,883 | 4,876,059 | 5,602,883 | 4,876,059 |
| Other Deposits | 104,319,651 | 86,880,909 | 103,957,669 | 86,925,247 |
| Funds Borrowed | 18,555,997 | 14,927,048 | 18,837,415 | 14,926,784 |
| Securities Issued | 10,547,759 | 10,457,757 | 10,471,257 | 10,388,073 |
| Subordinated Loans | 4,169,474 | 2,138,030 | 4,169,474 | 2,138,030 |
| Miscellaneous Payables | 4,160,217 | 3,160,415 | 4,160,217 | 3,160,415 |

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

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

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

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

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

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

| 31 December 2015 | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|------------------|--------------------------|-------------------|
| Financial assets at fair value through profit/loss: | | | | |
| Financial assets held for trading purpose: | - | 885,467 | - | 885,467 |
| Derivative financial assets held for trading purpose | - | 885,467 | - | 885,467 |
| Available-for-sale financial assets | 13,800,761 | 2,893,955 | 79,238 ⁽¹⁾ | 16,773,954 |
| Debt securities | 13,800,761 | 2,893,955 | 79,238 | 16,773,954 |
| Investments in associates and subsidiaries | 548,852 | - | 1,273,616 ⁽²⁾ | 1,822,468 |
| Total Financial Assets | 14,349,613 | 3,779,422 | 1,352,854 | 19,481,889 |
| Financial liabilities at fair value through profit/loss: | | | | |
| Derivative financial liabilities held for trading purpose | - | - | - | - |
| Total Financial Liabilities | - | (289,589) | - | (289,589) |

⁽¹⁾ This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

⁽²⁾ 79,238 TL which is in 3rd Level and classified under available for sale financial assets, consists of securities representing share in capital.

| 31 December 2014 | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|------------------|--------------------------|-------------------|
| Financial assets at fair value through profit/loss: | | | | |
| Financial assets held for trading purpose: | 619 | 379,576 | - | 380,195 |
| Derivative financial assets held for trading purpose | 619 | 379,576 | - | 380,195 |
| Available-for-sale financial assets | 14,832,268 | 1,491,014 | - | 16,323,282 |
| Debt securities | 14,832,268 | 1,491,014 | - | 16,323,282 |
| Investments in associates and subsidiaries | 631,875 | - | 1,053,475 ⁽¹⁾ | 1,685,350 |
| Total Financial Assets | 15,464,762 | 1,870,590 | 1,053,475 | 18,388,827 |
| Financial liabilities at fair value through profit/loss: | | | | |
| Derivative financial liabilities held for trading purpose | - | (250,252) | - | (250,252) |
| Total Financial Liabilities | - | (250,252) | - | (250,252) |

⁽¹⁾ This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

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The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended 31 December 2015 is as follows:

| | Level 3 Current Period | Level 3 Prior Period |
|---|---------------------------|-------------------------|
| Balance at the beginning of the year | 1,053,475 | 886,839 |
| Total gains or losses for the year recognized in profit or loss | - | - |
| Total gains or losses for the year recognized under equity | 299,379 | 166,636 |
| Balance at the end of the year | 1,352,854 | 1,053,475 |

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

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

X. SEGMENT REPORTING

The 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, debtors current loans, 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 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 was built in order to serve customers' needs effectively and efficiently.

Additionally, the 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 Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

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Major financial statement items according to business lines:

| Current Period | Retail Banking | Corporate Banking | Investment Banking | Other | Total Operations |
|---|-------------------|-------------------|--------------------|--------------------|--------------------|
| OPERATING INCOME/ EXPENSES | | | | | |
| Interest Income | 4,218,690 | 6,496,941 | 2,912,897 | 1,522 | 13,630,050 |
| <i>Interest income from loans</i> | 4,218,690 | 6,496,941 | 814,047 | - | 11,529,678 |
| <i>Interest income from reserve deposits</i> | - | - | 38,684 | - | 38,684 |
| <i>Interest income from securities portfolio</i> | - | - | 2,049,544 | - | 2,049,544 |
| <i>Interest income from banks</i> | - | - | 10,622 | - | 10,622 |
| <i>Interest income from money market transactions</i> | - | - | - | - | - |
| <i>Other interest income</i> | - | - | - | 1,522 | 1,522 |
| Interest Expense | 2,517,946 | 3,434,680 | 2,159,815 | 31,128 | 8,143,569 |
| <i>Interest expense on deposits</i> | 2,517,946 | 3,424,053 | 189,011 | - | 6,131,010 |
| <i>Interest expense on funds borrowed</i> | - | 10,627 | 250,209 | - | 260,836 |
| <i>Interest expense on money market transactions</i> | - | - | 881,816 | - | 881,816 |
| <i>Interest expense on securities issued</i> | - | - | 596,952 | - | 596,952 |
| <i>Other interest expenses</i> | - | - | 241,827 | 31,128 | 272,955 |
| Net Interest Income | 1,700,744 | 3,062,261 | 753,082 | (29,606) | 5,486,481 |
| Net Fees and Commissions Income | 396,068 | 431,202 | 93,814 | - | 921,084 |
| Trading Income/ Losses (Net) | - | - | 99,474 | - | 99,474 |
| Dividend Income | - | - | 62,219 | - | 62,219 |
| Other Income ^(*) | - | - | - | 1,048,278 | 1,048,278 |
| Provision For Losses on Loans and Other Receivables | 738,488 | 415,514 | 28,107 | 354,951 | 1,537,060 |
| Other Expenses ^(**) | - | - | - | 3,610,183 | 3,610,183 |
| Profit Before Taxes | 1,358,324 | 3,077,949 | 980,482 | (2,946,462) | 2,470,293 |
| Provision for taxes | - | - | - | (540,184) | (540,184) |
| Net Profit/ Loss | 1,358,324 | 3,077,949 | 980,482 | (3,486,646) | 1,930,109 |
| SEGMENT ASSETS | | | | | |
| Securities Portfolio | - | - | 24,451,698 | - | 24,451,698 |
| Derivative Financial Assets Held for Trading Purpose | - | - | 885,467 | - | 885,467 |
| Banks and Receivables From Money Markets | - | - | 5,234,266 | - | 5,234,266 |
| Investments in Associates and Subsidiaries | - | - | 1,874,609 | - | 1,874,609 |
| Loans and Receivables | 36,849,266 | 69,990,429 | 16,940,958 | - | 123,780,653 |
| Other Assets | - | - | 20,379,948 | 6,340,483 | 26,720,431 |
| TOTAL ASSETS | 36,849,266 | 69,990,429 | 69,766,946 | 6,340,483 | 182,947,124 |
| SEGMENT LIABILITIES | | | | | |
| Deposits | 45,072,299 | 59,247,352 | 5,602,883 | - | 109,922,534 |
| Derivative Financial Liabilities Held for Trading Purpose | - | - | 289,589 | - | 289,589 |
| Interbank Money Market Takings | - | - | 12,744,041 | - | 12,744,041 |
| Funds Borrowed | - | 371,535 | 18,184,462 | - | 18,555,997 |
| Securities Issued | - | - | 10,547,759 | - | 10,547,759 |
| Other Liabilities | - | - | 4,759,494 | 5,945,955 | 10,705,449 |
| Provisions and Tax Liabilities | - | - | - | 3,414,207 | 3,414,207 |
| Equity | - | - | - | 16,767,548 | 16,767,548 |
| TOTAL LIABILITIES AND EQUITY | 45,072,299 | 59,618,887 | 52,128,228 | 26,127,710 | 182,947,124 |

^(*) TL760,611 amount of TL1,048,278 shown in other income line consists of rejecting reserves from previous periods, TL108,405 of income from sale of Bank's assets, TL50,723 from communications income and remaining TL128,539 of other income.

^(**) TL1,380,439 amount of TL3,610,183 shown in other expenses line consists of personnel expenses, TL1,363,500 of other operating expenses, TL157,738 of depreciation expenses, TL144,017 of dividend reserves expenses to be given to personnel, TL115,916 of Savings Deposit Insurance Fund (SDIF) expenses, TL114,138 of taxes and funds expenses, and the remaining TL334,435 of other expenses.

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| Prior Period | Retail Banking | Corporate Banking | Investment Banking | Other | Total Operations |
|---|-------------------|-------------------|--------------------|--------------------|--------------------|
| OPERATING INCOME/ EXPENSES | | | | | |
| Interest Income | 3,573,807 | 5,319,575 | 2,477,707 | 2,498 | 11,373,587 |
| <i>Interest income from loans</i> | 3,573,807 | 5,319,575 | 433,033 | - | 9,326,415 |
| <i>Interest income from reserve deposits</i> | - | - | 2,015 | - | 2,015 |
| <i>Interest income from securities portfolio</i> | - | - | 2,035,273 | - | 2,035,273 |
| <i>Interest income from banks</i> | - | - | 7,006 | - | 7,006 |
| <i>Interest income from money market transactions</i> | - | - | 380 | - | 380 |
| <i>Other interest income</i> | - | - | - | 2,498 | 2,498 |
| Interest Expense | 2,047,479 | 2,846,124 | 1,802,085 | 26,421 | 6,722,109 |
| <i>Interest expense on deposits</i> | 2,047,479 | 2,835,590 | 161,564 | - | 5,044,633 |
| <i>Interest expense on funds borrowed</i> | - | 10,534 | 156,942 | - | 167,476 |
| <i>Interest expense on money market transactions</i> | - | - | 912,931 | - | 912,931 |
| <i>Interest expense on securities issued</i> | - | - | 450,732 | - | 450,732 |
| <i>Other interest expenses</i> | - | - | 119,916 | 26,421 | 146,337 |
| Net Interest Income | 1,526,328 | 2,473,451 | 675,622 | (23,923) | 4,651,478 |
| Net Fees and Commissions Income | 350,757 | 300,020 | 58,557 | - | 709,334 |
| Trading Income/ Losses (Net) | - | - | 223,119 | - | 223,119 |
| Dividend Income | - | - | 66,288 | - | 66,288 |
| Other Income ^(*) | - | - | - | 1,345,534 | 1,345,534 |
| Provision For Losses on Loans and Other Receivables | 541,083 | 681,603 | 35,680 | 413,501 | 1,671,867 |
| Other Expenses ^(**) | - | - | - | 3,110,210 | 3,110,210 |
| Profit Before Taxes | 1,336,002 | 2,091,868 | 987,906 | (2,202,100) | 2,213,676 |
| Provision for taxes | - | - | - | (460,403) | (460,403) |
| Net Profit/ Loss | 1,336,002 | 2,091,868 | 987,906 | (2,662,503) | 1,753,273 |
| SEGMENT ASSETS | | | | | |
| Securities Portfolio | - | - | 23,178,509 | - | 23,178,509 |
| Derivative Financial Assets Held for Trading Purpose | - | - | 379,576 | - | 379,576 |
| Banks and Receivables From Money Markets | - | - | 2,570,620 | - | 2,570,620 |
| Investments in Associates and Subsidiaries | - | - | 1,736,982 | - | 1,736,982 |
| Loans and Receivables | 32,952,925 | 61,106,957 | 10,523,635 | - | 104,583,517 |
| Other Assets | - | - | 20,860,935 | 4,907,587 | 25,768,522 |
| TOTAL ASSETS | 32,952,925 | 61,106,957 | 59,250,257 | 4,907,587 | 158,217,726 |
| SEGMENT LIABILITIES | | | | | |
| Deposits | 36,352,846 | 50,528,063 | 4,876,059 | - | 91,756,968 |
| Derivative Financial Liabilities Held for Trading Purpose | - | - | 250,252 | - | 250,252 |
| Interbank Money Market Takings | - | - | 16,385,302 | - | 16,385,302 |
| Funds Borrowed | - | 225,187 | 14,701,861 | - | 14,927,048 |
| Securities Issued | - | - | 10,457,757 | - | 10,457,757 |
| Other Liabilities | - | - | 2,341,732 | 4,432,461 | 6,774,193 |
| Provisions and Tax Liabilities | - | - | - | 2,894,456 | 2,894,456 |
| Equity | - | - | - | 14,771,750 | 14,771,750 |
| TOTAL LIABILITIES AND EQUITY | 36,352,846 | 50,753,250 | 49,012,963 | 22,098,667 | 158,217,726 |

^(*) TL705,404 amount of TL1,345,534 shown in other income line consists of rejecting reserves from previous periods, TL381,987 of income from sale of Bank's assets, TL85,302 of communication income and remaining TL172,841 of other income.

^(**) TL1,232,995 amount of TL3,110,210 shown in other expenses line consists of personnel expenses, TL1,201,522 of other operating expenses, TL137,743 of depreciation expenses, TL129,797 of dividend provision expenses to be given to personnel, TL93,190 of Savings Deposit Insurance Fund (SDIF) expenses, TL105,366 of taxes and funds expenses, and the remaining TL209,597 of other expenses.

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SECTION FIVE

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS

1. Cash and balances with Central Bank

| | Current Period | | Prior Period | |
|---|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Cash | 1,157,743 | 277,106 | 1,008,203 | 362,556 |
| Central Bank of the Republic of Turkey ^(*) | 778,712 | 19,055,634 | 3,055,674 | 17,385,018 |
| Other | 197,525 | 18,069 | 62,451 | 11,077 |
| Total | 2,133,980 | 19,350,809 | 4,126,328 | 17,758,651 |

^(*) TL 18,422,690 (31 December 2014: TL 16,156,471) 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 5% to 11.5% (31 December 2014: ranging from 5% to 11.5%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 6% to 20% in US Dollar or Euro (31 December 2014: ranging from 6% to 13%).

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 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 Republic of Turkey

| | Current Period | | Prior Period | |
|------------------------------|----------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Unrestricted Demand Deposits | 760,146 | 632,944 | 3,054,416 | 1,228,547 |
| Unrestricted Time Deposits | - | - | - | - |
| Restricted Time Deposits | 105 | - | 3 | - |
| Reserve Deposits | 18,461 | 18,422,690 | 1,255 | 16,156,471 |
| Total | 778,712 | 19,055,634 | 3,055,674 | 17,385,018 |

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

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

None.

Trading securities subject to repurchase agreements

None.

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Positive differences on derivative financial assets held for trading purpose

| | Current Period | | Prior Period | |
|----------------------|----------------|----------------|----------------|---------------|
| | TL | FC | TL | FC |
| Forward Transactions | 2,087 | 624 | 3,616 | 474 |
| Swap Transactions | 737,149 | 145,264 | 338,329 | 31,410 |
| Futures | - | - | - | - |
| Options | 103 | 240 | 530 | 5,217 |
| Other | - | - | - | - |
| Total | 739,339 | 146,128 | 342,475 | 37,101 |

3. Information on banks

| | Current Period | | Prior Period | |
|-----------------------------------|----------------|------------------|---------------|------------------|
| | TL | FC | TL | FC |
| Banks | 370,201 | 4,864,065 | 14,733 | 2,555,887 |
| Domestic | 370,201 | 269,123 | 14,733 | 348,007 |
| Foreign | - | 4,594,942 | - | 2,207,880 |
| Foreign Head Offices and Branches | - | - | - | - |
| Total | 370,201 | 4,864,065 | 14,733 | 2,555,887 |

Due from foreign banks

| | Unrestricted Balance | | Restricted Balances ^(*) | |
|-------------------------------|----------------------|------------------|------------------------------------|----------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| EU Countries | 234,147 | 116,487 | - | 97,060 |
| USA, Canada | 650,169 | 1,884,681 | 77,170 | 13,108 |
| OECD Countries ^(*) | 7,272 | 7,629 | - | - |
| Off-shore Banking Regions | 3,617,550 | 210 | - | - |
| Others | 8,634 | 88,705 | - | - |
| Total | 4,517,772 | 2,097,712 | 77,170 | 110,168 |

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

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

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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 |
| Share Certificates | - | - | - | - |
| Bonds, Treasury Bills and Similar Marketable Securities | 1,571,646 | 1,516,438 | 1,624,464 | 354,106 |
| Other | - | - | - | - |
| Total | 1,571,646 | 1,516,438 | 1,624,464 | 354,106 |

Available-for-sale financial assets subject to repurchase agreements

| | Current Period | | Prior Period | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Government Bonds | 3,621,980 | - | 8,668,579 | - |
| Treasury Bills | - | - | - | - |
| Other Debt Securities | - | 2,647,350 | - | 3,132,480 |
| Bonds Issued or Guaranteed by Banks | - | - | - | - |
| Asset Backed Securities | - | - | - | - |
| Total | 3,621,980 | 2,647,350 | 8,668,579 | 3,132,480 |

Information on available-for-sale financial assets

| | Current Period | Prior Period |
|--|-------------------|-------------------|
| Debt securities | 16,870,435 | 16,351,196 |
| Quoted on a Stock Exchange | 16,870,435 | 16,351,196 |
| Unquoted | - | - |
| Equity securities | 79,253 | 15 |
| Quoted on a Stock Exchange | - | - |
| Unquoted | 79,253 | 15 |
| Provision for impairment on available-for-sale financial assets (-) | 175,719 | 27,914 |
| Total | 16,773,969 | 16,323,297 |

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5. Information on loans

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

| | Current Period | | Prior Period | |
|--|----------------|----------|--------------|----------|
| | Cash | Non-Cash | Cash | Non-Cash |
| Direct loans provided to the shareholders | - | 28,550 | - | 10,174 |
| Legal entities | - | 28,550 | - | 10,174 |
| Real persons | - | - | - | - |
| Indirect loans provided to the shareholders | - | - | - | - |
| Loans provided to the employees | 102,886 | - | 86,082 | - |
| Total | 102,886 | 28,550 | 86,082 | 10,174 |

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

| Cash Loan | Standard loans and other receivables | | | Loans and other receivables under close monitoring | | |
|---------------------------------|--------------------------------------|-------------------------|-------------------------------|--|-------------------------|-------------------------------|
| | Loans and other receivables | | Agreement conditions modified | Loans and other receivables | | Agreement conditions modified |
| | | Payment plan extensions | Other | | Payment plan extensions | Other |
| Non-specialized loans | 116,149,003 | 744,459 | - | 5,046,931 | 1,032,283 | - |
| Loans given to enterprises | 34,714,950 | 252,115 | - | 1,453,613 | 697,629 | - |
| Export loans | 4,492,712 | - | - | 128,661 | 4,931 | - |
| Import loans | - | - | - | - | - | - |
| Loans given to financial sector | 2,733,453 | - | - | 20 | - | - |
| Consumer loans | 30,750,264 | 139,899 | - | 1,615,466 | 268,509 | - |
| Credit cards | 4,849,296 | - | - | 358,469 | 20,085 | - |
| Other | 38,608,328 | 352,445 | - | 1,490,702 | 41,129 | - |
| Specialized lending | 1,802 | - | - | - | - | - |
| Other receivables | - | - | - | - | - | - |
| Total | 116,150,805 | 744,459 | - | 5,046,931 | 1,032,283 | - |

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

| | <i>Standard Loans and Other Receivables ^(*)</i> | <i>Loans and other receivables under close monitoring ^(*)</i> |
|--|--|--|
| Number of modifications to extend payment plans | | |
| Extended for 1 or 2 times | 744,459 | 741,343 |
| Extended for 3,4 or 5 times | - | - |
| Extended for more than 5 times | - | - |
| Extended period of time | | |
| 0-6 Months | 4,163 | 571 |
| 6 - 12 Months | 82 | 234 |
| 1-2 Years | 9,107 | 8,842 |
| 2-5 Years | 491,068 | 227,179 |
| 5 Years and Over | 240,039 | 504,517 |

(*) The above tables include the change in the payment plans of standard and under close monitoring loans and other receivables after 28 May 2011.

Maturity analysis of cash loans

| Cash loans | Performing Loans and Other Receivables | | Loans under Follow-Up and Other Receivables | |
|--|---|--|--|--|
| | Loans and Other Receivables | Restructured or Rescheduled Loans and Other Receivables | Loans and Other Receivables | Restructured or Rescheduled Loans and Other Receivables |
| Short-term Loans and Other Receivables | 32,072,521 | 19,560 | 1,945,316 | 89,658 |
| Loans | 32,072,521 | 19,560 | 1,945,316 | 89,658 |
| Specialization loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| Medium, Long-term Loans and Other Receivables | 84,078,257 | 724,926 | 3,101,615 | 942,625 |
| Loans | 84,076,455 | 724,926 | 3,101,615 | 942,625 |
| Specialization loans | 1,802 | - | - | - |
| Other Receivables | - | - | - | - |

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

| | Short-Term | Medium and Long-Term | Total |
|--|------------------|----------------------|-------------------|
| Consumer Loans – TL | 351,409 | 30,415,076 | 30,766,485 |
| Housing Loans | 6,587 | 15,109,922 | 15,116,509 |
| Automobile Loans | 5,708 | 461,224 | 466,932 |
| General Purpose Loans | 339,114 | 14,843,930 | 15,183,044 |
| Other | - | - | - |
| Consumer Loans – FC indexed | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Consumer Loans – FC | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Retail Credit Cards – TL | 3,690,264 | 81,893 | 3,772,157 |
| With Installment | 1,605,894 | 75,592 | 1,681,486 |
| Without Installment | 2,084,370 | 6,301 | 2,090,671 |
| Retail Credit Cards – FC | 8,844 | - | 8,844 |
| With Installment | - | - | - |
| Without Installment | 8,844 | - | 8,844 |
| Personnel Loans – TL | 3,345 | 43,912 | 47,257 |
| Housing Loan | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | 3,345 | 43,912 | 47,257 |
| 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 | 55,177 | 207 | 55,384 |
| With Installment | 21,295 | 193 | 21,488 |
| Without Installment | 33,882 | 14 | 33,896 |
| Personnel Credit Cards – FC | 245 | - | 245 |
| With Installment | - | - | - |
| Without Installment | 245 | - | 245 |
| Overdraft Checking Accounts – TL (Real persons) | 1,960,277 | - | 1,960,277 |
| Overdraft Checking Accounts – FC (Real persons) | 119 | - | 119 |
| Total | 6,069,680 | 30,541,088 | 36,610,768 |

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Installment based commercial loans and corporate credit cards

| | Short-Term | Medium and Long-Term | Total |
|--|------------------|----------------------|-------------------|
| Installment-based Commercial Loans – TL | 981,266 | 23,225,014 | 24,206,280 |
| Real Estate Loans | 9,662 | 821,378 | 831,040 |
| Automobile Loans | 66,901 | 1,652,480 | 1,719,381 |
| General Purpose Loans | 904,703 | 20,751,156 | 21,655,859 |
| Other | - | - | - |
| Installment-based Commercial Loans – FC indexed | 20,249 | 1,220,421 | 1,240,670 |
| Real Estate Loans | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | 20,249 | 1,220,421 | 1,240,670 |
| Other | - | - | - |
| Installment-based Commercial Loans – FC | 977 | 5,201,530 | 5,202,507 |
| Real Estate Loans | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | 977 | 5,143,608 | 5,144,585 |
| Other | - | 57,922 | 57,922 |
| Corporate Credit Cards – TL | 1,390,701 | 372 | 1,391,073 |
| With Installment | 485,628 | 372 | 486,000 |
| Without Installment | 905,073 | - | 905,073 |
| Corporate Credit Cards – FC | 147 | - | 147 |
| With Installment | - | - | - |
| Without Installment | 147 | - | 147 |
| Overdraft Checking Accounts – TL (Corporate) | 1,132,243 | - | 1,132,243 |
| Overdraft Checking Accounts – FC (Corporate) | - | - | - |
| Total | 3,525,583 | 29,647,337 | 33,172,920 |

Allocation of loan customers

| | Current Period | Prior Period |
|----------------|--------------------|--------------------|
| Public Sector | 962,508 | 1,299,532 |
| Private Sector | 122,011,970 | 103,043,910 |
| Total | 122,974,478 | 104,343,442 |

Allocation of domestic and overseas loans

| | Current Period | Prior Period |
|----------------|--------------------|--------------------|
| Domestic Loans | 122,622,462 | 104,145,709 |
| Foreign Loans | 352,016 | 197,733 |
| Total | 122,974,478 | 104,343,442 |

Loans to associates and subsidiaries

| | Current Period | Prior Period |
|--|----------------|---------------|
| Direct Loans Provided to the Subsidiaries and Associates | 145,876 | 74,105 |
| Indirect Loans Provided to the Subsidiaries and Associates | - | - |
| Total | 145,876 | 74,105 |

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Specific provisions for loans

| | Current Period | Prior Period |
|--|------------------|------------------|
| Loans and Receivables with Limited Collectability | 96,407 | 60,286 |
| Loans and Receivables with Doubtful Collectability | 386,298 | 546,295 |
| Uncollectible Loans and Receivables | 3,561,333 | 3,127,716 |
| Total | 4,044,038 | 3,734,297 |

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 | 51,611 | 88,881 | 59,591 |
| (Gross amounts before the specific reserves) | | | |
| Loans and other receivables which are restructured | - | - | - |
| Rescheduled loans and other receivables | 51,611 | 88,881 | 59,591 |
| Prior period | 34,563 | 92,576 | 82,945 |
| (Gross amounts before the specific reserves) | | | |
| Loans and other receivables which are restructured | - | - | - |
| Rescheduled loans and other receivables | 34,563 | 92,576 | 82,945 |

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 | 300,361 | 546,295 | 3,127,716 |
| Additions (+) | 1,908,973 | 24,763 | 34,965 |
| Transfers from other categories of loans under follow-up (+) | - | 1,523,175 | 1,114,961 |
| Transfers to other categories of loans under follow-up (-) ^(*) | 1,563,650 | 1,031,863 | 125,124 |
| Collections (-) | 163,649 | 290,216 | 556,494 |
| Write-offs (-) | - | - | - |
| Corporate and commercial loans | - | - | - |
| Retail loans | - | - | - |
| Credit cards | - | - | - |
| Other | - | - | - |
| Balance at the end of the period | 482,035 | 772,154 | 3,596,024 |
| Specific provision (-) ^(**) | 96,407 | 386,298 | 3,561,333 |
| Net balance | 385,628 | 385,856 | 34,691 |

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

^(**) As of 31 December 2015, the Bank reserved 100% provision for TL 12,818 after the date it was placed in the 5th group, which is the remaining portion of non-performing loans of TL 47,500 given to a group when guarantees are taken into consideration.

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

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

| | Group III Loans and receivables with limited collectability | Group IV Loans and receivables with doubtful collectability | Group V Uncollectible loans and receivables |
|-------------------------------------|--|--|---|
| Current Period | | | |
| Balance at the end of the period | 15,261 | 88,082 | 198,835 |
| Specific provision (-) | 3,052 | 44,041 | 198,835 |
| Net balance on balance sheet | 12,209 | 44,041 | - |
| Prior Period | | | |
| Balance at the end of the period | 7,681 | 2,907 | 244,100 |
| Specific provision (-) | 1,536 | 2,907 | 244,100 |
| Net balance on balance sheet | 6,145 | - | - |

Non-performing foreign currency denominated loans are followed in TL accounts.

Explanation on Write-off Policy

None.

Loan customer concentration of gross and net amounts of non-performing loans

| | Group III Loans and receivables with limited collectability | Group IV Loans and receivables with doubtful collectability | Group V Uncollectible loans and receivables |
|---------------------------------------|--|--|---|
| Current Period (Net) | | | |
| Consumer and Commercial Loans (Gross) | 475,614 | 762,956 | 3,523,032 |
| Specific Provision (-) | 95,123 | 381,699 | 3,488,341 |
| Consumer and Commercial Loans (Net) | 380,491 | 381,257 | 34,691 |
| Banks (Gross) | - | - | 1,551 |
| Specific Provision (-) | - | - | 1,551 |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | 6,421 | 9,198 | 71,441 |
| Specific Provision (-) | 1,284 | 4,599 | 71,441 |
| Other Loans and Receivables (Net) | 5,137 | 4,599 | - |
| Prior Period (Net) | | | |
| Consumer and Commercial Loans (Gross) | 297,145 | 539,926 | 3,067,758 |
| Specific Provision (-) | 59,643 | 539,926 | 3,067,758 |
| Consumer and Commercial Loans (Net) | 237,502 | - | - |
| Banks (Gross) | - | - | 1,551 |
| Specific Provision (-) | - | - | 1,551 |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | 3,216 | 6,369 | 58,407 |
| Specific Provision (-) | 643 | 6,369 | 58,407 |
| Other Loans and Receivables (Net) | 2,573 | - | - |

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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 | 7,546,748 | - | 6,761,749 | - |
| Treasury Bills | - | - | - | - |
| Other Securities Issued by the Governments | - | - | - | - |
| Total | 7,546,748 | - | 6,761,749 | - |

Information on held-to-maturity investment securities

| | Current Period | Prior Period |
|------------------------------|------------------|------------------|
| Debt Securities | 7,683,950 | 6,860,448 |
| Quoted at Stock Exchanges | 7,552,969 | 6,767,604 |
| Unquoted at Stock Exchanges | 130,981 | 92,844 |
| Impairment Losses (-) | 6,221 | 5,855 |
| Total | 7,677,729 | 6,854,593 |

The movement table of the held-to-maturity investments

| | Current Period | Prior Period |
|--|------------------|------------------|
| Balances at the beginning of the period | 6,854,593 | 5,403,815 |
| Foreign currency differences on monetary assets | 44,702 | 7,990 |
| Purchases during the period | 1,610,704 | 2,924,991 |
| Transfers to available for sale portfolio | - | - |
| Disposals through sales/redemptions | (1,129,187) | (1,764,546) |
| Impairment losses | (366) | 51,505 |
| Change in amortized costs of the securities ⁽¹⁾ | 297,283 | 230,838 |
| Balances at the end of the period | 7,677,729 | 6,854,593 |

⁽¹⁾ Changes in amortized costs of the marketable securities also include rediscount differences in marketable securities.

Information on held-to-maturity investments

| | Cost | | Carrying Value | |
|--|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Current Period | | | | |
| Collateralized/blocked investment securities | 495,970 | 130,950 | 527,655 | 130,981 |
| Investments subject to repurchase agreements | 5,428,798 | - | 6,050,350 | - |
| Held for structural position | - | - | - | - |
| Receivable from security borrowing markets | - | - | - | - |
| Collateral for security borrowing markets | - | - | - | - |
| Other ⁽¹⁾ | 935,631 | - | 968,743 | - |
| Total | 6,860,399 | 130,950 | 7,546,748 | 130,981 |

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| Prior Period | Cost | | Carrying Value | |
|--|------------------|---------------|------------------|---------------|
| | TL | FC | TL | FC |
| Collateralized/blocked investment securities | 931,961 | 92,800 | 972,002 | 92,844 |
| Investments subject to repurchase agreements | 5,289,597 | - | 5,629,267 | - |
| Held for structural position | - | - | - | - |
| Receivable from security borrowing markets | - | - | - | - |
| Collateral for security borrowing markets | - | - | - | - |
| Other ^(*) | 150,772 | - | 160,480 | - |
| Total | 6,372,330 | 92,800 | 6,761,749 | 92,844 |

^(*) The securities held as free that are not subject to collateral/blockage or other transactions are presented in the "Others" line.**7. Information on investments in associates***Information on investments in associates*

| Associate | Address (City/ Country) | Bank's Share – If Different, Voting Rights (%) | Bank's Risk Group Share (%) |
|---|----------------------------|--|--------------------------------|
| 1 Kıbrıs Vakıflar Bankası Ltd. ^(*) | Lefkoşa/NCTR | 15.00 | 15.00 |
| 2 Türkiye Sınai Kalkınma Bankası AŞ ^(**) | Istanbul/Turkey | 8.38 | 8.38 |
| 3 Roketsan Roket Sanayi ve Ticaret AŞ ^(*) | Ankara/Turkey | 9.93 | 9.93 |
| 4 Bankalararası Kart Merkezi AŞ | Istanbul/Turkey | 9.70 | 9.70 |
| 5 Kredi Kayıt Bürosu AŞ ^(*) | Istanbul/Turkey | 9.09 | 9.09 |
| 6 Güçbirliği Holding AŞ ^(*) | İzmir/Turkey | 0.07 | 0.07 |
| 7 İzmir Enternasyonel Otelcilik AŞ | Istanbul/Turkey | 5.00 | 5.00 |
| 8 İstanbul Takas ve Saklama Bankası AŞ ^(*) | Istanbul/Turkey | 4.37 | 4.37 |
| 9 Kredi Garanti Fonu AŞ ^(*) | Ankara/Turkey | 1.69 | 1.69 |
| 10 Tasfiye Halinde World Vakıf UBB Ltd. | Lefkoşa/ NCTR | 82.00 | 85.25 |

| | Total Assets | Equity | Tangible Assets | Interest Income | Income on Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value |
|----|--------------|-----------|-----------------|-----------------|--------------------------------------|-------------------------------|-----------------------------|-------------------------|
| 1 | 884,289 | 66,941 | 9,582 | 49,270 | 3,531 | 5,285 | 1,459 | - |
| 2 | 21,366,580 | 2,783,792 | 746,288 | 779,989 | 322,303 | 410,590 | 374,111 | 2,603,218 |
| 3 | 2,960,026 | 557,498 | 514,006 | 7,060 | - | (50,090) | 96,304 | - |
| 4 | 68,358 | 29,660 | 42,971 | 1,019 | - | 3,869 | 3,490 | - |
| 5 | 129,527 | 104,842 | 62,914 | 3,663 | - | 26,782 | 18,547 | - |
| 6 | 137,683 | (31,675) | 88,027 | 422 | - | (17,037) | (5,556) | - |
| 7 | 108,514 | 371 | 88,782 | 6 | - | (18,136) | (5,610) | - |
| 8 | 7,631,265 | 869,063 | 100,232 | 155,708 | 11,816 | 132,453 | 96,179 | - |
| 9 | 316,348 | 278,439 | 5,500 | 9,906 | - | 19,899 | 10,213 | - |
| 10 | 1,390 | (78,268) | - | - | - | (7,452) | (5,465) | - |

^(*) The financial statements for these associates as at and for the period ended 30 September 2015 are presented.^(**) Figures are obtained from audited financial statements as at and for the period ended 31 December 2015 disclosed in Public Disclosure Platform.

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Movement table of investments in associates

| | Current Period | Prior Period |
|--|-----------------|----------------|
| Balance at the beginning of the period | 305,469 | 245,523 |
| Movements during the period | (35,179) | 59,946 |
| Transfers | - | - |
| Acquisitions and capital increases | - | - |
| Bonus shares received | 21,453 | 19,985 |
| Income/loss from investments under equity accounting | - | - |
| Sales and liquidations | - | - |
| Fair value changes | (56,632) | 39,961 |
| Impairment losses | - | - |
| Balance at the end of the period | 270,290 | 305,469 |
| Capital commitments | - | - |
| Share percentage at the end of the period (%) | - | - |

In current period, one of the bank's associate, Tasfiye Halinde World Vakif UBB Ltd, is removed from the banks account and transferred to Other Trading Business account starting from December 2015.

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 1,500,000 to TL 1,750,000 in the Ordinary Meeting of General Assembly of the Company dated 26 March 2015, the share of the Bank amounting to TL 20,944 is presented in the movement table of investments in associates as bonus shares received.

In the current period, subsequent to the approval of the decision of the capital of Kredi Garanti Fonu A.Ş. in the Ordinary Meeting of General Assembly of the Company dated 31 March 2015, an associate of the Bank, has been increased from TL 240,000 to TL 278,439, TL 29,000 is paid from company's own resources and TL 9,439 is paid cash by two new shareholders and registered to commercial register on 10 April 2015. After the capital increase, Bank's current nominal share has been increased from TL 4,211 to TL 4,719 by a bonus increase of TL 509 and Bank's share percentage will be decreased from 1.75% to 1.69% after the involvement of two shareholders as at 10 April 2015. The share of the Bank amounting to TL 509 is presented as bonus shares received in the movement table of investments in associates.

In the prior period, subsequent to the approval of the decision of the capital of İstanbul Takas ve Saklama Bankası A.Ş. in the Ordinary Meeting of General Assembly of the Company dated 28 March 2014, an associate of the Bank, has been increased from TL 420,000 to TL 600,000, TL 120,000 has been paid from bonus shares and TL 60,000 has been paid in cash amounting to TL 180,000 in total. The share of the Bank amounting to TL 3,230 is presented as bonus shares received in the movement table of investments in associates. The stock right in cash capital commitment has been removed related to the capital increase and the usage of İstanbul Stock Exchange, Banks' share percentage has been decreased from 4.86% to 4.37%.

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 1,300,000 to TL 1,500,000 in the Ordinary Meeting of General Assembly of the Company dated 27 March 2014, the share of the Bank amounting to TL 16,755 is presented in the movement table of investments in associates as bonus shares received.

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

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Sectoral distribution of investments in financial associates

| | Current Period | Prior Period |
|---------------------|----------------|----------------|
| Banks | 254,171 | 289,858 |
| Insurance companies | - | - |
| Factoring companies | - | - |
| Leasing companies | - | - |
| Finance companies | - | - |
| Other associates | 4,719 | 4,211 |
| Total | 258,890 | 294,069 |

Quoted associates

| | Current Period | Prior Period |
|---|----------------|----------------|
| Quoted at domestic stock exchanges | 218,150 | 253,838 |
| Quoted at international stock exchanges | - | - |
| Total | 218,150 | 253,838 |

Investments in associates disposed during the period

There is not any associate disposed in the current period.

Investments in associates acquired during the period

There is not any associate acquired in the current period.

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8. Investments in subsidiaries

Information on financial subsidiaries

| | Vakıfbank International AG | Vakıf Finansal Kiralama AŞ | Vakıf Yatırım Menkul Değerler AŞ | Vakıf Factoring AŞ | Güneş Sigorta AŞ | Emeklilik AŞ | Vakıf Yönetimi AŞ | Gayrimenkul Yat. Ort. AŞ | Vakıf Menkul Kıymet Yat. Ort. AŞ |
|---|----------------------------------|-------------------------------|--|-----------------------|---------------------|----------------|----------------------|-----------------------------|--|
| Paid in Capital | 114,483 | 65,000 | 35,000 | 22,400 | 150,000 | 26,500 | 3,000 | 205,400 | 20,000 |
| Share Premium | - | - | - | - | - | - | - | 246,731 | - |
| Other Capital Reserves | - | 252 | (25) | 28,948 | (2,094) | 7,578 | 48 | 22,004 | 94 |
| Securities Value Increase Fund | 16,812 | 2,821 | 48,986 | 283 | 230,306 | 412 | - | - | - |
| Tangible Assets' Value Increase From Revaluation | - | 15,127 | - | - | 104,292 | 50,005 | - | - | - |
| Associates And Subsidiaries Bonus Shares | - | - | - | - | 59 | 191 | - | - | - |
| Legal Reserves | 8,824 | 3,910 | 5,644 | 5,128 | 17,179 | 18,385 | 920 | 4,709 | 395 |
| Extraordinary Reserves | - | 32,963 | 7,368 | 34,944 | 19,247 | 38,943 | 7,919 | 73,477 | - |
| Other Profit Reserves | 196,153 | - | 2,308 | - | - | - | - | - | - |
| Profit/Loss | 104,186 | 15,457 | (5,712) | 10,115 | (138,591) | 87,534 | 2,236 | 22,170 | (3,017) |
| Prior Period's Profit/Loss | 102,600 | - | 872 | - | (144,975) | 54,925 | - | - | (2,490) |
| Current Period's Profit/Loss | 1,586 | 15,457 | (6,584) | 10,115 | 6,384 | 32,609 | 2,236 | 22,170 | (527) |
| Minority Rights | - | 100 | - | - | - | - | - | - | - |
| Total Core Capital | 440,458 | 135,630 | 93,569 | 101,818 | 380,398 | 229,548 | 14,123 | 574,491 | 17,472 |
| SUPPLEMENTARY CAPITAL | - | - | - | - | - | - | - | - | - |
| CAPITAL | 440,458 | 135,630 | 93,569 | 101,818 | 380,398 | 229,548 | 14,123 | 574,491 | 17,472 |
| NET AVAILABLE EQUITY | 440,458 | 135,630 | 93,569 | 101,818 | 380,398 | 229,548 | 14,123 | 574,491 | 17,472 |

¹⁾ Reviewed BRSA financial statements as of 30 September 2015 are considered.

Vakıf Yatırım Menkul Değerler AŞ, a subsidiary of the Bank, calculates capital adequacy in accordance with Serial:V, No: 34 numbered "Communiqué on Capital and Capital Adequacy of Intermediary Firms" of CMB every six month. Güneş Sigorta AŞ ve Vakıf Emeklilik AŞ that operate in insurance business 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 every six month. According to the calculations at 31 December 2015, there is no capital requirement for the subsidiaries mentioned.

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

Information on investments in subsidiaries

| Subsidiary | Address (City / Country) | Bank's Share- If Different, Voting Rights (%) | Bank's Risk Group Share (%) |
|--|-----------------------------|---|--------------------------------|
| 1 Güneş Sigorta AŞ ^(*) | Istanbul/Turkey | 36.35 | 36.35 |
| 2 Vakıf Emeklilik AŞ ^(*) | Istanbul/ Turkey | 53.90 | 75.30 |
| 3 Vakıf Faktoring AŞ ^(*) | Istanbul/ Turkey | 78.39 | 86.99 |
| 4 Vakıf Finansal Kiralama AŞ ^(**) | Istanbul/ Turkey | 58.71 | 64.40 |
| 5 Vakıf Yatırım Menkul Değerler AŞ ^(**) | Istanbul/ Turkey | 99.00 | 99.44 |
| 6 Vakıfbank International AG | Vienna/AUSTRIA | 90.00 | 90.00 |
| 7 Vakıf Portföy Yönetimi AŞ ^(**) | Istanbul/ Turkey | 100.00 | 100.00 |
| 8 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ ^(**) | Istanbul/ Turkey | 22.89 | 32.91 |
| 9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ^(**) | Istanbul/ Turkey | 38.70 | 40.64 |
| 10 Vakıf Enerji ve Madencilik AŞ ^(***) | Ankara/ Turkey | 65.50 | 84.96 |
| 11 Taksim Otelcilik AŞ ^(*) | Istanbul/ Turkey | 51.00 | 51.52 |
| 12 Vakıf Pazarlama Sanayi ve Ticaret AŞ ^(****) | Istanbul/ Turkey | 69.33 | 74.98 |
| 13 Vakıf Gayrimenkul Değerleme AŞ ^(*) | Ankara/ Turkey | 54.29 | 58.57 |

| | Total Assets | Equity | Tangible Assets | Interest Income | Income on Securities Portfolio | Current Period Profit/(Loss) | Prior Period Profit/(Loss) | Company's Fair Value |
|----|--------------|---------|--------------------|--------------------|--------------------------------------|---------------------------------|-------------------------------|-------------------------|
| 1 | 1,273,901 | 160,386 | 1,333,517 | 23,953 | 17,005 | (98,328) | 4,630 | 275,394 |
| 2 | 3,767,621 | 196,387 | 99,596 | 21,365 | 659 | 25,881 | 21,162 | 705,800 |
| 3 | 637,729 | 101,815 | 2,729 | 52,308 | - | 10,116 | 7,558 | 79,300 |
| 4 | 1,562,614 | 135,631 | 20,575 | 75,157 | - | 15,458 | 953 | 77,808 |
| 5 | 116,939 | 93,567 | 455 | 5,040 | 1,163 | (6,584) | 2,835 | 86,700 |
| 6 | 3,092,692 | 399,531 | 964 | 84,931 | 17,953 | 8,957 | 33,078 | 482,382 |
| 7 | 14,673 | 14,123 | 245 | 1,020 | 23 | 2,236 | 1,913 | 56,900 |
| 8 | 17,700 | 17,472 | 36 | 301 | 722 | (527) | (320) | 16,022 |
| 9 | 772,101 | 770,829 | 485,566 | 24,077 | - | 22,403 | 14,498 | 468,342 |
| 10 | 22,604 | 6,167 | 1,073 | 287 | - | (1,736) | 182 | 14,100 |
| 11 | 371,186 | 359,071 | 243,396 | 6,512 | - | 9,112 | 6,080 | 364,500 |
| 12 | 47,990 | 40,368 | 653 | 2,828 | 1,272 | 3,861 | 3,420 | 53,100 |
| 13 | 30,049 | 25,648 | 389 | 2,213 | 122 | 829 | 4,362 | 40,900 |

(*) The financial statements for these subsidiaries as at and for the period ended 30 September 2015 are presented.

(**) Figures are obtained from reviewed financial statements as at and for the period ended 30 September 2015 disclosed in Public Disclosure Platform.

(***) The financial statements for these subsidiaries as at and for the period ended 30 June 2015 are presented.

(***) The financial statements for these subsidiaries as at and for the year ended 31 December 2014 are presented.

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Movement table of investments in subsidiaries

| | Current Period | Prior Period |
|--|------------------|------------------|
| Balance at the beginning of the period | 1,431,513 | 1,365,470 |
| Movements during the period | 172,806 | 66,043 |
| Transfers | - | - |
| Acquisitions and capital increases | - | 205,713 |
| Bonus shares received | 4,605 | - |
| Dividends from current year profit | (26,186) | (34,017) |
| Sales and liquidations | - | - |
| Fair value changes | 163,959 | (107,850) |
| Impairment losses | 30,428 | 2,197 |
| Balance at the end of the period | 1,604,319 | 1,431,513 |
| Capital commitments | - | - |
| Share percentage at the end of the period (%) | - | - |

Methods to measure investments in subsidiaries

| | Current Period | Prior Period |
|-----------------------------|------------------|------------------|
| Measured at cost | - | - |
| Measured at fair value | 1,604,319 | 1,431,513 |
| Equity method of accounting | - | - |
| Total | 1,604,319 | 1,431,513 |

Sectoral distribution of investments in financial subsidiaries

| | Current Period | Prior Period |
|------------------------------|------------------|------------------|
| Insurance companies | 480,532 | 402,768 |
| Banks | 434,144 | 321,124 |
| Factoring companies | 62,163 | 65,273 |
| Leasing companies | 45,681 | 45,149 |
| Finance companies | - | - |
| Other financial subsidiaries | 327,650 | 353,283 |
| Total | 1,350,170 | 1,187,597 |

Quoted subsidiaries

| | Current Period | Prior Period |
|---|----------------|----------------|
| Quoted at domestic stock exchanges | 330,703 | 378,037 |
| Quoted at international stock exchanges | - | - |
| Total | 330,703 | 378,037 |

Investments in subsidiaries disposed during the period

There is no disposal in subsidiaries in the current period.

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Investments in subsidiaries acquired during the period

There is no subsidiary acquired in the current period.

In the current period, the title of Vakıf Finans Faktoring Hizmetleri AŞ has been changed to Vakıf Faktoring AŞ, the aforementioned change of title has been registered on 13 April 2015.

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 203,320 to TL 205,400 by a bonus increase of TL 2,080 in the Ordinary Meeting of General Assembly of the Company dated 31 March 2015. After the capital increase, Bank's current nominal share has been increased from TL 78,690 to TL 79,495 by bonus increase of TL 805 and Bank's share percentage has been remained the same 38.70%. The share of the Bank amounting to TL 805 is presented as bonus shares received in the movement table of investments in subsidiaries.

