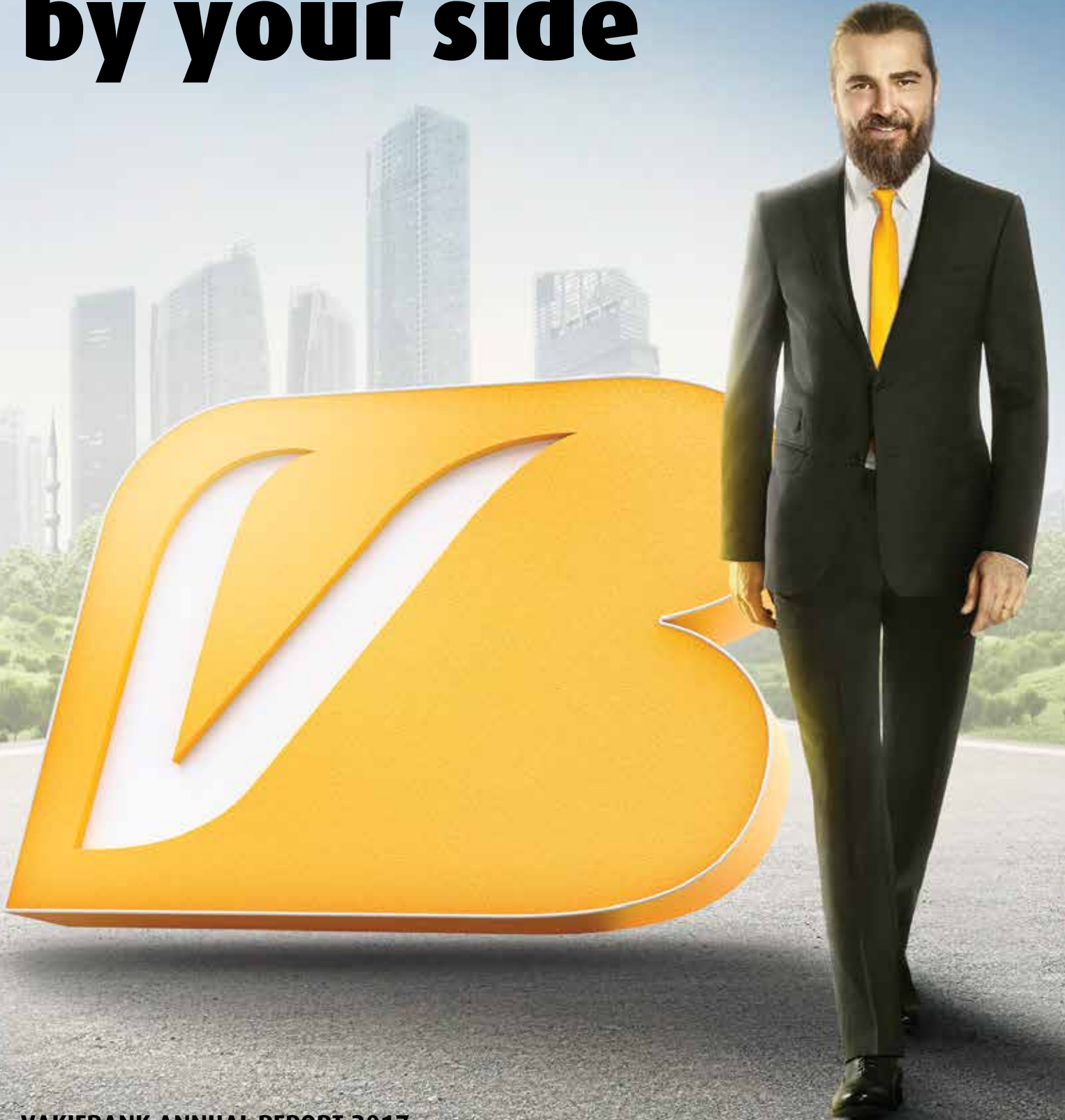


VakıfBank, the strength by your side



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We have become one of the strongest banks in Turkey, by capitalizing on the centuries-old Foundation (“Vakıf”) culture and our highly specialized banking practices.

It is now time to move ahead with firmer steps...

To this end, we have designated our strategic goal as **“Profitable, productive and high quality growth”**.

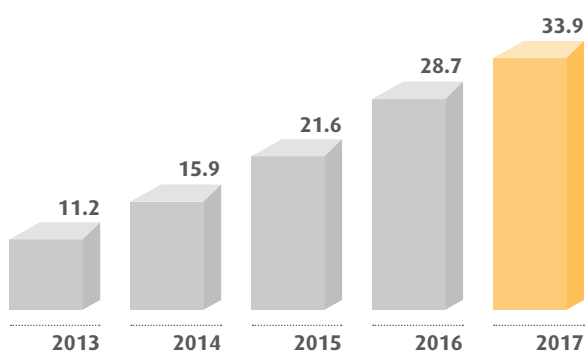
While taking these steps, we will be **the strength that stands by everyone** who works and produces for Turkey, as the “Compassionate Bank” of this country.

We will never leave alone our country, which sets its eyes on ever more ambitious goals.

The strength by bold goals

We stand out among our peers with our long history and know-how in project finance. We are the first Turkish bank to have established a department specializing in project finance, with the exception of development banks. We offer financing support not only to the mega projects, which will help our nation to reach its great goals, but also to privatization projects and renewable energy projects which are crucial for further raising the current level of welfare.

PROJECT FINANCE SUPPORT (TL BILLION)

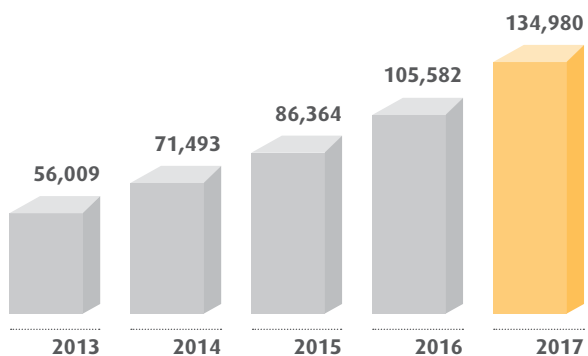




The strength by the real economy

We are committed to giving support to enterprises, which grow in parallel to Turkey and raise the bar ever higher. We share in the excitement of businesswomen and businessmen who not only add value to the economy with their enterprises but also represent our country with success. As such, we registered a 28% increase in commercial loans.

COMMERCIAL LOANS (TL MILLION)

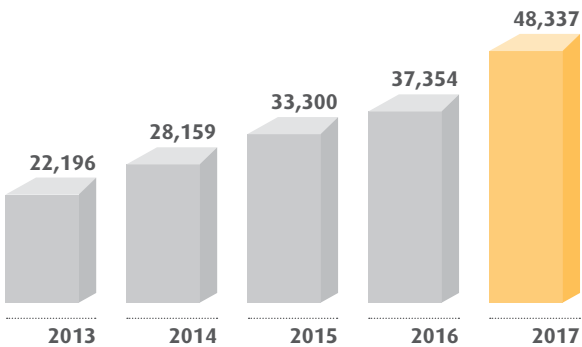




The strength by our SMEs

We always prioritize the unsung heroes of Turkey's economy, namely the SMEs. We continue to support our SMEs with the special campaigns we design. Accordingly, we increased the share of SMEs in our total loans up to 26%.

SME LOANS (TL MILLION)



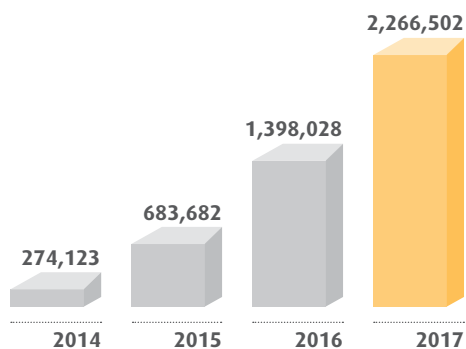
PASTANESİ



The strength by those demanding accessibility

As life becomes more digital retail banking undergoes transformation. Non-branch channels account for over 90% of all transactions at VakıfBank. In 2017, we attained a 62% rise in the number of customers using mobile banking application. The total number of users exceeded 2.2 million people.

NUMBER OF MOBILE BANKING USERS

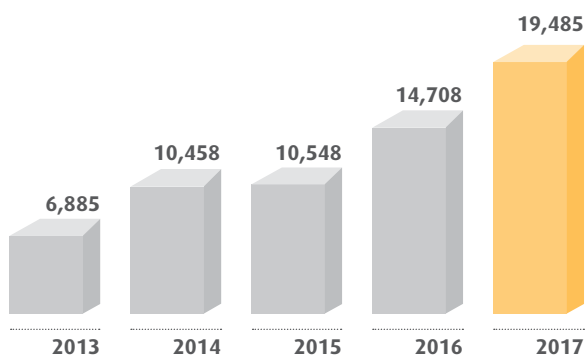




The strength by the ambitious

At one of the most prestigious organizations of the Turkish capital markets and finance sector, "Bonds & Loans 2017", we received three important awards. In addition, we received Global Capital's top prize in the category of "CEEMEA Financial Institution Deal of the Year" with the first ever Euro-denominated Mortgage Covered Bond issuance of Turkey amounting to EUR 500 million.

SECURITIES ISSUED (TL MILLION)





The strength *standing by success*

At VakıfBank, we believe in women. For over 30 years, we have been supporting our women's volleyball team, which proves what Turkish women can achieve in Europe and across the world, when the necessary support is provided. We attach importance to infrastructure work for future success.



3 European Champions League Cups



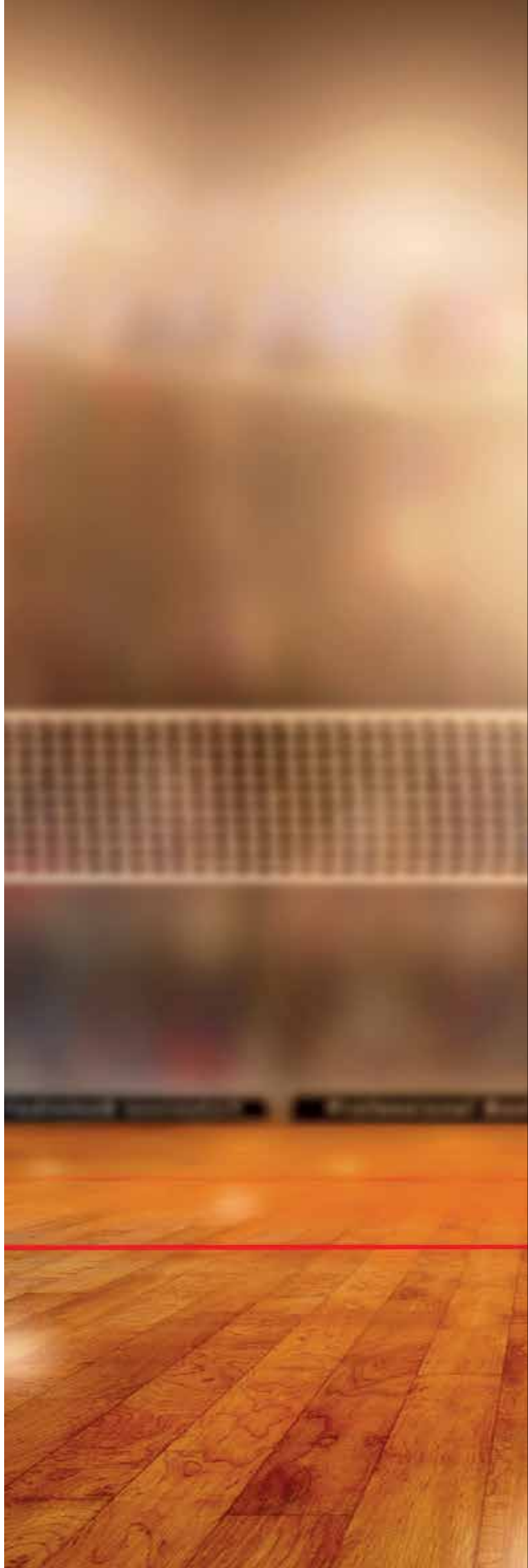
2 Club World Championship Cups



1 European Top Teams Cup



1 European Challenge Cup





»» AGENDA OF THE 64th ORDINARY GENERAL ASSEMBLY MEETING

THE AGENDA OF THE 64th ORDINARY GENERAL ASSEMBLY MEETING PLANNED TO BE HELD IN 2018 OF TÜRKİYE VAKIFLAR BANKASI T.A.O.

1. Opening and the formation of Presidency Council,
2. Reading and discussion of the 2017 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 2017 financial report,
5. Discharge of the Board members regarding the 2017 activities,
6. Determination of profit usage and the amount of profit to be distributed according to the Board of Directors' proposal,
7. Submitting the amendments to the Articles of Association to the Board of Directors,
8. The renewal of the elections for the Audit Board,
9. The renewal of the elections for the Board of Directors,
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, without prejudice to the provisions of the Banking Law,
12. Election of Auditor,
13. Informing shareholders about the donations made during the year,
14. Wishes and comments, closing remark.

The 64th Ordinary General Assembly Meeting scheduled for 2018 will be announced in all channels within the legal deadline once the agenda and date are finalized.

»» DIVIDEND POLICY

Issues about VakıfBank's profit distribution are regulated in Article 9 of VakıfBank's Law numbered 6219 and Article 84 and 85 of the 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 to 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 Article 523/2 of the Turkish Commercial Code,

The 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.

The 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 in this sense.

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

VakıfBank determines its profit distribution policy by considering the compliance of the Banking Regulation and Supervision Agency and meeting the targeted standard ratios stated in the Protective Provisions of Banking Law numbered 5411 with prospective growth strategy, financial needs, general economic conditions and capital adequacy ratio.

Each year, the 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.

» 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:

1- Opinion

We have audited the annual report of the Türkiye Vakıflar Bankası T.A.O. ("Bank") and consolidated subsidiaries of it for the accounting period of 1 January 2017-31 December 2017.

In our opinion, the financial statements included in the Board of Directors' annual report and the Board of Directors' assessments on the Bank based on the audited financial statements, in all material respects, are accurate and consistent with the full set of consolidated and non-consolidated financial statements subject to audit, and the information we collected during our independent audit

2. The Basis of Our Opinion

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 ("KGG"), and the "Regulation on the Independent Audit of Banks" issued on the Official Gazette dated April 2, 2015 and numbered 29314. Our responsibilities as per these standards are explained in detail in our report's section titled Independent Auditor's Responsibility in the Independent Audit of the Annual Activity Report. In line with KGG's Code of Ethics for Independent Auditors ("Code of Ethics") and the ethical provisions contained in the legislation on independent audit, we declare that we are independent of the Bank. We have also fulfilled our other ethical responsibilities as per the Code of Ethics and applicable legislation. 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.

3. Our Audit Opinion on the Full Set of Consolidated and Non-Consolidated Financial Statements

We have expressed a limited positive opinion in our audit reports dated March 2, 2018 and February 13, 2018, regarding the Bank's full set of consolidated and non-consolidated financial statements for the period January 1, 2017 through December 31, 2017, respectively.

4. Board of Directors' Responsibility for the Annual Activity Report

As per Article 514 and 516 of the Turkish Commercial Code numbered 6102, Capital Markets Board's (CMB) Communiqué numbered II-14.1 on Principles of Financial Reporting in Capital Markets ("Communiqué"), and "Regulation on the Methods and Principles for the Preparation and Publication of Annual Reports by Banks" issued on the Official Gazette dated November 1, 2006 and numbered 26333; the Bank management has the following responsibilities as per the annual report:

- The Bank management prepares the annual report within the first three months following the balance sheet date and presents it to the general assembly.
- It prepares the report in a way that will correctly, fully, directly, accurately and fairly represent the Bank's activities for that year and all aspects of its financial situation. In this report, the financial situation is evaluated according to the financial statements. The report also clearly points to the Bank's development and the potential risks it may face. The assessment of the board of directors on these matters is also included in the report.
- The annual report also includes the following:
 - Major events that have occurred in the company after the end of the year of activity,
 - The Bank's research and development efforts,
 - Financial benefits to board members and top level managers, such as salaries, premiums and bonuses, as well as travel, accommodation and representation expenses, cash and in-kind benefits, insurance and similar guarantees.

When preparing the annual report, the board of directors also takes into account the secondary legislation issued by the Banking Regulation and Supervision Agency, Ministry of Customs and Trade, and other related institutions.

5. Independent Auditor's Responsibility to the Independent Audit of the Annual Report

Our goal is to present our opinion and issue a report including this opinion, on whether the financial information included in the Bank's annual report and the Board of Directors' assessments on the Bank based on the audited financial statements are accurate and in accordance with the consolidated and non-consolidated financial statements subject to audit, and the information we collected during our independent audit, as per the Turkish Commercial Code, "Regulation on the Independent Audit of Banks" issued on the Official Gazette dated April 2, 2015 and numbered 29314, and the Communiqué.

We conducted our independent audit in line with the BDS standards. 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 and the Board of Directors' assessments on the Bank based on the audited financial statements are accurate and in accordance with the consolidated and non-consolidated financial statements subject to audit, and the information collected during the audit.

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



Zeynep Uras, SMMM
Partner

Istanbul, March 8, 2018

»» DECLARATION OF RESPONSIBILITY

We have examined the Bank's "2017 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.



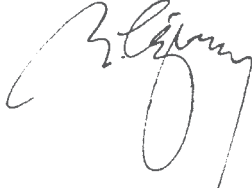
İsmail ALPTEKİN
Chairman of the Board



Serdar TUNÇBILEK
Deputy Chairman of the
Board and Member of the
Audit Committee



Sabahattin BİRDAL
Board Member and Member
Committee of the Audit
Committee



Mehmet Emin ÖZCAN
General Manager



Şuayyip İLBİLGİ
Executive Vice President



Halil EMRE
Senior Vice President of
Strategy and Planning
Department

» VAKIFBANK IN BRIEF

16,097

Employees

VakıfBank continued to contribute to national employment in 2017, by increasing the number of its employees to 16,097 from 15,615 in the previous year.



Date of Incorporation	April 13, 1954
Head Office	İstanbul
Paid-in Capital	TL 2,500,000,000
Number of Employees	16,097
Number of Domestic Branches	924
Number of Foreign Branches	3
Number of Subsidiaries and Affiliates	23
Independent Audit Company	PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Address	Türkiye Vakıflar Bankası T.A.O. Genel Müdürlüğü Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No: 7/A-B Ümraniye/İstanbul
Telephone	(90216) 724 10 00
Fax	(90216) 724 39 09
Website	http://www.vakifbank.com.tr
E-mail Address	vakifbank@hs01.kep.tr

» VAKIFBANK'S CORNERSTONES

» VAKIFBANK'S MISSION

Continuously increasing the value created for customers, employees, shareholders and society by managing its assets and the values entrusted with effectively and efficiently on the strength of its foundation ("Vakif" in Turkish) culture.

» VAKIFBANK'S VISION

Being 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

» HISTORY AND OWNERSHIP STRUCTURE

The modern banking products and services offered by VakıfBank include corporate, commercial, agricultural, local government and SME banking, as well as retail and private banking.

1954

Deep-Rooted Tradition

VakıfBank started its activities on April 13, 1954.

VakıfBank, one of Turkey's pioneering banks made yet another ground-breaking achievement in 2017 by being the first Turkish bank to issue a TL-denominated Covered Bond in the international capital markets, outside of issuances to multinational development banks.

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

» HISTORICAL DEVELOPMENT OF THE BANK

VakıfBank was established under a private legal jurisdiction, Law numbered 6219 dated January 11, 1954, so as to utilize foundations' revenues in the most efficient manner, contribute to Turkey's savings rate with the understanding of work and management required by modern banking development 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.

» LONG-STANDING TRADITION AND KNOW-HOW

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 also runs investment banking and capital markets operations; the Bank provides a wide range of financial services including insurance, financial leasing and factoring through its financial subsidiaries, via cutting edge technologies.

» TURKEY'S PIONEER BANK

Always a pioneer in international banking in Turkey, VakıfBank made yet another ground-breaking achievement in 2017 by being the first Turkish bank to issue a TL-denominated Covered Bond in the international capital markets, outside of issuances to multinational development banks, continues to be the most active bank in international capital market by issuing Eurobond under its Global Medium-Term Note Programme, as well as syndication loans, securitization loans and long-term and cost-effective issuances from diverse resources.

» THE FIRST TL-DENOMINATED COVERED BOND TRANSACTION OF TURKEY APART FROM THOSE MADE WITH MULTINATIONAL DEVELOPMENT BANKS.

Accelerating its operations with the vision of being the leading bank of strong Turkey, VakıfBank continues to ease the interest rate pressure in the TL deposit by creating long-term and cost-effective new non-deposit TL funding sources in 2017. In September 2017, the Bank issued Basel III-compliant Tier II subordinated notes amounting TL 525 million with 10 years maturity, as well as a 5.5 year maturity amounting TL 1.3 billion based on treasury transactions under the Mortgage Covered Bond Programme. The issuance through private placement is also the first TL denominated Covered Bond transaction of Turkey apart from those made with multinational development banks.

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
Registered Foundations Represented by the General Directorate of Foundations (Group B)	386,224,785	386,225	15.45
Other Appendant Foundations (Group B)	2,673,619	2,674	0.11
Other Registered Foundations (Group B)	1,448,543	1,448	0.06
Individuals and Legal Entities (Group C)	1,527,393	1,528	
Free Float (Group D) 630.514.354	630,514	25.22	
Total	2,500,000,000	2,500,000	100.00

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	-

Article 6 of the Statutory Decree numbered 696 published on the Official Gazette dated 24.12.2017 regulates the amendments regarding the bank ownership structure. VakıfBank has announced to public through Public Disclosure Platform (KAP) announcement available at <https://www.kap.org.tr/tr/Bildirim/646913>. As indicated in the said announcement, there are no changes to the ownership structure as of 31.12.2017, and the shareholder structure will be changed following the Council of Ministers resolution.

25.22%

Free Float Rate

VakıfBank shares were offered to public in 2005 and are currently traded on Borsa İstanbul.

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

İsmail Alptekin, the Chairman 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 on Material Events Disclosure (II-15.1); the Bank issued 351 material event disclosures in 2017. These disclosures were concurrently published on the Public Disclosure Platform (www.kap.gov.tr) and on the Bank's website (www.vakifbank.com.tr).

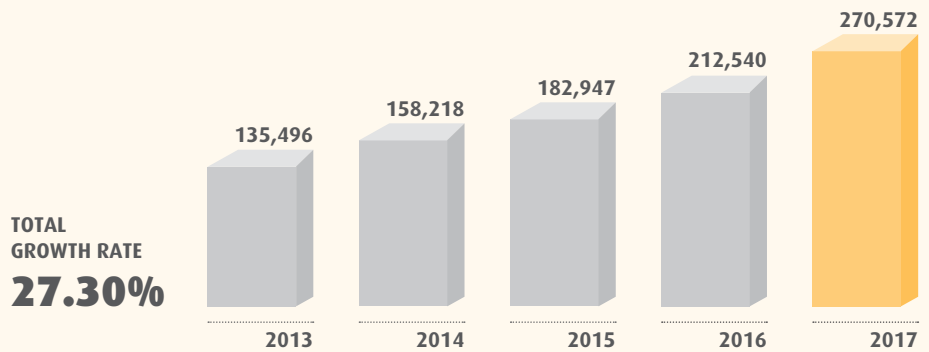
» KEY FINANCIAL INDICATORS

In 2017, VakıfBank's total assets increased by 27.30% and reached TL 270,572 million.

TOTAL ASSETS

In 2017, total assets grew by 27.30% to TL 270,572 million.

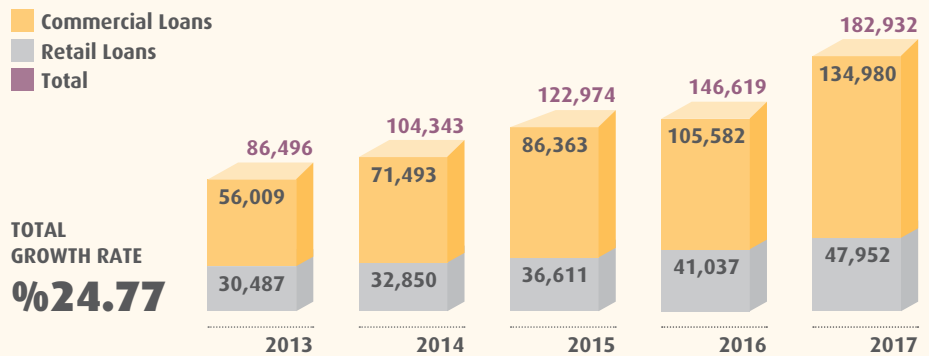
TOTAL ASSETS (TL MILLION)



PERFORMING LOANS

In 2017, performing loans went up 24.77% to reach TL 182,932.

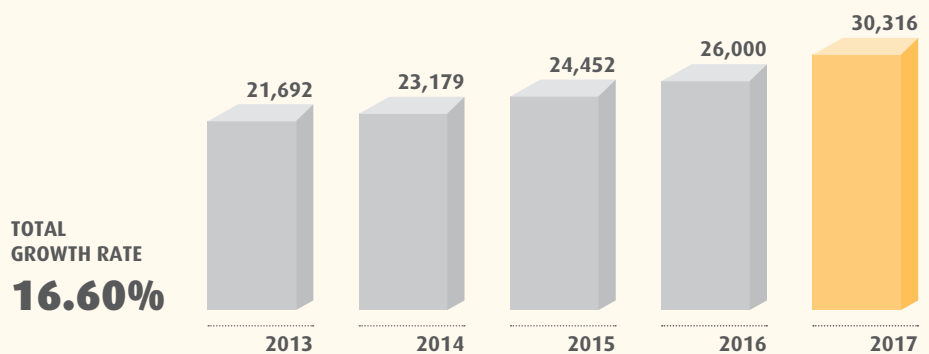
PERFORMING LOANS (TL MILLION)



SECURITIES PORTFOLIO

In 2017, the securities portfolio reached TL 30,326 million up by 16.60%.

SECURITIES PORTFOLIO (TL MILLION)

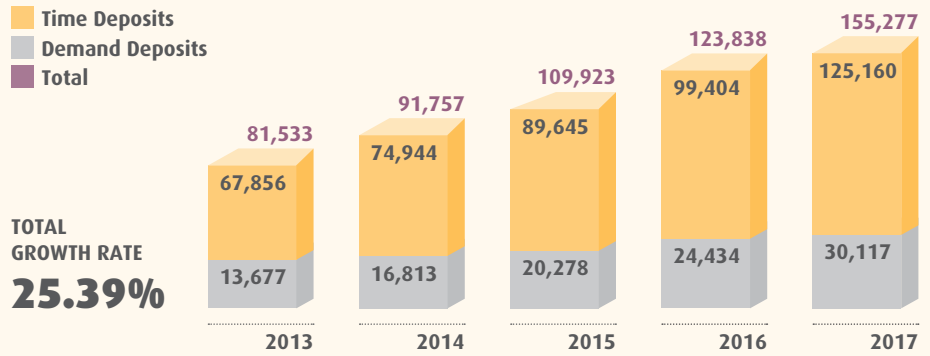


In 2017, VakıfBank sustained its successful performance by increasing its net profit for the period by 37.75% to TL 3,723 million.

DEPOSIT

In 2017, VakıfBank's total deposits is up by 25.39% to TL 155,277 million.

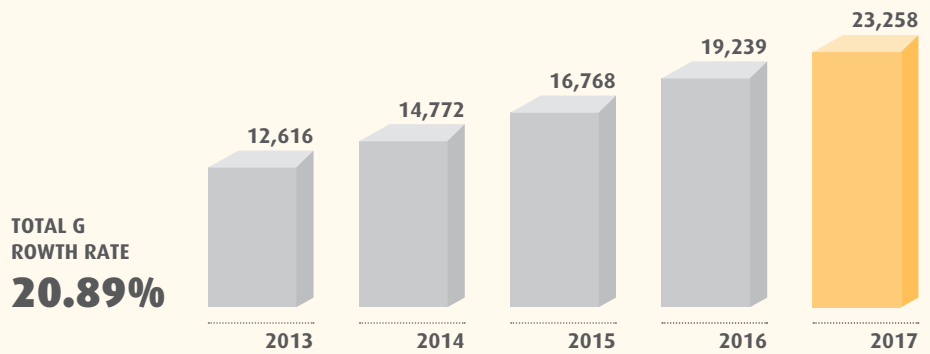
DEPOSITS (TL MILLION)



SHAREHOLDERS' EQUITY

In 2017, VakıfBank's shareholders' equity is up by 20.89% to TL 23,258 million.

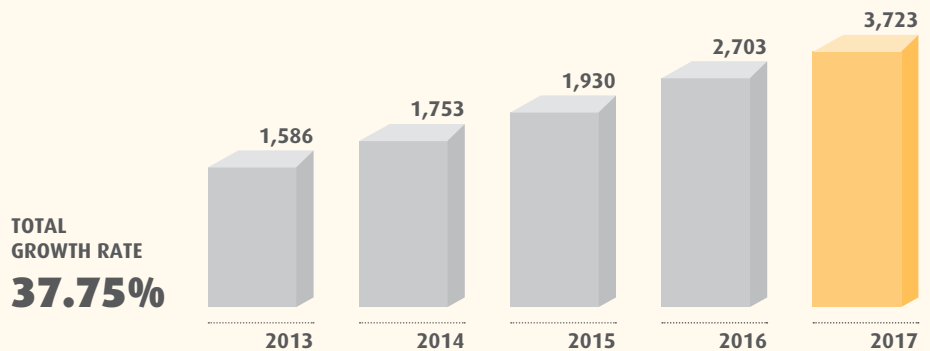
SHAREHOLDERS' EQUITY (TL MILLION)



NET PROFIT AND LOSS

In 2017, VakıfBank's net profit for the period increased 37.75% to TL 3,723 million.

NET PROFIT AND LOSS (TL MILLION)



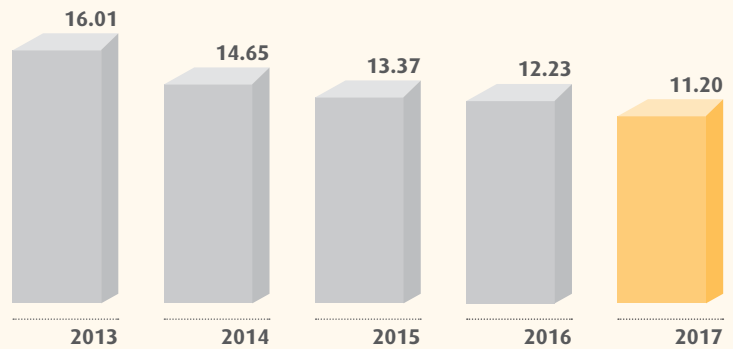
» KEY RATIOS

VakıfBank's Performing Loans /Total Assets ratio materialized at 67.61% as of end-2017.

SECURITIES/TOTAL ASSETS

VakıfBank's Securities / Total Assets ratio came in at 11.20% as of end-2017.

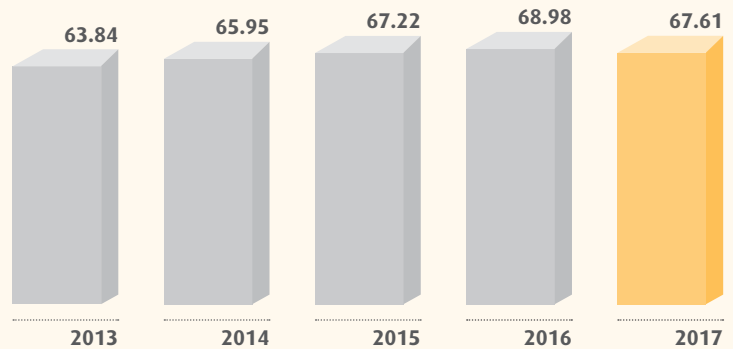
SECURITIES/TOTAL ASSETS (%)



PERFORMING LOANS / TOTAL ASSETS

VakıfBank's Performing Loans /Total Assets ratio materialized at 67.61% as of end-2017.

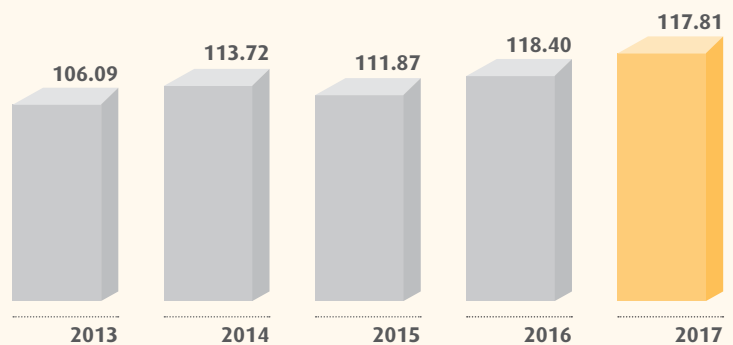
PERFORMING LOANS/TOTAL ASSETS (%)



PERFORMING LOANS / DEPOSITS

VakıfBank's Performing Loans /Deposits ratio came in at 117.81% as of end-2017.

PERFORMING LOANS/DEPOSITS (%)

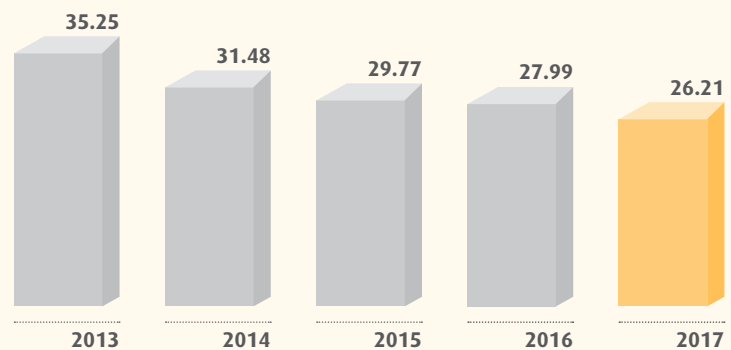


The commercial loans composes 73.79% of VakıfBank's total loans.

RETAIL LOANS / PERFORMING LOANS

As of end-2017, commercial loans account for 73.79% of VakıfBank's total loans.

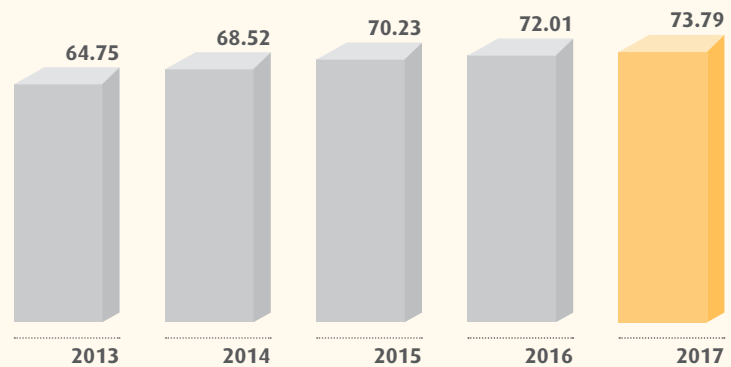
RETAIL LOANS/PERFORMING LOANS (%)



COMMERCIAL LOANS / PERFORMING LOANS

VakıfBank's Commercial Loans / Performing Loans ratio stood at 73.79% as of end-2017.

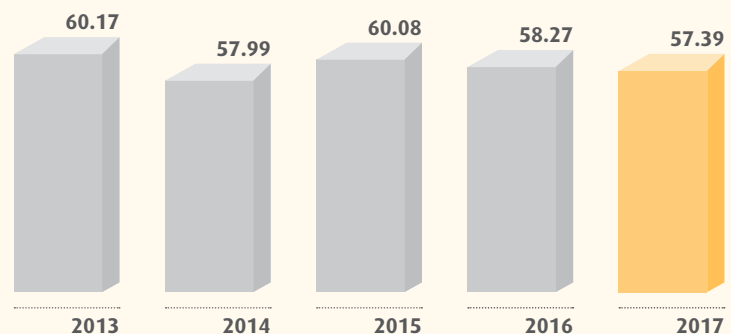
COMMERCIAL LOANS/PREFORMING LOANS (%)



DEPOSIT/TOTAL LIABILITIES

As of the end of 2017, VakıfBank's Deposits/ Total Liabilities ratio was 57.39%.

DEPOSITS/TOTAL LIABILITIES (%)



» MESSAGE FROM THE CHAIRMAN

Global economic activity, which had started to recover in the second half of 2016, gained further momentum from the first quarter of 2017 onwards.

Timely economic measures and incentives introduced by policymakers in 2017 helped revitalize the domestic economic activity.

Esteemed Shareholders,

Global economic activity, which had started to recover in the second half of 2016, gained further momentum from the first quarter of 2017 onwards. Expectations on the Fed's interest rate hikes and balance sheet reduction measures played a key role in financial market developments in 2017. In addition, developed country central banks' monetary policies, geopolitical turmoil in Asia and the Middle East, as well as political risks in the Euro Zone were the other sources of fragility in the global financial system.

The US economy, which leads the developed economies, grew 2.3% in 2017. USA attained the lowest unemployment rate in the post-crisis period and leading economic indicators pointed to a significant recovery. As a result the Fed raised interest rates three times, in its March, June and December 2017 meetings, thus bringing up the policy rate to the 1.25-1.50% interval. The balance sheet reduction plan disclosed in the June 2017 meeting was initiated in October. Another important development concerning the US economy was the senate's approval of the Trump administration's tax reform introducing significant changes to the national tax system in December.

The European Central Bank (ECB) continued its expansionary monetary policy designed to bolster economic activity. The ECB reduced its asset purchase program from EUR 80 billion to about EUR 60 billion at the end of March, and announced at its October meeting that it will reduce asset purchases to EUR 30 billion starting from January 2018. In the Euro Zone, growth rates have yet to reach the desired level, although the bond purchase programs and expansionary monetary policy support growth. Risks associated with Brexit and other political uncertainties put pressure on growth prospects. The Euro Zone grew by 2.7% year-over-year in the fourth quarter of 2017.

The BoE announced that, following the completion of the first stage of Brexit negotiations, the risk of an irregular British exit from the EU is much lower. At its meeting on November 2 the BoE raised the policy rate to 0.50%, which is the first rate hike after ten years.

In 2017, the general growth in the emerging economies bolstered the recovery of global economic activity. The Chinese economy grew by 6.9% in 2017. However, the increasing debt burden of the Chinese private sector since 2009 is expected to remain as a significant risk factor for the economy.

As for Turkey, Timely economic measures and incentives introduced by policymakers in 2017 helped revitalize the domestic economic activity. In 2017, active fiscal policies and Credit Guarantee Fund (CGF) guaranteed loans designed to reinvigorate the real economy made important contributions to the growth of Turkey's economy. In the third quarter, growing 11.1%, Turkey's economy exhibited its strongest growth performance in the last six years. In this period, the Central Bank of the Republic of Turkey (CBRT) maintained its tight monetary policy stance due to rising inflation and exchange rate volatility. CBRT increased the late liquidity window lending interest rate by 50 basis points, at its Monetary Policy Meeting in December 2017. In addition, the CBRT initiated Turkish lira-denominated long-term foreign exchange sales in November 2017. In addition, it became possible to repay in TL the foreign currency-yielding export rediscount loans, which will come to maturity by February 1, 2018.



19.29%

The Banking sector's total assets increased by 19.29% to reached TL 3,258 billion.

Well-established banking sector, continued to grow in 2017. In this period, the total assets of the sector climbed 19.29% to reach TL 3,257,842 million. The total loans of the sector increased by 20.98% to TL 2,098,246 million, while total deposits is up by 17.70% to TL 1,710,919 million.

The Bank has a prominent place in the Turkish finance sector, and despite the developments in the international markets, it continued its support to the economy by providing national and international funding sources. In 2017, the Bank became the strength by the side of the real economy and households thanks to its upgraded technological infrastructure, human resources and innovative products and services. In the upcoming period, we shall continue to

contribute to the development and sustainable growth of the national economy. At the same time, I believe that the Bank will sustain its performance in 2017 in order to achieve new accomplishments, and would like to take this occasion to express my gratitude, on behalf of the Bank, to our esteemed customers for their immense contribution to our success and sustainable growth, our dedicated staff, and our shareholders and investors for their trust.

Yours sincerely,

İSMAİL ALPTEKİN
Chairman

» MESSAGE FROM THE GENERAL MANAGER

The 2017 growth figure of the Turkish economy is expected to come in at over 7%.

In the third quarter of 2017, the nation's economic growth rate reached a double-digit figure, namely 11.1%.

Distinguished shareholders,

In 2017, due to the rise in the level of confidence, the global economy continued to recover at a mild tempo. The Fed increased interest rates three times in 2017 and announced that it will start to reduce its balance sheet of USD 4.5 trillion. In addition, Euro Zone continued its asset purchasing program and quantitative easing policy, and in the fourth quarter, it grew 2.7% year-over-year. As for developing countries, inflation rates are generally on a downward trend but real interest rates are high in countries like Russia, Brazil, South Africa and Indonesia.

During this period, Turkey grew strongly in the first two quarters, mainly due to the effect of the incentives proactively provided by the political authorities, especially the Credit Guarantee Fund. In the third quarter, growth was in double digits, reaching 11.1%. With this performance, Turkey became the fastest growing economy in the world in the third quarter, leaping over all other countries. A look in detail at the components of spending shows that the highest contribution to growth in the third quarter of 2017 came from household spending and investment spending, due to the fact that the impact of loans granted under the Credit Guarantee Fund (CGF) continues in the third quarter. Growth in 2017 is expected to come in at over 7% on an annual basis. There was some pressure on inflation and interest rates during the year due to the increase in household consumption and investment expenditures, which are the major components of this strong growth. In 2018, it is expected that interest rates will head down in parallel with the expected fall in inflation.