In the current period, in total full TL 12 nominal share of Vakıf Portföy AŞ has been purchased by Bank from other real person shareholders and Bank has signed share transfer contract with real person shareholders on 11 February 2015. Thus, Bank's nominal share has been increased from full TL 2,999,988 to full TL 3,000,000. Bank's share percentage has been increased from 99.99% to 100.00%.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Değerleme A.Ş. from TL 7,000 to TL 14,000 by a bonus increase of TL 7,000 in the Ordinary Meeting of General Assembly of the Company dated 20 March 2015. After the capital increase, Bank's current nominal share has been increased from TL 3,800 to TL 7,600 by TL 3,800 and Bank's share percentage has been remained the same 54.29%. The share of the Bank amounting to TL 3,800 is presented as bonus shares received in the movement table of investments in subsidiaries.

In the prior period, Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ has decided to increase the capital of TL 15,000 to TL 20,000 in its registered capital ceiling amounting to TL 50,000 in accordance with Capital Markets Board's temporary clause 1 of "Communiqué on Securities Investment Associations" (III-48.2). In the capital increase, Bank's nominal share amount has increased from TL 1,763 to TL 2,351 with an increase of TL 588 by using stock rights on 25 November 2014. Besides, in order to finalize the capital increase, Bank has purchased additional shares from stock rights that have not been used in due, amounting to TL 2,228 from Istanbul Stock Exchange Share Market on 2 December 2014. In this context, Bank's total nominal share has increased to TL 4,579 and share percentage has increased to 22.89%. The share of the Bank amounting to TL 2,815 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the prior period, at the Extraordinary General Assembly of Taksim Otelcilik AŞ dated 24 June 2014, the decision of increasing the capital from TL 269,257 to TL 334,257 through rights offering by TL 65,000. The related change has been registered on 22 July 2014. The nominal share of the Bank TL 137,324 has been increased by cash TL 33,151 to TL 170,474. The share percentage of the Bank is remained the same 51.00%. TL 8,288 of the cash commitment amounting to TL 33,151 is paid on 15 July 2014, TL 24,863 is paid on 2 October 2014. Total cash commitment TL 33,151 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the prior period, related to the capital increase of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 106,200 to TL 203,320, the Bank has obtained shares with a nominal value of TL 29,345 at a rate of TL 3.44 by using the stock rights. For these shares TL 100,947 has been paid. Besides, Bank has obtained shares with a nominal value of TL 20,000 at TL 3.44 rate since the other shareholders did not use their stock rights. Bank has paid TL 68,800 for the shares. As at 4 July 2014, company's capital increase has been registered and as of the date the existing nominal share of the Bank has been increased from TL 29,345 to TL 78,690 Bank's share percentage has been increased from 27.63% to 38.70%. The capital increase as of TL 169,747 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the prior period, the title of Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı has been changed to Vakıf Menkul Kıymet Yatırım Ortaklığı. The new title of the company has been registered on 9 April 2014.

9. Investments in joint-ventures

None.

10. Information on finance lease receivables (net)

None.

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11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on tangible assets

| | Real Estates | Leased Tangible Assets | Vehicles | Other Tangible Assets | Total |
|--|----------------|------------------------|--------------|-----------------------|------------------|
| Balance at the end of the prior year: | | | | | |
| Cost | 601,018 | 134,453 | 42,942 | 900,757 | 1,679,170 |
| Accumulated depreciation(-) | 253,923 | 126,424 | 34,646 | 555,177 | 970,170 |
| Impairment (-) | - | - | - | - | - |
| Net book value | 347,095 | 8,029 | 8,296 | 345,580 | 709,000 |
| Balance at the end of the current year: | | | | | |
| Net book value at the beginning of the current year | 347,095 | 8,029 | 8,296 | 345,580 | 709,000 |
| Additions | 874,314 | - | 1,356 | 213,591 | 1,089,261 |
| Cost of the disposals | 539,068 | 9,743 | 9,060 | 17,646 | 575,517 |
| Depreciation of the disposals | 266,324 | 9,695 | 8,117 | 7,656 | 291,792 |
| Depreciation of the current year (-) | 13,986 | 2,388 | 4,369 | 104,168 | 124,911 |
| Impairment (-) | 6,475 | - | - | - | 6,475 |
| Cost at the end of the current year | 936,264 | 124,710 | 35,238 | 1,096,702 | 2,192,914 |
| Accumulated depreciation at the end of the year (-) | 1,585 | 119,117 | 30,898 | 651,689 | 803,289 |
| Impairment (-) ⁽¹⁾ | 6,475 | - | - | - | 6,475 |
| Net book value at the end of the current year | 928,204 | 5,593 | 4,340 | 445,013 | 1,383,150 |

13. Information on intangible assets

Bank's intangible assets consist of computer softwares and licences. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis over the estimated useful lives. The Bank divides the extinction share of intangible assets according to inflation adjusted values.

There is not any intangible asset that is important for fullest extend of financial statements.

Bank does not have any intangible asset that is collateral or acquired by government promotion and has a limitation on usage.

The Bank did not declared a commitment to purchase intangible assets.

14. Information on investment properties

None.

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15. Information on deferred tax assets

As at 31 December 2015 and 31 December 2014, items generating deferred tax assets or liabilities are listed below:

| | Current period | Prior Period |
|--|------------------|------------------|
| Deferred tax assets: | 232,350 | 227,132 |
| Provision for employee termination benefits and unused vacations | 87,096 | 81,013 |
| Other provisions | 45,287 | 28,083 |
| Valuation differences of associates and subsidiaries | 23,456 | 23,456 |
| Valuation differences of financial assets and liabilities | 67,439 | 82,413 |
| BRSA - Tax Code depreciation differences | 7,252 | 10,131 |
| Other | 1,820 | 2,036 |
| Deferred tax liabilities: | (216,929) | (154,695) |
| Valuation differences of financial assets and liabilities | (127,392) | (114,636) |
| Valuation differences of associates and subsidiaries | (60,671) | (40,059) |
| Valuation differences of properties | (28,866) | - |
| Deferred tax assets, net | 15,421 | 72,437 |

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

As at 31 December 2015 assets held for sale and assets related to the discontinued operations amount to TL 994,964 (31 December 2014: TL 745,883).

17. Information on other assets

As at 31 December 2015 and 31 December 2014 other assets are as follows:

| | Current period | Prior Period |
|---|------------------|------------------|
| Receivables from credit card payments | 923,489 | 772,007 |
| Prepaid expenses | 578,292 | 617,476 |
| Guarantees given for repurchase agreements | 143,978 | 193,605 |
| Guarantees given for derivative financial instruments | 501,035 | 351,579 |
| Receivables from term sale of assets | 44,567 | 68,664 |
| Other | 479,469 | 212,142 |
| Total | 2,670,830 | 2,215,473 |

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II. INFORMATION AND DISCLOSURES RELATED TO 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 | 4,424,092 | - | 471,519 | 22,041,396 | 1,027,318 | 255,301 | 124,971 | - | 28,344,597 |
| Foreign Currency Deposits | 4,121,923 | - | 3,451,462 | 15,829,234 | 1,474,397 | 912,706 | 3,462,272 | - | 29,251,994 |
| Residents in Turkey | 3,850,977 | - | 3,448,531 | 15,546,772 | 1,235,166 | 611,274 | 942,705 | - | 25,635,425 |
| Residents Abroad | 270,946 | - | 2,931 | 282,462 | 239,231 | 301,432 | 2,519,567 | - | 3,616,569 |
| Public Sector Deposits | 4,504,470 | - | 4,869,059 | 6,958,081 | 843,503 | 1,879,924 | 205,243 | - | 19,260,280 |
| Commercial Deposits | 2,464,867 | - | 3,737,839 | 11,417,347 | 161,445 | 50,949 | 1,336 | - | 17,833,783 |
| Other | 3,751,277 | - | 1,772,094 | 3,170,500 | 242,340 | 41,669 | 25,525 | - | 9,003,405 |
| Precious Metal Deposits | 625,592 | - | - | - | - | - | - | - | 625,592 |
| Bank Deposits | 385,739 | - | 3,804,547 | 918,327 | 230,210 | 118,489 | 145,571 | - | 5,602,883 |
| Central Bank | 1,116 | - | - | - | - | - | - | - | 1,116 |
| Domestic Banks | 6,477 | - | 3,645,258 | 553,924 | 212,223 | - | - | - | 4,417,882 |
| Foreign Banks | 223,598 | - | 159,289 | 364,403 | 17,987 | 118,489 | 145,571 | - | 1,029,337 |
| Participation Banks | 154,548 | - | - | - | - | - | - | - | 154,548 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 20,277,960 | - | 18,106,520 | 60,334,885 | 3,979,213 | 3,259,038 | 3,964,918 | - | 109,922,534 |

| 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 | 3,715,353 | - | 463,572 | 18,032,423 | 1,393,667 | 328,345 | 136,781 | - | 24,070,141 |
| Foreign Currency Deposits | 3,234,204 | - | 2,197,700 | 11,340,861 | 1,411,649 | 759,201 | 2,828,588 | - | 21,772,203 |
| Residents in Turkey | 3,056,529 | - | 2,195,602 | 11,162,513 | 1,193,080 | 494,191 | 794,731 | - | 18,896,646 |
| Residents Abroad | 177,675 | - | 2,098 | 178,348 | 218,569 | 265,010 | 2,033,857 | - | 2,875,557 |
| Public Sector Deposits | 3,583,281 | - | 2,370,191 | 5,695,639 | 437,138 | 2,788,470 | 190,212 | - | 15,064,931 |
| Commercial Deposits | 2,157,535 | - | 4,622,420 | 10,102,792 | 430,016 | 233,506 | 5,478 | - | 17,551,747 |
| Other | 3,208,185 | - | 1,102,804 | 2,747,775 | 380,429 | 98,701 | 29,638 | - | 7,567,532 |
| Precious Metal Deposits | 854,355 | - | - | - | - | - | - | - | 854,355 |
| Bank Deposits | 59,910 | - | 3,599,082 | 1,086,606 | 80,387 | 33,206 | 16,868 | - | 4,876,059 |
| Central Bank | 424 | - | - | - | - | - | - | - | 424 |
| Domestic Banks | 2,094 | - | 3,288,392 | 422,069 | 2,016 | 33,206 | 16,868 | - | 3,764,645 |
| Foreign Banks | 53,763 | - | 310,690 | 664,537 | 78,371 | - | - | - | 1,107,361 |
| Participation Banks | 3,629 | - | - | - | - | - | - | - | 3,629 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 16,812,823 | - | 14,355,769 | 49,006,096 | 4,133,286 | 4,241,429 | 3,207,565 | - | 91,756,968 |

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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 | 15,480,662 | 12,652,145 | 12,863,935 | 11,417,996 |
| Foreign Currency Saving Deposits | 4,788,666 | 3,846,786 | 11,939,036 | 8,435,919 |
| Other Saving Deposits | - | - | - | - |
| Foreign Branches' Deposits Under Foreign Insurance Coverage | - | - | - | - |
| Off-Shore Deposits Under Foreign Insurance Coverage | - | - | - | - |
| Total | 20,269,328 | 16,498,931 | 24,802,971 | 19,853,915 |

Saving deposits out of insurance coverage limits

| | Current Period | Prior Period |
|--|----------------|--------------|
| Deposits and other accounts at foreign branches | 24,839 | 21,061 |
| Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children | - | - |
| Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children | 5,438 | 3,905 |
| 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 |
| Forward Transactions | 1,508 | 594 | 3,209 | 458 |
| Swap Transactions | 109,384 | 149,252 | 50,567 | 190,324 |
| Futures | - | - | - | - |
| Options | 28,612 | 239 | 457 | 5,237 |
| Other | - | - | - | - |
| Total | 139,504 | 150,085 | 54,233 | 196,019 |

3. Information on banks and other financial institutions

| | Current Period | | Prior Period | |
|---------------------------------------|----------------|-------------------|----------------|-------------------|
| | TL | FC | TL | FC |
| Central Bank of Republic of Turkey | - | - | - | - |
| Domestic Bank and Institutions | 101,625 | 269,158 | 139,471 | 91,169 |
| Foreign Banks, Institutions and Funds | 231,158 | 17,954,056 | 748,467 | 13,947,941 |
| Total | 332,783 | 18,223,214 | 887,938 | 14,039,110 |

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Maturity information of funds borrowed

| | Current period | | Prior period | |
|-------------------------------------|----------------|-------------------|----------------|-------------------|
| | TL | FC | TL | FC |
| Short-term ^(*) | 101,813 | 2,020,325 | 867,372 | 7,312,287 |
| Medium and Long term ^(*) | 230,970 | 16,202,889 | 20,566 | 6,726,823 |
| Total | 332,783 | 18,223,214 | 887,938 | 14,039,110 |

^(*) Maturity profile of funds borrowed is prepared in accordance to their original maturities.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 11.17% (31 December 2014: 10.41%) of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

On 16 April 2014, Bank has obtained syndicated loan at the amount of US Dollar 270.5 million and Euro 525 million with the interest rate of US Libor +0.90% and Euribor +0.90% at a maturity of one year, with participation of 35 banks with the coordination of Wells Fargo Bank N.A., London Branch and Sumitomo Mitsui Banking Corporation, Brussels Branch acting as agent. On 17 April 2015, the loan has been renewed with a new syndicated loan amounting to US Dollar 204 million and Euro 763 million with the interest rate of US Libor + 0.80% and Euribor + 0.80% at a maturity of 367 days with participation of 35 banks, Wells Fargo Bank, N.A., London Branch acting as coordinator and agent bank.

On 22 September 2014, Vakifbank has obtained syndicated loan amounting to US Dollar 168.5 million and Euro 528.75 million with interest rates of US Libor + 0.90% and Euribor + 0.90% at a maturity of one year, with the participation of 26 banks, ING Bank, London Branch acting as coordinator and agent bank. On 14 September 2015, the loan has been renewed with a new syndicated loan amounting to US Dollar 168,5 million and Euro 679.5 million with the interest rate of US Libor + 0.75% and Euribor + 0.75% at a maturity of one year with participation of 30 banks, ING Bank, London Branch acting as coordinator and agent bank.

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

The loan obtained from European Bank for Reconstruction and Development (EBRD) amounting to US Dollar 125 million in 2014-A segment in order to finance medium term loans including to meet the needs of agricultural enterprises and support woman entrepreneurs.

2014-B segment of the loan has been obtained from Wells Fargo Bank, N.A., 2014-C segment of the loan has been obtained from Raiffeisen Bank International AG, 2014-D segment of the loan has been obtained from Standard Chartered Bank, 2014-E segment of the loan has been obtained from Societe Generale, 2014-G segment of the loan has been obtained from Bank of America, N.A. and 2014-F segment of the loan related to treasury transactions has been obtained from JP Morgan Securities plc. in the scope of programme.

As at 31 December 2015, total securitization loan amounts to US Dollar 936 million and Euro 260 million.

At January 2015, Vakifbank; issued secondary subordinated bond that contains subordinated debt provision (Tier-II) which was the first that meets the criteria of Basel III in Turkey. In this context, secondary subordinated bond that contains subordinated debt provision (Tier-II) that had nominal value of 500 million USD, the redemption date of 3 February 2025, early redemption options on 3 February 2020, fixed-rate, 10 years and 1 day maturity and two interest coupon payment rate of 6.875%, the yield of the exportation 6.95% was issued.

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 17 June 2014 has a nominal value of Euro 500 million, maturity date on 17 June 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), 190 private placements have been realized with 16 separate banks since June 2013. These placements have been realized in different currencies (US Dollar, Euro and CHF) at the maturities of 3 months, 6 months, 1 year and 2 years and in total amount to US Dollar 4,265 million equivalents. As at 31 December 2015 total private placement transactions amount to US Dollar 390 million equivalents.

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| Current Period | TL | | FC | |
|----------------|------------|------------------|------------|------------------|
| | Short Term | Medium-Long Term | Short Term | Medium-Long Term |
| Nominal | 3,197,582 | - | 946,566 | 6,418,184 |
| Cost | 3,068,550 | - | 946,565 | 6,371,968 |
| Net Book Value | 3,128,044 | - | 949,615 | 6,470,100 |
| Prior Period | TL | | FC | |
| | Short Term | Medium-Long Term | Short Term | Medium-Long Term |
| Nominal | 2,978,797 | - | 2,306,544 | 5,193,848 |
| Cost | 2,860,066 | - | 2,306,501 | 5,155,977 |
| Net Book Value | 2,913,190 | - | 2,315,443 | 5,229,124 |

4. Components of "other external resources payable" in the 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 financials do not exceed 10% of total liabilities and equity.

5. Information on lease payables (net)*Obligations under financial leasing*

None.

6. Information on derivative financial liabilities held for risk management purpose*Negative fair values of hedging purpose derivatives*

None.

7. Information on provisions*Information on general provisions*

| | Current Period | Prior period |
|---|------------------|------------------|
| Provisions for loans and receivables in Group I | 1,606,200 | 1,326,468 |
| -Additional provision for loans with extended payment plans | 26,422 | 26,989 |
| Provisions for loans and receivables in Group II | 231,853 | 175,204 |
| -Additional provision for loans with extended payment plans | 21,057 | 14,696 |
| Provisions for non-cash loans | 106,422 | 93,418 |
| Other | 13,128 | 8,152 |
| Total | 1,957,603 | 1,603,242 |

Information on employee rights

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

As of 31 December 2015, TL 350,227 (31 December 2014: TL 328,246) provision for severance pay and TL 85,253 (31 December: TL 76,820) provision for unused vacation are stated in financial statements under employee rights provision.

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Movement of severance pay provision in the period:

| | Current Period | Previous Period |
|---|----------------|-----------------|
| Opening balance | 328,246 | 276,371 |
| Current service cost | 31,541 | 23,764 |
| Previous service cost | - | 113 |
| Interest cost | 25,920 | 24,281 |
| Paid compensation | (30,875) | (35,375) |
| Payment/Reduction of benefits/Layoff accordingly composed loss/(gain) | 214 | 482 |
| Actuary loss/(gain) | (4,819) | 38,610 |
| Closing balance | 350,227 | 328,246 |

Provision for currency exchange loss on foreign currency indexed loans

| | Current Period | Prior Period |
|---|----------------|--------------|
| Provision for currency exchange gain/loss on foreign currency indexed loans | 17,160 | 12,048 |

The Bank has recorded provision amounting to TL 17,160 (31 December 2014: TL 12,048) 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 or converted into cash

As of 31 December 2015, Bank has recorded TL 40,930 (31 December 2014: TL 63,030) 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 | 182,585 | 105,005 |
| Specific provisions for non-cash loans | 40,930 | 63,030 |
| Provision for cheques | 47,020 | 37,207 |
| Provisions for lawsuits against the Bank | 4,755 | 14,673 |
| Provisions for credit card promotions | 9,100 | 10,177 |
| Other provisions | 6,885 | 722 |
| Total | 291,275 | 230,814 |

Information on provision for probable risks

None.

8. Taxation

Current taxes

Tax provision

As at and for the year ended 31 December 2015, the tax provision was amounted to TL 403,602 (31 December 2014: TL 600,797). As at 31 December 2015, corporate tax liabilities of the Bank was amounted to TL 171,734 (31 December 2014: TL 352,624), after deducting prepaid taxes paid during temporary tax periods amounted to TL 231,868 (31 December 2014: TL 248,173).

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Information on taxes payable

| | Current Year | Prior Year |
|--|----------------|----------------|
| Corporate taxes payable | 231,868 | 248,173 |
| Taxation on securities | 151,721 | 123,184 |
| Capital gains tax on property | 2,451 | 2,146 |
| Taxes on foreign exchange transactions | - | - |
| Banking and Insurance Transaction Tax (BITT) | 76,418 | 58,972 |
| Value added tax payable | 3,754 | 3,139 |
| Other | 22,168 | 19,879 |
| Total | 488,380 | 455,493 |

Information on premiums payable

| | Current Year | Prior Year |
|---|--------------|--------------|
| Social security premiums- employee share | - | - |
| Social security premiums- employer share | - | - |
| Bank pension fund premium- employee share | - | - |
| Bank pension fund premium- employer share | - | - |
| Pension fund membership fees and provisions- employee share | - | - |
| Pension fund membership fees and provisions- employer share | - | - |
| Unemployment insurance- employee share | 685 | 608 |
| Unemployment insurance- employer share | 1,370 | 1,216 |
| Other | - | - |
| Total | 2,055 | 1,824 |

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 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 1 November 2012, on 3 December 2012 the 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 3 February 2025 and early call option date of 3 February 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%.

Stated bonds' total balance sheet value is TL 4,169,474 as of 31 Decemben 2015 (31 December 2014: TL 2,138,030).

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11. Information on equity

Paid-in capital

| | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common Stock | 2,500,000 | 2,500,000 |
| Preferred Stock | - | - |

Paid-in capital of the 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 appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members representing Group (A), one member representing Group (B), and two members representing Group (C); among the nominees shown by the majority of each group, and one member among the nominees offered by the shareholders at the General Assembly are selected. 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 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, 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 and prior period.

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following period

None.

Prior period indicators of the 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.

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Valuation differences of the marketable securities

| | Current Period | | Prior Period | |
|---|----------------|----------------|----------------|----------------|
| | TL | FC | TL | FC |
| Associates, subsidiaries and joint ventures | 571,129 | 191,529 | 611,250 | 118,404 |
| Fair value differences of available-for-sale securities | (264,492) | 239,608 | 172,430 | 256,490 |
| Foreign exchange differences | 92,639 | - | 58,395 | - |
| Total | 399,276 | 431,137 | 842,075 | 374,894 |

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

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

| | Current Period | Prior period |
|------------------------------------|-------------------|-------------------|
| Commitments for credit card limits | 7,399,361 | 7,641,987 |
| Loan granting commitments | 8,482,816 | 8,053,342 |
| Commitments for cheque payments | 1,805,569 | 1,638,976 |
| Asset purchase sale commitments | 3,843,373 | 2,686,862 |
| Other | 1,231,793 | 272,131 |
| Total | 22,762,912 | 20,293,298 |

Type and amount of possible losses from off-balance sheet items including those referred to below

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

The Bank provided specific provision amounting to TL 97,721 (31 December 2014: TL 129,638) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 40,930 (31 December 2014: TL 63,030).

Final guarantees, provisional guarantees, sureties and similar transactions

| | Current Period | Prior Period |
|--|-------------------|-------------------|
| Final letters of guarantee | 9,289,202 | 7,737,748 |
| Letters of guarantee for advances | 3,438,136 | 2,603,790 |
| Letters of guarantee given to custom offices | 1,030,530 | 913,389 |
| Provisional letters of guarantee | 935,981 | 1,107,255 |
| Other letters of guarantee | 12,096,954 | 9,090,289 |
| Total | 26,790,803 | 21,452,471 |

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2. Non-cash loans

| | Current Period | Prior Period |
|--|-------------------|-------------------|
| Non-cash loans given for cash loan risks | 2,899,661 | 2,905,607 |
| With original maturity of 1 year or less | 1,176,515 | 1,846,045 |
| With original maturity of more than 1 year | 1,723,146 | 1,059,562 |
| Other non-cash loans | 30,168,700 | 25,728,316 |
| Total | 33,068,361 | 28,633,923 |

3. Sectoral risk concentrations of non-cash loans

| | Current Period | | | | Prior Period | | | |
|--------------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| | TL | % | FC | % | TL | % | FC | % |
| Agricultural | 87,249 | 0.40 | 132,021 | 1.20 | 86,506 | 0.52 | 266,929 | 2.27 |
| Farming and Cattle | 82,686 | 0.37 | 132,021 | 1.20 | 77,673 | 0.46 | 257,069 | 2.19 |
| Forestry | 3,528 | 0.02 | - | - | 7,898 | 0.05 | 7,540 | 0.06 |
| Fishing | 1,035 | 0.01 | - | - | 935 | 0.01 | 2,320 | 0.02 |
| Manufacturing | 9,811,692 | 44.43 | 5,696,876 | 51.86 | 7,150,408 | 42.40 | 5,753,926 | 48.88 |
| Mining | 1,252,878 | 5.67 | 106,628 | 0.97 | 168,108 | 1.00 | 29,069 | 0.25 |
| Production | 5,526,001 | 25.03 | 5,309,883 | 48.34 | 4,563,948 | 27.06 | 5,319,615 | 45.19 |
| Electric, gas and water | 3,032,813 | 13.73 | 280,365 | 2.55 | 2,418,352 | 14.34 | 405,242 | 3.44 |
| Construction | 3,374,531 | 15.28 | 2,224,897 | 20.25 | 2,996,610 | 17.77 | 2,520,479 | 21.41 |
| Services | 8,030,112 | 36.36 | 2,516,870 | 22.92 | 6,226,616 | 36.92 | 2,756,081 | 23.42 |
| Wholesale and retail trade | 3,444,760 | 15.60 | 1,584,498 | 14.42 | 2,580,882 | 15.30 | 1,597,411 | 13.57 |
| Hotel, food and beverage Services | 110,961 | 0.50 | 1,218 | 0.01 | 125,417 | 0.74 | 5,691 | 0.05 |
| Transportation and telecommunication | 1,172,317 | 5.31 | 736,976 | 6.71 | 963,436 | 5.71 | 1,058,514 | 8.99 |
| Financial institutions | 2,090,603 | 9.47 | 32,774 | 0.30 | 1,515,987 | 8.99 | 7,094 | 0.06 |
| Real estate and renting Services | 325,256 | 1.47 | 33,663 | 0.31 | 254,056 | 1.51 | 24,192 | 0.21 |
| Self-employment services | 610,338 | 2.76 | 110,414 | 1.01 | 591,814 | 3.51 | 44,562 | 0.38 |
| Education services | 23,752 | 0.11 | 4,018 | 0.04 | 24,595 | 0.15 | 3,903 | 0.03 |
| Health and social services | 252,125 | 1.14 | 13,309 | 0.12 | 170,429 | 1.01 | 14,714 | 0.13 |
| Other | 780,253 | 3.53 | 413,860 | 3.77 | 403,045 | 2.39 | 473,323 | 4.02 |
| Total | 22,083,837 | 100.00 | 10,984,524 | 100.00 | 16,863,185 | 100.00 | 11,770,738 | 100.00 |

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

| Current Period | Group I | | Group II | |
|---|-------------------|-------------------|----------------|---------------|
| | TL | FC | TL | FC |
| Letters of Guarantee | 21,714,478 | 4,787,077 | 173,386 | 20,949 |
| Confirmed Bills of Exchange and Acceptances | 86,762 | 1,388,757 | - | - |
| Letters of Credit | 16,306 | 4,761,086 | - | 11,317 |
| Endorsements | - | - | - | - |
| Purchase Guarantees for Securities Issued | - | - | - | - |
| Factoring Guarantees | - | - | - | - |
| Other Guarantees and Sureties | - | 10,522 | - | - |
| Non-Cash Loans | 21,817,546 | 10,947,442 | 173,386 | 32,266 |
| Prior Period | Group I | | Group II | |
| | TL | FC | TL | FC |
| Letters of Guarantee | 16,653,687 | 4,549,302 | 113,427 | 8,262 |
| Confirmed Bills of Exchange and Acceptances | 20,836 | 1,943,257 | - | - |
| Letters of Credit | - | 5,212,911 | - | - |
| Endorsements | - | - | - | - |
| Purchase Guarantees for Securities Issued | - | - | - | - |
| Factoring Guarantees | - | - | - | - |
| Other Guarantees and Sureties | - | 2,603 | - | - |
| Non-Cash Loans | 16,674,523 | 11,708,073 | 113,427 | 8,262 |

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5. Information on derivative transactions

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Trading Derivatives | | |
| Foreign Currency Related Derivative Transactions (I) | 27,656,170 | 21,948,443 |
| Currency Forwards | 468,760 | 555,204 |
| Currency Swaps | 26,673,880 | 20,336,691 |
| Currency Futures | - | - |
| Currency Options | 513,530 | 1,056,548 |
| Interest Rate Derivative Transactions (II) | 13,313,758 | 7,478,238 |
| Interest Rate Forwards | - | - |
| Interest Rate Swaps | 13,313,758 | 7,478,238 |
| Interest Rate Futures | - | - |
| Interest Rate Options | - | - |
| Other Trading Derivatives (III) | 8,954,555 | 6,780,167 |
| A. Total Trading Derivatives (I+II+III) | 49,924,483 | 36,206,848 |
| Hedging Derivatives | - | - |
| Fair Value Hedges | - | - |
| Cash Flow Hedges | - | - |
| Hedges for Foreign Currency Investments | - | - |
| B. Total Hedging Derivatives | - | - |
| Derivative Transactions (A+B) | 49,924,483 | 36,206,848 |

| | 31 December 2015 | | | | | Total |
|--|-------------------|------------------|------------------|-------------------|------------------|-------------------|
| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | |
| Currency swaps: | | | | | | |
| Purchase | 9,964,069 | 3,399,460 | 150,372 | - | - | 13,513,901 |
| Sale | 4,319,332 | 3,414,782 | 150,222 | - | - | 7,884,336 |
| Currency forwards: | | | | | | |
| Purchase | 21,330 | 60,137 | 107,684 | 45,556 | - | 234,707 |
| Sale | 21,304 | 60,054 | 107,359 | 45,336 | - | 234,053 |
| Cross currency interest rate swaps: | | | | | | |
| Purchase | - | - | 186,709 | 2,732,075 | - | 2,918,784 |
| Sale | - | - | 120,583 | 2,236,276 | - | 2,356,859 |
| Interest rate swaps: | | | | | | |
| Purchase | - | - | 218,250 | 2,763,121 | 3,675,508 | 6,656,879 |
| Sale | - | - | 218,250 | 2,763,121 | 3,675,508 | 6,656,879 |
| Options: | | | | | | |
| Purchase | 229,308 | 13,086 | 8,586 | - | - | 250,980 |
| Sale | 239,124 | 13,526 | 9,900 | - | - | 262,550 |
| Other trading derivatives: | | | | | | |
| Purchase | - | - | 625,650 | - | 1,247,145 | 1,872,795 |
| Sale | 5,597,158 | - | 611,602 | - | 873,000 | 7,081,760 |
| Total purchases | 10,214,707 | 3,472,683 | 1,297,251 | 5,540,752 | 4,922,653 | 25,448,046 |
| Total sales | 10,176,918 | 3,488,362 | 1,217,916 | 5,044,733 | 4,548,508 | 24,476,437 |
| Total | 20,391,625 | 6,961,045 | 2,515,167 | 10,585,485 | 9,471,161 | 49,924,483 |

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| | 31 December 2014 | | | | | |
|--|-------------------|------------------|----------------|------------------|------------------|-------------------|
| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Total |
| Currency swaps: | | | | | | |
| Purchase | 8,688,057 | 2,181,378 | 176,107 | 296,894 | - | 11,342,436 |
| Sale | 3,998,297 | 2,172,677 | 176,023 | 296,614 | - | 6,643,611 |
| Currency forwards: | | | | | | |
| Purchase | 99,142 | 68,619 | 71,286 | 38,774 | - | 277,821 |
| Sale | 99,070 | 68,502 | 71,136 | 38,675 | - | 277,383 |
| Cross currency interest rate swaps: | | | | | | |
| Purchase | 63,456 | 58,000 | - | 1,172,493 | - | 1,293,949 |
| Sale | 46,667 | 37,825 | - | 972,203 | - | 1,056,695 |
| Interest rate swaps: | | | | | | |
| Purchase | - | - | - | 1,202,149 | 2,536,970 | 3,739,119 |
| Sale | - | - | - | 1,202,149 | 2,536,970 | 3,739,119 |
| Options: | | | | | | |
| Purchase | 242,712 | 90,791 | 194,771 | - | - | 528,274 |
| Sale | 242,710 | 90,790 | 194,774 | - | - | 528,274 |
| Other trading derivatives: | | | | | | |
| Purchase | 158,020 | - | - | - | 994,287 | 1,152,307 |
| Sale | 4,931,860 | - | - | - | 696,000 | 5,627,860 |
| Total purchases | 9,251,387 | 2,398,788 | 442,164 | 2,710,310 | 3,531,257 | 18,333,906 |
| Total sales | 9,318,604 | 2,369,794 | 441,933 | 2,509,641 | 3,232,970 | 17,872,942 |
| Total | 18,569,991 | 4,768,582 | 884,097 | 5,219,951 | 6,764,227 | 36,206,848 |

6. Contingent assets and liabilities

Bank allocates TL 4,755 as provision for lawsuits against the Bank (31 December 2014: TL 14,673).

7. Services rendered on behalf of third parties

The 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 Bank's custody services and banking transactions on behalf of individuals and corporate customers does not present a material portion.

IV. INFORMATION ON DISCLOSURES RELATED TO THE STATEMENT OF INCOME

1. Interest income

Information on interest income received from loans

| | Current Period | | Prior Period | |
|--|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Short-term Loans | 3,425,129 | 131,968 | 2,770,463 | 143,765 |
| Medium and Long-Term Loans | 6,371,936 | 1,461,460 | 5,275,775 | 959,257 |
| Non-performing Loans | 139,185 | - | 177,155 | - |
| Premiums Received from Resource Utilization Support Fund | - | - | - | - |
| Total | 9,936,250 | 1,593,428 | 8,223,393 | 1,103,022 |

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Information on interest income received from banks

| | Current Period | | Prior Period | |
|------------------------------------|----------------|--------------|--------------|--------------|
| | TL | FC | TL | FC |
| Central Bank of Republic of Turkey | - | - | - | - |
| Domestic Banks | 1,321 | 622 | 2,016 | 1,197 |
| Foreign Banks | 47 | 8,632 | - | 3,793 |
| Foreign Head Office and Branches | - | - | - | - |
| Total | 1,368 | 9,254 | 2,016 | 4,990 |

Information on interest income received from marketable securities portfolio

| | Current Period | | Prior Period | |
|---|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Financial assets held for trading | - | - | - | - |
| Financial assets where fair value change is reflected to income statement | - | - | - | - |
| Financial assets available for sale | 1,158,632 | 235,068 | 1,274,527 | 200,485 |
| Investments held to maturity | 655,344 | 500 | 559,880 | 381 |
| Total | 1,813,976 | 235,568 | 1,834,407 | 200,866 |

Information on interest income received from associates and subsidiaries

| | Current Period | Prior Period |
|--|----------------|--------------|
| Interest Received from Associates and Subsidiaries | 8,340 | 5,315 |

2. Interest expense

Interest expense on funds borrowed

| | Current Period | | Prior Period | |
|------------------------------------|----------------|----------------|---------------|----------------|
| | TL | FC | TL | FC |
| Banks | 25,887 | 206,469 | 20,495 | 127,991 |
| Central Bank of Republic of Turkey | - | - | - | - |
| Domestic Banks | 7,526 | 3,084 | 7,587 | 2,740 |
| Foreign Banks | 18,361 | 203,385 | 12,908 | 125,251 |
| Foreign Head Offices and Branches | - | - | - | - |
| Other Institutions | - | 28,480 | - | 18,990 |
| Total | 25,887 | 234,949 | 20,495 | 146,981 |

Interest expense paid to associates and subsidiaries

| | Current Period | Prior Period |
|--|----------------|--------------|
| Interest Paid to Associates and Subsidiaries | 74,166 | 60,649 |

Interest expense on securities issued

Interest paid to securities issued as at for the year ended 31 December 2015 is TL 596,952 (31 December 2014: TL 450,732).

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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 | - | 76,403 | 51,103 | 46,028 | - | - | - | 173,534 |
| Saving deposits | - | 41,192 | 2,043,895 | 111,066 | 26,299 | 10,482 | - | 2,232,934 |
| Public sector deposits | 13,522 | 261,548 | 637,109 | 60,262 | 251,165 | 15,948 | - | 1,239,554 |
| Commercial deposits | 118 | 408,690 | 1,096,447 | 46,670 | 14,516 | 423 | - | 1,566,864 |
| Other deposits | 1 | 80,376 | 305,671 | 27,244 | 7,628 | 1,488 | - | 422,408 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - |
| Total | 13,641 | 965,340 | 4,083,122 | 245,242 | 299,608 | 28,341 | - | 5,635,294 |
| FC | | | | | | | | |
| Foreign currency deposits | 17,486 | 37,718 | 300,390 | 33,219 | 18,235 | 73,191 | - | 480,239 |
| Interbank deposits | 96 | 93 | 2,503 | 308 | 12,111 | 366 | - | 15,477 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - |
| Precious metal deposits | - | - | - | - | - | - | - | - |
| Total | 17,582 | 37,811 | 302,893 | 33,527 | 30,346 | 73,557 | - | 495,716 |
| Total | 31,223 | 906,020 | 4,437,118 | 324,797 | 329,954 | 101,898 | - | 6,131,010 |

| 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 | | |
| TL | | | | | | | | |
| Interbank deposits | - | 144,829 | - | - | - | - | - | 144,829 |
| Saving deposits | 1,486 | 23,258 | 1,597,668 | 133,101 | 26,634 | 12,984 | - | 1,795,131 |
| Public sector deposits | 5,891 | 174,376 | 427,267 | 64,521 | 137,018 | 15,261 | - | 824,334 |
| Commercial deposits | 368 | 268,842 | 1,043,122 | 88,622 | 15,599 | 3,915 | - | 1,420,468 |
| Other deposits | 1 | 45,643 | 278,655 | 43,453 | 33,667 | 1,661 | - | 403,080 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - |
| Total | 7,746 | 656,948 | 3,346,712 | 329,697 | 212,918 | 33,821 | - | 4,587,842 |
| FC | | | | | | | | |
| Foreign currency deposits | 25,085 | 21,485 | 246,591 | 41,418 | 26,580 | 78,897 | - | 440,056 |
| Interbank deposits | - | 16,735 | - | - | - | - | - | 16,735 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - |
| Precious metal deposits | - | - | - | - | - | - | - | - |
| Total | 25,085 | 38,220 | 246,591 | 41,418 | 26,580 | 78,897 | - | 456,791 |
| Total | 32,831 | 695,168 | 3,593,303 | 371,115 | 239,498 | 112,718 | - | 5,044,633 |

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3. Dividend Income

| | Current Period | Prior Period |
|---|----------------|---------------|
| Trading Purpose Financial Assets | - | - |
| Financial Assets at Fair Value through Profit or Loss | - | - |
| Available-for-Sale Financial Assets | 89 | 1,811 |
| Others | 62,130 | 64,477 |
| Total | 62,219 | 66,288 |

4. Information on trading income/losses

| | Current Period | Prior Period |
|--|--------------------|--------------------|
| Income | 3,696,157 | 3,833,913 |
| Income from capital market operations | 70,988 | 222,753 |
| Income from derivative financial instruments | 1,588,784 | 1,387,775 |
| Foreign exchange gains | 2,036,385 | 2,223,385 |
| Losses | (3,596,683) | (3,610,794) |
| Loss from capital market operations | (24,861) | (47,993) |
| Loss from derivative financial instruments | (1,601,960) | (1,439,022) |
| Foreign exchange loss | (1,969,862) | (2,123,779) |
| Net trading profit/loss | 99,474 | 223,119 |

Net income arising from changes in foreign exchange rates that relate to the Bank's foreign exchange rate based derivative financial instruments is amounting to TL 15,809 as at and for the year ended 31 December 2015 (31 December 2014: TL 20,237 net loss).

5. Information on other operating income

| | Current Period | Prior Period |
|---|------------------|------------------|
| Income from reversal of specific provisions for loans | 760,611 | 705,404 |
| Communication income | 50,723 | 85,302 |
| Gain on sale of assets | 108,405 | 381,987 |
| Rent income | 1,308 | 1,270 |
| Other income | 127,231 | 171,571 |
| Total | 1,048,278 | 1,345,534 |

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6. Provision expenses for losses on loans and other receivables

| | Current Period | Prior Period |
|---|------------------|------------------|
| Specific provisions on loans and other receivables | 1,030,298 | 1,145,465 |
| <i>Loans and receivables in Group III</i> | 335,522 | 135,732 |
| <i>Loans and receivables in Group IV</i> | 448,415 | 774,152 |
| <i>Loans and receivables in Group V</i> | 246,361 | 235,581 |
| Non-performing commissions and other receivables | - | - |
| General provision expenses | 354,951 | 413,501 |
| Provision for possible losses | - | - |
| Impairment losses on securities: | 3,443 | 10,402 |
| <i>Trading securities</i> | - | - |
| <i>Investment securities available-for-sale</i> | 3,443 | 10,402 |
| Impairment losses from associates, subsidiaries, joint ventures, and marketable securities held to maturity | 24,337 | 25,278 |
| <i>Associates</i> | - | - |
| <i>Subsidiaries</i> | - | - |
| <i>Joint ventures</i> | - | - |
| <i>Investment securities held-to-maturity</i> | 24,337 | 25,278 |
| Other ⁽¹⁾ | 124,031 | 77,221 |
| Total | 1,537,060 | 1,671,867 |

⁽¹⁾ Other provision expenses amounting to TL 124,031 (31 December 2014: TL 77,221) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 41,616 (31 December 2014: TL 38,176) and free provision expenses related to loans and receivables amounting to TL 82,415 (31 December 2014: TL 39,045)

7. Information on other operating expenses

| | Current Period | Prior Period |
|--|------------------|------------------|
| Personnel Costs | 1,380,439 | 1,232,995 |
| Reserve for Employee Termination Benefits | 26,800 | 13,266 |
| Deficit Provision for Pension Funds | - | - |
| Impairment Losses on Tangible Assets | 6,475 | - |
| Depreciation Expenses on Tangible Assets | 124,911 | 111,904 |
| Impairment Losses on Intangible Assets | - | - |
| Amortization Expenses on Intangible Assets | 17,536 | 13,096 |
| Impairment Losses on Assets to be Disposed | 4,998 | 2,115 |
| Depreciation Expenses on Assets to be Disposed | 15,291 | 12,743 |
| Impairment Losses on Assets Held for Sale | - | - |
| Other Operating Expenses | 1,363,500 | 1,201,522 |
| <i>Operational lease expenses</i> | 206,955 | 184,266 |
| <i>Repair and maintenance expenses</i> | 37,476 | 29,989 |
| <i>Advertisement expenses</i> | 74,575 | 70,079 |
| <i>Other expenses</i> | 1,044,494 | 917,188 |
| Loss on sale of assets | 1,153 | 4,947 |
| Other ⁽¹⁾ | 669,080 | 517,622 |
| Total | 3,610,183 | 3,110,210 |

⁽¹⁾ Other operating expenses amounting to TL 669,080 (31 December 2014: TL 517,622) is comprised of provision expenses for dividends to the personnel amounting to TL 144,017 (31 December 2014: TL 129,797), tax, fees and funds expenses amounting to TL 114,138 (31 December 2014: TL 105,366), "Saving Deposits Insurance Fund" expenses amounting to TL 115,916 (31 December 2014: TL 93,190) and other operating expenses amounting to TL 295,009 (31 December 2014: TL 189,269).

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

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

9. Information on tax provision from discontinued and continuing operations

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

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

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

11. Provision for taxes on income

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

In the current period, the Bank has recorded a tax charge of TL 404,310 (31 December 2014: TL 601,519) from the net taxable profit calculated in accordance the laws and regulations in effect.

Deferred tax benefit of the Bank is detailed in the table below.

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 | (59,941) | 70,051 |
| Arising from (Origination)/ Reversal of Taxable Temporary Differences | (75,933) | 71,065 |
| Arising from Origination / (Reversal) of Tax Losses | - | - |
| Arising from Tax Rate Change | - | - |
| Total | (135,874) | 141,116 |

12. Information on net profit and loss

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

The Bank has earned TL 13,630,050 interest income, TL 8,143,569 net fees and commissions income and incurred TL 921,084 interest expenses, from ordinary banking transactions (31 December 2014: TL 11,373,587 interest income, TL 6,722,109 interest expenses TL 709,334 net fees and commissions income).

Any changes in estimations that might have a material effect on current and subsequent period results

None.

13. Information related to the components of other items in the statement of income exceeding 10% of the group total, or 20% of the sub-accounts belonging to this group

Banks' other commissions income mainly consists of credit card fee and commissions, transfer commissions and intelligence commissions.

Banks' other commissions expense mainly consists of credit card fee and commissions and commissions given for foreign banks credits.

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

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

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

| Valuation Differences of Marketable Securities | Current Period | Prior Period |
|--|-----------------|----------------|
| Valuation differences at the beginning of the year | 428,920 | (200,664) |
| Fair value changes in the current year | (611,594) | 576,843 |
| Effect of deferred and corporate taxes | 122,319 | (115,369) |
| Valuation differences transferred to the statement of income | 44,339 | 210,138 |
| Effect of deferred and corporate taxes | (8,868) | (42,028) |
| Valuation differences at the end of the year | (24,884) | 428,920 |

| Valuation Difference of the Subsidiaries and Affiliates | Current Period | Prior Period |
|--|----------------|----------------|
| Valuation differences at the beginning of the year | 788,049 | 881,990 |
| Fair value changes in the current year | 72,012 | (99,710) |
| Effect of deferred and corporate taxes | (4,764) | 5,769 |
| Valuation differences transferred to the statement of income | - | - |
| Effect of deferred and corporate taxes | - | - |
| Valuation differences at the end of the year | 855,297 | 788,049 |

2. Information on increases in cash flow hedges

None.

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

None.

4. Information on differences in shareholders' equity accounts due to inflation accounting

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

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5. Information on profit distribution

As per the resolution of 61st Annual General Assembly held on 30 March 2015, the net profit of the year 2014 which amounts to TL 1,612,157 after deferred tax income deducted is decided to be distributed as legal reserves amounting to TL 161,215, extraordinary reserves amounting to TL 1,114,820, special funds amounting to TL 236,122 and dividends to equity holders of the Bank amounting to TL 100,000.

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

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

VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS

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

"Other" item under the "operating profit before changes in operating assets and liabilities" amounting to TL (2,390,471) (31 December 2014: TL (1,689,362)) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

"Net increase/decrease in other liabilities" amounting to TL (2,301,550) (31 December 2014: TL 1,957,284) under "changes in operating assets and liabilities" is mainly comprised of cash inflows from repurchase agreements.

"Other" item under "net cash flow from investing activities" amounting to TL (48,222) (31 December 2014: TL (45,874)) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related assets' high turnover rate are taken into consideration. Each exchange rate's arithmetic average of the last five days before the report date and provision of average TL that is calculated from the difference from current period's exchange rate are reflected as an effect of exchange rate change on the cash flow statement. Except for the above-mentioned, banks that have less than three months to maturity are accepted as cash equivalents and average TL provision is calculated by difference between related operation's per term exchange rate and current period's exchange rate. As of 31.12.2015 impact of the exchange rate change on cash and cash equivalents is TL 12,178 (31.12.2014: TL 6,249).

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

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

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

There is no disposal in associates, subsidiaries and joint-ventures in the current year.