In the year 2017, VakıfBank continued to contribute to the national economy with all its strength, by supporting large scale infrastructure and investment projects, corporate and commercial companies, SMEs, local governments, farmers and households. During this period, we increased our assets by 27.30% to reach TL 270,572 million. The most significant contribution

to the growth of assets came from loans. We increased our commercial loans by 27.84% and retail loans by 16.85%. As such, our cash loans increased 24.77% to reach TL 182,932 million. In this period, we increased our non-cash loans by 25.51% to the order of TL 50,768 million.

In the field of SME Banking in 2017, we increased the variety of our products and services, enabling SME customers to access financial products in a much more practical manner. We increased our SME loans by 29.4% compared to the end of the previous year to the level of TL 48.3 million. In addition, as of December 29, 2017, we extended loans amounting to TL 20,768 million under the guarantee of the Credit Guarantee Fund (CGF). Thus, in 2017, we became one of the top three banks in the allocation of CGF-backed loans.

On the funding side, deposits remained our most important resource. We increased our total deposits by 25.39% to TL 155.277 million. In addition to deposits, we also used alternative funding sources actively to extend the maturity term of TL resources with non-deposit products and to increase diversity of funding sources.

In October, VakıfBank issued a Covered Bond amounting TL 1.3 billion, which is also the first TL denominated Covered Bond transaction in Turkey apart from those made with multinational development banks. The Bank realized a second TL 1.3 billion Covered Bond issuance in December, thus raising in total TL 2.6 billion based on treasury transactions from international debt capital markets under its Covered Bond Programme. The Bank also issued TL 525 million subordinated loans to the domestic market; as such, together with the long-term Covered Bond issuances, the Bank raised a total of TL 3.2 billion in long-term, non-deposit funds in 2017. Our total international borrowings reached USD 12.6 billion, together with the USD 5.2 billion funds obtained from abroad in 2017. These funds, which make up 20% of the Bank's balance sheet, are a clear indication of the confidence in the Turkish economy, Turkish banking sector, and the Bank.



27.30%

Total Assets

Total assets reached TL 271 billion with 27.30% growth in 2017.

As a result of all these activities, VakıfBank increased its net profit for the period to TL 3,723 million at the end of 2017, in a 37.75% increase over the previous year.

In the year 2017, the Bank not only posted very successful financial results, but also implemented radical projects of change and transformation. Especially from the second half onwards, we took crucial steps to more rapidly adapt to the dynamics of a changing world and sharpen our competitive edge. In this period, with the vision of becoming “the leading bank of strong Turkey”, we defined our corporate strategy as profitable, efficient and high quality growth.

In keeping with our productivity strategy, we decided to move our Head Office departments operating in different locations in Istanbul and Ankara to the buildings located next to our IT department in Ümraniye. We expect that the synergy created by our Head Office departments serving together under the same roof will result in effective management, efficiency and resource savings at the Bank in the coming period.

In 2017, we also reshaped the Bank’s organization chart to provide better quality service through our customer-focused banking approach, and to ensure effective performance measurement, healthier credit risk management, and operational efficiency increases. With this new organizational structure, we aim to better adapt to the requirements of the rapidly changing and evolving world and to further increase the value we add to all of our stakeholders. We defined our Bank’s vision for the future on the basis of digitalization. As such, in our new organization chart, we dedicated one Assistant General Manager position to digital banking and payment systems. This structure will help us keep a closer watch on developments in the digital world and become one of the banks leading the digital transformation in the sector.

» MESSAGE FROM THE GENERAL MANAGER

In 2017, the Bank implemented radical change and transformation projects.

The Bank has built its vision for the future on the basis of digitalization.

Furthermore, we achieved a first in Turkey with our new organizational structure, by establishing the Local Governments Banking Marketing department in order to respond to the demands and needs of local governments in a faster and more efficient manner. With this new structure, we aim to meet local governments' demands and needs concerning financing and other financial solutions in a faster and more efficient manner.

We decided to establish commercial branches in order to create a branch structure in line with the revamped Head Office organization. With our new branch structure, we aim to customize the services we offer our customers in the commercial segment on the basis of locations and channels, so as to boost our service quality even further. VakıfBank is a large family with its subsidiaries serving in many different areas. We have recently launched efforts to establish a closer relation with our subsidiaries, the other members of our family, and strengthen ourselves mutually. One of our key objectives in the coming period will be to increase group synergy. In this respect, we have taken the necessary steps to actively market our subsidiaries' products in the Bank's branches. Soon enough, we started to collect the fruits of these measures, especially in the form of an increase in fee and commission income. We are also working on developing the information processing capacities of our subsidiaries, and ensuring a fast and efficient communication among our subsidiaries and the Bank's IT infrastructures. In the upcoming period, VakıfBank Finance Group, together with its subsidiaries, aims to offer a one-stop solution to the full range of customer needs. Thus, we will offer a better quality and faster service to our customers, and our subsidiaries will make larger contributions to the consolidated balance sheet of the Bank.

We also made radical changes to the career planning and compensation policies concerning our employees. The employees, whom we consider to be the most valuable asset of

the Bank, were previously able to move only vertically in their careers. Following the recent changes, it has become possible for them to make horizontal moves as well. We also implemented a scheme making it possible for employees to be paid according to their performance.

All these measures started to bear fruit in a short space of time. In the coming periods, change and transformation will always remain on our agenda. In order to become a modern and highly competitive bank, we shall take all the necessary steps without losing time.

In addition to these, our Board of Directors started to visit our Regional Directorates in order to observe the activities of our branches in place, visit our customers to hear their demands, and to meet with the companies we have not been able to work with so far. In this scope, Board Members met with branches, province managers, NGOs and clients in Erzurum, Diyarbakır and Adana. We plan to continue these regional visits which turned out to be highly productive.

In 2017, we received numerous prestigious prizes on the national and international arenas in recognition of innovative and pioneering practices. With our 5-year, EUR 500 million Covered Bond issuance in 2016, our first Euro-denominated issuance of its kind, we were deemed worthy of "Best International Bond Issuance of the Year" and "Best Financial Institution Deal of the Year" awards at the "Bonds and Loans 2017", one of the most prestigious award organizations of the Turkish capital markets and finance sector. Furthermore, the Global Capital magazine granted use the top prize for Financial Institution Deal of the Year in the category CEEMEA Financial Institution Deal of the Year, in January 2017. In this period, we were proud to receive numerous prestigious business awards not only for our securities issuance, but also for our products and services. We received two prizes at one of the most highly regarded award organizations of the business world, that

In order to support strong Turkey's economy, we have embraced the vision of becoming the "Leading Bank of Strong Turkey".

We shall become the strength by all of our stakeholders, such as investors, exporters, craftsmen, the self-employed, farmers and households.

is, International Business Awards (Stevie Awards). At this prestigious organization, we collected the "Best Marketing Campaign of the Year - New Products and Services" award for our "720° Customer Management" product, and the "Best Marketing Campaign of the Year - Financial Card" award for our "OGM Card". Furthermore, at The ABCs of the Digital Twin Conference organized by IDC IOT (International Data Corporation) Forum, we were awarded for our "Overdraft Account and Trend Calculation for General Purpose Instalment Loans" scheme in the Customer Experience category and for our "Mobile Field Sales" scheme in the Internet of Things category. Finally, at the "Vizyonist'17" Conference where Visa Turkey gives awards to successful Turkish banks, VakıfBank was designated the "Leader Bank in Net Increase in Visa Personal Credit Cards" and VakıfBank MilPlus came first in the "Most Innovative Visa Credit Card Product" category. VakıfBank acts with the objective and social responsibility of becoming the strength by Turkey's side. To this end, we continued in 2017 to support the VakıfBank Sports Club which achieved great success on the global arena. Our Women's Volleyball Team capped the year 2017 as the European and World Champion, and once again lifted the VakıfBank brand to the summit of the world. As such, the team increased the number of the international championship cups in its museum up to seven. Furthermore, we also continued our work on young athletes via VakıfBank sports club with a view to "raising good people for the society and successful athletes for Turkish volleyball".

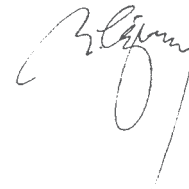
In line with our perspective of sustainability and responsibility towards the environment, VakıfBank planted over 50 thousand saplings by means of the TEMA foundation and thereby contributed to nationwide forestation efforts. Also in the same period, we received the ISO: 9001-2015 Quality Management certificate and ISO: 14001-2015 Environmental Management System certificate, becoming the second Turkish bank to hold both certificates.

At VakıfBank, we pay special attention to projects that contribute to sustainable growth. Within this scope, we became the first bank to extend an ESCO loan under the World Bank's SME Energy Efficiency Loan Program in 2017. Thus, we have taken an important step towards extending across Turkey a financing model widely used in the world in the field of energy efficiency financing.

Turkey is now a strong country envied by the whole world. VakıfBank wants to contribute more to strong Turkey's economy and provide better services to clients; to this end, we have embraced the vision of "Leading Bank of Strong Turkey" and the corporate strategy of "Profitable, Productive and High Quality Growth". As such, we shall not only continue to be the compassionate bank, but also become the strength by all of our stakeholders, such as investors, exporters, craftsmen, the self-employed, farmers and households.

I strongly believe that we will achieve this goal together with our stakeholders who have made the VakıfBank brand what it is today. On this occasion, I offer my thanks to our customers as well as our devoted employees, shareholders, investors and other stakeholders for their contribution to our success.

Yours sincerely,



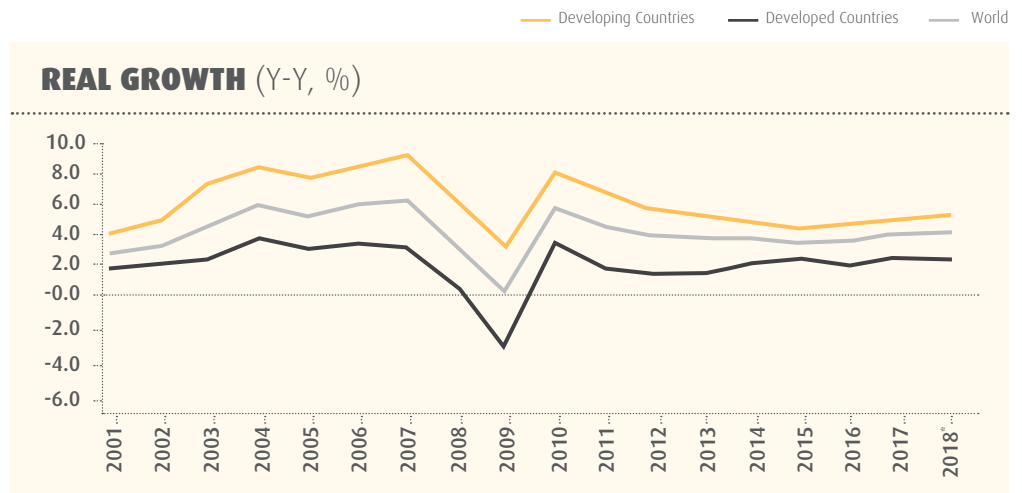
MEHMET EMİN ÖZCAN
General Manager
Executive Board Member

» THE WORLD AND TURKEY IN 2017

After growing by 3.2% in 2016, the global economy had 3.6% growth rate in 2017.

» GLOBAL ECONOMY

The US economy, which leads the developed economies, displayed 2.6% growth in the last quarter of 2017, thus bringing the overall growth rate for 2017 to 2.3%.



Source: IMF

*2018 estimated numbers.

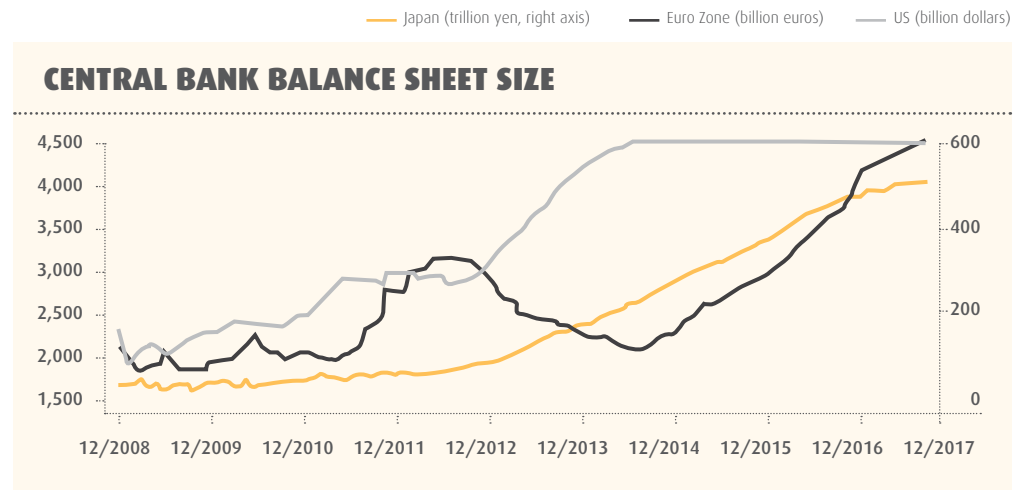
» THE GLOBAL ECONOMY CONTINUES TO EXHIBIT SIGNS OF MODERATE RECOVERY

After growing by 3.2% in 2016, the global economy had 3.6% growth rate and it is expected by the IMF to close the year 2018 with a growth rate of 3.7%. The US economy, which leads the developed economies, displayed 2.6% growth in the last quarter of 2017, thus bringing the overall growth rate for 2017 to 2.3%. Although the 4th quarter growth figure in the USA was below expectations, personal consumption expenditure -which accounts for the largest share of growth- registered its largest increase in the last two years that is 3.8%. The USA is expected to close the year 2018 and 2019 with respective growth rates of 2.5% and 2.1% owing to the new tax law passed by the Trump administration and the Fed's prudent interest rate increases. In the last quarter of 2017, the Euro Zone grew 0.6% over the prior quarter and 2.7% year-over-year. As such, the Euro Zone grew for 19 quarters in a row. In 2017, the Euro Zone economy is expected to grow by 2.1%, according to IMF estimates. The Euro Zone is expected to close the year 2018 at a growth rate of 2.3% in 2018 and the year 2019 at 1.9%. In the third quarter, the Japanese

economy grew at a high-than-expected rate of 2.5% on an annual basis. Thus, the Japanese economy registered growth in the last seven quarters. It is estimated that the Japanese economy will complete 2017 with 1.7% growth and 2018 with 1.3% growth. Having an important role in growth performance of global markets, China displayed its weakest growth for 26 years with 6.7% in 2016. The Chinese economy grew 6.8% year-on-year in the last quarter of 2017, and closed the year with a growth rate of 6.9%. However, it is considered that China's private sector debt burden on the rise since 2009 will remain a risk factor for the economy. On the other hand, in its global economic outlook report, the OECD revised its previous 3.5% global growth estimate for 2017 up to 3.6%, and forecast growth figures of 3.7% and 3.6% for 2018 and 2019, respectively.

The FED continued to pursue a tightening monetary policy.

In the year 2017, the Fed realized three interest rate hikes at its March, June and December meetings, raising the policy rate to the 1.25% - 1.50% interval



Source: Bloomberg

» WHILE THE BOJ AND ECB MAINTAINED EXPANSIONARY MONETARY POLICIES, THE FED CONTINUED TO PURSUE A TIGHTENING 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, divergences started between the monetary policies of developed country central banks. The Fed had announced in May 2013 its decision to end the QE3 program initiated back in September 2012, and put an end to this program on October 29, 2014. In December 2015, the Fed hiked interest rates for the first time in almost 10 years. The Fed thus brought up its policy rate by 25 bps from 0.0-0.25% to 0.25-0.50%. In 2016, the Fed had announced only a single interest rate increase, at its last meeting of the year. In the year 2017, the Fed realized three interest rate hikes at its March, June and December meetings, raising the policy rate to the 1.25% - 1.50% interval. At its June 2017 meeting, the Fed announced its plan for balance sheet reduction, which was initiated in October. It was also declared that Jerome Powell will be nominated to

replace the Fed Chairman Janet Yellen, whose term of office expires in February 2018. Nevertheless, the Trump administration's tax plan, introducing significant changes to the country's tax system of, was approved at the US Senate in December. The Fed continues to tighten its monetary policy, and we shall keep a close watch on how the Fed's monetary policy for 2018 will be affected by the Trump administration's policies and the new Fed Chairman's position. The Fed is expected to raise interest rates three times in 2018.

The European Central Bank (ECB) continues its expansionary monetary policy supportive of economic activity. In 2017, the ECB did not change interest rates, leaving the policy rate at 0,00%, the marginal lending rate at 0.25% and the overnight deposit interest rate at -0.40%. The ECB does not consider changing interest rates before ending its bond purchase program. The ECB maintained its bond purchase program at the level of EUR 80 billion per month until March 2017. At the end of March, this level was reduced from EUR 80 billion to EUR 60 billion, and bond purchases continued at the latter level until end-December. At the October

» THE WORLD AND TURKEY IN 2017

The European Central Bank (ECB) continues its expansionary monetary policy supportive of economic activity.

It is considered that the Bank of Japan will continue its expansionary monetary policy in 2018.

meeting, the ECB announced that it will cut its bond purchase program, from a monthly EUR 60 billion down to EUR 30 billion by January 2018, and will maintain this level until September 2018. The ECB stated that bond purchases could extend beyond September 2018 and that the volume could be changed if necessary until there appears a sustained improvement as regards inflation targets and economic outlook. The ECB is not expected to carry out interest rate hikes before 2019, that is, before the bond purchases are complete.

The Bank of Japan (BoJ) kept its policy rate at -0.1% and the 10-year bond interest rate at 0.0%. Deflationary pressures persisted in Japan in 2017. Japan is still well below its 2% inflation target. It is expected that the Bank of Japan will continue to pursue an expansionary monetary policy until it reaches the 2% target. The Bank of Japan is expected to continue its yield curve-controlled expansionary monetary policy in 2018.

People's Bank of China, which wants to check the decline in investment productivity and stimulate total domestic demand through private consumption, has decided to reduce required reserve ratios starting from 2018. The required reserve ratios will be 50 basis points lower for those banks whose comprehensive funding size is above 1.5% of their total loan portfolio within their overall bank funding. Banks whose comprehensive funding size is above 10% of their total loan portfolio will enjoy an additional 1 percentage point discount. The rapid growth seen in the housing sector in recent years, the increase in interest rates, and the monetary tightening measures of the Chinese government may result in an economic slowdown in the coming quarters. However, this prospect does not create a climate of fear and anxiety similar to that seen

at the beginning of 2015 in global markets. Back then, the Chinese economy had registered a growth performance below expectations, triggering market volatility due to a heightened risk perception.

» ALTHOUGH INFLATION IN THE UNITED STATES HAS APPROACHED THE FED'S TARGET, THE STRUGGLE AGAINST DEFLATION CONTINUES IN OTHER DEVELOPED ECONOMIES.

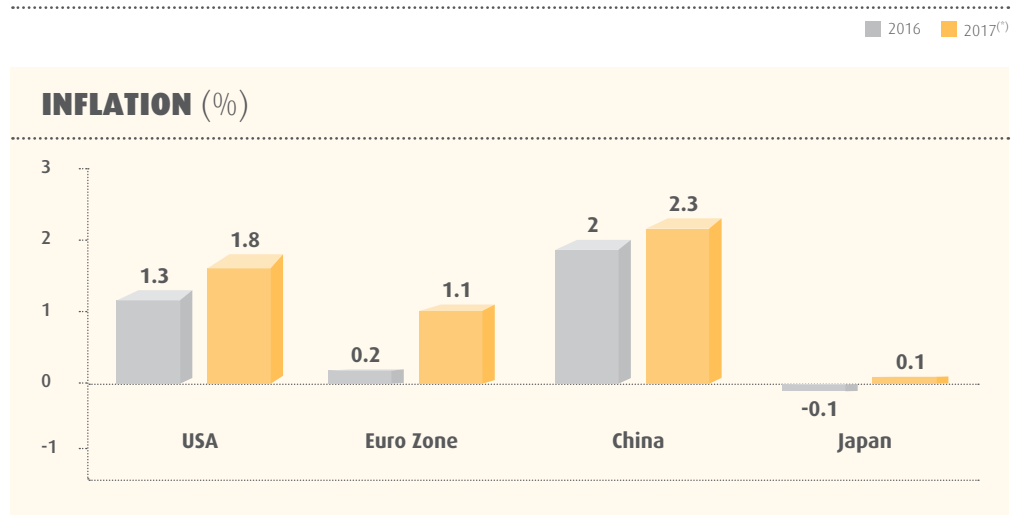
Developed economies continued to grapple with the problem of deflation in 2017. Whereas other countries implemented an expansionary monetary policy, the US started to tighten its monetary policy in 2014 and the inflation rate rose from 1.3% in 2016 up to 2.1% in 2017. The Euro Zone inflation rate, which stood at 0.2% in 2016, closed the year 2017 at 1.4%. Despite ongoing deflationary concerns about the region, the inflation outlook is expected to improve over the prior year and materialize as 1.5% in 2018. The Japanese inflation, which had ended the year 2016 at minus 0.1% is expected to turn positive and reach 0.1% in 2017. Although such a positive inflation figure will be favorable, deflationary pressures are nonetheless thought to continue in 2018, despite the negative interest rates in place for a long time.

» 2017 MARKED BY ELECTIONS IN EUROPE

In the major EU economies of France, Germany and the UK, the political agenda left its stamp on the year 2017. The May presidential elections in France was won by the pro-EU and pro-market leader of the La République En Marche! movement Emmanuel Macron, as expected by the markets. Emmanuel Macron's victory alleviated concerns over a possible breakup of the EU, and the resulting positive outlook had a likewise favorable effect on developing markets.

In the major EU economies of France, Germany and the UK, the political agenda left its stamp on the year 2017.

The US crude oil prices started to rise from September onwards, and closed the year 2017 at USD 60.42 per barrel.



Source: IMF

^(*)Estimated by IMF.

The British general elections normally scheduled for 2020 was brought forward to June 2017 after the Prime Minister Theresa May called snap elections in April and received the parliament's approval. Although Theresa May had thought that snap elections would allow her to increase her majority in the House of Commons, the lower chamber of the parliament, and thus strengthen her hand during the Brexit talks with the EU, the elections did not yield the results she expected. The Conservative Party did become the first party at the ballot box, however, failed to achieve a majority at the parliament. As for Germany, Chancellor Angela Merkel's Christian democrat CDU party won the general elections of September. However, CDU lost some votes compared to the elections of four years ago and failed to establish the coalition it desired. The coalition talks in Germany started on October 18 and lasted 4.5 weeks; however, after the Free Democratic Party abandoned the talks, it became impossible to create the so-called "Jamaica Coalition". This development in the largest European economy points to possible early elections.

» OIL PRICES CONTINUED TO HEAD UP

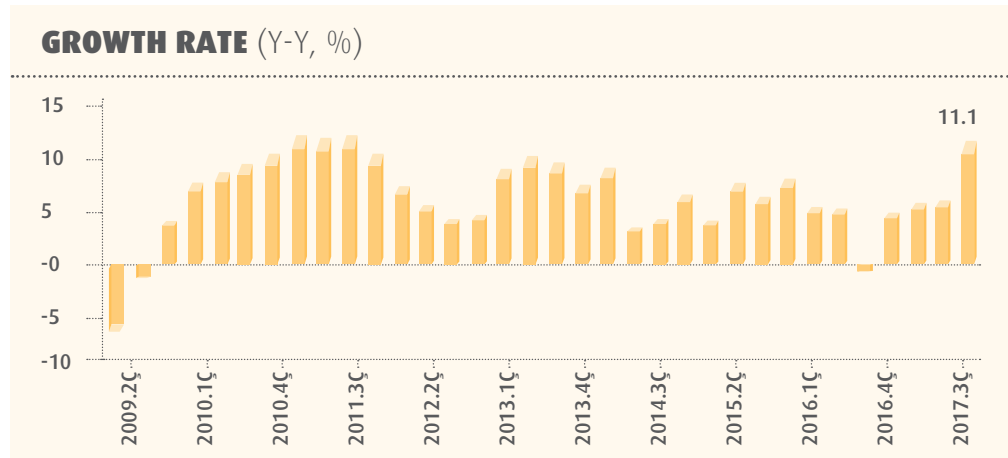
One of the most important developments affecting oil prices in 2017 was OPEC's decision at its Vienna meeting to extend the deadline of its oil production cuts from March 2018 until end-2018. The US crude oil prices which started to rise from September onwards, closed the year 2017 with a 12.5% increase over the prior year, reaching their highest level since June 2015 that is USD 60.42 per barrel. On top of OPEC's oil production cuts, the turmoil and geopolitical risks in Northern Iraq, and hurricanes in the USA were key factors driving the oil price up. In addition, the Forties Oil Pipeline in the North Sea was shut down for repairs in December, adding further momentum to the oil price hike. On the other hand, the continued US oil production had a somewhat limiting effect on further increases in oil prices. The US crude oil prices are expected to continue to rise in 2018 due to ongoing supply side constraints.

» THE WORLD AND TURKEY IN 2017

In the third quarter, Turkey's economy exhibited its strongest growth performance in the last six years, by growing 11.1%.

» TURKEY'S ECONOMY

In the third quarter of 2017, Gross Domestic Product reached TL 827 billion at current prices.



Source: TSI

» TURKEY'S ECONOMY GREW BY 11.1% IN THE THIRD QUARTER OF 2017.

Gross domestic product (GDP) grew by 5.3% and 5.4% in the first two quarters of the year 2017 as a result of effective fiscal policies, and the surge in investments as a result of loans extended under the Credit Guarantee Fund (CGF). In the third quarter of 2017, the Turkish economy grew 11.1% year-over-year, in its strongest performance since the third quarter of 2001. This amounted to the highest growth rate of the last 6 years. In the third quarter of 2017, Gross Domestic Product reached TL 827 billion 230.1 million at current prices, in a 24.2% increase. Calendar-adjusted GDP increased by 9.6% year-on-year in the third quarter of 2017, while seasonally- and calendar-adjusted GDP grew by 1.2% over the previous quarter.

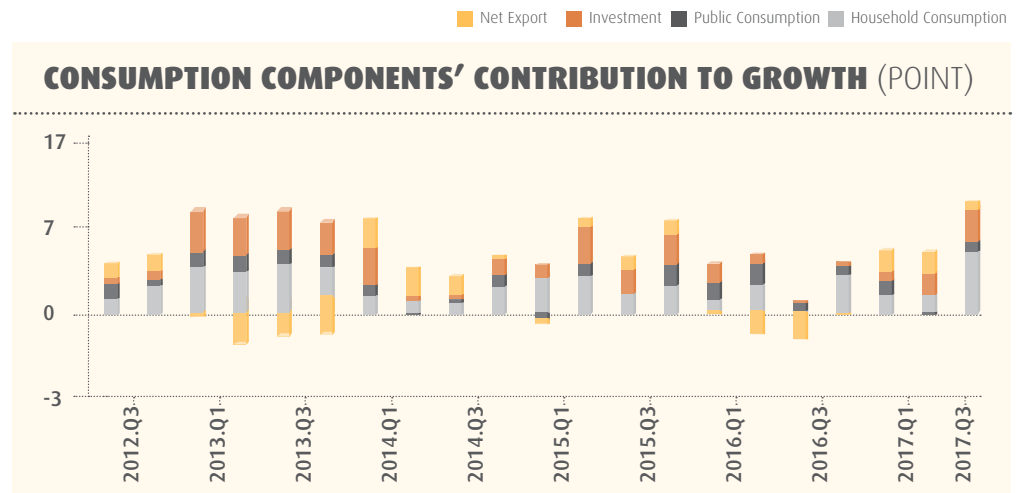
The highest contributions to GDP growth came from net exports in the first quarter of the year, and from investment spending in the second quarter. In the third quarter of the year,

consumer spending grew 11.7% on an annual basis, and contributed 7 points to growth on top of its 1.9 point contribution in the second quarter. The impact of loans extended under the Credit Guarantee Fund (CGF) continued in the third quarter, resulting in a 12.4% increase in investment spending in the third quarter.

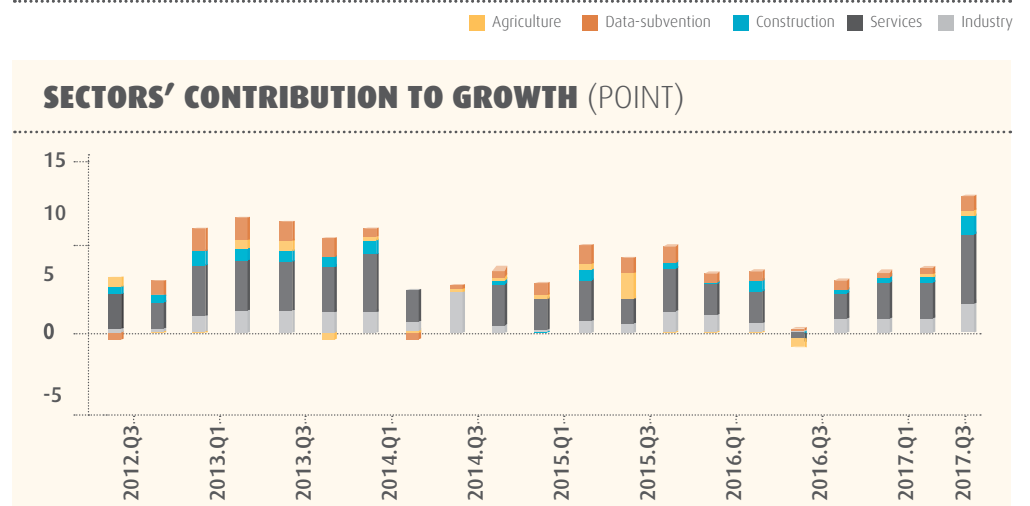
An analysis of growth figures by sectors reveals that the sector that contributed most to growth in the third quarter of 2017 was the service sector (5.9 points), as was the case in the first two quarters. Although the agricultural sector was the sector making the smallest contribution to grow in the third quarter, its contribution to growth was seen to increase due to seasonal effects, compared to the first two quarters. On the other hand, while the finance and insurance sectors suffered a contraction for the first time since the third quarter of 2012, this can largely be attributed to the increased costs imposed on the insurance sector by the unprecedented hailstorm in Istanbul of end-July.

It is considered that, in 2018, Turkey's economy will maintain its strong growth outlook and is grow by 5.5%.

The impact of loans extended under the Credit Guarantee Fund (CGF) continued in the third quarter, resulting in a 12.4% increase in investment spending in the third quarter.



Source: TSI



Source: TSI

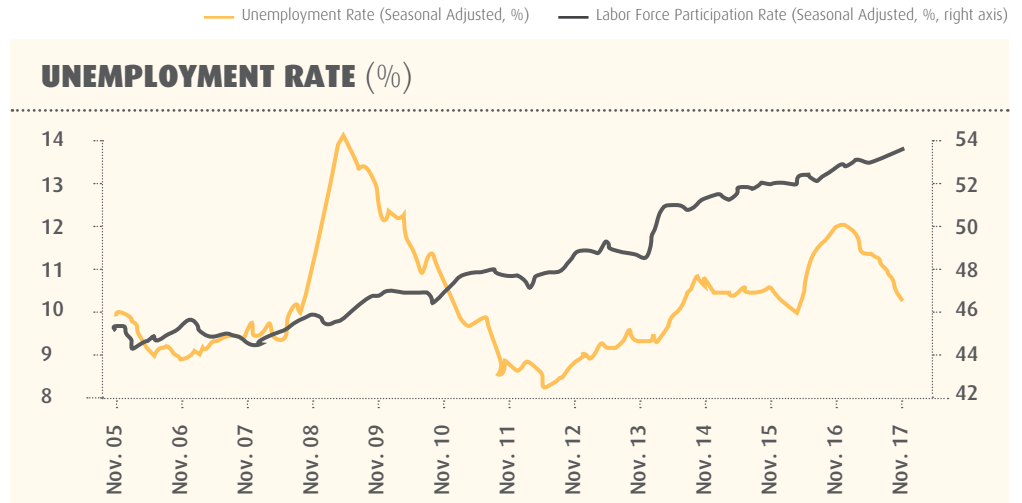
In the last quarter, the CGF effect, one of the main factors underlying the growth in the first three quarters, grew weaker and the Special Consumption Tax discounts expired; as a result, growth is expected to come in at a lower figure in the fourth quarter. Furthermore, the rapid surge in the foreign exchange rate and interest rates create added pressure on financial conditions, turning the industrial production index downwards starting from

October. Considering that this downtrend may continue in the coming months, it is likely that industrial production will make only a limited contribution to growth in the last quarter. In this regard, although growth may lose steam in the last quarter of the year compared to the first three quarters, it is expected to cap the year 2017 at a rate above 7%. It is considered that, in 2018, Turkey's economy will maintain its strong growth outlook and is grow by 5.5%.

» THE WORLD AND TURKEY IN 2017

The rate of unemployment climbed sharply in the first months of 2017, before starting to fall due to policy makers' measures to boost employment, and to vibrant economic activity.

The unemployment rate, which stood at 10.7% in the first 11 months of 2016, reached 11% in the first 11 months of 2017.



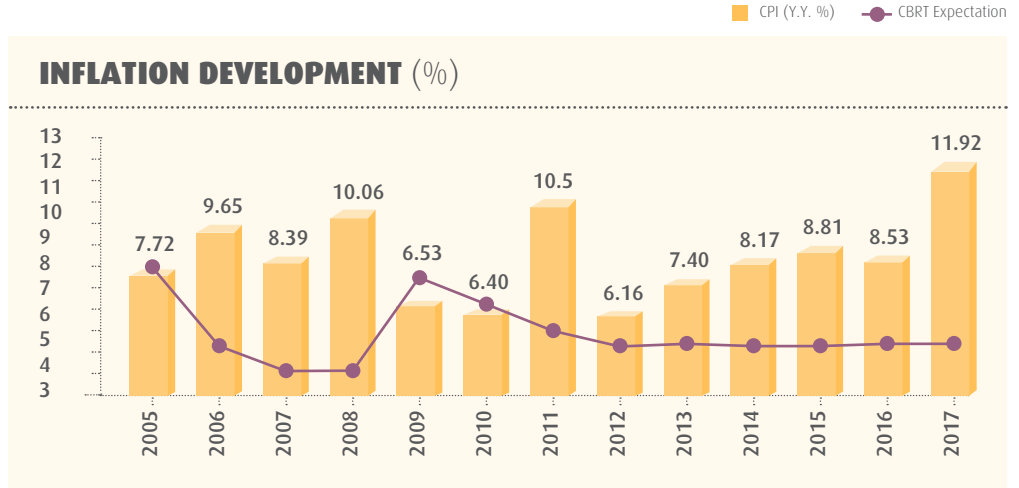
Source: TSI

» THE UNEMPLOYMENT RATE MATERIALIZED AS 11% IN THE FIRST 11 MONTHS OF 2017.

The unemployment rate, which stood at 10.7% in the first 11 months of 2016, reached 11% in the first 11 months of 2017. A factor underlying this increase was the rather high unemployment rates of the first months of the year. In January, the figure rose to 13%, and then started to drop due to job creating measures introduced by policy makers in the following months. The unemployment rate declined to 10.3% in November. Seasonally adjusted unemployment rate, which stood at 10.8% in January-November 2016, rose to 11% in the same period of 2017.

It is expected that the unemployment rate will fall in 2018, since unemployment has begun to fall after reaching a peak in the first months of 2017, and due to the ongoing strength in economic activity and job creation measures implemented by policy makers.

The foreign trade deficit, excluding energy and gold, reached USD 37.3 billion.



Source: CBRT, TSI

» INFLATION CLOSED 2017 AT 11.92%. The inflation, which had closed 2016 at 8,53%, reached 11,92% in 2017. This figure is the highest year-end inflation in the series starting in 2003. The rise in domestic demand resulting from the resurgence of economic activity in 2017, the rise in the exchange rate, and the increase in commodity prices especially oil, created an overall upward trend in inflation. Core inflation and the Domestic Producer Price Index also headed up in 2017, reaching historical highs during the year. In 2018, inflation is expected to fare more favorably than was the case in 2017. Due to the base effect from 2017 and the anti-inflationary measures taken in 2017, inflation is expected to fall in 2018 and close the year at 8.90%.

» FOREIGN TRADE DEFICIT ROSE TO USD 76.7 BILLION IN 2017. In December 2017, foreign trade deficit increased by 63.5% year-over-year to reach USD 9.2 billion. The foreign trade deficit, which was USD 56.1 billion in 2016, increased by 36.8% to the order of USD 76.7 billion in 2017 due to soaring imports. The sharp rise in imports was a key factor driving up the foreign

trade deficit in 2017, despite the recovery in exports. The increase in imports, in turn, was caused by the resurgence in economic activity, rise in energy spending, as well as increases in imports of intermediate goods and gold. The foreign trade deficit excluding energy and gold remained stable at USD 37.3 billion for 12 months.

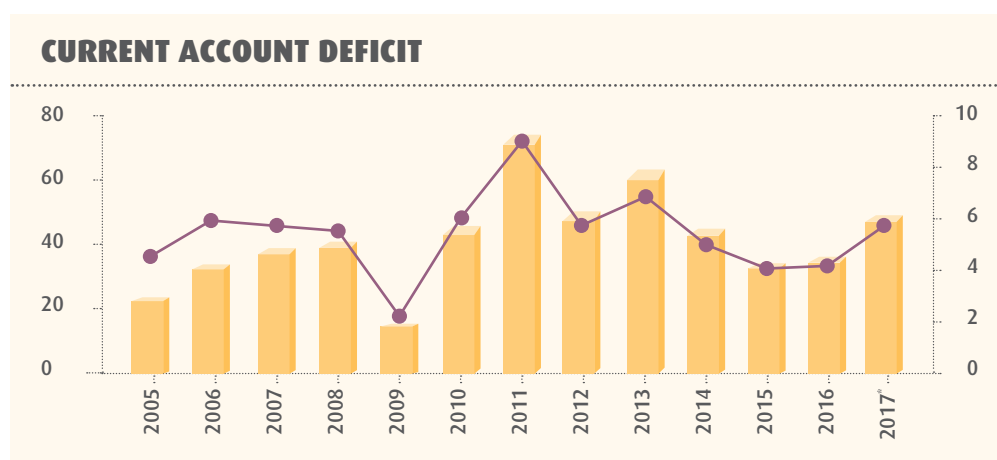
Economic activity has recovered since the previous year as can be seen in the rise of energy prices, and the increase in intermediate goods imports since November, which play a crucial role in economic growth. The Credit Guarantee Fund-backed loans reinvigorated economic activity on the domestic front, while the recovery in EU countries had a positive effect on our foreign trade. On the other hand, the rise in oil prices compared to the previous year suggest that the energy-related pressure on the foreign trade deficit will continue in the remaining part of the year. Although it is expected that the recovery in economic activity will continue, the recent rise in the foreign exchange rate may put a limit on the climbing foreign trade deficit. In 2018, the foreign trade deficit is expected to increase due to vibrant economic activity and oil prices and reach USD 78 billion.

» THE WORLD AND TURKEY IN 2017

Central Bank of the Republic of Turkey (CBRT), in line with its main objective of maintaining price stability, maintained a tight monetary stance in 2017.

The CBRT began Turkish lira-settled foreign exchange sale auctions at negotiated maturity terms, and allowed the repayment in TL of export rediscount loans generating foreign exchange revenues, which mature until February 1, 2018

■ Current Account Deficit (annually, USD) ● Current Account Deficit (GDP%, right axis)



Source: CBRT

*Current Account Deficit/GDP is based on expectations.

» THE CURRENT ACCOUNT DEFICIT STOOD AT USD 47.1 BILLION IN 2017.

The current account deficit, which was USD 33.1 billion in back 2016, rose to USD 47.1 billion in 2017. The current account deficit / GDP ratio is expected to come in as 5.5%. The increase in the goods trade and the resurgence of economic activity played an important role in the sharp rise of the current account deficit in 2017. Foreign currency entering Turkey in the form of direct investments and other forms of investment played a significant role in financing the current deficit.

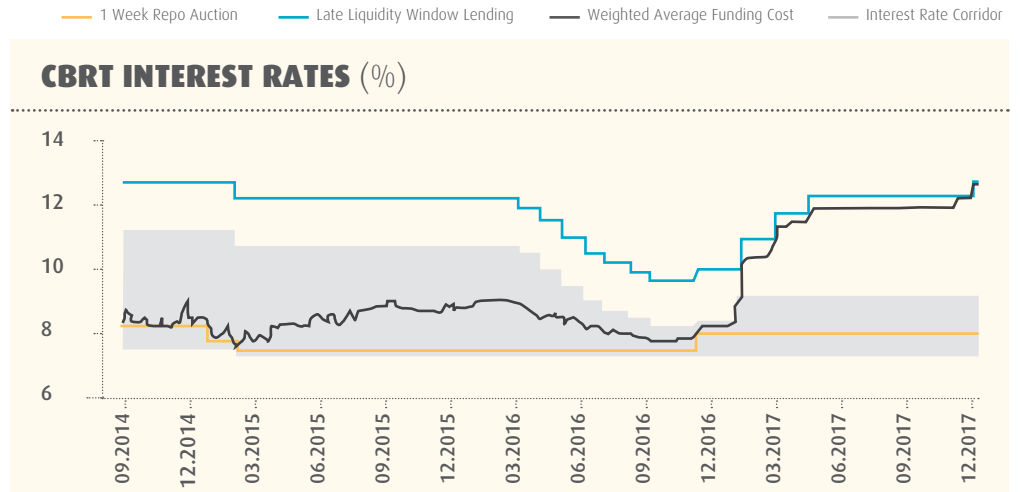
It is considered that the current account deficit will rise since the economic activity is expected to remain vibrant in 2018. However, if the gold trade goes through a normalization process, the rise in the current deficit may remain limited.

» THE CBRT MAINTAINED ITS TIGHT MONETARY POLICY IN 2017.

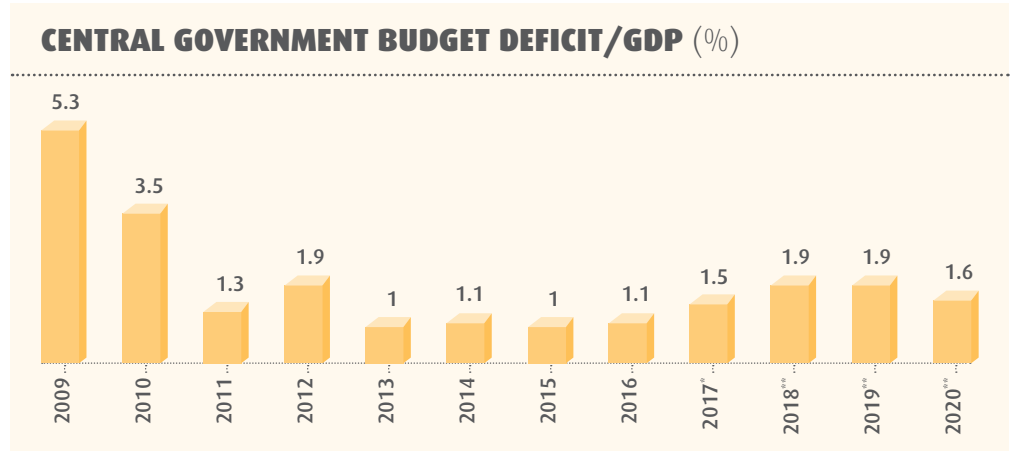
Central Bank of the Republic of Turkey (CBRT), in line with its main objective of maintaining price stability, maintained a tight monetary stance in 2017. To provide funding to the markets in 2017, CBRT used mainly the marginal funding rate, and the overnight Late Liquidity Window, applied between 16.00-17.00 hours in the Interbank Money Market. CBRT raised the interest rate of the Late Liquidity Window from 10% in January to 11,75% in March and to 12,25% in April. Finally, the CBRT increased its Late Liquidity Window lending rate to 12.75% at its December meeting, thus achieving an overall 275 basis point increase throughout the year. The CBRT did not change its one-week repo auction rate during the year, and kept it stable at 8%. In the first meeting of the year, CBRT increased the marginal funding rate, which is the upper limit of its interest rate corridor, by 75 basis points to 9.25%, and maintained this ratio during the rest of the year. The CBRT, which did not hold weekly repo auctions, reduced the banks' borrowing limits in the Interbank Money Market down to zero in November. Thus, since the CBRT began to

Central government's budget deficit was TL 47.4 billion in 2017.

The Weighted Average Funding Cost increased from 8.3% in the beginning of the year to 12.75% at its end.



Source: CBRT



Source: Undersecretariat of Treasury

* Expectation
** Objectives of the Medium Term Program for 2018-2020

provide funds only through the Late Liquidity Window, the Weighted Average Funding Cost increased from 8.3% in the beginning of the year to 12.75% at its end. CBRT also took non-interest rate measures to halt the rise in the exchange rate. To this end, the foreign exchange facility upper limit of the Reserve Option Mechanism (ROM) was reduced from 60% to 55%, and all tranche intervals were reduced by 5 points. In addition, the CBRT

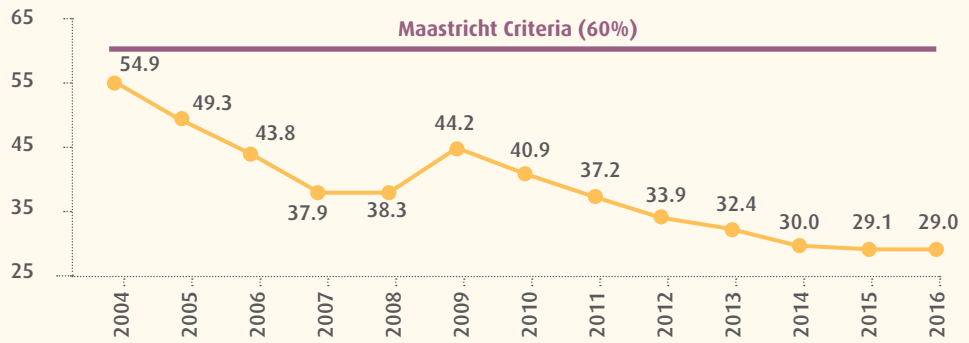
began Turkish lira-settled foreign exchange sale auctions at negotiated maturity terms, and allowed the repayment in TL of export rediscount loans generating foreign exchange revenues, which mature until February 1, 2018. Due to the rise in inflation and the volatility of the exchange rate, the CBRT is expected to maintain its tight monetary policy stance for a while in order to ensure and maintain price stability.

» THE WORLD AND TURKEY IN 2017

Central government gross debt stock maintained lower than Maastricht Criteria.

Budget revenues increased from TL 554 billion in 2016 to TL 630 billion in 2017.

CENTRAL GOVERNMENT GROSS DEBT STOCK (% GDP)



Source: Undersecretariat of Treasury

» CENTRAL GOVERNMENT BUDGET DEFICIT CAME IN AT TL 47.4 BILLION IN 2017.

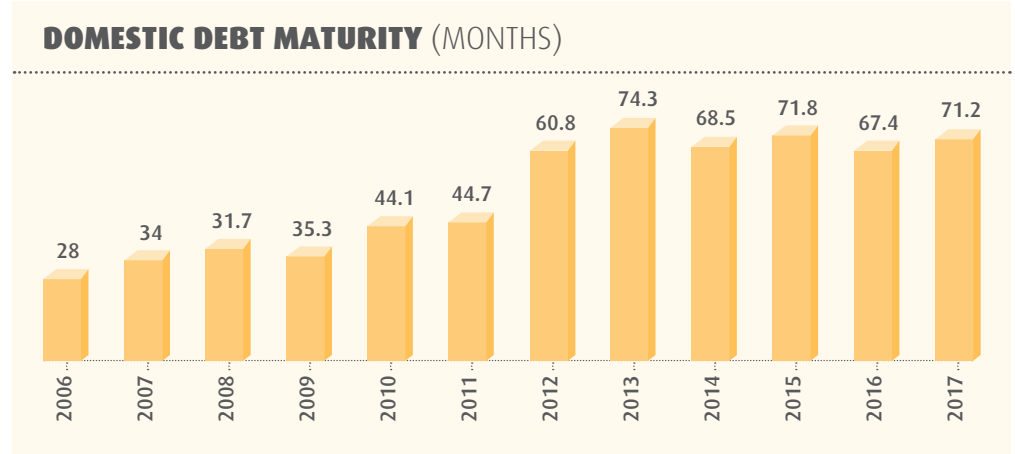
The central government deficit, which stood at TL 29.9 billion in 2016, materialized as TL 47.4 billion in 2017. Budget revenues rose 13.8% year-on-year from TL 554 billion 140 million in 2016 to TL 630 billion 349 million in 2017. On the other hand, budget spending went up by 16% year-on-year from TL 584 billion 71 million in 2016 to TL 677 billion 722 million in the same period of 2017. The ratio of the central budget deficit to GDP, which stood at 1.1% in 2016 is expected to reach 1.5% in 2017 and 1.9% in 2018 according to the Medium Term Program (2018-2020). On the other hand, in 2017, the primary surplus decreased by 54% over the previous year to reach TL 9 billion 34 million. It is expected that the primary surplus, which is important in terms of debt management, will stand at TL 5.8 billion in 2018.

» CENTRAL GOVERNMENT GROSS DEBT STOCK ROSE IN 2017, BUT NONETHELESS REMAINED BELOW THE MAASTRICHT CRITERIA.

The central government gross debt stock increased from TL 760 billion in 2016 to TL 876.5 billion in 2017. TL 535.4 billion was in the form of local currency debt and TL 341 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. However, the increase in economic incentives in 2017 expanded the budget deficit, which in turn boosted domestic borrowing by the Treasury. As a result, the debt stock to GDP ratio may rise. On the other hand, the said rate will nonetheless remain below the Maastricht criterion of 60%.

The Undersecretariat of Treasury began to issue gold-based lease certificates in October 2017.

The average cumulative maturity term of domestic borrowing in cash was 71.2 months in 2017.



Source: Undersecretariat of Treasury

» IN 2017, THE FIRST GOLD-BASED LEASE CERTIFICATE WAS ISSUED.

As per 2017 realizations, the average cost of fixed income TL-denominated debt increased from 11.4% on December 2016 to 13% while the average maturity of domestic cash debt declined from 67.4 months in 2016 to 71.2 months in 2017. 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

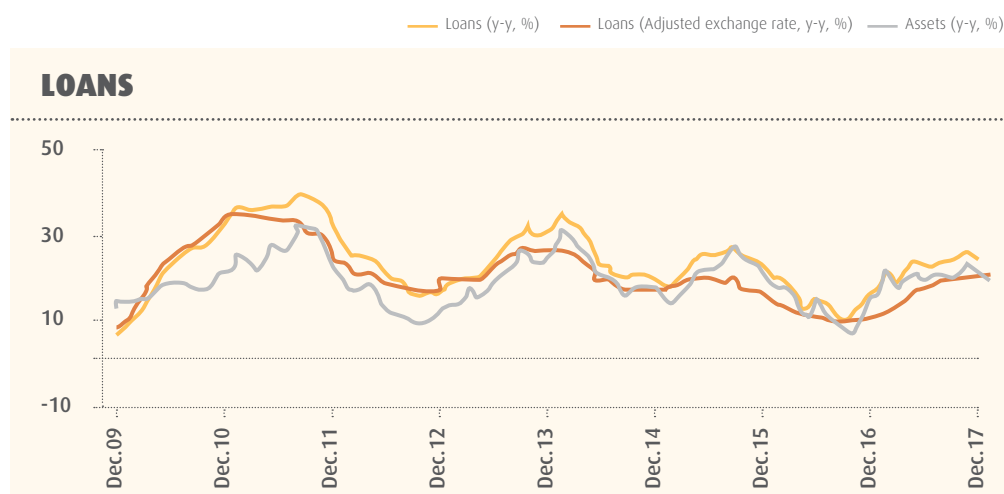
and regularly issued in the domestic market since 2013. In this vein, in February, June, August and October, lease certificates totaling TL 4.26 billion were issued in the domestic market. In addition, the Undersecretariat of Treasury began to issue gold-based lease certificates in October 2017, and these reached a total figure of 1.32 million in 2017.

» THE WORLD AND TURKEY IN 2017

The total assets of the Turkish banking sector increased by 19.3% over the previous year to reach TL 3 trillion 257.8 billion in 2017.

» BANKING SECTOR

In 2017, an important factor underlying rapid loan growth was extended by the Credit Guarantee Fund to banks for supporting the real economy.



Source: BRSA

» IN 2017, CGF-BACKED LOANS CONTRIBUTED TO SECTOR GROWTH.

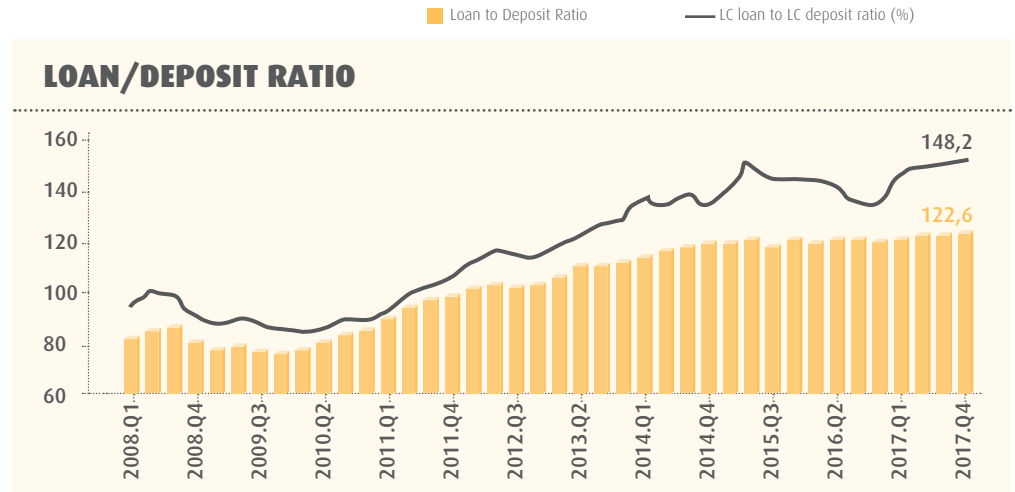
The total assets of the Turkish banking sector increased by 19.3% over the previous year to reach TL 3 trillion 257.8 billion in 2017. The total assets to GDP ratio of the sector in the third quarter of 2017 was 103.2%. In 2017 as well, loans had played a decisive role in asset growth. The annual rate of increase in loans rose to 25%, the highest level since August 2015, before slowing somewhat towards the end of the year and closing the year at 21%. In 2017, an important factor underlying rapid loan growth was the TL 200 billion extended by the Credit Guarantee Fund to banks for supporting the real economy. CGF boosted commercial loan allocation and some of the CGF support was also used for debt restructuring. Thus, the annual rate of increase in non-performing loans in the sector slowed down and the NPL

ratio fell to 2.96% at the end of 2017, from 3.24% at the end of 2016. In 2018, the annual rate of increase in lending is expected to drop to 16.9%.

In 2017, an expansionary fiscal policy was in place, leading to increases in the Treasury's domestic borrowing requirement. Higher domestic borrowing by the Treasury also resulted in an increase in the securities portfolio of banks. Thus, the annual growth rate of the securities portfolio, which was 6.6% at the end of 2016, increased to 14.3% at the end of 2017. It is expected that in 2018 the Treasury's domestic borrowing requirement will continue, and as a result, the annual rate of increase in the securities portfolio will increase to reach 15.7%.

In 2017 there was a rapid increase in deposits as well. The annual rate of increase in deposits, which was 16.7% at the end of 2016, rose to as high as 23.7% in October 2017, before ending the year at 17.7%.

In 2017, the loan-to-deposit ratio was 122.6%. The conversion rate of TL deposits into TL loans, on the other hand, reached 150%.



Source: BRSA

» IN 2017, THE RATE OF DEPOSIT INCREASE ACCELERATED.

In 2017 there was a rapid increase in deposits as well. The annual rate of increase in deposits, which was 16.7% at the end of 2016, rose to as high as 23.7% in October 2017, before ending the year at 17.7%. Since the current loan-to-deposit ratio is above 100%, the rapid expansion in loans has urged banks to find new resources, triggering a rise in deposit interest rates and a swift increase in deposits. In 2017, deposits concentrated in the short-term. Deposits with a maturity of 1 to 3 months accounted for 53.1% of total deposits

in 2017. The annual rate of increase in deposits is expected to decelerate to 15.6% at the end of 2018, as a result of the deceleration in loan growth and the decline in interest rates.

In the year 2017, there was also a rapid increase in non-deposit resources. Their annual growth rate rose from 15% at the end of 2016 to 21.6% in 2017. The high loan-to-deposit ratio and the rapid increase in loans were also key factors driving the increase in non-deposit funding sources. The sector's rising profit in 2017 also led to an increase in shareholders' equity, which expanded 19.6% in 2017.

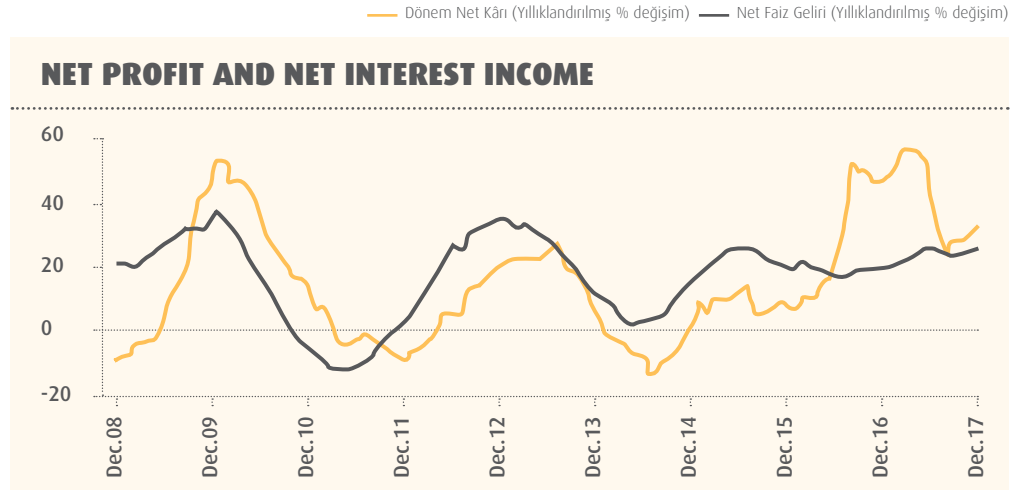
» THE WORLD AND TURKEY IN 2017

The return on assets rose from 1.4% in end-2016 to 1.51% in 2017

30.8%

Banking Sector Profit

The profit of the Turkish banking sector increased 30.8% over the previous year.



Source: BRSA

» IN 2017, THE NET INTEREST MARGIN NARROWED.

In the first quarter of 2017, there was a rapid increase in the profits of the banking sector due to the base effect. However, the ensuing reduction of the base effect and the net interest margin, the annual increase in the sector's profit slowed down after April, but then rose somewhat towards the end of the

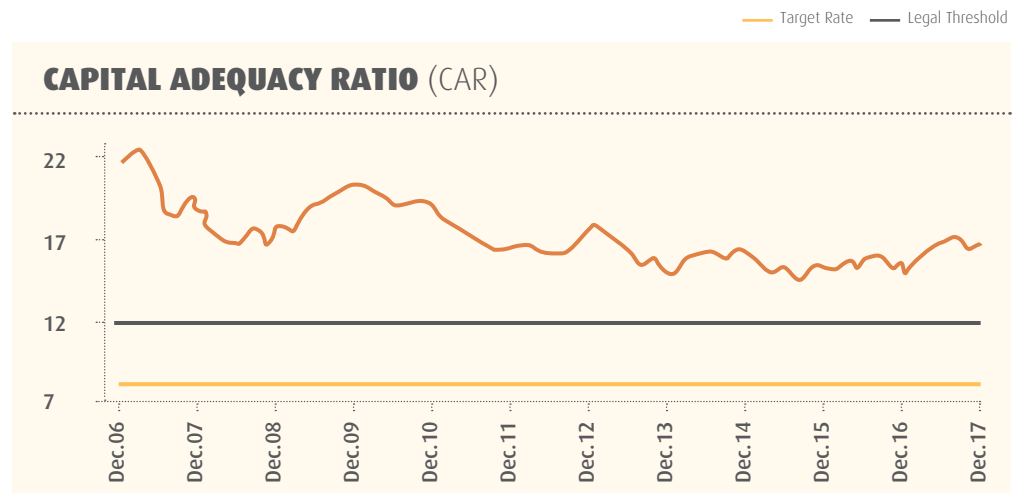
year. The sector raised deposit interest rates to fund the rapid increase in loans. The rising deposit interest rates, in turn, resulted in a narrowing of the net interest margin, which then slowed down the increase in the sector's profits. In conclusion, in 2017, the profit of the Turkish banking sector increased 30.8% over the previous year. The return on assets rose from 1.4% in end-2016 to 1.51% in 2017, and the return on equity from 12.50% to 13.7%.

Rising credit allocation due to the CGF scheme was a decisive factor driving up the capital adequacy ratio in 2017.

16.9%

Capital Adequacy Ratio

As of end-2017, the capital adequacy ratio of the sector stood at 16.9%.



Source: BRSA

There was a rising trend in the capital adequacy ratio of the sector in 2017. The ratio, which was 15.6% at the end of 2016, rose to 16.9% in 2017. The continued albeit slower rise in profitability, and the high loan allocation under the CGF scheme were decisive in the increase seen in CAR in 2017.

» 2017 AT A GLANCE

VakıfBank announced its way of communication in the relaunch in 2017. With the vision of being the Leading Bank of Strong Turkey, VakıfBank emphasized that it will be the strength by all of its stakeholders.



» WE SHALL BE THE STRENGTH BY GROWING TURKEY

VakıfBank's vision for the new period was unveiled at a press conference hosted by CEO Mehmet Emin Özcan, with the participations of Assistant General Managers and the actor Engin Altan Düzyatan, the face of the VakıfBank brand in the new period. In his speech, Özcan stated that Turkey is no longer the old Turkey: "Now there is a strong, developing, leading Turkey which is the envy of the whole world. We set our vision for the new period as the "Leading Bank of Strong Turkey" in order to offer better services to our customers, give more support to the economy of strong Turkey, and add to VakıfBank's strength." He also elaborated on the targets for the new period.



» LEAP FORWARD IN DIGITAL BANKING

In 2017, the VakıfBank Mobile Banking app was the product that stood out among VakıfBank's digital banking channels, as it enjoyed a 62% increase in the number of users, which exceeded 2.2 million. For 2018 the target was set at 4 million, while more than 90% of Bank transactions were realized in non-branch channels during 2017.

Setting off from the fact that technological development has affected and changed the banking sector the most in the whole world, VakıfBank continued to invest in digitization in all of its business processes and products. VakıfBank continued to modernize its in-house banking practices and end-user products, and continued to keep its IT infrastructure up-to-date with the latest technologies.



A FIRST IN THE SECTOR: LOCAL GOVERNMENT BANKING

VakıfBank added a new one to its long list of firsts in the banking sector, by establishing a Local Government Banking department. Through this department, the Bank aims to meet the demands and needs of local administrations more quickly and effectively, and provide private banking services to municipalities as well as their affiliates and subsidiaries. The Bank is the strength by local governments not only in their financing needs, but also all kinds of infrastructure and superstructure projects.

Also providing consultancy services to local governments to help them access international funds, VakıfBank continued to support municipalities and their subsidiaries in many areas, ranging from energy efficiency to cash management products, transportation solutions to waste separation projects.



» INTERNATIONAL AWARDS TO VAKIFBANK

At organizations held by international institutions during the year, VakıfBank was awarded in different fields ranging from mobile applications to credit cards, international bond issuances to in-house practices, thus once again demonstrating its innovative stance in banking products and services. The Bank's Covered Bond issuance received Global Capital's "Best financial institution issuance in developing markets" award, Milplus credit card received "Most innovative visa credit card award" at Vizyonist 2017, 720° Customer Management product received "Best marketing campaign of the year" at Stevie New Products and Services, OGM card product received "Best Marketing Campaign of the Year" award in Stevie Financial Card category, Overdraft Account and Trend Calculation for General Purpose Installment Loans product received "Customer Experience" award at the IDC IOT organization, and Mobil Field Sales App received "Internet of the Things" award at the IDC IOT organization.



» INTERNATIONAL MARKETS' CONFIDENCE IN VAKIFBANK CONFIRMED

VakıfBank, Turkey's leading bank in the international markets, continued to raise non-deposit funding sources from abroad at convenient maturity terms and interest rates for Turkey in 2017 and thus continued its support to the real economy. The Bank increased the diversity of funding sources by securing loans of more than USD 5.1 billion, including syndication loans, bond issuances and loans from international financial institutions.

The syndicated loans of over USD 1.8 billion secured in April and September were extended at a rate of above 100%. VakıfBank is the first issuer of mortgage-backed securities in Turkey; with its operations in this field during the year, the Bank raised funds worth approximately TL 2.7 billion and the resulting maturity terms and interest rates confirmed international markets' confidence in our country and in VakıfBank.



» VAKIFBANK ANATOLIA SUMMITS

VakıfBank's top management visited Erzurum, Diyarbakır and Adana under the Anatolian Summits scheme in 2017, and had the opportunity to visit investments on-site and to meet with business leaders as well as local administrators in these regions. VakıfBank's senior management also held meetings with the Bank's managers active in the regions, communicating their expectations and strategies, discussing branch performances and situations one-on-one, and making various recommendations.

At the summits, VakıfBank executives listened directly to the needs and demands of customers in these regions, and held very fruitful meetings, offering special solutions and developing new business partnerships. The routine meetings of the Board of Directors were held in these cities during the said visits.



» VAKIFBANK, CHAMPION OF EUROPE AND THE WORLD

The VakıfBank Women's Volleyball team went down in history, closing the year 2017 as the champions of both Europe and the world. VakıfBank won all of its matches at the 2017 CEV Champions League, and beat the home team Imoco Volley Conegliano at the finals of the organization held in the Italian city of Treviso in April, thereby winning the European Champions League undefeated, for the third time in its history. At the 2017 FIVB Clubs World Championship held in May in the Japanese city of Kobe, VakıfBank became the World Championship undefeated, for the second time in its history. As such, the team increased the number of international trophies in its museum up to seven, maintaining its leadership in this field. VakıfBank also won the Turkish Super Cup and Turkish Cup in 2017, thereby ending the year with a total of four trophies.

» REVIEW OF OPERATIONS IN 2017

VakifBank meets the entire corporate banking product and service needs of its customers with a specialized sales and operational staff, wide product range, advanced technology infrastructure and efficient business processes.

» CORPORATE AND INVESTMENT BANKING

As the strategic solution partner to its clients, VakifBank Corporate Banking was the strength by corporate customers in 2017. VakifBank offers all the products and services required by its customers in the field of corporate banking by means of its expert sales and operations staff, wide range of products, upgraded technological infrastructure and business processes.

» INCREASE IN THE NUMBER OF CUSTOMERS
VakifBank Corporate Banking 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 in accordance with the Bank's strategy of growing and acquiring market share. Thus, the Bank made important progress in its striving to become the primary bank of corporate customers, their affiliates and subsidiaries. In addition, VakifBank acquired numerous new customers among supplier and dealer companies, and companies in other areas of the financial value chain.

» PRIMARY 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, VakifBank also managed to increase its transaction volume in 2017 thanks to its "Being the Primary Bank of Customers" vision.

Maintaining its high asset quality also in 2017, and continuing its loan support for real sector companies – which are determined via effective and healthy customer criteria used for selecting customers – VakifBank achieved a 13% increase in corporate cash loans extended in 2017 while achieving a 14% increase in corporate non-cash loans.

VakifBank pursued an active policy in financing the high value added projects of its corporate customers in 2017, and created financing facilities by allocating long term cash and non-cash loans for customers' investments. Achieving a 25% increase in the project loans extended for customers in the corporate segment, VakifBank continued to contribute to the development of the country's economy and the real sector in 2017 as well.

Thanks to the strategy of increasing cross selling to corporate segment customers, VakifBank increased the volume of collection by 27% and boosted the volume of tax and social security collections by 24%.



There was a 25% increase in project loans extended to customers in the corporate segment.

New departments established under the umbrella of VakıfBank Corporate Banking have started activities.

VakıfBank continued its technology investments and transferred many products and services to digital media.

As the strength by its customers in every type of financial requirement, VakıfBank provides its corporate customers banking services such as project financing, treasury and cash management transactions, while its subsidiaries offer them factoring, leasing and insurance services.

In 2017, the Corporate Banking Product Development and Sales Coordination Department was established under VakıfBank Corporate Banking in addition to the existing departments, with a view towards providing special services to corporate customers. The Department has become operational and will more rapidly meet product requests, which vary from one corporate client to the next, and further increase the quality of the service offered to them.

Another department that started its activities under Corporate Banking is the Investment Banking Department. The said department is involved in marketing products falling under the scope of investment banking, extending these across a wider base, and conducting product-based customer profitability and

efficiency analyses. In the field of corporate finance, the Department provides services such as company valuation, mergers and acquisitions, capital management consultancy, develops alternative funds and products to meet companies' financing needs, organizes capital market issuances to facilitate companies' access to financial resources, and plans public offering of share certificates.

In 2017, VakıfBank continued relentlessly to invest in technology, and digitized many products and services. Digitization investments will continue to increase in 2018. Seeing customer relations as the foundation of long-term partnerships and standing by its customers under all circumstances and market conditions, VakıfBank aims to further strengthen cooperation with existing customers with its innovative products and cash/non-cash loan facilities while increasing its presence in the corporate segment by acquiring new customers and being the strength by the customers.

»» REVIEW OF OPERATIONS IN 2017

VakıfBank increased the number of its commercial customers by 5.28% in 2017, by focusing on providing faster and higher quality services through innovative, alternative financial solutions.

As of end-2017, VakıfBank increased cash loans and non-cash loans extended to customers in the commercial segment by 32.57% and 36.34% respectively.

»» COMMERCIAL BANKING

Serving large-scale enterprises that are in the target group in the segment as well as public institutions and enterprises through its Commercial Banking business department structured under the Commercial and Corporate business line, VakıfBank maintained its steady and broad-based growth in 2017 with products and services customized according to customer expectations and needs.

» STEADY GROWTH

VakıfBank devised its Commercial Banking business line strategy and action plan with a focus efficiency and profitability. As a result, the Bank expanded its customer base while giving a major boost to the cross-selling ratio and segment profitability.

With its dynamic and expert human resources, 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 5.28% in 2017.

Offering customers financing solutions suited to their financial structure thanks to a vast product range and wide branch network, VakıfBank expanded its commercial cash loans by 32.57% and non-cash loans by 36.34% as of year-end 2017.

Thanks to the strategy of increasing cross-selling, VakıfBank raised the volume of collection cheques intermediated by the Bank in the commercial segment by 8% while boosting the volume of tax, social security and Gümkart collections by 16%.

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

Under 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.

In 2017, VakıfBank rolled out the Strong Exporter / Importer Opportunity and Transfer (GİFT) packages, which provide special offers to foreign trade companies. Under these packages, import / export companies were provided advantages such as attractive fees, charges and commission rates in import and export transactions as well as transfers, discount tariffs in banking services, zero-interest loans, and special offers from VakıfBank's subsidiaries.

In 2017, VakıfBank rolled out the Strong Exporter / Importer Opportunity and Transfer (GİFT) packages, which provide special offers to foreign trade companies.

Committed to sustainable development, VakıfBank continued in 2017 to provide loans under advantageous terms to its commercial customers in the fields of financing energy efficiency and renewable energy, in line with this mission.

VakıfBank, in line with CBRT's Export and Foreign Currency-Yielding Rediscount Loans Application Regulation, mediated in CBRT Rediscount Loan allocations to export companies, manufacturing export companies, and companies manufacturing goods destined for exports, to finance their pre-shipment and post-shipment export and foreign currency-yielding services.

» PROJECT FINANCING

With its vast know-how and experience in the field, VakıfBank continued in 2017 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, the volume of project finance loans provided by the Bank to commercial customers rose 9.45%, and a further contribution was made to the development of the national economy and the real economy in 2017.

VakıfBank focuses on eco-friendly and sustainable development which minimizes the adverse effects of global climate change, and is featured in the Borsa İstanbul (BİST)'s 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, widespread branch network, specialized and dynamic personnel, the Bank continues to offer financial solutions suited to customer needs. In 2018, the Bank will retain its broad-based growth, and aim at becoming the business partner and main bank of its commercial customers.

PART I: INTRODUCTION

» REVIEW OF OPERATIONS IN 2017

VakıfBank increased its SME cash loans by 29.40% in 2017, remaining the strength by SME customers.

» SME BANKING

VakıfBank, in line with its vision of becoming “Leading Bank of Strong Turkey”, continued to grow in the field of SME Banking in 2017 by expanding its product and service range, and launching alternative channels facilitating SME customers’ access to financial products. As customer needs rapidly diversify in this sector, VakıfBank has succeeded in analyzing SME needs correctly and formulating accurate solutions.

» 2017 PERFORMANCE

On the basis of the provisions for the “Regulation on Definition, Classification and Qualifications of Small and Medium Size Enterprises,” VakıfBank continued supporting SME customers in 2017 by increasing its cash loans by 29.40% compared to the previous year.

VakıfBank continued to develop innovative products to meet the specific needs of SME customers in 2017:

- » In 2017, the government extended support to the SMEs and craftsmen by means of the banking sector. VakıfBank played an active role in delivering the government’s support to SMEs and craftsmen. The government provided support to the Credit Guarantee Fund (CGF), largely expanding its capacity to offer collaterals; in turn, CGF backing made it easier for banks to provide financing to SMEs. As a bank that always stands by SMEs and the real economy, VakıfBank allocated loans with CGF collaterals exceeding TL 20 billion. As such, VakıfBank became a leader in the allocation of CGF-backed loans. Many loan products with CGF collateral have been designed to meet the financial needs of farmers, craftsmen, women entrepreneurs, exporters and even non-SME businesses.
- » VakıfBank designed loan products exclusively for KOSGEB-registered enterprises with

active SME certifications as part of “KOSGEB 2016 Zero-Interest Working Capital Loan” and “2016 KOSGEB Emergency Support Loan in Manufacturing Industry and Organized Industrial Zones,” extended pursuant to a protocol between the Bank and KOSGEB. These loans came with interest support, reduced fees, and special discounts and exemptions in banking products and services. Within the framework of its sustainability policy, VakıfBank launched the product called Machinery Purchasing Loan at Attractive Interest Rates in order to finance machinery investments that will enhance the energy efficiency of manufacturing companies.

- » VakıfBank continued to extend to SMEs the low-cost loans it obtained from the European Investment Bank, European Bank for Reconstruction and Development, World Bank and the French Development Agency. Thanks to the Women Entrepreneurs Support Package, which was created with the funds provided by the European Bank for Reconstruction and Development, more than 1,200 women entrepreneurs were offered enterprise, workplace and export loans.
- » At the TurSEFF Sustainable Energy Excellence Awards Ceremony where the most successful renewable energy and energy efficiency projects funded during the second phase (2013-2016) of the Turkey Sustainable Energy Finance Facility were selected, VakıfBank was named the “Leading Bank in Energy Efficiency Financing.” In addition, the Bank provided financing for the renewable energy and energy efficiency investments of enterprises, under the scope of an additional facility amounting to USD 55 million. VakıfBank also became the first bank to extend loans within the scope of TurSEFF III program, designed to provide funding for the resource efficiency and renewable energy investments of commercial enterprises, municipalities and their subsidiaries.



VakıfBank played an active role in delivering to SMEs and craftsmen the government support from the CGF and KOSGEB.

VakıfBank became the first bank to provide ESCO contract financing under the scope of the World Bank's SME Energy Efficiency Loan program.

Thanks to the Women Entrepreneurs Support Package, more than 1,200 women entrepreneurs were offered enterprise, workplace and export loans.

- » In the scope of the SME Energy Efficiency Loan agreement with the World Bank, VakıfBank provides financing to the energy efficiency investments of enterprises. In the context of energy service companies' (ESCO) projects using energy performance contracts, VakıfBank was designated "the first bank to provide an ESCO contract financing under the World Bank's SME Energy Efficiency Program." In addition, SMEs taking out loans under this scheme were provided with grants from the Global Environment Fund (GEF).
 - » VakıfBank continued to finance the operational, export and investment-related needs of SME, commercial and corporate segment companies in Turkey. The incremental facility secured from European Bank for Reconstruction and Development was disbursed to meet the financing needs of agricultural producers and companies in the agricultural value chain in the form of TURAFF Agricultural Enterprise Financing Loan.
 - » Under the Greater Anatolia Guarantee Facility program signed by the Bank and EIB, a loan facility of EUR 25 million was secured to meet the financing needs of SMEs and commercial companies in the Regions with Development Priority (43 provinces in the 12 NUTS regions).
 - » In order to bolster rural development and agricultural sectors in Turkey, VakıfBank secured a EUR 80 million resource from French Development Agency (AFD) to meet the business, export and investment loan needs of micro-, small- and medium-sized businesses, cooperatives, producers' associations and farmers.
 - » In celebration of its 63rd Anniversary, VakıfBank offered SMEs the 62nd Anniversary Loan featuring a 36-month payback period, affordable interest rates, and a documentation fee of only TL 63. The Bank financed the summer season cash needs with the Summer Loan Campaign at attractive interest rates with options including a three-month grace period.
 - » At the end of 2017, the Bank launched the Early Welcome to 2018 Loan Campaign with a rarely seen four-month grace period, in order to meet the rising cash needs of SMEs and help them go through the last months of 2017 without financial trouble.
 - » The Bank also offered loans at advantageous terms to craftsmen under its Compassionate Loans to Craftsmen scheme, designed to meet craftsmen' unexpected financial needs in interim periods through customized products.
- » GOALS FOR 2018**
- » VakıfBank is the strength by its SME customers, in line with its vision of the Leading Bank of Strong Turkey. As such, the Bank will continue its support to SMEs in 2018, keep a close watch on customer needs, and strive to provide top quality services. In 2018, the Bank will continue its efforts to provide financial and non-financial services to SMEs as well as giving a sort of consultancy service to SMEs by meeting their operational needs.
 - » As a natural result of the continuous progress and diversification in technological developments, the Bank will go on providing practical solutions to SMEs via its digital channels. In this scope, the Commercial Mobile Banking app will be enriched, and SMEs will be able to access numerous products and services via mobile phones, from anywhere.

» REVIEW OF OPERATIONS IN 2017

VakıfBank has continued to offer practical solutions to producers who bring abundance to the soil across the country with its VakıfBank Agriculture Card.

» AGRICULTURAL BANKING

Under the scope of its Agriculture Banking activities, VakıfBank continues to be the strength by producers, and its specialized employees have travelled from village to village to inform producers about the various solutions and attractive loans offered by VakıfBank.

VakıfBank Agriculture Banking meets the operating and investment capital needs of farmers engaged in all types of agriculture and animal husbandry such as vegetable, fruit, cereal and forage crop farming, greenhouses, small and large livestock breeding, poultry farming, beekeeping, aquaculture and hunting, under advantageous terms. For this purpose, thousands of farmers were offered support through the campaigns "Act Together for Abundance in Production" and "Full Support to Farmers". Just like past years, also year 2017 on the occasion of May 14th World Farmers' Day, the Bank continued to stand by farmers with its commission-free loan campaign valid throughout the month.

VakıfBank has continued to offer practical solutions to producers who bring wealth to the soil across the country with its VakıfBank Agriculture Card, which allows farmers to shop for seasonal agricultural inputs at agricultural member merchants, with interest-free periods up to six months.

Due to the advantages it offers farmers, VakıfBank Agriculture Card's users increased by 167% compared to previous year. In addition, producers in need of collaterals were given the chance to continue to operate without interruption due to the loan facility under the Credit Guarantee Fund collateral.

VakıfBank believes that it is important to empower producers by collaborating with producers' organizations and enterprises in the agriculture value chain. The Bank signed a protocol with the Kayseri Sugar Factory, swiftly offering loans to more than 1,000 sugar beet producers at advantageous prices.

VakıfBank diversifies its non-deposit funding sources from international markets in order to reduce the financing costs of producers, and swiftly allocated to producers a EUR 95 million facilities provided from the European Bank of Reconstruction and Development under the TurAFF program. Due to intense interest from producers, the Bank also signed a contract with the French Development Agency for a program of EUR 80 million, which was then extended to farmers, agricultural cooperatives and associations.



Due to the advantages it offers farmers, VakıfBank Agriculture Card's users increased by 167% compared to previous year.

VakıfBank broke a new ground by establishing a Local Government Banking Marketing department.

VakıfBank has been providing the best service to local governments for many years with its wide product range and widespread branch network. The Bank will further improve the quality of this service with the newly established Local Government Banking department.

» LOCAL GOVERNMENT BANKING

In a first for the sector, VakıfBank has developed a new banking perspective focusing on municipalities, their subsidiaries and commercial enterprises, and created a department at the senior level, which will be solely dedicated to serve this portfolio. The department started operations in August 2017.

In consequence of its deep-rooted experience in the field of Local Government Banking, and the synergy created by this new organizational structure, the Bank realized alternative financing facilities, products and services, and other innovative initiatives for local governments, VakıfBank took significant steps to facilitate local government's access to financial products and services, in the last quarter of 2017.

VakıfBank has been providing the best service to local governments for many years with its wide product range and widespread branch network. The Bank will further increase the quality of this service within the new department of Local Government Banking.

Local Government Banking Department started to conduct regular visits to local governments across Turkey, analyze their problems and demands on site, and develop rapid and effective solutions. This customized service perspective has quickly started bearing fruit.

» PERFORMANCE IN 2017

With the synergy brought about by this new organizational structure, the Bank achieved a 40.59% rise in cash loans and a 17.34% increase in non-cash loans to local governments in 2017.

The collaboration with local governments was not limited to cash and non-cash financial support; the Bank also introduced local governments to its technological products

and services as a result of intensive visits to municipalities across Turkey, in line with its perspective of providing services to all local governments. Municipalities use VakıfBank's technological solutions in their products and services offered to citizens, thereby increasing the quality of these services.

VakıfBank's cash management products and services in fields such as collection and payment make such processes more practical service for both local governments and the citizens they serve.

VakıfBank produces particular solutions to meet the needs of local governments, such as routine financing, cash management and project financing.

» LOAN ALLOCATION PROCESSES TAILORED FOR LOCAL GOVERNMENTS

In line with its new business model, VakıfBank facilitates local governments' to access financing by delivering special consultancy services to municipalities, which must comply with certain borrowing regulations and procedures that differ from those concerning commercial enterprises.

A special credit allocation department was set for credit limit allocations to local administrations, and a special scoring system was created for municipalities and their subsidiaries and affiliates to allow quick and measurable decisions.

Funding Sources procured in international markets were offered to local governments. VakıfBank provides local governments the low-cost funding sources procured in international markets for their project financing. VakıfBank is a successful business partner of the EBRD-funded Turkey Sustainable Energy Finance Program which was initiated

» REVIEW OF OPERATIONS IN 2017

VakıfBank produces particular solutions to meet the needs of local governments, such as routine financing, cash management and project financing.