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4. Information on cash and cash equivalents

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

| | Current Period 31 December 2014 | Prior Period 31 December 2013 |
|---|------------------------------------|----------------------------------|
| Cash on hand | 1,370,759 | 1,149,351 |
| Cash in TL | 1,008,203 | 860,452 |
| Cash in foreign currency | 362,556 | 288,899 |
| Cash equivalents | 6,811,710 | 4,528,633 |
| CBRT | 20,440,692 | 17,793,235 |
| Banks | 2,570,620 | 2,639,137 |
| Receivables from money markets | - | - |
| Other | 73,528 | 25,495 |
| Loans and advances to banks having maturity of more than 3 months | (6,000) | (8,000) |
| Restricted cash and cash equivalents | (16,266,642) | (15,921,172) |
| Unrealized foreign exchange rate differences on cash equivalents | (488) | (62) |
| Total | 8,182,469 | 5,677,984 |

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

| | Current Period 31 December 2015 | Prior Period 31 December 2014 |
|---|------------------------------------|----------------------------------|
| Cash on hand | 1,434,849 | 1,370,759 |
| Cash in TL | 1,157,743 | 1,008,203 |
| Cash in foreign currency | 277,106 | 362,556 |
| Cash equivalents | 6,765,575 | 6,811,710 |
| CBT - Unrestricted demand deposit | 19,834,346 | 20,440,692 |
| Banks | 5,234,266 | 2,570,620 |
| Receivables from money markets | - | - |
| Other | 215,594 | 73,528 |
| Loans and advances to banks having maturity of more than 3 months | - | (6,000) |
| Restricted cash and cash equivalents | (18,518,412) | (16,266,642) |
| Unrealized foreign exchange rate differences on cash equivalents | (219) | (488) |
| Total | 8,200,424 | 8,182,469 |

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

Reserve requirements at CBRT amounting to TL 18,441,256 as at 31 December 2015 (31 December 2014: TL 16,157,726) has not been included in cash and cash equivalents.

Foreign currency bank deposits amounting to TL 77,156 (31 December 2014: TL 110,171) is blocked and has not been included in cash and cash equivalents due to securitization loans and other ordinary banking operations of the Bank.

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

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

| Current Period | Associates, 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 period | 74,105 | 721,258 | - | 10,174 | 6,238 | 13,087 |
| Balance at the end of the period | 145,876 | 955,222 | - | 28,550 | 822 | 15,858 |
| Interest and commission income | 8,340 | 962 | - | 29 | 94 | 17 |

| Prior Period | Associates, 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 period | 68,800 | 692,352 | - | 27,065 | 26,101 | 24,502 |
| Balance at the end of the period | 74,105 | 721,258 | - | 10,174 | 6,238 | 13,087 |
| Interest and commission income | 5,315 | 1,217 | - | 21 | 774 | 68 |

Information on deposits held by the Bank's risk group

| Bank's Risk Group | Associates, 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 period | 898,566 | 1,014,201 | 713,966 | 968,601 | 115,831 | 46,810 |
| Balance at the end of the period | 965,832 | 898,566 | 740,156 | 713,966 | 104,508 | 115,831 |
| Interest on deposits | 74,166 | 60,649 | 45,805 | 60,168 | 1,005 | 2,340 |

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

None

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

Relations with entities in the risk group of/ or controlled by the 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.

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

Pricing policy and other conditions of transactions with the risk group of the Bank are determined and applied on arm's length basis. The ratio of cash and non-cash loans given to the Bank's risk group to total cash and non-cash loans are 0.12 % (31 December 2014: 0.08%) and 3.02% (31 December 2014: 2.60%), respectively.

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| Current Period | Amount | Compared to financial statement amount (%) |
|-------------------------------|-----------|--|
| Cash loans | 146,698 | 0.12 |
| Non-cash loans | 999,630 | 3.02 |
| Deposits | 1,810,496 | 1.65 |
| Forward and option agreements | - | - |
| Prior Period | Amount | Compared to financial statement amount (%) |
| Cash loans | 80,343 | 0.08 |
| Non-cash loans | 744,519 | 2.60 |
| Deposits | 1,728,363 | 1.88 |
| Forward and option agreements | - | - |

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

Domestic and foreign branches and representative offices

| | Number of Branches | Number of Employees | | Total Assets | Capital |
|----------------------------------|--------------------|---------------------|---------|--------------|---------|
| Domestic Branches ^(*) | 917 | 15,367 | | | |
| | | | Country | | |
| Foreign Representative Offices | - | - | | | |
| Foreign Branches | 1 | 23 | USA | 5,649,716 | 48,015 |
| | 1 | 16 | Iraq | 152,461 | 20,370 |
| Off-shore Branches | 1 | 4 | Bahrain | 12,599,251 | - |

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

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

During 2015, 27 new domestic branches (2014: 34 domestic branches) have been opened and no branches haven't been closed (2014: none).

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

SECTION SIX

OTHER DISCLOSURES

I. OTHER DISCLOSURES ON THE BANK'S ACTIVITY

As per the resolution of 61st Annual General Assembly held on 30 March 2015, the net profit of year 2014 has been decided to be distributed as follows:

| | Profit Distribution Table of Year 2014 |
|---|--|
| Bank's unconsolidated profit in its statutory financial statements | 1,753,273 |
| Deferred tax income | (141,116) |
| Net profit of the year subject to distribution | 1,612,157 |
| Legal reserves | 161,214 |
| <i>First Legal Reserves</i> | <i>80,607</i> |
| <i>Reserves allocated according to banking law and articles of association.</i> | <i>80,607</i> |
| Net profit of the year subject to distribution | 1,450,943 |
| Gain on sale of immovable and shares of associates and subsidiaries | 236,122 |
| Extraordinary reserves | 1,114,821 |
| Dividends to shareholders | 100,000 |

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

| February 2016 ^(*) | Fitch Ratings |
|------------------------------|---------------|
| Long Term Foreign Currency | BBB- |
| Short Term Foreign Currency | F3 |
| 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 | 2 |
| Base Support Rating | BBB- |

| October 2015 ^(*) | Moody's Investors' Service |
|---------------------------------|----------------------------|
| Baseline Credit Assessment | ba1 |
| Local Currency Deposit Rating | Baa3/P-3 |
| Local Currency Outlook | Negative |
| Foreign Currency Deposit Rating | Baa3/P-3 |
| Foreign Currency Outlook | Negative |

| July 2015 ^(*) | Standard&Poors |
|--------------------------------|----------------|
| Foreign Currency Credit Rating | BB+/B |
| Foreign Currency Outlook | Negative |
| Local Currency Credit Rating | BB+/B |
| Local Currency Outlook | Negative |
| National | trAA+ / trA-1 |
| Bank Survivability Assessment | NR |

| December 2014 ^(*) | Capital Intelligence |
|------------------------------|----------------------|
| Financial Strength Rate | BBB- |
| Short Term Foreign Currency | B |
| Long Term Foreign Currency | BB+ |
| Support Rating | 2 |
| Foreign Currency Outlook | Stable |

^(*) Dates represent last report dates.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

Vakıfbank bonds have been issued on 29.01.2016 amounting TL 400 million(Full TL) with 91 days maturity and maturity date of which is 29 April 2016, amounting TL 200 million(Full TL) with 175 days maturity and maturity date of which is 22 July 2016 and amounting TL 100 million(Full TL) with 210 days maturity date of which is 26 August 2016 and total amount of TL 700 million(Full TL) issued and offered to public through book-building on 25-26-27 January 2016.

As a result, Vakıfbank bond with the ISIN Code TRQVKFB41645 which has 11.0432% annual compound interest 10.6129% simple interest and issue price was TL 97,422 with amounting TL , 484,757,595(Full TL) with 91 days maturity and maturity date of which is 29 April 2016. Vakıfbank bond with the ISIN Code TRQVKFB71626 which has 11.1828% compound interest, 10.8746% simple interest and issue price was TL 95,045 with amounting TL 85,506,425(Full TL) with 175 days maturity and maturity date of which is 22 July 2016. Vakıfbank bond with the ISIN Code TRQVKFB81617 which has 11.5485% compound interest, 11.2798% simple interest and issue price was TL 93,906 with amounting TL 85,506,425(Full TL) with 210 days maturity and maturity date of which is 26 August 2016.

IV. SIGNIFICANT FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS THAT ARE SUBSEQUENT TO REPORTING DATE

None.

SECTION SEVEN

I. INDEPENDENT AUDITORS' AUDIT REPORT

1. Information on the independent auditors' audit report

The Bank's unconsolidated interim financial statements and footnotes as at and for period ended 31 December 2015 have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers). It was noted in their audited report dated 11 February 2016 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated interim financial statements do not give a true and fair view of the Bank's financial position and results of its operations.

2. Explanations and footnotes prepared by independent auditor

None

**TÜRKİYE VAKIFLAR BANKASI
TÜRK ANONİM ORTAKLIĞI AND
ITS FINANCIAL SUBSIDIARIES**

PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2015

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



**CONVENIENCE TRANSLATION INTO ENGLISH OF THE
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2015 and the related consolidated statement of income, consolidated income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and 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, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and Independent Auditing Standards that are part of Turkish Standards on Auditing published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by bank's management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its subsidiaries as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

Report on Other Responsibilities Arising From Regulatory Requirements

In accordance with subparagraph 4 of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2015 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional Paragraph for Convenience Translation

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

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

**ZEYNEP URAS, SMMM
PARTNER**

Istanbul, 25 February 2016

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**CONSOLIDATED FINANCIAL REPORT OF TÜRKİYE VAKIFLAR BANKASI
TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
AS OF 31 DECEMBER 2015**

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

The consolidated financial report as at and for the year ended 31 December 2015 prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE YEAR
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

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

| SUBSIDIARIES | ASSOCIATES |
|--|-------------------------------------|
| Güneş Sigorta A.Ş. | Kıbrıs Vakıflar Bankası Ltd. |
| Vakıf Emeklilik A.Ş. | Türkiye Sınai Kalkınma Bankası A.Ş. |
| Vakıf Factoring A.Ş. | |
| Vakıf Finansal Kiralama A.Ş. | |
| Vakıf Portföy Yönetimi A.Ş. | |
| Vakıf Yatırım Menkul Değerler A.Ş. | |
| Vakıfbank International AG | |
| Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. | |
| Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. | |

The consolidated financial statements and related disclosures and footnotes as at and for the year ended 31 December 2015 that were independently audited, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated financial report is presented in thousands of Turkish Lira (TL), and has been independently audited.

25 February 2016



RAMAZAN GÜNDÜZ
Chairman of
the Board of Directors



MEHMET EMİN ÖZCAN
Deputy Chairman of the Board
and Audit Committee Member



SABAHATTİN BİRDAL
Board Member and
Audit Committee Member



HALİL AYDOĞAN
General Manager and
Board Member



METİN RECEP ZAFER
Assistant General Manager



FERKAN MERDAN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this consolidated financial report:

Name-Surname/Title : S. Buğra SÜRÜEL / Manager
Phone no : 0312 591 11 48
Fax no : 0312 591 20 01

Name-Surname/Title : Burcu Sütcü AKDAĞ / Manager Ast.
Phone no : +90 312 591 11 93
Fax no : +90 312 591 20 01

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(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 31 December 2015 and 31 December 2014, 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 31 December 2015 is stated below:

| Shareholders | 31 December 2015 | | |
|--|-----------------------------|---|----------------------|
| | 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) | 3,091,997 | 3,092 | 0.13 |
| Other registered foundations (Group B) | 1,448,543 | 1,448 | 0.06 |
| Other real persons and legal entities (Group C) | 1,532,753 | 1,533 | 0.06 |
| Publicly traded (Group D) | 630,090,616 | 630,091 | 25.20 |
| Total | 2,500,000,000 | 2,500,000 | 100.00 |

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

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

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 |
|---------------------------|--|---------------------|------------|--------------------------------------|
| Board of Directors | | | | |
| Ramazan GÜNDÜZ | Chairman | 29 March 2013 | University | 37 years |
| Mehmet Emin ÖZCAN | Deputy Chairman | 29 March 2013 | University | 32 years |
| Halil AYDOĞAN | Member – General Manager | 29 March 2013 | University | 38 years |
| İsmail ALPTEKİN | Member | 6 April 2009 | University | 17 years |
| Dr.Adnan ERTEM | Member | 28 October 2010 | PHD | 27 years |
| Sabahattin BİRDAL | Member | 31 March 2014 | University | 38 years |
| Öztürk ORAN | Member | 30 April 2014 | University | 40 years |
| Şeref AKSAÇ | Member | 30 April 2014 | University | 33 years |
| Audit Committee | | | | |
| Mehmet Emin ÖZCAN | Member | 4 April 2014 | University | 32 years |
| Sabahattin BİRDAL | Member | 4 April 2014 | University | 38 years |
| Auditors | | | | |
| Mehmet HALTAŞ | Auditor | 19 March 2010 | University | 38 years |
| Yunus ARINCI | Auditor | 19 March 2010 | Master | 18 years |
| Assistant Managers | | | | |
| Metin Recep ZAFER | Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant | 13 June 2006 | PHD | 20 years |
| Hasan ECESÖY | Treasury, International Relations and Investor Relations, Coordination of Foreign Branches | 18 June 2010 | PHD | 22 years |
| Serdar SATOĞLU | Private Banking, Subsidiaries | 2 July 2010 | PHD | 20 years |
| Ali Engin EROĞLU | Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate | 18 August 2010 | Master | 19 years |
| Osman DEMREN | Commercial and Corporate Loans, Consumer and SME Loans, Intelligence | 6 April 2011 | Master | 25 years |
| Muhammet Lütfü ÇELEBİ | Commercial and Corporate Banking, SME Banking, Cash Management Affairs, Insurance Banking | 23 October 2013 | University | 20 years |
| Mustafa SAYDAM | Human Resources, Support Services, Distribution Channels, Retail Banking, Payment Systems, Payment System Operations | 28 October 2013 | University | 22 years |
| Mehmet Emin KARAAĞAÇ | Loans and Follow-up, Legal Affairs | 8 November 2013 | University | 26 years |

At the resolution of Parent Bank's first Board of Directors after 61st Ordinary Meeting of the General Assembly dated 30 March 2015, the distribution of roles has remained the same.

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

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

IV. INFORMATION ON THE PARENT BANK'S QUALIFIED SHAREHOLDERS

| Shareholders | Nominal Value of Shares | Share Percentage | Paid Shares (Nominal) | Unpaid Shares |
|--|-------------------------|------------------|-----------------------|---------------|
| Registered foundations represented by the General Directorate of the Foundations (Group A) | 1,075,058 | 43.00 | 1,075,058 | - |
| Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C) | 402,553 | 16.10 | 402,553 | - |
| Registered foundations represented by the General Directorate of the Foundations (Group B) | 386,225 | 15.45 | 386,225 | - |

The shareholder holding control over the Parent Bank is the General Directorate of the Foundations and Appendant foundations represented by the General Directorate of the Foundations having 58.45% of the Bank's outstanding shares. Another organization holding qualified share in the 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 11 January 1954 within the framework of the authority granted to The General Directorate of the Foundations. Operational activities of the Bank as stated at its Articles of Association are as follows:

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

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

As at 31 December 2015, The Parent Bank has 917 domestic, 3 foreign, in total 920 branches (31 December 2014: 890 domestic, 3 foreign, in total 893 branches). As at 31 December 2015, The Parent Bank has 15,410 employees (31 December 2014: 14,920 employees).

VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

As at and for the year ended 31 December 2015, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama A.Ş., Güneş Sigorta A.Ş., Vakıf Emeklilik A.Ş., Vakıf Faktoring A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Portföy Yönetimi A.Ş., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. have been included in the consolidated financial statements of the Group.

As at and for the year ended 31 December 2015, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası A.Ş. have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

None.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS AT 31 DECEMBER 2015

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

| ASSETS | Notes | Audited Current Period 31 December 2015 | | | Audited Prior Period 31 December 2014 | | |
|--|---------------|--|-------------------|--------------------|--|-------------------|--------------------|
| | | TL | FC | Total | TL | FC | Total |
| I. CASH AND BALANCES WITH THE CENTRAL BANK | V-I-1 | 2,134,017 | 19,355,897 | 21,489,914 | 4,126,368 | 17,764,713 | 21,891,081 |
| II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net) | V-I-2 | 840,168 | 155,694 | 995,862 | 404,672 | 45,569 | 450,241 |
| 2.1 Financial assets held for trading purpose | | 840,168 | 155,694 | 995,862 | 404,672 | 45,569 | 450,241 |
| 2.1.1 Debt securities issued by the governments | | 312 | 9,566 | 9,878 | 106 | 8,468 | 8,574 |
| 2.1.2 Equity securities | | 1,832 | - | 1,832 | 1,565 | - | 1,565 |
| 2.1.3 Derivative financial assets held for trading purpose | | 739,339 | 146,128 | 885,467 | 342,475 | 37,101 | 379,576 |
| 2.1.4 Other securities | V-I-2 | 98,685 | - | 98,685 | 60,526 | - | 60,526 |
| 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 | 1,185,799 | 4,990,220 | 6,176,019 | 784,978 | 2,783,530 | 3,568,508 |
| IV. RECEIVABLES FROM INTERBANK MONEY MARKETS | | 6,699 | - | 6,699 | 9,504 | - | 9,504 |
| 4.1 Interbank money market placements | | - | - | - | - | - | - |
| 4.2 Istanbul Stock Exchange money market placements | | 3,310 | - | 3,310 | 3,645 | - | 3,645 |
| 4.3 Receivables from reverse repurchase agreements | | 3,389 | - | 3,389 | 5,859 | - | 5,859 |
| V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net) | V-I-4 | 12,100,346 | 5,235,765 | 17,336,111 | 12,631,871 | 4,239,244 | 16,871,115 |
| 5.1 Equity securities | | 15 | 79,238 | 79,253 | 15 | - | 15 |
| 5.2 Debt securities issued by the governments | | 12,100,331 | 5,028,990 | 17,129,321 | 12,629,806 | 4,085,677 | 16,715,483 |
| 5.3 Other securities | | - | 127,537 | 127,537 | 2,050 | 153,567 | 155,617 |
| VI. LOANS AND RECEIVABLES | V-I-5 | 88,452,140 | 37,507,539 | 125,959,679 | 76,724,198 | 29,631,473 | 106,355,671 |
| 6.1 Performing loans and receivables | V-I-5 | 87,548,356 | 37,502,389 | 125,050,745 | 76,408,786 | 29,626,228 | 106,035,014 |
| 6.1.1 Loans provided to risk group | V-VII-1 | 1,071 | 822 | 1,893 | 6,132 | 123 | 6,255 |
| 6.1.2 Debt securities issued by the governments | | - | - | - | - | - | - |
| 6.1.3 Other | | 87,547,285 | 37,501,567 | 125,048,852 | 76,402,654 | 29,626,105 | 106,028,759 |
| 6.2 Loans under follow-up | | 5,071,771 | 66,342 | 5,138,113 | 4,153,756 | 28,209 | 4,181,965 |
| 6.3 Specific provisions (-) | V-I-5 | 4,167,987 | 61,192 | 4,229,179 | 3,838,344 | 22,964 | 3,861,308 |
| VII. FACTORING RECEIVABLES | | 622,754 | 94,973 | 717,727 | 498,067 | 12,314 | 510,381 |
| VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net) | V-I-6 | 7,546,748 | 130,981 | 7,677,729 | 6,761,749 | 92,844 | 6,854,593 |
| 8.1 Debt securities issued by the governments | | 7,546,748 | - | 7,546,748 | 6,761,749 | - | 6,761,749 |
| 8.2 Other securities | | - | 130,981 | 130,981 | - | 92,844 | 92,844 |
| IX. INVESTMENTS IN ASSOCIATES (Net) | V-I-7 | 295,332 | 3 | 295,335 | 264,184 | 3 | 264,187 |
| 9.1 Associates, consolidated per equity method | | 245,549 | - | 245,549 | 214,929 | - | 214,929 |
| 9.2 Unconsolidated associates | | 49,783 | 3 | 49,786 | 49,255 | 3 | 49,258 |
| 9.2.1 Financial associates | | 37,434 | - | 37,434 | 36,915 | - | 36,915 |
| 9.2.2 Non-financial associates | | 12,349 | 3 | 12,352 | 12,340 | 3 | 12,343 |
| X. INVESTMENTS IN SUBSIDIARIES (Net) | V-I-8 | 271,017 | - | 271,017 | 258,927 | - | 258,927 |
| 10.1 Unconsolidated financial subsidiaries | | - | - | - | - | - | - |
| 10.2 Unconsolidated non-financial subsidiaries | | 271,017 | - | 271,017 | 258,927 | - | 258,927 |
| 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 | 318,359 | 1,007,466 | 1,325,825 | 246,618 | 843,369 | 1,089,987 |
| 12.1 Finance lease receivables | | 401,084 | 1,134,987 | 1,536,071 | 311,605 | 962,197 | 1,273,802 |
| 12.2 Operational lease receivables | | - | - | - | - | - | - |
| 12.3 Other | | - | - | - | - | - | - |
| 12.4 Unearned income (-) | | 82,725 | 127,521 | 210,246 | 64,987 | 118,828 | 183,815 |
| XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE | V-I-11 | - | - | - | - | - | - |
| 13.1 Fair value hedges | | - | - | - | - | - | - |
| 13.2 Cash flow hedges | | - | - | - | - | - | - |
| 13.3 Hedges of net investment in foreign operations | | - | - | - | - | - | - |
| XIV. TANGIBLE ASSETS (Net) | V-I-12 | 1,648,900 | 5,218 | 1,654,118 | 782,871 | 2,002 | 784,873 |
| XV. INTANGIBLE ASSETS (Net) | V-I-13 | 201,506 | 31 | 201,537 | 162,074 | 161 | 162,235 |
| 15.1 Goodwill | | - | - | - | - | - | - |
| 15.2 Other intangibles | | 201,506 | 31 | 201,537 | 162,074 | 161 | 162,235 |
| XVI. INVESTMENT PROPERTIES (Net) | V-I-14 | 287,726 | - | 287,726 | 192,000 | - | 192,000 |
| XVII. TAX ASSETS | V-I-15 | 139,972 | 2,944 | 142,916 | 175,352 | 6,938 | 182,290 |
| 17.1 Current tax assets | V-I-15 | 787 | 2,944 | 3,731 | 2,393 | 6,938 | 9,331 |
| 17.2 Deferred tax assets | V-I-15 | 139,185 | - | 139,185 | 172,959 | - | 172,959 |
| XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net) | V-I-16 | 994,991 | - | 994,991 | 747,482 | - | 747,482 |
| 18.1 Assets held for sale | | 994,991 | - | 994,991 | 747,482 | - | 747,482 |
| 18.2 Assets related to the discontinued operations | | - | - | - | - | - | - |
| XIX. OTHER ASSETS | V-I-17 | 2,789,299 | 1,263,054 | 4,052,353 | 2,523,844 | 834,543 | 3,358,387 |
| TOTAL ASSETS | | 119,835,773 | 69,749,785 | 189,585,558 | 107,294,759 | 56,256,703 | 163,551,462 |

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 31 DECEMBER 2015

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

| LIABILITIES AND EQUITY | Notes | Audited Current Period 31 December 2015 | | | Audited Prior Period 31 December 2014 | | |
|--|----------------|--|-------------------|--------------------|--|-------------------|--------------------|
| | | TL | FC | Total | TL | FC | Total |
| I. DEPOSITS | V-II-1 | 76,054,788 | 35,955,209 | 112,009,997 | 65,144,101 | 28,258,512 | 93,402,613 |
| 1.1 Deposits of risk group | V-VII-1 | 1,209,289 | 110,608 | 1,319,897 | 953,746 | 63,178 | 1,016,924 |
| 1.2 Other deposits | | 74,845,499 | 35,844,601 | 110,690,100 | 64,190,355 | 28,195,334 | 92,385,689 |
| II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE | V-II-2 | 153,177 | 151,175 | 304,352 | 65,776 | 204,851 | 270,627 |
| III. FUNDS BORROWED | V-II-3 | 932,351 | 19,262,696 | 20,195,047 | 1,569,623 | 14,691,032 | 16,260,655 |
| IV. INTERBANK MONEY MARKET | | 9,423,761 | 3,403,437 | 12,827,198 | 10,063,573 | 6,591,668 | 16,655,241 |
| 4.1 Interbank money market takings | | 1,150,343 | - | 1,150,343 | 200,000 | - | 200,000 |
| 4.2 Istanbul Stock Exchange money market takings | | 83,157 | - | 83,157 | 269,939 | - | 269,939 |
| 4.3 Obligations under repurchase agreements | | 8,190,261 | 3,403,437 | 11,593,698 | 9,593,634 | 6,591,668 | 16,185,302 |
| V. SECURITIES ISSUED (Net) | V-II-3 | 3,257,620 | 7,389,088 | 10,646,708 | 2,866,343 | 7,518,365 | 10,384,708 |
| 5.1 Bills | | 3,257,620 | - | 3,257,620 | 2,866,343 | - | 2,866,343 |
| 5.2 Asset backed securities | | - | - | - | - | - | - |
| 5.3 Bonds | | - | 7,389,088 | 7,389,088 | - | 7,518,365 | 7,518,365 |
| VI. FUNDS | | 4,228 | - | 4,228 | 20,089 | - | 20,089 |
| 6.1 Funds against borrower's note | | - | - | - | - | - | - |
| 6.2 Other | | 4,228 | - | 4,228 | 20,089 | - | 20,089 |
| VII. MISCELLANEOUS PAYABLES | | 3,647,401 | 750,360 | 4,397,761 | 2,920,619 | 423,800 | 3,344,419 |
| VIII. OTHER EXTERNAL RESOURCES PAYABLE | V-II-4 | 662,279 | 1,783,682 | 2,445,961 | 573,091 | 947,128 | 1,520,219 |
| IX. FACTORING PAYABLES | | - | 5 | 5 | - | - | - |
| X. LEASE PAYABLES | 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 | | 5,025,269 | 31,277 | 5,056,546 | 4,086,058 | 25,879 | 4,111,937 |
| 12.1 General provisions | V-II-7 | 1,944,150 | 13,453 | 1,957,603 | 1,591,002 | 12,240 | 1,603,242 |
| 12.2 Restructuring reserves | | - | - | - | - | - | - |
| 12.3 Reserve for employee benefits | | 700,635 | 1,544 | 702,179 | 626,273 | 838 | 627,111 |
| 12.4 Insurance technical provisions (Net) | | 2,082,428 | 9,127 | 2,091,555 | 1,633,739 | 8,973 | 1,642,712 |
| 12.5 Other provisions | V-II-7 | 298,056 | 7,153 | 305,209 | 235,044 | 3,828 | 238,872 |
| XIII. TAX LIABILITIES | V-II-8 | 531,561 | 7,888 | 539,449 | 485,576 | 8,419 | 493,995 |
| 13.1 Current tax liabilities | | 514,681 | 1,678 | 516,359 | 477,758 | 1,029 | 478,787 |
| 13.2 Deferred tax liabilities | V-I-15 | 16,880 | 6,210 | 23,090 | 7,818 | 7,390 | 15,208 |
| 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 | - | 4,155,551 | 4,155,551 | - | 2,126,436 | 2,126,436 |
| XVI. EQUITY | | 16,437,456 | 565,299 | 17,002,755 | 14,408,274 | 552,249 | 14,960,523 |
| 16.1 Paid-in capital | V-II-11 | 2,500,000 | - | 2,500,000 | 2,500,000 | - | 2,500,000 |
| 16.2 Capital reserves | | 1,390,356 | 257,405 | 1,647,761 | 1,025,056 | 280,801 | 1,305,857 |
| 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 | (227,394) | 257,405 | 30,011 | 240,729 | 280,801 | 521,530 |
| 16.2.4 Revaluation surplus on tangible assets | | 940,657 | - | 940,657 | 52,864 | - | 52,864 |
| 16.2.5 Revaluation surplus on intangible assets | | - | - | - | - | - | - |
| 16.2.6 Revaluation surplus on investment properties | | - | - | - | - | - | - |
| 16.2.7 Bonus shares of associates, subsidiaries and joint-ventures | | 3,683 | - | 3,683 | 3,683 | - | 3,683 |
| 16.2.8 Hedging reserves (effective portion) | | - | - | - | - | - | - |
| 16.2.9 Revaluation surplus on assets held for sale and assets related to the discontinued operations | | - | - | - | - | - | - |
| 16.2.10 Other capital reserves | | (54,370) | - | (54,370) | - | - | - |
| 16.3 Profit reserves | | 10,163,563 | 170,099 | 10,333,662 | 8,664,406 | 130,184 | 8,794,590 |
| 16.3.1 Legal reserves | | 1,228,224 | 7,942 | 1,236,166 | 1,062,732 | 6,513 | 1,069,245 |
| 16.3.2 Status reserves | | 6,337 | - | 6,337 | 6,337 | - | 6,337 |
| 16.3.3 Extraordinary reserves | | 8,475,454 | 4,594 | 8,480,048 | 7,341,533 | 4,594 | 7,346,127 |
| 16.3.4 Other profit reserves | | 453,548 | 157,563 | 611,111 | 253,804 | 119,077 | 372,881 |
| 16.4 Profit or loss | | 1,921,411 | 94,530 | 2,015,941 | 1,772,859 | 101,133 | 1,873,992 |
| 16.4.1 Prior years' profit/loss | | (34,277) | 101,630 | 67,353 | (14,354) | 82,669 | 68,315 |
| 16.4.2 Current period's profit/loss | | 1,955,688 | (7,100) | 1,948,588 | 1,787,213 | 18,464 | 1,805,677 |
| 16.5 Non-controlling interest | | 462,126 | 43,265 | 505,391 | 445,953 | 40,131 | 486,084 |
| TOTAL LIABILITIES AND EQUITY | | 116,129,891 | 73,455,667 | 189,585,558 | 102,203,123 | 61,348,339 | 163,551,462 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED OFF-BALANCE SHEET

AS AT 31 DECEMBER 2015

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

| | Notes | Audited Current Period 31 December 2015 | | | Audited Prior Period 31 December 2014 | | |
|--|------------------|--|--------------------|----------------------|--|--------------------|----------------------|
| | | TL | FC | TOTAL | TL | FC | TOTAL |
| A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III) | | 54,303,859 | 64,173,751 | 118,477,610 | 42,988,855 | 49,879,901 | 92,868,756 |
| I. GUARANTEES AND SURETIES | V-III-2-4 | 22,126,363 | 10,993,538 | 33,119,901 | 16,892,950 | 11,782,097 | 28,675,047 |
| 1.1 Letters of guarantee | V-III-1 | 21,980,769 | 4,816,824 | 26,797,593 | 16,842,349 | 4,616,458 | 21,458,807 |
| 1.1.1 Guarantees subject to State Tender Law | | 2,542,809 | 2,199,589 | 4,742,398 | 1,869,107 | 2,266,261 | 4,135,368 |
| 1.1.2 Guarantees given for foreign trade operations | | 1,030,530 | - | 1,030,530 | 913,389 | - | 913,389 |
| 1.1.3 Other letters of guarantee | | 18,407,430 | 2,617,235 | 21,024,665 | 14,059,853 | 2,350,197 | 16,410,050 |
| 1.2 Bank acceptances | | 86,762 | 1,389,251 | 1,476,013 | 20,836 | 1,943,257 | 1,964,093 |
| 1.2.1 Import letter of acceptance | | 1,590 | 189,471 | 191,061 | 2,190 | 78,990 | 81,180 |
| 1.2.2 Other bank acceptances | | 85,172 | 1,199,780 | 1,284,952 | 18,646 | 1,864,267 | 1,882,913 |
| 1.3 Letters of credit | | 16,306 | 4,772,403 | 4,788,709 | - | 5,212,911 | 5,212,911 |
| 1.3.1 Documentary letters of credit | | 16,306 | 4,772,403 | 4,788,709 | - | 5,212,911 | 5,212,911 |
| 1.3.2 Other letters of credit | | - | - | - | - | - | - |
| 1.4 Guaranteed pre-financings | | - | 2,314 | 2,314 | - | 1,845 | 1,845 |
| 1.5 Endorsements | | - | - | - | - | - | - |
| 1.5.1 Endorsements to the Central Bank of Republic of Turkey | | - | - | - | - | - | - |
| 1.5.2 Other endorsements | | - | - | - | - | - | - |
| 1.6 Marketable securities underwriting commitments | | - | - | - | - | - | - |
| 1.7 Factoring related guarantees | | 42,526 | 2,224 | 44,750 | 29,765 | 5,023 | 34,788 |
| 1.8 Other guarantees | | - | 10,522 | 10,522 | - | 2,603 | 2,603 |
| 1.9 Other sureties | | - | - | - | - | - | - |
| II. COMMITMENTS | | 21,560,921 | 13,287,107 | 34,848,028 | 19,426,933 | 7,734,462 | 27,161,395 |
| 2.1 Irrevocable commitments | | 19,153,861 | 3,897,112 | 23,050,973 | 17,917,041 | 2,878,768 | 20,795,809 |
| 2.1.1 Asset purchase commitments | V-III-1 | 112,420 | 3,730,953 | 3,843,373 | 46,228 | 2,640,634 | 2,686,862 |
| 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 | 8,482,816 | 11,931 | 8,494,747 | 8,053,342 | 14,859 | 8,068,201 |
| 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 | 1,805,569 | - | 1,805,569 | 1,638,976 | - | 1,638,976 |
| 2.1.8 Tax and fund obligations on export commitments | | - | - | - | - | - | - |
| 2.1.9 Commitments for credit card limits | V-III-1 | 7,399,361 | - | 7,399,361 | 7,641,987 | - | 7,641,987 |
| 2.1.10 Commitments for credit card and banking operations promotions | | 196,037 | - | 196,037 | 247,938 | - | 247,938 |
| 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 | | 1,157,658 | 154,228 | 1,311,886 | 288,570 | 223,275 | 511,845 |
| 2.2 Revocable commitments | | 2,407,060 | 9,389,995 | 11,797,055 | 1,509,892 | 4,855,694 | 6,365,586 |
| 2.2.1 Revocable loan granting commitments | | 2,407,060 | 9,389,995 | 11,797,055 | 1,509,892 | 4,817,757 | 6,327,649 |
| 2.2.2 Other revocable commitments | | - | - | - | - | 37,937 | 37,937 |
| III. DERIVATIVE FINANCIAL INSTRUMENTS | V-III-5 | 10,616,575 | 39,893,106 | 50,509,681 | 6,668,972 | 30,363,342 | 37,032,314 |
| 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 | | 10,616,575 | 39,893,106 | 50,509,681 | 6,668,972 | 30,363,342 | 37,032,314 |
| 3.2.1 Forward foreign currency purchases/sales | | 211,514 | 257,246 | 468,760 | 242,929 | 312,275 | 555,204 |
| 3.2.1.1 Forward foreign currency purchases | | 106,014 | 128,693 | 234,707 | 121,619 | 156,202 | 277,821 |
| 3.2.1.2 Forward foreign currency sales | | 105,500 | 128,553 | 234,053 | 121,310 | 156,073 | 277,383 |
| 3.2.2 Currency and interest rate swaps | | 9,535,325 | 31,037,511 | 40,572,836 | 5,782,733 | 22,857,662 | 28,640,395 |
| 3.2.2.1 Currency swaps-purchases | | 4,474,398 | 12,245,882 | 16,720,280 | 1,810,386 | 11,235,508 | 13,045,894 |
| 3.2.2.2 Currency swaps-sales | | 4,160,927 | 6,377,871 | 10,538,798 | 3,772,347 | 4,343,916 | 8,116,263 |
| 3.2.2.3 Interest rate swaps-purchases | | 450,000 | 6,206,879 | 6,656,879 | 100,000 | 3,639,119 | 3,739,119 |
| 3.2.2.4 Interest rate swaps-sales | | 450,000 | 6,206,879 | 6,656,879 | 100,000 | 3,639,119 | 3,739,119 |
| 3.2.3 Currency, interest rate and security options | | 258,134 | 255,396 | 513,530 | 385,290 | 671,258 | 1,056,548 |
| 3.2.3.1 Currency call options | | 65,004 | 185,976 | 250,980 | 192,645 | 335,629 | 528,274 |
| 3.2.3.2 Currency put options | | 193,130 | 69,420 | 262,550 | 192,645 | 335,629 | 528,274 |
| 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 | | 611,602 | 8,342,953 | 8,954,555 | 258,020 | 6,522,147 | 6,780,167 |
| B. CUSTODY AND PLEDGED ITEMS (IV+V+VI) | | 900,903,931 | 422,152,366 | 1,323,056,297 | 707,625,482 | 298,960,692 | 1,006,586,174 |
| IV. ITEMS HELD IN CUSTODY | | 75,156,434 | 3,413,733 | 78,570,167 | 59,034,803 | 2,220,606 | 61,255,409 |
| 4.1 Customers' securities held | | 682,348 | 28,306 | 710,654 | 519,902 | 22,567 | 542,469 |
| 4.2 Investment securities held in custody | | 63,234,788 | 118,086 | 63,352,874 | 48,314,735 | 94,082 | 48,408,817 |
| 4.3 Checks received for collection | | 9,151,798 | 2,345,788 | 11,497,586 | 8,405,605 | 1,486,159 | 9,891,764 |
| 4.4 Commercial notes received for collection | | 1,265,535 | 450,126 | 1,715,661 | 1,197,188 | 254,511 | 1,451,699 |
| 4.5 Other assets received for collection | | 2,152 | 116 | 2,268 | 2,152 | 93 | 2,245 |
| 4.6 Assets received through public offering | | - | - | - | - | 6,818 | 6,818 |
| 4.7 Other items under custody | | 24,796 | 66,158 | 90,954 | 17,091 | 87,256 | 104,347 |
| 4.8 Custodians | | 795,017 | 405,153 | 1,200,170 | 578,130 | 269,120 | 847,250 |
| V. PLEDGED ITEMS | | 235,457,258 | 82,272,386 | 317,729,644 | 180,417,729 | 59,408,743 | 239,826,472 |
| 5.1 Securities | | 435,618 | 14,171 | 449,789 | 242,862 | 18,614 | 261,476 |
| 5.2 Guarantee notes | | 793,282 | 429,076 | 1,222,358 | 944,683 | 232,965 | 1,177,648 |
| 5.3 Commodities | | 28,164,121 | 681,732 | 28,845,853 | 25,696,626 | 590,812 | 26,287,438 |
| 5.4 Warranties | | - | - | - | - | - | - |
| 5.5 Real estates | | 191,799,623 | 67,309,165 | 259,108,788 | 142,345,512 | 47,319,679 | 189,665,191 |
| 5.6 Other pledged items | | 13,661,436 | 13,683,601 | 27,345,037 | 10,335,024 | 11,114,594 | 21,449,618 |
| 5.7 Pledged items-depository | | 603,178 | 154,641 | 757,819 | 853,022 | 132,079 | 985,101 |
| VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES | | 590,290,239 | 336,466,247 | 926,756,486 | 468,172,950 | 237,331,343 | 705,504,293 |
| TOTAL OFF-BALANCE SHEET ITEMS (A+B) | | 955,207,790 | 486,326,117 | 1,441,533,907 | 750,614,337 | 348,840,593 | 1,099,454,930 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

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

| | Notes | Audited Current Period 31 December 2015 | Audited Prior Period 31 December 2014 |
|--|----------------|--|--|
| I. INTEREST INCOME | | 13,973,432 | 11,664,524 |
| 1.1 Interest income from loans | V-IV-1 | 11,598,337 | 9,393,240 |
| 1.2 Interest income from reserve deposits | | 38,684 | 2,015 |
| 1.3 Interest income from banks | V-IV-1 | 78,724 | 67,307 |
| 1.4 Interest income from money market transactions | | 1,633 | 931 |
| 1.5 Interest income from securities portfolio | V-IV-1 | 2,072,208 | 2,061,241 |
| 1.5.1 Trading financial assets | V-IV-1 | 6,775 | 11,253 |
| 1.5.2 Financial assets designated at fair value through profit or loss | | - | - |
| 1.5.3 Available-for-sale financial assets | V-IV-1 | 1,409,589 | 1,489,664 |
| 1.5.4 Held-to-maturity investments | V-IV-1 | 655,844 | 560,324 |
| 1.6 Finance lease income | | 102,526 | 80,667 |
| 1.7 Other interest income | | 81,320 | 59,123 |
| II. INTEREST EXPENSE | | 8,238,164 | 6,809,744 |
| 2.1 Interest expense on deposits | V-IV-2 | 6,115,699 | 5,043,936 |
| 2.2 Interest expense on funds borrowed | V-IV-2 | 362,500 | 243,009 |
| 2.3 Interest expense on money market transactions | | 886,728 | 925,913 |
| 2.4 Interest expense on securities issued | V-IV-2 | 595,176 | 445,715 |
| 2.5 Other interest expenses | | 278,061 | 151,171 |
| III. NET INTEREST INCOME (I - II) | | 5,735,268 | 4,854,780 |
| IV. NET FEES AND COMMISSIONS INCOME | | 870,329 | 674,456 |
| 4.1 Fees and commissions received | | 1,351,513 | 1,109,503 |
| 4.1.1 Non-cash loans | | 186,784 | 162,970 |
| 4.1.2 Others | | 1,164,729 | 946,533 |
| 4.2 Fees and commissions paid | | 481,184 | 435,047 |
| 4.2.1 Non-cash loans | | 1,148 | 918 |
| 4.2.2 Others | | 480,036 | 434,129 |
| V. DIVIDEND INCOME | V-IV-3 | 37,169 | 12,229 |
| VI. TRADING INCOME/LOSSES (Net) | V-IV-4 | 139,931 | 248,795 |
| 6.1 Trading account income/losses | V-IV-4 | 46,761 | 176,073 |
| 6.2 Income/losses from derivative financial instruments | V-IV-4 | (29,129) | (39,189) |
| 6.3 Foreign exchange gains/losses | V-IV-4 | 122,299 | 111,911 |
| VII. OTHER OPERATING INCOME | V-IV-5 | 2,036,648 | 2,119,791 |
| VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII) | | 8,819,345 | 7,910,051 |
| IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-) | V-IV-6 | 1,635,860 | 1,747,665 |
| X. OTHER OPERATING EXPENSES (-) | V-IV-7 | 4,817,078 | 3,903,605 |
| XI. NET OPERATING PROFIT/LOSS (VIII-IX-X) | | 2,366,407 | 2,258,781 |
| XII. INCOME RESULTED FROM MERGERS | | - | - |
| XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING | | 34,617 | 33,077 |
| XIV. GAIN/LOSS ON NET MONETARY POSITION | | - | - |
| XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV) | V-IV-8 | 2,401,024 | 2,291,858 |
| XVI. CONTINUING OPERATIONS PROVISION FOR TAXES | V-IV-9 | (527,111) | (478,015) |
| 16.1 Current tax charges | V-IV-11 | (417,396) | (612,250) |
| 16.2 Deferred tax credits | V-IV-11 | (109,715) | 134,235 |
| XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI) | V-IV-12 | 1,873,913 | 1,813,843 |
| XVIII. INCOME FROM DISCONTINUED OPERATIONS | | - | - |
| 18.1 Income from investment properties | | - | - |
| 18.2 Income from sales of subsidiaries, affiliates and joint-ventures | | - | - |
| 18.3 Other income from discontinued activities | | - | - |
| XIX. EXPENSES FROM DISCONTINUED OPERATIONS(-) | | - | - |
| 19.1 Investment property expenses | | - | - |
| 19.2 Losses from sales of subsidiaries, affiliates and joint ventures | | - | - |
| 19.3 Other expenses from discontinued activities | | - | - |
| XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES(XVIII-XIX) | | - | - |
| XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES(±) | | - | - |
| 21.1 Current tax charge | | - | - |
| 21.2 Deferred tax charge | | - | - |
| XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS(XX±XXI) | | - | - |
| XXIII. NET PROFIT/LOSS (XVI+XXII) | V-IV-12 | 1,873,913 | 1,813,843 |
| 23.1. Equity holders of the Bank | | 1,948,588 | 1,805,677 |
| 23.2. Non-controlling interest(-) | V-IV-13 | (74,675) | 8,166 |
| Earnings per 100 Share (full TL) | III-XXIV | 0.7496 | 0.7255 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS

ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

| GAINS AND LOSSES RECOGNIZED IN EQUITY | Notes | Audited Current Period | Audited Prior Period |
|--|-------|------------------------|----------------------|
| | | 31 December 2015 | 31 December 2014 |
| I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES | V-V-6 | (585,086) | 823,760 |
| II. REVALUATION SURPLUS ON TANGIBLE ASSETS | | 791,080 | - |
| III. REVALUATION SURPLUS ON INTANGIBLE ASSETS | | - | - |
| IV. CURRENCY TRANSLATION DIFFERENCES | | 42,762 | (15,664) |
| V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes) | | - | - |
| VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion) | | - | - |
| VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS | | - | - |
| VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS | | (49,238) | (34,075) |
| IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES | V-V-6 | 70,314 | (153,802) |
| X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX) | | 269,832 | 620,219 |
| XI. CURRENT PERIOD'S PROFIT/(LOSS) | | 1,873,913 | 1,813,843 |
| 11.1 Change in fair value of securities (transfers to the statement of income) | V-V-6 | 36,105 | 168,124 |
| 11.2 Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges | | - | - |
| 11.3 Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges | | - | - |
| 11.4 Others | | 1,837,808 | 1,645,719 |
| XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI) | | 2,143,745 | 2,434,062 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

| Audited | Notes | Paid in Capital | Capital Reserves from Inflation Adj. to Paid in Capital | Share Premium | Cancel-lation Share 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 |
|-----------------------------------|--|-----------------|---|---------------|-----------------------------|----------------|-----------------|-------------------------|-----------------------|-----------------------------------|-----------------------------------|--|---|---|------------------|--|---|--------------------------|----------------------------|
| | | | | | | | | | | | | | | | | | | | |
| Prior Period – 31 December 2014 | | | | | | | | | | | | | | | | | | | |
| I. | | 2,500,000 | - | 726,686 | - | 904,166 | 6,337 | 6,007,191 | 420,752 | - | 1,688,833 | (149,719) | 51,329 | 6,282 | - | - | 12,161,857 | 309,101 | 12,470,958 |
| Changes during the period | | | | | | | | | | | | | | | | | | | |
| II. | Mergers | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. | Valuation differences of the marketable securities | - | - | - | - | - | - | - | - | - | - | 671,249 | - | - | - | - | 671,249 | 3,006 | 674,255 |
| IV. | Hedging reserves | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.1 | Cash flow hedges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.2 | Net investment hedges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| V. | Revaluation surplus on tangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. | Revaluation surplus on intangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. | Bonus shares of associates, subsidiaries and joint-ventures | - | - | - | - | - | - | - | (14,098) | - | - | - | - | (2,599) | - | - | (2,599) | - | (2,599) |
| VIII. | Translation differences | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (14,098) | (1,566) | (15,664) |
| 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 | - | - | - | - | - | - | - | - | - | (777) | - | - | - | - | - | (777) | - | (777) |
| 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 | - | - | 1,094 | - | 860 | - | 5,824 | (33,886) | - | (20,762) | - | - | - | - | - | (46,870) | 169,748 | 122,878 |
| XVII. | Current period's net profit/loss | - | - | - | - | - | - | - | - | 1,805,677 | - | - | - | - | - | - | 1,805,677 | 8,166 | 1,813,843 |
| XVIII. | Profit distribution | - | - | - | - | 164,219 | - | 1,333,112 | 113 | (1,598,979) | - | - | 1,535 | - | - | - | (100,000) | (2,371) | (102,371) |
| 18.1 | Dividends | - | - | - | - | - | - | - | - | - | (100,000) | - | - | - | - | - | (100,000) | (2,371) | (102,371) |
| | | | | | | | | | | | | | | | | | | | |
| 18.2 | Transferred to reserves | - | - | - | - | 164,219 | - | 1,333,112 | 113 | (1,498,979) | - | - | 1,535 | - | - | - | - | - | - |
| 18.3 | Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balances at the end of the period | | | | | | | | | | | | | | | | | | | |
| | | 2,500,000 | - | 727,780 | - | 1,069,245 | 6,337 | 7,346,127 | 372,881 | 1,805,677 | 68,315 | 521,530 | 52,864 | 3,683 | - | - | 14,474,439 | 486,084 | 14,960,523 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND

ITS FINANCIAL SUBSIDIARIES CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

| Audited | Notes | Paid in Capital | Capital Reserves from Inflation Adj. to Paid in Capital | Share Premium | Cancellation Share 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 Marketable Securities | Revaluation Surplus on 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 Shares | Non-controlling Interest | Total Shareholders' Equity |
|---------|--|-----------------|---|---------------|----------------------------|----------------|-----------------|-------------------------|-----------------------|-----------------------------------|-----------------------------------|--|--|---|------------------|---|---|--------------------------|----------------------------|
| | | | | | | | | | | | | | | | | | | | |
| I. | Balances at the beginning of the period | 2,500,000 | - | 726,686 | - | 904,166 | 6,337 | 6,007,191 | 420,752 | - | 1,688,833 | (149,719) | 51,329 | 6,282 | - | 12,161,857 | 309,101 | 12,470,958 | |
| | Changes during the period | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| II. | Mergers | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| III. | Valuation differences of the marketable securities | - | - | - | - | - | - | - | - | - | - | 671,249 | - | - | - | - | 671,249 | 3,006 | 674,255 |
| IV. | Hedging reserves | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 4.1 | Cash flow hedges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 4.2 | Net investment hedges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| V. | Revaluation surplus on tangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| VI. | Revaluation surplus on intangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| VII. | Bonus shares of associates, subsidiaries and joint-ventures | - | - | - | - | - | - | - | - | - | - | - | - | (2,599) | - | - | (2,599) | - | |
| VIII. | Translation differences | - | - | - | - | - | - | - | (14,098) | - | - | - | - | - | - | - | (14,098) | (1,566) | (15,664) |
| 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 | - | - | - | - | - | - | - | - | - | (777) | - | - | - | - | - | (777) | - | (777) |
| 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 | - | - | 1,094 | - | 860 | - | 5,824 | (33,886) | - | (20,762) | - | - | - | - | - | (46,870) | 169,748 | 122,878 |
| XVII. | Current period's net profit/loss | - | - | - | - | - | - | - | - | 1,805,677 | - | - | - | - | - | - | 1,805,677 | 8,166 | 1,813,843 |
| XVIII. | Profit distribution | - | - | - | - | 164,219 | - | 1,333,112 | 113 | - | (1,598,979) | - | 1,535 | - | - | - | (100,000) | (2,371) | (102,371) |
| 18.1 | Dividends | - | - | - | - | - | - | - | - | - | (100,000) | - | - | - | - | - | (100,000) | (2,371) | (102,371) |
| 18.2 | Transferred to reserves | - | - | - | - | 164,219 | - | 1,333,112 | 113 | - | (1,498,979) | - | 1,535 | - | - | - | - | - | - |
| 18.3 | Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| | Balances at the end of the period | 2,500,000 | - | 727,780 | - | 1,069,245 | 6,337 | 7,346,127 | 372,881 | 1,805,677 | 68,315 | 521,530 | 52,864 | 3,683 | - | 14,474,439 | 486,084 | 14,960,523 | |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

| | Audited Current Period Notes | 31 December 2015 | Audited Prior Period 31 December 2014 |
|---|---------------------------------|--------------------|--|
| A. CASH FLOWS FROM BANKING OPERATIONS | | | |
| 1.1 Operating profit before changes in operating assets and liabilities | | 3,238,846 | 3,209,873 |
| 1.1.1 Interests received | | 13,135,951 | 10,753,156 |
| 1.1.2 Interests paid | | (8,073,427) | (6,710,476) |
| 1.1.3 Dividends received | | 5,483 | 5,869 |
| 1.1.4 Fee and commissions received | | 1,351,513 | 1,109,503 |
| 1.1.5 Other income | | 1,106,645 | 1,231,954 |
| 1.1.6 Collections from previously written-off loans and other receivables | V-I-5 | 1,018,600 | 707,442 |
| 1.1.7 Payments to personnel and service suppliers | | (1,715,096) | (1,415,182) |
| 1.1.8 Taxes paid | | (691,055) | (556,581) |
| 1.1.9 Other | V-VI-1 | (2,899,768) | (1,915,812) |
| 1.2 Changes in operating assets and liabilities | | (3,851,919) | (3,116,050) |
| 1.2.1 Net (increase) decrease in financial assets held for trading purpose | | (42,630) | 141,710 |
| 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 | | (2,341,828) | (345,515) |
| 1.2.4 Net (increase) decrease in loans | | (20,944,190) | (19,225,256) |
| 1.2.5 Net (increase) decrease in other assets | | (433,611) | (31,827) |
| 1.2.6 Net increase (decrease) in bank deposits | | 722,756 | 721,273 |
| 1.2.7 Net increase (decrease) in other deposits | | 17,810,595 | 9,627,944 |
| 1.2.8 Net increase (decrease) in funds borrowed | | 3,813,977 | 3,932,304 |
| 1.2.9 Net increase (decrease) in matured payables | | - | - |
| 1.2.10 Net increase (decrease) in other liabilities | V-VI-1 | (2,436,988) | 2,063,317 |
| I. Net cash flow from banking operations | | (613,073) | 93,823 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| II. Net cash flow from investing activities | | (1,615,919) | (405,045) |
| 2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures | | - | (205,714) |
| 2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures | | - | - |
| 2.3 Cash paid for purchase of tangible assets | | (858,423) | (175,892) |
| 2.4 Proceeds from disposal of tangible assets | | 580,786 | 459,768 |
| 2.5 Cash paid for purchase of available-for-sale financial assets | | (4,215,603) | (5,907,461) |
| 2.6 Proceeds from disposal of available-for-sale financial assets | | 3,410,191 | 6,871,852 |
| 2.7 Cash paid for purchase of held-to-maturity investments | | (1,610,704) | (2,869,774) |
| 2.8 Proceeds from disposal of held-to-maturity investments | | 1,129,187 | 1,466,184 |
| 2.9 Other | V-VI-1 | (51,353) | (44,008) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| III. Net cash flow from financing activities | | 2,125,686 | 3,409,685 |
| 3.1 Cash obtained from funds borrowed and securities issued | | 9,840,198 | 8,540,424 |
| 3.2 Cash used for repayment of funds borrowed and securities issued | | (7,612,999) | (5,028,368) |
| 3.3 Equity instruments issued | | - | - |
| 3.4 Dividends paid | | (101,513) | (102,371) |
| 3.5 Repayments for finance leases | | - | - |
| 3.6 Other | | - | - |
| IV. Effect of change in foreign exchange rates on cash and cash equivalents | V-VI-1 | (30,472) | 4,539 |
| V. Net (decrease) / increase in cash and cash equivalents | | (133,778) | 3,103,002 |
| VI. Cash and cash equivalents at the beginning of the period | V-VI-4 | 9,190,905 | 6,087,903 |
| VII. Cash and cash equivalents at the end of the period | V-VI-4 | 9,057,127 | 9,190,905 |

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2015

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

| | Notes | Current Period 31 December 2015 | Prior Period 31 December 2014 |
|---|---------|------------------------------------|----------------------------------|
| I. DISTRIBUTION OF CURRENT YEAR PROFIT^(*) | | | |
| 1.1 | | 2,470,293 | 2,213,676 |
| 1.2 | | (540,184) | (460,403) |
| 1.2.1 | V-IV-11 | (404,310) | (601,519) |
| 1.2.2 | | - | - |
| 1.2.3 | V-IV-11 | (135,874) | 141,116 |
| A. | | 1,930,109 | 1,753,273 |
| 1.3 | V-IV-11 | - | (141,116) |
| B. | | 1,930,109 | 1,612,157 |
| 1.4 | | - | - |
| 1.5 | V-V-5 | - | (80,607) |
| 1.6 | V-V-5 | - | (80,607) |
| C. | | - | 1,450,943 |
| 1.7 | | - | 100,000 |
| 1.7.1 | | - | 100,000 |
| 1.7.2 | | - | - |
| 1.7.3 | | - | - |
| 1.7.4 | | - | - |
| 1.7.5 | | - | - |
| 1.8 | | - | - |
| 1.9 | | - | - |
| 1.10 | | - | - |
| 1.10.1 | | - | - |
| 1.10.2 | | - | - |
| 1.10.3 | | - | - |
| 1.10.4 | | - | - |
| 1.10.5 | | - | - |
| 1.11 | | - | - |
| 1.12 | | - | - |
| 1.13 | V-V-5 | - | 1,114,821 |
| 1.14 | | - | - |
| 1.15 | V-V-5 | - | 236,122 |
| II. | | - | - |
| 2.1 | | - | - |
| 2.2 | | - | - |
| 2.3 | | - | - |
| 2.3.1 | | - | - |
| 2.3.2 | | - | - |
| 2.3.3 | | - | - |
| 2.3.4 | | - | - |
| 2.3.5 | | - | - |
| 2.4 | | - | - |
| 2.5 | | - | - |
| III. | | - | - |
| 3.1 | | 0.7720 | 0.7013 |
| 3.2 | | 77.20 | 70.13 |
| 3.3 | | - | - |
| 3.4 | | - | - |
| IV. | | - | - |
| 4.1 | | - | 0.0400 |
| 4.2 | | - | 4.00 |
| 4.3 | | - | - |
| 4.4 | | - | - |

(*) As of report date, distributable net profit of the period is not shown as any decision regarding the 2015 profit distribution is not taken.

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

(***) Profit distribution is made according to unconsolidated financial statements of the Parent Bank.

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(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 other regulations related to reporting principles on accounting records of banks published by Banking Regulation and Supervision Agency and its circulars and interpretations (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of reporting Turkish Accounting Standards and Turkish Financial Reporting Standards ("TFRS") and related appendices and interpretations (referred as "Turkish Accounting Standards" or "TAS") put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA").

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.

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.

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, interest rate risk, exchange rate risk and credit risk within reasonable limits; while enhancing profitability and strengthening the Parent Bank's shareholders' equity.

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

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

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.

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

Consolidated subsidiaries

As at and for the year ended 31 December 2015, the financial statements of T. Vakıflar Bankası T.A.O, Vakıfbank International AG, Vakıf Finansal Kiralama A.Ş., Güneş Sigorta A.Ş., Vakıf Emeklilik A.Ş., Vakıf Faktoring A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Portföy Yönetimi A.Ş., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. have been included in the consolidated financial statements of the Group.

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

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

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

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

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

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

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 31 December 2015 and 31 December 2014 but until the liquidation decision date its accumulated previous years' loss has been included in the accompanying consolidated financial statements.

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

As per the resolution of the Board of Directors of the Parent Bank held on 8 September 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi A.Ş. with Vakıf Pazarlama Ticaret A.Ş. with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi A.Ş. without liquidation, in accordance with Mülga Law No: 6762, article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret A.Ş. is not a financial subsidiary anymore, its financial statements have not been consolidated as at 31 December 2015 and 31 December 2014, but its equity until the merger date has been included in the accompanying consolidated financial statements.

Investments in associates consolidated per equity method

As at and for the year ended 31 December 2015, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası A.Ş. have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

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

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

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

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.

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.)

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.

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.

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.)

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 Group's portfolio contradictory to the standard. Held-to-maturity investments, subsequent to initial recognition, are measured at amortized cost using effective interest method after deducting impairments, if any.

Loans and receivables

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

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

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

VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high. 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, the related loss amount are discounted at the original effective interest rate of the asset's estimated future cash flows, by measuring the difference between the present value and the book value of the asset, so that it is recognized as the book value as mentioned above.

If there is an objective evidence that certain loans will not be collected, for such loans; the Group 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 and 100% specific provision for non performing loans for Fourth and Fifth Group used to be reserved on condition of not being less than the minimum required rates specified within the related Regulation, 50% specific provision is reserved for the non performing loans that are transferred to Fourth Group according to changes in accounting policy about specific provisions of non performing loans that are transferred to Fourth Group as of 30 September 2015 accounting period. In this scope, the specific provision of TL 17,864 that was reserved within the previous periods is transferred to "Other Operating Income" account and the specific provision of TL 303,807 that was reserved in current period is transferred to "Provision for Losses on Loans and Other Receivables" account as of 30 September 2015.

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if and only if, there is a currently enforceable legal right of the Group to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

Securities sold under repurchase agreements ("repo") are classified under "held for trading", "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 expense accrual is accounted for the impute of interest expense as of the balance sheet date.

XI. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

The Group has no discontinued operations.

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

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XIII. INFORMATION ON TANGIBLE ASSETS

The costs of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. In subsequent periods no inflation adjustment is made for tangible assets, and costs which are restated as of 31 December 2004 are considered as their historical costs. Tangible assets purchased after 1 January 2005 were recorded at their historical costs after foreign exchange differences and financial expenses are deducted if any. The Group decided to pursue the properties for use according to their fair values in terms of separating the land and buildings within the context of TAS 16 "Turkish Accounting Standard on Property, Plant and Equipment" after the change in the accounting policy as of 30 September 2015. As a result of the valuation from the independent appraisal company, revaluation difference of TL 712,165 after deferred tax effect is followed under the revaluation surplus on tangible assets under shareholders' equity (As of 31 December 2015, this difference is TL 743,729).

As of 31 December 2015, the conformity between net book value that was calculated based on the cost of properties for use and revaluated values are as follows;

31 December 2015

| | |
|---|----------------|
| Fair value | 1,180,140 |
| Net book value calculated on cost value | 389,060 |
| Before tax revaluation differences | 791,080 |
| Calculated deferred tax liability (-) | (47,351) |
| Revaluation differences-net | 743,729 |

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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XV. INFORMATION ON LEASING ACTIVITIES

Leasing activities

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

- Finance leasing activities as the lessee

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

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

- Finance leasing transactions as lessor

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

Operational leases

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

XVI. INFORMATION ON PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

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

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 31 December 2015 is TL 3,828 (full TL) (31 December 2014: TL 3,438 (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.

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As at 31 December 2015 and 31 December 2014, the major actuarial assumptions used in the calculation of the total liability are as follows:

| | Current Period | Prior Period |
|----------------------------|----------------|--------------|
| Discount Rate | %10.20 | %8.60 |
| Estimated Inflation Rate | %7.10 | %6.50 |
| Increase in Real Wage Rate | %8.10 | %7.50 |

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

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

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

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

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

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

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

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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 dated February 2016 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at 31 December 2015.

XVIII. INFORMATION ON TAXATION

Corporate tax

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

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

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

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

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

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

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

Corporation tax legislation for the foreign branches

Bahrain (Manama)

The Parent Bank's branch that is operating in Bahrain is non taxable 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 05.06.2012, 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.

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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.

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

- There is 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 Turkey (CBRT); and cash equivalents include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

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XX. ADDITIONAL INFORMATION ON BORROWINGS

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

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

The group is not hedging about debt instruments.

XXI. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

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

XXII. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXIII. INFORMATION ON GOVERNMENT INCENTIVES

As at 31 December 2015, Vakıf Finansal Kiralama A.Ş., a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 220,278 (31 December 2014: TL 248,780).

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.

Reporting according to the operational segment is presented in Note X of Section Four.

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XXV. OTHER MATTERS

Earnings per shares

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

As at and for the year ended 31 December 2015, earnings per 100 shares are full TL 0.7496 (31 December 2014: full TL 0.7255).

Related parties

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

Classifications

None.

Insurance operations

Written Premiums: Written premiums represent premiums on policies written during the year net of taxes and premiums of the cancelled policies produced in previous years. Written premiums, net off ceded 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: Reserve for outstanding claims is provided for the outstanding claims, which incurred and reported but not yet settled in current or previous years based on reported balances or estimates when actual balances are not exactly known and incurred but not yet reported claims ("IBNR"). IBNR and subrogation and salvage reimbursements are recognized as the highest of the amount calculated based on historical data and results of actuarial chain ladder method. Reserve for outstanding claims is presented under "insurance technical provisions" in the accompanying consolidated financial statements.

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 savings 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.

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

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

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

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

Individual pension business

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

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

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

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

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP

I. CONSOLIDATED CAPITAL ADEQUACY RATIO

As at 31 December 2015 the Group's consolidated capital adequacy ratio is 14.21% (31 December 2014: 13.73%). The Parent Bank's unconsolidated capital adequacy ratio is 14.52% (31 December 2014: 13.96%).

Risk measurement methods in calculation of capital adequacy ratio

Consolidated capital adequacy ratio is calculated within the scope of the "Regulation on the Measurement and Assessment of Capital Adequacy Ratios of Banks (Regulation)", "Regulation on Credit Risk Mitigation Techniques" and "Communiqué on Risk Weighted Amounts for Securitization Exposures" published in Official Gazette no. 28337 dated 28 June 2012 and "Regulation on the Equity of Banks" published in Official Gazette no. 26333 dated 1 November 2006.

The data used in calculation of consolidated capital adequacy ratio is organized in accordance with the accounting records prepared in compliance with the current legislation. Besides, the Bank classifies these data as "Trading Book" and "Banking Book"; and takes into account in the calculation of market risk and credit risk accordingly. Operational risks are also included in the calculation of capital adequacy ratio.

In the calculation of risk-based amounts, the Group classifies its receivables into risk groups described in 6th article of the Regulation and considers the ratings and risk mitigating elements. The amounts are evaluated in the related risk weight group, accordingly. The Bank applies "basic financial guarantee method" in the consideration of risk mitigating elements for banking book accounts.

Trading book accounts and the items deducted from the capital base are not included in the calculation of credit risk. In calculation of risk weighted assets, impairments, depreciation and amortization, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks", subjected to risk mitigation in accordance with the "Communique on Credit Risk Mitigation Techniques", classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the Regulation.

In the calculation of their risk-based values, Derivative Financial Instruments and Credit Derivative Contracts which are accounted in banking book, the receivable amounts due to counter parties are multiplied by the rates stated in the Appendix 2 of the Regulation, subjected to risk mitigation in accordance with the "Communique on Credit Risk Mitigation Techniques", classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the same Regulation. In compliance with Article 5 of the Regulation, repo transactions, investment securities and commodity lending transactions are accounted for "Counterparty Credit Risk". The Bank applies "Fair Value Measurement" in the calculation of "Counterparty Credit Risk".

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Information on consolidated capital adequacy ratio

| Current Period | 0% | 10% | 20% | 50% | 75% | 100% | 150% | 200% | 250% | 1250% |
|--|-------------------|------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|----------------|--------------|
| Surplus credit risk weighted | 56,021,211 | - | 8,531,672 | 46,489,761 | 27,570,823 | 73,342,392 | 3,660,714 | 7,561,275 | 168,857 | - |
| Risk classifications: | | | | | | | | | | |
| Claims on sovereigns and Central Banks | 50,954,102 | - | - | 6,069,922 | - | - | - | - | - | - |
| Claims on regional governments or local authorities | 10,515 | - | 2,946,269 | 745,048 | - | - | - | - | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 18,280 | - | 287 | - | - | 1,092,000 | - | - | - | - |
| Claims on multilateral development banks | 219 | - | - | - | - | - | - | - | - | - |
| Claims on international organizations | - | - | - | - | - | - | - | - | - | - |
| Claims on banks and intermediary institutions | 3,080,050 | - | 4,373,060 | 3,042,504 | - | 2,677 | - | - | - | - |
| Claims on corporate | 357,740 | - | 946,223 | 1,472,078 | - | 60,126,057 | - | - | - | - |
| Claims included in the regulatory retail portfolios | 142,050 | - | 52,557 | - | 27,570,823 | 956,724 | - | - | - | - |
| Claims secured by residential property | - | - | - | 35,160,209 | - | 4,481,845 | - | - | - | - |
| Past due loans | - | - | - | - | - | 908,934 | - | - | - | - |
| Higher risk categories decided by the Agency | 13,291 | - | 2,709 | - | - | - | 3,660,714 | 7,561,275 | 168,857 | - |
| Marketable securities secured by mortgages | - | - | - | - | - | - | - | - | - | - |
| Securitization exposures | - | - | - | - | - | - | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - | - | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - | - | - | - | - | - | - |
| Other claims | 1,444,964 | - | 210,567 | - | - | 5,774,155 | - | - | - | - |
| Prior Period | 0% | 10% | 20% | 50% | 75% | 100% | 150% | 200% | 250% | 1250% |
| Surplus credit risk weighted | 55,620,001 | - | 11,639,035 | 38,668,549 | 23,382,850 | 59,238,068 | 2,986,884 | 9,434,959 | 198,260 | - |
| Risk classifications: | | | | | | | | | | |
| Claims on sovereigns and Central Banks | 46,808,952 | - | - | 5,539,730 | - | - | - | - | - | - |
| Claims on regional governments or local authorities | 16,258 | - | 2,467,609 | 507,006 | - | - | - | - | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 34,810 | - | 979 | - | - | 1,017,536 | - | - | - | - |
| Claims on multilateral development banks | - | - | - | - | - | - | - | - | - | - |
| Claims on international organizations | - | - | - | - | - | - | - | - | - | - |
| Claims on banks and intermediary institutions | 7,031,351 | - | 7,924,889 | 1,807,130 | - | 6,730 | - | - | - | - |
| Claims on corporate | 207,240 | - | 1,137,923 | 1,348,282 | - | 49,100,468 | - | - | - | - |
| Claims included in the regulatory retail portfolios | 121,740 | - | 41,821 | - | 23,382,850 | 1,185,664 | - | - | - | - |
| Claims secured by residential property | - | - | - | 29,466,401 | - | 3,401,067 | - | - | - | - |
| Past due loans | - | - | - | - | - | 320,657 | - | - | - | - |
| Higher risk categories decided by the Agency | 11,949 | - | 3,166 | - | - | - | 2,986,884 | 9,434,959 | 198,260 | - |
| Marketable securities secured by mortgages | - | - | - | - | - | - | - | - | - | - |
| Securitization exposures | - | - | - | - | - | - | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - | - | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - | - | - | - | - | - | - |
| Other claims | 1,387,701 | - | 62,648 | - | - | 4,205,946 | - | - | - | - |

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Summary information related to consolidated capital adequacy ratio

| | Current Period | Prior Period |
|--|----------------|--------------|
| Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR) | 11,200,599 | 9,782,654 |
| Capital Requirement for Market Risk (MRCR) | 116,352 | 63,924 |
| Capital Requirement for Operational Risk (ORCR) ⁽¹⁾ | 876,010 | 768,723 |
| Shareholders' Equity | 21,651,824 | 18,212,972 |
| Shareholders' Equity/(((CRCR+MRCR+ORCR) *12.5)*100 | 14.21 | 13.73 |
| Tier I Capital/(((CRCR+MRCR+ORCR) *12.5)*100 | 10.95 | 11.07 |
| Common Equity Tier I Capital/(((CRCR+MRCR+ORCR)*12.5)*100 | 11.03 | 11.17 |

⁽¹⁾ In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio as at 2015 was measured by taking value at operational risk calculated based on gross incomes for the years ended 2014, 2013 and 2012 into consideration. For the year 2014, value at operational risk is being calculated based on gross incomes for the years ended 2013, 2012 and 2011.

Information about the consolidated shareholder equity items

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| COMMON EQUITY TIER I CAPITAL | | |
| Paid-in Capital to be Entitled for Compensation after all Creditors | 2,500,000 | 2,500,000 |
| Share Premium | 727,780 | 727,780 |
| Share Cancellation Profits | - | - |
| Reserves | 10,333,662 | 8,794,590 |
| Other Comprehensive Income according to TAS | 970,668 | 574,394 |
| Profit | 2,015,941 | 1,873,992 |
| Current Period Profit | 1,948,588 | 1,805,677 |
| Previous Period Profit | 67,353 | 68,315 |
| General Reserves for Possible Losses | - | - |
| Bonus shares from Associates, Subsidiaries, and Joint-Ventures not Accounted in Current Period's Profit | 3,683 | 3,683 |
| Minority Shares | 500,271 | 481,423 |
| Common Equity Tier I Capital Before Deductions | 17,052,005 | 14,955,862 |
| Deductions from Common Equity Tier I Capital | | |
| Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS(-) | 54,370 | - |
| Leasehold Improvements on Operational Leases(-) | 106,676 | 98,818 |
| Goodwill and Other Intangible Assets and Related Deferred Taxes(-) | 80,615 | 32,447 |
| Net Deferred Tax Asset/Liability (-) | - | - |
| Shares Obtained against Article 56, Paragraph 4 of the Banking Law(-) | - | - |
| Direct and Indirect Investments of the Bank on its own Tier I Capital (-) | - | - |
| 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 Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - | - |
| Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) | - | - |
| Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) | - | - |
| Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - | - |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than the Issued Share Capital not deducted from Tier I Capital(-) | - | - |
| Mortgage Servicing Rights not deducted (-) | - | - |
| Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) | - | - |
| Other items to be Defined by the BRSA (-) | - | - |
| Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) | - | - |
| Total Deductions from Common Equity Tier I Capital | 241,661 | 131,265 |
| Total Common Equity Tier I Capital | 16,810,344 | 14,824,597 |
| ADDITIONAL CORE CAPITAL | | |
| Preferred Stock not Included in Tier I Capital and the Related Share Premiums | - | - |
| Debt Instruments and the Related Issuance Defined by the BRSA (Issued or Obtained after 01.01.2014) | - | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 01.01.2014) | - | - |
| Shares in the Additional Core Capital of Third Parties | - | - |
| Additional Core Capital before Deductions | | |
| Deductions from Additional Core Capital | | |
| Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) | - | - |
| 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 above Tier I Capital (-) | - | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more of 10% of the Issued Share Capital (-) | - | - |
| Other items to be Defined by the BRSA (-) | - | - |
| The amount to be deducted from Additional Tier I Capital (-) | - | - |

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| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Total Deductions from Additional Core Capital | - | - |
| Total Additional Core Capital | - | - |
| Deductions from Core Capital | - | - |
| Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | 120,922 | 129,788 |
| Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - | - |
| Total Core Capital | 16,689,422 | 14,694,809 |
| TIER II CAPITAL | | |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) | 1,450,446 | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) | 1,895,553 | 2,106,170 |
| Pledged Assets of the Shareholders to be used for the Bank's Capital Increases | - | - |
| General Provisions | 1,750,094 | 1,528,540 |
| Shares in the capital contribution of third parties | 5,120 | 4,661 |
| Tier II Capital before Deductions | 5,101,213 | 3,639,371 |
| Deductions from Tier II Capital | | |
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-) | - | - |
| 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% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-) | - | - |
| The Total of Net Long Positions of the Direct or Indirect Investments in Additional Core Capital and Tier II 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 I Capital (-) | - | - |
| Other items to be Defined by the BRSA (-) | - | - |
| Total Deductions from Tier II Capital | - | - |
| Total Tier II Capital | 5,101,213 | 3,639,371 |
| CAPITAL | 21,790,635 | 18,334,180 |
| Loans Granted against the Articles 50 and 51 of the Banking Law (-) | - | - |
| Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-) | 138,557 | 120,737 |
| Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) | - | - |
| Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - | - |
| Other items to be Defined by the BRSA (-) | 254 | 471 |

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| | Current Period | Prior Period |
|--|-------------------|-------------------|
| The Portion of Total of Net Long Positions of the 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 above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | - | - |
| The Portion of Total of Net Long Positions of the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | - | - |
| The Portion of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) | - | - |
| EQUITY | 21,651,824 | 18,212,972 |
| Amounts lower than Excesses as per Deduction Rules | - | - |
| Remaining 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 | - | - |
| Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital | - | - |
| Remaining Mortgage Servicing Rights | - | - |
| Net Deferred Tax Assets arising from Temporary Differences | 139,185 | 172,959 |

Components of items of shareholders' equity subject to temporary applications:

| | The Parent Bank | | Consolidated | |
|---|---------------------------------------|--------------|---------------------------------------|--------------|
| | Amount Included in Equity Calculation | Total Amount | Amount Included in Equity Calculation | Total Amount |
| Minorities' share in Tier I capital | - | - | 500,271 | - |
| Third Parties' share in additional core capital | - | - | - | - |
| Third Parties' share in supplementary capital | - | - | 5,120 | - |
| Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued before 01.01.2014) | 1,905,885 | 2,652,375 | 1,895,553 | 2,639,496 |

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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 |
| Governing law(s) of the instrument | Debt Instrument Communiqué numbered CMB-II-2-31.1 BRSB 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. |
| 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) | 3,346 |
| Par value of instrument | 4,059 |
| Accounting classification | 347011-Subordinated Liabilities |
| Original date of issuance | XS0849728190/ US90015NAB91 1 November 2012 XS1175854923/ US90015WAC73 2 February 2015 |
| Perpetual or dated | XS0849728190/ US90015NAB91 Dated (10 years) Maturity Date: 1 November 2022 XS1175854923/ US90015WAC73 Dated (10 years) Maturity Date: 3 February 2025 |
| Issue date | XS0849728190/ US90015NAB91 1 November 2012 XS1175854923/ US90015WAC73 2 February 2015 |
| 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 3 February 2020 is available. |
| Subsequent call dates, if applicable | XS0849728190/ US90015NAB91 not available. XS1175854923/ US90015WAC73 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 |
| 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 |
| If write-down, full or partial | XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has full or partial write down feature. |
| If write-down, permanent or temporary | XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 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. |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Before debt instruments included in Tier II Capital after deposit and other receivables |
| Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not | Possess Article 8 |
| According to article 7 and 8 of Banks' shareholders' equity law that are not possessed | Not Possess Article 7 |

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As a part of internal capital adequacy assessment process in terms of applied approach on inherit capital requirement's current and future activity

Internal capital requirements assessment process and capital adequacy policies in order to define the "Internal Capital Adequacy Assessment Process Document" was established in September 2012 and was approved by the Board of Directors. The document includes planning of capital, procedures and principles of risk reduction procedures of capital for making emergency plans. It is aimed to specify the current and future capital requirements, capital variety to keep up Bank's risk or potential risks with internal capital adequacy assessment process.

In the process, potential changes in market conditions and economic cycle are evaluated for effects on capital, as well as the Bank's strategy and credit growth expectations in line with the objectives, funding sources, liquidity opportunities are kept in into account. The Bank's strategic plans and capital needs assessment performed in accordance with defined growth prospects in 2016 and has taken actions to increase the amount of capital and resources in 2015.

Capital requirements for the internal assessment process, credit risk, market risk, operational risk, interest rate risk arising from the bank accounts, liquidity risk, credit risk, residual risk, concentration risk, counterparty credit risk are taken into consideration country and transfer risk, the measurement of risk and on the management policies and procedures have been developed and approved by the Board of Directors.

II. CONSOLIDATED CREDIT RISK

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

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

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

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

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

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

For credit risk management purposes, Risk Management Department operates in

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

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

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

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

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

- For which recovery of principal and interest or both delays from their terms or due dates are more than ninety days but not more than one hundred eighty days are classified as "Group Three- Loans and Other Receivables With Limited Recovery",
- For which recovery of principal and interest or both delays from their terms or due dates are more than one hundred and eighty days but not more one year are classified as "Group Four- Loans and Other Receivables With Suspicious Recovery",
- For which recovery of principal and interest or both delays from their terms or due dates are more than one year are classified as "Group Five - Loans and Other Receivables Having the Nature of Loss",

Regardless of the guarantees and pledges received, the Group provides 20% provision for the Loans and Other Receivables classified in Group Three, by 30 September 2015, 50% provision for the Loans and Other Receivables classified in Group Four and 100% in Group Five. The provision amount is recognized in profit and loss statement of the period.

The Group's largest 100 cash loan customers compose 24.19% of the total cash loan portfolio (31 December 2014: 21.73%).

The Group's largest 100 non-cash loan customers compose 54.84% of the total non-cash loan portfolio (31 December 2014: 56.59%).

The Group's largest 100 cash loan customers compose 15.96 % of total assets of the Group and the Group's largest 100 non-cash loan customers compose 15.33% of total off-balance sheet items (31 December 2014: 14.09% and 17.47%).

The Group's largest 200 cash loan customers compose 29.74% of the total cash loan portfolio (31 December 2014: 27.30%).

The Group's largest 200 non-cash loan customers compose 66.75% of the total non-cash loan portfolio (31 December 2014: 68.25%).

The Group's largest 200 cash loan customers compose 19.62 % of total assets of the Group and the Bank's largest 200 non-cash loan customers compose 18.66% of total off-balance sheet items (31 December 2014: 17.70% and 21.07%).

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

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

The general provision for credit risk amounts to TL 1,957,603 (31 December 2014: TL 1,603,242).

| Risk Classifications: | Current Period Risk Amount^(*) | Average Risk Amount^(*) |
|--|---|--|
| Claims on sovereigns and Central Banks | 57,024,024 | 57,630,354 |
| Claims on regional governments or local authorities | 3,701,832 | 3,256,170 |
| Claims on administrative bodies and other non-commercial undertakings | 1,110,567 | 1,084,244 |
| Claims on multilateral development banks | 219 | 36 |
| Claims on international organizations | - | - |
| Claims on banks and intermediary institutions | 10,498,291 | 12,197,625 |
| Claims on corporate | 62,902,098 | 60,633,093 |
| Claims included in the regulatory retail portfolios | 28,722,154 | 28,205,081 |
| Claims secured by residential property | 39,642,054 | 36,961,615 |
| Past due loans | 908,934 | 578,050 |
| Higher risk categories decided by the Agency | 11,406,846 | 11,243,906 |
| Marketable securities secured by mortgages | - | - |
| Securitization exposures | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - |
| Undertakings for collective investments in mutual funds | - | 548 |
| Other claims | 7,429,686 | 5,998,450 |

^(*) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2015 period.

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

| Risk Classifications: | Prior Period Risk Amount^(*) | Average Risk Amount^(*) |
|--|---|--|
| Claims on sovereigns and Central Banks | 52,348,682 | 47,375,472 |
| Claims on regional governments or local authorities | 2,990,873 | 2,407,535 |
| Claims on administrative bodies and other non-commercial undertakings | 1,053,325 | 764,673 |
| Claims on multilateral development banks | - | - |
| Claims on international organizations | - | - |
| Claims on banks and intermediary institutions | 16,770,100 | 14,357,255 |
| Claims on corporate | 51,793,913 | 46,819,372 |
| Claims included in the regulatory retail portfolios | 24,732,075 | 23,261,714 |
| Claims secured by residential property | 32,867,468 | 29,887,421 |
| Past due loans | 320,657 | 338,704 |
| Higher risk categories decided by the Agency | 12,635,218 | 11,653,113 |
| Marketable securities secured by mortgages | - | - |
| Securitization exposures | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - |
| Undertakings for collective investments in mutual funds | - | - |
| Other claims | 5,656,295 | 5,007,540 |

^(*) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2014 period.

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

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ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

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

Risk profile according to the geographical concentration ^(*)

| Current Period | Claims on sovereigns and Central Banks | Claims on regional governments or local authorities | Claims on administrative regional bodies and other non-commercial undertakings | Claims on multilateral development banks | Claims on international organizations | Claims on banks and intermediary institutions | Claims on corporates | Claims included in the regulatory retail portfolios | Claims secured by residential property | Past due loans | Higher risk categories decided by the Board | Secured by mortgages | Securitization positions | Short-term claims and short-term corporate claims on banks and intermediary institutions | Undertakings for collective investments in mutual funds | Other receivables | Total |
|--|--|---|--|--|---------------------------------------|---|----------------------|---|--|----------------|---|----------------------|--------------------------|--|---|-------------------|--------------------|
| Domestic | 52,902,940 | 3,694,135 | 1,110,567 | 2 | - | 3,378,158 | 61,135,851 | 28,675,914 | 39,615,204 | 903,784 | 11,289,128 | - | - | - | - | 6,278,985 | 208,984,668 |
| EU countries ⁽¹⁾ | 416,042 | - | - | 217 | - | 6,034,103 | 130,649 | 9,225 | - | 5,150 | - | - | - | - | - | 24,052 | 6,619,438 |
| OECD countries ⁽¹⁾ | - | - | - | - | - | 1,133 | 5 | - | - | - | - | - | - | - | - | - | 1,138 |
| Off-shore banking regions | - | - | - | - | - | - | 916 | - | - | - | - | - | - | - | - | - | 916 |
| USA, Canada | 3,627,192 | 7,697 | - | - | - | 951,702 | 1,501,066 | 37,015 | 26,850 | - | - | - | - | - | - | - | 6,151,522 |
| Other countries | 77,850 | - | - | - | - | 133,195 | 133,611 | - | - | - | 117,718 | - | - | - | - | - | 462,374 |
| Investment and associates, subsidiaries and joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 496,774 | 496,774 |
| Undistributed Assets/ Liabilities ⁽²⁾ | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 629,875 | 629,875 |
| Total | 57,024,024 | 3,701,832 | 1,110,567 | 219 | - | 10,498,291 | 62,902,098 | 28,722,154 | 39,642,054 | 908,934 | 11,406,846 | - | - | - | - | 7,429,686 | 223,346,705 |

⁽¹⁾ EU countries, OECD countries except USA and Canada.

⁽²⁾ The assets and liabilities that can not be distributed according to a consistent base.

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

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

| Prior Period | Claims on sovereigns and Central Banks | Claims on regional governments or local authorities | Claims on administrative regional bodies and other non-commercial undertakings | Claims on multilateral development banks | Claims on international organizations | Claims on banks and intermediary institutions | Claims on corporates | Claims included in the regulatory retail portfolios | Claims secured by residential property | Past due loans | Higher risk categories decided by the Board | Secured by mortgages | Securitization positions | Short-term claims and short-term corporate claims on banks and intermediary institutions | Undertakings for collective investments in mutual funds | Other receivables | Total |
|--|--|---|--|--|---------------------------------------|---|----------------------|---|--|----------------|---|----------------------|--------------------------|--|---|-------------------|--------------------|
| Domestic | 50,201,945 | 2,977,134 | 1,053,325 | - | - | 6,448,429 | 50,434,062 | 24,692,350 | 32,833,278 | 315,412 | 12,548,291 | - | - | - | - | 4,727,608 | 186,231,834 |
| EU countries | 340,754 | - | - | - | - | 9,546,995 | 131,762 | 10,027 | - | 5,245 | - | - | - | - | - | 17,687 | 10,052,470 |
| OECD countries ⁽¹⁾ | - | - | - | - | - | 1,478 | 63 | - | - | - | - | - | - | - | - | - | 1,541 |
| Off-shore banking regions | - | - | - | - | - | - | 786 | - | - | - | - | - | - | - | - | - | 786 |
| USA, Canada | 1,805,983 | 13,739 | - | - | - | 676,493 | 1,049,673 | 29,698 | 34,190 | - | - | - | - | - | - | - | 3,609,776 |
| Other countries | - | - | - | - | - | 96,705 | 177,567 | - | - | - | 86,927 | - | - | - | - | 15 | 361,214 |
| Investment and associates, subsidiaries and joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 466,066 | 466,066 |
| Undistributed Assets/ Liabilities ⁽²⁾ | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 444,919 | 444,919 |
| Total | 52,348,682 | 2,990,873 | 1,053,325 | - | - | 16,770,100 | 51,793,913 | 24,732,075 | 32,867,468 | 320,657 | 12,635,218 | - | - | - | - | 5,656,295 | 201,168,606 |

⁽¹⁾ EU countries, OECD countries except USA and Canada.

⁽²⁾ The assets and liabilities that can not be distributed according to a consistent base.