The product and services for the collections provided by VakıfBank allow local administrations to collect taxes and taxpayers to pay taxes with easily.

in 2010, and whose first two phases are complete. Under the recently initiated third phase of the program, the Bank finances the efficiency projects for funding sources of local governments. Local governments were included in the TURSEFF program at the third phase, and VakıfBank became the first Turkish bank to sign an agreement with EBRD for participating in this phase. In recent years, local governments have also joined the rapidly expanding energy efficiency drive and developed remarkable projects. Within the scope of the TURSEFF program which runs with success, VakıfBank finances local governments' initiatives including renewable energy efficiency projects such as Solar Energy - Wind Energy Plants launched by local governments to produce their own electricity, their projects to generate landfill gas and electricity from city waste, and other energy efficiency projects concerning the illumination of city parks and gardens, sewage and drinking water, public transportation.

At the same time, the Bank's specialized and well-experienced teams provide free-of-charge consultancy services concerning the technical and procurement processes of such projects by local governments. In the following periods, the Bank will continue to work on ensuring funding from international markets for local governments.

» THE BANK ALSO ESTABLISHED INTEGRATIONS WITH LOCAL GOVERNMENTS TO OFFER PRACTICAL SOLUTIONS TO LOCAL GOVERNMENTS AND TAXPAYERS.

Tax collection is a major revenue source for local governments, and the active use of VakıfBank's collection products and services makes it easier for local governments to collect taxes and for taxpayers to make their tax payments.

Taxpayers to municipalities were given the chance to pay their taxes via different methods such as ATMs, Internet Banking, Mobile Banking and other alternative distribution channels. As such local governments can diversify their collection points and channels to increase their revenues, while taxpayers can make payments without losing time. Furthermore, local governments can enable taxpayers to pay their overdue taxes via the VakıfBank System of Collection with Delay Interest (VFT), with the opportunity of various campaigns and installments.

» THE STRENGTH BY LOCAL GOVERNMENTS WITH INNOVATIVE PRODUCTS AND SERVICES

In 2018, through its new service model designed for local governments, VakıfBank will continue to support the country's development and growth with all its power, as the strength by local governments.

VakıfBank responded to the financing needs more than 750,000 customers under proper conditions in 2017.



VakıfBank continues to be one of the leading banks in Retail Banking with its experience and customer-focused strategy.

» RETAIL BANKING

Serving around 13.5 million retail customers, VakıfBank continues to be one of the leaders in the sector with its experience in retail banking and its customer-focused strategy. VakıfBank responded to the financing needs of more than 700 thousand customers in 2017 under proper conditions. As a result of customer-focused approach, the share of VakıfBank's general-purpose consumer loans, auto loans, and mortgage loans in its retail loan portfolio stand at 54%, 1% and 45%, respectively.

» STRONG GROWTH IN CONSUMER LOANS

VakıfBank's general purpose consumer loans grew 21.07% in 2017 compared to year-end 2016 with a market share of 11.68% market share. As a result of its efforts to increase overdraft account utilization, VakıfBank raised overdraft loans by 21.35% in 2017 while maintaining its market leadership with 22.06% market share. VakıfBank's market shares in mortgage loans and auto loans stand at 9.90% and 5.96%, respectively.

» CUSTOMER-ORIENTED RETAIL LOAN PRODUCTS

In an effort to make customers feel special and maximize customer satisfaction, the Bank organized segment-based general purpose consumer loan campaigns such as exclusive campaigns for public sector employees, pensions, and the upper income segment. In addition, the Bank continued its pioneer position in the sector by offering the "Establishment Anniversary Loan," "Holiday Loan," "New Year's Loan" and other traditional loan campaigns to all retail customers.

» ADVANCE THROUGH DIGITAL CHANNELS

In 2017, VakıfBank continued to maintain customer satisfaction at the highest level by diversifying its product sets over the mobile banking, internet banking and ATM channels. In 2017, work was underway for making the necessary technological investments in alternative distribution channels, in order to ensure that general purpose loan and overdraft account applications are processed quickly. The Bank increased customer satisfaction and loyalty by meeting customer needs for general purpose loans immediately via internet banking and mobile banking. By adapting to technological developments, VakıfBank developed products enabling customers to perform their daily transactions with ease, and diversified the products that customers require the most, such as money transfers and loans.

» LEADING POSITION IN MORTGAGE LOANS

VakıfBank continued to support the growth of the residential sector, because of its mortgage loan products and services developed based on market conditions as well as its customer-oriented banking approach. The Bank attained 9.88% market share in mortgage loans in 2017 as a result of its wide range product portfolio, flexible payment options tailored to each customer, and effective campaigns. Maintaining its leading position in the sector, VakıfBank increased its mortgage loan book by 11.68% reaching TL 19 billion.

VakıfBank Yellow-Shutter Mortgage Loans offer prospective homeowners the opportunity to meet all of their demands and apply for loans in a rapid and convenient manner from digital channels through a team of mortgage specialists, the www.saripanjur.com.tr website, 5724 SMS channels, online banking and mobile banking.

» REVIEW OF OPERATIONS IN 2017

VakıfBank provides all of the insurance needs of its customers through the subsidiaries Vakıf Emeklilik ve Hayat A.Ş. and Güneş Sigorta A.Ş.

Under the Eco-Friendly Mortgage Loan campaign launched together with TEMA, VakıfBank created the "VakıfBank Memorial Forest" by planting more than 160,000 saplings in total.

VakıfBank continued to offer mortgage loans to customers who prefer to purchase a house from a new housing/office development in 2017. The Bank reached agreements with leading companies in the sector, municipalities, housing cooperatives and urban transformation companies, enabling retail customers to purchase a house/office with the assurance of VakıfBank. As such, the Bank continued its contribution to the sector's development and increased the number of affiliated 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 leave a better world for the next generations, VakıfBank joined forces with TEMA Foundation (Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats) to launch an Eco-Friendly Residential Loan campaign. In 2017, the Bank started to plant 50,000 saplings in the Çanakkale Güreçe Forestation Area on behalf of customers who will take out loans under this campaign, and created the "VakıfBank Memorial Forest" by planting more than 160,000 trees.

With its Yellow-Shutter (Sarı Panjur) brand, VakıfBank takes part in eco-friendly residential projects in order to increase environmental awareness and offers lending services to its customers.

As a result of its partnership with Vakıf Emeklilik ve Hayat A.Ş. and Güneş Sigorta A.Ş., VakıfBank provided insurance coverage to mortgage loan customers while significantly increasing its insurance penetration levels.

In addition to various Yellow-Shutter products presented in 2017, the Bank continued with special mortgage loan campaigns for public sector employees, Police Solidarity and Assistance Fund (POLSAN) and Turkish Armed Forces Assistance and Pension Fund (OYAK) members. VakıfBank continued the "Yellow-Shutter Urban Transformation Credits" campaign for financing residential buildings in risky structures and areas. With the aim of transforming such areas under disaster risk, and continued to help its salary customers become homeowners with confidential VakıfBank Yellow-Shutter campaigns.

» BANKING INSURANCE

In 2017, VakıfBank grew in bank insurance as a result of integration and collaboration efforts with its subsidiaries Güneş Sigorta A.Ş. and Vakıf Emeklilik ve Hayat A.Ş. Each VakıfBank branch operates as an agency of Güneş Sigorta, Vakıf Emeklilik and Hayat A.Ş. delivering customers products such as life insurance, non-life insurance and private pension products. Delivering services in wide range including fire, agriculture, health, engineering, responsibility, personal accident, life insurance and pension plans, VakıfBank developed and released new products in 2017 in order to meet customers' needs and widen its product range. The Bank reached the final stages of the project for marketing the insurance products of Güneş Sigorta A.Ş., Vakıf Emeklilik and Hayat A.Ş. through alternative channels, and the Bancassurance Project for integrating these insurance companies with VakıfBank; the two projects will be launched shortly.

In the Private Banking segment, VakıfBank increased its total assets by approximately 40% compared to the end of 2016, and closed the year 2017 with total assets exceeding TL 3 billion.

The share of 95.82% in the total asset size of the Private Banking is provided by new customers' acquisitions.

» PRIVATE BANKING

VakıfBank Private Banking, which has completed its seventh year, serves customers with total assets above TL 500,000 TL at VakıfBank, through a total of seven Private Banking branches -three branches in Istanbul, and one each in Ankara, Izmir, Bursa and Adana- as well as a Private Banking corner.

VakıfBank builds its growth in Private Banking upon a service perspective empowered by a highly talented workforce and mutual trust.

Private Banking provides customized financial solutions for customers of the 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.

Building its growth strategies on new customer acquisition and customer satisfaction since its set up, VakıfBank Private Banking increased its total assets under management (AUM) by 40% year-on-year in 2017, reaching TL 3 billion in AUM. New customer acquisitions accounted for around 95.82% of the total AUM.

Committed to the principle of providing the highest quality service to its customers, VakıfBank Private Banking has taken care to keep the technical skills, sales and relationship management competencies of its portfolio managers at the highest level, through a planned training program.

VakıfBank also placed importance to various activities, which help strengthen customers' relations to the Bank and enhance customer satisfaction. Such history and art activities lay the ground work for long-term relations with current and potential customers.

» STRATEGIES FOR 2018

VakıfBank plans to enrich its product range and launch new Retail Banking products and services in response to customer needs in 2018. In addition, the Bank aims to meet customer demands particularly on digital channels and become an easily accessible bank that renders rapidly with impeccable service. In this context, the Bank aims to digitize all phases of the residential loan application, such that customers will only have to sign the documents at a branch for the loan allocation to take place: The expertise application and result requests can be made via the digital channels. The Bank will also set up a platform, whereby customers can make expertise demands related to loans, and initiate the expertise process whenever they want to learn the value of their house. VakıfBank will continue to invest in its technology infrastructure, organize campaigns that will maximize customer productivity, undertake initiatives geared toward increasing non-interest revenues, raise the cross-selling ratio by increasing customer loyalty, and maintaining its competitive approach in the banking sector.

In 2018, the Bank will focus on to the work on technological infrastructure, in order to increase the service quality offered to savings deposit customers. In this scope, technological updates will be completed to allow time for deposit customers to perform the full range of time deposit transactions that normally carried out in branches via the mobile and internet banking applications. In line with its goal of planned growth in terms of the number of savings deposit customers and market share, VakıfBank will provide deposit products that will suit to market conditions, by focusing on the needs and demands of its customers.

In response to the increasingly competitive environment within the Private Banking segment related to its rapid growth in the world and Turkey, VakıfBank Private Banking aims to grow its AUM, expand its service offerings, and increase its market share in 2018. The Department also aims to stand by its customers with the boutique events it offers to them.

»» REVIEW OF OPERATIONS IN 2017

In 2017, the OGM DCS Card developed by VakıfBank and entitled the “Best Marketing Campaign of the Year - Financial Card” award at the International Business Awards (Stevie Awards), one of the most prestigious award organizations of the International Business Community.

»» CASH MANAGEMENT

An award-winning product designed by VakıfBank is Gümkart, which continued being used at an increasing rate among customers paying customs duties. As such, VakıfBank mediated in the collection of 45% of total Turkish custom duties in 2017.

VakıfBank keeps a close watch on the technological advances in the field of cash management by releasing products and services in accordance with its goal of becoming the strength by customers and stakeholders. VakıfBank manages its retail and commercial customer relations in line with the principles of loyalty and customer focus, stands by its customers under any condition, and designs particular solutions for them. In 2018, as in every year, it shall expand its customer base further with new products shaping the market, and further strengthen its partnerships with existing customers.

VakıfBank completely upgraded the IT infrastructure of the Direct Debit System (DDS), which is one of the most widespread products in supply chain finance; the system has come to acquire a functional structure in response to customer needs. Since the DDS product has a special place in commercial and corporate segment, it continued being marketed in an active manner, resulting in a 29% increase in parent company acquisitions and a 42% increase in dealer/customer acquisitions in 2017.

The Dealer Collection System (DCS), offered by the Bank to customers as an alternative supply chain financing product, continued to grow at an accelerating pace in 2017 as the number of customers registered in the system jumped 47% while the volume of collections soared 67%.

In 2017, with the inclusion of the Diamond Card in the scope of Dealer Collection System (DCS), the Bank started offering its customers the very first DCS service in installments.

VakıfBank’s OGM DCS Card (OGM: General Directorate of Forestry) is the most popular DCS service in the market, and the Bank dominates the market share as the only bank active in this area. In 2017, VakıfBank obtained the “Best Marketing Campaign of the Year - Financial Card” award at the International Business Awards (Stevie Awards), one of the most prestigious award organizations of the international business community.

Another award-winning product designed by VakıfBank is Gümkart, which continued being used at an increasing rate among customers paying customs duties. As such, VakıfBank mediated in the collection of 45% of total customs duties in Turkey in 2017. Furthermore, there was a 51% increase year on year in the number of customers who employ the “Customs Duty Payment by SMS” service, offered to customers as an alternative payment method.

In 2017, new agreements and infrastructure upgrades were realized within the scope of corporate collections, and the number of institutions whose collections are mediated by VakıfBank increased 14%. VakıfBank increased its market share in Social Security Institution (SGK) and tax collections, which are the two most important categories in corporate collections, with year-on-year increases of 25% and 29% respectively.

The Bank started to offer e-archive solutions to customers in 2017, and took steps towards becoming the leading bank in e-solutions.

There was a 27% increase in transaction volume and a 55% increase in transaction numbers in the Bulk Payment System, which reduces the operational workload of the Bank and its customers by helping them with the bookkeeping of their payments.

Close collaboration with digitization and Fin-Tech companies were among the main goals of Cash Management, which achieved integration with numerous electronic money companies to this end. Furthermore, with the collaboration between VakıfBank and ComPay Payment, VakıfBank gave its customers the chance to use online money transfers in e-commerce, as an alternative to credit cards.

There was a 27% increase in transaction volume and a 55% increase in transaction numbers in the Bulk Payment System, which reduces the operational workload of the Bank and its customers by helping them with the bookkeeping of their payments.

E-Transformation projects continued to be at the core of Cash Management operations in 2016. To this end, the number of customers utilizing the e-Invoice Special Integrator service and the e-Ledger service rose 12% and 5% year over year, respectively. In addition to the E-Invoice and E-Ledger services, the Bank started to offer E-Archive solutions to customers in 2017, and took steps towards becoming the leading bank in E-Solutions.

In the commercial and corporate segment, the VakıfBank started making active use of web service products such as the Check Integration System, Bulk Payment System, MT940 and Online Accounts Movements, which were upgraded in consideration of customers' needs and technological requirements and designed to respond to all needs: VakıfBank aims to become the main bank of its customers which such products strengthening customer loyalty.

» OUTLOOK FOR 2018

The Bank will continue to develop all 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. VakıfBank aims to expand its customer base while further strengthening its relationships with existing customers by developing new products in line with customer needs and advances in technology in 2018.

»» REVIEW OF OPERATIONS IN 2017

VakifBank continued to increase its deposits and funding source cost management effectively in 2017, in spite of the ongoing fluctuations in the markets.

Global growth begins to gain momentum, OPEC's decision to cut production, the interruption of US oil production by a hurricane, and developments in the Middle East have caused a slight upsurge in oil prices.

»» TREASURY MANAGEMENT

Following the US Presidential election in 2016, uncertainties regarding the global economy had increased; it was expected that growth would accelerate in the USA due to supportive fiscal policy, and that the Fed would tighten its monetary policy faster than previously anticipated. However, in 2017, there was no visible progress in the expansionary fiscal policies and protectionist trade policies that the administration aimed to implement and the normalization process in monetary policy became more evident, both of which played an important role in reducing the uncertainties. In 2017, the Fed realized three 25-basis point hikes in March, June and December, raising the policy rate to the 1.25%-1.50% interval. At the September meeting, the Bank gave a message to the markets that it will stick to its normalization process. Although the Fed initiated its balance sheet downsizing operations in October 2017, the mentioned development did not have a negative impact on financial markets, as it was already expected. The effect of the mentioned operations on the global markets is not fully visible as of end-2017. At the December 2017 meeting, the members of the Fed predicted three interest rate hikes for 2018, and the markets prices point to a similar direction. Jerome Powell, who will replace Janet Yellen as Fed Chairperson in February 2018, is expected to maintain the current policies.

The European Central Bank, which has been dealing with low growth, concerns over the banking system, public debt burdens and the Brexit process in the UK in the last few years, has adopted additional measures for its expansionary monetary policy, reduced policy interest rates and started buying corporate bonds. Elections in the countries of the region led to a reduction of political uncertainties and a recovery in economic activity became visible. At the ECB's March meeting, President Draghi

stated that there negotiations are underway for raising the interest rates, after which Euro started to appreciate against the US Dollar. At its October meeting the ECB decided to reduce its bond purchases starting from January 2018; however, in the announcement, it was stated that the policy rate will not be increased for a while once the bond purchases are over.

The increased momentum of global growth, OPEC's decision to cut production, the interruption of US oil production by a hurricane, and developments in the Middle East have caused a slightly increase in oil prices. The other commodities fared calmly during the year.

In 2017, developing countries pursued distinct monetary policies. The central banks of Brazil, Russia, Colombia and Indonesia reduced interest rates; while the central banks of Mexico, South Korea, Venezuela and the Czech Republic increased rates.

Due to the expectation that the normalization in developed countries will be moderate until the end of the third quarter of 2017, there were portfolio inflows to developing countries. Particularly after March, the share of foreign investors in the government debt security stock increased as a result of strong capital inflows into the government debt security markets, and the Treasury increased its external debt in response to strong foreign demand. A similar situation was observed in the foreign exchange rate, as Turkish Lira started to appreciate against other currencies from March onwards. However, due to geopolitical risks in our country, Turkey has sharply decoupled from other developing countries during the rest of the year; the Turkish Lira depreciated, and interest rates rose slightly.

VakıfBank carried out a dynamic liquidity management program by evaluated decisions of the monetary policy, expectation of inflation and pricing behavior of CBT's and other central banks.

In 2018, CBT's and other central banks' monetary policies, international developments and interest rate expectations will continue to be the primary determinants of VakıfBank's liquidity management strategy.

The high level of inflation and the resulting deterioration in the inflation outlook created risks for pricing behavior, such that the Central Bank tightened its monetary policy gradually in the period of January - April 2017, and maintained this stance thereafter. The CBRT kept the funding provided through the overnight lending rate stable, and most of the system's funding needs were provided via the Late Liquidity Window. As a result of the tight liquidity policy implemented, the CBRT's weighted average funding rate increased and moved in parallel to the Late Liquidity Window interest rate. In the last quarter of the year, the high level of inflation and cost-side developments aggravated risks concerning expectations and pricing behavior. In this respect, the CBRT decided to tighten its monetary stance at the last meeting of the Money Market Council and raised the lending interest rate within the framework of the Late Liquidity Window from 12.25% to 12.75%.

After the low level it reached in July, inflation started to rise due to the depreciation of the Turkish Lira against the exchange rate basket and the rise in commodity prices. It was seen that, owing to cost-side pressures and strong economic activity, demand conditions were no longer bringing inflation down. A downward trend appeared in unemployment rates starting from the beginning of 2017. Growth started to accelerate in the second quarter of 2017 as domestic demand gained momentum, and this strong performance lasted until year-end. The strong fiscal discipline of the recent years has been one of the main dynamics protecting Turkey against negative external shocks.

» FLEXIBLE LIQUIDITY MANAGEMENT

VakıfBank carried out a dynamic liquidity management program by monitored developments in domestic and international markets and evaluated decisions of the monetary policy, expectation of inflation and pricing behavior of CBT's and other central banks. In an effort to maximum benefit from the cost advantage in liquidity management, the Bank adopted an approach of effectively utilizing alternative markets and CBT's and other central banks' monetary policies. In 2018, CBT's and other central banks' monetary policies, international developments and interest rate expectations will continue to be the primary determinants of VakıfBank's liquidity management strategy.

» EFFECTIVE SECURITIES PORTFOLIO MANAGEMENT

VakıfBank created a dynamic structure in securities portfolio management that jointly set by domestic market conditions, international developments, and pricing behaviors. As main purpose is that the securities portfolio was structured according to yields, maturities and asset types based on the Bank's budget targets and prevailing market conditions. In addition, long-term borrowing transactions in Turkish Lira were realized through swap transactions in the international markets. In 2018, after evaluating the market conditions, the Bank will consider both Turkish Lira and foreign currency long-term funding transactions through swap transactions, and maintain the current dynamic management structure of its securities portfolio. Also, the Bank will continue to remain steadfast to effective risk management rules within a balanced approach; and increase the Bank's trading income through capital markets trading and foreign exchange transactions.

» REVIEW OF OPERATIONS IN 2017

In 2017, VakıfBank's total deposits raised by 25.4% to TL 155.3 billion.

VakıfBank's demand deposits increased by 23.3% year-on-year to TL 30.1 billion and the share of demand deposits in total deposits stood at 19.4%.

Committed to offering competitive prices and financial services in treasury products to customers in all segments according to market conditions and customer needs, VakıfBank Treasury Management closed the year 2017 with healthy growth figures. Systematic infrastructure investments and process improvement studies continued with a view towards delivering Treasury products with high quality and speed, and many project and infrastructure upgrades were realized.

In 2018, VakıfBank will continue to stand by its customers with its innovative approaches under any condition, since it is committed to resolving customer needs in the most efficient and rapid manner possible, and to adopt pricing and technological advancements into VakıfBank practices according to changing market conditions.

» TL 155.3 BILLION DEPOSIT SIZE

VakıfBank continued its deposit acquisitions and funding sources cost management effectively in spite of the ongoing volatility in the markets during 2017, and enlarged its customer base and deposit volume as a result of the high quality service provided through a strong technological infrastructure and widespread branch network. Aiming to increase demand deposits and enlarge its deposit base, VakıfBank's total deposits raised by 25.4% compared to 2016 and reached TL 155.3 billion

owing to customer confidence as well as an prevalent branch network and alternative distribution channels. The Bank's total deposits in 2017 consisted of TL 103.5 billion of Turkish Lira-denominated deposits and TL 51.8 billion of foreign currency-denominated deposits.

In 2017, VakıfBank continued to play an active and leading role in turning customer savings into the funds required by the economy. VakıfBank's retail deposit increases by 20.6% compared to year-end 2016 and reached TL 65.3 billion. During this period, Turkish Lira retail deposits were up by 23% to TL 42.9 billion while foreign currency retail deposits increased 16% to TL 22.4 billion.

Having reached a high volume of demand deposits with the wide range of products it offers retail and commercial customers, VakıfBank increased its demand deposits by 23.3% year-on-year to TL 30.1 billion and the share of demand deposits in total deposits stood at 19.4%.

Having adopted Digital Banking as one of its main strategies, VakıfBank thus offers its customers the chance to access capital markets after completing the procedure online within a few minutes, without having to visit a branch.



In 2017, the Bank issued 41 bonds and a coupon payment bond with a total nominal value of TL 11.3 billion.

» INVESTMENT BANKING

VakıfBank, in parallel with the high market share in the sector, is sympathetic to the cause of investors in its capital markets operations with products and services that channel savings into investments. VakıfBank is making strides toward being a power by retail and corporate customers' side in money and capital markets owing to its custom-tailored solutions and competence in using state-of-the-art technology.

» BROKERAGE SERVICES FOR CAPITAL MARKETS INSTRUMENTS

As part of its investment product and services, VakıfBank offers customers commission services on investment services such as equities, futures and options, mutual funds, public bond, treasury bond, private sector debt instruments, corporate bonds, and gold.

VakıfBank's market share in the Borsa Istanbul's Stock Market and Derivatives Market (ViOP) transactions continued its progression in 2017 because of the rising synergy based on the collaboration with the Bank's subsidiary Vakıf Yatırım Menkul Değerler A.Ş. (Vakıf Investment Securities).

In 2017, in order to contribute to the development of capital markets and help investors to easily keep track of the markets and carry out transactions, VakıfBank upgraded various features of its TradeOnline Mobile App and started offering instantaneous stock price information from Borsa Istanbul (BIST) to all customers free of charge. In addition to purchasing stock price data free-of-charge, customers can also monitor 10 ViOP and Index data of their choosing in the mobile application, also free-of-charge. VakıfBank will continue to give customers the chance to keep track of a wide range of data free-of-charge,

and remain the strength standing by investors in the following period.

In 2017, it became possible to open investment account over Internet Banking channel in order to enable investors' access capital markets in a quick and practical manner. Customers who open investment accounts can immediately start trading once they enable stock and ViOP transactions on their accounts. Having adopted Digital Banking as one of its main strategies, VakıfBank thus offers its customers the chance to access capital markets after completing the procedure online within a few minutes, without having to visit a branch.

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 and call center. Equity and derivative transactions can only be placed through investment centers, private banking branches, mobile banking, internet banking, call center and VakıfBank Trade Online transaction platform.

» BANK BONDS AND SUBORDINATED DEBT ISSUANCE

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 issued 41 bonds and a coupon payment bond with a total nominal value of TL 11.3 billion capturing a 13% market share.

On the other hand, in 2017, the Bank issued a ten-year subordinated loan (Tier-II capital) amounting TL 525,000,000 with a variable

» REVIEW OF OPERATIONS IN 2017

VakıfBank continued to offer customers gold trading opportunities, and to organize Gold Days in its branches across Turkey.

In 2017, a 10-year subordinated loan with a nominal value of TL 525 million (Tier II capital) was offered to qualified domestic investors.

interest rate to qualified domestic investors. This issuance tenders a good alternative to institutional investors seeking long-term TL-denominated investment opportunities, and raised long-term funds for the Bank. The issuance also had a positive effect on the statutory ratios since it qualifies as additional capital.

In the following period, VakıfBank bonds will continue to be presented to corporate and retail investors will be offered as an alternative investment instrument.

» MUTUAL FUNDS

As part of mutual fund participation share trading and active marketing activities, the Bank provides brokerage service for money market funds and the short term debt instruments fund founded by Vakıf Portföy (Vakıf Portfolio) through all of its branches and Investment Centers as well as Alternative Distribution Channels such as Internet Banking, Telephone Banking, ATMs and Mobile Banking.

Under the management of portfolio management specialists due to strategies tailored to customer needs, Vakıf Portföy mutual funds reached a 4.40% market share and TL 2.1 billion in total assets under management (AUM) as of year-end 2017.

At the beginning of the year, VakıfBank customers were already able to access all investment funds over the TEFAS Platform (Turkey Electronic Funds Trading Platform) by means of the branches and Internet Banking channel: In 2017, the Mobile Banking channel was also added to the platform, thus enabling customers to access these investment funds via all distribution channels.

» GOLD BANKING AND GOLD DAYS

As one of the first banks that release gold banking, VakıfBank makes its 30 years of experience in this segment available to customers through its branches as well as alternative channels.

VakıfBank continued to offer its customers gold trading opportunities, and to organize Gold Days in its branches across Turkey. As part of VakıfBank Gold Days initiated in early 2013, Cumhuriyet gold coins (in wholes, halves and quarters) 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 522 branches in 2017 and personally expert service was provided in many locations. VakıfBank will continue and expand the scope of this initiative in 2018.

» ACTIVITIES OF THE CUSTODY AND FUND SERVICE DEPARTMENT

VakıfBank conducts all the custody services as defined in the regulations of the Capital Markets Board. The Bank offers general custody and portfolio custody services to both corporate customers and collective investment undertakings. The Bank also provides fund service department activities for collective investment undertakings.

» FOREIGN TRADE AND CORRESPONDENT BANKS

Having accelerated its activities with the vision of becoming the Leading Bank of Strong Turkey, VakıfBank remains the most active Turkish Bank in the international markets, with its bond issuances, syndicated loans, and providing long term and cost-effective funding sources.

Treasury Control and Reporting Module redesigned a Middle Office Management infrastructure and to integrate it to the other treasury systems in use, was completed.

Through a series of system upgrades, the Bank can keep instant track of risks arising from Treasury transactions.

» TREASURY MANAGEMENT MIDDLE OFFICE OPERATIONS

VakıfBank constituted the systemic infrastructure necessary for to control, monitoring and reporting of treasury transactions, as a result of The Treasury Reporting and Middle Office Department which had operated under the Risk Management Department from 2014 until August 2017. The Bank has thus achieved a control, warning and reporting infrastructure with a high technical level, in keeping with its internal systems.

The notion of independence has been organized in a systematic manner in the activities carried out within the workspace shared with the relevant departments over the designed infrastructure. Upon the approval of the Audit Committee and the decision of the Board of Directors, Treasury Control and Reporting Module redesigned a Middle Office Management infrastructure and to integrate it to the other treasury systems in use, was completed, as of August 2017.

The Treasury Management Middle Office Department is in charge of organizing and management of Treasury systems, controlling the compliance of all Treasury limits and transactions with market prices within the limits set by the Board of Directors, system entrance controls of Treasury transactions, their secondary approvals, end-of-day assessments of Treasury transactions, senior management reports on collateral management and Treasury transactions, and provides controls, efficiency and productivity in these areas.

» REAL-TIME MONITORING ACTIVITIES WITH TOP LEVEL TECHNOLOGICAL COMPETENCE

Treasury Department Bank Limit Monitoring System (KGR) enables the monitoring of compliance with the limits for the banks that the Head of Treasury is authorized by the Board of Directors to deal with. In the mentioned system, the limits determined as "Credit Limits" and "Reconciliation Limits" are monitored on real-time basis, and treasury users provided with the option to learn the limits before making any transaction with the banks. Furthermore, within the scope of Collateral Management, the daily values according to market prices of the derivative collaterals at the banks are calculated over the Treasury Control and Reporting Module. Depending on their results, the collaterals

sent to counterparty banks that are added to the limits of the relevant banks as risk through the Treasury Department Bank Limit Monitoring System. Warning signals have been developed within the system in order not to exceed the limits, and when necessary, system reports on (Warning Report Before Exceeding Limits and Report on Exceeded Limits) are shared instantly with users.

Treasury Control and Reporting Module designed to provide a Middle Office Management infrastructure and to integrate it to the other treasury systems in use, was largely completed and commissioned. The project will be fully complete in 2018.

Treasury Control and Reporting Module has four functions, namely, the Treasury Valuation Module which reports the daily values of treasury portfolios according to market prices; the Limit Management System Module which monitors compliance with the Board of Directors' limit decisions; the Market Control Module which checks whether transaction prices differ from market prices; "Treasury Profit/Loss Module" which reports the daily, monthly and yearly funded profit/loss ratios of transactions.

The Kondor Upgrade Project was initiated to install at the Bank the latest version of the Treasury Software "Kondor (K+), Kondor Global Risk, K+TP" system, which is used for the entrance, approval, registration and bookkeeping of Treasury transactions. The plan is to complete and commission the system before the end of 2018.

In addition, the results of the efforts for monitoring and controlling the foreign exchange position and the position limits for Treasury transactions are discussed in the In-House Committees named "Treasury Foreign Exchange Position and Stop-Loss Limits Management Committee" and "Exchange Rate Committee", and essential action is taken when necessary. The activity reports submitted to the Audit Committee in six monthly periods provide information to committee members about the results of the controls on treasury transactions and the actions taken.

» REVIEW OF OPERATIONS IN 2017

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

VakıfBank broke new ground in 2017 with the first TL-denominated Covered Bond transaction in Turkey apart from those made with multinational development banks.

» STRUCTURED FINANCE

VakıfBank broke new ground in 2017 with the first TL-denominated Covered Bond transaction in Turkey apart from those made with multinational development banks. VakıfBank procured TL 2.6 billion Covered Bond issuance with two different transactions. In addition, total amount of the long-term non-deposit TL funding reached to TL 3.2 billion with the issuances of TL-denominated Covered Bond and subordinated bond in the last three months of 2017 period.

In December 2017, VakıfBank completed the issuance of Covered Bond with HSBC Bank PLC as an investor amounting TL 1.3 billion based on treasury transactions with 5 years maturity.

Thus, in 2017, under the Mortgage Covered Bond Programme, VakıfBank completed the TL 2.6 billion equivalent bond issuance based on treasury transactions with two different transactions.

» INVESTOR BASE CONTINUES TO EXPAND AS A RESULT OF DIVERSIFYING FUNDING STRUCTURE

While reaching procuring new funding sources in different currencies at various maturities, VakıfBank also expanded its investor base with new structured finance products which it pioneers. VakıfBank continued to support to national economy and to be the strength by real economy with solid and liquid balance-sheet structure by extending the maturity of TL funding through non-deposit sources.

» THE FIRST TL-DENOMINATED COVERED BOND ISSUANCE IN TURKEY APART FROM THOSE MADE WITH MULTINATIONAL DEVELOPMENT BANKS

In October 2017, VakıfBank completed the issuance of Covered Bond amounting TL 1.3 billion based on treasury transactions with 5 years maturity on October, 2017. The issuance completed as private placement is also the first TL-denominated Covered Bond transaction in Turkey apart from those made with multinational development banks.

» GLOBAL MEDIUM TERM NOTES PROGRAMME (GMTN)

Establishing the Global Medium Term Notes (GMTN) programme, VakıfBank issued the first ever Euro-denominated Eurobond in Turkey apart from the sovereign. The Bank issued the first ever Basel 3-compliant Tier II subordinated notes of Turkey in international debt capital markets in 2015. VakıfBank issued Eurobond amounting USD 500 million with a maturity of 5 years under the Global Medium Term Notes (GMTN) programme on May 30, 2017. The coupon rate and the final yield of the issuance have been set at 5.625% and 5.65%, respectively. Over 150 institutional investors from all over the world were interested in the Eurobond issuance. Thus, the coupon rate has tightened by 25 bps from the initial target price.

As part of its Medium Term Note Programme, the Bank performed a total of 230 private placements with 19 different banks. The transactions were 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 4.86 billion. The Bank raised the equivalent of USD 169 million from 8 private placement deals in 2017.

In February 2017, VakıfBank exchanged a part of Basel II-compliant notes amounting to USD 227.6 million due in 2022 to Basel III-compliant notes by adding the pioneering and innovating Turkish bank in international markets.

In 2017, a loan of USD 250 million was provided from ICBC Dubai and loans amounting EUR 42 million and USD 3.5 million from EBRD, for the usage in trade financing.

» SYNDICATION LOANS

VakıfBank signed a syndication loan agreement amounting to USD 188.5 million and EUR 716.5 million, USD 967 million equivalent in total with the participation of 37 bank in April 2017. The all-in cost of the 367-days term loan is LIBOR +1.45% for USD tranche and EURIBOR +1.35% for Euro tranche. In the second half of 2017, VakıfBank signed the second syndication loan agreement of the year amounting to US\$ 131 million and ₺ 634 million, USD 891 million equivalent in total with a cost of 367-days term loan of Libor +1.35% and Euribor +1.25% with the participation of 22 banks. With these transactions, the Bank obtained a total of USD 1.86 billion in syndicated loans in 2017.

» SUBORDINATED LOANS

VakıfBank exchanged a part of Basel II-compliant notes amounting around USD 228 million to Basel III-compliant notes by adding its leading and innovative Turkish Bank image in the international debt capital markets. The coupon rate of these notes having a maturity of November 2027 and a call option in November 2022 has been set at 8%. This exchange transaction had a 50 basis points positive impact on the Bank's year-end 2016 capital adequacy ratio.

In September 2017, the Bank issued a subordinated bond amounting TL 525 million with 10 year maturity and having a call option at the end of 5 years, which created a more than 30 basis points positive impact on the capital adequacy ratio.

» SUPPORTING THE REAL ECONOMY VIA BILATERAL AGREEMENTS

As a result of the agreement signed with ICBC Dubai in March 2017, the Bank procured a three-year USD 250 million loan to be used in foreign trade finance.

Under the RCA agreement signed with EBRD, in order to support the import and export transactions of the customers, the Bank procured loans of EUR 42 million and USD 3.5 million with different maturity terms in 2017.

» LOANS PROCURED FROM INTERNATIONAL FINANCIAL INSTITUTIONS

VakıfBank continues to collaborate with the European Investment Bank (EIB), the World Bank and the European Bank for Reconstruction and Development (EBRD), KfW and French Development Agency (AFD) to provide long-term, cost-effective funding to the real economy.

» ACTIVITIES WITH EUROPEAN INVESTMENT BANK

Due to its successful performance in the Greater Anatolia Guarantee Facility (GAGF-I) procured from EIB through an agreement in 2010 amounting to EUR 75 million, EUR 50 million was allocated to VakıfBank in 2015. This facility was allocated to customers in 2015. In 2015, under the scope of the GAGF II project, an additional facility of EUR 25 million was provided to VakıfBank, which allocated all of it in 2016. Under the scope of this project, a last tranche of EUR 50 million was provided to VakıfBank, which completed loan allocations in 2017. All funding sources provided under the GAGF project have a maturity of 5 years and there will be a one-off principal repayment when maturity ends. VakıfBank provides 100% co-financing at all stages of the project.

Under the guarantee of the Turkish Undersecretariat of Treasury, a EUR 75 million Climate Change Loan Agreement was signed between VakıfBank and European Investment Bank on December 9, 2011, to be used in financing renewable energy and energy efficiency investment. Under the scope of this 12-year facility with a 3-year grace period,

» REVIEW OF OPERATIONS IN 2017

As a result of its success in sustainability in projects for targeting SMEs and medium-sized businesses, the European Investment Bank allocated EUR 300 million funds to the Bank under the name of VakıfBank Loan III for SMEs and Midcaps.

VakıfBank provided funding sources amounting to USD 110 million from the European Bank for Reconstruction and Development (EBRD) in the framework of TurSEFF II and TurSEFF III programs. VakıfBank became the first bank to allocate the EBRD's TurSEFF III funds.

the Bank allocated EUR 53.1 million in loans as of end-2016. The remaining EUR 21.9 million tranche, which was not allocated, was turned into a SME Financing loan with an agreement signed between VakıfBank, EIB and Undersecretariat of Treasury in March 2017. Allocations within the scope of the aforementioned scheme were completed as of October 2017.

As a co-financing facility to USD 80 million TurSEFF II project obtained through an agreement signed with the European Bank for Reconstruction and Development (EBRD) in 2013, VakıfBank, European Investment Bank and the Undersecretariat of Treasury converted a EUR 50 million Energy Efficiency Cofinancing Loan Agreement. Loan allocations under this 8-year loan with a 3-year grace period were completed by June 2017.

The European Investment Bank (EIB) allocated a EUR 200 million facility to VakıfBank in 2013 to be extended to Turkish municipalities and their subsidiary companies. VakıfBank and the European Investment Bank signed the Municipal Infrastructure Projects Financing Loan Agreement for a EUR 100 million tranche of this facility on December 19, 2013 under the guarantee of the Undersecretariat of Treasury of Turkey. Pursuant to the agreement signed between the Bank, the European Investment Bank and the Undersecretariat of Treasury of Turkey on November 26, 2015, this 12-year facility with a three-year grace period for principal repayments was converted to an SME Financing loan. After the conversion, EUR 100 million portion was allocated. VakıfBank signed an additional SME-B Loan Agreement on May 6, 2016 for the remaining EUR 100 million spare of the EUR 200 million facility which was obtained in 2013. The EUR 50 million first tranche of the loan was transferred to the Bank's accounts on October 14, 2016

and the funding source was fully disbursed by November 2016. The last tranche of the loan in the amount of EUR 50 million arrived in the Bank's accounts on December 22, 2016. Loan disbursements from this funding source are currently ongoing. This is a 12-year facility with a four-year grace period.

The loan agreements for the EUR 200 million facility allocated for VakıfBank by the European Investment Bank in 2014 under the guarantee of the Undersecretariat of Treasury of Turkey as part of VakıfBank Loan II for SMEs and Midcaps II project were signed in the form of two EUR 100 million tranches in 2014 and in 2015. These loans have a maturity of eight years with a three-year grace period. Disbursements from the VakıfBank Loan II for SMEs and Midcaps II project were completed as of October 2016.

As a result of its sustained success in projects targeting SMEs and medium-sized businesses, the European Investment Bank allocated a new EUR 300 million fund to the Bank under the name of VakıfBank Loan III for SMEs and Midcaps. To be obtained under the guarantee of the Undersecretariat of Treasury of Turkey, the first agreement for the loan amounting EUR 100 million was signed on December 16, 2016. This 8-year facility with a 3-year grace period was transferred to VakıfBank accounts on March 9, 2017. The loan allocations under the mentioned facility continues. Agreements concerning the remaining EUR 200 million facility allocated to VakıfBank are planned to be signed in 2018.

A credit facility agreement was signed on the 20th of November 2017 between French Development Agency (AFD) and VakıfBank aiming to support rural development and agricultural sectors in Turkey to finance micro-, small- and medium-size enterprises, cooperatives, producer unions as well as farmers engaged in these sectors.

VakıfBank continues to collaborate with the European Investment Bank (EIB), the World Bank, EntwicklungsBANK (KfW) and the European Bank for Reconstruction and Development (EBRD), French Development Agency (AFD) to provide long-term, cost-effective funding to the real economy.

» COLLABORATIONS WITH THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

USD 110 million obtained from the European Bank for Reconstruction and Development (EBRD), under the scope of securitization loan based on future flow transaction amounting USD 890 million equivalent, in Euro- and US Dollars-denominated, signed by VakıfBank in 2016, is being used to finance SMEs' energy efficiency projects, in the framework of the TurSEFF II and TurSEFF III (Turkey Sustainable Energy Finance Program) loans. VakıfBank has become the first Turkish bank to allocate EBRD's TurSEFF III funds.

50% of EUR 50 million facility obtained from the European Bank for Reconstruction and Development (EBRD) in 2016 as part of VakıfBank's Residential Mortgage Covered Bond Programme was extended to SMEs in the agriculture sector while the remaining 50% keeps being used in supporting women entrepreneurs (as part of the Women in Business program) with a focus on priority development regions.

» COLLABORATIONS WITH THE WORLD BANK

In 2010, VakıfBank and the World Bank signed a USD 200 million SME Financing Loan under the guarantee of the Undersecretariat of Treasury. Loan allocations under this 30-year facility with a 5.5-year grace period were completed in 2015.

In 2013, the World Bank extended USD 201 million to three public banks (VakıfBank, Ziraat Bankası, Halk Bankası) under the scope of

the SME Energy Efficiency Project, with the guarantee of the Undersecretariat of Treasury. Loans amounting USD 36.3 million were allocated under this fund amounting USD 67 million facility with a maturity of 30 year and a 5.5-year grace period by this time. Loan allocations have accelerated especially in 2017, and VakıfBank became the first bank to allocate the Performance Guaranteed Transaction Agreements (ESCO), an important component of the this project.

» COLLABORATIONS WITH THE FRENCH DEVELOPMENT AGENCY (AFD)

A credit facility agreement was signed on the 20th of November 2017 between French Development Agency (AFD) and VakıfBank aiming to support rural development and agricultural sectors in Turkey to finance micro-, small- and medium-size enterprises, cooperatives, producer unions as well as farmers engaged in these sectors. The facility allocated to VakıfBank that has a three-year grace period for principal repayment, and a final maturity of 12 years. The technical assistance component of this facility through strengthening the management of VakıfBank's environmental risk and social risk increase its capacity in agricultural and rural financing.

» ACTIVITIES IN 2017

In order to support the real economy with long-term and cost-effective financing, VakıfBank continues its loan collaborations with The European Investment Bank (EIB), the World Bank, the European Bank for Reconstruction and Development (EBRD), the German Development Bank (KfW) and the French Development Agency (AFD).

» REVIEW OF OPERATIONS IN 2017

VakıfBank became the most active bank in terms of utilizing Residential mortgage Covered Bond Programme through the issuance amounting TL 5 billion.



VakıfBank was entitled to receive five separate awards on the international and national platforms with the first ever Euro-denominated Mortgage Covered Bond issuance of Turkey in 2016.

» INTERNATIONAL BANKING AND CORRESPONDENT BANKS

VakıfBank has become the most active bank in terms of utilizing Residential Mortgage Covered Bond Programme amounting around TL 5 billion, having issued Turkey's first Euro-denominated Covered Bond amounting EUR 500 million in 2016, and two TL-denominated Covered Bonds in 2017.

» RESIDENTIAL MORTGAGE COVERED BOND PROGRAMME

In order to tap into alternative financing facilities in international debt capital markets, VakıfBank established on 29 July 2015 amounting EUR 3 billion of Residential Mortgage Covered Bond Issuance Programme composed of covered bonds, which have been in use for many years in developed markets such as Europe as a funding instrument, and are allowed in Turkey with the Communiqué on Covered Bond on 2007 issued by CMB. As part of the program, VakıfBank issued the first ever benchmark Euro-denominated Mortgage Covered Bond of Turkey amounting EUR 500 million residential mortgage covered bond with a five-year maturity on May 4, 2016. The order book in excess of EUR 3.2 billion from almost 300 investors; as a result, pricing of deal realized at MS+250 which is 30 bps below the initial price of target price of MS+280. The yield and the coupon rate of the issuance has been set as 2.578% and 2.375%, respectively. This coupon rate is the lowest one among all the issuances in Turkey including the issuances of Turkish Treasury.

In October 2017, under its Residential Mortgage Covered Bond Programme, the Bank issued a 5.5 year bond amounting TL 1.3 billion based on international treasury transactions. The issuance through private placement is also the first TL-denominated Covered Bond transaction of Turkey apart from those made with multinational development banks.

After this successful issuance, in December 2017, VakıfBank issued a 5.5 year Covered Bond amounting TL 1.3 billion based on treasury transactions, where HSBC Bank PLC was the investor. Together with the TL 1.3 issuance of October 2017, the Bank's total issuances under its Residential Covered Bond Programme in 2017 exceeded TL 2.6 billion. Overall, VakıfBank became the bank issuing the highest amount of Covered Bond issuances among Turkish Bank with a total amount of approximately TL 5 billion, having issued Turkey's first Euro-denominated Covered Bond amounting EUR 500 million in 2016, and two TL-denominated Covered Bonds in 2017.

» TWO MORE INTERNATIONAL AWARDS FOR COVERED BOND ISSUANCE

VakıfBank became the first Turkish bank to win an award at the award ceremony organized following the "Covered Bond 2016 Conference," organized by European Covered Bond Council (ECBC) and Euromoney for the 14th time this year. VakıfBank's Covered Bond issuance was awarded the first award in the "Best Debut Deal of the Year" category. This bond issuance was entitled the first award in the same category at the award ceremony held in June 2016 by Covered Bond Investor Council (CBIC) and "The Covered Bond Report" magazine. VakıfBank's Covered Bond issue won another first award from Global Capital, a prestigious and acclaimed media organization of international capital markets, in the "CEEMEA Financial Institution Deal of the Year" category in January 2017. VakıfBank won two more awards on top of these three prominent awards: The Bank was deemed worthy of "Best International Bond Issuance of the Year" and "Best Financial Institution Deal of the Year" awards at the "Bonds and Loans 2017", one of the most prestigious award organizations of the Turkish capital markets and finance sector, thus crowning its success in Covered Bond deals with a total of five awards.

VakıfBank is expanding its correspondent network day by day consisting approximately 1,500 banks and financial institutions in 127 countries.

During 2017, VakıfBank regularly strengthened relations and provided information about its corporate affairs and operations to investors and brokerage companies.

» INTERNATIONAL BANKING AND CORRESPONDENT BANKS

VakıfBank's stubborn correspondent bank network comprised of 1,491 banks and financial institutions in 127 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 rapid 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, VakıfBank acts as an intermediary for export letters of credit and guarantees from the banks supported in the program under the umbrella of these institutions. As a result of its extensive network of correspondent banks as well as its lines of credit, VakıfBank continues to support funding for foreign trade transactions and remains one of the most preferred banks in this segment.

» VAKIFBANK'S INTERNATIONAL ORGANIZATION

VakıfBank International AG

VakıfBank International AG, headquartered in Vienna, was established in 1999 in line with VakıfBank's plans to expand abroad and conduct international banking operations. The Bank has branches in Vienna, Frankfurt and Cologne.

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.

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, VakıfBank provided 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 2017, VakıfBank regularly strengthened its relations and provided information about its corporate affairs and operations to investors and brokerage companies.

During the year 2017, the Investor Relations Department:

- » Responded to approximately 1,000 information requests submitted by shareholders.
- » Attended 21 local and international investor conferences, and held face-to-face meetings with more than 400 foreign and local institutional investors.
- » More than 250 meetings were conducted at the Bank's Istanbul offices and roughly 400 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 regarding 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 rating agencies (Fitch, Moody's, and S&P).

»» REVIEW OF OPERATIONS IN 2017

Vakıfbank became Bank the second Turkish bank to have the ISO: 9001-2015 Quality Management Certificate and ISO: 14001-2015 Environmental Management System Certificate covering both Head Office Departments and all branches.

“VakıfBank IR”, Turkey’s first Investor Relations Application Project in English, designed for iPhone or iPad users in 2014, was downloaded and started using by a total of 12,160 users, of which 5,830 in 2017.

- » Close communication was sustained with all the analysts publishing reports regarding the Bank, accurate and reliable information was provided to the analysts during the report preparation and comments on the reports were shared with the analysts following the review process.
- » It was ensured that 2017 Ordinary General Assembly meeting was held within the scope and in compliance with the Banking Law, Capital Markets Law, Corporate Governance Communiqué (II-17.1), the Bank’s Articles of Incorporation and other legislations.
- » The Disclosure Policy was updated with the Board of Directors’ resolution dated 31.10.2017 within the scope of Communiqué on Material Events Disclosure (II-15.1) published by Capital Markets Board (CMB).
- » VakıfBank was entitled the awards of “International Bond Deal of the Year” and “Financial Institutions Financing Deal of the Year” with the first ever Euro-denominated Mortgage Covered Bond issuance of Turkey amounting EUR 500 million with 5 years maturity by “Bond and Loans Award 2017”, one of the most prestigious award in the Turkish Capital Markets and finance sector. In addition, VakıfBank has won “CEEMEA Financial Institution Deal of the Year” award by Global Capital, one of the respectful and prestigious media company of international capital markets, in January 2017 for the same issuance.
- » Mr. Hasan Ecesoy, EVP responsible for International Banking and Investor Relations Department, took part as a speaker for the panel of “the Symbiotic Life of Credit Markets and Capital Markets: Securitization” at Capital Markets Congress held in Istanbul.
- » Secretarial procedures were performed for the Corporate Governance Committee, which is the highest body authorized for coordinating sustainability activities, and for the Sustainability Work Group which carries out activities under this Committee. Anticipated meetings and meeting agendas were determined.
- » As the Bank is listed in the BIST Sustainability Index, correspondence with the related organizations has been carried out to make sure that the Bank maintains its position in the Index. Furthermore, EIRIS (Ethical Investment Research Services Limited) reports issued regarding the Bank’s index performance were reviewed and mutual opinions were shared.
- » In order to maximize the Bank’s performance on environmental, social and Corporate Governance fields, activities were carried out in collaboration with other departments of the Bank.
- » In accordance with the Global Reporting Initiative G5 requirements, activities were initiated to prepare the third Sustainability Report of the Bank that will cover June 2017 – June 2018 period.
- » ISO: 9001-2015 Quality Management Certificate and ISO: 14001-2015 Environmental Management System Certificate obtained on the basis of the activities initiated for the purpose of establishing, managing and providing sustainability of the Quality and Environmental Management Systems of which methodology to be determined by the Corporate Governance Committee within the Bank. VakıfBank became the second bank in the sector and first bank among state banks with ISO: 9001-2015 Quality Management Certificate including the assessment of both Head Office departments and all branches.
- » Targeting the institutional and foreign investors, Turkey’s first investor relations application in English that was prepared by the related Bank departments in 2014 for iPhone and iPad users was developed with the name “VakıfBank IR.” From the date of activating the application until the end of 2017, 12,160 users in total and during 2017 5,830 users downloaded the application and continue to use it on tablets and smartphones.

VakıfBank has been listed in the BIST Sustainability Index since its foundation in 2014. VakıfBank continues to work its correspondence with the related organizations to be listed in international sustainability indexes.

VakıfBank began to work on preparing the Sustainability Report to be published in 2018 for the activities of the year 2017 in accordance with the standards of the Global Reporting Initiative.

» SUSTAINABILITY

The Bank has taken an important step towards the continuous improvement of customer satisfaction and banking service quality, by making its operations and processes compatible with the ISO 9001 Quality Management System, in line with its customer-focused growth strategy. On the other hand, by achieving the ISO 14001, it has documented that the direct effect of its banking activities on the environment has been minimized, in compliance with widely accepted and respected standards in the international arena. In line with the principle of "sustainable development is possible only with a sustainable environment", the Bank aims to determine the environmental impact of its activities by minimizing these effects, and ensuring a sustainable and innovative development in every field related to the environment.

» THE GOAL IS ENSURING ALL VAKIFBANK EMPLOYEES WORK IN ISO 14001-CERTIFIED BUILDINGS IN THE MEDIUM TERM

In the certification audit of these two certificates considered to be very important in the international arena, VakıfBank collaborated with TÜV-SÜD, which has a 150-year worldwide experience in the field, in the clearest indication of the importance it attaches to sustainability efforts. Having managed to obtain an "ISO-9001 Quality Management System" certificate that covers the Head Office Departments and all the branches, VakıfBank provided an "ISO 14001 Environmental Management System" certificate after audits in Head Office Departments and 31 branches. In

addition, as of end-2018, 250 more branches are planned for inclusion in the scope of certification. In the medium term, the goal is ensuring that all VakıfBank employees work in ISO 14001-certified buildings.

» SUSTAINABILITY REPORTING

A shareholder analysis study with a large sample was conducted in accordance with the AA1000 shareholder Engagement Standard for the Sustainability Report published in 2017. Study has started on preparing the Sustainability Report to be published in 2018 for the activities of the year 2017 in accordance with the standards of the Global Reporting Initiative. In 2017, the Bank also repeated its performance of score B (Administrative) obtained in 2016 in the CDP climate change program, which includes disclosures such as climate change strategy, governance, risk management and carbon emissions.

» SUSTAINABILITY WORKING GROUP

Reporting to the Corporate Governance Committee, the Sustainability Working Group continues its activities with success under the International Banking and Investor Relations Department. As a result of these efforts, the Bank continues to increase its performance on the BIST Sustainability Index, which has been a part of it since the latter's foundation in 2014. In addition, the Sustainability Service, which operates under the Investor Relations Department, continues its efforts to participate in international sustainability index.



»» REVIEW OF OPERATIONS IN 2017

In 2017, VakıfBank's credit cards reached a total turnover of TL 37.2 billion and an annual growth rate of 20.60%, which well above the Turkish banking sector growth rate of 12%.

The growth rate of VakıfBank's credit card was ranked as 2nd best performance among peers.

»» PAYMENT SYSTEMS

In 2017, VakıfBank credit cards reached a total turnover of TL 37.2 billion and an annual growth rate of 20.60%, which well above the banking sector growth rate of 12%. VakıfBank has succeeded in becoming the bank with the second best performance in terms of turnover growth rate. On the other hand, the number of transactions increased by 12.76% to reach 248,712,715 million for the year. The number of cards increased by 508,304 to 4,017,369. The growth rate in the number of cards were 14.49%, and VakıfBank displayed the second best performance in terms of the card number growth rate. The credit balance increased by 20.6% compared to the previous year to TL 7,195,597 thousand.

» NEW SERVICES AND DEVELOPMENTS IN CREDIT CARDS

The mobile credit card campaign follow-up application "Cepte Kazan" (Win in Mobile App) was put to the service of customers.

Adapting to the realities of the digital age, VakıfBank launched the user-friendly "Cepte Kazan" app in order to increase credit card shopping volume, credit card and mobile banking customers, customers' commitment to Bank products, and customer satisfaction. In October, "Cepte Kazan" was also placed on the interface of the mobile banking application, resulting in a rapid growth in campaign visualization and participation figures.

The main difference of the "VakıfBank Cepte Kazan" application from similar bank products is that it has been integrated into the home page of the mobile application, and thus can be launched without a separate download.

The application is developed to enable VakıfBank customers to:

- » Easily keep track of general or personalized campaigns, or campaigns customized for their cards,
- » Participate in the campaigns,
- » Monitor their spending on the campaigns they join in,
- » Obtain information on scoring TL points/ discount download transactions and keep track of these dates.

Paying Motor Vehicle Tax (MTV) by Credit Card on VakıfBank channels

Aiming to widen its service range by focusing on the basic rights of its customers, VakıfBank continued to add new features to its credit cards in 2017. As a result of infrastructure developments completed in June 2017, it became possible for the first time to make debit or credit card payments for the Motor Vehicle Tax through the Bank's channels (branch, Internet, mobile app, ATM, www.vakifkart.com.tr, call center); previously this was possible only via the government web site www.gib.gov.tr. In the scope of this service, which allows VakıfBank credit card holders to pay in 2 or 3 installments without delay interest, 432,752 transactions were realized in July, and a turnover of TL 140 million was achieved.

Instant (online) bill payment by credit card

VakıfBank credit cards continued to offer practical solutions to cardholders in 2017. In order to meet basic needs and increase its revenues, VakıfBank launched the instant bill payment service by retail and commercial credit cards via internet banking and mobile banking channels in April 2017. Thus, customers who do not want to define automatic payment orders on their credit cards now have the opportunity to pay their bills instantly through the Bank's channels.

In 2017, the total turnover of Debit cards increased by 40% compared to previous year and reached TL 4,688 million. The number of transactions reached a total of 91.3 million, with a 35% increase compared to the previous year.

Placing automatic payment orders via TarımKart (Agriculture Card)

TarımKart, designed exclusively for agricultural producers, was launched in 2016. In 2017, the Bank continued to enhance the product specifications of TarımKart (Agriculture Card). In this context, the automatic payment order feature was launched as a practical solution in customer's lives. In the first phase, it became possible to place automatic payment orders for different telecom operators.

Commercial Credit Cards continued their rise in 2017

Designed for customers in the corporate, commercial and especially SME segments, the BusinessCard continued to increase its market share and turnover in 2017. In December 2017, BusinessCard increased its turnover by 26% compared to the prior year to TL 1.058 million, while the number of these cards went up 19% to 186.016. The credit balance increased by 21% compared to the previous year to TL 1.761 million. In 2017, the Bank continued to organize campaigns for BusinessCard customers, and in parallel, sales campaigns towards the employees also contributed to BusinessCard numbers and turnover. In the first half of the year, Sözünle Kazan (Win by Promise) was added to BusinessCard's product features. In this scope, BusinessCard holders who promise expenditures for 6 or 12 months gain discounts of up to TL 1000 in their bank statements, which enables the Bank to achieve long term turnover increases.

Prepaid social assistance cards continued to grow

Growth in prepaid social assistance cards continued in 2017, as the number of contracted municipal and social assistance foundation card types reached 56 and the total number of cards reached 500,000. Under an agreement with the Ministry of Justice, social assistance cards were provided to prisoners in the Ministry of Justice Detention Houses and Prisons, allowing them to use these cards in the canteens.

Debit Cards

The five-digit card passwords were converted into four-digit ones in order to keep abreast of sector standards and ensure ease of use. The standard Debit card given to all VakıfBank customers has been divided into the four segments of Classic, Young, Platinum and Commercial Debit Card, each with new product features.

In order to ensure that Troy-branded cards can be used abroad as well, the Bank completed the integration with "Discover", the third

largest payment system in the world. As such, Troy-branded cards are now valid in virtual and physical POS devices across the world.

In addition to all these, VakıfBank launched the Debit Money feature, whereby customers can earn points in all of their shopping transactions. Furthermore, the new "Shopping Receipt" feature allows customers to track their points they earned.

In 2017, the total shopping turnover in Debit cards was TL 4,688 million, representing a 40% increase compared to the previous year, while the total number of shopping transactions was 91.3 million, in a 35% increase.

Connecting Account to Credit Card

The recently launched Connecting Account to Credit Card scheme allows credit card customers who have personal main cardholders to connect TL and foreign currency drawing accounts to their credit cards and perform all ATM banking transactions, which they can normally do with their Debit cards. As such, customers do not have to carry multiple cards and can use the credit card to pay credit card debt from the drawing account; withdraw or deposit money to their account; and practically perform all banking transactions such as transfers and EFTs.

Virtual Card

With the virtual card, VakıfBank customers who are retail main cardholders can create a virtual card within their limits to carry out their internet and mail order transactions in a safe and practical way. Since there is no physical card customers don't have a risk of loss or theft. Since it is connected to the credit card, the product is rapidly ready to use and customers are not kept waiting. The limit for the virtual credit card can be renewed or reset in every payment period according to the preferences of the customer.

VakıfBank continues to be the strength by customers with its HGS and OGS products. In 2017, the Bank upgraded its systemic infrastructure to add value to HGS and OGS products and ease the workload of branches. With these efforts, a large part of the OGS and HGS operations, which used to be run in a centralized manner, were shifted to branch channels with the launch of the new system.

As such branch processes concerning HGS/OGS operations were simplified and customers' daily demands started being identified and responded to immediately. The project, which will be completed soon, will allow customers

»» REVIEW OF OPERATIONS IN 2017

With the virtual card, VakıfBank customers who are retail main cardholders can create a virtual card within their limits to carry out their internet and mail order transactions in a safe and practical way.

The turnover of merchant member grew by 13% compared to the previous year to reach TL 682,208 million, while VakıfBank's POS turnover reached TL 41,844 million with an increase of 18%.

to inquire for their OGS/HGS pass and account information through mobile banking/internet banking channels and to place an order of automatic top-up pass charges.

In 2017, in another innovation, the Bank completed the project to place Automatic Top-Up Orders pass charges for OGS devices via Credit Card. As such, VakıfBank now allows customers to place automatic top-up orders to VakıfBank OGS devices from credit cards. In 2017, the Bank completed the projects to allow passage with VakıfBank HGS and OGS devices in the bridge, highway and tunnel projects realized through public private partnership investments which add value to the country. Furthermore, the Bank launched a project for using VakıfBank HGS labels to make payments at the entrance and exit of national parks.

VakıfBank is the strength by institutional projects as well.

2017 was a productive year in terms of Campus Cards as well. In this scope, an agreement was reached with Ankara University and Health Sciences University. The ID cards of all academic/administrative employee and students in these universities have been redesigned as VakıfBank credit cards and VakıfBank prepaid cards. These cards are now being used at the entrance and exit turnpikes of the central and peripheral campuses of the mentioned universities, and individuals can easily make payments with these cards in all social facilities.

VakıfBank increases the number of its member merchants

The turnover from member merchants grew by 13% compared the previous year to reach TL 682,208 million, while VakıfBank's POS turnover reached TL 41,844 million in an increase of 18%. As a result, VakıfBank has become the fourth fastest growing bank in the sector. While the number of member merchant transactions increased by 9% to reach 3,480,571,281 in total, the number of VakıfBank POS transactions outgrew above the sector to reach 185,591,546 in an increase of 10% compared the previous year.

POS Network Request occurs much easier

Customers who want to use VakıfBank POS product can now easily occur a POS application over the commercial internet banking channel as well as the web page and branch channels.

VakıfBank customers now access the latest information on member merchants. Customers who use the VakıfBank POS product can easily access campaign information per POS devices and branches, and also receive member merchant information through the commercial internet banking channel.

Virtual POS network expands

As a result of collaborations with an increasing number of virtual POS integrator companies, a new and swift channel has been created for the Bank's acquisition of new e-commerce member merchants, and customers were given special offers through particular conditions and campaigns.

Special schemes

Continuing to support the developing public service infrastructure in different areas, VakıfBank plays an active role in the KIOSK projects developed jointly by various companies and local governments.

The number of customers in the Mobile Banking channel increased by 62.1% to exceed 2.2 million.

» DIGITAL BANKING AND DISTRIBUTION CHANNELS



VakıfBank's Internet Banking and Mobile Banking channels currently enabled more than 200 different transactions.

Digital Banking

In 2017, VakıfBank enriched its transaction diversity by carrying almost every transaction available at the branches to digital channels as well, thus continuing to offer rapid, safe and practical solutions to its customers.

» INTERNET BANKING AND MOBILE BANKING

VakıfBank continued to enrich its Internet Banking and Mobile Banking transaction sets in 2017; currently, more than 200 transactions can be performed in these channels.

The number of mobile banking customers increases every day since it can be accessed at anytime, anywhere, while there is a drop in the number of customers opting for the Internet Banking channel. It is predicted that this trend will continue in the following period.

The number of active customers using Internet Banking channel soared 37.4% compared to 2016 and reached 2.6 million; the number of Mobile Banking application users jumped 62.1% to more than 2.2 million. Paralleling the increase in the number of Internet Banking and Mobile Banking users, the number of financial transactions executed through these channels raised by 38% in 2017 compared to the previous year.

VakıfBank continues to work to ensure that all of its customers benefit from the opportunities created by digitalization, and develops solutions to ensure that more people can access banking services. Through new upgrades, customers can now employ digital channels for general purpose loans; Findeks

risk report, debit card, virtual credit card, application for installment overdraft accounts and investment accounts, money transfer to mobile, connecting account to credit card, notification of money withdrawal from and deposit to accounts, and digital approvals. Furthermore, with the "Çepte Kazan" (Win in Mobile) app integrated into Mobile Banking, credit card customers can keep track of card campaigns, participate in these campaigns and monitor their participation status. Also in 2017, it became possible to access the e-Government Portal through our digital channels, without the need for any additional password. VakıfBank has thus become the first and only bank to provide access to e-Government through its Mobile Banking application. In addition, individuals who are customers of both VakıfBank and Vakıf Emeklilik ve Hayat A.Ş. can now access the Vakıf Emeklilik Internet Branch via the Bank's digital banking service and check out their portfolio. Internet Banking has been made compatible with the ComPay platform in online payments. Internet Banking and Mobile Banking services are now also compatible with the screen reader programs used by visually impaired customers, such that visually impaired customers can now perform transactions by listening to Internet Banking and Mobile Banking menus.

The complete upgrade of the Digital Banking application interfaces, and the integration of voice guidance and chatbot technology into these channels, which began in 2017, shall be completed by 2018. From the beginning of 2018 onwards, the Bank will be promoting its new Commercial Internet Banking and Commercial Mobile Banking applications.

»» REVIEW OF OPERATIONS IN 2017

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.

With the completion of the VakıfBank Innovative Transformation (VIT) program, which started back in 2011, a common platform was set up for all banking applications.

»» THE INFORMATION TECHNOLOGY

The Information Technologies Department continued to meet the Bank's technology, service and new product requirements while reaching high performance and efficiency-oriented services in 2017. In 2017 The Information Technologies Department continued in 2017 to meet the needs of 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 advantage 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.

» 2017 ACTIVITIES

The VIT (VakıfBank Innovative Transformation) which was initiated in 2011 was successfully completed. At its conclusion, the VIT program created a common and single platform for all banking applications and attained the goals of rapid application development, easy management, and accurate reporting by deploying state-of-the-art technologies. With the completion of the VIT program, the transition to open infrastructure systems has been completed and the Mainframe has been shut down. With this change in the core banking system infrastructure, the operating and leasing costs of the main systems and databases has been reduced more than 10 times.

Operational development projects launched in 2017

- » **Data Center Configuration:** VakıfBank has set up a Datacenter with high levels of continuity, Active - Active operation and Tier III + and RPO = 0 features, that meets today's standards. As such, the Bank now has the necessary infrastructure for providing continuous and high performance services to customers.
- » **VIT - Sales and Marketing - Profitability:** The Bank has prepared the necessary reports to include all interest/non-interest, income/expense transactions in the profitability pool and thus analyze profitability real-time, according to criteria such as customer, product, branch, portfolio, channel and region, with a view towards taking profit-focused actions.
- » **VIT-ADC-Producer Independent ATM Software Implementation (MultiVendor):** VakıfBank systems are now compatible with any ATM at the desired standards, regardless of the producer. With the new features added, ATM systems can be monitored in an accurate, rapid and continuously manner and customer satisfaction is increased. As a result of the producer-independent infrastructure, the Bank purchased cost-efficient ATMs and reduced its payments to ATM providers abroad.
- » **VIT-Reporting and Notifications-Statutory Reports:** Reports to supervisory and regulatory authorities started being prepared automatically and in a faster and more consistent manner (through automatic cross-checking).
- » **Scoring Systems - Decision Support Engine Integration:** Scoring algorithms yield more accurate and consistent results over the decision support engine. Scenario analysis can now be performed for collectively determined groups in Corporate Score, Commercial Score and SME Score applications.

The ATM Channel provides over-limit money withdrawal; both VakıfBank's non-interest income and customer satisfaction were enhanced.



A new internal training program was built in order to provide educational needs for Bank employees.

- » **Corporate Scorecard:** Corporate Scorecard was given a more objective infrastructure, and operational costs and risks were reduced.
 - » **Rebate of Retail Customer Fee and Interest:** The Bank has started to register and centralize customer fee rebates, as such; it became possible to give faster and more accurate responses to customer complaints.
 - » **VIT-Treasury and Investment-FTF:** This project facilitated the tracking of foreseen cost and product utilization ratios as requested by calculating FTF income and expenses on products basis (deposits, loans, credit cards).
 - » **Printing Debit Cards with Chips:** This prevents risks associated with the copying of magnetic cards.
 - » **VIT-Sales and Marketing-Dynamic Pricing:** A flexible pricing system was constituted to support cross-selling. This project enabled monitoring of customer contracts for pricing proposals; and performance of necessary analyses on defined and realized pricing.
 - » **Card Payment of the Motor Vehicle Tax (MVT):** MVT payments can now be made by the web sites via www.vakifbank.com.tr, www.vakifkart.com.tr and the Internet Banking, Mobile Banking, ATM channels with credit/debit cards. All VakıfBank credit and debit cardholders can now use this new payment channel.
 - » **Over-Limit Money Withdrawal at ATMs:** With the introduction of over-limit money withdrawal at the ATM channel, both VakıfBank's non-interest income and customer satisfaction were enhanced.
 - » **VIT-Commercial Loans-Installment Loan Disbursement:** With a flexible fee and pricing structure, the Flexible / Parametric Reimbursement Module has been commissioned, allowing an increase in VakıfBank's collections through partial collection, decrease in the loans delinquency, adaptation of the Dealer Channel Loans Module to the requirements of instalment loans, and real-time reporting of the usable limit.
 - » **Cardless Transfer Money to Mobile:** Whether a Bank customer or not, individuals can perform Cardless Money Transfers through Mobile Banking and Internet Channels.
 - » **Real Estate Appraisal Process Software Phase-2:** With the integration of collaterals, real estate expertise information no longer has to be entered manually as it is integrated through the index application, thus reducing the Bank's risks.
 - » **E-Archive Integrator Status:** In line with the standards determined by the Revenue Administration, the Bank has adapted its systems to the E-Archive scheme, and started to serve its customers as Special E-Archive Integrator.
 - » **Special Mobile Application for Credit Card Campaigns:** VakıfBank mobile application now allows the Bank's customers to offer and apply credit card campaigns and offers them share/favorite functions.
- » **OTHER MAJOR PROJECTS**
- » **Credit Reference Service Inquiry:** All information from the Credit Registry Bureau (KKB) is utilized and data is provided to individual automatic intelligence.
 - » **Enforcement, Bankruptcy and Promissory Note-Data Matching Software Integration:** Increased reliability of enforced, bankrupt and protested note data increases in human productivity and operational efficiency by saving on both time and personnel cost.

» REVIEW OF OPERATIONS IN 2017

Obsolete hardware across the VakıfBank was replaced with new devices, and additional hardware was procured for use when necessary.

The system keeps track of the instant changes in the market, eliminating the Bank's financial losses due to the exchange transactions and reducing its operational costs.

- » **Monitoring ATM and Branch Lease Agreements:** The Bank can now keep on the contracts and related information concerning the real estate in the inventory, and thus reduce the operational burden of the related department in question.
 - » **Academy Education Portal Scheme:** The Bank has set up a new training portal to meet all in-house training needs.
 - » **Pension Fund and Private Social Security Fund Healthcare-Residential-Contracted Employee:** Pension Fund transactions now take place on a more stubborn and reliable infrastructure, enabling the Bank to solve technical problems more effectively and quickly.
 - » **VIT-Accounting-Accounting Transactions:** A dynamical and parametric infrastructure has been achieved with the VIT transitions of Promotion, Free Invoicing, FormBA, Electronic Mail, Automatic Follow-Up of Auxiliary Record Closures, Year-End Transactions, Travelling Expense Modules, Taxes, Representation, and Summary Modules.
 - » **Foreign Exchange, Inventory Revision:** The foreign currency position inventory has been assembled in the core banking system, complete with categorizations on the basis of currency type and transaction type. The foreign currency position has thus become monitorable and reports on the foreign currency position are prepared in a reliable manner.
 - » **Foreign Exchange Management:** The system keeps track of the instant changes in the market, eliminating the Bank's financial losses and reducing its operational costs.
- » **INVESTMENT PROJECTS**
- » **Corporate Tube App:** An infrastructure was acquired to publish training videos on the Bank's training portal without leading to problems in the Bank's excessive internet usage, and as such video broadcasts no longer create a burden on the Bank's network.
 - » **Acquisition of Card Guard Antiskimming Device:** Copying devices placed in ATMs are used for stealing customers' card data, leading to both very serious financial and reputational damages for the Bank. Antiskimming jammers were placed on top of ATMs in order to stop these devices from copying such data, thus preventing losses associated with copying and the theft of customers' card data.
 - » **Mono Laser Printer Procurement:** 200 new printers were procured to replace obsolete printers and to meet new demands for printers. As such, obsolete hardware across the Bank was replaced with new devices, and additional hardware was procured for use when necessary.
 - » **PC Memory Procurement and Operating System Upgrade:** The Bank purchased SSD Disks and SSD Disk Trays for 2,500 PCs, as well as RAM Memories for 14,460 PCs. This will lead to an improvement in the performances of the Bank employees' computers.
 - » **Kobil MIDentity Purchase:** In order to prevent the security problems which may affect commercial customers with large portfolios, the Bank procured products which operate like USB devices. As such, commercial customers with large portfolios can perform their transactions with a two-tier security process.
 - » **KONDOR New Version Set-Up:** In order to upgrade the Kondor software, which occupies a central place in the VakıfBank treasury package, the Bank received project development and consultancy service. As such, the Bank found a solution to the impending expiry of the support service to the current version of the Kondor treasury software, and upgraded the Sybase database which was rarely used and created large costs.

The existing systems will respond to today's modern Mobile Banking and Internet Banking needs at the highest level, customer satisfaction will be maximized, and new customers will be acquired.

In order to meet the demand for ATMs, to diversify the current ATM inventory and to increase VakıfBank's competitive advantage, the Bank procured Recycle ATMs which operate for a longer period without money deposit.

- » **Head Office Departments and VPN Termination Devices:** In order to enable the far field network access of VakıfBank Head Office auxiliary buildings, in line with the central structure and with proper back-up, the Bank procured a router and switch. Furthermore, VPN Termination Devices were replaced with new ones at the Bank's İkitelli, Levent, Şerifali, Şişli and Aegean regional directorates, which have a large number of employees and intense data usage.
- » **Limitation of Local Admin Authorities:** The Bank procured software concerning local admin authorization in end-user computers, which enables giving and managing systemic authorization on the basis of transaction rather than user. As such, risk arising from granting local admin authority to individuals has been eliminated.
- » **Recycle ATM Procurement:** In order to meet the ATM demand and diversify the current ATM inventory so as to enhance VakıfBank's competitive advantage, the Bank procured recycle ATMs which, unlike standard ATMs, recycle the cash within and thus operate for a longer period without money deposit. As such VakıfBank's current demand for ATMs was met.
- » **IVR, Mobile, Internet Banking Voice Recognition:** The Bank procured a voice recognition system to facilitate users' access to the service they need in Interactive Voice Response, Mobile Banking and Internet Banking channels. Mobile Banking and Internet Banking will make it easier for customers to access the menu and service they seek via voice recognition in Interactive Voice Response.
- » **Redesign of Mobile Banking Screens:** VakıfBank purchased user experience enhancement and visual interface design services to upgrade Mobile Banking and Internet Banking in terms of the latest design, content, functionality, usability and compliance standards. As such, the existing systems will respond to today's modern Mobile Banking and Internet Banking needs at the highest level, customer satisfaction will be maximized, and new customers will be acquired.
- » **Replacement of Denver PCs at Diebold ATMs:** ATM PCs using old technology were refurbished so as to provide high quality service to customers.
- » **APT (advanced cyber-attack prevention) Solution:** On top of the signature-based security products in the Data Center, the Bank procured an APT (advanced cyber-attack prevention) Solution in order to prevent advanced persistent threats. In this way, non-signature-based malware can be detected and prevented in the internet and e-mail channels.
- » **Purchase of IFRS9 Software:** IFRS 9 software was purchased in order to meet "The Regulation on Principles and Procedures for Classification of Loans and Provisions to be Set Aside" prepared by BRSA. The Bank has thus ensured its compliance with legislation.
- » **Procurement of Consultancy Service for SOC (Cyber Security Operation Center) Infrastructure:** Consultancy service was procured to assess the current maturity level of the Bank before the planned SOC set-up, and the current security situation and our place in the sector were determined.

» REVIEW OF OPERATIONS IN 2017

In cyber security infrastructure, behavior-based attack prevention systems (APT) and end-user, zero-day malware software detection systems were launched to raise security levels.

The Bank initiated a synchronous data backup service at a short distance to the Istanbul Data Center (Dudullu). Banking data is now backed up real time in two separate locations in Istanbul and one in Ankara.

- » **Procurement of Consultancy Service for On-Site R&D Center:** In order to evaluate the R&D quality of the ongoing projects for making VakıfBank an R&D Center, the Bank procured consultancy service. As such, the compliance of the Bank's R&D projects with R&D legislation was confirmed.
 - » **Data Transfer from Mainframe Cartridges to Open Systems:** In order to shut down the Mainframe, software and consultancy were purchased to transfer data in mainframe cartridges to open systems. As such, the necessary conditions were created to shut down the Mainframe.
 - » **Switch Devices for the Recently Rented Akyaka A1 and A2 Buildings:** Switches were procured for the recently rented Akyaka A1 and A2 Buildings. As such the needs for switches at the Akyaka A1 and A2 buildings was met.
 - » **Akyaka Head Office Building UPS Infrastructure:** The necessary installation services were procured for the transportation of the UPS system in the existing Head Office building to the Akyaka Head Office building, and installation of UPS and system room climatization infrastructure. The UPS infrastructure needed for the Akyaka building has been installed.
 - » **Set Up of Wireless Telephone and Internet Infrastructure for Akyaka A1 and A2 Buildings:** Wireless telephone and internet infrastructure installation service was procured for the new Head Office (Akyaka A1 and A2) buildings. At the new Head Office buildings, the necessary communication and internet infrastructure was installed and wireless phones were obtained to provide wireless voice communication, wireless and secure internet access.
 - » **Procurement of New Projectors for Akyaka Building:** Projectors needed for the meeting rooms at the new Head Office (Akyaka A1 and A2) buildings were obtained.
- » **SYSTEM AND INFRASTRUCTURE ACTIVITIES**
 - » VakıfBank relentlessly continued its monitoring and upgrade efforts on central and field technology infrastructure, and carried out various planned replacement, maintenance, upgrade, back-up and security enhancement efforts as regards configuration, capacity and change management, while the automation level was also raised. Critical operating problems were resolved in timely manner, and the continuity and service levels in the main channels and field were enhanced.
 - » The Bank initiated a synchronous data backup service at a short distance to the Istanbul Data Center (Dudullu). Banking data is now backed up real time in two separate locations in Istanbul and one in Ankara. In the scope of emergency tests, service channels (Mobile Banking and Internet Banking, Branch, ATM, Call Center and Card Payment Systems) were successfully routed from Istanbul to the Ankara Data Center, and there was significant progress in automating the routing so as to minimize the employee's intervention.
 - » IBM Mainframe main systems and the İzmir backup were shut down, so that the Bank has started to operate exclusively with open systems. With the completion of the VIT Project in 2011-2017, the Bank shifted to open systems in its infrastructure, resulting in cost reductions of up to ten times in core banking main systems and database processing and leasing costs. The transition of the physical tape archive data to open systems also began.
 - » In cyber security infrastructure, behavior-based attack prevention systems (APT) and end-user, zero-day malware software detection systems were launched to raise security levels. Weakness screening was performed regularly.

IT Risk Analysis structure was revised. After the completion of the Annual Business Effect Analysis, based on the results of this study, an upgrade was made to issue automatic reports for damages and breakdowns.

For the year 2017, compliance certificate was obtained for the services within scope, after the PCI DSS compliance audit.

- » Research and testing continued to acquire new technologies and products for the Bank. There was infrastructure work on the Corporate video broadcast system and electronic fax system.
- » In network management; IP Management and DNS security, NetFlow Package analysis products, new load balancing features were put to use, and mobile field sales secure access infrastructure was set up.

» IT SECURITY ACTIVITIES

- » The IT Risk Analysis structure was revised. After the completion of the Annual Business Effect Analysis, based on the results of this study, an upgrade was made to issue automatic reports for damages and breakdowns, and efforts were made to match Device-Platform, App-Service-Platform and to measure service criticalness level. The related processes were updated and the results were provided an input to the Emergency Tests. The Emergency Plan was revised in consideration of the current structure.
- » In the scope of KVKK Adaptation Efforts, a working group has been created across the Bank, and the Information Security IT Compliance Department has been assigned presidential and secretarial duties for the working group. Informing texts were provided via SMS and e-mail to all customers whose contact data is available, and upgrades were made in the mobile and internet channels for purposes of notification and receiving consent. In the scope of compliance efforts, the previously lacking package application data modelling was completed, and identificatory personal data was added to the information tracked through the Power Designer app. There was work to encourage business departments

to appropriate the VIT, Non-VIT and Package applications, and to determine the principles related to appropriation. Business departments were organized for Personal Data Processing Inventory started to work.

- » There was capacity increase in the SIEM log management system and a VIVEM/VAVEM backup structure was also installed for the SIEM system within the scope of these efforts.
- » In order to detect any weakness or security baseline incompatibility in the systems, the Nexpose software was procured and fully integrated.
- » For the year 2017, compliance certificate was obtained for the services within scope, after the PCI DSS compliance audit.
- » In 2017, the License Audit activities performed by KPMG on behalf of IBM were coordinated, and significant improvements were made as regards the assessments of inappropriate license usage mentioned in the draft report.
- » The Bank collaborated with data holders to organize the universe authorizations on the SAP BO system, and ensured that all universe authorization demands are communicated by entering a demand over ITSM, with the approval of the data holder.
- » Process performance started being monitored over the DURUM portal. Metrics started being collected automatically from the systems with which integration has been installed. In determined periods, the processes' target attainment success and annual performance levels were monitored via dashboards, and action follow-up and process improvements were realized for those below the alarm values. In the Self-Assessment processes, the relevant metrics were reviewed together with the process holders and the necessary improvements/updates were performed.

» REVIEW OF OPERATIONS IN 2017

VakıfBank set its vision for the new period as being the “Leading Bank of Strong Turkey” and its new brand concept as “the strength by your side”.

In line with new brand concept launched in November, the Bank initiated through all channels the ad campaign “VakıfBank, the strength by your side” featuring Engin Altan Düzyatan, an actor embraced by all sectors of the society who is also in harmony with the brand image.

» CORPORATE COMMUNICATION

» THE NEW BRAND CONCEPT “THE STRENGTH BY YOUR SIDE”

At VakıfBank, the year 2017 was marked by not only success in the financial statements, but also productive efforts towards enhancing the corporate image and brand recognition. VakıfBank set its vision for the new period as being the “Leading Bank of Strong Turkey” and its new brand concept as “the strength by your side”; following the relaunch in November, communication efforts were shaped in this direction. In line with this concept, in order to ensure that “the strength by your side” image is embraced by the public, a promotion campaign was launched on channels such as television, digital and print media, social media, radio, cinema and outdoors.