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

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

Risk profile according to sectors and counterparties (*)

| Current Period | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | TL | FC | Total |
|---|-------------------|------------------|------------------|------------|---|-------------------|-------------------|-------------------|-------------------|----------------|-------------------|----|----|----|----|------------------|--------------------|-------------------|--------------------|
| Agricultural | 2,414 | 105 | 26,352 | - | - | - | 1,161,728 | 439,998 | 705,331 | - | 59,684 | - | - | - | - | - | 1,785,630 | 609,982 | 2,395,612 |
| <i>Farming and raising livestock</i> | 2,018 | 105 | 26,352 | - | - | - | 842,919 | 395,678 | 647,326 | - | 59,636 | - | - | - | - | - | 1,649,514 | 324,520 | 1,974,034 |
| <i>Forestry</i> | 393 | - | - | - | - | - | 281,910 | 22,702 | 32,854 | - | 39 | - | - | - | - | - | 81,705 | 256,193 | 337,898 |
| <i>Fishing</i> | 3 | - | - | - | - | - | 36,899 | 21,618 | 25,151 | - | 9 | - | - | - | - | - | 54,411 | 29,269 | 83,680 |
| Manufacturing | 1,045 | 740 | 193,618 | - | - | - | 26,412,474 | 2,623,725 | 5,560,093 | - | 6,131 | - | - | - | - | - | 13,123,768 | 21,674,058 | 34,797,826 |
| <i>Mining</i> | - | - | 3,674 | - | - | - | 1,163,960 | 91,198 | 196,693 | - | 216 | - | - | - | - | - | 481,280 | 974,461 | 1,455,741 |
| <i>Production</i> | 980 | 30 | 97,208 | - | - | - | 17,893,764 | 2,487,186 | 5,194,457 | - | 5,795 | - | - | - | - | - | 11,060,452 | 14,618,968 | 25,679,420 |
| <i>Electric, Gas, Water</i> | 65 | 710 | 92,736 | - | - | - | 7,354,750 | 45,341 | 168,943 | - | 120 | - | - | - | - | - | 1,582,036 | 6,080,629 | 7,662,665 |
| Construction | 42 | 225 | 353 | - | - | - | 8,574,498 | 1,509,265 | 5,041,111 | - | 3,379 | - | - | - | - | - | 8,895,159 | 6,233,714 | 15,128,873 |
| Services | 36,818,658 | 3,634,972 | 634,288 | 217 | - | 10,498,291 | 20,067,827 | 9,966,610 | 13,806,938 | - | 147,886 | - | - | - | - | 79,253 | 60,468,962 | 35,185,978 | 95,654,940 |
| <i>Wholesale and retail trade</i> | 4,975 | 3,765 | 98,714 | - | - | - | 7,372,177 | 5,617,739 | 8,146,349 | - | 18,612 | - | - | - | - | - | 16,275,415 | 4,986,916 | 21,262,331 |
| <i>Hotel, Food and Beverage Services</i> | 14 | 1,027 | 622 | - | - | - | 1,838,986 | 295,384 | 2,560,578 | - | 2,136 | - | - | - | - | - | 1,281,778 | 3,416,969 | 4,698,747 |
| <i>Transportation and Telecommunication</i> | 54 | 8,502 | 34,503 | - | - | - | 6,057,655 | 3,646,731 | 1,758,499 | - | 6,977 | - | - | - | - | - | 6,123,706 | 5,389,215 | 11,512,921 |
| <i>Financial Institutions</i> | 36,645,125 | 11 | 100,192 | 217 | - | 10,498,291 | 3,389,360 | 35,139 | 465,128 | - | 117,938 | - | - | - | - | 79,253 | 31,281,611 | 20,049,043 | 51,330,654 |
| <i>Real Estate and renting services</i> | - | - | 4 | - | - | - | 452,479 | 86,614 | 183,413 | - | 449 | - | - | - | - | - | 431,092 | 291,867 | 722,959 |
| <i>Self-employment services</i> | 159 | 724 | 2,444 | - | - | - | 7,679 | - | - | - | - | - | - | - | - | - | 11,006 | - | 11,006 |
| <i>Education services</i> | 4,995 | 48 | 8,889 | - | - | - | 216,735 | 67,764 | 272,888 | - | 258 | - | - | - | - | - | 519,242 | 52,335 | 571,577 |
| <i>Health and social services</i> | 163,336 | 3,620,895 | 388,920 | - | - | - | 732,756 | 217,239 | 420,083 | - | 1,516 | - | - | - | - | - | 4,545,112 | 999,633 | 5,544,745 |
| Other | 20,201,865 | 65,790 | 255,956 | 2 | - | - | 6,685,571 | 14,182,556 | 14,528,581 | 908,934 | 11,189,766 | - | - | - | - | 7,350,433 | 51,393,140 | 23,976,314 | 75,369,454 |
| Total | 57,024,024 | 3,701,832 | 1,110,567 | 219 | - | 10,498,291 | 62,902,098 | 28,772,154 | 39,642,054 | 908,934 | 11,406,846 | - | - | - | - | 7,429,686 | 135,666,659 | 87,680,046 | 223,346,705 |

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

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

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

| Prior Period | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | TL | FC | Total | |
|---|-------------------|------------------|------------------|---|---|---|-------------------|-------------------|-------------------|-------------------|----------------|-------------------|----|----|----|----|-------------------|--------------------|-------------------|--------------------|
| Agricultural | 91 | 38 | 189,639 | - | - | - | 953,400 | 383,982 | 403,997 | - | 4,691 | - | - | - | - | - | 1,380,714 | 555,124 | 1,935,838 | |
| <i>Farming and raising livestock</i> | 91 | 38 | 189,639 | - | - | - | 641,664 | 333,617 | 351,702 | - | 4,260 | - | - | - | - | - | 1,245,569 | 275,442 | 1,521,011 | |
| <i>Forestry</i> | - | - | - | - | - | - | 280,965 | 31,160 | 24,346 | - | 185 | - | - | - | - | - | 77,753 | 258,903 | 336,656 | |
| <i>Fishing</i> | - | - | - | - | - | - | 30,771 | 19,205 | 27,949 | - | 246 | - | - | - | - | - | 57,392 | 20,779 | 78,171 | |
| Manufacturing | 1,004,291 | 40 | 160,376 | - | - | - | 20,962,364 | 2,485,075 | 4,843,193 | - | 7,120 | - | - | - | - | - | 12,215,344 | 17,247,115 | 29,462,459 | |
| <i>Mining</i> | 1,004,291 | - | 4,643 | - | - | - | 420,910 | 94,155 | 323,949 | - | 68 | - | - | - | - | - | 453,468 | 390,257 | 843,725 | |
| <i>Production</i> | - | 11 | 153,725 | - | - | - | 14,152,137 | 2,351,669 | 4,361,948 | - | 6,924 | - | - | - | - | - | 10,279,250 | 11,751,455 | 22,030,705 | |
| <i>Electric, Gas, Water</i> | - | 29 | 2,008 | - | - | - | 6,389,317 | 39,251 | 157,296 | - | 128 | - | - | - | - | - | 1,482,626 | 5,105,403 | 6,588,029 | |
| Construction | 280 | 6 | 1 | - | - | - | 6,489,523 | 1,427,900 | 4,336,534 | - | 4,491 | - | - | - | - | - | 7,081,245 | 5,177,490 | 12,258,735 | |
| <i>Services</i> | 30,606,027 | 2,896,367 | 608,280 | - | - | - | 16,768,801 | 9,436,412 | 10,612,815 | - | 131,531 | - | - | - | - | - | 15 | 57,130,945 | 31,135,646 | 88,266,591 |
| <i>Wholesale and retail trade</i> | 279 | 125 | 286 | - | - | - | 6,995,957 | 5,387,275 | 6,508,686 | - | 29,082 | - | - | - | - | - | 14,053,533 | 4,868,157 | 18,921,690 | |
| <i>Hotel, Food and Beverage Services</i> | 9 | 6 | 78 | - | - | - | 1,352,147 | 296,071 | 1,545,078 | - | 2,885 | - | - | - | - | - | 1,016,690 | 2,179,584 | 3,196,274 | |
| <i>Transportation and Telecommunication</i> | 11 | - | 240,027 | - | - | - | 4,574,341 | 3,392,287 | 1,353,077 | - | 9,016 | - | - | - | - | - | 5,474,745 | 4,094,014 | 9,568,759 | |
| <i>Financial Institutions</i> | 30,478,929 | - | 69 | - | - | - | 2,997,595 | 34,296 | 457,626 | - | 87,390 | - | - | - | - | - | 15 | 31,915,393 | 18,909,828 | 50,825,221 |
| <i>Real Estate and renting services</i> | - | - | 3 | - | - | - | 453,929 | 73,037 | 138,421 | - | 1,138 | - | - | - | - | - | 423,039 | 243,489 | 666,528 | |
| <i>Self-employment services</i> | - | - | 3,786 | - | - | - | 643 | - | - | - | - | - | - | - | - | - | 4,429 | - | 4,429 | |
| <i>Education services</i> | 74 | 4 | 5,067 | - | - | - | 205,181 | 49,412 | 237,724 | - | 522 | - | - | - | - | - | 437,031 | 60,953 | 497,984 | |
| <i>Health and social services</i> | 126,725 | 2,896,232 | 358,964 | - | - | - | 626,550 | 203,534 | 372,203 | - | 1,498 | - | - | - | - | - | 3,806,085 | 779,621 | 4,585,706 | |
| Other | 20,737,993 | 94,422 | 95,029 | - | - | - | 1,299 | 6,182,283 | 10,998,706 | 12,670,929 | 320,657 | 12,487,385 | - | - | - | - | 47,251,620 | 21,993,363 | 69,244,983 | |
| Total | 52,348,682 | 2,990,873 | 1,053,325 | - | - | - | 16,770,100 | 51,793,913 | 24,732,075 | 32,867,468 | 320,657 | 12,635,218 | - | - | - | - | 5,656,295 | 125,059,868 | 76,108,738 | 201,168,606 |

○ Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

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

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

| Risk Classifications-Current Period | According to their outstanding maturities | | | | |
|--|---|------------------|-------------------|-------------------|--------------------|
| | 1 month | 1-3 month | 3-6 month | 6-12 month | 1 year and over |
| Claims on sovereigns and Central Banks | 7,936,470 | 151,346 | 399,825 | 1,811,781 | 46,724,602 |
| Claims on regional governments or local authorities | 9,104 | 15,419 | 85,821 | 146,074 | 3,445,414 |
| Claims on administrative bodies and other non-commercial undertakings | 32,724 | 38,442 | 89,225 | 37,776 | 912,400 |
| Claims on multilateral development banks | - | - | - | 217 | 2 |
| Claims on international organizations | - | - | - | - | - |
| Claims on banks and intermediary institutions | 5,565,126 | 973,107 | 719,948 | 71,678 | 3,168,432 |
| Claims on corporate | 2,766,479 | 4,100,994 | 6,104,668 | 10,372,218 | 39,557,739 |
| Claims included in the regulatory retail portfolios | 475,513 | 1,069,575 | 1,896,600 | 4,252,175 | 21,028,291 |
| Claims secured by residential property | 729,855 | 1,249,282 | 2,168,805 | 4,718,668 | 30,775,444 |
| Past due loans | - | - | - | - | 908,934 |
| Higher risk categories decided by the Agency | - | - | - | 14,009 | 11,392,837 |
| Marketable securities secured by mortgages | - | - | - | - | - |
| Securitization exposures | - | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - | - |
| Other claims | 24,052 | - | - | - | 7,405,634 |
| Total | 17,539,323 | 7,598,165 | 11,464,892 | 21,424,596 | 165,319,729 |

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

| Risk Classifications-Prior Period | According to their outstanding maturities | | | | |
|--|---|------------------|------------------|-------------------|--------------------|
| | 1 month | 1-3 month | 3-6 month | 6-12 month | 1 year and over |
| Claims on sovereigns and Central Banks | 5,166,678 | 644,411 | 1,150,586 | 818,234 | 44,568,773 |
| Claims on regional governments or local authorities | 9,500 | 4,726 | 23,639 | 55,293 | 2,897,715 |
| Claims on administrative bodies and other non-commercial undertakings | 22,755 | 32,027 | 62,029 | 222,500 | 714,014 |
| Claims on multilateral development banks | - | - | - | - | - |
| Claims on international organizations | - | - | - | - | - |
| Claims on banks and intermediary institutions | 12,879,070 | 968,574 | 595,254 | 177,196 | 2,150,006 |
| Claims on corporate | 2,979,211 | 3,438,786 | 4,298,690 | 9,180,010 | 31,897,216 |
| Claims included in the regulatory retail portfolios | 494,763 | 960,696 | 1,649,708 | 4,178,296 | 17,448,612 |
| Claims secured by residential property | 573,828 | 1,048,581 | 1,696,829 | 4,030,103 | 25,518,127 |
| Past due loans | - | - | - | - | 320,657 |
| Higher risk categories decided by the Agency | - | - | - | 14,320 | 12,620,898 |
| Marketable securities secured by mortgages | - | - | - | - | - |
| Securitization exposures | - | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - | - |
| Other claims | 17,687 | - | - | - | 5,638,608 |
| Total | 22,143,492 | 7,097,801 | 9,476,735 | 18,675,952 | 143,774,626 |

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

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Risk balances according to risk weights

| Risk Weights Current Period | 0% | 10% | 20% | 50% | 75% | 100% | 150% | 200% | 250% | 1250% | Deductions from the shareholders' equity |
|---|------------|-----|------------|------------|------------|------------|-----------|-----------|---------|-------|--|
| | | | | | | | | | | | |
| Pre-Amount of Credit Risk Mitigation | 52,398,384 | - | 10,754,016 | 45,380,875 | 27,765,430 | 75,641,154 | 3,666,757 | 7,571,232 | 168,857 | - | 447,024 |
| Amount after Credit Risk Mitigation | 56,021,211 | - | 8,531,672 | 46,489,761 | 27,570,823 | 73,342,392 | 3,660,714 | 7,561,275 | 168,857 | - | 447,024 |
| Risk Weights Prior Period | 0% | 10% | 20% | 50% | 75% | 100% | 150% | 200% | 250% | 1250% | Deductions from the shareholders' equity |
| Pre-Amount of Credit Risk Mitigation | 48,195,850 | - | 17,821,331 | 38,592,192 | 23,546,411 | 60,377,604 | 2,990,704 | 9,446,254 | 198,260 | - | 382,261 |
| Amount after Credit Risk Mitigation | 55,620,001 | - | 11,639,035 | 38,668,549 | 23,382,850 | 59,238,068 | 2,986,884 | 9,434,959 | 198,260 | - | 382,261 |

In determining the risk weights of the receivables from overseas banks, the risk rates which are given by International Credit Rating Agency Fitch Ratings. The risk rates of Fitch Ratings are also used for foreign currency securities issued by the Republic of Turkey Prime Ministry Undersecretariat of Treasury, and for other foreign currency risks associated with the Central Government of Republic of Turkey.

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

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Information According to Sectors and Counterparties

| Current Period | Loans | | | Provisions |
|---|-------------------------|--------------------------|------------------------------------|------------------|
| | Impaired ^(*) | Past Due ^(**) | Value Adjustments ^(***) | |
| Agricultural | 97,854 | 63,490 | 1,082 | 84,031 |
| <i>Farming and raising livestock</i> | 87,308 | 57,860 | 995 | 74,536 |
| <i>Forestry</i> | 8,408 | 3,188 | 75 | 7,669 |
| <i>Fishing</i> | 2,138 | 2,442 | 12 | 1,826 |
| Manufacturing | 1,092,095 | 263,507 | 6,344 | 899,226 |
| <i>Mining</i> | 139,744 | 7,731 | 63 | 73,788 |
| <i>Production</i> | 946,606 | 250,811 | 6,197 | 820,424 |
| <i>Electric, Gas, Water</i> | 5,745 | 4,965 | 84 | 5,014 |
| Construction | 538,816 | 214,734 | 4,877 | 463,489 |
| Services | 1,592,010 | 1,344,869 | 26,214 | 1,362,549 |
| <i>Wholesale and retail trade</i> | 969,437 | 596,895 | 12,883 | 818,176 |
| <i>Hotel, Food and Beverage Services</i> | 101,335 | 82,970 | 1,283 | 86,187 |
| <i>Transportation and telecommunication</i> | 311,208 | 448,813 | 8,132 | 271,145 |
| <i>Financial Institutions</i> | 10,448 | 4,873 | 89 | 10,281 |
| <i>Real estate and renting services</i> | 46,858 | 21,350 | 311 | 42,251 |
| <i>Self-employment services</i> | 119,204 | 145,031 | 2,792 | 105,315 |
| <i>Education services</i> | 8,723 | 17,877 | 333 | 7,744 |
| <i>Health and social services</i> | 24,797 | 27,060 | 391 | 21,450 |
| Other | 1,817,338 | 2,797,820 | 74,248 | 1,419,884 |
| Total | 5,138,113 | 4,684,420 | 112,765 | 4,229,179 |

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

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

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

| Prior Period | Loans | | | Provisions |
|---|-------------------------|--------------------------|------------------------------------|------------------|
| | Impaired ^(*) | Past Due ^(**) | Value Adjustments ^(***) | |
| Agricultural | 84,649 | 33,519 | 806 | 82,268 |
| <i>Farming and raising livestock</i> | 73,386 | 29,466 | 632 | 71,369 |
| <i>Forestry</i> | 7,255 | 1,271 | 90 | 6,917 |
| <i>Fishing</i> | 4,008 | 2,782 | 84 | 3,982 |
| Manufacturing | 943,578 | 281,898 | 11,181 | 860,342 |
| <i>Mining</i> | 62,492 | 7,706 | 3,240 | 36,654 |
| <i>Production</i> | 875,924 | 269,229 | 7,900 | 818,873 |
| <i>Electric, Gas, Water</i> | 5,162 | 4,963 | 41 | 4,815 |
| Construction | 454,112 | 179,450 | 5,530 | 426,444 |
| Services | 1,359,276 | 1,291,693 | 29,871 | 1,258,092 |
| <i>Wholesale and retail trade</i> | 824,331 | 602,209 | 15,099 | 759,894 |
| <i>Hotel, Food and Beverage Services</i> | 58,144 | 78,793 | 1,445 | 55,388 |
| <i>Transportation and telecommunication</i> | 280,028 | 433,429 | 9,073 | 261,312 |
| <i>Financial Institutions</i> | 9,659 | 2,999 | 78 | 8,930 |
| <i>Real estate and renting services</i> | 44,923 | 11,288 | 234 | 41,194 |
| <i>Self-employment services</i> | 109,543 | 121,114 | 3,041 | 101,835 |
| <i>Education services</i> | 6,838 | 9,717 | 170 | 4,814 |
| <i>Health and social services</i> | 25,810 | 32,144 | 731 | 24,725 |
| Other | 1,340,350 | 1,983,307 | 79,209 | 1,234,162 |
| Total | 4,181,965 | 3,769,867 | 126,597 | 3,861,308 |

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

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

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

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| Current Period | The opening Balance | Provisions amounts set aside during the period | The cancelation of the provisions | Other Adjustments ⁽¹⁾ | Closing Balance |
|---------------------|---------------------|--|-----------------------------------|----------------------------------|-----------------|
| Specific Provisions | 3,861,308 | 1,085,809 | (723,382) | 5,444 | 4,229,179 |
| General Provisions | 1,603,242 | 354,951 | - | (590) | 1,957,603 |

⁽¹⁾ Includes effect of currency translations differences and other provisions' classifications.

| Prior Period | The opening Balance | Provisions amounts set aside during the period | The cancelation of the provisions | Other Adjustments ⁽¹⁾ | Closing Balance |
|---------------------|---------------------|--|-----------------------------------|----------------------------------|-----------------|
| Specific Provisions | 3,367,453 | 1,194,633 | (700,177) | (601) | 3,861,308 |
| General Provisions | 1,190,739 | 413,501 | - | (998) | 1,603,242 |

⁽¹⁾ Includes effect of currency translations differences and other provisions' classifications.

Fair value of collateral held against impaired loans

| | 31 December 2015 | 31 December 2014 |
|--------------------------------|------------------|------------------|
| Cash collateral ⁽¹⁾ | - | - |
| Mortgage | 1,796,132 | 1,167,532 |
| Promissory note ⁽²⁾ | - | - |
| Others ^(**) | 3,341,981 | 3,014,433 |
| Total | 5,138,113 | 4,181,965 |

⁽¹⁾ As a policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral and promissory note are shown as zero in the table above.⁽²⁾ Sureties obtained for impaired loans are presented in this row to the extent that the amount does not exceed the amount of impaired loans.

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

| Cash loans | 31 December 2015 | 31 December 2014 |
|--|--------------------|--------------------|
| Secured Loans: | 94,650,837 | 79,129,908 |
| Secured by mortgages | 38,466,325 | 32,448,892 |
| Secured by cash collateral | 852,010 | 685,094 |
| Guarantees issued by financial institutions | 770,042 | 94,207 |
| Secured by government institutions or government securities | 1,459,632 | 930,621 |
| Other collateral (pledge on assets, corporate and personal guarantees, promissory notes) | 53,102,828 | 44,971,094 |
| Unsecured Loans | 32,443,460 | 28,505,474 |
| Total performing loans | 127,094,297 | 107,635,382 |

| Non-cash loans | 31 December 2015 | 31 December 2014 |
|--|-------------------|-------------------|
| Secured Loans: | 14,300,378 | 12,534,623 |
| Secured by mortgages | 2,983,905 | 1,092,714 |
| Secured by cash collateral | 243,874 | 383,649 |
| Guarantees issued by financial institutions | 229,287 | - |
| Other collateral (pledge on assets, corporate and personal guarantees, promissory notes) | 10,843,312 | 11,058,260 |
| Unsecured Loans | 18,819,523 | 16,140,424 |
| Total non-cash loans | 33,119,901 | 28,675,047 |

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III. CONSOLIDATED MARKET RISK

The Group calculates market risk using standard method and allocates legal capital in compliance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in 28 June dated 2012 Official Gazette no. 28337.

The market risk is defined as the potential risk of loss due to changes in interest rates, foreign exchange rates and equity prices on balance sheet and off-balance sheet positions of the Group.

The capital needed for general market risk and specific risks is calculated using the standard method defined by the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and reported monthly.

In addition to the standard method, the Group also uses internal models like Historical and Monte Carlo simulations in measuring market risk. The Group also performs daily back-testing in order to measure the reliability of the models. Besides, scenario analyses are implemented in order to support the Standard Method and internal models. In order to monitor the maturity structure of the asset and liability accounts, liquidity analysis are performed and the duration of The Group's assets and liabilities is calculated.

The market risk analysis of The Parent Bank is reported monthly and sent to the related regulatory institutions.

Value at consolidated market risk

| | Current Period | Prior Period |
|--|------------------|----------------|
| (I) Capital Obligation against General Market Risk - Standard Method | 19,671 | 16,249 |
| (II) Capital Obligation against Specific Risks - Standard Method | 5,671 | 1,893 |
| Capital to be Employed for Specific Risk in Securitisation Positions- Standard Method | - | - |
| (III) Capital Obligation against Currency Risk - Standard Method | 74,769 | 36,815 |
| (IV) Capital Obligation against Stocks Risks - Standard Method | - | - |
| (V) Capital Obligation against Exchange Risks - Standard Method | - | - |
| (VI) Capital Obligation against Market Risks of Options - Standard Method | 47 | 234 |
| (VII) Capital Obligation Calculated for Counterparty Credit Risk - Standard Method | 16,194 | 8,733 |
| (VIII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models | - | - |
| (IX) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI+VII) | 116,352 | 63,924 |
| (X) Value at Market Risk (12.5 x VIII) or (12.5 x IX) | 1,454,402 | 799,050 |

Average values at market risk

| | Current Year | | | Prior Year | | |
|----------------------------|------------------|------------------|----------------|----------------|----------------|----------------|
| | Average | Highest | Lowest | Average | Highest | Lowest |
| Interest Rate Risk | 19,122 | 20,694 | 16,707 | 13,531 | 16,953 | 11,352 |
| Common Share Risk | 2,146 | 4,867 | 1,193 | 1,895 | 6,896 | 759 |
| Currency Risk | 65,927 | 96,124 | 26,301 | 30,771 | 44,194 | 15,679 |
| Stock Risk | - | - | - | - | - | - |
| Exchange Risk | - | - | - | - | - | - |
| Option Risk | 173 | 611 | 23 | 1,677 | 3,804 | 42 |
| Counterparty Credit Risk | 17,806 | 24,180 | 12,975 | 9,912 | 11,892 | 8,464 |
| Total Value at Risk | 1,314,668 | 1,697,191 | 744,075 | 722,326 | 917,761 | 514,258 |

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Information on Counterparty Credit Risk

Counterparty credit risk is the probability of an economic loss that Bank could face because the counterparty to a transaction bringing liabilities to both parties could default before the final settlement of the transaction.

In calculation of the counterparty credit risk "Valuation Method on the Basis of Fair Value" is implemented in the scope of "Regulation on Calculation and Assessment of Capital Adequacy of the Banks". The counterparty credit risk of the derivatives includes current replacement cost and potential future credit exposure. Replacement cost is calculated on fair value of the contracts, whilst potential future credit risk exposure is calculated by multiplication of contract amounts with the credit conversion rates stated in the appendices of the regulation.

Information about counterparty risk

| | Current Period (°) | Prior Period (°) |
|----------------------------------|--------------------|------------------|
| Contracts based on Interest rate | 148,594 | 66,091 |
| Contracts based on currency | 141,618 | 100,177 |
| Contracts based on commodity | - | - |
| Contracts based on stocks | - | - |
| Other | - | - |
| Gross Positive Fair Value | 290,212 | 166,268 |
| Benefits of clarification | - | - |
| Clarified current risk amount | - | - |
| The securities which are held | - | - |
| The net position of derivatives | 290,212 | 166,268 |

° Counterparty risk related on held for trading accounts is presented.

IV. CONSOLIDATED OPERATIONAL RISK

The Group calculated the value at operational risk in accordance with the third section of "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" that is "Computation of Value of Operational Risk" published in 28 June 2012 dated Official Gazette no. 28337. The operational risk which the Group is exposed to is calculated according to the "Basic Indicator Method" hence by multiplying the average of the 15% of last three years' actual gross income with 12.5, in line with the effective legislation practices in the country.

| Current Period | 31 December 2012 | 31 December 2013 | 31 December 2014 | Total / Total number of years for which gross income is positive | Rate (%) | Total |
|--|------------------|------------------|------------------|--|----------|-------------------|
| Gross Income | 5,215,105 | 5,893,893 | 6,411,206 | 5,840,068 | 15 | 876,010 |
| Amount subject to operational risk (Total*12.5) | | | | | | 10,950,128 |

| Prior Period | 31 December 2011 | 31 December 2012 | 31 December 2013 | Total / Total number of years for which gross income is positive | Rate (%) | Total |
|--|------------------|------------------|------------------|--|----------|------------------|
| Gross Income | 4,265,465 | 5,215,105 | 5,893,893 | 5,124,821 | 15 | 768,723 |
| Amount subject to operational risk (Total*12.5) | | | | | | 9,609,040 |

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V. 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 31 December 2015 and 31 December 2014, the Group does not have derivative financial instruments held for risk management purpose.

Foreign exchange risk management policy

Risk policy of the Parent Bank is based on the transactions within the limits and keeping the currency position well-balanced. In the light of the national legislations and international applications, the Parent Bank has established a foreign currency risk management policy that enables the Group to take position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the Parent Bank. The effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Parent Bank in TL are as follows:

| | US Dollar | Euro |
|--|---------------|---------------|
| The Bank's foreign currency purchase rate at the balance sheet date | 2.9100 | 3.1661 |
| Foreign currency purchase rates for the days before balance sheet date; | | |
| Day 1 | 2.8600 | 3.1263 |
| Day 2 | 2.8500 | 3.1259 |
| Day 3 | 2.8600 | 3.1368 |
| Day 4 | 2.8500 | 3.1259 |
| Day 5 | 2.8600 | 3.1260 |
| Last 30-days arithmetical average rate | 2.8527 | 3.0912 |

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Information on currency risk

| Current Period | Euro | US Dollar | Other FC | Total |
|--|--------------------|-------------------|--------------------|--------------------|
| Assets: | | | | |
| Cash and balances with the Central Bank of Republic of Turkey | 2,816,103 | 12,164,961 | 4,374,833 | 19,355,897 |
| Banks | 482,497 | 4,458,573 | 49,150 | 4,990,220 |
| Financial assets at fair value through profit or loss ⁽¹⁾ | 99,587 | 107,382 | - | 206,969 |
| Interbank money market placements | - | - | - | - |
| Available-for-sale financial assets | 1,434,226 | 3,801,539 | - | 5,235,765 |
| Loans and receivables ⁽²⁾ | 14,002,966 | 27,027,727 | 32,311 | 41,063,004 |
| Associates, subsidiaries and joint-ventures | 3 | - | - | 3 |
| Held-to-maturity investments | - | 130,981 | - | 130,981 |
| Derivative financial assets held for risk management purpose | - | - | - | - |
| Tangible assets | 926 | 4,292 | - | 5,218 |
| Intangible assets | 31 | - | - | 31 |
| Other assets ^{(3) (4)} | 856,094 | 1,512,853 | 705 | 2,369,652 |
| Total assets | 19,692,433 | 49,208,308 | 4,456,999 | 73,357,740 |
| Liabilities: | | | | |
| Bank deposits | 145,724 | 3,360,282 | 44,199 | 3,550,205 |
| Foreign currency deposits | 13,225,461 | 18,416,070 | 763,473 | 32,405,004 |
| Interbank money market takings | - | 3,403,437 | - | 3,403,437 |
| Funds borrowed ⁽⁵⁾ | 8,479,251 | 10,782,369 | 1,076 | 19,262,696 |
| Securities issued | 2,190,569 | 5,186,409 | 12,110 | 7,389,088 |
| Miscellaneous payables | 550,084 | 155,175 | 45,101 | 750,360 |
| Derivative financial liabilities held for risk management purpose | - | - | - | - |
| Other liabilities ^{(1) (4) (6)} | 81,851 | 5,941,697 | 1,035 | 6,024,583 |
| Total liabilities | 24,672,940 | 47,245,439 | 866,994 | 72,785,373 |
| Net 'on balance sheet' position | (4,980,507) | 1,962,869 | 3,590,005 | 572,367 |
| Net 'off-balance sheet' position | 5,576,216 | (670,154) | (3,577,895) | 1,328,167 |
| Derivative assets ⁽⁷⁾ | 7,738,067 | 12,701,193 | 2,036,853 | 22,476,113 |
| Derivative liabilities ⁽⁷⁾ | 2,161,851 | 13,371,347 | 5,614,748 | 21,147,946 |
| Non-cash loans ⁽⁸⁾ | 3,015,389 | 7,731,618 | 246,531 | 10,993,538 |
| Prior Period | Euro | US Dollar | Other FC | Total |
| Total assets | 14,276,007 | 40,285,316 | 4,446,412 | 59,007,735 |
| Total liabilities | 19,633,096 | 40,246,828 | 1,013,061 | 60,892,985 |
| Net 'on balance sheet' position | (5,357,089) | 38,488 | 3,433,351 | (1,885,250) |
| Net 'off-balance sheet' position | 5,456,748 | 346,269 | (3,430,091) | 2,372,926 |
| Derivative assets ⁽⁷⁾ | 7,545,021 | 8,766,209 | 1,377,221 | 17,688,451 |
| Derivative liabilities ⁽⁷⁾ | 2,088,273 | 8,419,940 | 4,807,312 | 15,315,525 |
| Non-cash loans ⁽⁸⁾ | 2,217,630 | 9,304,139 | 260,328 | 11,782,097 |

⁽¹⁾ Derivative financial assets amounting to TL (51,275) (31 December 2014: TL 4,896) and liabilities amounting to TL (11,791) (31 December 2014: TL (86,657)) resulting from changes in foreign exchange rates are not included.⁽²⁾ Foreign currency indexed loans amounting to TL 3,555,465 (31 December 2014: TL 2,751,245) presented in TL in the financial statements are included in the above table.⁽³⁾ Foreign currency indexed factoring receivables amounting to TL 67,225 (31 December 2014: TL 65,320) presented in TL column in the accompanying consolidated balance sheet are included.⁽⁴⁾ Prepaid expenses amounting to TL 66,010 (31 December 2014: TL 60,637) are not included.⁽⁵⁾ Foreign currency indexed loans is shown as TL in the financial statements are not included. (31 December 2014: TL 68,860).⁽⁶⁾ Unearned income amounting to TL 110,576 (31 December 2014: TL 51,232) and deferred tax liabilities amounting to TL 6,210 (31 December 2014: 7,390) are not included. Equities amounting to 565,299 TL (31 December 2014: TL 553,581) are not included.⁽⁷⁾ Asset purchase commitments amounting to TL 1,835,888 (31 December 2014: TL 1,327,706), asset sales commitments amounting to TL 1,895,065 (31 December 2014: TL 1,312,928) and precious metal swaps amounting to TL 5,597,158 (31 December 2014: TL 4,773,860) are included.⁽⁸⁾ Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

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Exposure to currency risk

10 percent depreciation of the TL against the following currencies as at and for the year ended 31 December 2015 and 2014 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.

| | 31 December 2015 | | 31 December 2014 | |
|-----------------------------------|------------------|-----------------------|------------------|-----------------------|
| | Profit or loss | Equity ^(*) | Profit or loss | Equity ^(*) |
| US Dollar | 128,842 | 128,842 | 38,327 | 38,327 |
| Euro | 27,552 | 41,688 | (15,206) | 21,112 |
| Other currencies | 1,211 | 1,211 | 326 | 326 |
| Total, net ^(**) | 157,605 | 171,741 | 23,447 | 59,765 |

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

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

10 percent appreciation of the TL against the following currencies as at and for the year ended 31 December 2015 and 2014 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

| | 31 December 2015 | | 31 December 2014 | |
|-----------------------------------|------------------|-----------------------|------------------|-----------------------|
| | Profit or loss | Equity ^(*) | Profit or loss | Equity ^(*) |
| US Dollar | (127,517) | (127,517) | (36,833) | (36,833) |
| Euro | (27,552) | (41,688) | 15,206 | (21,112) |
| Other currencies | (1,085) | (1,085) | (100) | (100) |
| Total, net ^(**) | (156,154) | (170,290) | (21,727) | (58,045) |

^(*) 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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VI. 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 | 12,781,090 | - | - | - | - | 8,708,824 | 21,489,914 |
| Banks | 5,475,827 | 194,049 | 61,644 | - | - | 444,499 | 6,176,019 |
| Financial assets at fair value through profit/ loss | 391,852 | 421,683 | 6,030 | 87,765 | 73,042 | 15,490 | 995,862 |
| Interbank money market placements | 6,699 | - | - | - | - | - | 6,699 |
| Available-for-sale financial assets | 2,388,751 | 2,496,529 | 4,703,040 | 5,237,102 | 2,431,436 | 79,253 | 17,336,111 |
| Loans and receivables | 42,202,253 | 26,571,644 | 26,825,084 | 19,169,977 | 10,281,787 | 908,934 | 125,959,679 |
| Held-to-maturity investments | 1,010,446 | 1,774,694 | 3,360,520 | 1,301,192 | 230,877 | - | 7,677,729 |
| Other assets ⁽¹⁾ | 104,786 | 295,650 | 311,063 | 1,119,520 | 227,377 | 7,885,149 | 9,943,545 |
| Total assets | 64,361,704 | 31,754,249 | 35,267,381 | 26,915,556 | 13,244,519 | 18,042,149 | 189,585,558 |
| <i>Liabilities:</i> | | | | | | | |
| Bank deposits | 4,477,914 | 555,665 | 151,903 | - | - | 392,993 | 5,578,475 |
| Other deposits | 58,747,568 | 19,744,450 | 7,262,399 | 777,354 | 16,558 | 19,883,193 | 106,431,522 |
| Interbank money market takings | 11,216,171 | 1,148,950 | - | 397,450 | 64,627 | - | 12,827,198 |
| Miscellaneous payables | - | - | - | - | - | 4,397,761 | 4,397,761 |
| Securities issued | 1,179,387 | 1,235,096 | 2,244,042 | 5,988,183 | - | - | 10,646,708 |
| Funds borrowed | 3,683,934 | 7,684,616 | 5,500,813 | 929,920 | 2,395,764 | - | 20,195,047 |
| Other liabilities ⁽²⁾ | 45,764 | 92,326 | 245,280 | 903,262 | 3,176,408 | 25,045,807 | 29,508,847 |
| Total liabilities | 79,350,738 | 30,461,103 | 15,404,437 | 8,996,169 | 5,653,357 | 49,719,754 | 189,585,558 |
| On balance sheet long position | - | 1,293,146 | 19,862,944 | 17,919,387 | 7,591,162 | - | 46,666,639 |
| On balance sheet short position | (14,989,034) | - | - | - | - | (31,677,605) | (46,666,639) |
| Off-balance sheet long position | 1,207,068 | 2,297,615 | - | - | - | - | 3,504,683 |
| Off-balance sheet short position | - | - | (315,011) | (1,725,656) | (902,100) | - | (2,942,767) |
| Net position | (13,781,966) | 3,590,761 | 19,547,933 | 16,193,731 | 6,689,062 | (31,677,605) | 561,916 |

⁽¹⁾ Subsidiaries, associates and tangible and intangible assets, and deferred tax are included in non-interest bearing column.

⁽²⁾ Equity is included in non-interest bearing column in other liabilities line.

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| 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 | 3,055,551 | - | - | - | - | 18,835,530 | 21,891,081 |
| Banks | 2,983,521 | 214,751 | 6,290 | - | - | 363,946 | 3,568,508 |
| Financial assets at fair value through profit/loss | 172,007 | 207,100 | 7,569 | 33,427 | 25,905 | 4,233 | 450,241 |
| Interbank money market placements | 9,504 | - | - | - | - | - | 9,504 |
| Available-for-sale financial assets | 2,666,118 | 2,035,297 | 5,241,522 | 4,305,279 | 2,622,884 | 15 | 16,871,115 |
| Loans and receivables | 33,476,465 | 22,448,303 | 21,987,427 | 17,768,042 | 10,356,537 | 318,897 | 106,355,671 |
| Held-to-maturity investments | 281,186 | 1,559,200 | 3,180,566 | 290,780 | 1,542,861 | - | 6,854,593 |
| Other assets ^(*) | 65,719 | 315,931 | 170,248 | 853,884 | 243,339 | 5,901,628 | 7,550,749 |
| Total assets | 42,710,071 | 26,780,582 | 30,593,622 | 23,251,412 | 14,791,526 | 25,424,249 | 163,551,462 |
| <i>Liabilities:</i> | | | | | | | |
| Bank deposits | 4,208,236 | 452,338 | 22,912 | - | - | 66,930 | 4,750,416 |
| Other deposits | 45,030,713 | 19,282,775 | 6,861,948 | 709,033 | 18,322 | 16,749,406 | 88,652,197 |
| Interbank money market takings | 15,846,751 | 253,389 | 349,241 | - | 205,860 | - | 16,655,241 |
| Miscellaneous payables | - | - | - | - | - | 3,344,419 | 3,344,419 |
| Securities issued | 718,111 | 2,146,929 | 2,579,188 | 4,940,480 | - | - | 10,384,708 |
| Funds borrowed | 4,063,185 | 7,002,553 | 3,733,893 | 717,541 | 743,483 | - | 16,260,655 |
| Other liabilities ^(**) | 147,979 | 23,050 | 132,524 | 464,387 | 1,649,212 | 21,086,674 | 23,503,826 |
| Total liabilities | 70,014,975 | 29,161,034 | 13,679,706 | 6,831,441 | 2,616,877 | 41,247,429 | 163,551,462 |
| On balance sheet long position | - | - | 16,913,916 | 16,419,971 | 12,174,649 | - | 45,508,536 |
| On balance sheet short position | (27,304,904) | (2,380,452) | - | - | - | (15,823,180) | (45,508,536) |
| Off-balance sheet long position | 658,387 | 1,660,268 | - | - | - | - | 2,318,655 |
| Off-balance sheet short position | - | - | - | (1,304,201) | (777,200) | - | (2,081,401) |
| Net position | (26,646,517) | (720,184) | 16,913,916 | 15,115,770 | 11,397,449 | (15,823,180) | 237,254 |

^(*) 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.

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

| Current Period | Euro % | US Dollar % | Yen % | TL % |
|--|-----------|----------------|----------|---------|
| <i>Assets:</i> | | | | |
| Cash and balance with CBRT | - | 0.49 | - | 3.81 |
| Banks | 0.22 | 0.36 | - | 12.38 |
| Financial assets at fair value through profit/loss | 5.50 | 11.78 | - | 11.39 |
| Interbank money market placements | - | - | - | 11.65 |
| Available-for-sale financial assets | 4.43 | 6.70 | - | 6.98 |
| Loans and receivables | 3.77 | 4.69 | - | 12.10 |
| Held-to-maturity investments | - | 3.59 | - | 5.58 |
| <i>Liabilities:</i> | | | | |
| Bank deposits | 3.99 | 0.67 | - | 13.07 |
| Other deposits | 1.73 | 2.07 | - | 10.77 |
| Interbank money market takings | - | 1.08 | - | 8.46 |
| Miscellaneous payables | - | - | - | - |
| Securities issued | 2.72 | 4.44 | 0.93 | 10.93 |
| Funds borrowed | 1.07 | 1.87 | - | 11.83 |

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| Prior Period | Euro | US Dollar | Yen | TL |
|--|------|-----------|-----|-------|
| | % | % | % | % |
| Assets: | | | | |
| Cash and balance with CBRT | - | - | - | 1.51 |
| Banks | 0.70 | 0.28 | - | 10.59 |
| Financial assets at fair value through profit/loss | 5.50 | 11.78 | - | 11.45 |
| Interbank money market placements | - | - | - | 10.33 |
| Available-for-sale financial assets | 4.27 | 6.89 | - | 7.19 |
| Loans and receivables | 4.19 | 5.39 | - | 12.70 |
| Held-to-maturity investments | - | 1.58 | - | 5.56 |
| Liabilities: | | | | |
| Bank deposits | 0.66 | 0.42 | - | 8.59 |
| Other deposits | 1.98 | 2.13 | - | 9.22 |
| Interbank money market takings | - | 0.95 | - | 9.83 |
| Miscellaneous payables | - | - | - | - |
| Securities issued | 3.47 | 3.45 | - | 9.06 |
| Funds borrowed | 1.13 | 1.67 | - | 8.44 |

□ The rates above are calculated over financial instruments with interest rates.

The interest rate risk of the banking book items:

Measurement Frequency of Interest Rate Risk

Interest rate risk arising from banking book accounts is calculated in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standard Shock Technique" published in the 23 August 2011 dated Official Gazette no. 28034. Legal limit is monthly monitored and reported accordingly.

The economic value changes arising from the interest rate fluctuations which are measured according to "Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standard Shock Technique" are presented in the below table:

| Currency Unit-Current Period | Applied Shock (+/- x base point) | Gain/Loss | Gain/Equity- Loss/Equity |
|------------------------------------|-------------------------------------|-------------------------|-----------------------------|
| 1. TRY | 500 / (400) | (2,022,909) / 1,994,966 | (%9.45) / %9.32 |
| 2. EURO | 200 / (200) | 237,097 / (30,443) | %1.11 / (%0.14) |
| 3. US Dollar | 200 / (200) | 592,183 / (522,416) | %2.76 / (%2.44) |
| Total (For Negative Shocks) | - | 1,442,107 | 6.74% |
| Total (For Positive Shocks) | - | (1,193,629) | (5.58%) |

| Currency Unit-Prior Period | Applied Shock (+/- x base point) | Gain/Loss | Gain/Equity- Loss/Equity |
|------------------------------------|-------------------------------------|-------------------------|-----------------------------|
| 1. TRY | 500 / (400) | (2,440,546) / 2,452,172 | (%13.54) / %13.61 |
| 2. EURO | 200 / (200) | 178,773 / (9,440) | %0.99 / (%0.05) |
| 3. US Dollar | 200 / (200) | 441,639 / (383,071) | %2.45 / (%2.13) |
| Total (For Negative Shocks) | - | 2,059,661 | %11.43 |
| Total (For Positive Shocks) | - | (1,820,134) | (%10.10) |

The table above has been obtained from unconsolidated audited financial report dated 31 December 2015 disclosed on Public Disclosure Platform.

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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

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^(*) | 233,212 | 233,212 | 233,212 |
| 1.Stocks Investments Group A | 233,212 | 233,212 | 233,212 |
| 2.Stock Investments Group B | - | - | - |
| 3.Stock Investments Group C | - | - | - |
| Stocks unquoted in exchange^(**) | 412,393 | 271,913 | - |

^(*) 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^(*) | 203,092 | 203,092 | 203,092 |
| 1.Stocks Investments Group A | 203,092 | 203,092 | 203,092 |
| 2.Stock Investments Group B | - | - | - |
| 3.Stock Investments Group C | - | - | - |
| Stocks unquoted in exchange^(**) | 320,037 | 320,037 | - |

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

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

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

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

| Portfolio-Current Period | Realized Gain/Loss in Current Period | Revaluation Surplus | | Unrealized Gain and Loss | | |
|--------------------------------|--------------------------------------|----------------------|--------------------------|--------------------------|--------------------------|-----------------------------------|
| | | Total ^(*) | Included in Core Capital | Total ^(*) | Included in Core Capital | Included in Supplementary Capital |
| 1. Private Capital Investments | - | - | - | - | - | - |
| 2. Publicly Traded Stocks | - | - | - | - | - | - |
| 3. Other Stocks | - | 118,580 | 118,580 | - | - | - |
| 4. Total | - | 118,580 | 118,580 | - | - | - |

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

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| Portfolio-Prior Period | Realized Gain/Loss in Current Period | Revaluation Surplus | | Unrealized Gain and Loss | | |
|--------------------------------|--------------------------------------|---------------------|--------------------------|--------------------------|--------------------------|-----------------------------------|
| | | Total (€) | Included in Core Capital | Total (€) | Included in Core Capital | Included in Supplementary Capital |
| 1. Private Capital Investments | - | - | - | - | - | - |
| 2. Publicly Traded Stocks | - | - | - | - | - | - |
| 3. Other Stocks | - | 62,289 | 62,289 | - | - | - |
| 4. Total | - | 62,289 | 62,289 | - | - | - |

○ Amounts are presented including the effect of deferred tax.

VII. 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 Parent Bank is carried out under Treasury Department in regard to the Bank's strategic goals and projections, decisions taken in Active/Passive 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 Parent Bank's liquidity management. Cash flow statements are evaluated and the Bank's liquidity is managed in line with Treasury Department policies, daily TL and FC liquidity position Bank balance sheet and income goals.

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

The 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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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) | | | 28,842,274 | 19,291,743 |
| CASH OUTFLOWS | | | | |
| 2 Retail deposits and deposits from small business customers, of which: | 47,209,327 | 17,527,659 | 3,750,130 | 1,526,493 |
| 3 Stable deposits | 19,416,047 | 4,525,463 | 970,802 | 226,273 |
| 4 Less stable deposits | 27,793,280 | 13,002,196 | 2,779,328 | 1,300,220 |
| 5 Unsecured wholesale funding, of which: | 47,583,503 | 13,101,636 | 24,148,735 | 8,946,020 |
| 6 Operational deposits | 8,708,614 | 2,794,066 | 9,579,078 | 2,220,567 |
| 7 Non-operational deposits | 31,958,453 | 8,125,734 | 7,947,240 | 4,566,970 |
| 8 Unsecured debt | 6,916,436 | 2,181,836 | 6,622,417 | 2,158,483 |
| 9 Secured wholesale funding | | | - | - |
| 10 Additional requirements of which: | 11,935,341 | 10,289,600 | 11,935,341 | 10,289,599 |
| 11 Outflows related to derivative exposures and other collateral requirements | 11,935,341 | 10,289,600 | 11,935,341 | 10,289,599 |
| 12 Outflows related to loss of funding on debt products | - | - | - | - |
| 13 Credit and liquidity facilities | - | - | - | - |
| 14 Other contractual funding obligations | 12,634,258 | 12,132,366 | 631,713 | 606,618 |
| 15 Other contingent funding obligations | 41,024,707 | 12,600,559 | 6,462,091 | 1,660,257 |
| 16 TOTAL CASH OUTFLOWS | | | 46,928,010 | 23,028,987 |
| CASH INFLOWS | | | | |
| 17 Secured lending | - | - | - | - |
| 18 Inflows from fully performing exposures | 12,252,177 | 5,859,220 | 8,755,145 | 5,156,973 |
| 19 Other cash inflows | 10,114,577 | 7,424,636 | 10,114,577 | 7,424,636 |
| 20 TOTAL CASH INFLOWS | 22,366,754 | 13,283,856 | 18,869,722 | 12,581,609 |
| | | | Upper Limit Applied Values | |
| 21 TOTAL HQLA | | | 28,842,274 | 19,291,743 |
| 22 TOTAL NET CASH OUTFLOWS | | | 28,058,288 | 10,447,378 |
| 23 LIQUIDITY COVERAGE RATIO (%) | | | 102.79 | 184.66 |

* To be calculated by simple arithmetic average monthly and consolidated average calculated for the last three months to the liquidity coverage ratio, calculated weekly simple average of the last three months to the liquidity coverage ratio is calculated by taking the arithmetic mean.

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

| 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) | | | 21,740,602 | 15,890,234 |
| CASH OUTFLOWS | | | | |
| 2 Retail deposits and deposits from small business customers, of which: | 33,211,281 | 14,381,935 | 2,350,923 | 818,618 |
| 3 Stable deposits | 28,462,318 | 9,632,972 | 1,423,116 | 481,648 |
| 4 Less stable deposits | 4,748,963 | 4,748,963 | 927,807 | 336,970 |
| 5 Unsecured wholesale funding, of which: | 51,231,026 | 12,326,384 | 21,390,721 | 6,087,581 |
| 6 Operational deposits | 32,362,586 | 5,491,432 | 8,090,647 | 1,372,858 |
| 7 Non-operational deposits | 13,843,072 | 5,710,009 | 8,275,114 | 3,589,780 |
| 8 Unsecured debt | 5,025,368 | 1,124,943 | 5,024,960 | 1,124,943 |
| 9 Secured wholesale funding | | | - | - |
| 10 Additional requirements of which: | 1,279,692 | 1,222,956 | 1,279,692 | 1,222,956 |
| 11 Outflows related to derivative exposures and other collateral requirements | 1,279,692 | 1,222,956 | 1,279,692 | 1,222,956 |
| 12 Outflows related to loss of funding on debt products | - | - | - | - |
| 13 Credit and liquidity facilities | - | - | - | - |
| 14 Other contractual funding obligations | 12,266,490 | 9,756,311 | 613,325 | 487,816 |
| 15 Other contingent funding obligations | 44,132,841 | 14,485,826 | 6,444,894 | 2,353,891 |
| 16 TOTAL CASH OUTFLOWS | | | 32,079,555 | 10,970,862 |
| CASH INFLOWS | | | | |
| 17 Secured lending | - | - | - | - |
| 18 Inflows from fully performing exposures | 8,123,384 | 2,794,168 | 5,753,344 | 2,503,876 |
| 19 Other cash inflows | 207,386 | 153,889 | 207,386 | 153,889 |
| 20 TOTAL CASH INFLOWS | 8,330,770 | 2,948,057 | 5,960,730 | 2,657,765 |
| | | | Upper Limit Applied Values | |
| 21 TOTAL HQLA | | | 21,740,602 | 15,890,234 |
| 22 TOTAL NET CASH OUTFLOWS | | | 26,118,825 | 8,313,097 |
| 23 LIQUIDITY COVERAGE RATIO (%) | | | 83.24 | 191.15 |

□ To be calculated by simple arithmetic average monthly and consolidated average calculated for the last three months to the liquidity coverage ratio, calculated weekly simple average of the last three months to the liquidity coverage ratio is calculated by taking the arithmetic mean.

The highest value in foreign currency took place during 30 November 2015 period in the level of 187.8%, whereas the lowest value took place during 31 October 2015 period in the level of 180.55%.

The highest value in total took place during 31 December 2015 period in the level of 109.55%, whereas the lowest value took place during 30 November 2015 period in the level of 99.1%.

Between 30 September 2015 and 31 December 2015, as a result of the decrease of cash inflows in foreign currency and total liquidity coverage ratio is less than decrease of cash outflows, the ratios increased from %175.14 to %186.07 on foreign currency, and from %105.68 to %109.55 in total.

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.