In 2017, further communication efforts were made to promote the Bank’s products and services and to set up an efficient, productive and strong contact with current and potential customers. With sponsorship and collaboration activities throughout the year, the brand’s visibility in prestigious social spaces was enhanced, and social responsibility efforts were expended to fulfil our duties towards the society.

The first major campaign of the year was in March, featuring the corporate image film “I am Anatolia”, focusing on the SME loans with the collateral guarantee provided by CGF, and the campaign was launched on a variety of different channels. In the same period, VakıfBank’s support to national development as the strength by strong Turkey was once again underscored with the commercial film “VakıfBank always by your side”.

VakıfBank’s Traditional Festival loan was published in August on both below and above the line advertising channels and promoted among customers in the retail segment.

The commercial film titled “We Support VakıfBank Sports Club” was launched on TV and the digital media from October onwards. The film was produced to promote and remind the public about the achievements of the VakıfBank Sports Club, the pride of our nation, which has been supported by the Bank for more than 30 years, before the beginning of the new season.

In line with new brand concept launched in November, the Bank initiated through all channels the ad campaign “VakıfBank, the strength by your side” featuring Engin Altan Düzyatan, an actor embraced by all sectors of the society who is also in harmony with the brand image.

Aside from these campaigns, during the year, VakıfBank conducted communication efforts over both conventional media and social media channels, and enhanced the prestige and recognition of the brand.

» CORPORATE SOCIAL RESPONSIBILITY

VakıfBank focused on investments to further education of special needs children; volleyball and the youth sports academies; and promote traditional Turkish art forms in support of culture and the arts.



VakıfBank Women's Volleyball Team capped the year 2017 as Europe and World champion, and won the Turkey Cup and Turkish Super Cup, thus closing the year with a total of four trophies.

In 2017, VakıfBank also involved in important social responsibility activities, continuing its efforts that contribute to all sectors of the society. Having set its social responsibility framework as education, culture and sports, VakıfBank focused on investments to further education of special needs children; volleyball and the youth sports academies; and promote traditional Turkish art forms in support of culture and the arts.

Supported by the Bank for over 30 years, VakıfBank Women's Volleyball Team became the Europe and world champions in 2017, thus once again carrying the VakıfBank brand to the global summit. The yellow-blacks have thus won the European Champions' League for the third time and the Clubs' World Championship for the second time, both undefeated, and confirmed their position as "Turkey's most successful team on the international arena". The team has thus increased the number of international trophies in its museum to seven, continuing to inspire pride and happiness across the country and demonstrating the strength of Turkish women.

VakıfBank Women's Volleyball Team closed the year 2017 as Europe and World champion, and won the Turkey Cup (Volley Cup) and Turkish Super Cup (Champions' Cup), thus capping the year with a total of four trophies.

Shaping its activities with a view towards "Raising good people for the society and successful athletes for Turkish volleyball" through the sports club, VakıfBank inaugurated sports schools in 2017 in Ankara and İzmir. With the vision of extend the sports infrastructure activities to more provinces in the following period, the Bank continued to support Turkish volleyball with a sustainable model at all age groups and maintained its sponsorship efforts, which set an example across the world.

Having integrated sustainability and environmental responsibility into its corporate strategy, VakıfBank planted more than 50 thousand saplings in 2017 with the mediation of TEMA, thereby supporting the forestation efforts across the country. The Bank donates saplings on behalf of its customers taking out Eco-Friendly Mortgage Loans, thus extending the public benefit it creates. During the year, the Bank also obtained the ISO 14001 -2015 Environment Management Certificate.

As a result of its partnerships with universities, VakıfBank continued to contribute to the society by helping organize the social spaces of students, rewarding successful students, helping with the education of special children, and supporting athletes in 2017. The brand also sponsored various organizations participated by the finance and business community and came together with its shareholders in this field.

» AFFILIATES AND SUBSIDIARIES

VakıfBank supports the Turkish economy with 13 subsidiaries and 10 affiliates in a number of industries.

The value of VakıfBank's subsidiary and affiliate portfolio on its balance sheet increased to TL 2.6 billion as of December 2017, up from TL 2.1 billion in 2016.

VakıfBank supports the Turkish economy with 13 subsidiaries and 10 affiliates in a number of industries.

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 VakıfBank's subsidiary and affiliate portfolio on its balance sheet increased to TL 2.6 billion as of December 2017, up from TL 2.1 billion in 2016.

» FINANCIAL SERVICES GROUP

VakıfBank International AG

VakıfBank International AG was constituted in Austria in 1999 to grow VakıfBank's international operations in line with its strategy to expand abroad. VakıfBank controls a 90% share 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% share in Kıbrıs Vakıflar Bankası Ltd., which runs banking activities with capital of TL 70 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 held an 8.38% share in the Türkiye Sınai Kalkınma Bankası's capital of TL 2.4 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% share 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 48.02% share in the Company's capital of TL 270 million.

Vakıf Emeklilik ve Hayat A.Ş.

VakıfBank holds a 53.90% share in the capital of the Company of TL 26.5 million, which was constituted to provide individual or group private pension and life insurance services.

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% share in the Company's capital of TL 109 million.

Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.

Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. is an investment trust. It was constituted in 1991 as a publicly held company to manage the assets of small and individual investors in the Borsa İstanbul, facilitate the trading of marketable securities and maximize the returns of its portfolio by closely monitoring foreign exchange, stock and money markets. VakıfBank owns a 22.89% share in the Company's capital of TL 20 million.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was founded in 1996 under the leadership 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% share in the Company's capital of TL 217.5 million.

Thirteen of VakıfBank's subsidiaries and affiliates 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 companies (one in energy, two in tourism, one in manufacturing, and six in other commercial lines of business).

Vakıf Factoring A.Ş.

Vakıf Factoring A.Ş. was constituted in 1998 to provide factoring services for domestic and international commercial transactions. VakıfBank owns a 78.39% share in the Company's capital of TL 70 million.

Vakıf Yatırım Menkul Değerler A.Ş.

Vakıf Yatırım Menkul Değerler A.Ş. was constituted 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% share in the Company's 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 constituted to manage customer portfolios consisting of capital markets instruments as the authorized agent under discretionary portfolio management agreements as a proxy pursuant to the Capital Markets Law and other related legislation. The Company's core business is setting up and managing mutual funds in line with CMB regulations and other related legislation. The Company also provides investment advisory and capital markets services. VakıfBank owns a 100% share in the Company's capital of TL 12 million.

Kredi Garanti Fonu A.Ş.

Kredi Garanti Fonu A.Ş. was constituted 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 1.64% share in its capital of TL 318.3 million.

» NON-FINANCIAL SERVICES GROUP

Taksim Otelcilik A.Ş.

Taksim Otelcilik A.Ş. was constituted 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% share in the Company's capital of TL 334.3 million.

Vakıf Gayrimenkul Değerleme A.Ş.

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

Vakıf Pazarlama Sanayi ve Ticaret A.Ş.

VakıfBank holds a 69.33% share in the TL 30.2 million capital of Vakıf Pazarlama Sanayi ve Ticaret A.Ş., which is engaged in providing recruitment support service, shared health and security department services, and other related services.

Vakıf Enerji ve Madencilik A.Ş.

VakıfBank owns a 65.50% share in the TL 85 million share capital of the Company, which operates in the energy industry.

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% share in the Company's capital of TL 147 million.

Kredi Kayıt Bürosu A.Ş. (KKB)

Kredi Kayıt Bürosu A.Ş. was constituted in 1995 to manage the flow of loan information. VakıfBank owns a 9.09% share in the Company's 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% share in the Company's 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 tourist hotels and commercial centers. VakıfBank owns a 5% share in the Company's capital of TL 120,000.

Güçbirliği Holding A.Ş.

Güçbirliği Holding A.Ş. was constituted in 1995 to invest in companies engaged in agriculture and commerce, and to contribute to the development of the national economy. VakıfBank held a 0.07% share in the Company's 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% share in the Company. The 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 finalized as of 2013.

»» SUMMARY REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

Although the global economy entered the year 2017 with geopolitical turmoil and political risks, the reinvigoration of especially the Euro Zone, and developments in the global commerce and financial markets brought about a moderate recovery. The major agenda items in this period were monetary normalization measures by the central banks of US, Europe and other developed countries, the uncertainty concerning the fiscal and commercial policies to be implemented in the USA, the political uncertainty in Europe and China's debt burden reduction process. The Fed raised its policy rate three times at its March, June and December 2017 meeting to the range of 1.25%-1.50%. Bank's lower profitability, overdue receivables, and other concerns related to the financial system persisted in the Euro Zone, where expansionary monetary policies continued in order to support economic activity. The US economy grew 2.3% in 2017 but uncertainties associated with the Trump administration continued to put pressure on the national economy. In this period, developing countries' growth made a significant contribution to the overall growth of the global economy. The portfolio flows towards the developing countries which began in early 2017 continued as well.

In this mild global economic growth environment, the Turkish economy expanded by 5.3, 5.4 and 11.1% in the first three quarters of 2017 respectively. The year-end growth is expected to come in above 7%. The accurate measures introduced by the government from end-2016 until early 2017 played a key role

in this growth performance. Especially, the success of the Credit Guarantee Fund scheme was a crucial factor. A prominent feature of the Turkish economy is its strong fiscal discipline, which reduces its vulnerability towards negative external shocks.

Central Bank of the Republic of Turkey (CBRT) maintained its tight monetary policy stance to preserve and sustain price stability in 2017. In this period, the CBRT provided liquidity to the market mainly by the late liquidity window and increased its LLW lending rate to 12.75% at its meeting in December. The CBRT also took some measures against the rise in the foreign currency exchange rate during this period. To this end, the upper limit for the foreign currency maintenance facility within the Reserve Option Mechanism (ROM) was reduced from 60% to 55%, and all tranches were reduced by 5 points. In addition, CBRT began Turkish Lira-settled foreign exchange sale auctions at negotiated maturity terms.

The banking sector has maintained its strong capital structure as usual. The recent domestic macro prudential policies, government measures and incentives, and CGF loans resulted in an increase in loan volume, and loan risk was lowered with the increasing share of CGF collaterals. In this period, banking sector loans reach to TL 2,098 billion increasing by 21%. In addition, in 2017, the banking sector diversified its funding structure through domestic and international issuances and continued its efforts towards extending the average maturity of funding. Total deposits of the sector increased by 17.70% compared to the end of 2016 and reached TL 1,711

billion. In this period, the subordinated loans issued by the banking sector improved the sector's regulatory capital. In 2017, shareholders' equity reached TL 359 billion and capital adequacy ratio stood at 16.87%. On the other hand, the banking sector's profitability continued its strong growth and the net profit for the period reached to TL 49.1 billion in December 2017 increasing by 30.78% year-on-year.

VakıfBank also had a successful performance in 2017, as the Bank's total assets reached TL 270.6 billion with a 27.30% increase compared to the same period of the previous year. During this period, VakıfBank's loans reached to TL 182.9 billion with an increase of 24.77%, continuing to the main driver of the Bank's growth. A glance at the breakdown of loans, real sector was supported by a 27.84% increase in commercial loans reaching TL 135 billion. During this period, retail loans increased 16.85% to TL 48 billion, as the Bank maintained its strong presence in the market.

VakıfBank's total deposits grew 25.39% to TL 155.3 billion. Demand deposits were up by 23.26% while term deposits increased 25.91%. VakıfBank diversified its non-deposit funding sources, and raised USD 5.2 billion with cost effective and long-term maturity terms in the year 2017.

VakıfBank's shareholders' equity rose to TL 23.3 billion in 2017 while net income grew 37.75% to TL 3,723 million. The Bank's return on average equity (ROAE) and return on average assets (ROAA) during this period were 17.52% and 1.54%, respectively.

We would like to thank our customers, employees, and shareholders for their contributions to our results in 2017.

Respectfully,

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

»» BOARD OF DIRECTORS



İSMAİL ALPTEKİN

Chairman

İsmail Alptekin graduated from Istanbul University, Faculty of Law in 1968, and began his career as a self-employed lawyer. He worked as a lawyer at Türkiye Ziraat Donatım Kurumu (Turkish Agricultural Hardware Corporation) and as an auditor at TUBİTAK; he was a member of the Board at VakıfBank for two terms (1975-1978, 1996-1997), a member of Ankara Metropolitan Municipality Council, as a member of Parliament from Bolu during the 21st period and from Ankara as a member of Parliament in the 22nd period, and Turkish Grand National Assembly's Vice Chairman. He was elected a member of the Board of Directors at VakıfBank's Ordinary General Assembly held on April 3, 2009 and has been serving as the Chairman of the Board of Directors since June 9, 2017.



SERDAR TUNÇBİLEK

Deputy Chairman- Independent Member

Serdar Tunçbilek graduated from the Faculty of Political Sciences at Ankara University and started his career in 1985 as Assistant Auditor at T. Emlak Bankası A.Ş. After serving 4 years as an auditor, Tunçbilek worked as the Manager of Loan Marketing, Loan Monitoring, Securities and Dusseldorf Financial Services Branch for 11 years. He held the position Secretary General in Egebank A.Ş. between 2000-2001. Serdar Tunçbilek was the Vice President of a Department at the Banking Regulation and Supervision Agency (BRSA) between 2001 and 2005. He served as a Group Coordinator and Vice President of a Department at the Savings Deposit Insurance Fund (SDIF) in 2006-2007. Tunçbilek also served as a member of Board of Directors, Supervisory Board Member and the Chairman of the Board of Directors at companies taken over by SDIF between 2001-2007. Tunçbilek was appointed a member of Board of Directors at VakıfBank in 2007, served as a member of the Credit Committee and the Audit Committee for 5 years, and worked as a member of the Board of Directors and the Chairman of the Board of Directors at Vakıf Sistem Pazarlama, Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş., and Vakıf Portföy Yönetimi A.Ş. Between the years 2014 and 2017, he was a member of Board of Directors at Güneş Sigorta. Serving as a member of Board of Directors, he was elected the Deputy Chairman of the Board of Directors at VakıfBank at the General Assembly Meeting on June 9, 2017. Serdar Tunçbilek is also a member of the Credit Committee, Audit Committee and Corporate Governance Committee.



MEHMET EMİN ÖZCAN

CEO - Executive Board Member

Born in 1960, 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 on January 1, 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 foreign subsidiaries of T.C. Ziraat Bankası A.Ş. as the Chairman/Member of the Board of Directors. Returning to T. Halk Bankası A.Ş. in May 2010, Özcan was appointed as Deputy Chairman of Board of Directors of T. Halk Bankası A.Ş., a position in which he served till March 29, 2013. At the same period, he was also a Board Member at Demir-Halk Bank Rotterdam. On March 29, 2013, Mehmet Emin Özcan was appointed as Deputy Chairman of Board of Directors at VakıfBank and also served as the Chairman of Board of Directors of VakıfBank International AG - Vien and Vakıf Yatırım Menkul Değerler A.Ş., Deputy Chairman of Board of Directors of Vakıf GYO, Vakıf Finansal Kiralama A.Ş. and Güneş Sigorta. Upon the decision of Turkish Republic of Northern Cyprus Cabinet, dated February 14, 2017, he was appointed as the Chairman of TRNC Central Bank, and he resigned from his duty at VakıfBank. In accordance with the VakıfBank Law numbered 6219, at the General Assembly Meeting held on June 9, 2017, Mehmet Emin Özcan was appointed as the CEO of VakıfBank by the Prime Minister. He is married and has three children. He is fluent in English well.

**DR. ADNAN ERTEM****Board Member**

Adnan Ertem, born in 1965, completed his secondary education in Erzurum. He graduated from Istanbul University, Faculty of Political Sciences, Department of Public Administration in 1987, and earned his Ph.D. in 1997 in Sociology. He started 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 at VakıfBank. Between 2002 and 2007, he served as the Deputy Manager at the İstanbul Regional Directorate of Foundations at VakıfBank. 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 27, 2010, he was appointed as a Member of the Board of Directors at VakıfBank. He is married with two daughters. Dr. Ertem serves as a Member of VakıfBank's Remuneration Committee.

**ŞAHİN UĞUR****Independent Board Member**

Having completed his primary and secondary education in Malatya and Erzurum, Şahin Uğur graduated from the Department of Business Administration at Atatürk University in 1979. In 1984, he started to work at VakıfBank and served as Assistant Manager, Manager and Head of a Department until 2004. He then served as Executive Vice President between 2004 and 2013. He was a member of the Board of Directors at VakıfBank International AG Wien, Güneş Sigorta, Taksim Otelcilik, Atakule REIT, Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. and Vakıf GYO which are subsidiaries of the Bank. Şahin Uğur was elected a Board Member of VakıfBank at the General Assembly Meeting dated June 9, 2017.

**DİLEK YÜKSEL****Board Member**

Dilek Yüksel was born in Niksar, Tokat in 1977. She graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Economics. Mrs. Yüksel had an education on banking and economy from Banking Law and Research Institute at Ankara University. She worked as the Manager of Press and Manager of Public Relations Department in Samsun Atakum Municipality, and the Chief of Mamak Municipality's Culture Branch in Ankara. She was elected as a Member of Parliament for the 23rd and 24th legislative terms from Tokat province. In the 23rd legislative term of the Grand National Assembly of Turkey (GNAT), she was a member of the Committee on State Economic Enterprises. Ms. Yüksel also served both as a member and the spokesperson of the Committee on National Defense; member of the Committee on Equal Opportunity for Women and Men; and Head of the sub-committee on Enhancement of Women's Employment and Suggestions for Solution in the 24th legislative term. In addition, she served as a Secretary Member of the Presidency Council of the GNAT for the 24th legislation term. Ms. Yüksel is fluent in English and she is married with two children.

»» BOARD OF DIRECTORS



ÖMER ARISOY **Board Member**

Ömer Arısoy graduated from Istanbul University, Faculty of Law in 1997. He started his career as a self-employed lawyer before becoming an advisor for Zeytinburnu Mayor in 1999. Between 2004 and 2014, he served as chairman and vice chairman of various sub-committees in the Zeytinburnu Municipality. In 2014, he was appointed as the Director of Strategy Development Department of the Prime Ministry Housing Development Administration of Turkey and continued this duty for two years. Ömer Arısoy, who has been serving as the Undersecretary of the Ministry of Culture and Tourism since 2016, was elected a Board Member of VakıfBank at the General Assembly dated June 9, 2017. Ömer Arısoy is also a member of the Corporate Governance Committee and a substitute member of the Credit Committee.



SABAHATTİN BİRDAL **Independent Board Member**

Sabahattin Birdal was born in Kemah/Erzincan in 1952. He graduated from Istanbul 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. Mr. Birdal also appointed as bank services manager at Faisal Finance Institution, manager of a department and branch and executive vice president in Kuveyt Turk Evkaf Finance Institution before retirement from his duty in 1999. Mr. Birdal assumed duties as Deputy Mayor of Üsküdar Municipality and as Member of the Board of Directors of VakıfBank between March 2008 and October 2010. He was appointed as a member of Halkbank's Board of Directors. Sabahattin Birdal was elected Member of VakıfBank's Board of Directors at the meeting held on March 2014. He served as Deputy Chairman of Vakıf Finansal Kiralama A.Ş., Deputy Chairman of Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş., Board Member at Vakıf Yatırım Menkul Değerler A.Ş., Deputy Chairman at Vakıf Yatırım Menkul Değerler A.Ş. and Chairman of the Board of Directors of Vakıf Factoring. He has been serving as the Chairman of the Board of Directors at Vakıf GYO since 30.04.2014. Mr. Birdal also has appointed as the member of the Audit Committee and Credit Committee at T. Vakıflar Bankası T.A.O.

»» BOARD OF STATUTORY AUDITORS



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 the Audit Committee between October 14, 2009-July 13, 2015. Yunus Arıncı was appointed as Chairman of the 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.



HASAN TÜRE

Board of Statutory Auditors Member

Born in Ankara/Kızılcahamam in 1963, Hasan Türe graduated from the Department of Business Administration of Anadolu University and started his professional career as Intern Officer in 1990 at VakıfBank. Since 2002, he served as Manager of Vezirköprü Branch in Samsun, Manager of Kırşehir Branch, Manager and Board Member of VakıfBank Private Pension Fund and also Board Member at the subsidiaries of VakıfBank. He retired from VakıfBank as of February 28, 2014. Hasan Türe still serves as a Board member of Yenimahalle/Ankara Social Assistance and Solidarity Foundation, and as a Board Member of the boards of various non-governmental organizations operating in Ankara. Türe was elected as a member of Board of Statutory Auditors at the General Assembly of VakıfBank on 9 June 2017. He is married and has two children.

» EXECUTIVE MANAGEMENT



MEHMET EMİN ÖZCAN

**CEO - Executive Board Member
(Corporate Communications Department - Board of Directors Operations
Department - Executive Assistant)**

Born in 1960, Mehmet Emin Özcan graduated from Ankara University, Faculty of Political Sciences, Department of Economics and Finance in 1982. His career started on 01.01.1983 when he joined Türkiye İş Bankası A.Ş. as Assistant Auditor. He then held various managerial positions at Albaraka Türk Katılım Bankası A.Ş. Between March 2003 and April 2005, he was Executive Director of T. Halk Bankası A.Ş. At the same time, he was Bank Representative at the Institute of International Finance (IIF), and Board Member at Demir-Halk Bank/Netherlands, Halk Yatırım Menkul Değerler A.Ş. and Halk Finansal Kiralama A.Ş. Between April 2005 and May 2010, he was a Board Member at T.C. Ziraat Bankası A.Ş. At T.C. Ziraat Bankası A.Ş., he also served as Chairman/Member of the Board of Directors at the Bank's subsidiaries, especially international subsidiary banks. Returning to T. Halk Bankası A.Ş. in May 2010, Özcan was appointed Deputy Chairman of T. Halk Bankası A.Ş. and served in this position until March 29, 2013. He was also a Board Member at Demir-Halk Bank Rotterdam. Mehmet Emin Özcan was appointed as VakıfBank Deputy Chairman on 29.03.2013, and also served as Chairman of VakıfBank International AG - Vien and Vakıf Yatırım Menkul Değerler A.Ş., Vakıf GYO, Vakıf Finansal Kiralama A.Ş. and Vice Chairman at Güneş Sigorta. On February 14, 2017, by the decision of the TRNC Council of Ministers, he was appointed Chairman of TRNC Central Bank and so resigned from his position at VakıfBank. At VakıfBank's General Assembly Meeting dated June 9, 2017, Mehmet Emin Özcan was appointed VakıfBank CEO by the Prime Minister as per Law number 6219. He is married and has three children. He is fluent in English.



METİN RECEP ZAFER

**(Banking Operations - Loan, Customer and Accounting Operations - Treasury Operations - Foreign
Operations - Payment Systems Operations - Application Development 1 - Application Development 2 -
System Management - IT System and Application Support - IT Planning and Coordination)**

Born in 1970, Zafer is a graduate of Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics. He earned his MA and PhD from the same university. After starting his banking career in 1992, he held different positions at the branch, head offices, organization, audit committees and financial control structures of various banks. He was appointed as Executive Vice President at VakıfBank on June 13, 2006.



HASAN ECESOY

**(Treasury Management - International Banking and Investor Relations - Treasury Reporting and Middle
Office)**

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. After working in the various banks, he was appointed as Executive Vice President of the Bank in June 2010. Hasan Ecesoy is fluent in English.

**OSMAN DEMREN****(Corporate Loans and Allocation Management - Commercial Loans Allocation Management - Retail Loans Allocation Management - SME and Local Government Loans Allocation Management)**

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

**MUHAMMET LÜTFÜ ÇELEBİ****(Retail Banking Marketing - Retail Loans Marketing Services)**

Muhammet Lütfü Çelebi is a 1992 graduate of Istanbul 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. After working as auditor between 1998 and 2001, he worked as Assistant Manager and Manager in various branches/departments of VakıfBank. From 2011 to 2013, he held the position of 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****(Administrative Affairs - Construction and Real Estate and Purchasing)**

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 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.

» EXECUTIVE MANAGEMENT


MEHMET EMİN KARAAĞAÇ
(Legal Affairs - Legal Services - Credit Risk Liquidation)

Born in Konya in 1963, Mehmet Emin Karaağaç graduated from Istanbul University, Faculty of Law and started his career as Attorney at Türkiye İş Bankası A.Ş. in 1989. He served as Assistant Legal Counselor and Legal Counselor at various departments of Türkiye İş Bankası A.Ş. until January 2, 2012. He assumed the position of Chief Legal Consultant in VakıfBank's Legal Department on January 3, 2012. Mr. Karaağaç was appointed as the Executive Vice President of Legal Affairs, Loan Monitoring and Legal Proceedings at VakıfBank on October 25, 2013. He has been working as the Executive Vice President of Legal Affairs, Legal Services and Credit Risk Liquidation since July 2017.


YAKUP ŞİMŞEK
(Corporate and Investment Banking Marketing - Commercial Banking Department - Banking Marketing - Cash Management Operations - Corporate Management)

Yakup Şimşek graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration in 1992. He began his banking career at VakıfBank as Assistant Auditor in 1996 and served as Auditor from 1999 to 2002. Subsequently, he served as Assistant Manager and Manager in various branches and departments of the Bank. He served as Head of the Bank's Audit Board from 2008 to 2010, and as Manager of the East Anatolian Regional Directorate and Manager of the Southeast Anatolian Regional Directorate of the Bank, respectively, after 2010. While serving as Head of the Cash Management on March 4, 2014, he was appointed Executive Vice President at the Bank on August 25, 2016.


HÜSEYİN UĞUR BİLGİN
(Human Resources - Corporate Development and Training)

Born in Ankara in 1967, H. Uğur Bilgin is a graduate of the Business Administration Department of Anadolu University. He started his career in 1986 as Officer in VakıfBank and went on to serve as Manager in various branches. He served as the Manager of Public Relations in 2003 and at the Board of Directors Affairs in 2004. In 2006, he became Head of the Board of Directors Affairs and in 2013 he was appointed the Head of Human Resources while also fulfilling his responsibilities as regards the Board of Directors Affairs. He also served as a member of the Board of Directors at Bank's various subsidiaries. H. Uğur Bilgin was appointed as the Executive Vice President of VakıfBank on 01.08.2017.

**ŞEYH MEHMET BOZ****(Lending Policy and Process Implementation - Credit Risk Planning and Loan Monitoring - Evaluation and Rating Department)**

Şeyh Mehmet Boz, born in 1967 in Adıyaman, graduated from Çukurova University, Faculty of Economics and Administrative Sciences, Department of Economics in 1990 and received his Master's degree from the same Department in 1993. He started his banking career in 1995 as Assistant Auditor in VakıfBank. He worked as Deputy Manager in the Istanbul Branch between 1999-2002, and as Manager in Adapazarı Branch between 2002-2005. After 2005, he served as Head of General Accounting and Finance Department, Head of Retirement and Sanitary Affairs, Head of SME Banking, and Head of Retail and SME Loan Department. He had been serving as Regional Manager at the 1st Regional Directorate of Istanbul starting since 2015. Şeyh Mehmet Boz was appointed an Executive Vice President of VakıfBank on 01.08.2017. He is fluent in English.

**İLKER YEŞİL****(Payment Systems - Digital Banking and Distribution Channels)**

Born in Silifke in 1973, İlker Yeşil graduated from Ankara University, Faculty of Political Sciences, Department of Public Administration in 1994. He started his banking career in 1995 as Assistant Auditor at VakıfBank. Having served as Manager in various branches, he became Çukurova Regional Manager in 2007 and Mediterranean Region Manager in 2010. While serving as Regional Manager at Çukurova Regional Directorate, he was appointed as an Executive Vice President of VakıfBank on 01.08.2017.

» EXECUTIVE MANAGEMENT



ŞUAYYİP İLBİLGİ

(General Accounting and Financial Affairs - Strategic Planning - Subsidiaries and Affiliates)

Born in 1972 in Ceyhan, Şuayyip İlbilgi graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Economics in 1994. He started his career as Assistant Associate at VakıfBank in 1996. He served as Manager at the Treasury between 2007 and 2010. In 2010, he became Head of Treasury. On August 1st, 2017, Şuayyip İlbilgi was appointed as an Executive Vice President of VakıfBank and currently also serves as Deputy Chairman of VakıfBank International AG.



ERSİN ÖZOĞUZ

(SME Banking Marketing Department - Local Governments Banking Marketing Department)

Ersin Özoğuz was born in Izmir in 1972. He graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Finance in 1993, and started his career at Turkish Ministry of Finance, Izmir Directorate in the same year. He started his banking career in 1996 as Assistant Auditor at VakıfBank, and promoted to the position of Auditor in 1999. Having served as Manager in various branches, he became Regional Manager of Marmara Regional Directorate in 2009. Then he served as Head of Commercial Banking in 2011, Head of Cash Management Transactions in 2013, and Head of Audit Board in 2014. Ersin Özoğuz was appointed an Executive Vice President of VakıfBank on 01.08.2017. He is fluent in English.

»» INTERNAL CONTROL SYSTEMS EXECUTIVES

MUSTAFA EMRE

Head of the Audit Board

Mustafa Emre graduated from Hacettepe University, Faculty of Science, Department of Mathematics and started his banking career in 2003 as Assistant Auditor at the Audit Board. He was then appointed as Auditor in 2006 and Deputy Head of Audit Board in 2013. He has been serving as Head of the Audit Board since 31.07.2017.

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.

MİKAİL HİDİR

Head of Internal Audit

A graduate of the Faculty of Law at Ankara University, Mikail Hidir started his career as Deputy Auditor in 2003 at the Audit Board. He served as Manager in various departments before being appointed as Head of Loan Monitoring and Compliance Department in 2014. He has been serving as Head of Internal Audit Legislation Department since 25.07.2017.

»» COMMITTEES

» AUDIT COMMITTEE

Serdar Tunçbilek 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 companies by the Board of Directors,
- » Monitoring the activities of the independent audit companies 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. Serdar Tunçbilek and Sabahattin Birdal serve as permanent members while Dilek Yüksel and Ömer Arısoy 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 Members Serdar Tunçbilek and Ömer Arısoy and The Head of International Banking and Investment Relations Mustafa Turan. The Corporate Governance Committee is responsible for overseeing the Bank's compliance with the Corporate Governance Principles.

The Corporate Governance Committee 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 numbered 27959 dated June 9, 2011. The Committee members are Şahin Uğur and Dr. Adnan Ertem and Dilek Yüksel.

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 the respective 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 this context, actions are taken to manage the balance sheet's funding cost and structural foreign exchange rate, interest rate, liquidity and credit risks at the optimum level, within the scope of related legislation and to shape the balance sheet's development in line with the Bank's growth strategies. In order to maintain efficient liquidity and Fund management, the Committee monitors sources and uses movements that constitute the cash inflow and outflow in the short term, development of budget parameters by segment, and market shares; and evaluates measures and actions that will inform the liquidity, resource procurement and funding source utilization transactions in accordance with the Bank's primary objectives and strategies.

Evaluating the harmony of the issues to be carried out by departments with the growth strategies embraced by the Bank, monitoring and analyzing profitability and net interest income, updating policies, procedures, regulations and other documents are among the other responsibilities of the Committee. In addition, efforts and practices related to decisions taken at previous meetings are regularly evaluated.

The Committee, however, also discusses agenda items to ensure that the Bank acts proactively, when necessary, to evaluate decisions by legal authorities which may affect the Bank's activities, as well as to keep track of innovations and changing technological conditions.

The Committee, 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 92 meetings and passed 1,394 resolutions in 2017.

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 73 meetings and passed 452 resolutions in 2017.

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 2017.

Remuneration Committee

It meets at least once a year. The Committee convened once in 2017.

Audit Committee

It convened sixteen times in 2017.

Asset/Liability Management Committee

The Committee generally meets weekly; it convened 37 times in 2017.

» HUMAN RESOURCES PRACTICES

VakıfBank is committed to provide equal opportunities and conditions to all of its employees in its human resources practices.

VakıfBank's modern and strategic human resources policy is designed to develop its employees' talents in line with requirements of the current day and the necessities of digital banking, and to increase employee motivation.

The present human resources practices are geared towards providing equal opportunities and conditions for all employees, on the basis of their competencies. In addition, the Bank aims to contribute the individual and professional development of employees to maximize employee satisfaction and commitment, and nurture a culture that will sustain corporate success.

» RECRUITMENT AND PERSONNEL PROCEDURES

The Bank's employment plans are carried out in a line with strategies determined in the light of the Bank's long-term strategic objectives and the departments/branches' staffing norms, so as to meet their personnel needs in a top quality and efficient manner.

In 2017, as a result of studies to determine the employee requirement, the Bank identified the places where additional employee is needed in the short term, and made a point of overcoming the shortcoming in these places, and organized regional recruitment, tests and interviews. As for the long term, the Bank planned and carried out the employee recruitment process in due consideration of employee requirements expected to arise during the year, depending on planned organizational changes, new branches set to be opened, and the number of employee who would leave due to retirement, resignation and similar reasons.

In this scope, 1152 new employees were recruited in order to meet the Bank branches' and departments' employee needs that arose in 2017. The Bank's head count increased 3% compared to the prior year to reach 16,097 as of end-2017.

The Bank also attempted to meet the branches' and departments' demand for employee with the existing workforce, by changing places of duty in the year 2017. The ensuing appointments and assignments allowed the Bank's branches and departments to operate with an optimum number of employee.

Furthermore, to ensure the continuity of the added value created by the employees for the Bank, the places of duty of 700 employees who had been working in the same branch for a long period were changed in January 2017, according to specific criteria (branch class, signature authorization, the employee's role, title, etc.). As such, the possible risks associated with working at the same branch for long time and reduced labor productivity were eliminated, and the employee's dynamism and motivation were increased. In consideration of the mentioned rotation scheme's positive effect on the Bank employee's productivity, VakıfBank plans to repeat it periodically in the following period.

With a view towards preventing the risks posed by accumulated annual leaves for the Bank, efforts were expended in 2017 to encourage Bank employee with annual leave of over 50 days to plan and use at least 2 weeks of their leave without disrupting the workflow in their places of duty. These efforts not only helped reduce the accumulated annual leave days but also enabled employees to enjoy their right to leisure and increase their work dynamism.

» EMPLOYEE RELATIONS

Activities carried out in the scope of the Occupational Health and Safety Policy, which embodies the importance attached by the Bank to its employees, possible workplace risks are minimized and a safe work atmosphere is created. To this end, efforts were expended in 2017 at the Bank in line with the relevant provisions of the Law numbered 6331 on "Occupational Health and Safety Policy". Risk Assessment Reports and Emergency Plans were prepared for 875 branches and 279 departments, 8,298 employees were given Occupational Health and Safety Training, 1,250 employee received Basic First Aid Training, 8,000 employees underwent periodical health check/screening, and Fire-Robbery-Theft-Natural Disaster Drills were carried out in numerous branches and departments.

2018 goals for human resources practices

- » It is planned to recruit approximately 1,000 more employees during various dates in the year 2018 in order to meet the needs which will arise due to resignation, retirement and similar reasons, and the workforce requirements of the new commercial segment branches to be opened in 2018.
- » The rotation scheme applied in 2017 for employees working at the same branch for a long time will be extended into 2018 and turned into an employee policy, since it has made huge contributions to reducing risks posed for the Bank.
- » Occupational health and safety measures will be implemented through the integration into VIT of the Occupational Health and Safety Management System purchased by Vakıf Joint Health and Safety Department. The Bank plans to ensure that work accident and occupational disease records are entered over VIT and that statistical data is stored duly.

“Career Based Wage Management” system, which is among the most important phases of the change and transformation effort initiated in VakıfBank, has been launched.

- » The work under way within the scope of the Occupational Health and Safety Policy will continue in 2018, with a view towards raising the awareness of the employee in this regard and thus preventing possible job accidents. In this respect, the Bank will draw up Risk Assessment Reports and Emergency Plans, carry out Fire-Robbery-Theft-Natural Disaster Drills for the remaining branches and departments, continue the ongoing occupational health and safety training for the employee during the year, continue the periodical health checks and screenings by physicians, and ensure that sub-employers fulfil their obligations as per the relevant legislation on occupational health and safety.
- » In the calendar year 2018, the Bank will continue its efforts to encourage the employee to use and reduce their annual leaves accumulated in the previous years, without disrupting the work flow.

» CORPORATE DEVELOPMENT AND ACADEMY

Career and Performance

In 2017, performance evaluations of sales employee and branches/regions were conducted on a daily basis according to measurable, attainable, and realistic targets, which were set by taking into consideration the skill sets, current job descriptions of the employee and the potential of branches, 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. In this regard, the base salaries which constitute the basis for premium amounts were increased by an approximate 43.55% for all employees.

According to the title promotion provisions of the Personnel Regulation and Specialized Employees Regulation, a total of 1,868 employees were promoted to the next level.

VakıfBank and the Bank Finance and Insurance Workers’ Union (BASS) have concluded the 23rd Period Collective Labor Agreement, which covers the period between 01.05.2017 and 30.04.2019.

The “Career-Based Wage Management System”, one of the most important phases of the change and transformation was initiated in the Bank, and an additional protocol was signed with the Bank Finance and Insurance Workers Union (BASS) as regards its provisions.

Corporate development

With its strong capital structure, asset quality and extensive branch network in the Turkish banking sector, VakıfBank adopted the principle of rendering effective, efficient and customer-oriented services. To this end, in order to ensure the continuity of its stubborn organization, VakıfBank increased the total number of its branches from 921 to 924.

The Mobile Branch tools acquired by the Bank in the year 2016 were directed to different locations in 2017 in order to provide marketing services and were also used for allowing branches affected by various emergencies to provide uninterrupted services to their customers.

In the scope of the digital transformation rapidly taking place within the sector owing to the increased importance of technological investments and projects, the Bank started a procurement process for Corporate TV (Digital Signage) applications in order to be used in the Bank branches and Head Office Service Building. According to plans, the new scheme will start to serve Bank customers and staff employees in 2018.

» HUMAN RESOURCES PRACTICES

As part of its human resources policies, VakıfBank provides training opportunities for its employees in order to support their development in line with their career goals, improve their motivation, create job satisfaction, and increase their work productivity.

In the second half of 2017; changes and updates were made to the organizational structure of the Head Office, in order to implement sustainable and profitable growth strategies, ensure that the organization is strengthened by obtaining an effective and productive structure, create a product- and customer-oriented organization structure, deliver a rapid and uninterrupted service, and ensure a healthy credit management and increased operational efficiency. The mentioned change and transformation contributed to the efforts towards these goals:

- » Creating a product- and customer-focused distribution network, effective performance measurement, sound credit risk management and increased operational efficiency,
- » Delivering Bank customers products and services that meet their new and evolving needs, perfecting the operations for the delivery of banking products and services, and reducing costs through efficiency studies,
- » Identifying profitable market areas and developing products and services for these areas
- » To this end, especially marketing departments were structured according to segments and specialization was achieved to create a more efficient management structure, within the scope of restructuring efforts. The re-segmentation of the branches in line with the customer-oriented perspective and the foundation of branch departments corresponding to Head Office Departments have necessitated the constitute of the Commercial Branches as well. Within this scope, it has been decided to open 35 Commercial Branches in order to provide a better quality service to the customers

in the commercial segment and to increase customer productivity. These Commercial Branches, which will serve in 14 different provinces, are planned to become operational in 2018.

In order to manage the branches through a more effective and stronger coordination, to increase the support given to the branches, to ensure the balance among the workloads of Regional Directorates, to enhance market share and profitability through focus, one Regional Directorate and one Regional Loan Directorate in both Ankara and Istanbul's European side.

In the second half of 2017, efforts were initiated for the identification and modification of the new Head Office Building, and the VakıfBank Head Office Departments, which had been operating in multiple locations across the European side of Istanbul since 2011, were gathered in a single location to deliver services. For this purpose, new service buildings located in the Ümraniye district of Istanbul were rented and construction work was accelerated in order to gather the scattered departments, so that they start functioning in these new Head Office buildings in 2018. Thus, it will be possible to eliminate various problems arising from the existence of multiple service buildings in different locations, to render the management network more efficient and effective, and to increase synergy further by bringing the departments together.

Training

As part of its human resources policies, VakıfBank provides training opportunities for its employees in order to support their development in line with their career goals, improve their motivation, create job satisfaction, and increase their work productivity. To this end, in line with the "Training Needs Assessment," 1,942 classroom training sessions were conducted on 461 different topics in 2017. Some 40,897 participants received a total of 362,129 hours of training during these sessions. Some 9,996 employees, out of the Bank's total employee count of 16,097, attended at least one training session while 5,972 employees attended multiple training sessions.

A Certification Training Program was designed and initiated to ensure that employees acquire the necessary experience and competencies along their career path, and receive the courses that are a precondition for promotion to the next level. Within this scope, a question bank was set up through collaborations with universities for Training Programs and Assessment Exams. The In-House Trainer System was set up in order to tap into the Bank's internal resources for training activities, and to employ specialized employee as in-house trainers; applications of employees willing to join the In-

The once-a-year administrative appraisal system has been discontinued to be replaced by a “Behavior-Based Competency Appraisal” system in 2018.

House Trainer System were collected. The Bank’s goal for 2018 is to ensure that the employee selected as In-House Trainer Candidates complete the In-House Trainer Training Program successfully, and play an active role in training schemes.

In training programs designed with the mixed learning model, e-learning training schemes are used intensively with increased subject diversity to support in-class training. In addition to classroom training sessions, 274,945 participants completed e-learning modules offered on 151 topics and there was an increase in the number of people.

» STRATEGIC GOALS FOR 2018

Pursuant to the related articles of the Bank’s Employee Directive and Specialized Employee Directive that govern promotions, the Bank plans to administer a promotion in title examination to employee and specialized employees in the Professional Public Servant category. As regards the career planning of Bank employees, a “Career Based Wage Management System” was introduced to assign not only titles but also task positions to the employee. As such, the employees will have the chance to move not only vertically, but also horizontally.

The once-a-year administrative appraisal system has been discontinued to be replaced by a “Behavior-Based Competency Appraisal” system in 2018.

Head Office Departments will start to be classified just like the branch departments. The Bank’s performance system will be modified to measure the performance of all Bank departments, whose performance has not been measured so far. All such departments will be assigned targets in line with the Bank’s overall strategies.

In accordance with the Bank’s goals and strategies, VakıfBank keeps restructuring the Bank’s organization to meet its needs; revising the operational guidelines of all departments; and aligning them with the Bank’s business processes.

In line with new laws, regulations and requirements for the banking sector, VakıfBank plans to constitute the coordination between the departments and support the developments that will impact the Bank’s structure.

Armed with the awareness that the Bank’s most valuable asset is its human capital, the Bank plans to conduct the permanent staff analyses in order to determine the optimal employee needs of departments and branches.

In 2018, in parallel with global and national economic policies, the Bank will focus on the four basic dimensions of its corporate strategy, namely efficiency, profitability, quality and growth so as to continue to expand its branch network as planned, powered by its customers.

In order to ensure that it achieves its strategic objectives of corporate development and growth, the Bank will identify all requirements for training and development so as to nourish a corporate culture and enhance business results by enhancing employee performance and motivation, based on business goals, business quality/quantity criteria, and behavior-based competencies. The Bank plans to organize the training that will increase the human resources quality to meet these needs through practice-oriented, business results-focused methods that support social learning and make extensive use of technologies.

Based on the results of the “Behavior Based Competency Assessment” of the employee, the competencies requiring improvement will be identified and competence-based training programs will be designed so as to enhance these areas of competence.

A video broadcasting infrastructure is being established in the Bank, in order to ensure that the technology is used effectively in education and development activities, and that the employee can instantly access the content necessary for their personal learning needs. Training programs designed through the mixed learning model will be enriched with video content in 2018.

»» OUTSOURCED SUPPORT SERVICES

Under Banking Law 5411 numbered and Communiqué on Procurement of Support Services for Banks dated 05.11.2011 and numbered 28106 VakıfBank procures support services from various companies in order to increase its service quality and maximize customer satisfaction.

As part of the services received from the companies specified within the framework of Law 5188 numbered 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, mortgage transactions, et al. are procured from the following companies, provided that the Bank has the authority in management, content, access, control, auditing and updating.

Private security and cash transportation services received from companies in accordance with Law 5188 numbered 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.
- » Bakkaloğlu Özel Güvenlik Ltd. Şti.

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.
- » Eretim 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.
- » ICS Financial Systems Ltd.
- » Infina Yazılım A.Ş.
- » Innova Bilişim Çözümleri A.Ş.
- » Key İnternet Hizmetleri Bilgisayar Yazılım Don. Mühendislik Müş. San. ve Tic. Ltd. Şti.
- » Kobil Bilgisayar Enerji ve Elektrik Sistemleri San. Tic. Ltd. Şti.
- » Optiim İş Çözümleri A.Ş.
- » Pronet Güvenlik Hizmetleri A.Ş.
- » Riskaktif Danışmanlık Eğitim ve Yazılım San. Tic. Ltd. Şti.
- » Suntec Business Solutions FZE
- » Troy TRM Enformasyon ve Yazılım San. Tic. Ltd. Şti.
- » Uzman Bilişim Danışmanlık A.Ş.
- » Vbase Bilişim Teknolojileri Tic. A.Ş.
- » V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Dan. Hiz. Tic. A.Ş.
- » Verifone Elektronik ve Danışmanlık Ltd. Şti.

Call Center services:

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

Retail Marketing and Data Entry Services:

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

The Printing of Negotiable Instruments:

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

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.

Credit Cards Distribution Services:

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

Deposits and Credit Account Statements Printing:

- » Mastercard Payment Transaction Services Turkey Bilişim Hizmetleri A.Ş.

Mortgage Transactions Services:

- » Vakıf Gayrimenkul Değerlendirme A.Ş.

Executive Assistant Services:

- » Türkmenler Tem. İnş. Med. Ymk. Gıda San. ve Tic. Ltd. Şti.
- » Azizer İnş. Ve Taahhüt Temizlik Hizmetleri Gıda San. ve Tic. Ltd. Şti.
- » Yentürk İnş. Oto. Medikal Nakliye Temz. San. ve Tic. Ltd. Şti.
- » Efor Temz. İşl. Gıda Tıb. Malz. ve Med. İnş. Ltd. Şti

»» TRANSACTIONS WITH THE BANK'S RISK GROUP

The details of the transactions with the Bank's risk group in 2017 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 dated 3rd of January 2014 and numbered 28871;

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-) The Bank was not able to comply with the compulsory principle numbered 4.3.7 that must be implemented by the banks due to the fact that the list of independent Board Members cannot be prepared at least 60 days before the General Meeting date. The aforementioned situation was informed to the Capital Markets Board by the letter dated 27.01.2017 and numbered 35. The matter of whether the members elected in the 63rd Ordinary General Assembly dated 09.06.2017 meet the independency criteria or not was informed to the Capital Markets Board by the letter dated 16.06.2017 and numbered 212. It has been stated that there is no negative opinion regarding the

elected independent Board Members in the response letter of CMB dated 17.07.2017 and numbered 29833736.

c-) Regarding the non-compulsory principles: Eight members of the Board of Directors are elected by the General Assembly whilst one member is appointed by the Prime Minister. There is one female member in the Board of Directors which is composed of the eight members who were elected at the 63rd Ordinary General Assembly of 2016. On the other hand, in spite of the fact that the 25% ratio advised in the Corporate Governance Principle n.4.3.9 is not reached exactly, no disputes have arisen between the stakeholders so far.

» 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 institutional investors, rating institutions and shareholders, the Investor Relations Department informs and reports to the Board of Directors regarding all activities carried out and quarterly submits presentations, in particular, regarding the financial comparative analysis of VakıfBank with its peers.

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	(0216) 724 26 61	mustafa.turan@vakifbank.com.tr
Ali TAHAN	Manager	(0216) 724 26 85	ali.tahan@vakifbank.com.tr
Zeynep Nihan DİNCEL	Assistant Manager	(0216) 724 26 86	zeynepnihan.dincel@vakifbank.com.tr
Yasemin KEÇELİOĞLU	Associate	(0216) 724 26	yasemin.kecelioglu@vakifbank.com.tr
Ece Seda YASAN YILMAZ	Associate	(0216) 724 26 88	ecesedayasan.yilmaz@vakifbank.com.tr
Yusuf YILMAZ	Associate	(0216) 724 26 89	yusuf.yilmaz2@vakifbank.com.tr
Berna SELEM ARSLANTAŞ	Associate	(0216) 724 26 90	bernaselem.arslantas@vakifbank.com.tr
Mehmet Mümtaz MEMİK	Assistant Associate	(0216) 724 26 91	mehmetmumtaz.memik@vakifbank.com.tr

»» CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 agencies,
 - » Maintaining the relations with brokerage companies' analysts who prepare reports regarding the Bank,
 - » Attending meetings organized in Turkey and abroad 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 Head Office departments in preparing and updating the Corporate Governance Principles Compliance Report,
 - » Contribute to the preparation of annual and interim reports
 - » Responding 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,
 - » Disclosing the material events via Public Disclosure Platform required to be made within the scope of the Capital Markets Legislation and the relevant legislation that the Bank is liable to comply with
 - » Carrying out activities in collaboration with the departments for sustainability activities,
 - » Assembling, running, and providing coordination necessary for the sustainability of Quality and Environment Management System with a methodology to be determined by the Corporate Governance Committee within the Bank.
- During 2017, the Investor Relations Department:
- » Approximately 1,000 information requests submitted by the shareholders were responded.
 - » 21 local and foreign investor conferences were attended, and face-to-face meetings were held with more than 400 foreign and local institutional investors.
 - » More than 250 meetings were held in the Bank's Istanbul office and roughly 400 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 rating institutions (Fitch, Moody's and S&P).
 - » Close communication was sustained with all the analysts publishing reports regarding the Bank, accurate and reliable information was provided to the analysts during the report preparation and comments on the reports were shared with the analysts following the review process.
 - » It was ensured that 2017 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.
 - » The Disclosure Policy was updated with the Board of Directors' resolution dated 31.10.2017 within the scope of Communiqué on Material Events Disclosure (II-15.1) published by Capital Markets Board (CMB).
 - » VakıfBank received the awards of "International Bond Deal of the Year" and "Financial Institutions Financing Deal of the Year" with the first ever Euro-denominated Mortgage Covered Bond issuance of Turkey amounting EUR 500 million with 5 years maturity by "Bond and Loans Award 2017", one of the most prestigious award in the Turkish Capital Markets and finance sector. In addition, VakıfBank has won "CEEMEA Financial Institution Deal of the Year" award by Global Capital, one of the respectful and prestigious media company of international capital markets, in January 2017 for the same issuance.
 - » Mr. Hasan Ecesoy, EVP responsible for International Banking and Investor Relations Department, took part as a speaker for the panel of "the Symbiotic Life of Credit Markets and Capital Markets: Securitization" at Capital Markets Congress held in Istanbul.
 - » Mr. Mustafa Turan, SVP responsible for International Banking and Investor Relations, participated to the panel of "Banks in Central and Eastern Europe" as a speaker at Euromoney Covered Bond Conference held in Barcelona.
 - » Mr. Mustafa Turan, SVP responsible for International Banking and Investor Relations, participated to the panel of "Capital" as a speaker at the Bonds&Loans Conference held in Istanbul.
 - » Secretarial procedures were performed for the Corporate Governance Committee, which is the highest body authorized for coordinating sustainability activities, and for the Sustainability Work Group which carries out activities under this Committee. Anticipated meetings and meeting agendas were determined.
 - » As the Bank is listed in the BIST Sustainability Index, correspondence with the related organizations has been carried out to make sure that the Bank maintains its position in the Index. Furthermore, EIRIS (Ethical Investment Research Services Limited) reports issued regarding the Bank's index performance were reviewed and mutual opinions were shared.
 - » In order to maximize the Bank's performance in environmental, social and Corporate Governance issues, activities were carried out in collaboration with other departments of the Bank.
 - » In conformity with the Global Reporting Initiative G5 requirements, activities were initiated to prepare the second Sustainability Report of the Bank that will cover June 2017 - June 2018 activity period.
 - » In order to formulate the framework of the Sustainability Report, and set the long term sustainability strategy of the Bank, various communication channels (surveys, phone calls and meetings) were used and opinions of the shareholder were taken. Within this scope, approximately 200 shareholders were surveyed, 10 shareholders were contacted by phone calls while face-to-face meetings were held with 10 shareholders.

- » ISO: 9001-2015 Quality Management Certificate and ISO: 14001-2015 Environmental Management System Certificate obtained on the basis of the activities initiated for the purpose of assembling, managing and providing sustainability of the Quality and Environmental Management Systems of which methodology to be determined by the Corporate Governance Committee within the Bank. VakıfBank became the second bank in the sector and first bank among state banks with ISO: 9001-2015 Quality Management Certificate including the assessment of both Head Office departments and all branches.
- » Targeting the institutional and foreign investors, Turkey's first investor relations application in English that was prepared by the related Bank departments in 2014 for iPhone and iPad users was developed with the name "VakıfBank IR." From the date of activating the application until the end of 2017, 12,160 users in total and during 2017 5,830 users downloaded the application and continue to use 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 business information, by contacting with the most authorized person.

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_lliskileri.aspx?pageID=657

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

These websites include; corporate information, Bank's Articles of Association and the Law on VakıfBank, General Assembly information documents, profit distribution chart, General Assembly Internal directive, attendance lists, brief minutes, periodic financial statements and annual reports, credit rating scores given by credit rating agencies, Corporate Governance reports, sustainability information, stock data, press releases and announcements about the developments in the Bank. Publicly announced via Disclosure Platform developments about VakıfBank and disclosure of material matters are available on these websites. Bank's corporate websites do not include any information and announcement that may have impact on using shareholders rights.

VakıfBank implements the provisions of the Turkish Commercial code in relation to appointment of a private auditor, this issue has not been provided for in a separate article in the Articles of Association. There was no request for appointment of a special auditor during the year of 2017. VakıfBank is subject to audit periodically within the scope of especially Banking Law and related legislations.

2.3 General Assembly Meetings

The Ordinary General Assembly Meeting was held at the Head Office address in 2017. 63rd Ordinary General Assembly Meeting was held on the 9th of June 2017 and meeting quorum was 91.64%.

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 2016 annual report, issued for the General Assembly, including Bank's balance sheet and profit/loss statements of 2016 accounting period, Board of Directors annual report, auditor's report and independent external audit company report, was made available in prior to the General Assembly for the Bank shareholders' information and review via the Banks's corporate website, Central Registry Agency system, Electronic General Assembly System, head office and all branches of the Bank within the legal timeframe. 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 2017.

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

» CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

announcements (Head Office and branches, Central Registry Agency system, Electronic General Assembly System),
 » Sample of proxy for shareholders who will not attend the meeting in person.

The issued annual report includes information such as; information regarding the activities of the Bank, information regarding the top management, Bank's balance sheets, balance sheet footnotes, independent audit report, audit board report, Board of Directors' proposal for profit distribution, Corporate Governance Principles Compliance Report, etc. Upon request, the Investor Relations Department provides shareholders with a copy of the annual report before or after the General Assembly meeting.

There was no media participation to the 63rd 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. At the Ordinary General Assembly meeting held in 2017, shareholders did not make any request to add an item on the agenda.

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." Furthermore; within the scope of the Corporate Governance Principle n.1.3.5, all questions asked and answers given at the General Assembly meetings are available on the Bank's website within 30 days following the General Assembly. At the General Assembly held on the 9th of June 2017, shareholders were given the right to ask questions and speak about the

Ordinary General Assembly Meeting agenda items. However, shareholders did not ask any questions to be answered in written or verbal format during the meeting.

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 29th of March 2016 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.

Information was given at the General Assembly Meeting about the amount of aid and donation made by the Bank within the period. Summary of the General Assembly Meeting include information about this issue.

In addition in 2017, 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.

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

VakifBank 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 VakifBank'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 VakifBank's shares are stipulated in the Articles 82, 83, 84, 85 of the Bank's Articles of Incorporation.

Each year, Board of Directors of VakifBank 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 2016 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 Numbered 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

The Bank has two separate websites; that are regularly updated and published in accordance with the Corporate Governance Principles in Turkish (www.vakifbank.com.tr) and in English (<http://www.vakifbank.com.tr/English.aspx?pageID=977>). VakıfBank has two separate investor relations website published in Turkish and in English.

The links of Investor relations website in Turkish and in English as presented below:

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>

These websites include; corporate information, periodic financial statements and annual reports, ratings given by credit rating agencies, Corporate Governance reports, information regarding sustainability, and the sustainability reports of the Bank, stock data, presentations for investors, Bank's Articles of Association and the Law on VakıfBank, General Assembly Internal directive, attendance lists, General Assembly brief minutes, capital increase and dividend ratios, analyst lists, VakıfBank's management, organizations structure, committees, code of ethics, information policy, profit distribution policy, anti-bribery and corruption policy, compensation policy, human rights and employee rights policy, aid and donation policy, remuneration policy, environment policy, social responsibility policy Occupational Health and Safety, MASAK compliance policy, and announcements regarding the developments in the Bank. These websites also include the disclosure of material matters on publicly announced developments about VakıfBank via Public Disclosure Platform. Bank's corporate websites do not include any information and announcement that may have impact on using shareholders rights.

Interactive Analysis Function offers the opportunity to make comparative analysis of VakıfBank shares and indices in local and foreign currencies.

Bank's website is in compliance with the CMB's Corporate Governance Communiqué (II-17.1; date: 03.01.2014) principles numbered (2.1.1), numbered (2.1.2), numbered (2.1.3) and numbered (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 issued within the scope of the Banking Regulation and Supervision Agency's Regulation on the Principles and Procedures of Preparation and Publication of Annual Report by Banks. Bank's Annual Report is in compliance with the CMB's Corporate Governance Communiqué (II-17.1; date: 03.01.2014) principles numbered (2.2.1) and numbered (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 are available as presented below and on the corporate

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website in the Investor Relations section for the information of the stakeholders.

surdurulebilirlik@vakifbank.com.tr
sustainability@vakifbank.com.tr
yatirimciiliskileri@vakifbank.com.tr
investor.relations@vakifbank.com.tr

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 the Bank's website, call center, branches and social media, phone and other communication channels. The Bank assembled the department called Consumer Relations Coordination Center, 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 numbered 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,
- » Contributing to personal development of the employees and helping them reach their career goals while increasing their loyalty to the Bank and strengthening their sense of belonging through internal/ external training programs. 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,
- » 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 employee 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 employees.

In the recruitment process carried out to meet the need for employee, candidates can start working for the Bank as Assistant Bank Examiner, Assistant Specialist, Assistant Controller, and Intern. The employee who will be working at the Bank are chosen from among the candidates, who are graduates of a 4-year department any university, with a bachelor's degree in departments related banking, or other fields that will be determined by the Bank. Special attention is paid to make sure candidates have a postgraduate degree and knowledge of foreign language. On the other hand, the Bank employs IT Assistant Specialists in the Bank's Information Technology departments, Lawyers in the Legal departments, and Engineers and Architects in the relevant business departments.

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 pensions, 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, regional directorates and sales employee 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.

Furthermore, there are special orientation trainings for novice Assistant Auditors, Assistant Associates, and Officers to build up the corporate culture, and to make sure they adapt themselves to the Bank.

Employees are informed about their job descriptions and distribution as well as performance and awarding principles via documents in the Bank's information systems and via notifications/announcements.

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 numbered 4857 currently in effect. Bank employees are "Turkish Bank, Finance 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 23rd Period between 01.05.2017 and 30.04.2019 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.

NAME-SURNAME	POSITION
Turgut YILMAZ	President
Mustafa EREN	Secretary General
Nefiye ARSLAN	Secretary General-Finance

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. Within the year, our Bank updated its corporate communication strategies and shifted to a new concept in communication. Subsequently, with the vision of being the leader bank of Strong Turkey, VakıfBank adopted the image "strength by your side" as the basis of its corporate culture, and updated its corporate social responsibility in 2017 while also carrying out important activities in areas such as sponsorship and social responsibility.

Aiming to support special children's education in the new period, and to take part in projects within this scope, VakıfBank will continue to support traditional Turkish arts in the field of art and culture. Moreover, our Bank also assembled a special department to carry out internal communication activities during the year, and took an important step to develop its corporate culture and assemble an employee brand.

Giving continuous support to Turkish volleyball since 1986, VakıfBank has taken this support one step further with the VakıfBank Sports Palace, which was opened

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to service at the end of 2016. With this facility, thousands of Istanbul residents had the opportunity to get involved in sports in 2017. In the volleyball and chess schools located at the Palace, more than 300 candidate players were given basic trainings during the year. VakıfBank Volleyball Schools opened branches in Ankara and İzmir in 2017 and began to give trainings to candidate volleyball players in these cities.

Winning the Volleyball Women's Club World Title for the second time and the European Champions League title for the third time in 2017, VakıfBank Women's Volleyball Team, Turkey's most successful team in the international arena, continued to bring trophies to our country with the support it gets from the Bank.

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 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.

The companies' performance in environmental, social, and Corporate Governance fields is taken as basis in the BIST Sustainability Index, which was initiated by Borsa İstanbul in 2014, in order to increase perception, knowledge and practices in the field of sustainability in Turkey and among Borsa İstanbul companies in particular. Being listed in the BIST Sustainability Index since the beginning, VakıfBank maintains its position in the index for the November 2016 – October 2017 period as a result of the evaluations made in 2016. Being listed in this index which is a very significant indicator in terms of Corporate Governance and sustainable development, is the proof of the Bank's insight in this area.

» CHAPTER V - BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

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 Mehmet Emin Özcan 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 \(1\), \(2\)/yonetim-kurulu-uyeleri.aspx?pageID=300](http://www.vakifbank.com.tr (1), (2)/yonetim-kurulu-uyeleri.aspx?pageID=300) and <https://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". On 09.06.2017 at the Bank Ordinary General Assembly, Serdar Tunçbilek, Sabahattin BİRDAL and Şahin Uğur 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
İsmail ALPTEKİN	Taksim Otelcilik A.Ş.	Chairman	21.06.2017
Serdar TUNÇBİLEK	Vakıf Finansal Kiralama A.Ş.	Chairman	14.06.2017
Mehmet Emin ÖZCAN	TSKB A.Ş.	Board Member	14.06.2017
Şahin UĞUR	Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş.	Chairman	15.06.2017
Dr. Adnan ERTEM	Vakıf Emeklilik ve Hayat A.Ş.	Chairman	30.03.2011
Sabahattin BİRDAL	Vakıf Gayrimenkul Yatırım Ort. A.Ş.	Chairman	30.04.2014
Dilek YÜKSEL	Vakıf Gayrimenkul Değerleme A.Ş.	Chairman	18.07.2017

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 Ömer Arısoy's duties outside VakıfBank and the Group; He is Ministry of Culture and Tourism undersecretary, Board Member at TURGEV, a Member of the Board of Directors of Yunus Emre Institute.

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.

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 2017, 89 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).

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 set up 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 2017 policy's total value is USD 75,000,000 for each damage within the term of the policy.

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

In order to efficiently and effectively carry out its activities in line with the Banking Law numbered 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; Serdar Tunçbilek and Sabahattin BİRDAL. 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 Serdar Tunçbilek (independent member) and Sabahattin BİRDAL. There are two substitute members for a member who will not attend a meeting. Substitute members are Ömer Arısoy and Dilek YÜKSEL. 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.

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The Corporate Governance Committee is composed of the Members of the Board of Directors Serdar Tunçbilek (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 Dilek YÜKSEL. 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 48th Article of VakıfBank Articles of Corporation in relation to the criteria of the selection of Board of Members is as follows: "The Board of Directors of the Bank consists of nine members including the General Manager". However, the number of the Members of the Board of Directors carrying out tasks is "8".

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

Head of Risk Management directly reporting to the Audit Committee that is responsible for carrying out activities for defining, measuring, reporting, monitoring and controlling the risks that 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 set up, as the policies for managing each of the risks were written within the framework of principle of materiality.

A capital structure in appropriate 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 set up in order to; I) carry out the activities of the Bank in conformity with the targets, policies and strategies set by the top management and within the framework of existing legal legislation, and II) make sure that risky transactions are controlled in the Bank. In order to set up, 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 controls the operational procedures for carrying out activities of the Bank, bank's communication channels, information systems, financial reporting systems and business processes.

Findings and suggestions within the scope of the internal control activities conducted onsite or from the center by the internal control staff are reported and shared with the relevant departments as the actions taken are monitored. Furthermore, information technology controls are also performed to check whether or not information system activities are carried out securely and in conformity with the guidelines determined by the Bank.

Internal Control Department; I) controls the functional classification of tasks, and distribution of duties and responsibilities, for defining, measuring and preventing the Bank's risks, II) presents opinions about existing, changed, cancelled or new set up procedures and processes, and about the projects formulated by the Bank's business departments, and evaluates their potential risks and their compliance to Bank's internal policies and guidelines III) determines control points, IV) makes effective controlling and monitoring, set up and enhancing auto-control and systematic control mechanisms in processes and procedures, and decreasing operational risks.

The Audit Board Department performs systematic audits on internal control and risk management systems in conformity with all legal regulations and Bank's directives.

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.

Within this scope, as per the "Regulation On Program of Compliance with The Obligations Regarding Prevention of Laundering of Proceeds of Crime and Financing of Terrorism", in order to ensure that the Bank's obligations are fulfilled;

- » necessary policies and procedures are structured in 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/ country transactions,
- » 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 etc. to the Compliance Department.

In order to make sure that the Bank healthily keeps track of the international sanctions, the ban list covering the sanctions of the international organizations and institutions such as United Nations, European Union, Office of Foreign Assets Control (OFAC) and etc. is used in investigations and controls. The activities of the Compliance Department are carried out in coordination with the business departments. Within framework of training activities; in-class and online trainings are regularly given to the Bank employee in order to constantly increase the awareness and culture within the Bank about "Prevention of Laundering of Proceeds of Crime and Financing of Terrorism".

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 are evaluated by the management. Consequently, strategies of

the Bank, annual projections are presented by the Strategy and Planning Department to the approval of the Board of Directors. Approved final projections and strategies are sent to the Bank's Executive Vice Presidents, and announced to the Bank staff as they are monitored by the relevant departments. 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. In 2017, gross TL 13.8 million payment was made to the members of Board of Directors, Members of Audit Committee and Senior Managements. The issue was specified in 9th item of the minutes of the 63rd Ordinary General Assembly meeting, and the General Assembly minutes were announced on the Bank's website. On the other hand, banking sector practices are also taken into consideration, and remunerations and benefits given to the members of the Board

of Directors and executives are not disclosed on individual basis. Fixed and performance based payments to the executives and other employee are determined and made within the framework of the principles of the Bank's Remuneration Policy. In order to comply with the principle numbered 4.6.2 of the Corporate Governance Communiqué numbered II-17.1; the "Remuneration Policy" of the Board of Directors of the Bank that entered into effect on 24.02.2014, was submitted for shareholders' information at the 2015 Ordinary General Assembly Meeting. The abovementioned policy document is available in Turkish and English on the 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.

Yours sincerely,



Serdar TUNÇBİLEK

Corporate Governance Committee Chairman



Ömer ARISOY

Corporate Governance Committee Member



Mustafa TURAN

Corporate Governance Committee Member

» STATUTORY AUDITOR'S REPORT

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, the Bank's assets increased by 27% and reached TL 270,571,710 thousand. The loans, with a significant portion of 68% in the assets, reached TL 183,971,615 thousand, increasing by 25% while the deposits – with a broadened base – reached TL 155,277,122 thousand increasing by 25%. Demand deposits increased by 23% while savings deposits increased by 21% and reached TL 65,323,825 thousand. As a consequence of these growing figures, our Bank's profit increased by 38% higher than the sector, and reached TL 3,723,383 thousand. Capital Adequacy Ratio that is important for the sector increased by 136 basis point compared to the last year and reached 15.52%.

The Bank continued its support to the economy with its strong funding source and structure. VakıfBank opened seven new branches while increasing the total number of its branches to 927, and the number of employees to 16,097. 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 framework of the Banking Law numbered 5411, Turkish Commercial Code number. 6102, Capital Markets Law numbered 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, international 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 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 preparing the management statement;

Regarding the information systems and banking processes; I) all Bank departments carry out activities to increase the effectiveness of systemic or manual control points prepared for reconciliation of their activities; II) findings are communicated to the departments, where there is lack of control (if any), to take action for the relevant issues; III) the management statement is prepared in order to provide assurance for the current situation and the activities carried out within this framework, evaluating the effectiveness, adequacy and compliance of the information systems and banking processes in the audit period for the relevant controls; and IV) all fraud is reported during the audit period if the Bank staff at any level ever gets involved in any fraud,

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 if the information systems and related documentation and their control mechanisms were given to audit company, 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 scope of the Regulation Regarding Banks' Procurement of Support Services;

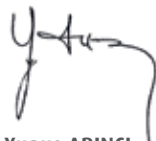
Audit and assessment was made to check whether the companies, that provide the Bank with support services, comply with the stipulated terms and conditions,

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 2017, 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 after being approved by the Board of Directors.

Yours sincerely,



Yunus ARINCI
Audit Member



Hasan TÜRE
Audit Member

» ASSESSMENT OF THE INTERNAL SYSTEMS AND CURRENT TERM 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 international 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 companies which the Bank gets support services from. In addition, inspection and investigation are performed on the illegal and non-complying (with the legislation) transactions of the staff and on the fraud, scam or forgery made by third parties against the Bank.

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

On-site auditing is performed by the audit board at the departments, branches, and consolidated subsidiaries and at the companies 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 enable accurate information and 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 Control: 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) a healthy internal control environment is created and coordinated, II) Bank's assets are protected, III) Bank's activities are carried out effectively and efficiently in conformity with the relevant legislations, policies, rules and banking tendencies, IV) the accounting and financial reporting system's reliability and integrity is maintained, and V) information is promptly obtained. Within this scope, internal control activities are carried out in all branches of the Bank in and outside the country as well as the Head Office Departments.

Branch controls in the country are conducted onsite or from the center within the framework of the control programs organized every year according to risk conditions. Furthermore; real-time controls are performed regarding the transactions performed in the branches.

Internal controls for branches outside the country are conducted in accordance with the annual control plan. On the other hand, permanent Controllers carry out control activities in departments where there's a large amount of operational transactions and in Head Office Departments where it's necessary. Furthermore, information technology controls are also performed to check whether or not information system activities are carried out securely and in conformity with the guidelines determined by the Bank.

Findings and suggestions within the scope of all these control activities are reported and shared with the relevant departments as the actions taken are monitored.

The Head of Internal Control: I) controls the distribution of duties and responsibilities, and the functional classification of tasks for identifying, measuring, and preventing the Bank's risks, II) set up auto-control mechanisms in all processes and procedures to be initialized, in a manner that will cover the previously unknown or unidentified risks, III) set up and enhances systemic controls.

Thus activities are carried out to increase the effectiveness of the control activities and minimize operational risks.

In conformity with the targets and strategies of the Bank; changing needs, risks, regulations and technological developments are tracked and necessary adjustments and updates 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 principles and rules on the same issue.

» ASSESSMENT OF THE INTERNAL SYSTEMS AND CURRENT TERM 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 consequence of 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 domestic and international branches of the Bank 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 international 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 department. Within the framework of training activities, the Bank employee is given in-class and online trainings to provide 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 is given to the relevant departments of the Bank and necessary measures to be taken are requested from them and monitored. Furthermore, relevant departments are informed about draft regulations related to banking and thus necessary procedures are initiated before the regulations enter into force.

Tasks for legislation compliance controls are carried out within the scope of the "Regulation On Banks' Internal Systems and Internal Capital Adequacy Evaluation Process". Within this scope; (i) legislation change compliance activities are coordinated; (ii) measures taken, practices changed and internal procedures formulated in order to reflect the legislation changes to the Bank's internal procedures and practices, are monitored and controlled in terms of legislation compliance; (iii) necessary corrections and changes are made; (iv) necessary measures are taken to ensure prompt and full compliance to legislation; (v) controls are performed for new products' and services' compliance to legislation; (vi) the process of updating the internal procedures and guidelines are coordinated within the Bank.

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 international 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 2017 in line with the Bank's risk management policies that were prepared in parallel to national legislation and international practices and then approved by the Board of Directors of the Bank.

Risk management practices are carried out through policies, action plans, practice procedures and limits determined, depending on the Bank's risk-return structure, for controlling the quality and level of the Bank's activities. Risk management practices include: identifying, measuring, and reporting incurred risks in unconsolidated and consolidated basis, and monitoring the total required capital and liquidity adequacy regarding the risk profiles.

Policies and other documents prepared in line with the Banking Regulation and Supervision Agency (BRSA)'s "Regulation on Evaluation Process of Banks' Internal Systems and Internal Capital Adequacy" and "Best Practice Guidelines" periodically reviewed, and updated if necessary.

The process continued keeping track of the national and international regulations regarding the field of risk management and capital adequacy, as well as the developments in this field. In line with the economic developments and expectations, daily scenario analysis on the capital adequacy ratio and monitoring and analysis activities for the standard ratio of the interest rate risk arising from banking activities, and the liquidity coverage ratio were carried out also in 2017. The stress test reports issued at the end of each month covering all risk factors were regularly reported to the Bank's top management.

In line with the "Regulation on Evaluation Process of Banks' Internal Systems and Internal Capital Adequacy" and the relevant "Best Practice Guidelines"; "Internal Capital Adequacy Evaluation Process (ISEDES) Report" was issued and submitted to the Banking Regulation and Supervision Agency in 2017.

Studies to calculate the market risk over the "Value at Risk (VaR) model and to improve this model proceeded.

Within the scope of operational risk management, activities of collecting and analyzing the operational were carried out on consolidated basis including the loss data received from the subsidiaries and affiliates. Furthermore, the "Impact Analysis" made on the business processes was also completed.

» MARKET RISK

The market risk arising from trading transactions is measured and monitored using standard methods and internal models in parallel to national and international practices. The management of market risk is performed within the scope of the "Market Risk Management Policy Document".

The market risk measurement results are calculated monthly on unconsolidated and consolidated basis by using the standard method under the provisions of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" are reported to the Bank's top management, 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. "Value at Risk" is calculated through a unilateral 99% confidence interval on daily basis using historical simulation and Monte Carlo simulation. Daily tests are made retrospectively (back testing) in order to test the reliability and performance of the results of the model. Furthermore, scenario analysis and stress tests that is supporting the standard method and internal models, are also performed.

Monitored in line with the general limits of the Bank and the early warning signal limit; the limit practices based on the "Value at Risk", are tracked on daily basis in order to limit the market risk.

» INTEREST RATE RISK

Interest rate risk, which the Bank may be exposed due to maturity mismatch on its balance sheet, is managed to pursuant of the Interest Rate Risk Management Policy Document.

The standard ratio of the interest rate risk arising from banking activities is calculated on a monthly basis and reported to the Banking Regulation and Supervision agency. Besides, calculations can be made on a weekly basis in order to keep track of the ratio and take prompt action. Furthermore, gap analysis is made based on the time left for repricing, and reports are issued on the interest rate risk while duration measuring and sensitivity analysis are periodically performed.

The Bank has set up and out into practice its procedures for interest rate risk appetite. Interest rate risk limits were determined in line with the interest rate risk appetite. Relevant limits are periodically reported to Bank's Top Management.

» 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.

The Bank's liquidity risk appetite was determined. Within the framework of this appetite, liquidity risk limits are determined. Relevant limits are periodically reported to Bank's Senior Management.

» RISK MANAGEMENT POLICIES APPLIED BY RISK TYPE

» OPERATIONAL RISK

Operational risk means the potential loss that includes the Legal Risk and that arises from insufficient or unsuccessful processes, people and systems or 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 Document. The auditing of the operational risks is carried out by Audit Board and the Head of Internal Audit. In the management of operational risk, the Bank collects operational risk loss and potential risk data, which also enable the implementation of the standard approaches. The operational loss data is analyzed in order to identify the risk factors and the findings were presented to the Bank's executive management.

The process of evaluating the operational risk data on consolidated basis continues, and within this scope, the loss data received from the Bank's affiliates is regularly collected and saved in the data infrastructure.

The "Impact Analysis" covering the Head Office' departments, to analyze the business processes, and to take necessary measures after identifying the inadequate controls which are not effective, was re-performed on the business processes. Activities to assess processes which are updated via symptom monitoring activities and new assembled are 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."

Operational risk measurement results calculated annually on unconsolidated and consolidated basis using the key indicator approach within the framework of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", are reported to the Bank's top management, and the BRSA.

In accordance with the "Guide About Reputation Risk Management" issued by the Banking Regulation and Supervision Agency; "Reputation Risk Management Policy" activities continue in order to determine the policies for identifying, evaluating, controlling, monitoring, reporting and managing the reputation risk that may arise from the Bank's activities, practices, shareholders and employees.

In accordance with the "Regulation On Banks' Internal Systems and Internal Capital Adequacy Evaluation Process" and "Guide About Operational Risk Management" issued by the Banking Regulation and Supervision Agency, updating activities continue within the scope of the "Regulation On New Product Development".

» CREDIT RISK

Credit risk arises from the failure of 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, VakıfBank manages the country risk within the scope of the "Country Risk Management Policy Document", and perceives indirect country risk, central management risk, contagion risk, macroeconomic risk, indirect FX risk, and transfer risk 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, segment, 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 country risk and scenario analysis and the studies on possible events of default are reported to the Bank's top management as individual and monthly reports.

Taking the Bank's loan policy and economic changes into consideration; sectoral, geographical and individual loan concentration limits were updated, and segment based limits were included in the monitoring process in 2017 in order to identify loan concentration risks and create a balanced loan portfolio. In addition, the tables regarding the distribution of cash loans according to due date, credit distribution of subsidiaries and distribution of risk weighted assets by segments are included in the Loan Risks Reports submitted to the Bank's top management on a monthly basis.

Credit risk in fair value, measured within the scope of the provisions of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks," is reported to the Bank's top management and the BRSA in unconsolidated and consolidated basis quarterly. The 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 ultimate aim of the Bank is to use credit risk internal methods in line with Basel III and international best practices. Within this scope, "Internal Rating Based Approach" activities are carried out within the Bank. Within the scope of "Internal Rating Based Approach" activities, the Credit Risk Control Department and the Head of Assessment and Rating in coordination carry out activities of updating the existing credit rating models, and developing new models. Within the scope of "Internal Rating Based Approach" activities, policies and procedures are updated in a risk based approach. Moreover, due to the importance of using consistent credit rating models with high reliability level, the Credit Risk Control Department periodically analyzes the models' outcomes, and reports them to the Bank's top management.

The Validation Department started its activities: I) to determine, by using accuracy, correctness and consistency measurements, how much the models used throughout the Bank represent the outcomes, II) to measure how strong the models and other components are, and III) primarily, to make qualitative and quantitative validation on the internal credit rating systems used by the Bank. Within this scope, validation reports issued about the models, are presented to the Bank's top management.

» 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".

Within the framework of the provisions of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", counterparty credit risk amounts calculated using the fair valuation method, are calculated based on the portfolios in the trading and banking accounts. These amounts are monthly reported on unconsolidated and consolidated basis within the scope of capital adequacy calculations, to the Bank's top management and the BRSA.

» 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".

Concentration risk limits were determined in a manner that will ensure the Bank to avoid larger risk concentration, monitor its risks within the scope of risk appetite, and carry out its activities even under stress.

The Bank assembles 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

**UNCONSOLIDATED FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AT DECEMBER 31, 2017
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

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



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Türkiye Vakıflar Bankası T.A.O.

A. Audit of the Unconsolidated Financial Statements

1. Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Türkiye Vakıflar Bankası T.A.O. (the "Bank"), which comprise the statement of unconsolidated balance sheet as at 31 December 2017, unconsolidated income statement, unconsolidated statement of 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 the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

In our opinion, except for the effect of the matter on the unconsolidated financial statements described in the basis for the qualified opinion section below, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2017, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

2. Basis for Qualified Opinion

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

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



3. Key Audit Matters

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

Key Audit Matters

How Our Audit Addressed the Key Audit Matter

Impairment of loans and receivables

The Bank has total provision for impairment of TL 8,484,312 thousands in respect to loans and receivables of TL 183,971,615 thousands which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2017. Explanations and notes related to provision for impairment of loans and receivables are presented Section III Part VII, Section V Part I-5 and Section V Part II-7 in the accompanying unconsolidated financial statements as at 31 December 2017.

The reason we focused on this area during our audit is; the size of loans and receivables, the importance of their classification in accordance with the relevant legislation and estimation of impairment provision related to these loan and receivables. Timely and correctly identification of loss event and other subjective judgments and estimates made by management as well as objective judgments determined in accordance with the relevant legislation have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.

Within our audit procedures, we assessed and tested the design and operating effectiveness of controls applied by the Bank with respect to classification of loans and receivables and allocation, commitment, collateralization, follow-up procedure and calculation of impairment in-line with the framework of the relevant legislation. We have carried credit review on a selected sample of loans and receivables with the objective to identify whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation. In addition, we have tasted the appropriateness of specific provision calculation made for non-performing loans in line with the relevant legislation. For the portfolio of loans subject to the general provision we have examined the appropriateness of the general provision established in line with the related rules and other notifications made by the BRSA. Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.

Valuation of Pension Fund Obligations

Explanations on Valuation of Pension Obligations are presented in the Section III Part XVI in the accompanying unconsolidated financial statements as at 31 December 2017.

"Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı" ("the Fund") is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). Council of Ministers are authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Bank's management uses external actuaries for the purpose of valuations of pension obligations.

Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets.

We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes.

Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.

During our audit, above mentioned fundamental assumption and estimates used in calculations of pension fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.



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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement in the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



B. Other Responsibilities Arising From Regulatory Requirements

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

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying 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.

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

Zeynep Uras, SMMM
Partner

Istanbul, 13 February 2018

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017**

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

- GENERAL INFORMATION ABOUT THE 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
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements for the year 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 independent audited.

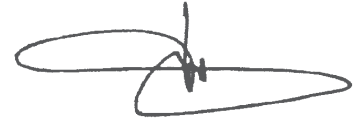
February 13, 2018



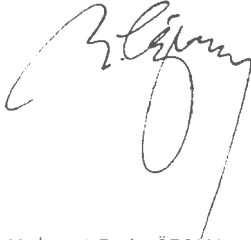
Ismail ALPTEKİN
Chairman of the Board of Directors



Serdar TUNÇBİLEK
Deputy Chairman of the Board and
Audit Committee Member




Sabahattin BİRDAL
Board member and
Audit Committee Member



Mehmet Emin ÖZCAN
General Manager and Board Member



Şuayyip İLBİLGİ
Assistant General Manager



Ferkan MERDAN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

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

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

SECTION ONE GENERAL INFORMATION

I. HISTORY OF THE 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 January 11, 1954 within the framework of the authority granted to The General Directorate of the Foundations of Turkish Republic Prime Ministry ("The General Directorate of the Foundations"). The Bank's statute has not been changed since its establishment.

II. THE 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 December 31, 2017 and December 31, 2016, the Bank's paid-in capital is TL 2,500,000, divided into 250,000,000,000 shares with each has a nominal value of Kr 1.