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

Whereas the Banks' 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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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 ⁽¹⁾ | Total |
|--|-------------------|---------------------|---------------------|-------------------|-------------------|---------------------|------------------------------|--------------------|
| Assets: | | | | | | | | |
| Cash and balance with CBRT | 21,489,914 | - | - | - | - | - | - | 21,489,914 |
| Banks | 4,096,369 | 1,823,957 | 194,049 | 61,644 | - | - | - | 6,176,019 |
| Financial assets at fair value through profit/loss | 13,658 | 113,337 | 63,130 | 76,534 | 654,329 | 73,042 | 1,832 | 995,862 |
| Interbank money market placements | - | 6,699 | - | - | - | - | - | 6,699 |
| Available-for-sale financial assets | - | 85,621 | 163,685 | 2,248,919 | 7,985,465 | 6,773,168 | 79,253 | 17,336,111 |
| Loans and receivables | 44,074 | 12,181,164 | 4,403,338 | 25,225,884 | 52,826,616 | 30,369,669 | 908,934 | 125,959,679 |
| Held-to-maturity investments | - | 421,753 | - | - | 3,774,047 | 3,481,929 | - | 7,677,729 |
| Other assets | 2,206 | 1,233,199 | 367,645 | 488,301 | 1,295,221 | 227,374 | 6,329,599 | 9,943,545 |
| Total assets | 25,646,221 | 15,865,730 | 5,191,847 | 28,101,282 | 66,535,678 | 40,925,182 | 7,319,618 | 189,585,558 |
| Liabilities: | | | | | | | | |
| Bank deposits | 392,993 | 4,477,914 | 555,665 | 151,903 | - | - | - | 5,578,475 |
| Other deposits | 20,242,411 | 58,454,713 | 19,586,263 | 7,221,632 | 904,252 | 22,251 | - | 106,431,522 |
| Funds borrowed | - | 613,644 | 963,332 | 10,070,012 | 3,319,125 | 5,228,934 | - | 20,195,047 |
| Interbank money market takings | - | 11,216,171 | 1,148,950 | - | 397,450 | 64,627 | - | 12,827,198 |
| Securities issued | - | 1,179,387 | 1,234,924 | 1,974,005 | 6,258,392 | - | - | 10,646,708 |
| Miscellaneous payables | - | 3,197,707 | 107,686 | 266,215 | 4,466 | - | 821,687 | 4,397,761 |
| Other liabilities | 5 | 661,799 | 271,149 | 53,380 | 102,220 | 4,267,976 | 24,152,318 | 29,508,847 |
| Total liabilities | 20,635,409 | 79,801,335 | 23,867,969 | 19,737,147 | 10,985,905 | 9,583,788 | 24,974,005 | 189,585,558 |
| Liquidity gap | 5,010,812 | (63,935,605) | (18,676,122) | 8,364,135 | 55,549,773 | 31,341,394 | (17,654,387) | - |
| Net Off Balance Sheet | | | | | | | | |
| Position | - | 36,402 | (15,382) | 70,417 | 496,019 | 374,145 | - | 961,601 |
| Receivables from Derivative Financial Instruments | - | 10,288,932 | 3,593,668 | 1,389,636 | 5,540,752 | 4,922,653 | - | 25,735,641 |
| Payables from Derivative Financial Instruments | - | 10,252,530 | 3,609,050 | 1,319,219 | 5,044,733 | 4,548,508 | - | 24,774,040 |
| Non-cash Loans | 2,663,320 | 951,139 | 19,403,416 | 5,498,569 | 4,078,818 | 524,639 | - | 33,119,901 |
| Prior Period | | | | | | | | |
| Total assets | 21,097,023 | 15,020,547 | 5,177,956 | 21,619,608 | 58,091,716 | 37,380,848 | 5,163,764 | 163,551,462 |
| Total liabilities | 17,054,815 | 70,465,002 | 23,469,756 | 16,350,894 | 9,138,479 | 6,203,557 | 20,868,959 | 163,551,462 |
| Liquidity gap | 4,042,208 | (55,444,455) | (18,291,800) | 5,268,714 | 48,953,237 | 31,177,291 | (15,705,195) | - |
| Net Off Balance Sheet Position | - | (72,293) | 25,171 | (2,703) | 206,056 | 298,287 | - | 454,518 |
| Receivables from Derivative Financial Instruments | - | 9,368,353 | 2,540,253 | 500,857 | 2,802,695 | 3,531,257 | - | 18,743,415 |
| Payables from Derivative Financial Instruments | - | 9,440,646 | 2,515,082 | 503,560 | 2,596,639 | 3,232,970 | - | 18,288,897 |
| Non-cash Loans | 243,079 | 835,912 | 16,418,421 | 6,930,286 | 3,399,063 | 683,541 | - | 28,510,302 |

⁽¹⁾ 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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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 | 5,578,475 | 5,593,377 | 392,993 | 4,483,071 | 562,204 | 155,109 | - | - |
| Other deposits | 106,431,522 | 161,230,587 | 20,242,411 | 90,390,027 | 33,694,394 | 15,879,331 | 998,260 | 26,164 |
| Funds borrowed | 20,195,047 | 21,775,455 | - | 619,943 | 977,891 | 10,192,539 | 3,767,715 | 6,217,367 |
| Money market takings | 12,827,198 | 12,843,308 | - | 11,227,072 | 1,151,513 | - | 399,406 | 65,317 |
| Securities issued | 10,646,708 | 11,398,974 | - | 1,185,490 | 1,246,388 | 2,031,028 | 6,936,068 | - |
| Miscellaneous payables | 4,397,761 | 4,397,761 | 821,687 | 3,197,707 | 107,686 | 266,215 | 4,466 | - |
| Other liabilities | 6,546,168 | 8,465,570 | 1,726,125 | 378,507 | 37,667 | 52,867 | 83,027 | 6,187,377 |
| Total | 166,622,879 | 225,705,032 | 23,183,216 | 111,481,817 | 37,777,743 | 28,577,089 | 12,188,942 | 12,496,225 |

| | | | | | | | | |
|-----------------------|-------------------|-------------------|------------------|----------------|-------------------|------------------|------------------|----------------|
| Non-Cash Loans | 33,119,901 | 33,119,901 | 2,663,320 | 951,139 | 19,403,416 | 5,498,569 | 4,078,818 | 524,639 |
|-----------------------|-------------------|-------------------|------------------|----------------|-------------------|------------------|------------------|----------------|

| 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 | 4,750,416 | 4,753,361 | 66,930 | 4,209,000 | 453,419 | 24,012 | - | - |
| Other deposits | 88,652,197 | 89,212,248 | 16,987,878 | 44,972,317 | 19,393,564 | 7,074,231 | 762,575 | 21,683 |
| Funds borrowed | 16,260,655 | 17,263,830 | - | 1,511,280 | 1,092,397 | 6,771,654 | 3,519,833 | 4,368,666 |
| Money market takings | 16,655,241 | 16,667,205 | - | 15,854,923 | 253,874 | 351,133 | - | 207,275 |
| Securities issued | 10,384,708 | 11,236,567 | - | 713,864 | 2,166,332 | 2,401,993 | 5,954,378 | - |
| Miscellaneous payables | 3,344,419 | 3,344,419 | 559,496 | 2,728,303 | 56,620 | - | - | - |
| Other liabilities | 3,614,846 | 4,564,538 | 909,478 | 398,121 | 38,123 | 15,223 | 43,890 | 3,159,703 |
| Total | 143,662,482 | 147,042,168 | 18,523,782 | 70,387,808 | 23,454,329 | 16,638,246 | 10,280,676 | 7,757,327 |

| | | | | | | | | |
|-----------------------|-------------------|-------------------|----------------|----------------|-------------------|------------------|------------------|----------------|
| Non-Cash Loans | 28,675,047 | 28,675,047 | 243,079 | 835,912 | 16,443,803 | 6,930,286 | 3,538,426 | 683,541 |
|-----------------------|-------------------|-------------------|----------------|----------------|-------------------|------------------|------------------|----------------|

^(*) 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.

Securitisation Positions

None.

Credit risk mitigation techniques

"Basic Financial Guarantee" method is used for the financial guarantees in accordance with "Communique on Credit Risk Mitigation". Cash or cash equivalent, treasury bill, government bond and guarantees are used in credit risk mitigation.

Applications on guarantees' valuation and method

Policies on the valuation of financial guarantees and their evaluation and valuation of immovable that are received as mortgage for loans have been formed. These policies and procedures are prepared in accordance with "Communique on Credit Risk Mitigation" and include minimum conditions regarding guarantee valuation and management.

Types of main guarantees received

Main types of the guarantees that Bank receives for loans provided are mortgages, guarantees/sureties and financial guarantees.

Main guarantors, credit derivatives' counterparties and their credit worthiness

Assessment of credit worthiness of main guarantors is determined and monitored in accordance with the lending and intelligence procedures of the Bank.

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Information about market and credit risk concentration in credit risk mitigation

Market risk and credit risk concentrations are carefully avoided.

Information about guarantees according to risk classifications

Information about guarantees according to risk classifications is shown in the table below:

| Risk Classification-Current Period | Amount | Financial Guarantees | Other/Physical Guarantees | Guarantees and Credit Derivatives |
|--|--------------------|----------------------|---------------------------|-----------------------------------|
| Claims on sovereigns and Central Banks | 57,024,024 | 7,162,734 | - | - |
| Claims on regional governments or local authorities | 3,701,832 | 14,358 | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 1,110,567 | 25,077 | - | - |
| Claims on multilateral development banks | 219 | - | - | - |
| Claims on international organizations | - | - | - | - |
| Claims on banks and intermediary institutions | 10,498,291 | 3,081,086 | - | - |
| Claims on corporates | 62,902,098 | 789,622 | - | 1,688,920 |
| Claims included in the regulatory retail portfolios | 28,722,154 | 244,557 | - | - |
| Claims secured by residential property | 39,642,054 | - | - | - |
| Past due loans | 908,934 | - | - | - |
| Higher risk categories decided by the Agency | 11,406,846 | 16,000 | - | - |
| Marketable securities secured by mortgages | - | - | - | - |
| Securitization positions | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - |
| Other claims | 7,429,686 | - | - | - |
| Total | 223,346,705 | 11,333,434 | - | 1,688,920 |

| Risk Classification-Prior Period | Amount | Financial Guarantees | Other/Physical Guarantees | Guarantees and Credit Derivatives |
|--|--------------------|----------------------|---------------------------|-----------------------------------|
| Claims on sovereigns and Central Banks | 52,348,682 | 4,810,208 | - | - |
| Claims on regional governments or local authorities | 2,990,873 | 19,276 | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 1,053,325 | 63,400 | - | - |
| Claims on multilateral development banks | - | - | - | - |
| Claims on international organizations | - | - | - | - |
| Claims on banks and intermediary institutions | 16,770,100 | 7,032,378 | - | - |
| Claims on corporates | 51,793,913 | 514,692 | - | 634,888 |
| Claims included in the regulatory retail portfolios | 24,732,075 | 199,482 | - | - |
| Claims secured by residential property | 32,867,468 | - | - | - |
| Past due loans | 320,657 | - | - | - |
| Higher risk categories decided by the Agency | 12,635,218 | 15,115 | - | - |
| Marketable securities secured by mortgages | - | - | - | - |
| Securitization positions | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - |
| Other claims | 5,656,295 | - | - | - |
| Total | 201,168,606 | 12,654,551 | - | 634,888 |

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Risk management strategies and policies

Risk management strategies are determined so as to support the Parent Bank's objectives and goals and maintain Parent Bank's presence by developing the present risk management strategies and corporate wide risk culture in parallel with the changing business and risk environment and by applying the well accepted national and international risk management practices.

The mission of Parent Bank is to continuously increase the values added to the customers, employees, shareholders and society by managing the entrusted assets and values effectively and productively. In this scope, it is fundamental to adopt forward looking risk based approaches through forming high quality assets and good management of liabilities in all activities aiming high quality gains.

The Parent Bank's risk management strategy is mainly based on avoiding high risks and legal risks with high impacts even if the probability of happening is low, taking measures for the risks that may occur due to ordinary banking activities, procuring protection, transferring risks to third parties through techniques like insurance or credit derivatives and accepting risks that have low impact and probability of occurrence.

Risks are defined, measured, reported and managed in compliance with the policies and national and international standards. In this respect, not only legal limits but also in-bank limits are considered. Up-to-dateness and compliance of the limits are monitored regularly. Credit risk mitigation policies are determined and approved by the Board of Directors. Besides, possible risks are considered by following the changes in the market and economic conditions.

Risk management system and organization have been formed in compliance with the Regulation of Internal Systems.

Explanations Regarding Leverage Ratio

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

The Parent Bank's consolidated leverage rate which is calculated due to "Regulation on Banks' Measurement and Evaluation of Leverage Level" actualised as 6.72%. Increase in balance sheet assets and off-balance sheet transactions resulted in change in comparison with previous period (31 December 2014: 6.96%) leverage rate. The Regulation adjudicated minimum leverage rate as 3%.

Summary table of comparison with the total risk amount Located total assets held in consolidated financial statements in accordance with IAS.

| | Current Period | Prior Period |
|---|----------------|--------------|
| Total asset amount in the consolidated financial statements prepared as per TAS ^(*) | 179,268,599 | 162,827,024 |
| 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 ^(*) | (1,076,559) | (724,438) |
| 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 ^(*) | (1,071,807) | (641,280) |
| 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 ^(**) | 16,205,454 | 13,728,740 |
| 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 ^(**) | 6,745,053 | 5,151,269 |
| 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 ^(**) | (75,157,323) | (67,168,264) |

^(*) As the consolidated financial statements, which are prepared according to the 6th paragraph of the article no. 5 of the Communiqué on Preparation of Consolidated Financial Statements of Banks, as of 31.12.2015 have not been published yet, the balances as of 30.06.2015 and 31.12.2014 are shown.

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

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Leverage ratio common disclosure template

| | Current Period ^(c) | Prior Period ^(c) |
|---|-------------------------------|-----------------------------|
| On-balance sheet exposures | | |
| On-balance sheet items (exclude derivatives and SFTs; include collateral) | 188,355,835 | 156,663,304 |
| Assets deducted in determining Basel III Tier 1 capital | (357,384) | (257,930) |
| Total on-balance sheet exposures (excluding derivatives and SFTs) | 187,998,451 | 156,405,374 |
| Derivative exposures | | |
| Replacement cost | 958,702 | 407,433 |
| Add-on amount | 380,597 | 233,847 |
| Total derivative exposures | 1,339,299 | 641,280 |
| Securities financing transaction exposures | | |
| Gross SFT assets (with no recognition of accounting netting) | 779,920 | 1,690,988 |
| Agent transaction exposures | - | - |
| Total securities financing transaction exposures | 779,920 | 1,690,988 |
| Other off-balance sheet exposures | | |
| Off-balance sheet exposures with gross nominal amount | 54,444,913 | 46,704,208 |
| Adjustment amount off-balance sheet exposures with credit conversion factor | 1,025,968 | 561,420 |
| Total off-balance sheet exposures | 55,470,881 | 47,265,628 |
| Capital and total exposures | | |
| Tier 1 capital | 16,514,311 | 14,331,294 |
| Total exposures | 245,588,551 | 206,003,270 |
| Leverage ratio | | |
| Leverage ratio | 6.72 | 6.96 |

^(c) Calculated by using 3 month average of balances in Leverage Rate Notification table.

VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

| | Carrying Value | | Fair Value | |
|--|----------------|--------------|----------------|--------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Financial Assets: | | | | |
| Receivables from Interbank Money Markets | 6,699 | 9,504 | 6,699 | 9,504 |
| Banks | 6,176,019 | 3,568,508 | 6,176,019 | 3,568,508 |
| Available-for-Sale Financial Assets | 17,336,111 | 16,871,115 | 17,336,111 | 16,871,115 |
| Held-to-Maturity Investments | 7,677,729 | 6,854,593 | 7,496,076 | 6,983,593 |
| Loans | 125,959,679 | 106,355,671 | 127,521,403 | 107,248,004 |
| Financial Leasing Receivables | 1,325,825 | 1,089,987 | 1,325,825 | 1,089,987 |
| Factoring Receivables | 717,727 | 510,381 | 717,727 | 510,381 |
| Financial Liabilities: | | | | |
| Bank Deposits | 5,578,475 | 4,750,416 | 5,610,321 | 4,750,416 |
| Other Deposits | 106,431,522 | 88,652,197 | 106,428,225 | 88,696,535 |
| Funds Borrowed | 20,195,047 | 16,260,655 | 20,508,451 | 16,260,391 |
| Securities Issued | 10,646,708 | 10,384,708 | 10,569,723 | 10,315,024 |
| Subordinated Loans | 4,155,551 | 2,126,436 | 4,155,551 | 2,126,436 |
| Miscellaneous Payables | 4,397,761 | 3,344,419 | 4,397,761 | 3,344,419 |

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

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

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

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

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

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

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

| 31 December 2015 | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|------------------|------------------------|-------------------|
| Financial assets at fair value through profit/loss: | | | | |
| Financial assets held for trading purpose: | | | | |
| Debt securities | 69,685 | 25,711 | - | 95,396 |
| Derivative financial assets held for trading purpose | - | 885,467 | - | 885,467 |
| Investment funds | 13,167 | - | - | 13,167 |
| Equity securities | 1,832 | - | - | 1,832 |
| Available-for-sale financial assets | | | | |
| Equity securities | - | - | 79,253 | 79,253 |
| Debt securities | 14,322,018 | 2,934,840 | - | 17,256,858 |
| Investments in associates and subsidiaries | - | - | 271,913 ^(e) | 271,913 |
| Total Financial Assets | 14,406,702 | 3,846,018 | 351,166 | 18,603,886 |
| Financial liabilities at fair value through profit/loss: | | | | |
| Derivative financial liabilities held for trading purpose | - | (304,352) | - | (304,352) |
| Total Financial Liabilities | - | (304,352) | - | (304,352) |

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

| 31 December 2014 | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|------------------|------------------------|-------------------|
| Financial assets at fair value through profit/loss: | | | | |
| Financial assets held for trading purpose: | | | | |
| Debt securities | 10,798 | 55,355 | - | 66,153 |
| Derivative financial assets held for trading purpose | - | 379,576 | - | 379,576 |
| Investment funds | 2,947 | - | - | 2,947 |
| Equity securities | 1,565 | - | - | 1,565 |
| Available-for-sale financial assets | | | | |
| Equity securities | - | - | - | - |
| Debt securities | 15,378,036 | 1,493,064 | - | 16,871,100 |
| Investments in associates and subsidiaries | 203,092 | - | 259,823 ^(*) | 462,915 |
| Total Financial Assets | 15,596,438 | 1,927,995 | 259,823 | 17,784,256 |
| Financial liabilities at fair value through profit/loss: | | | | |
| Derivative financial liabilities held for trading purpose | - | (270,627) | - | (270,627) |
| Total Financial Liabilities | - | (270,627) | - | (270,627) |

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

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended 31 December 2015 is as follows:

| | Level 3 Current Period | Level 3 Prior Period |
|---|---------------------------|-------------------------|
| Balance at the beginning of the year | 259,823 | 217,527 |
| Total gains or losses for the year recognized in profit or loss | - | - |
| Total gains or losses for the year recognized under equity | 91,343 | 42,296 |
| Balance at the end of the year | 351,166 | 259,823 |

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

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

X. CONSOLIDATED SEGMENT REPORTING

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

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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.

Major financial statement items according to business lines:

| Current Period | Retail Banking | Corporate Banking | Investment Banking | Other | Total Operations |
|---|-------------------|-------------------|--------------------|--------------------|--------------------|
| OPERATING INCOME/ EXPENSES | | | | | |
| Interest Income | 4,219,010 | 6,709,281 | 3,034,890 | 10,251 | 13,973,432 |
| <i>Interest income from loans</i> | <i>4,219,010</i> | <i>6,535,686</i> | <i>843,641</i> | - | <i>11,598,337</i> |
| <i>Interest income from reserve deposits</i> | - | - | <i>38,684</i> | - | <i>38,684</i> |
| <i>Interest income from securities portfolio</i> | - | - | <i>2,072,208</i> | - | <i>2,072,208</i> |
| <i>Interest income from banks</i> | - | - | <i>78,724</i> | - | <i>78,724</i> |
| <i>Interest income from money market transactions</i> | - | - | <i>1,633</i> | - | <i>1,633</i> |
| Finance lease income | - | 102,526 | - | - | 102,526 |
| <i>Other interest income</i> | - | <i>71,069</i> | - | <i>10,251</i> | <i>81,320</i> |
| <i>Interest Expense</i> | <i>2,558,344</i> | <i>3,428,744</i> | <i>2,214,157</i> | <i>36,919</i> | <i>8,238,164</i> |
| <i>Interest expense on deposits</i> | <i>2,558,344</i> | <i>3,367,161</i> | <i>190,194</i> | - | <i>6,115,699</i> |
| <i>Interest expense on funds borrowed</i> | - | <i>61,583</i> | <i>300,917</i> | - | <i>362,500</i> |
| <i>Interest expense on money market transactions</i> | - | - | <i>886,728</i> | - | <i>886,728</i> |
| <i>Interest expense on securities issued</i> | - | - | <i>595,176</i> | - | <i>595,176</i> |
| <i>Other interest expenses</i> | - | - | <i>241,142</i> | <i>36,919</i> | <i>278,061</i> |
| Net Interest Income | 1,660,666 | 3,280,537 | 820,733 | (26,668) | 5,735,268 |
| Net Fees and Commissions Income | 396,068 | 380,447 | 93,814 | - | 870,329 |
| Trading Income/ Losses (Net) | - | - | 139,931 | - | 139,931 |
| Dividend Income | - | - | 37,169 | - | 37,169 |
| Other Income ^(*) | - | - | - | 2,036,648 | 2,036,648 |
| Provision For Losses on Loans and Other Receivables | 738,638 | 501,235 | 40,709 | 355,278 | 1,635,860 |
| Other Expenses ^(**) | - | - | - | 4,817,078 | 4,817,078 |
| Income/Loss From Investments Under Equity Accounting | - | - | 34,617 | - | 34,617 |
| Profit Before Taxes | 1,318,096 | 3,159,749 | 1,085,555 | (3,162,376) | 2,401,024 |
| Provision for taxes | - | - | - | (527,111) | (527,111) |
| Net Profit/ Loss | 1,318,096 | 3,159,749 | 1,085,555 | (3,689,487) | 1,873,913 |
| SEGMENT ASSETS | | | | | |
| Securities Portfolio | - | - | 25,124,235 | - | 25,124,235 |
| Derivative Financial Assets Held for Trading Purpose | - | - | 885,467 | - | 885,467 |
| Banks and Receivables From Money Markets | - | - | 6,182,718 | - | 6,182,718 |
| Investments in Associates and Subsidiaries | - | - | 566,352 | - | 566,352 |
| Loans and Receivables | 36,859,220 | 71,577,442 | 17,523,017 | - | 125,959,679 |
| Other Assets | - | 2,043,552 | 20,379,948 | 8,443,607 | 30,867,107 |
| TOTAL ASSETS | 36,859,220 | 73,620,994 | 70,661,737 | 8,443,607 | 189,585,558 |
| SEGMENT LIABILITIES | | | | | |
| Deposits | 47,588,682 | 58,842,840 | 5,578,475 | - | 112,009,997 |
| Derivative Financial Liabilities Held for Trading Purpose | - | - | 304,352 | - | 304,352 |
| Interbank Money Market Takings | - | - | 12,827,198 | - | 12,827,198 |
| Funds Borrowed | - | 371,535 | 19,823,512 | - | 20,195,047 |
| Securities Issued | - | - | 10,646,708 | - | 10,646,708 |
| Other Liabilities | - | 5 | 4,745,571 | 6,257,930 | 11,003,506 |
| Provisions and Tax Liabilities | - | - | - | 5,595,995 | 5,595,995 |
| Equity | - | - | - | 17,002,755 | 17,002,755 |
| TOTAL LIABILITIES AND EQUITY | 47,588,682 | 59,214,380 | 53,925,816 | 28,856,680 | 189,585,558 |

^(*) TL 767,881 amount of TL 2,036,648 shown in other incomes consists of acquired insurance premiums, TL 763,294 of rejecting reserves from previous periods, TL 109,681 of income from the sale of Group's assets, TL 80,490 of leasing income, TL 64,583 of income from private pension activities, TL 50,723 of communications income and the remaining TL 199,996 of other operating income.

^(**) TL 1,539,206 amount of TL 4,817,078 shown in other expenses line consists of personnel expenses, TL 2,046,058 of other operating expenses, TL 169,495 of depreciation expenses, TL 144,017 of dividend reserves expenses to be given to personnel, TL 115,916 of Savings Deposit Insurance Fund (SDIF) expenses, TL 125,706 of taxes and funds expenses, and the remaining TL 676,680 of other expenses.

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

| Prior Period | Retail Banking | Corporate Banking | Investment Banking | Other | Total Operations |
|---|-------------------|-------------------|--------------------|--------------------|--------------------|
| OPERATING INCOME/ EXPENSES | | | | | |
| Interest Income | 3,574,199 | 5,481,296 | 2,595,043 | 13,986 | 11,664,524 |
| <i>Interest income from loans</i> | <i>3,574,199</i> | <i>5,355,492</i> | <i>463,549</i> | - | <i>9,393,240</i> |
| <i>Interest income from reserve deposits</i> | - | - | <i>2,015</i> | - | <i>2,015</i> |
| <i>Interest income from securities portfolio</i> | - | - | <i>2,061,241</i> | - | <i>2,061,241</i> |
| <i>Interest income from banks</i> | - | - | <i>67,307</i> | - | <i>67,307</i> |
| <i>Interest income from money market transactions</i> | - | - | <i>931</i> | - | <i>931</i> |
| Finance lease income | - | 80,667 | - | - | 80,667 |
| <i>Other interest income</i> | - | <i>45,137</i> | - | <i>13,986</i> | <i>59,123</i> |
| Interest Expense | 2,090,574 | 2,836,377 | 1,850,867 | 31,926 | 6,809,744 |
| <i>Interest expense on deposits</i> | <i>2,090,574</i> | <i>2,791,066</i> | <i>162,296</i> | - | <i>5,043,936</i> |
| <i>Interest expense on funds borrowed</i> | - | <i>45,311</i> | <i>197,698</i> | - | <i>243,009</i> |
| <i>Interest expense on money market transactions</i> | - | - | <i>925,913</i> | - | <i>925,913</i> |
| <i>Interest expense on securities issued</i> | - | - | <i>445,715</i> | - | <i>445,715</i> |
| <i>Other interest expenses</i> | - | - | <i>119,245</i> | <i>31,926</i> | <i>151,171</i> |
| Net Interest Income | 1,483,625 | 2,644,919 | 744,176 | (17,940) | 4,854,780 |
| Net Fees and Commissions Income | 489,121 | 185,335 | - | - | 674,456 |
| Trading Income/ Losses (Net) | - | - | 248,795 | - | 248,795 |
| Dividend Income | - | - | 12,229 | - | 12,229 |
| Other Income ^(*) | - | - | - | 2,119,791 | 2,119,791 |
| Provision For Losses on Loans and Other Receivables | 541,092 | 749,779 | 41,499 | 415,295 | 1,747,665 |
| Other Expenses ^(**) | - | - | - | 3,903,605 | 3,903,605 |
| Income/Loss From Investments Under Equity Accounting | - | - | 33,077 | - | 33,077 |
| Profit Before Taxes | 1,431,654 | 2,080,475 | 996,778 | (2,217,049) | 2,291,858 |
| Provision for taxes | - | - | - | (478,015) | (478,015) |
| Net Profit/ Loss | 1,431,654 | 2,080,475 | 996,778 | (2,695,064) | 1,813,843 |
| SEGMENT ASSETS | | | | | |
| Securities Portfolio | - | - | 23,796,373 | - | 23,796,373 |
| Derivative Financial Assets Held for Trading Purpose | - | - | 379,576 | - | 379,576 |
| Banks and Receivables From Money Markets | - | - | 3,578,012 | - | 3,578,012 |
| Investments in Associates and Subsidiaries | - | - | 523,114 | - | 523,114 |
| Loans and Receivables | 32,966,134 | 62,243,979 | 11,145,558 | - | 106,355,671 |
| Other Assets | - | 1,600,368 | 20,860,935 | 6,457,413 | 28,918,716 |
| TOTAL ASSETS | 32,966,134 | 63,844,347 | 60,283,568 | 6,457,413 | 163,551,462 |
| SEGMENT LIABILITIES | | | | | |
| Deposits | 38,649,556 | 50,002,641 | 4,750,416 | - | 93,402,613 |
| Derivative Financial Liabilities Held for Trading Purpose | - | - | 270,627 | - | 270,627 |
| Interbank Money Market Takings | - | - | 16,655,241 | - | 16,655,241 |
| Funds Borrowed | - | 222,248 | 16,038,407 | - | 16,260,655 |
| Securities Issued | - | - | 10,384,708 | - | 10,384,708 |
| Other Liabilities | - | - | 2,330,138 | 4,681,025 | 7,011,163 |
| Provisions and Tax Liabilities | - | - | - | 4,605,932 | 4,605,932 |
| Equity | - | - | - | 14,960,523 | 14,960,523 |
| TOTAL LIABILITIES AND EQUITY | 38,649,556 | 50,224,889 | 50,429,537 | 24,247,480 | 163,551,462 |

^(*) TL 707,442 amount of TL 2,119,791 shown in other incomes consists of rejecting reserves from previous periods, TL 663,935 of acquired insurance premiums, TL 385,471 of income from the sale of Group's assets, TL 85,302 of communications income, TL 48,626 of income from private pension activities, TL 529 of leasing income and the remaining TL 228,486 of other operating income.

^(**) TL 1,386,610 amount of TL 3,903,605 shown in other expenses line consists of personnel expenses, TL 1,567,282 of other operating expenses, TL 143,705 of depreciation expenses, TL 129,797 of dividend reserves expenses to be given to personnel, TL 93,190 of Savings Deposit Insurance Fund (SDIF) expenses, TL 113,797 of taxes and funds expenses, and the remaining TL 469,224 of other expenses.

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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 | 1,157,778 | 282,194 | 1,008,220 | 368,618 |
| Central Bank of Republic of Turkey ^(*) | 778,712 | 19,055,634 | 3,055,674 | 17,385,018 |
| Other | 197,527 | 18,069 | 62,474 | 11,077 |
| Total | 2,134,017 | 19,355,897 | 4,126,368 | 17,764,713 |

^(*) TL 18,422,690 (31 December 2014: TL 16,156,471) of the foreign currency deposit at Central Bank of 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 5% to 11.5% (31 December 2014: ranging from 5% to 11.5%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 6% to 20% in US Dollar or Euro (31 December 2014: ranging from 6% to 13%).

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 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 Republic of Turkey

| | Current Period | | Prior Period | |
|------------------------------|----------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Unrestricted demand deposits | 760,146 | 632,944 | 3,054,416 | 1,228,547 |
| Unrestricted time deposits | - | - | - | - |
| Restricted time deposits | 105 | - | 3 | - |
| Reserve Deposits | 18,461 | 18,422,690 | 1,255 | 16,156,471 |
| Total | 778,712 | 19,055,634 | 3,055,674 | 17,385,018 |

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 | 52,723 | - | 10,189 | 8,468 |
| Other | - | - | - | - |
| Total | 52,723 | - | 10,189 | 8,468 |

Trading securities subject to repurchase agreements

None.

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Positive differences on derivative financial assets held for trading purpose

| | Current Period | | Prior Period | |
|----------------------|----------------|----------------|----------------|---------------|
| | TL | FC | TL | FC |
| Forward transactions | 2,087 | 624 | 3,616 | 474 |
| Swap transactions | 737,149 | 145,264 | 338,329 | 31,410 |
| Futures | - | - | - | - |
| Options | 103 | 240 | 530 | 5,217 |
| Other | - | - | - | - |
| Total | 739,339 | 146,128 | 342,475 | 37,101 |

3. Information on banks

| | Current Period | | Prior Period | |
|-----------------------------------|------------------|------------------|----------------|------------------|
| | TL | FC | TL | FC |
| Banks | 1,185,799 | 4,990,220 | 784,978 | 2,783,530 |
| Domestic | 1,185,057 | 322,562 | 781,447 | 462,557 |
| Foreign | 742 | 4,667,658 | 3,531 | 2,320,973 |
| Foreign Head Offices and Branches | - | - | - | - |
| Total | 1,185,799 | 4,990,220 | 784,978 | 2,783,530 |

Due from foreign banks

| | Unrestricted Balance | | Restricted Balances ^(**) | |
|-------------------------------|----------------------|------------------|-------------------------------------|----------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| EU Countries | 302,505 | 224,460 | - | 97,060 |
| USA, Canada | 654,392 | 1,889,597 | 77,170 | 13,108 |
| OECD Countries ^(*) | 7,272 | 7,629 | - | - |
| Off-shore Banking Regions | 3,618,247 | 2,001 | 1 | 1,944 |
| Others | 8,651 | 88,705 | 162 | - |
| Total | 4,591,067 | 2,212,392 | 77,333 | 112,112 |

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

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

4. Information on available-for-sale financial assets

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

| | Current Period | | Prior Period | |
|---|------------------|------------------|------------------|----------------|
| | TL | FC | TL | FC |
| Equity shares | - | - | - | - |
| Bonds, treasury bills and similar marketable securities | 1,571,646 | 1,516,438 | 1,624,464 | 354,106 |
| Other | - | - | - | - |
| Total | 1,571,646 | 1,516,438 | 1,624,464 | 354,106 |

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

Available-for-sale financial assets subject to repurchase agreements

| | Current Period | | Prior Period | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Government bonds | 3,621,980 | - | 8,668,579 | - |
| Treasury bills | - | - | - | - |
| Other debt securities | - | 2,647,350 | - | 3,132,480 |
| Bonds issued or guaranteed by banks | - | - | - | - |
| Asset backed securities | - | - | - | - |
| Total | 3,621,980 | 2,647,350 | 8,668,579 | 3,132,480 |

Information on available-for-sale financial assets

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Debt securities | 17,432,577 | 16,899,014 |
| Quoted on a Stock Exchange | 17,432,577 | 16,899,014 |
| Unquoted | - | - |
| Equity securities | 79,253 | 15 |
| Quoted on a Stock Exchange | - | - |
| Unquoted | 79,253 | 15 |
| Provisions for impairment losses (-) | 175,719 | 27,914 |
| Total | 17,336,111 | 16,871,115 |

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 | - | 28,550 | - | 10,174 |
| Legal entities | - | 28,550 | - | 10,174 |
| Real persons | - | - | - | - |
| Indirect loans provided to the shareholders | - | - | - | - |
| Loans provided to the employees | 103,366 | 13 | 86,722 | 27 |
| Total | 103,366 | 28,563 | 86,722 | 10,201 |

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

| Cash Loans | Standard loans and other receivables | | | Loans and other receivables under close monitoring | | |
|---------------------------------|--------------------------------------|-------------------------------|-------|--|-------------------------------|-------|
| | Loans and other receivables | Agreement conditions modified | | Loans and other receivables | Agreement conditions modified | |
| | | Payment plan extensions | Other | | Payment plan extensions | Other |
| Non-specialized loans | 118,191,779 | 744,459 | - | 5,071,515 | 1,032,283 | - |
| Loans given to enterprises | 36,177,053 | 252,115 | - | 1,476,492 | 697,629 | - |
| Export loans | 4,492,712 | - | - | 128,661 | 4,931 | - |
| Import loans | - | - | - | - | - | - |
| Loans given to financial sector | 3,306,606 | - | - | 20 | - | - |
| Consumer loans | 30,757,784 | 139,899 | - | 1,617,170 | 268,509 | - |
| Credit cards | 4,849,296 | - | - | 358,469 | 20,085 | - |
| Other | 38,608,328 | 352,445 | - | 1,490,703 | 41,129 | - |
| Specialized lending | 1,802 | - | - | - | - | - |
| Other receivables | 8,907 | - | - | - | - | - |
| Total | 118,202,488 | 744,459 | - | 5,071,515 | 1,032,283 | - |

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 | 744,459 | 741,343 |
| 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 | 4,163 | 571 |
| 6-12 Months | 82 | 234 |
| 1-2 Years | 9,107 | 8,842 |
| 2-5 Years | 491,068 | 227,179 |
| 5 Years and Over | 240,039 | 504,517 |

^(*) The above tables include the change in the payment plans of standard and under close monitoring loans and other receivables and other receivables after 28 May 2011.

Maturity analysis of cash loans

| Cash loans | Performing Loans and Other Receivables | | Loans under Follow-Up and Other Receivables | |
|--|--|---|---|---|
| | Loans and Other Receivables | Restructured or Rescheduled Loans and Other Receivables | Loans and Other Receivables | Restructured or Rescheduled Loans and Other Receivables |
| Short-term Loans and Other Receivables | 32,952,317 | 19,560 | 1,969,106 | 89,658 |
| Loans | 32,943,410 | 19,560 | 1,969,106 | 89,658 |
| Specialization loans | - | - | - | - |
| Other Receivables | 8,907 | - | - | - |
| Medium, Long-term Loans and Other Receivables | 85,250,145 | 724,926 | 3,102,408 | 942,625 |
| Loans | 85,248,343 | 724,926 | 3,102,408 | 942,625 |
| Specialization loans | 1,802 | - | - | - |
| Other Receivables | - | - | - | - |

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

| | Short-Term | Medium and Long-Term | Total |
|--|------------------|----------------------|-------------------|
| Consumer loans – TL | 351,409 | 30,415,076 | 30,766,485 |
| Housing loans | 6,587 | 15,109,922 | 15,116,509 |
| Automobile loans | 5,708 | 461,224 | 466,932 |
| General purpose loans | 339,114 | 14,843,930 | 15,183,044 |
| Other | - | - | - |
| Consumer loans – FC indexed | - | - | - |
| Housing loans | - | - | - |
| Automobile loans | - | - | - |
| General purpose loans | - | - | - |
| Other | - | - | - |
| Consumer loans – FC | 2,058 | 6,686 | 8,744 |
| Housing loans | - | - | - |
| Automobile loans | - | - | - |
| General purpose loans | 2,058 | 6,686 | 8,744 |
| Other | - | - | - |
| Retail credit cards – TL | 3,690,264 | 81,893 | 3,772,157 |
| With instalment | 1,605,894 | 75,592 | 1,681,486 |
| Without instalment | 2,084,370 | 6,301 | 2,090,671 |
| Retail credit cards – FC | 8,844 | - | 8,844 |
| With instalment | - | - | - |
| Without instalment | 8,844 | - | 8,844 |
| Personnel loans – TL | 3,345 | 43,912 | 47,257 |
| Housing loans | - | - | - |
| Automobile loans | - | - | - |
| General purpose loans | 3,345 | 43,912 | 47,257 |
| Other | - | - | - |
| Personnel loans – FC indexed | - | - | - |
| Housing loans | - | - | - |
| Automobile loans | - | - | - |
| General purpose loans | - | - | - |
| Other | - | - | - |
| Personnel loans – FC | 480 | - | 480 |
| Housing loans | - | - | - |
| Automobile loans | - | - | - |
| General purpose loans | 480 | - | 480 |
| Other | - | - | - |
| Personnel credit cards – TL | 55,177 | 207 | 55,384 |
| With instalment | 21,295 | 193 | 21,488 |
| Without instalment | 33,882 | 14 | 33,896 |
| Personnel credit cards – FC | 245 | - | 245 |
| With instalment | - | - | - |
| Without instalment | 245 | - | 245 |
| Overdraft Checking Accounts – TL (Real persons) | 1,960,277 | - | 1,960,277 |
| Overdraft Checking Accounts – FC (Real persons) | 119 | - | 119 |
| Total | 6,072,218 | 30,547,774 | 36,619,992 |

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Instalment based commercial loans and corporate credit cards

| | Short-Term | Medium and Long-Term | Total |
|---|------------------|----------------------|-------------------|
| Instalment-based commercial loans – TL | 981,266 | 23,225,014 | 24,206,280 |
| Real estate loans | 9,662 | 821,378 | 831,040 |
| Automobile loans | 66,901 | 1,652,480 | 1,719,381 |
| General purpose loans | 904,703 | 20,751,156 | 21,655,859 |
| Other | - | - | - |
| Instalment-based commercial loans – FC indexed | 20,249 | 1,220,421 | 1,240,670 |
| Real estate loans | - | - | - |
| Automobile loans | - | - | - |
| General purpose loans | 20,249 | 1,220,421 | 1,240,670 |
| Other | - | - | - |
| Instalment-based commercial loans – FC | 929,512 | 6,554,362 | 7,483,874 |
| Real estate loans | - | - | - |
| Automobile loans | - | - | - |
| General purpose loans | 929,512 | 6,496,440 | 7,425,952 |
| Other | - | 57,922 | 57,922 |
| Corporate credit cards – TL | 1,390,701 | 372 | 1,391,073 |
| With instalment | 485,628 | 372 | 486,000 |
| Without instalment | 905,073 | - | 905,073 |
| Corporate credit cards – FC | 147 | - | 147 |
| With instalment | - | - | - |
| Without instalment | 147 | - | 147 |
| Overdraft Checking Accounts – TL (Corporate) | 1,132,243 | - | 1,132,243 |
| Overdraft Checking Accounts – FC (Corporate) | - | - | - |
| Total | 4,454,118 | 31,000,169 | 35,454,287 |

Allocation of loan customers

| | Current Period | Prior Period |
|----------------|--------------------|--------------------|
| Public Sector | 990,679 | 1,341,881 |
| Private Sector | 124,060,066 | 104,693,133 |
| Total | 125,050,745 | 106,035,014 |

Allocation of domestic and overseas loans

| | Current Period | Prior Period |
|----------------|--------------------|--------------------|
| Domestic loans | 124,574,596 | 105,692,668 |
| Foreign loans | 476,149 | 342,346 |
| Total | 125,050,745 | 106,035,014 |

Loans to associates and subsidiaries

| | Current Period | Prior Period |
|---|----------------|--------------|
| Directly loans to associates and subsidiaries | 1,071 | 16 |
| Indirectly loans to associates and subsidiaries | - | - |
| Total | 1,071 | 16 |

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Specific provisions for loans

| Specific Provisions | Current Period | Prior Period |
|--|------------------|------------------|
| Loans and receivables with limited collectability | 99,970 | 60,819 |
| Loans and receivables with doubtful collectability | 388,461 | 550,374 |
| Uncollectible loans and receivables | 3,740,748 | 3,250,115 |
| Total | 4,229,179 | 3,861,308 |

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 | 51,611 | 88,881 | 59,591 |
| (Gross amounts before the specific reserves) | - | - | - |
| Loans and other receivables which are restructured | - | - | - |
| Rescheduled loans and other receivables | 51,611 | 88,881 | 59,591 |
| Prior period | | | |
| (Gross amounts before the specific reserves) | 34,563 | 92,576 | 82,945 |
| Loans and other receivables which are restructured | - | - | - |
| Rescheduled loans and other receivables | 34,563 | 92,576 | 82,945 |

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 | 304,207 | 563,700 | 3,314,057 |
| Additions (+) | 1,927,998 | 37,457 | 89,391 |
| Transfers from other categories of loans under follow-up (+) | - | 1,523,175 | 1,135,155 |
| Transfers to other categories of loans under follow-up (-) ⁽¹⁾ | 1,566,877 | 1,048,828 | 125,124 |
| Collections (-) | 164,277 | 290,710 | 563,613 |
| Write-offs (-) | - | - | 1,534 |
| <i>Corporate and commercial loans</i> | - | - | - |
| <i>Retail loans</i> | - | - | - |
| <i>Credit cards</i> | - | - | - |
| <i>Other</i> | - | - | 1,534 |
| Currency differences | 9 | 54 | 3,873 |
| Balance at the end of the period | 501,060 | 784,848 | 3,852,205 |
| Specific provisions (-) ⁽²⁾ | 99,970 | 388,461 | 3,740,748 |
| Net balance on balance sheet | 401,090 | 396,387 | 111,457 |

⁽¹⁾ 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.⁽²⁾ As of 31 December 2015, the Parent Bank reserved 100% provision for TL 12,818 after the date it was placed in the third group, which is the remaining portion of non-performing loans of TL 47,509 given to a group when guarantees are taken into consideration.

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

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

| | Group III Loans and receivables with limited collectability | Group IV Loans and receivables with doubtful collectability | Group V Uncollectible loans and receivables |
|-------------------------------------|---|---|--|
| Current Period | | | |
| Balance at the end of the period | 24,405 | 88,660 | 380,742 |
| Specific provision (-) | 5,902 | 44,296 | 340,558 |
| Net balance on balance sheet | 18,503 | 44,364 | 40,184 |
| Prior Period | | | |
| Balance at the end of the period | 23,332 | 3,507 | 360,219 |
| Specific provision (-) | 4,296 | 3,026 | 331,347 |
| Net balance on balance sheet | 19,036 | 481 | 28,872 |

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

Explanation on Write-off Policy

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

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

| | Group III Loans and receivables with limited collectability | Group IV Loans and receivables with doubtful collectability | Group V Uncollectible loans and receivables |
|---------------------------------------|---|---|--|
| Current Period (Net) | | | |
| Consumer and Commercial Loans (Gross) | 494,639 | 775,650 | 3,773,247 |
| Specific Provision (-) | 98,686 | 383,862 | 3,661,790 |
| Consumer and Commercial Loans (Net) | 395,953 | 391,788 | 111,457 |
| Banks (Gross) | - | - | 7,517 |
| Specific Provision (-) | - | - | 7,517 |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | 6,421 | 9,198 | 71,441 |
| Specific Provision (-) | 1,284 | 4,599 | 71,441 |
| Other Loans and Receivables (Net) | 5,137 | 4,599 | - |

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| | Group III | Group IV | Group V |
|---------------------------------------|---|--|-------------------------------------|
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and receivables |
| Prior Period (Net) | 248,016 | 32,518 | 40,123 |
| Consumer and Commercial Loans (Gross) | 305,619 | 576,523 | 3,225,510 |
| Specific Provision (-) | 60,176 | 544,005 | 3,185,387 |
| Consumer and Commercial Loans (Net) | 245,443 | 32,518 | 40,123 |
| Banks (Gross) | - | - | 6,321 |
| Specific Provision (-) | - | - | 6,321 |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | 3,216 | 6,369 | 58,407 |
| Specific Provision (-) | 643 | 6,369 | 58,407 |
| Other Loans and Receivables (Net) | 2,573 | - | - |

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 | 7,546,748 | - | 6,761,749 | - |
| Treasury bills | - | - | - | - |
| Other securities issued by the governments | - | - | - | - |
| Total | 7,546,748 | - | 6,761,749 | - |

Information on held-to-maturity investment securities

| | Current Period | Prior Period |
|------------------------------|------------------|------------------|
| Debt Securities | 7,683,950 | 6,860,448 |
| Quoted at stock exchanges | 7,552,969 | 6,767,604 |
| Unquoted at stock exchanges | 130,981 | 92,844 |
| Impairment losses (-) | 6,221 | 5,855 |
| Total | 7,677,729 | 6,854,593 |

The movement table of the held-to-maturity investments

| | Current Period | Prior Period |
|--|------------------|------------------|
| Balances at the beginning of the period | 6,854,593 | 5,413,171 |
| Foreign currency differences on monetary assets | 44,702 | 7,990 |
| Purchases during the period | 1,610,704 | 2,924,991 |
| Transfers to available for sale portfolio | - | - |
| Disposals through sales/redemptions | (1,129,187) | (1,773,902) |
| Impairment losses | (366) | 51,505 |
| Change in amortized costs of the securities ⁽¹⁾ | 297,283 | 230,838 |
| Balances at the end of the period | 7,677,729 | 6,854,593 |

⁽¹⁾ Changes in the amortized costs of the marketable securities also include rediscount differences in marketable securities.

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Information on held-to-maturity investments

| Current Period | Cost | | Carrying Value | |
|--|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Collateralized/blocked investment securities | 495,970 | 130,950 | 527,655 | 130,981 |
| Investments subject to repurchase agreements | 5,428,798 | - | 6,050,350 | - |
| Held for structural position | - | - | - | - |
| Receivable from security borrowing markets | - | - | - | - |
| Collateral for security borrowing markets | - | - | - | - |
| Other ⁽¹⁾ | 935,631 | - | 968,743 | - |
| Total | 6,860,399 | 130,950 | 7,546,748 | 130,981 |

| Prior Period | Cost | | Carrying Value | |
|--|------------------|---------------|------------------|---------------|
| | TL | FC | TL | FC |
| Collateralized/blocked investment securities | 931,961 | 92,800 | 972,002 | 92,844 |
| Investments subject to repurchase agreements | 5,289,597 | - | 5,629,267 | - |
| Held for structural position | - | - | - | - |
| Receivable from security borrowing markets | - | - | - | - |
| Collateral for security borrowing markets | - | - | - | - |
| Other ⁽¹⁾ | 150,772 | - | 160,480 | - |
| Total | 6,372,330 | 92,800 | 6,761,749 | 92,844 |

⁽¹⁾ The securities held as free that are not subject to collateral/blockage or other transactions are presented in the "Other" line.

7. Investments in associates

Unconsolidated investments in associates

| Title | Address (City/ Country) | Parent Bank's Share – If Different, Voting Rights (%) | Bank Risk Group's Share (%) |
|--|----------------------------|---|--------------------------------|
| 1 Roketsan Roket Sanayi ve Ticaret A.Ş. ⁽¹⁾ | Ankara/Turkey | 9.93 | 9.93 |
| 2 Bankalararası Kart Merkezi A.Ş. | İstanbul/Turkey | 9.70 | 9.70 |
| 3 Kredi Kayıt Bürosu A.Ş. ⁽¹⁾ | İstanbul/Turkey | 9.09 | 9.09 |
| 4 Güçbirliği Holding A.Ş. | İzmir/Turkey | 0.07 | 0.07 |
| 5 İzmir Enternasyonal Otelcilik A.Ş. | İstanbul/Turkey | 5.00 | 5.00 |
| 6 İstanbul Takas ve Saklama Bankası A.Ş. | İstanbul/Turkey | 4.37 | 4.37 |
| 7 Kredi Garanti Fonu A.Ş. ⁽¹⁾ | Ankara/Turkey | 1.69 | 1.69 |
| 8 Tasfiye Halinde World Vakıf UBB Ltd. | Lefkoşa/NCTR | 82.00 | 85.25 |

| | Total Assets | Equity | Tangible Assets | Interest Income | Income on Securities Portfolio | Current Year's Profit/(Loss) | Prior Period's Profit/Loss | Fair Value |
|---|--------------|----------|-----------------|-----------------|--------------------------------|------------------------------|----------------------------|------------|
| 1 | 2,960,026 | 557,498 | 514,006 | 7,060 | - | (50,090) | 96,304 | - |
| 2 | 68,358 | 29,660 | 42,971 | 1,019 | - | 3,869 | 3,490 | - |
| 3 | 129,527 | 104,842 | 62,914 | 3,663 | - | 26,782 | 18,547 | - |
| 4 | 135,958 | (32,158) | 88,031 | 571 | - | (17,521) | (8,600) | - |
| 5 | 108,514 | 371 | 88,782 | 6 | - | (18,136) | (5,610) | - |
| 6 | 7,092,438 | 911,026 | 101,803 | 217,407 | 16,228 | 174,728 | 121,492 | - |
| 7 | 316,348 | 278,439 | 5,500 | 9,906 | - | 19,899 | 10,213 | - |
| 8 | 1,390 | (78,268) | - | - | - | (7,452) | (5,465) | - |

⁽¹⁾ Financial information as at 30 September 2015 has been presented for these subsidiaries.

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In the current period, subsequent to the approval of the decision of the capital of Kredi Garanti Fonu A.Ş. in the Ordinary Meeting of General Assembly of the Company dated 31 March 2015, an associate of the Bank, has been increased from TL 240,000 to TL 278,439, TL 29,000 is paid from company's own resources and TL 9,439 is paid cash by two new shareholders and registered to commercial register on 10 April 2015. After the capital increase, Bank's current nominal share has been increased from TL 4,211 to TL 4,719 by a bonus increase of TL 509 and Bank's share percentage will be decreased from 1.75% to 1.69% after the involvement of two shareholders as at 10 April 2015.

In the prior period, subsequent to the approval of the decision of İstanbul Takas ve Saklama Bankası A.Ş., an associate of the Bank in the Ordinary Meeting of General Assembly of the Company dated 28 March 2014, the capital has been increased from TL 420,000 to TL 600,000, TL 120,000 has been paid from bonus shares and TL 60,000 has been paid in cash amounting to TL 180,000 in total. The stock right in cash capital commitment has been removed related to the capital increase and the usage of İstanbul Stock Exchange, Banks' share percentage has been decreased from 4.86% to 4.37%.

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

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

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

Consolidated investments in associates

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

| | Total Assets | Equity | Tangible Assets | Interest Income | Income on Securities Portfolio | Current Year's Profit/Loss | Prior Period's Profit/Loss | Fair Value |
|---|--------------|-----------|--------------------|--------------------|-----------------------------------|-------------------------------|-------------------------------|------------|
| 1 | 865,426 | 82,247 | 9,477 | 67,589 | 3,218 | 3,337 | 11,969 | - |
| 2 | 21,366,580 | 2,783,792 | 746,288 | 779,989 | 322,303 | 410,590 | 374,111 | 2,603,218 |

(*) Financial information is obtained from the reviewed consolidated financial statements as at 31 December 2015 announced at Public Disclosure Platform.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası A.Ş. from TL 1,500,000 to TL 1,750,000 in the Ordinary Meeting of General Assembly of the Company dated 26 March 2015, the share of the Bank amounting to TL 20,944 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası A.Ş. from TL 1,300,000 to TL 1,500,000 in the Ordinary Meeting of General Assembly of the Company dated 27 March 2014, the share of the Bank amounting to TL 16,755 is presented in the movement table of investments in associates as bonus shares received.

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Movement of consolidated investments in associates

| | Current Period | Prior Period |
|---|----------------|--------------|
| Balance at the beginning of the period | 259,957 | 203,241 |
| Movements during the period | (35,688) | 56,716 |
| Transfers | - | - |
| Acquisitions | - | - |
| Bonus shares received | 20,944 | 16,755 |
| Share of current year profit | - | - |
| Sales/liquidations | - | - |
| Fair value changes | (56,632) | 39,961 |
| Impairment losses | - | - |
| Balance at the end of the period | 224,269 | 259,957 |
| Capital commitments | - | - |
| Share percentage at the end of period (%) | - | - |

Sectoral distribution of consolidated investments and associates

| | Current Period | Prior Period |
|----------------------------|----------------|----------------|
| Banks | 224,269 | 259,957 |
| Insurance companies | - | - |
| Factoring companies | - | - |
| Leasing companies | - | - |
| Financing companies | - | - |
| Other financial associates | - | - |
| Total | 224,269 | 259,957 |

Quoted associates

| | Current Period | Prior Period |
|---|----------------|----------------|
| Quoted at domestic stock exchanges | 218,150 | 253,838 |
| Quoted at international stock exchanges | - | - |
| Total | 218,150 | 253,838 |

Investments in associates disposed during the period

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

Investments in associates acquired during the period

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

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8. Investments in subsidiaries

Information on significant subsidiaries

| | Vakıfbank International AG | Vakıf Finansal Kiralama A.Ş. | Vakıf Yatırım Menkul Değerler A.Ş. | Faktoring A.Ş. | Vakıf Sigorta A.Ş. | Güneş Sigorta A.Ş. | Vakıf Emeklilik A.Ş. | Vakıf Portföy Yönetimi A.Ş. | Gayrimenkul Yat. Ort. A.Ş. | Vakıf Yat. Ort. A.Ş. | Menkul Kiymet Yat. Ort. A.Ş. |
|--|-------------------------------|---------------------------------|--|----------------|-----------------------|-----------------------|-------------------------|--------------------------------|-------------------------------|-------------------------|------------------------------------|
| Paid in Capital | 114,483 | 65,000 | 35,000 | 22,400 | 150,000 | 26,500 | 3,000 | 205,400 | 20,000 | | |
| Share Premium | - | - | (260) | 28,907 | (1,493) | 7,021 | 47 | 21,992 | 246,731 | | |
| Adjustment to paid-in capital | - | 239 | | | | | | | | | |
| Valuation changes in marketable securities | 18,725 | 2,680 | 48,986 | 283 | 232,709 | 340 | | | | | |
| Profit on sale of associates, subsidiaries and buildings | - | 15,105 | - | - | 133,413 | 50,005 | | | | | |
| Bonus shares from investment and associates, subsidiaries and joint ventures (business partners) | - | - | - | - | 59 | 191 | | | | | |
| Legal Reserves | 8,824 | 3,910 | 5,644 | 5,128 | 17,179 | 18,385 | 920 | 4,709 | 395 | | |
| Extraordinary Reserves | - | 32,963 | 7,368 | 34,943 | 19,247 | 38,943 | 7,919 | 73,477 | | | |
| Other Profit Reserves | 170,248 | - | 2,308 | - | - | - | - | - | - | | |
| Profit/Loss | 107,257 | 23,634 | (4,587) | 14,049 | (324,291) | 113,391 | 3,301 | 33,805 | (2,771) | | |
| Prior Period's Profit/Loss | 102,600 | - | 872 | - | (144,975) | 54,925 | - | - | (2,490) | | |
| Current Period's Profit/Loss | 4,657 | 23,634 | (5,459) | 14,049 | (179,316) | 58,466 | 3,301 | 33,805 | (281) | | |
| Minority Rights | - | 111 | - | - | - | - | - | - | - | | |
| Total Core Capital | 419,537 | 143,642 | 94,459 | 105,710 | 226,823 | 254,776 | 15,187 | 586,114 | 17,683 | | |
| SUPPLEMENTARY CAPITAL | - | - | - | - | - | - | - | - | - | | |
| CAPITAL | 419,537 | 143,642 | 94,459 | 105,710 | 226,823 | 254,776 | 15,187 | 586,114 | 17,683 | | |
| NET AVAILABLE EQUITY | 419,537 | 143,642 | 94,459 | 105,710 | 226,823 | 254,776 | 15,187 | 586,114 | 17,683 | | |

^(*) Audited BBSA financial statements as of 31 December 2015 are considered.

Vakıf Yatırım Menkul Değerler A.Ş., which is one of the consolidated subsidiaries of the Parent Bank, calculates capital adequacy in accordance with "Communiqué on Capital and Capital Adequacy of Intermediary Firms" of Capital Markets Board as six months periods. Güneş Sigorta A.Ş. and Vakıf Emeklilik A.Ş., which are the consolidated subsidiaries of the Parent Bank operating in insurance sector, calculate capital adequacy in accordance with "Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms" published by Undersecretariat of Treasury as six months periods. According to the calculations at 31 December 2015, there is no capital requirement for the subsidiaries mentioned.

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Unconsolidated investments in subsidiaries

| Title | Address (City / Country) | Bank's Share – If Different, Voting Rights (%) | Bank's Risk Group Share (%) |
|---|-----------------------------|--|--------------------------------|
| 1 Vakıf Enerji ve Madencilik A.Ş. ^(**) | Ankara/Turkey | 65.50 | 84.96 |
| 2 Taksim Otelcilik A.Ş. ^(*) | İstanbul/Turkey | 51.00 | 51.52 |
| 3 Vakıf Pazarlama Sanayi ve Ticaret A.Ş. ^(***) | İstanbul/Turkey | 69.33 | 74.98 |
| 4 Vakıf Gayrimenkul Değerleme A.Ş. ^(*) | Ankara/Turkey | 54.29 | 58.57 |

| | Total Assets | Equity | Tangible Assets | Interest Income | Income on Securities Portfolio | Current Year's Profit/(Loss) | Prior Years' Profit/(Loss) | Fair Value |
|---|--------------|---------|--------------------|--------------------|-----------------------------------|---------------------------------|-------------------------------|------------|
| 1 | 22,604 | 6,167 | 1,073 | 287 | - | (1,736) | 182 | 14,100 |
| 2 | 371,186 | 359,071 | 243,396 | 6,512 | - | 9,112 | 6,080 | 364,500 |
| 3 | 47,990 | 40,368 | 653 | 2,828 | 1,272 | 3,861 | 3,420 | 53,100 |
| 4 | 30,049 | 25,648 | 389 | 2,213 | 122 | 829 | 4,362 | 40,900 |

^(*) Financial information as at 30 September 2015 has been presented for these subsidiaries.

^(**) Financial information as at 30 June 2015 has been presented for these subsidiaries.

^(***) Financial information as at 31 December 2014 has been presented for these subsidiaries.

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

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

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Değerleme A.Ş. from TL 7,000 to TL 14,000 by a bonus increase of TL 7,000 in the Ordinary Meeting of General Assembly of the Company dated 20 March 2015. After the capital increase, The Parent Bank's current nominal share has been increased from TL 3,800 to TL 7,600 by TL 3,800 and The Parent Bank's share percentage has been remained the same (54.29%).

In the prior period, at the Extraordinary General Assembly of Taksim Otelcilik A.Ş. dated 24 June 2014, the decision of increasing the capital from TL 269,257 to TL 334,257 through rights offering by TL 65,000. The related change has been registered on 22 July 2014. The nominal share of the Bank TL 137,324 has been increased by cash TL 33,151 to TL 170,474. The share percentage of the Bank is remained the same 51.00%. TL 8,288 of the cash commitment amounting to TL 33,151 is paid on 15 July 2014, TL 24,863 is paid on 2 October 2014.

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Investments in consolidated subsidiaries

| Title | Address (City / Country) | Bank's Share – If Different Voting Rights (%) | Bank's Risk Group Share (%) |
|---|-----------------------------|---|--------------------------------|
| 1 Güneş Sigorta A.Ş. ⁽¹⁾ | Istanbul/Turkey | 36.35 | 36.35 |
| 2 Vakıf Emeklilik A.Ş. ⁽²⁾ | Istanbul/Turkey | 53.90 | 75.30 |
| 3 Vakıf Faktoring A.Ş. ⁽¹⁾ | Istanbul/Turkey | 78.39 | 86.99 |
| 4 Vakıf Finansal Kiralama A.Ş. ⁽¹⁾ | Istanbul/Turkey | 58.71 | 64.40 |
| 5 Vakıf Yatırım Menkul Değerler A.Ş. ⁽¹⁾ | Istanbul/Turkey | 99.00 | 99.44 |
| 6 Vakıfbank International AG | Vienna/Austria | 90.00 | 90.00 |
| 7 Vakıf Portföy Yönetimi A.Ş. ⁽³⁾ | Istanbul/Turkey | 100.00 | 100.00 |
| 8 Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. ⁽¹⁾ | Istanbul/Turkey | 22.89 | 32.91 |
| 9 Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. ⁽³⁾ | Istanbul/Turkey | 38.70 | 40.64 |

| | Total Assets | Equity | Tangible Assets | Interest Income | Income on Securities Portfolio | Current Year's Profit / (Loss) | Prior Period's Profit / (Loss) | Fair Value |
|---|--------------|---------|--------------------|--------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------|
| 1 | 1,536,797 | 306,102 | 505,414 | 36,609 | 17,139 | (162,569) | 13,440 | 275,394 |
| 2 | 3,767,621 | 196,387 | 99,596 | 21,365 | 659 | 25,881 | 21,162 | 705,800 |
| 3 | 780,829 | 105,709 | 2,746 | 71,634 | - | 14,047 | 10,052 | 79,300 |
| 4 | 1,505,588 | 143,644 | 20,098 | 142,595 | - | 23,637 | (3,863) | 77,808 |
| 5 | 220,163 | 94,458 | 790 | 6,008 | 1,303 | (5,459) | 3,830 | 86,700 |
| 6 | 3,092,692 | 399,531 | 964 | 84,931 | 17,947 | 8,957 | 33,078 | 482,382 |
| 7 | 14,673 | 14,123 | 245 | 1,020 | 23 | 2,236 | 1,913 | 56,900 |
| 8 | 18,040 | 17,682 | 25 | 403 | 12,123 | (281) | 19 | 16,022 |
| 9 | 772,101 | 770,829 | 485,566 | 24,077 | - | 22,403 | 14,498 | 468,342 |

⁽¹⁾ These figures are obtained from audited 31 December 2015 financial statements announced at Public Disclosure Platform.⁽²⁾ Financial information as at 30 September 2015 has been presented for these subsidiaries.⁽³⁾ These figures are obtained from reviewed 30 September 2015 financial statements announced at Public Disclosure Platform.

Movement table of consolidated investments in subsidiaries in consolidated financial statements

| | Current Period | Prior Period |
|---|----------------|--------------|
| Balance at the beginning of the period | 1,187,597 | 1,163,983 |
| Movements during the period | 162,573 | 23,614 |
| Transfers | - | - |
| Acquisitions | - | 172,562 |
| Bonus shares received | 805 | - |
| Share of current year profit | (26,186) | (32,389) |
| Sales and liquidations | - | - |
| Fair value changes | 199,779 | (118,756) |
| Impairment losses | (11,825) | 2,197 |
| Balance at the end of the period | 1,350,170 | 1,187,597 |
| Capital commitments | - | - |
| Share percentage at the end of the period (%) | - | - |

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Valuation of consolidated subsidiaries in unconsolidated financial statements

| | Current Period | Prior Period |
|-----------------------------|------------------|------------------|
| Measured at cost | - | - |
| Measured at fair value | 1,350,170 | 1,187,597 |
| Equity method of accounting | - | - |
| Total | 1,350,170 | 1,187,597 |

Sectoral distribution of consolidated investments in financial subsidiaries

| | Current Period | Prior Period |
|------------------------------|------------------|------------------|
| Insurance companies | 480,532 | 402,769 |
| Banks | 434,144 | 321,124 |
| Factoring companies | 62,163 | 65,273 |
| Leasing companies | 45,681 | 45,149 |
| Financing companies | - | - |
| Other financial subsidiaries | 327,650 | 353,282 |
| Total | 1,350,170 | 1,187,597 |

Quoted consolidated subsidiaries

| | Current Period | Prior Period |
|---|----------------|----------------|
| Quoted at domestic stock exchanges | 330,703 | 378,037 |
| Quoted at international stock exchanges | - | - |
| Total | 330,703 | 378,037 |

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 has not got any subsidiary that are purchased in the current period in the scope of consolidation. In the current period, the title of Vakıf Finans Faktoring Hizmetleri A.Ş. has been changed to Vakıf Faktoring A.Ş., the aforementioned change of title has been registered on 13 April 2015.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. from TL 203,320 to TL 205,400 by a bonus increase of TL 2,080 in the Ordinary Meeting of General Assembly of the Company dated 31 March 2015. After the capital increase, Bank's current nominal share has been increased from TL 78,690 to TL 79,495 by bonus increase of TL 805 and Bank's share percentage has been remained the same 38.70%. The share of the Bank amounting to TL 805 is presented as bonus shares received in the movement table of investments in subsidiaries.

In the current period, in total full TL 12 nominal share of Vakıf Portföy Yönetimi A.Ş. has been purchased by Bank from other real person shareholders and Bank has signed share transfer contract with real person shareholders on 11 February 2015. Thus, Bank's nominal share has been increased from full TL 2,999,988 to full TL 3,000,000. Bank's share percentage has been increased from 99.99% to 100.00%.

In the prior period, Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. has decided to increase the capital of TL 15,000 to TL 20,000 in its registered capital ceiling amounting to TL 50,000 in accordance with Capital Markets Board's temporary clause 1 of "Communique on Securities Investment Associations" (III-48.2). In the capital increase, Bank's nominal share amount has increased from TL 1,763 to TL 2,351 with an increase of TL 588 by using stock rights on 25 November 2014. Besides, in order to finalize the capital increase, Bank has purchased additional shares from stock rights that have not been used in due, amounting to TL 2,228 from Istanbul Stock Exchange Share Market on 2 December 2014. In this context, The Parent Bank's total nominal share has increased to TL 4,579 and share percentage has increased to 22.89%. The share of the Bank amounting to TL 2,815 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

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In the prior period, related to the capital increase of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. from TL 106,200 to TL 203,320, the Bank has obtained shares with a nominal value of TL 29,345 at a rate of TL 3.44 by using the stock rights. For these shares TL 100,947 has been paid. Besides, Bank has obtained shares with a nominal value of TL 20,000 at TL 3.44 rate since the other shareholders did not use their stock rights. Bank has paid TL 68,800 for the shares. As at 4 July 2014, company's capital increase has been registered and as of the date the existing nominal share of the Bank has been increased from TL 29,345 to TL 78,690 Bank's share percentage has been increased from 27.63% to 38.70%. The capital increase as of TL 169,747 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the prior period, the title of Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı has been changed to Vakıf Menkul Kıymet Yatırım Ortaklığı. The new title of the company has been registered on 9 April 2014.

9. Investments in joint-ventures

There is not any investment in joint-ventures of the Group.

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 | 82,589 | 78,324 | 61,740 | 59,415 |
| Between 1-4 years | 782,065 | 694,895 | 693,909 | 593,778 |
| Longer than 4 years | 671,417 | 552,606 | 518,153 | 436,794 |
| Total | 1,536,071 | 1,325,825 | 1,273,802 | 1,089,987 |

Net investments in finance lease receivables

| | Current Period | Prior Period |
|--|------------------|------------------|
| Gross finance lease receivables | 1,536,071 | 1,273,802 |
| Unearned income on finance lease receivables (-) | (210,246) | (183,815) |
| Terminated lease contracts (-) | - | - |
| Net finance lease receivables | 1,325,825 | 1,089,987 |

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 derivative financial instruments held for risk management purposes

Positive differences on derivative financial instruments held for risk management purposes

None.

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12. Information on tangible assets

| | Real Estates | Leased Tangible Assets | Vehicles | Other Tangible Assets | Total |
|--|------------------|---------------------------|--------------|--------------------------|------------------|
| Balance at the end of the prior year: | | | | | |
| Cost | 693,825 | 137,264 | 45,929 | 941,529 | 1,818,547 |
| Accumulated depreciation(-) | 262,319 | 128,354 | 36,855 | 587,922 | 1,015,450 |
| Impairment(-) | 18,224 | - | - | - | 18,224 |
| Net book value | 413,282 | 8,910 | 9,074 | 353,607 | 784,873 |
| Balance at the end of the current year: | | | | | |
| Net book value at the beginning of the current year | 413,282 | 8,910 | 9,074 | 353,607 | 784,873 |
| Additions | 1,064,712 | 5,211 | 1,935 | 234,534 | 1,306,392 |
| Cost of the disposals | 539,076 | 9,743 | 9,664 | 18,433 | 576,916 |
| Depreciation of the disposals (-) | 268,421 | 9,695 | 8,652 | 8,326 | 295,094 |
| Depreciation of the current year | 16,578 | 3,237 | 4,704 | 108,691 | 133,210 |
| Impairment (-) | 6,475 | 1,930 | 406 | 13,380 | 22,191 |
| Exchange differences related to foreign associates | 32 | - | - | 44 | 76 |
| Cost at the end of the current year | 1,219,493 | 132,732 | 38,200 | 1,157,674 | 2,548,099 |
| Accumulated depreciation at the end of the year (-) | 10,476 | 121,896 | 32,907 | 688,287 | 853,566 |
| Impairment (-) | 24,699 | 1,930 | 406 | 13,380 | 40,415 |
| Net book value at the end of the current year | 1,184,318 | 8,906 | 4,887 | 456,007 | 1,654,118 |

13. Information on intangible assets

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

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

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

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

14. Information on investment properties

As at 31 December 2015, the Group has investment property amounting to TL 9,924 (31 December 2014: TL 24,185) which belongs the subsidiaries operating in the insurance business and TL 277,802 (31 December 2014: 167,815) which belongs the subsidiaries operating in real estate investment.

15. Information on tax assets

Current tax assets

As at 31 December 2015 the current tax asset of the Group amounts to TL 3,731 (31 December 2014: TL 9,331).

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Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at 31 December 2015 and 31 December 2014:

| | Current Period | Prior Period |
|---|----------------|----------------|
| Provision for employee termination benefits and unused vacations | 91,563 | 81,757 |
| Other provisions | 81,175 | 28,083 |
| Valuation differences of associates and subsidiaries | 27,704 | 54,050 |
| Deductible financial losses | 26,418 | - |
| Investment incentives | 9,697 | 17,213 |
| Valuation differences of financial assets and liabilities | 78,160 | 121,671 |
| Reporting Standards - Tax Code depreciation differences | 7,252 | 10,303 |
| Other differences | 5,209 | 14,615 |
| Deferred tax assets | 327,178 | 327,692 |
| Net-off of the deferred tax assets and liabilities from the same entity | (187,993) | (154,733) |
| Deferred tax assets, (net) | 139,185 | 172,959 |
| Valuation differences of financial assets and liabilities | 133,654 | 122,064 |
| Valuation difference for associates and subsidiaries | 18,421 | 40,059 |
| Valuation differences of properties | 47,351 | - |
| Other differences | 11,657 | 7,818 |
| Deferred tax liabilities | 211,083 | 169,941 |
| Net-off of the deferred tax assets and liabilities from the same entity | (187,993) | (154,733) |
| Deferred tax liabilities, (net) | 23,090 | 15,208 |

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

As at 31 December 2015, net book value of assets held for sale of the Group is amounting to TL 994,991 (31 December 2014: TL 747,482).

17. Information on other assets

As at 31 December 2015 and 31 December 2014, the details of other assets are as follows:

| | Current Period | Prior Period |
|---|------------------|------------------|
| Receivables from insurance operations | 1,002,182 | 842,523 |
| Receivables from credit card payments | 923,489 | 772,007 |
| Prepaid expenses | 669,777 | 705,381 |
| Guarantees given for repurchase agreements | 143,978 | 193,605 |
| Guarantees given for derivative financial instruments | 501,035 | 351,579 |
| Receivables from term sale of assets | 44,567 | 68,664 |
| Receivables from reinsurance companies | 23,311 | 54,057 |
| Deferred commission expenses | 68,427 | 31,841 |
| Other | 675,587 | 338,730 |
| Total | 4,052,353 | 3,358,387 |

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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 | 4,424,092 | - | 471,519 | 22,041,396 | 1,027,318 | 255,301 | 124,971 | - | 28,344,597 |
| Foreign currency deposits | 4,479,182 | - | 3,412,030 | 15,859,982 | 1,497,162 | 1,127,496 | 5,403,554 | - | 31,779,406 |
| Residents in Turkey | 3,847,197 | - | 3,409,099 | 15,546,772 | 1,235,166 | 611,274 | 942,705 | - | 25,592,213 |
| Residents in abroad | 631,985 | - | 2,931 | 313,210 | 261,996 | 516,222 | 4,460,849 | - | 6,187,193 |
| Public sector deposits | 4,504,470 | - | 4,869,059 | 6,958,081 | 843,503 | 1,879,924 | 205,243 | - | 19,260,280 |
| Commercial deposits | 2,457,798 | - | 3,735,859 | 11,025,533 | 146,767 | 50,949 | 1,336 | - | 17,418,242 |
| Other | 3,751,277 | - | 1,772,094 | 3,170,500 | 242,340 | 41,669 | 25,525 | - | 9,003,405 |
| Precious metal deposits | 625,592 | - | - | - | - | - | - | - | 625,592 |
| Bank deposits | 392,993 | - | 3,804,547 | 886,665 | 230,210 | 118,489 | 145,571 | - | 5,578,475 |
| Central Bank | 1,116 | - | - | - | - | - | - | - | 1,116 |
| Domestic banks | 6,431 | - | 3,645,258 | 553,924 | 212,223 | - | - | - | 4,417,836 |
| Foreign banks | 230,898 | - | 159,289 | 332,741 | 17,987 | 118,489 | 145,571 | - | 1,004,975 |
| Participation banks | 154,548 | - | - | - | - | - | - | - | 154,548 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 20,635,404 | - | 18,065,108 | 59,942,157 | 3,987,300 | 3,473,828 | 5,906,200 | - | 112,009,997 |

| 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 | 3,715,353 | - | 463,572 | 18,032,423 | 1,393,667 | 328,345 | 136,781 | - | 24,070,141 |
| Foreign currency deposits | 3,472,263 | - | 2,181,070 | 11,351,517 | 1,426,041 | 1,426,188 | 4,245,584 | - | 24,102,663 |
| Residents in Turkey | 3,056,116 | - | 2,174,847 | 11,162,513 | 1,193,080 | 494,191 | 794,731 | - | 18,875,478 |
| Residents in abroad | 416,147 | - | 6,223 | 189,004 | 232,961 | 931,997 | 3,450,853 | - | 5,227,185 |
| Public sector deposits | 3,583,281 | - | 2,370,191 | 5,695,639 | 437,138 | 2,788,470 | 190,212 | - | 15,064,931 |
| Commercial deposits | 2,154,441 | - | 4,610,468 | 9,566,212 | 422,470 | 233,506 | 5,478 | - | 16,992,575 |
| Other | 3,208,185 | - | 1,102,804 | 2,747,775 | 380,429 | 98,701 | 29,638 | - | 7,567,532 |
| Precious metal deposits | 854,355 | - | - | - | - | - | - | - | 854,355 |
| Bank deposits | 66,930 | - | 3,466,419 | 1,086,606 | 80,387 | 33,206 | 16,868 | - | 4,750,416 |
| Central Bank | 424 | - | - | - | - | - | - | - | 424 |
| Domestic banks | 3,696 | - | 3,288,392 | 422,069 | 2,016 | 33,206 | 16,868 | - | 3,766,247 |
| Foreign banks | 59,181 | - | 178,027 | 664,537 | 78,371 | - | - | - | 980,116 |
| Participation banks | 3,629 | - | - | - | - | - | - | - | 3,629 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 17,054,808 | - | 14,194,524 | 48,480,172 | 4,140,132 | 4,908,416 | 4,624,561 | - | 93,402,613 |

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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 | 15,480,662 | 12,652,145 | 12,863,935 | 11,417,996 |
| Foreign currency saving deposits | 4,788,666 | 3,846,786 | 11,939,036 | 8,435,919 |
| Other saving deposits | - | - | - | - |
| Foreign branches' deposits under foreign insurance coverage | - | - | - | - |
| Off-Shore deposits under foreign insurance coverage | - | - | - | - |
| Total | 20,269,328 | 16,498,931 | 24,802,971 | 19,853,915 |

Saving deposits out of insurance coverage limits

| | Current Period | Prior Period |
|--|----------------|--------------|
| Deposits and other accounts at foreign branches | 24,839 | 21,061 |
| Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children | - | - |
| Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children | 5,438 | 3,905 |
| 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 | 1,508 | 594 | 3,209 | 458 |
| Swaps | 123,057 | 150,342 | 62,110 | 199,156 |
| Futures | - | - | - | - |
| Options | 28,612 | 239 | 457 | 5,237 |
| Total | 153,177 | 151,175 | 65,776 | 204,851 |

3. Information on banks and other financial institutions

| | Current Period | | Prior Period | |
|---------------------------------------|----------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Central Bank of Republic of Turkey | - | - | - | - |
| Domestic banks and institutions | 567,038 | 609,386 | 698,396 | 214,926 |
| Foreign banks, institutions and funds | 365,313 | 18,653,310 | 871,227 | 14,476,106 |
| Total | 932,351 | 19,262,696 | 1,569,623 | 14,691,032 |

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Maturity information of funds borrowed

| | Current Period | | Prior Period | |
|-------------------------------------|----------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Short-term ^(*) | 479,073 | 2,024,300 | 1,283,259 | 7,322,336 |
| Medium and Long-term ^(*) | 453,278 | 17,238,396 | 286,364 | 7,368,696 |
| Total | 932,351 | 19,262,696 | 1,569,623 | 14,691,032 |

^(*) 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 11.70% (31 December 2014: 10.94%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On 16 April 2014, the Parent Bank has obtained syndicated loan at the amount of US Dollar 270.5 million and Euro 525 million with the interest rate of US Libor +0.90% and Euribor +0.90% at a maturity of one year, with participation of 35 banks with the coordination of Wells Fargo Bank N.A., London Branch and Sumitomo Mitsui Banking Corporation, Brussels Branch acting as agent. On 17 April 2015, the loan has been renewed with a new syndicated loan amounting to US Dollar 204 million and Euro 763 million with the interest rate of US Libor +0.8% and Euribor +0.8% at a maturity of 367 days with participation of 35 banks, Wells Fargo Bank, N.A., London Branch acting as coordinator and agent bank.

On 22 September 2014, the Parent Bank has obtained syndicated loan amounting to US Dollar 168.5 million and Euro 528.75 million with interest rates of US Libor + 0.90% and Euribor + 0.90% at a maturity of one year, with the participation of 26 banks, ING Bank, London Branch acting as coordinator and agent bank. On 14 September 2015, the loan has been renewed with a new syndicated loan amounting to US Dollar 168.5 million and Euro 679.5 million with the interest rate of US Libor +0.75% and Euribor +0.75% at a maturity of one year with participation of 30 banks, ING Bank, London Branch acting as coordinator and agent bank.

On 19 December 2014, the Parent Bank has obtained securitization loan amounting to 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 amounting to US Dollar 428.6 million has been obtained related to treasury transactions at a maturity of seven years in seven different segments in total.

The loan obtained from European Bank for Reconstruction and Development Bank (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. As at 31 December 2015, total securitization loan amounts to US Dollar 936 million and Euro 260 million.

Information on securities issued

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Turkey's first Eurobond apart from Undersecretariat of Treasury. The bond has been issued in GMTN programme on 17 June 2014 has a nominal value of Euro 500 million, maturity date on 17 June 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), 190 private placements have been realized with 16 separate banks since June 2013. These placements have been realized in different currencies (US Dollar, Euro and CHF) at the maturities of 3 months, 6 months, 1 year and 2 years and in total amount to US Dollar 4,265 million equivalents. As at 31 December 2015 total private placement transactions amount to US Dollar 390 million equivalents.

| Current Period | TL | | FC | |
|-----------------------|------------------|------------------|----------------|------------------|
| | Short Term | Medium-Long Term | Short Term | Medium-Long Term |
| Nominal | 3,202,374 | - | 946,566 | 6,388,240 |
| Cost | 3,198,134 | - | 946,565 | 6,341,816 |
| Net Book Value | 3,257,620 | - | 949,615 | 6,439,473 |

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| Prior Period | TL | | FC | |
|-----------------------|------------------|------------------|------------------|------------------|
| | Short Term | Medium-Long Term | Short Term | Medium-Long Term |
| Nominal | 2,930,927 | - | 2,306,544 | 5,166,048 |
| Cost | 2,813,866 | - | 2,306,501 | 5,130,431 |
| Net Book Value | 2,866,343 | - | 2,315,445 | 5,202,920 |

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 | 1,606,200 | 1,326,468 |
| - Additional provision for loans with extended payment plans | 26,422 | 26,989 |
| Provisions for loans and receivables in Group II | 231,853 | 175,204 |
| - Additional provision for loans with extended payment plans | 21,057 | 14,696 |
| Provisions for non-cash loans | 106,422 | 93,418 |
| Other | 13,128 | 8,152 |
| Total | 1,957,603 | 1,603,242 |

Information on employee rights

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

As of 31 December 2015, TL 369,078 (31 December 2014: TL 344,858) provision for severance pay and TL 90,553 (31 December 2014: TL 81,733) provision for unused vacation are stated in financial statements under employee rights provision.

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Movement of severance pay provision in the period:

| | Current Period | Previous Period |
|---|----------------|-----------------|
| Opening balance | 344,858 | 289,501 |
| Current service cost | 33,928 | 25,139 |
| Previous service cost | - | 134 |
| Interest cost | 27,396 | 25,086 |
| Paid compensation | (34,984) | (40,406) |
| Payment/Reduction of benefits/Layoff accordingly composed loss/(gain) | 214 | 482 |
| Actuary loss/(gain) | (2,382) | 44,936 |
| Net foreign exchange differences from foreign subsidiaries | 48 | (14) |
| Closing balance | 369,078 | 344,858 |

Provision for exchange rate differences on foreign currency indexed loans

As at 31 December 2015 the Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 17,160 (31 December 2014: TL 12,048) and has reflected the related foreign exchange loss amount in the consolidated financial statements by offsetting from related loans.

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

As of 31 December 2015, the Bank has recorded TL 40,930 (31 December 2014: TL 63,030) as specific provisions for non-cash loans that are not indemnified or converted into cash.

Information on insurance technical provisions

| | Current Period | Prior Period |
|-----------------------------|------------------|------------------|
| Unearned Premium Reserves | 715,692 | 646,856 |
| Outstanding Claims Reserves | 1,108,017 | 950,292 |
| Life Mathematical Reserves | 265,760 | 44,010 |
| Other | 2,086 | 1,554 |
| Total | 2,091,555 | 1,642,712 |

Information on other provisions

Information on other provisions exceeding 10% of total provisions

| | Current Period | Prior period |
|--|----------------|----------------|
| Provisions for credits | 182,585 | 105,005 |
| Specific provisions for non-cash loans | 40,930 | 63,030 |
| Provision for cheques | 47,020 | 37,556 |
| Provisions for lawsuits against the Bank | 9,316 | 16,142 |
| Provisions for credit card promotions | 9,100 | 10,177 |
| Other provisions | 16,258 | 6,962 |
| Total | 305,209 | 238,872 |

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8. Taxation

Current Taxes

As at and for the year ended 31 December 2015, the tax liability of the Group is amounting to TL 233,004 (31 December 2014: TL 249,673).

Information on taxes payable

| | Current Period | Prior Period |
|--|----------------|----------------|
| Corporate taxes payable | 233,004 | 249,673 |
| Taxation on securities | 151,721 | 123,184 |
| Capital gains tax on property | 2,477 | 2,176 |
| Banking and Insurance Transaction Tax (BITT) | 77,808 | 59,943 |
| Taxes on foreign exchange transactions | - | - |
| Value added tax payable | 4,879 | 3,538 |
| Other | 41,348 | 35,796 |
| Total | 511,237 | 474,310 |

Information on premiums payable

| | Current Period | Prior Period |
|---|----------------|--------------|
| Social security premiums- employee share | 811 | 757 |
| Social security premiums- employer share | 2,095 | 1,781 |
| Bank pension fund premium- employee share | - | - |
| Bank pension fund premium- employer share | - | - |
| Pension fund membership fees and provisions- employee share | 10 | 2 |
| Pension fund membership fees and provisions- employer share | - | - |
| Unemployment insurance- employee share | 695 | 622 |
| Unemployment insurance- employer share | 1,503 | 1,308 |
| Other | 8 | 7 |
| Total | 5,122 | 4,477 |

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 1 November 2012, on 3 December 2012 the Bank has realized second tranche at nominal value of US Dollar 400 million, has the same due date and maturity of 10 years and 5.5% coupon rate.

The Parent Bank has issued secondary subordinated loan (Tier II bond) as at January 2015 which contains Basel-III criteria. In this context, the bond has been issued at the nominal value of US Dollar 500 million with the maturity date of 3 February 2025 and early call option date of 3 February 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%.

Stated bonds' total balance sheet value is TL 4,155,551 as of 31 December 2015 (31 December 2014: TL 2,126,436).

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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.

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 | 39,342 | - | 62,289 | - |
| Fair value differences of available-for-sale securities | (266,736) | 257,405 | 178,440 | 280,801 |
| Foreign exchange differences | - | - | - | - |
| Total | (227,394) | 257,405 | 240,729 | 280,801 |

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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 | 7,399,361 | 7,641,987 |
| Loan granting commitments | 8,494,747 | 8,068,201 |
| Commitments for cheque payments | 1,805,569 | 1,638,976 |
| Asset purchase sale commitments | 3,843,373 | 2,686,862 |
| Other | 1,507,923 | 759,783 |
| Total | 23,050,973 | 20,795,809 |

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 40,930 (31 December 2014: TL 63,030) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 97,721 (31 December 2014: TL 129,638).

Final guarantees, provisional guarantees, sureties and similar transactions

| | Current Period | Prior Period |
|--|-------------------|-------------------|
| Final letters of guarantee | 9,289,202 | 7,737,748 |
| Letters of guarantee for advances | 3,438,136 | 2,603,790 |
| Letters of guarantee given to custom offices | 1,030,530 | 913,389 |
| Provisional letters of guarantee | 935,981 | 1,107,255 |
| Other letters of guarantee | 12,103,744 | 9,096,625 |
| Total | 26,797,593 | 21,458,807 |

2. Non-cash loans

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Non-cash loans given for cash loan risks | 2,899,661 | 2,905,607 |
| <i>With original maturity of 1 year or less</i> | <i>1,176,515</i> | <i>1,846,045</i> |
| <i>With original maturity of more than 1 year</i> | <i>1,723,146</i> | <i>1,059,562</i> |
| Other non-cash loans | 30,220,240 | 25,769,440 |
| Total | 33,119,901 | 28,675,047 |

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3. Sectoral risk concentrations of non-cash loans

| | Current Period | | | | Prior Period | | | |
|-----------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| | TL | % | FC | % | TL | % | FC | % |
| Agricultural | 87,249 | 0.39 | 132,021 | 1.20 | 86,506 | 0.51 | 266,929 | 2.27 |
| Farming and cattle | 82,686 | 0.37 | 132,021 | 1.20 | 77,673 | 0.46 | 257,069 | 2.18 |
| Forestry | 3,528 | 0.02 | - | - | 7,898 | 0.05 | 7,540 | 0.06 |
| Fishing | 1,035 | 0.00 | - | - | 935 | 0.01 | 2,320 | 0.02 |
| Manufacturing | 9,811,692 | 44.34 | 5,696,876 | 51.82 | 7,150,408 | 42.33 | 5,753,926 | 48.84 |
| Mining | 1,252,878 | 5.66 | 106,628 | 0.97 | 168,108 | 1.00 | 29,069 | 0.25 |
| Production | 5,526,001 | 24.97 | 5,309,883 | 48.30 | 4,563,948 | 27.01 | 5,319,615 | 45.15 |
| Electric, gas and water | 3,032,813 | 13.71 | 280,365 | 2.55 | 2,418,352 | 14.32 | 405,242 | 3.44 |
| Construction | 3,374,531 | 15.25 | 2,224,897 | 20.24 | 2,996,610 | 17.74 | 2,520,479 | 21.39 |
| Services | 8,030,112 | 36.30 | 2,523,158 | 22.95 | 6,226,616 | 36.86 | 2,761,969 | 23.44 |
| Wholesale and retail trade | 3,444,760 | 15.57 | 1,584,849 | 14.41 | 2,580,882 | 15.29 | 1,597,908 | 13.56 |
| Hotel, food and beverage services | 110,961 | 0.50 | 1,778 | 0.02 | 125,417 | 0.74 | 5,691 | 0.05 |
| Transportation and | | | | | | | | |
| Telecommunication | 1,172,317 | 5.30 | 736,976 | 6.70 | 963,436 | 5.70 | 1,058,971 | 8.99 |
| Financial institutions | 2,090,603 | 9.45 | 38,056 | 0.35 | 1,515,987 | 8.97 | 11,802 | 0.10 |
| Real estate and renting services | 325,256 | 1.47 | 33,758 | 0.31 | 254,056 | 1.50 | 24,277 | 0.21 |
| Self-employment services | 610,338 | 2.76 | 110,414 | 1.00 | 591,814 | 3.50 | 44,703 | 0.38 |
| Education services | 23,752 | 0.11 | 4,018 | 0.04 | 24,595 | 0.15 | 3,903 | 0.03 |
| Health and social services | 252,125 | 1.14 | 13,309 | 0.12 | 170,429 | 1.01 | 14,714 | 0.12 |
| Other | 822,779 | 3.72 | 416,586 | 3.79 | 432,810 | 2.56 | 478,794 | 4.06 |
| Total | 22,126,363 | 100.00 | 10,993,538 | 100.00 | 16,892,950 | 100.00 | 11,782,097 | 100.00 |

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 | 21,714,478 | 4,793,867 | 173,386 | 20,949 |
| Confirmed bills of exchange and acceptances | 86,762 | 1,388,757 | - | - |
| Letters of credit | 16,306 | 4,761,086 | - | 11,317 |
| Endorsements | - | - | - | - |
| Purchase guarantees for securities issued | - | - | - | - |
| Factoring guarantees | 42,526 | 2,224 | - | - |
| Other guarantees and sureties | - | 10,522 | - | - |
| Total Non-Cash Loans | 21,860,072 | 10,956,456 | 173,386 | 32,266 |

| Prior Period | Group I | | Group II | |
|---|-------------------|-------------------|----------------|--------------|
| | TL | FC | TL | FC |
| Letters of guarantee | 16,653,687 | 4,555,638 | 113,427 | 8,262 |
| Confirmed bills of exchange and acceptances | 20,836 | 1,943,257 | - | - |
| Letters of credit | - | 5,212,911 | - | - |
| Endorsements | - | - | - | - |
| Purchase guarantees for securities issued | - | - | - | - |
| Factoring guarantees | 29,765 | 5,023 | - | - |
| Other guarantees and sureties | - | 2,603 | - | - |
| Total Non-Cash Loans | 16,704,288 | 11,719,432 | 113,427 | 8,262 |

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5. Information on derivative transactions

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Trading Derivatives | | |
| Foreign Currency Related Derivative Transactions (I) | 28,241,368 | 22,773,909 |
| Currency Forwards | 468,760 | 555,204 |
| Currency Swaps | 27,259,078 | 21,162,157 |
| Currency Futures | - | - |
| Currency Options | 513,530 | 1,056,548 |
| Interest Rate Derivative Transactions (II) | 13,313,758 | 7,478,238 |
| Interest Rate Forwards | - | - |
| Interest Rate Swaps | 13,313,758 | 7,478,238 |
| Interest Rate Options | - | - |
| Securities Call Put Options | - | - |
| Interest Rate Futures | - | - |
| Other Trading Derivatives (III) | 8,954,555 | 6,780,167 |
| A. Total Trading Derivatives (I+II+III) | 50,509,681 | 37,032,314 |
| Hedging Derivatives | - | - |
| Fair Value Hedges | - | - |
| Cash Flow Hedges | - | - |
| Hedges for Foreign Currency Investments | - | - |
| B. Total Hedging Derivatives | - | - |
| Derivative Transactions (A+B) | 50,509,681 | 37,032,314 |

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

| | 31 December 2015 | | | | | |
|--|-------------------|------------------|------------------|-------------------|------------------|-------------------|
| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Total |
| Currency swaps: | | | | | | |
| Purchase | 10,038,294 | 3,520,445 | 242,757 | - | - | 13,801,496 |
| Sale | 4,394,944 | 3,535,470 | 251,525 | - | - | 8,181,939 |
| Currency forwards: | | | | | | |
| Purchase | 21,330 | 60,137 | 107,684 | 45,556 | - | 234,707 |
| Sale | 21,304 | 60,054 | 107,359 | 45,336 | - | 234,053 |
| Cross currency interest rate swaps: | | | | | | |
| Purchase | - | - | 186,709 | 2,732,075 | - | 2,918,784 |
| Sale | - | - | 120,583 | 2,236,276 | - | 2,356,859 |
| Interest rate swaps: | | | | | | |
| Purchase | - | - | 218,250 | 2,763,121 | 3,675,508 | 6,656,879 |
| Sale | - | - | 218,250 | 2,763,121 | 3,675,508 | 6,656,879 |
| Options: | | | | | | |
| Purchase | 229,308 | 13,086 | 8,586 | - | - | 250,980 |
| Sale | 239,124 | 13,526 | 9,900 | - | - | 262,550 |
| Other trading derivatives: | | | | | | |
| Purchase | - | - | 625,650 | - | 1,247,145 | 1,872,795 |
| Sale | 5,597,158 | - | 611,602 | - | 873,000 | 7,081,760 |
| Total purchases | 10,288,932 | 3,593,668 | 1,389,636 | 5,540,752 | 4,922,653 | 25,735,641 |
| Total sales | 10,252,530 | 3,609,050 | 1,319,219 | 5,044,733 | 4,548,508 | 24,774,040 |
| Total | 20,541,462 | 7,202,718 | 2,708,855 | 10,585,485 | 9,471,161 | 50,509,681 |

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| | 31 December 2014 | | | | | Total |
|--|-------------------|------------------|------------------|------------------|------------------|-------------------|
| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | |
| Currency swaps: | | | | | | |
| Purchase | 8,805,023 | 2,322,843 | 234,800 | 389,279 | - | 11,751,945 |
| Sale | 4,120,339 | 2,317,964 | 237,650 | 383,615 | - | 7,059,568 |
| Currency forwards: | | | | | | |
| Purchase | 99,142 | 68,619 | 71,286 | 38,774 | - | 277,821 |
| Sale | 99,070 | 68,502 | 71,136 | 38,675 | - | 277,383 |
| Cross currency interest rate swaps: | | | | | | |
| Purchase | 63,456 | 58,000 | - | 1,172,493 | - | 1,293,949 |
| Sale | 46,667 | 37,825 | - | 972,203 | - | 1,056,695 |
| Interest rate swaps: | | | | | | |
| Purchase | - | - | - | 1,202,149 | 2,536,970 | 3,739,119 |
| Sale | - | - | - | 1,202,149 | 2,536,970 | 3,739,119 |
| Options: | | | | | | |
| Purchase | 242,712 | 90,791 | 194,771 | - | - | 528,274 |
| Sale | 242,710 | 90,790 | 194,774 | - | - | 528,274 |
| Other trading derivatives: | | | | | | |
| Purchase | 158,020 | - | - | - | 994,287 | 1,152,307 |
| Sale | 4,931,860 | - | - | - | 696,000 | 5,627,860 |
| Total purchases | 9,368,353 | 2,540,253 | 500,857 | 2,802,695 | 3,531,257 | 18,743,415 |
| Total sales | 9,440,646 | 2,515,081 | 503,560 | 2,596,642 | 3,232,970 | 18,288,899 |
| Total | 18,808,999 | 5,055,334 | 1,004,417 | 5,399,337 | 6,764,227 | 37,032,314 |

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6. Contingent assets and liabilities

Group allocates TL 9,316 as provision for lawsuits against the Group (31 December 2014: TL 16,142).

7. Services rendered on behalf of third parties

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

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

1. Interest Income

Information on interest income received from loans

| | Current Period | | Prior Period | |
|--|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Short-term loans | 3,425,419 | 164,210 | 2,771,751 | 160,053 |
| Medium and long-term loans | 6,368,458 | 1,501,065 | 5,275,500 | 1,008,781 |
| Non-performing loans | 139,185 | - | 177,155 | - |
| Premiums received from resource utilization support fund | - | - | - | - |
| Total | 9,933,062 | 1,665,275 | 8,224,406 | 1,168,834 |

Information on interest income received from banks

| | Current Period | | Prior Period | |
|------------------------------------|----------------|--------------|---------------|--------------|
| | TL | FC | TL | FC |
| Central Bank of Republic of Turkey | - | - | - | - |
| Domestic Banks | 68,564 | 881 | 60,054 | 2,029 |
| Foreign Banks | 322 | 8,957 | 207 | 5,017 |
| Foreign Head Office and Branches | - | - | - | - |
| Total | 68,886 | 9,838 | 60,261 | 7,046 |

Information on interest income received from marketable securities portfolio

| | Current Period | | Prior Period | |
|---|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Financial assets held for trading | 5,782 | 993 | 9,634 | 1,619 |
| Financial assets where fair value change is reflected to income statement | - | - | - | - |
| Financial assets available for sale | 1,158,698 | 250,891 | 1,275,394 | 214,270 |
| Investments held to maturity | 655,344 | 500 | 559,880 | 444 |
| Total | 1,819,824 | 252,384 | 1,844,908 | 216,333 |

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Information on interest income received from associates and subsidiaries

| | Current Period | Prior Period |
|--|----------------|--------------|
| Interest Received from Associates and Subsidiaries | 2 | - |

2. Interest Expense

Interest expense on funds borrowed

| | Current Period | | Prior Period | |
|------------------------------------|----------------|----------------|---------------|----------------|
| | TL | FC | TL | FC |
| Banks | 94,417 | 239,603 | 71,661 | 152,358 |
| Central Bank of Republic of Turkey | - | - | - | - |
| Domestic Banks | 54,053 | 11,687 | 41,045 | 6,331 |
| Foreign Banks | 40,364 | 227,916 | 30,616 | 146,027 |
| Foreign Head Offices and Branches | - | - | - | - |
| Other Institutions | - | 28,480 | - | 18,990 |
| Total | 94,417 | 268,083 | 71,661 | 171,348 |

Interest expense paid to associates and subsidiaries

| | Current Period | Prior Period |
|---|----------------|--------------|
| Interests paid to the associates and subsidiaries | 16,091 | 14,782 |

Interest expense on securities issued

As at and for the year ending at 31 December 2015, interest paid to securities issued is TL 595,176 (31 December 2014: TL 445,715).

| | Current Period | | Prior Period | |
|---------------------------------------|----------------|---------|--------------|---------|
| | TL | FC | TL | FC |
| Interest expense on securities issued | 273,381 | 321,795 | 214,445 | 231,270 |

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Maturity structure of the interest expense on deposits

| Current Period | Demand Deposits | Time Deposits | | | | | Cumulative deposit | Total |
|-----------------------------------|-----------------|----------------|------------------|----------------|----------------|------------------|--------------------|------------------|
| | | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More than 1 Year | | |
| TL | | | | | | | | |
| Interbank deposits | - | 76,403 | 51,103 | 46,028 | - | - | - | 173,534 |
| Saving deposits | - | 41,192 | 2,043,895 | 111,066 | 26,299 | 10,482 | - | 2,232,934 |
| Public sector deposits | 13,522 | 261,548 | 637,109 | 60,262 | 251,165 | 15,948 | - | 1,239,554 |
| Commercial deposits | 118 | 408,690 | 1,096,168 | (8,444) | 12,451 | 423 | - | 1,509,406 |
| Other deposits | 1 | 80,376 | 305,671 | 27,244 | 7,628 | 1,488 | - | 422,408 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - |
| Total | 13,641 | 868,209 | 4,133,946 | 236,156 | 297,543 | 28,341 | - | 5,577,836 |
| FC | | | | | | | | |
| Foreign Currency deposits | 23,493 | 37,718 | 300,902 | 33,598 | 21,808 | 105,486 | - | 523,005 |
| Interbank deposits | 96 | 93 | 1,884 | 308 | 12,111 | 366 | - | 14,858 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - |
| Precious metal deposits | - | - | - | - | - | - | - | - |
| Total | 23,589 | 37,811 | 302,786 | 33,906 | 33,919 | 105,852 | - | 537,863 |
| Grand Total | 37,230 | 906,020 | 4,436,732 | 270,062 | 331,462 | 134,193 | - | 6,115,699 |

| Prior Period | Demand Deposits | Time Deposits | | | | | Cumulative deposit | Total |
|-----------------------------------|-----------------|----------------|------------------|----------------|----------------|------------------|--------------------|------------------|
| | | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More than 1 Year | | |
| TL | | | | | | | | |
| Interbank deposits | - | 144,829 | - | - | - | - | - | 144,829 |
| Saving deposits | 1,486 | 23,258 | 1,597,668 | 133,101 | 26,634 | 12,984 | - | 1,795,131 |
| Public sector deposits | 5,891 | 174,376 | 427,267 | 64,521 | 137,018 | 15,261 | - | 824,334 |
| Commercial deposits | 368 | 267,851 | 998,645 | 87,997 | 15,599 | 3,915 | - | 1,374,375 |
| Other deposits | 1 | 45,643 | 278,655 | 43,453 | 33,667 | 1,661 | - | 403,080 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - |
| Total | 7,746 | 655,957 | 3,302,235 | 329,072 | 212,918 | 33,821 | - | 4,541,749 |
| FC | | | | | | | | |
| Foreign Currency deposits | 29,724 | 21,210 | 246,798 | 41,698 | 39,556 | 106,466 | - | 485,452 |
| Interbank deposits | - | 16,735 | - | - | - | - | - | 16,735 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - |
| Precious metal deposits | - | - | - | - | - | - | - | - |
| Total | 29,724 | 37,945 | 246,798 | 41,698 | 39,556 | 106,466 | - | 502,187 |
| Grand Total | 37,470 | 693,902 | 3,549,033 | 370,770 | 252,474 | 140,287 | - | 5,043,936 |

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3. Dividend Income

| | Current Period | Prior Period |
|---|----------------|---------------|
| Trading Purpose Financial Assets | 27 | 19 |
| Financial Assets at Fair Value through Profit or Loss | - | - |
| Available-for-Sale Financial Assets | 89 | 2,247 |
| Others | 37,053 | 9,963 |
| Total | 37,169 | 12,229 |

4. Information on trading income/losses

| | Current Period | Prior Period |
|--|--------------------|--------------------|
| Income | 6,526,873 | 6,426,056 |
| Income from capital market operations | 2,489,490 | 2,430,715 |
| Income from derivative financial instruments | 1,588,784 | 1,408,759 |
| Foreign exchange gains | 2,448,599 | 2,586,582 |
| Losses | (6,386,942) | (6,177,261) |
| Loss from capital market operations | (2,442,729) | (2,254,642) |
| Loss from derivative financial instruments | (1,617,913) | (1,447,948) |
| Foreign exchange loss | (2,326,300) | (2,474,671) |
| Net trading profit/loss | 139,931 | 248,795 |

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 31,762 as at and for the year ended 31 December 2015 (31 December 2014: net loss of TL 8,179).

5. Other operating income

| | Current Period | Prior Period |
|--|------------------|------------------|
| Income from reversal of the impairment losses from prior periods | 763,294 | 707,442 |
| Earned insurance premiums (net of reinsurance share) | 767,881 | 663,935 |
| Communication income | 50,723 | 85,302 |
| Gain on sale of assets | 109,681 | 385,471 |
| Income from private pension business | 64,583 | 48,626 |
| Rent income | 80,490 | 529 |
| Other income | 199,996 | 228,486 |
| Total | 2,036,648 | 2,119,791 |

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6. Provision expenses for losses on loans and other receivables

| | Current Period | Prior Period |
|--|------------------|------------------|
| Specific provisions on loans and other receivables | 1,085,809 | 1,194,633 |
| <i>Loans and receivables in Group III</i> | 339,638 | 181,529 |
| <i>Loans and receivables in Group IV</i> | 449,252 | 774,152 |
| <i>Loans and receivables in Group V</i> | 296,919 | 238,952 |
| Non-performing commissions and other receivables | - | - |
| General provision expenses | 354,951 | 413,501 |
| Provision for possible losses | - | - |
| Impairment losses on securities | 3,459 | 15,573 |
| <i>Trading securities</i> | 16 | 5,171 |
| <i>Investment securities available-for-sale</i> | 3,443 | 10,402 |
| Impairment losses from associates, subsidiaries, joint ventures and marketable securities held to maturity | 24,337 | 25,278 |
| <i>Associates</i> | - | - |
| <i>Subsidiaries</i> | - | - |
| <i>Joint ventures</i> | - | - |
| <i>Investment securities held-to-maturity</i> | 24,337 | 25,278 |
| Other ⁽¹⁾ | 167,304 | 98,680 |
| Total | 1,635,860 | 1,747,665 |

⁽¹⁾ Other provision expenses amounting to TL 167,304 (31 December 2014: TL 98,680) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 41,616 (31 December 2014: TL 38,176), other provision expenses related to loans amounting to TL 82,415 (31 December 2014: TL 39,045) and other provision expenses amounting to TL 43,273 (31 December 2014: TL 21,459).

7. Other operating expenses

| | Current Period | Prior Period |
|--|------------------|------------------|
| Personnel costs | 1,539,206 | 1,386,610 |
| Reserve for employee termination benefits | 27,419 | 11,070 |
| Provision for deficit in pension funds | - | - |
| Impairment losses on tangible assets | 6,475 | - |
| Depreciation expenses on tangible assets | 133,210 | 114,988 |
| Impairment losses on intangible assets | - | - |
| Amortization expenses on intangible assets | 20,994 | 15,974 |
| Impairment losses on assets to be disposed | 5,747 | 2,115 |
| Depreciation expenses on assets to be disposed | 15,291 | 12,743 |
| Impairment losses on assets held for sale | - | - |
| Other operating expenses | 2,046,058 | 1,567,282 |
| <i>Operational lease related expenses</i> | 214,645 | 190,247 |
| <i>Repair and maintenance expenses</i> | 41,636 | 33,778 |
| <i>Advertisement expenses</i> | 82,270 | 76,278 |
| <i>Other expenses</i> | 1,707,507 | 1,266,979 |
| Loss on sale of assets | 1,231 | 4,951 |
| Other ⁽¹⁾ | 1,021,447 | 787,872 |
| Total | 4,817,078 | 3,903,605 |

⁽¹⁾ Other operating expenses amounting to TL 1,021,447 (31 December 2014: TL 787,872) is comprised of provision expenses for dividends to the personnel amounting to TL 144,017 (31 December 2014: TL 129,797), tax, fees and funds expenses amounting to TL 125,706 (31 December 2014: TL 113,797), Saving Deposits Insurance Fund expenses amounting to TL 115,916 (31 December 2014: TL 93,190) and other operating expenses amounting to TL 635,808 (31 December 2014: TL 451,088).

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

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

9. Information on tax provision from discontinued and continuing operations

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

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

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

11. Provision for taxes on income

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

In the current year, the Group recorded a tax provision of TL 417,396 (31 December 2014: TL 612,250) 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 | (33,782) | 63,170 |
| Arising from (Origination)/ Reversal of Taxable Temporary Differences | (75,933) | 71,065 |
| Arising from Origination)/ (Reversal) of Tax Losses | - | - |
| Arising from Tax Rate Change | - | - |
| Total | (109,715) | 134,235 |

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12. Net profit and loss

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

Group has earned TL 13,973,432 interest income and TL 8,238,164 interest expense, also incurred TL 870,329 amount of net fee and commission income from its ordinary banking operations (31 December 2014: TL 11,664,524 interest income, TL 6,809,744 interest expense, TL 674,456 net fee and commission income).

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

None.

13. Income/loss related to non-controlling interest

| | Current Period | Prior Period |
|---|----------------|--------------|
| Income/(losses) related to non-controlling interest | (74,675) | 8,166 |

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

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

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

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

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

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

| Valuation Differences of Marketable Securities | Current Period | Prior Period |
|--|----------------|----------------|
| Valuation differences at the beginning of the year | 459,241 | (202,685) |
| Fair value changes in the current year | (630,217) | 613,607 |
| Effect of deferred and corporate taxes | 125,540 | (119,805) |
| Valuation differences transferred to the statement of income | 45,131 | 210,155 |
| Effect of deferred and corporate taxes | (9,026) | (42,031) |
| Valuation differences at the end of the year | (9,331) | 459,241 |

| Valuation Difference of the Subsidiaries and Affiliates | Current Period | Prior Period |
|--|----------------|---------------|
| Valuation differences at the beginning of the year | 62,289 | 52,966 |
| Fair value changes in the current year | (24,585) | 10,203 |
| Effect of deferred and corporate taxes | 1,638 | (880) |
| Valuation differences transferred to the statement of income | - | - |
| Effect of deferred and corporate taxes | - | - |
| Valuation differences at the end of the year | 39,342 | 62,289 |

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

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

2. Information on increases in cash flow hedges

None.

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

As of 31 December 2015, foreign currency translation differences of 42,762 TL (31 December 2014: (15,664) TL), which occurred from converting abroad subsidiaries' financial statements to TL for consolidation purpose, is accounted under other reserves in the enclosed consolidated financial statements.

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

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

5. Information on profit distribution

As per the resolution of 61st Annual General Assembly held on 30 March 2015, the net profit of the year 2014 which amounts to TL 1,612,157 after deferred tax income deducted is decided to be distributed as legal reserves amounting to TL 161,215, extraordinary reserves amounting to TL 1,114,820, special funds amounting to TL 236,122 and dividends to equity holders of the Parent Bank amounting to TL 100,000.

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

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

VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS

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

"Other" item under the "operating profit before changes in operating assets and liabilities" amounting to TL (2,899,768) (31 December 2014: TL (1,915,812)) is comprised of other operating expense in the balance sheet, fees and commission expense, and cash amount of trading profit/loss.

"Net increase/decrease in other liabilities" amounting to TL (2,436,988) (31 December 2014: TL 2,063,317) under "changes in operating assets and liabilities" is mainly comprised of fund based cash outflows from repurchase agreements.

"Other" balance under "net cash flow from investing activities" amounting to TL (51,353) (31 December 2014: TL (44,008)) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related assets' high turnover rate are taken into consideration. Each exchange rate's arithmetic average of the last five days before the report date and provision of average TL that is calculated from the difference from current period's exchange rate are reflected as an effect of exchange rate change on the cash flow statement. Except for the above-mentioned, banks that have less than three months to maturity are accepted as cash equivalents and average TL provision is calculated by difference between related operation's per term exchange rate and current period's exchange rate. As of 31.12.2015 impact of the exchange rate change on cash and cash equivalents is TL (30,472) (31.12.2014: TL 4,539).

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

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

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

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

There is no disposal in associates, subsidiaries and joint-ventures in the current year.

4. Information on cash and cash equivalents

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

| | Prior Period 31 December 2014 | Prior Period 31 December 2013 |
|---|----------------------------------|----------------------------------|
| Cash on hand | 1,376,838 | 1,156,445 |
| Cash in TL | 1,014,282 | 867,546 |
| Cash in foreign currency | 362,556 | 288,899 |
| Cash equivalents | 7,814,067 | 4,931,458 |
| CBRT | 20,440,692 | 17,793,235 |
| Banks | 3,568,508 | 3,158,351 |
| Receivables from money markets | 9,502 | 5,095 |
| Other | 73,551 | 25,502 |
| Loans and advances to banks having maturity of more than 3 months | (6,045) | (13,260) |
| Restricted cash and cash equivalents | (16,266,786) | (16,036,144) |
| Unrealized foreign exchange rate differences on cash equivalents | (5,355) | (1,321) |
| Total | 9,190,905 | 6,087,903 |

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

| | Current Period 31 December 2015 | Prior Period 31 December 2014 |
|---|------------------------------------|----------------------------------|
| Cash on hand | 1,439,972 | 1,376,838 |
| Cash in TL | 1,162,866 | 1,014,282 |
| Cash in foreign currency | 277,106 | 362,556 |
| Cash equivalents | 7,617,155 | 7,814,067 |
| CBT - Unrestricted demand deposit | 19,834,346 | 20,440,692 |
| Banks | 6,176,019 | 3,568,508 |
| Receivables from money markets | 6,699 | 9,502 |
| Other | 215,596 | 73,551 |
| Loans and advances to banks having maturity of more than 3 months | (90,084) | (6,045) |
| Restricted cash and cash equivalents | (18,518,574) | (16,266,786) |
| Unrealized foreign exchange rate differences on cash equivalents | (6,847) | (5,355) |
| Total | 9,057,127 | 9,190,905 |

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

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

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

Reserve requirements at CBRT amounting to TL 18,441,256 as at 31 December 2015 (31 December 2014: TL 16,156,615) has not been included in cash and cash equivalents.

Deposits of the Group amounting to TL 77,318 (31 December 2014: TL 110,171) is blocked due to securitization loans and other ordinary operations of the Group.

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

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

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

| Current Period | Associates and Subsidiaries and Joint-Ventures | | Bank's Direct and Indirect Shareholders | | Other Components in Risk Group | |
|--------------------------------------|--|----------|---|----------|--------------------------------|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Loans and other receivables | | | | | | |
| Balance at the beginning of the year | 16 | 657,200 | - | 10,174 | 6,239 | 13,086 |
| Balance at the end of the year | 1,071 | 811,349 | - | 28,550 | 822 | 15,858 |
| Interest and commission income | 2 | 388 | - | 29 | 94 | 17 |

| 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 | 13 | 659,911 | - | 27,065 | 26,102 | 24,339 |
| Balance at the end of the year | 16 | 657,200 | - | 10,174 | 6,239 | 13,086 |
| Interest and commission income | - | 401 | - | 21 | 774 | 68 |

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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 | 187,127 | 419,918 | 713,966 | 968,601 | 115,831 | 46,793 |
| Balance at the end of the year | 475,233 | 187,127 | 740,156 | 713,966 | 104,508 | 115,831 |
| Interest on deposits | 16,091 | 14,782 | 45,805 | 60,168 | 1,005 | 2,340 |

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

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.001 % (31 December 2014: 0.01%) and 2.584% (31 December 2014: 2.373%) respectively.

| Current Period | Amount | Compared with the Financial Statement Amount % |
|----------------|-----------|--|
| Cash Loans | 1,893 | 0.001 |
| Non-Cash Loans | 855,757 | 2.584 |
| Deposits | 1,319,897 | 1.178 |

| Prior Period | Amount | Compared with the Financial Statement Amount % |
|----------------|-----------|--|
| Cash Loans | 6,255 | 0.006 |
| Non-Cash Loans | 680,460 | 2.373 |
| Deposits | 1,016,924 | 1.089 |

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

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

Domestic and foreign branches and representative offices

| | Number of Branches | Number of Employees | | | |
|----------------------------------|--------------------|---------------------|---------|--------------|---------|
| Domestic Branches ^(*) | 917 | 15,367 | | | |
| | | | Country | | |
| Foreign Representative Offices | - | - | - | | |
| | | | | Total Assets | Capital |
| Foreign Branches | 1 | 23 | USA | 5,649,716 | 48,015 |
| | 1 | 16 | Iraq | 152,461 | 20,370 |
| Off-shore Branches | 1 | 4 | Bahrain | 12,599,251 | - |

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

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

During 2015, 27 new domestic branches (2014: 34 domestic branches) have been opened and no branches have been closed (2014: none).

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 61st Annual General Assembly held on 30 March 2015, the net profit of year 2014 is decided to be distributed as follows:

| | Profit Distribution Table of Year 2014 |
|---|--|
| Current year's profit of the Parent Bank's unconsolidated financial statements | 1,753,273 |
| Deferred tax income | (141,116) |
| Net profit of the year subject to distribution | 1,612,157 |
| Legal reserves | 161,214 |
| <i>First legal reserves</i> | 80,607 |
| <i>Reserves allocated, according to banking law and articles of association</i> | 80,607 |
| Net profit of the year subject to distribution | 1,450,943 |
| Gain on sale of immovable and shares of associates and subsidiaries | 236,122 |
| Extraordinary reserves | 1,114,821 |
| Dividends to the shareholders | 100,000 |

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

| February 2016 ^(*) | Fitch Ratings |
|------------------------------|---------------|
| Long Term Foreign Currency | BBB- |
| Short Term Foreign Currency | F3 |
| 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 | 2 |
| Base Support Rating | BBB- |

| October 2015 ^(*) | Moody's Investors' Service |
|---------------------------------|----------------------------|
| Baseline Credit Assessment | ba1 |
| Local Currency Deposit Rating | Baa3 / P-3 |
| Local Currency Outlook | Negative |
| Foreign Currency Deposit Rating | Baa3 / P-3 |
| Foreign Currency Outlook | Negative |

| July 2015 ^(*) | Standard&Poors |
|--------------------------------|----------------|
| Foreign Currency Credit Rating | BB+ / B |
| Foreign Currency Outlook | Negative |
| Local Currency Credit Rating | BB+ / B |
| Local Currency Outlook | Negative |
| National | trAA+ / trA-1 |
| Continuance Rating | N.R |

| December 2014 ^(*) | Capital Intelligence |
|------------------------------|----------------------|
| Financial Strength Rate | BBB- |
| Short Term Foreign Currency | B |
| Long Term Foreign Currency | BB+ |
| Support Rating | 2 |
| Foreign Currency Outlook | Stable |

^(*) Dates represent last report dates.

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

Vakıfbank bonds have been issued on 29.01.2016 amounting TL 400 million(Full TL) with 91 days maturity and maturity date of which is 29 April 2016, amounting TL 200 million(Full TL) with 175 days maturity and maturity date of which is 22 July 2016 and amounting TL 100 million(Full TL) with 210 days maturity date of which is 26 August 2016 and total amount of TL 700 million(Full TL) issued and offered to public through book-building on 25-26-27 January 2016.

As a result, Vakıfbank bond with the ISIN Code TRQVKFB41645 which has 11.0432% annual compound interest 10.6129% simple interest and issue price was TL 97,422 with amounting TL , 484,757,595(Full TL) with 91 days maturity and maturity date of which is 29 April 2016. Vakıfbank bond with the ISIN Code TRQVKFB71626 which has 11.1828% compound interest, 10.8746% simple interest and issue price was TL 95,045 with amounting TL 85,506,425(Full TL) with 175 days maturity and maturity date of which is 22 July 2016. Vakıfbank bond with the ISIN Code TRQVKFB81617 which has 11.5485% compound interest, 11.2798% simple interest and issue price was TL 93,906 with amounting TL 122,715,820 (Full TL) with 210 days maturity and maturity date of which is 26 August 2016.

IV. SIGNIFICANT FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS THAT ARE SUBSEQUENT TO REPORTING DATE

None.

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SECTION SEVEN

I. AUDITORS’ REVIEW REPORT

1. Information on auditors’ review report

The consolidated financial statements and footnotes of the Bank and its consolidated financial subsidiaries as at and for the year ended 31 December 2015, have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers). It was noted in their audited report dated 25 February 2016 that nothing material has come to their attention that caused them to believe that the accompanying consolidated financial statements do not give a true and fair view of the Group’s financial position and results of its operations.

2. Explanations and footnotes prepared by independent auditor

None.

EVALUATION OF THE BANK'S FINANCIAL POSITION, PROFITABILITY AND SOLVENCY

Acting with the vision of becoming its region's most preferred bank that creates value, VakıfBank continues its services with its 15,410 employees in its 920 branches as of year-end 2015.

ASSESSMENT ON THE ASSETS

VakıfBank continued the growth in its assets also in 2015 while its assets increased by 15.63% compared to the previous year-end and reached TL 182,947 million. VakıfBank's interest bearing assets' ratio to total assets increased to 94.45%. 63.93% of the total assets was in Turkish Liras while 36.07% was in foreign currency. When we examine the structure of the total assets; we see that total loans with 67.66% share are the most important item in the assets. In 2015, VakıfBank's performing loans, the fundamental intermediary function in the banking sector, increased by 17.86% and reached TL 122,974 million. 70.23% of total performing loans are composed of commercial loans while 29.77% is composed of personal loans. VakıfBank increased its commercial loans by 20.80% while increasing personal loans by 11.45%. When we examine the structure of personal loans; we see that credit cards are in the first position with 22.48% increase. Mortgage loans increased by 5.59% while auto loans increased by 7.24%, and general consumer loans increased by 14.86%.

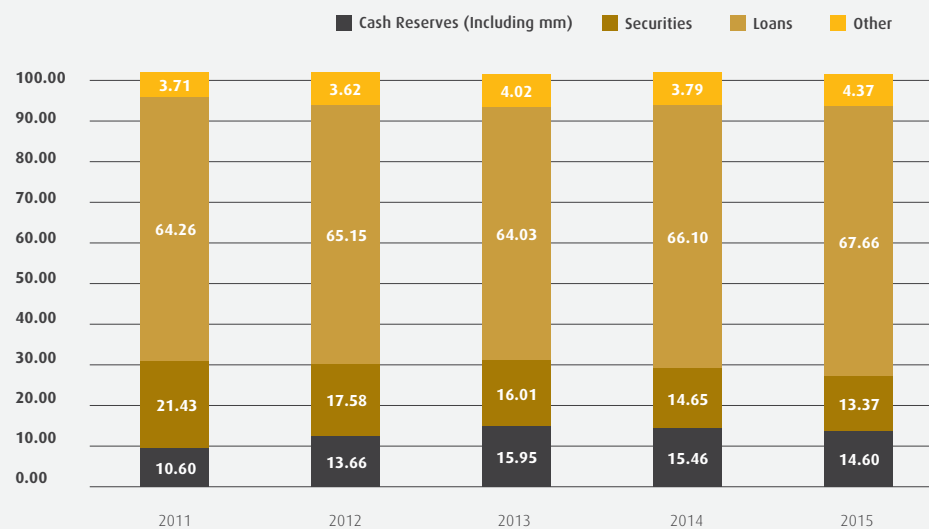
In 2015, VakıfBank's non-performing loans ratio was 3.8%. In the same period, VakıfBank's securities portfolio increased by 5.49% and reached TL 24,452 million. The share of the securities portfolio in the assets is 13.37%.

ASSESSMENT ON THE LIABILITIES

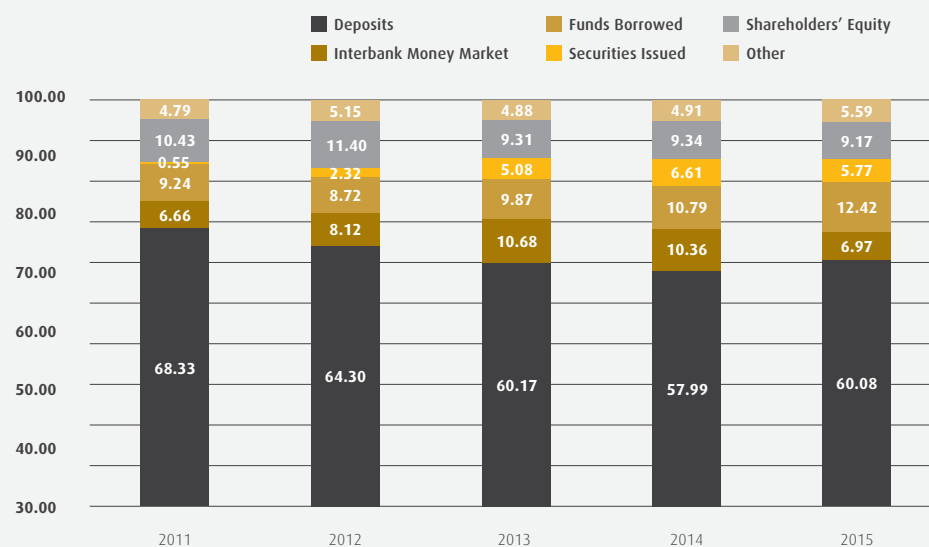
In 2015, while VakıfBank's total liabilities increased by 15.63% the increase in deposits was 19.80%. The share of deposits in total assets increased by 2.09 points and reached 60.08%. The most important deposits item in the funding structure, as of year-end 2015, is TL 109,923 million. 69.57% of the deposits are in TL deposits while 30.43% is in foreign currency deposits. Furthermore, the balance between term and demand deposits was 81.55% and 18.45% respectively.

Diversifying the sources of funds and performing effective cost management, VakıfBank increased the securities issued to TL 10,548 million. The local and foreign investors' demand for the securities issued by the Bank, made a contribution to the diversification of funding sources and the extension of the maturity structure.

DISTRIBUTION OF ASSETS (%)



DISTRIBUTION OF LIABILITIES (%)



The loans received as another fund source, in addition to deposits increased in 2015 by 24.31% compared to the previous yearend and reached TL 18,556 million. Within this scope, with the participation of 35 banks in 2015, VakıfBank secured one-year syndicated loan with a total amount of USD 1 billion, in two tranches; USD 204 million and EUR 763 million. In the second half of the year with the participation of 30 banks, VakıfBank secured one-year Libor/Euribor + 0.75% syndicated loan with a total amount of USD 938 million, in two tranches; USD 168.5 million and EUR 679.5 million. These syndicated loans are the most important indication of the confidence and reputation VakıfBank has created in international markets. As of year-end 2015, the loans received by VakıfBank, including subordinated loans, increased by 33.17% and reached TL 22,725 million.

In 2015, VakıfBank pioneered the Turkish banking sector once again and achieved to become the first Turkish bank issuing overseas Basel III-compliant subordinated loan (supplementary capital) issue. The USD 500 million issuance had a maturity date of 3 February 2025, having a call option on 3 February 2020, coupon rate of 6.875% and issue yield of 6.95%.

In 2015, VakıfBank's shareholder's equity increased by 13.51% compared to the previous yearend and reached TL 16,768 million. Moreover, the share of equity in the assets was 9.17%.

ASSESSMENT ON PROFITABILITY

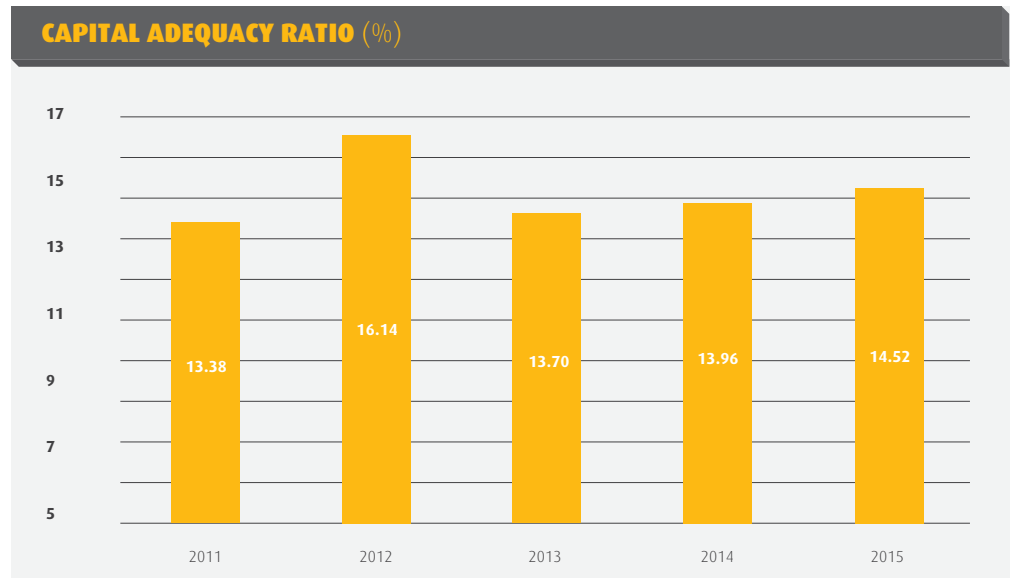
In 2015, VakıfBank's net profit for the period increased by 10.09% compared to the previous year and reached TL 1.930 million. In the same period, the interest revenue was TL 13,630 million while the interest expense was TL 8,144 million and the net interest revenue was TL 5.486 million. There was 19.84% increase in interest revenue, and 21.15% increase in interest expenses compared to the previous period. On the other hand, the 21.54% increase in the interest paid to deposits, and the 55.75% increase in the interest paid to funds borrowed had impact on the increasing interest expenses.

The ratio of interest revenue to interest expenses is 167.37%.

As of year-end 2015, VakıfBank's average returns on equity 12.24% while its average return on assets was 1.13%.

Solvency Ratio

Keeping the share of the interest bearing assets in the total assets at 94.45% in 2015, VakıfBank continued its strong liquidity structure, and maintained its solvency ratio.



Continuing its growth in the loans without compromising on risk control, VakıfBank's capital adequacy ratio with 14.52% which was above the legal limits and target ratio was another indicator of its financial strength. Capital adequacy ratio's long term progress is given in the chart.

In the upcoming period, VakıfBank will expand its customer base and increase its product diversity while it continues to grow using potential growth opportunities in and outside the country.

INTERNATIONAL CREDIT RATINGS

Standard & Poor's^(*) (July 3, 2015)

| | |
|-------------------------------|--------------------|
| Foreign Currency Credit | BB+ / Negative / B |
| Local Currency Credit | BB+ / Negative / B |
| National Rating | trAA+/-/trA-1 |
| Bank Survivability Assessment | NR |

Moody's^(*) (October 30, 2015)

| | |
|--|-----------|
| Bank Financial Strength (Bank Credit Assessment) | D + (ba1) |
| Local Currency Deposit | Baa3/P-3 |
| Local Currency Outlook | Negative |
| Foreign Currency Deposit | Baa3/P-3 |
| Foreign Currency Outlook | Stable |

Fitch Ratings^(*) (October 15, 2015)

| | |
|-----------------------------|-----------|
| Long-Term Foreign Currency | BBB- |
| Short Term Foreign Currency | F3 |
| Foreign Currency Outlook | Stable |
| Long Term Local Currency | BBB |
| Short Term Local Currency | F3 |
| Local Currency Outlook | Stable |
| National Long-Term Rating | AAA (tur) |
| National Outlook | Stable |
| Support Rating | 2 |
| Support Rating Floor | BBB- |
| Viability Rating | bbb- |

Capital Intelligence^(*) (December 10, 2014)

| | |
|-----------------------------|--------|
| Financial Strength | BBB- |
| Short-Term Foreign Currency | B |
| Long-Term Foreign Currency | BB+ |
| Support Rating | 2 |
| Outlook | Stable |

^(*) Most recent dates of changes in credit ratings and outlooks.

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

| Assets (TL million) | 2011 | 2012 | 2013 | 2014 | 2015 | Change (%) 2014-2015 |
|--|---------------|----------------|----------------|----------------|----------------|---------------------------------|
| Cash and banks (including Interbank money markets) | 9,457 | 14,283 | 21,607 | 24,456 | 26,719 | 9.26 |
| Securities | 19,111 | 18,381 | 21,692 | 23,179 | 24,452 | 5.49 |
| Loans | 57,201 | 67,868 | 86,496 | 104,343 | 122,974 | 17.86 |
| Commercial loans | 36,097 | 43,607 | 56,009 | 71,493 | 86,364 | 20.80 |
| Retail loans | 21,104 | 24,261 | 30,488 | 32,851 | 36,611 | 11.45 |
| Non-performing loans (net) | 109 | 265 | 256 | 240 | 806 | 235.80 |
| Non-performing loans (gross) | 2,157 | 2,725 | 3,531 | 3,974 | 4,850 | 22.04 |
| Special provisions (-) | 2,048 | 2,460 | 3,275 | 3,734 | 4,044 | 8.29 |
| Affiliates and subsidiaries | 865 | 1,310 | 1,611 | 1,737 | 1,875 | 7.92 |
| Tangible fixed assets | 1,094 | 1,135 | 1,224 | 1,455 | 2,378 | 63.46 |
| Other assets | 1,350 | 1,339 | 2,610 | 2,808 | 3,743 | 33.29 |
| Total | 89,184 | 104,580 | 135,496 | 158,218 | 182,947 | 15.63 |

| Liabilities (TL million) | 2011 | 2012 | 2013 | 2014 | 2015 | Change (%) 2014-2015 |
|---------------------------------|---------------|----------------|----------------|----------------|----------------|---------------------------------|
| Deposits | 60,939 | 67,242 | 81,533 | 91,757 | 109,923 | 19.80 |
| Term deposits | 51,872 | 56,332 | 67,856 | 74,944 | 89,645 | 19.62 |
| Demand deposits | 9,067 | 10,910 | 13,677 | 16,813 | 20,278 | 20.61 |
| Interbank money market | 5,940 | 8,490 | 14,477 | 16,385 | 12,744 | -22.22 |
| Funds borrowed | 8,237 | 7,475 | 11,405 | 14,927 | 18,556 | 24.31 |
| Subordinated loans | 0 | 1,640 | 1,974 | 2,138 | 4,169 | 95.01 |
| Securities issued | 495 | 2,430 | 6,885 | 10,458 | 10,548 | 0.86 |
| Provisions | 1,283 | 1,641 | 2,014 | 2,437 | 2,924 | 19.97 |
| Shareholders' equity | 9,298 | 11,918 | 12,616 | 14,772 | 16,768 | 13.51 |
| Paid-in capital | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | - |
| Profit or loss | 1,227 | 1,460 | 1,586 | 1,753 | 1,930 | 10.09 |
| Retained earnings or loss | 0 | 0 | 0 | 0 | 0 | - |
| Net profit or loss | 1,227 | 1,460 | 1,586 | 1,753 | 1,930 | 10.09 |
| Other liabilities | 2,291 | 3,743 | 4,592 | 5,344 | 7,316 | 36.91 |
| Total | 89,184 | 104,580 | 135,496 | 158,218 | 182,947 | 15.63 |

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

| Profit / Loss (TL million) | 2011 | 2012 | 2013 | 2014 | 2015 | Change (%) 2014-2015 |
|--|--------------|--------------|--------------|--------------|--------------|---------------------------------|
| Interest income | 6,501 | 8,757 | 9,221 | 11,374 | 13,630 | 19.84 |
| Interest expense | 3,607 | 4,672 | 4,431 | 6,722 | 8,144 | 21.15 |
| Net interest income | 2,894 | 4,085 | 4,790 | 4,651 | 5,486 | 17.95 |
| Net fee and commission income | 559 | 448 | 687 | 709 | 921 | 29.85 |
| Dividend income | 45 | 57 | 54 | 66 | 62 | -6.14 |
| Capital market trading income (net) | 61 | 225 | 259 | 124 | 33 | -73.32 |
| Foreign exchange gains (net) | -22 | 111 | -27 | 100 | 67 | -33.21 |
| Other operating income | 885 | 625 | 708 | 1,346 | 1,048 | -22.09 |
| Total operating income | 4,422 | 5,551 | 6,470 | 6,996 | 7,618 | 8.89 |
| Provisions for loans and other receivables (-) | 906 | 1,404 | 1,857 | 1,672 | 1,537 | -8.06 |
| Other operating expenses (-) | 1,941 | 2,261 | 2,630 | 3,110 | 3,610 | 16.08 |
| Operating profit | 1,575 | 1,885 | 1,983 | 2,214 | 2,470 | 11.59 |
| Net monetary position profit or loss | 0 | 0 | 0 | 0 | 0 | - |
| Profit before tax | 1,575 | 1,885 | 1,983 | 2,214 | 2,470 | 11.59 |
| Tax provision (-) | 348 | 425 | 397 | 460 | 540 | 17.33 |
| Net profit or loss for the period | 1,227 | 1,460 | 1,586 | 1,753 | 1,930 | 10.09 |

| Key Ratios (%) | 2011 | 2012 | 2013 | 2014 | 2015 | 2015 Sector⁽⁴⁾ |
|--|-------------|-------------|-------------|-------------|-------------|----------------------------------|
| Securities / Total Assets | 21.4 | 17.6 | 16.3 | 14.6 | 13.4 | 13.9 |
| Loans / Total Assets | 64.1 | 64.9 | 63.8 | 65.9 | 67.2 | 63.0 |
| Loans / Deposits | 93.9 | 100.9 | 106.1 | 113.7 | 111.9 | 119.2 |
| Retail Loans / Loans | 36.9 | 35.7 | 35.2 | 31.5 | 29.8 | 25.9 |
| Non-performing Loans / Total Loans ⁽¹⁾ | 3.6 | 3.9 | 3.9 | 3.7 | 3.8 | 3.1 |
| Deposits / Total Liabilities | 68.3 | 64.3 | 60.2 | 58.0 | 60.1 | 52.8 |
| Demand Deposits / Total Deposits | 14.9 | 16.2 | 16.8 | 18.3 | 18.4 | 19.1 |
| Shareholders' Equity / Total Liabilities | 10.4 | 11.4 | 9.3 | 9.3 | 9.2 | 11.1 |
| Funds Borrowed / Total Assets | 9.2 | 7.1 | 8.4 | 9.4 | 10.1 | 13.7 |
| Capital Adequacy Ratio | 13.4 | 16.1 | 13.7 | 14.0 | 14.5 | 15.6 |
| Return on Average Assets ⁽²⁾ | 1.5 | 1.5 | 1.3 | 1.2 | 1.1 | 1.2 |
| Return on Average Equity ⁽²⁾ | 13.7 | 13.8 | 12.9 | 12.8 | 12.2 | 10.5 |
| Operating Expenses / Operating Income ⁽³⁾ | 43.9 | 40.7 | 40.6 | 44.5 | 47.4 | 46.3 |
| Deposits per Branch (TL million) | 89.6 | 90.4 | 94.9 | 102.8 | 119.5 | 101.5 |
| Loans per Branch (TL million) | 84.1 | 91.2 | 100.7 | 116.8 | 133.7 | 121.0 |
| Profit per Branch (TL million) | 1.8 | 2.0 | 1.8 | 2.0 | 2.1 | 2.1 |
| Deposits per Employee (TL million) | 5.0 | 5.0 | 5.5 | 6.1 | 7.1 | 5.7 |
| Credit per Employee (TL million) | 4.7 | 5.0 | 5.8 | 7.0 | 8.0 | 6.8 |
| Profit per Employee (TL thousand) | 100.4 | 108.5 | 106.1 | 117.5 | 125.3 | 119.8 |

⁽¹⁾ Gross Non-Performing Loans were added to Total Loans.

⁽²⁾ Average values were calculated by taking arithmetic mean of the data pertaining to current and previous periods.

⁽³⁾ Operating income = Net interest revenue + Net Fees and Com.+ Dividend Income + Net Commercial PROFIT/LOSS + Other Operating Revenue + Associated companies and subsidiaries PROFIT/LOSS

⁽⁴⁾ Sectoral ratios were calculated using the Monthly Bulletin of the Banking Regulation and Supervision Agency.

| Market Share (%) | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| SECURITIES PORTFOLIO | 6.7 | 6.8 | 7.6 | 7.7 | 7.5 |
| LOANS | 8.4 | 8.5 | 8.3 | 8.4 | 8.3 |
| Commercial Loans | 7.9 | 8.2 | 7.8 | 8.1 | 7.9 |
| Retail Loans | 9.4 | 9.1 | 9.2 | 9.2 | 9.5 |
| NON-PERFORMING LOANS (NET) | 2.8 | 4.6 | 3.7 | 2.5 | 6.7 |
| Non-Performing Loans (Gross) | 11.4 | 11.6 | 11.9 | 10.9 | 10.2 |
| Special Provisions (-) | 13.6 | 14 | 14.5 | 13.9 | 11.4 |
| DEPOSITS | 8.8 | 8.7 | 8.6 | 8.7 | 8.8 |
| Term Deposits | 9 | 8.9 | 8.8 | 8.8 | 8.9 |
| Demand Deposits | 7.5 | 7.9 | 7.7 | 8.5 | 8.5 |
| TOTAL FUNDS BORROWED | 4.7 | 4.0 | 4.8 | 5.3 | 7.0 |
| GUARANTEES AND COMMITMENTS | 7.2 | 7.1 | 7.0 | 7.5 | 7.2 |
| TOTAL ASSETS | 7.3 | 7.6 | 7.8 | 7.9 | 7.8 |
| SHAREHOLDERS' EQUITY | 6.4 | 6.6 | 6.5 | 6.4 | 6.4 |
| NET PROFIT OR LOSS | 6.2 | 6.2 | 6.4 | 7.1 | 7.4 |

Sector ratios and market shares are calculated using the BRSA's Monthly Bulletins.