The Bank's shareholders structure as at December 31, 2017 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)	2,673,619	2,674	0.11
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,527,393	1,528	0.06
Publicly traded (Group D)	630,514,354	630,514	25.22
Total	2,500,000,000	2,500,000	100.00

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

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

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

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

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

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

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				
İsmail ALPTEKİN	Chairman	June 9, 2017	University	19 years
Serdar TUNÇBİLEK	Deputy Chairman	June 9, 2017	University	31 years
Mehmet Emin ÖZCAN	Member - General Manager	June 9, 2017	University	34 years
Dr.Adnan ERTEM	Member	October 28, 2010	PHD	29 years
Sabahattin BIRDAL	Member	March 31, 2014	University	40 years
Dilek YÜKSEL	Member	29 March, 2016	University	5 years
Şahin UĞUR	Member	June 9, 2017	University	31 years
Ömer ARISOY	Member	June 9, 2017	University	17 years
Audit Committee				
Serdar TUNÇBİLEK	Member	June 15, 2017	University	31 years
Sabahattin BIRDAL	Member	April 4, 2014	University	40 years
Auditor				
Yunus ARINCI	Auditor	March 19, 2010	Master	20 years
Hasan TÜRE	Auditor	June 9, 2017	University	33 years
Assistant General Managers				
Metin Recep ZAFER	Banking Operations, Credit, Customer and Account Operations, Treasury Operations, Foreign Operations, Payment System Operations, Application Development Departments, System Management, IT Operations and Support, IT Planning and Coordination.	June 13, 2006	PHD	22 years
Hasan ECESÖY	Treasury Management, International Banking and Investor Relations, Treasury Management Middle Office	June 18, 2010	PHD	24 years
Osman DEMREN	Commercial Loans, Corporate Loans, Consumer Loans, SME and Local Government Loan Allocation Management	April 6, 2011	Master	27 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	University	22 years
Mustafa SAYDAM	Administrative Affairs, Construction, Real Estate and Purchasing	October 28, 2013	University	24 years
Mehmet Emin KARAAĞAÇ	Chief Legal Counsellor, Legal Affairs, Credit Risk Liquidation	November 8, 2013	University	28 years
Yakup ŞİMŞEK	Corporate and Investment Banking Marketing, Commercial Banking Marketing, Cash Management Affairs, Corporate Branches	September 7, 2016	University	21 years
Hüseyin Uğur BİLGİN	Human Resources, Corporate Development and Academy	August 1, 2017	University	31 years
Şeyh Mehmet BOZ	Application of Credit Policies and Processes, Loans Planning and Follow-up, Evaluation and rating	August 1, 2017	Master	23 years
İlker YEŞİL	Payment Systems, Digital Banking and Distribution Channels	August 1, 2017	University	23 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	University	22 years
Ersin ÖZOĞUZ	SME Banking, Marketing, Local Government Banking Marketing	August 1, 2017	University	22 years

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

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

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

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

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

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

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

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

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

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

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

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

IV. INFORMATION ON THE 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 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.

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

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

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

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 January 11, 1954 within the framework of the authority granted to The General Directorate of the Foundations. Operational activities of the Bank as stated at its Articles of Association are as follows:

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

As at December 31, 2017, the Bank has 924 domestic, 3 foreign, in total 927 branches (December 31, 2016: 921 domestic, 3 foreign, in total 924 branches). As at December 31, 2017, the Bank has 16,097 employees (December 31, 2016: 15,615 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 DECEMBER 31, 2017

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

SECTION TWO UNCONSOLIDATED FINANCIAL STATEMENTS

ASSETS	Notes	Audited Current Period December 31, 2017			Audited Prior Period December 31, 2016		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	4,021,321	24,623,503	28,644,824	4,409,130	19,956,167	24,365,297
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	1,802,188	134,600	1,936,788	1,478,068	133,112	1,611,180
2.1 Financial assets held for trading purpose		1,802,188	134,600	1,936,788	1,478,068	133,112	1,611,180
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	1,801,925	134,600	1,936,525	1,477,867	133,112	1,610,979
2.1.4 Other securities		263	-	263	201	-	201
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	308,552	11,579,276	11,887,828	37,570	3,852,752	3,890,322
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS	V-I-4	1,652,102	-	1,652,102	-	-	-
4.1 Interbank money market placements		1,652,102	-	1,652,102	-	-	-
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	12,412,036	1,137,678	13,549,714	12,588,914	5,230,128	17,819,057
5.1 Equity securities		15	43,355	43,370	15	27,595	27,610
5.2 Debt securities issued by the governments		12,412,021	1,094,323	13,506,344	12,588,914	5,202,533	17,791,447
5.3 Other securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	V-I-5	131,211,145	52,760,470	183,971,615	100,121,757	47,590,618	147,712,375
6.1 Performing loans and receivables		130,197,248	52,734,980	182,932,228	99,028,374	47,590,618	146,618,992
6.1.1 Loans provided to risk group	V-VII-1	63,865	98,796	162,661	36,595	295,669	332,264
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Other		130,133,383	52,636,184	182,769,567	98,991,779	47,294,949	146,286,728
6.2 Loans under follow-up		7,605,376	32,830	7,638,206	6,413,503	-	6,413,503
6.3 Specific provisions (-)		6,591,479	7,340	6,598,819	5,320,120	-	5,320,120
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	12,235,406	4,530,665	16,766,071	8,039,914	140,621	8,180,535
8.1 Debt securities issued by the governments		12,235,406	4,286,627	16,522,033	8,039,914	-	8,039,914
8.2 Other securities		-	244,038	244,038	-	140,621	140,621
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	349,158	-	349,158	299,478	-	299,478
9.1 Associates, consolidated per equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		349,158	-	349,158	299,478	-	299,478
9.2.1 Financial associates		337,758	-	337,758	288,078	-	288,078
9.2.2 Non-Financial associates		11,400	-	11,400	11,400	-	11,400
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	1,851,610	362,248	2,213,858	1,363,012	434,112	1,797,124
10.1 Unconsolidated financial subsidiaries		1,587,890	362,248	1,950,138	1,094,116	434,112	1,528,228
10.2 Unconsolidated non-financial subsidiaries		263,720	-	263,720	268,896	-	268,896
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	1,409,644	7,619	1,417,263	1,401,949	7,926	1,409,875
XV. INTANGIBLE ASSETS (Net)	V-I-13	210,970	-	210,970	193,866	-	193,866
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		210,970	-	210,970	193,866	-	193,866
XVI. INVESTMENT PROPERTIES (Net)	V-I-14	-	-	-	-	-	-
XVII. TAX ASSETS		-	-	-	83,109	-	83,109
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets	V-I-15	-	-	-	83,109	-	83,109
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-16	1,312,493	-	1,312,493	1,227,867	-	1,227,867
18.1 Assets held for sale		1,312,493	-	1,312,493	1,227,867	-	1,227,867
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-17	3,036,653	3,622,373	6,659,026	1,685,657	2,264,163	3,949,820
TOTAL ASSETS		171,813,278	98,758,432	270,571,710	132,930,306	79,609,599	212,539,905

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 DECEMBER 31, 2017

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

LIABILITIES AND EQUITY	Notes	Audited Current Period December 31, 2017			Audited Prior Period December 31, 2016		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	V-II-1	103,532,624	51,744,498	155,277,122	86,113,201	37,725,176	123,838,377
T.1 Deposits of the risk group	V-VII-1	2,815,871	218,060	3,033,931	1,984,546	212,599	2,197,145
T.2 Other deposits		100,716,753	51,526,438	152,243,191	84,128,655	37,512,577	121,641,232
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	1,015,603	168,927	1,184,530	954,633	189,070	1,143,703
III. FUNDS BORROWED	V-II-3	668,532	27,639,089	28,307,621	671,898	23,521,872	24,193,770
IV. INTERBANK MONEY MARKET		18,699,026	3,571,811	22,270,837	11,172,470	1,722,864	12,895,334
4.1 Interbank money market takings		11,662,376	1,631,693	13,294,069	2,501,180	-	2,501,180
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		7,036,650	1,940,118	8,976,768	8,671,290	1,722,864	10,394,154
V. SECURITIES ISSUED (Net)	V-II-3	6,443,119	13,041,979	19,485,098	3,268,595	11,439,150	14,707,745
5.1 Bills		3,566,573	-	3,566,573	3,268,595	-	3,268,595
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		2,876,546	13,041,979	15,918,525	-	11,439,150	11,439,150
VI. FUNDS		3,206	-	3,206	3,319	-	3,319
6.1 Funds against borrower's note		-	-	-	-	-	-
6.2 Other		3,206	-	3,206	3,319	-	3,319
VII. MISCELLANEOUS PAYABLES		6,050,223	798,105	6,848,328	4,381,317	781,677	5,162,994
VIII. OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	860,160	2,977,406	3,837,566	677,086	1,999,105	2,676,191
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES	V-II-5	-	-	-	-	-	-
T0.1 Finance lease payables		-	-	-	-	-	-
T0.2 Operational lease payables		-	-	-	-	-	-
T0.3 Other		-	-	-	-	-	-
T0.4 Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
T1.1 Fair value hedges		-	-	-	-	-	-
T1.2 Cash flow hedges		-	-	-	-	-	-
T1.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	V-II-7	3,395,373	17,109	3,412,482	3,205,470	18,622	3,224,092
T2.1 General provisions	V-II-7	1,872,826	12,667	1,885,493	2,153,773	13,670	2,167,443
T2.2 Restructuring reserves		-	-	-	-	-	-
T2.3 Reserve for employee benefits		821,819	-	821,819	710,171	-	710,171
T2.4 Insurance technical provisions (Net)		-	-	-	-	-	-
T2.5 Other provisions	V-II-7	700,728	4,442	705,170	341,526	4,952	346,478
XIII. TAX LIABILITIES	V-II-8	702,784	48,349	751,133	422,131	2,325	424,456
T3.1 Current tax liabilities		636,728	670	637,398	422,131	2,325	424,456
T3.2 Deferred tax liabilities	V-I-15	66,056	47,679	113,735	-	-	-
XIV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS	V-II-9	-	-	-	-	-	-
T4.1 Payables related to the assets held for sale		-	-	-	-	-	-
T4.2 Payables related to the discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	V-II-10	528,188	5,407,781	5,935,969	-	5,031,213	5,031,213
XVI. EQUITY		23,061,935	195,883	23,257,818	19,035,854	202,857	19,238,711
T6.1 Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
T6.2 Capital reserves		2,542,507	195,883	2,738,390	2,070,365	202,857	2,273,222
T6.2.1 Share premium		723,918	-	723,918	723,918	-	723,918
T6.2.2 Share cancellation profits		-	-	-	-	-	-
T6.2.3 Valuation differences of the marketable securities	V-II-11	876,951	195,883	1,072,834	495,171	202,857	698,028
T6.2.4 Revaluation surplus on tangible assets		873,080	-	873,080	829,895	-	829,895
T6.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
T6.2.6 Revaluation surplus on investment properties		-	-	-	-	-	-
T6.2.7 Bonus shares of associates, subsidiaries and joint-ventures		91,823	-	91,823	69,222	-	69,222
T6.2.8 Hedging reserves (effective portion)		-	-	-	-	-	-
T6.2.9 Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
T6.2.10 Other capital reserves		(23,265)	-	(23,265)	(47,841)	-	(47,841)
T6.3 Profit reserves		14,296,045	-	14,296,045	11,762,447	-	11,762,447
T6.3.1 Legal reserves		1,635,332	-	1,635,332	1,367,022	-	1,367,022
T6.3.2 Status reserves		-	-	-	-	-	-
T6.3.3 Extraordinary reserves		12,210,313	-	12,210,313	9,964,966	-	9,964,966
T6.3.4 Other profit reserves		450,400	-	450,400	430,459	-	430,459
T6.4 Profit or loss		3,723,383	-	3,723,383	2,703,042	-	2,703,042
T6.4.1 Prior years' profit/loss		-	-	-	-	-	-
T6.4.2 Current period's profit/loss		3,723,383	-	3,723,383	2,703,042	-	2,703,042
TOTAL LIABILITIES AND EQUITY		164,960,773	105,610,937	270,571,710	129,905,974	82,633,931	212,539,905

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 DECEMBER 31, 2017

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

Notes	Audited Current Period December 31, 2017			Audited Prior Period December 31, 2016		
	TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)	80,248,423	79,578,712	159,827,135	71,071,210	75,396,231	146,467,441
I. GUARANTEES AND SURETIES	32,109,922	18,657,662	50,767,584	26,743,456	13,704,968	40,448,424
V-III-2-4						
1.1 Letters of guarantee	32,035,061	8,133,759	40,168,820	26,687,992	5,626,758	32,314,750
T.1.1 Guarantees subject to State Tender Law	3,163,898	4,099,756	7,263,654	3,203,501	2,571,209	5,774,710
T.1.2 Guarantees given for foreign trade operations	1,053,872	-	1,053,872	1,059,516	-	1,059,516
T.1.3 Other letters of guarantee	27,817,291	4,034,003	31,851,294	22,424,975	3,055,549	25,480,524
T.2 Bank acceptances	44,700	1,510,854	1,555,554	53,702	1,143,484	1,197,186
T.2.1 Import letter of acceptance	671	519,399	520,070	-	395,874	395,874
T.2.2 Other bank acceptances	44,029	991,455	1,035,484	53,702	747,610	801,312
T.3 Letters of credit	30,161	8,963,991	8,994,152	1,762	6,911,368	6,913,130
T.3.1 Documentary letters of credit	30,161	8,963,991	8,994,152	1,762	6,911,368	6,913,130
T.3.2 Other letters of credit	-	-	-	-	-	-
T.4 Guaranteed pre-financings	-	3,006	3,006	-	2,796	2,796
T.5 Endorsements	-	-	-	-	-	-
T.5.1 Endorsements to the Central Bank of Republic of Turkey	-	-	-	-	-	-
T.5.2 Other endorsements	-	-	-	-	-	-
T.6 Marketable securities underwriting commitments	-	-	-	-	-	-
T.7 Factoring related guarantees	-	-	-	-	-	-
T.8 Other guarantees	-	43,996	43,996	-	16,890	16,890
T.9 Other sureties	-	2,056	2,056	-	3,672	3,672
II. COMMITMENTS	31,039,233	17,286,799	48,326,032	26,475,216	12,535,618	39,010,834
Z.1 Irrevocable commitments	27,979,658	961,190	28,940,848	23,451,047	1,502,055	24,953,102
Z.1.1 Asset purchase commitments	793,979	961,190	1,755,169	1,362,697	1,502,055	2,864,752
Z.1.2 Deposit purchase and sales commitments	-	-	-	-	-	-
Z.1.3 Share capital commitments to associates and subsidiaries	-	-	-	-	-	-
Z.1.4 Loan granting commitments	11,843,577	-	11,843,577	9,817,555	-	9,817,555
Z.1.5 Securities issuance brokerage commitments	-	-	-	-	-	-
Z.1.6 Commitments for reserve deposit requirements	-	-	-	-	-	-
Z.1.7 Commitments for cheque payments	2,542,741	-	2,542,741	2,154,102	-	2,154,102
Z.1.8 Tax and fund obligations on export commitments	-	-	-	-	-	-
Z.1.9 Commitments for credit card limits	10,534,862	-	10,534,862	8,682,835	-	8,682,835
Z.1.10 Commitments for credit card and banking operations promotions	761,674	-	761,674	300,108	-	300,108
Z.1.11 Receivables from "short" sale commitments on securities	-	-	-	-	-	-
Z.1.12 Payables from "short" sale commitments on securities	-	-	-	-	-	-
Z.1.13 Other irrevocable commitments	1,502,825	-	1,502,825	1,133,750	-	1,133,750
Z.2 Revocable commitments	3,059,575	16,325,609	19,385,184	3,024,169	11,033,563	14,057,732
Z.2.1 Revocable loan granting commitments	3,059,575	16,325,609	19,385,184	3,024,169	11,033,563	14,057,732
Z.2.2 Other revocable commitments	-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	17,099,268	43,634,251	60,733,519	17,852,538	49,155,645	67,008,183
V-III-5						
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	17,099,268	43,634,251	60,733,519	17,852,538	49,155,645	67,008,183
Z.2.1 Forward Foreign currency purchases/sales	1,152,837	1,617,661	2,770,498	489,310	1,120,684	1,609,994
Z.2.1.1 Forward foreign currency purchases	576,772	808,889	1,385,661	244,982	560,368	805,350
Z.2.1.2 Forward foreign currency sales	576,065	808,772	1,384,837	244,328	560,316	804,644
Z.2.2 Currency and interest rate swaps	10,344,359	30,420,079	40,764,438	16,314,487	37,172,783	53,487,270
Z.2.2.1 Currency swaps-purchases	3,297,551	11,363,303	14,660,854	8,539,652	11,631,406	20,171,058
Z.2.2.2 Currency swaps-sales	4,706,808	4,435,680	9,142,488	6,324,835	9,924,553	16,249,388
Z.2.2.3 Interest rate swaps-purchases	1,170,000	7,310,548	8,480,548	7,808,412	7,808,412	8,533,412
Z.2.2.4 Interest rate swaps-sales	1,170,000	7,310,548	8,480,548	7,808,412	7,808,412	8,533,412
Z.2.3 Currency, interest rate and security options	426,094	431,542	857,636	142,676	730,632	873,308
Z.2.3.1 Currency call options	412,706	13,400	426,106	121,124	306,804	427,928
Z.2.3.2 Currency put options	13,388	418,142	431,530	21,552	423,828	445,380
Z.2.3.3 Interest rate call options	-	-	-	-	-	-
Z.2.3.4 Interest rate put options	-	-	-	-	-	-
Z.2.3.5 Security call options	-	-	-	-	-	-
Z.2.3.6 Security put options	-	-	-	-	-	-
Z.2.4 Currency futures	-	-	-	-	-	-
Z.2.4.1 Currency futures-purchases	-	-	-	-	-	-
Z.2.4.2 Currency futures-sales	-	-	-	-	-	-
Z.2.5 Interest rate futures	-	-	-	-	-	-
Z.2.5.1 Interest rate futures-purchases	-	-	-	-	-	-
Z.2.5.2 Interest rate futures-sales	-	-	-	-	-	-
Z.2.6 Other	5,175,978	11,164,969	16,340,947	906,065	10,131,546	11,037,611
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	1,283,071,577	805,680,121	2,088,751,698	1,043,040,320	580,201,858	1,623,242,178
IV. ITEMS HELD IN CUSTODY	54,525,860	4,245,640	58,771,500	54,374,804	4,027,246	58,402,050
4.1 Customers' securities held	-	-	-	-	-	-
4.2 Investment securities held in custody	42,177,802	135,880	42,313,682	43,319,878	147,806	43,467,684
4.3 Checks received for collection	9,976,508	2,483,954	12,460,462	9,130,796	2,502,025	11,632,821
4.4 Commercial notes received for collection	1,178,205	412,078	1,590,283	941,776	410,946	1,352,722
4.5 Other assets received for collection	2,152	151	2,303	2,152	141	2,293
4.6 Assets received through public offering	-	-	-	-	-	-
4.7 Other items under custody	309	76,380	76,689	309	66,081	66,390
4.8 Custodians	1,190,884	1,137,197	2,328,081	979,893	900,247	1,880,140
V. PLEDGED ITEMS	315,422,683	132,707,352	448,130,035	280,652,246	104,200,492	384,852,738
5.1 Securities	739,672	5,090	744,762	495,249	16,366	511,615
5.2 Guarantee notes	707,502	524,748	1,232,250	767,038	544,996	1,312,034
5.3 Commodities	33,014,517	759,683	33,774,200	31,750,967	775,907	32,526,874
5.4 Warranties	-	-	-	-	-	-
5.5 Real estates	240,511,071	108,037,406	348,548,477	230,129,196	86,340,346	316,469,542
5.6 Other pledged items	39,688,651	23,254,495	62,943,146	16,959,461	16,365,309	33,324,770
5.7 Pledged items-depository	761,270	125,930	887,200	550,335	157,568	707,903
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES	913,123,034	668,727,129	1,581,850,163	708,013,270	471,974,120	1,179,987,390
TOTAL OFF-BALANCE SHEET ITEMS (A+B)	1,363,320,000	885,258,833	2,248,578,833	1,114,111,530	655,598,089	1,769,709,619

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 DECEMBER 31, 2017

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

	Notes	Audited Current Period January 1, 2017- December 31, 2017	Audited Current Period January 1, 2016- December 31, 2016
I. INTEREST INCOME		21,444,094	16,557,626
1.1 Interest income from loans	V-IV-1	18,262,838	14,211,917
1.2 Interest income from reserve deposits		221,541	111,798
1.3 Interest income from banks	V-IV-1	52,638	25,032
1.4 Interest income from money market transactions		35,186	-
1.5 Interest income from securities portfolio	V-IV-1	2,868,891	2,204,418
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		1,708,617	1,496,674
1.5.4 Held-to-maturity investments		1,160,274	707,744
1.6 Finance lease income		-	-
1.7 Other interest income		3,000	4,461
II. INTEREST EXPENSE		12,822,668	9,590,985
2.1 Interest expense on deposits	V-IV-2	9,205,081	7,213,909
2.2 Interest expense on funds borrowed	V-IV-2	671,892	385,750
2.3 Interest expense on money market transactions		1,523,311	992,840
2.4 Interest expense on securities issued	V-IV-2	1,020,139	680,296
2.5 Other interest expenses		402,245	318,190
III. NET INTEREST INCOME (I - II)		8,621,426	6,966,641
IV. NET FEES AND COMMISSIONS INCOME		1,330,665	980,883
4.1 Fees and commissions received		1,999,713	1,530,415
4.1.1 Non-cash loans		302,057	230,650
4.1.2 Others		1,697,656	1,299,765
4.2 Fees and commissions paid		669,048	549,532
4.2.1 Non-cash loans		130	67
4.2.2 Others		668,918	549,465
V. DIVIDEND INCOME	V-IV-3	93,561	91,753
VI. TRADING INCOME/LOSSES (Net)	V-IV-4	164,212	483,813
6.1 Trading account income/losses	V-IV-4	45,149	21,836
6.2 Income/losses from derivative financial instruments	V-IV-4	(26,021)	357,841
6.3 Foreign exchange gains/losses	V-IV-4	145,084	104,136
VII. OTHER OPERATING INCOME	V-IV-5	1,673,529	954,031
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		11,883,393	9,477,121
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	2,787,533	2,246,514
X. OTHER OPERATING EXPENSES (-)	V-IV-7	4,420,728	3,835,083
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		4,675,132	3,395,524
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)		4,675,132	3,395,524
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-11	(951,749)	(692,482)
16.1 Current tax charges		(792,677)	(712,424)
16.2 Deferred tax credits		(159,072)	19,942
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)	V-IV-12	3,723,383	2,703,042
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 AFTER TAXES FROM DISCONTINUED OPERATIONS		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	V-IV-12	3,723,383	2,703,042
Profit/Loss per 100 shares (full TL)	III-XXIV	1.4894	1.0812

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 FOR THE YEAR ENDED DECEMBER 31, 2017

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

GAINS AND LOSSES RECOGNIZED IN EQUITY	Audited Current Period January 1, 2017- December 31, 2017	Audited Prior Period January 1, 2016- December 31, 2016
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	72,826	(238,688)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	(6,588)	(2,017)
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	385,802	60,089
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(36,316)	48,737
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	415,724	(131,879)
XI. CURRENT PERIOD'S PROFIT/(LOSS)	3,723,383	2,703,042
11.1 Change in fair value of securities (transfers to the statement of income)	(34,072)	(5,861)
11.2 Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges	-	-
11.3 Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges	-	-
11.4 Others	3,757,455	2,708,903
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	4,139,107	2,571,163

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 YEAR ENDED DECEMBER 31, 2017

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

Audited	Prior Period - December 31, 2016	Notes	Paid-in Capital	Adjustments from Inflation	Capital Reserves	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 Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surplus on Assets Held for Sale and Assets of Discount Op.s	Shareholders' Equity before Minority Interest	Total Minority Shareholders' Equity
I.	Balances at the beginning of the period		2,500,000	-	723,918	-	1,174,010	-	8,329,529	380,198	380,198	1,930,109	830,413	830,413	830,149	69,222	-	-	16,767,548	16,767,548
II.	Corrections made according to IAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Z.1.	The effect of corrections of error		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Z.2.	The effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted beginning balance (+/-)		2,500,000	-	723,918	-	1,174,010	-	8,329,529	380,198	380,198	1,930,109	830,413	830,413	830,149	69,222	-	-	16,767,548	16,767,548
	Changes during the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Associates, Subsidiaries and "Available-for-sale" securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1.	Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2.	Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Translation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes resulted from reclassifications of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of change in equities of associates on the bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
T4.1.	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
T4.2.	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Current period's net profit/loss		-	-	-	-	-	-	-	-	-	2,703,042	(1,930,109)	-	-	-	-	-	2,420	2,420
XX.	Profit distribution		-	-	-	-	-	-	-	-	-	(1,635,437)	(1,000,000)	-	-	-	-	-	(2,703,042)	(2,703,042)
Z0.1.	Dividends	V-V5	-	-	-	-	-	-	-	-	-	(1,000,000)	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Z0.2.	Transferred to reserves	V-V5	-	-	-	-	-	-	-	-	-	(1,830,109)	-	-	-	-	-	-	(1,830,109)	(1,830,109)
Z0.3.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period		2,500,000	-	723,918	-	1,367,022	-	9,964,966	382,618	382,618	2,703,042	698,028	829,895	69,222	-	-	-	19,238,711	19,238,711

➤➤ 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 YEAR ENDED DECEMBER 31, 2017

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

Audited	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to 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 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	Minority Shareholders' Interest	Minority Shareholders' Interest	Total Equity	
I. Current Period - December 31, 2017																				
Balances at the beginning of the period		2,500,000	-	723,918	-	1,367,022	-	9,964,966	382,618	-	2,703,042	698,028	829,895	69,222	-	-	19,238,711	-	19,238,711	
Changes during the period																				
ii. Mergers																				
iii. Associates, Subsidiaries and "Available-for-sale" securities																				
iv. Hedges for risk management		-	-	-	-	-	-	-	-	-	-	374,806	-	-	-	-	-	374,806	-	374,806
4.1. Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
v. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	(6,259)	-	-	-	-	(6,259)	-	(6,259)
vi. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
vii. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	22,601	-	-	-	22,601	-	22,601
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
xvii. Current period's net profit/loss		-	-	-	-	-	-	-	-	3,723,383	-	-	-	-	-	-	-	-	-	3,723,383
xviii. Profit distribution		-	-	-	-	-	-	-	-	(2,703,042)	-	-	-	-	-	-	-	-	-	(120,000)
18.1. Dividends		-	-	-	-	-	-	-	-	(120,000)	-	-	-	-	-	-	-	-	-	(120,000)
18.2. Transferred to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3. Other		-	-	-	-	-	-	-	-	(2,583,042)	-	-	-	-	-	-	-	-	-	(120,000)
Balances at the end of the period		2,500,000	-	723,918	-	1,635,332	-	12,210,313	427,135	3,723,383	-	1,072,834	873,080	91,823	-	-	23,257,818	-	23,257,818	

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 FLOW

FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Notes	Audited Current Period December 31, 2017	Audited Prior Period December 31, 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	6,084,021	3,714,415
1.1.1	Interests received	19,820,982	15,258,012
1.1.2	Interests paid	(12,333,577)	(9,442,454)
1.1.3	Dividends received	34,690	14,819
1.1.4	Fee and commissions received	1,999,713	1,530,415
1.1.5	Other income	66,699	114,334
1.1.6	Collections from previously written-off loans and other receivables	1,353,005	1,156,863
1.1.7	Payments to personnel and service suppliers	(2,025,203)	(1,723,337)
1.1.8	Taxes paid	(776,051)	(926,251)
1.1.9	Other	(2,056,237)	(2,267,986)
	V-VI-1		
1.2	Changes in operating assets and liabilities	1,010,197	(4,599,505)
1.2.1	Net (increase) decrease in financial assets held for trading purpose	(62)	(201)
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	(4,082,794)	1,371,941
1.2.4	Net (increase) decrease in loans	(37,194,911)	(25,683,142)
1.2.5	Net (increase) decrease in other assets	(3,379,376)	(102,153)
1.2.6	Net increase (decrease) in bank deposits	4,637,814	(469,244)
1.2.7	Net increase (decrease) in other deposits	26,101,910	14,322,656
1.2.8	Net increase (decrease) in funds borrowed	4,076,090	5,604,676
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	10,851,526	355,962
	V-VI-1		
I.	Net cash flow from banking operations	7,094,218	(885,090)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash flow from investing activities	(2,629,403)	(1,137,408)
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures	-	(76,155)
2.2	Proceeds from disposal of associates, subsidiaries and joint-ventures	232	-
	V-VI-3		
2.3	Purchases of tangible assets	(153,273)	(232,811)
2.4	Proceeds from disposal of tangible assets	560,233	458,440
2.5	Cash paid for purchase of available-for-sale financial assets	(7,355,604)	(6,473,075)
2.6	Proceeds from disposal of available-for-sale financial assets	4,599,232	5,430,885
2.7	Cash paid for purchase of held-to-maturity investments	(2,423,358)	(1,873,688)
2.8	Proceeds from disposal of held-to-maturity investments	2,186,864	1,673,758
2.9	Other	(43,729)	(44,762)
	V-VI-1		
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash flow from financing activities	5,464,623	4,836,498
3.1	Cash obtained from funds borrowed and securities issued	17,617,496	14,111,686
3.2	Cash used for repayment of funds borrowed and securities issued	(12,032,873)	(9,175,188)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	(120,000)	(100,000)
3.5	Repayments for finance leases	-	-
3.6	Other	-	-
IV.	Effect of change in foreign exchange rates on cash and cash equivalents	(91,144)	94,345
V.	Net increase in cash and cash equivalents	9,838,294	2,908,345
VI.	Cash and cash equivalents at the beginning of the period	11,108,769	8,200,424
VII.	Cash and cash equivalents at the end of the period	20,947,063	11,108,769

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 DECEMBER 31, 2017

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

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

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

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

The 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

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

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

SECTION THREE ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

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

Disclosures of IFRS 9 Financial Instruments:

IFRS 9 "Financial Instruments", which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. IFRS 9 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments. IFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

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

Classification and measurement of financial assets

According to IFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent "solely payments of principal and interest (SPPI).

Upon initial recognition each financial asset will be classified as either fair value through profit or loss ("FVTPL"), amortized cost or fair value through other comprehensive income ("FVOCI"). As the requirements under IFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

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

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

Impairment of financial assets

As of 1 January 2018, the Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Part VII-c of Explanation on Accounting Policies will be changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

The Bank will recognize an adjustment to opening retained earnings at 1 January 2018, to reflect the application of the new requirements at the adoption date. The primary impact is attributable to changes in the allowance for credit losses under the new impairment requirements and the related deferred taxes.

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

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.

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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.

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.

As of September 30, 2016 reporting period, the Bank started the fair value risk hedging strategy in order to avoid currency risk due to the share of Vakıfbank International AG's 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the Bank on May 4, 2016 with a maturity date of May 4, 2021 has been declared as the hedging instrument. In the subject process, the fair value changes that are related to the hedged investments abroad are recognized in the income statements as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement as at December 31, 2017 is TL 55,219. The effectiveness of the process is the degree of offset of the amount of changes in the hedged items' fair values that may be associated with the foreign exchange risks by the hedging instrument.

As of December 31, 2017, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS 39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

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.

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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.

VII. INFORMATION ON FINANCIAL ASSETS

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

Financial assets except for measured at fair value through profit or loss are recognized initially with their transaction costs that are directly attributable to the acquisition or issue of the financial asset. 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.

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

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

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.

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

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

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

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

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.

XI. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES

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 November 1, 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.

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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 December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the inflationary period is considered to be ended. In subsequent periods no inflation adjustment is made for tangible assets, and costs which are restated as of December 31, 2004 are considered as their historical costs. Tangible assets purchased after January 1, 2005 were recorded at their historical costs after foreign exchange differences and financial expenses are deducted if any. The 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 September 30, 2015.

Gains and losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price and 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.

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.

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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 December 31, 2017 is TL 4,732 (full TL) (December 31, 2016: TL 4,297 (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 December 31, 2017 and December 31, 2016, the major actuarial assumptions used in the calculation of the total liability are as follows:

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

Other benefits to employees

The 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 May 15, 1957 as per the temporary article no. 20 of the Social Security Law no. 506.

As part of Social Security Law's 506 numbered, temporary article no.20, monthly income or salary is eligible for whose disabled with fund's associates, senility and death insurance is subjected according to the first paragraph of the temporary article no.23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the issue date of the Banking Law no.5411, issued in the November 1, 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court's March 22, 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on December 15, 2007 in the Official Gazette no. 26731. The reason for the cancellation decision by Constitutional Court was stated as possible future losses on acquired rights of Fund members.

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

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

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

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

The employer of pension fund participants 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 December 31, 2017 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at December 31, 2017.

XVII. INFORMATION ON TAXATION

Corporate tax

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

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

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

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

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

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

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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 June 5, 2012, numbered B.07.1.GİB.4.99.16.02-KVK-5/1-b-128.

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. The delayed tax debt or assets is determined by calculating the "taxable temporary differences" between the assets' and debts' book values versus the values on the legal tax base accounts. According to tax legislation, differences that do not affect the financial or commercial profit of the assets or liabilities at the acquisition date are excluded from these calculations. The Law regarding amendments on Certain Tax Laws was approved in The Grand National Assembly of Turkey on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate will be increased from 20% to 22% for the years 2018, 2019 and 2020. According to the Law that have been enacted, deferred tax asset and liabilities shall be measured at the tax rate 22% that are expected to apply to these periods when the assets is realised or the liability is settled. For the periods 2021 and after deferred tax assets and liabilities will be measured by 20% tax rate.

According to 8 December 2004 BRSB 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 tax rate shall be measured over general provision according to IFRS 9 articles from 1 January 2018.

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

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

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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 November 18, 2007 sets details about implementation.

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

XVIII. INFORMATION ON CASH AND CASH EQUIVALENTS

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.

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 December 19, 2006.

XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXII. INFORMATION ON GOVERNMENT INCENTIVES

As at December 31, 2017 the Bank does not have any government incentives.(December 31,2016: None)

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XXIII. INFORMATION ON SEGMENT REPORTING

An operating segment is a component of an entity:

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

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

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 December 31, 2017, earnings per 100 shares are full TL 1.4894 (December 31, 2016: full TL 1.0812).

Related parties

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

Classifications

None.

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SECTION FOUR INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ON EQUITY ITEMS

Calculation of Equity and Capital Adequacy Standard Ratio are calculated according to "Regulation on Bank's Capital Adequacy Assessment of the Measurement", "Communique on Credit Risk Mitigation", "BRSA Regulation on Bank's Shareholder Equity", "Regulations on Systemically Important Banks", "Regulation on Capital Conservation and Cyclical Capital Buffer". As of December 31, 2017 Bank's capital adequacy ratio is 15.52% (December 31, 2016: 14.16%).

	Current Period December 31, 2017	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	723,918	
Reserves	14,296,045	
Income recognized under equity in accordance with TAS	2,245,222	
Profit	3,723,383	
Current Period's Profit	3,723,383	
Prior Period's Profit	-	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	91,823	
Common Equity Tier 1 Capital Before Deductions	23,580,391	
Deductions from Common Equity Tier 1 Capital	-	
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	322,573	-
Leasehold Improvements on Operational Leases	182,977	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	168,776	210,970
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	674,326	
Common Equity Tier 1 capital (CET1)	22,906,065	
Additional Tier 1 capital: instruments	-	
Premiums that are not included in Common Equity Tier 1 capital	-	
Bank's borrowing instruments and related issuance premium	-	

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	Current Period December 31, 2017	Amount as per the regulation before 1/1/2014 ^(c)
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital	-	-
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	42,194	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 Capital	-	-
Total Additional Tier 1 Capital	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	22,863,871	-
TIER 2 CAPITAL	-	-
Bank's borrowing instruments and related issuance premium	4,083,838	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	814,407	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,885,493	-
Tier 2 Capital Before Deductions	5,969,331	-
Deductions From Tier 2 Capital	-	-
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	5,969,331	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	28,833,202	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	-
Other items to be defined by the BRSA (-)	1,355	-

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	Current Period December 31, 2017	Amount as per the regulation before 1/1/2014 ^(*)
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL	-	-
Total Capital	28,831,847	-
Total Risk Weighted Amounts	185,800,511	-
Capital Adequacy Ratios	-	-
Core Capital Adequacy Ratio (%)	12.33	-
Tier 1 Capital Adequacy Ratio (%)	12.31	-
Capital Adequacy Ratio (%)	15.52	-
BUFFERS	-	-
Total buffer requirement	1.255	-
Capital conservation buffer requirement (%)	1.250	-
Bank specific counter-cyclical buffer requirement (%)	0.005	-
Systemically important banks buffer requirement (%)**	0.000	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.83	-
Amounts below deduction thresholds	-	-
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,885,493	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,136,162	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014 ^(c)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	723,918	
Reserves	11,762,447	
Income recognized under equity in accordance with TAS	1,771,737	
Profit	2,703,042	
Current Period's Profit	2,703,042	
Prior Period's Profit	-	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	69,222	
Common Equity Tier 1 Capital Before Deductions	19,530,366	
Deductions from Common Equity Tier 1 Capital	-	
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	291,655	-
Leasehold Improvements on Operational Leases	158,292	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	116,320	193,866
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	566,267	
Common Equity Tier 1 capital (CET1)	18,964,099	
Additional Tier 1 capital: instruments	-	

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	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014(*)
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	-	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital	-	-
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	77,546	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 Capital	-	-
Total Additional Tier 1 Capital	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	18,886,553	-
TIER 2 CAPITAL	-	-
Bank's borrowing instruments and related issuance premium	2,729,287	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	977,288	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,905,134	-
Tier 2 Capital Before Deductions	4,634,421	-
Deductions From Tier 2 Capital	-	-
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	4,634,421	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	23,520,974	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	112,142	-
Other items to be defined by the BRSA (-)	1,166	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014 ^(c)
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL	-	-
Total Capital	23,407,666	-
Total Risk Weighted Amounts	165,312,386	-
Capital Adequacy Ratios	-	-
Core Capital Adequacy Ratio (%)	11.47	-
Tier 1 Capital Adequacy Ratio (%)	11.42	-
Capital Adequacy Ratio (%)	14.16	-
BUFFERS	-	-
Total buffer requirement	0.627	-
Capital conservation buffer requirement (%)	0.625	-
Bank specific counter-cyclical buffer requirement (%)	0.002	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.97	-
Amounts below deduction thresholds	-	-
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2,167,443	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,905,134	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

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

Issuer	T.Vakıflar Bankası T.A.O.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91 XS1175854923/ US90015WAC73 XS1551747733 / US90015WAE30 TRSVKFB92719
Governing law(s) of the instrument	Debt Instrument Communique numbered CMB-II-31.1 BRSA regulation on bank's shareholder equity
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	XS0849728190/ US90015NAB91 is subject to deduction. XS1175854923/ US90015WAC73 is not subject to deduction. XS1551747733 / US90015WAE30 is not subject to deduction. TRSVKFB92719 / is not subject to deduction.
Eligible at solo/group/group&solo	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	4,084
Par value of instrument (in million)	5,817
Accounting classification	346011-347011 Subordinated Liabilities
Original date of issuance	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015 XS1551747733 / US90015WAE30 February 13, 2017 TRSVKFB92719 September 18, 2017
Perpetual or dated	XS0849728190/ US90015NAB91 Dated (10 years) Maturity Date: November 1, 2022 XS1175854923 / US90015WAC73 Dated (10 years) Maturity Date: February 3, 2025 XS1551747733 / US90015WAE30 Dated (10 years) Maturity Date: November 1, 2027 TRSVKFB92719 Dated (10 years) Maturity Date: September 6, 2027
Issue date	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015 XS1551747733 / US90015WAE30 February 13, 2017 TRSVKFB92719 September 18, 2017
Issuer call subject to prior supervisory approval	Yes
Call option dates, conditioned call dates and call amount	XS0849728190/ US90015NAB91 Not available. XS1175854923/ US90015WAC73 early call date at February 3, 2020 is available. XS1551747733/ US90015WAE30 early call date at November 1, 2022 is available. TRSVKFB92719 early call date at the end of five years.
Subsequent call dates, if applicable	XS0849728190/ US90015NAB91 Not available XS1175854923/ US90015WAC73 only one call option is available. XS1551747733/ US90015WAE30 only one call option is available. TRSVKFB92719 only one call option is available.
Coupons / dividends*	
Fixed or floating dividend/coupon	XS0849728190/ US90015NAB91 Fixed interest rate / Interest payment once in six month, principal payment at the maturity date XS1175854923/ US90015WAC73 Fixed interest rate / Interest payment once in six month ,principal payment at the maturity date XS1551747733 / US90015WAE30 Fixed interest rate / Interest payment once in six month, principal payment at the maturity date TRSVKFB92719 Floating interest rate/ Interest payment once in three month, principal payment at the maturity date
Coupon rate and any related index	XS0849728190/ US90015NAB91 6% fixed interest rate XS1175854923/ US90015WAC73 6.875% fixed interest rate XS1551747733/ US90015WAE30 8% fixed interest rate TRSVKFB92719 5 years maturity "Indicator Government Debt Security" +350 basis points
Existence of a dividend stopper	Nil
Fully discretionary, partially discretionary or mandatory	Nil
Existence of step up or other incentive to redeem	Nil
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	Nil

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

Reconciliation of capital items to balance sheet:

	December 31, 2017	31.12.2016
Shareholders' equity	23,257,818	19,238,711
Leasehold improvements on operational leases	(182,977)	(158,292)
Goodwill and intangible assets	(168,776)	(116,320)
General provision (1.25% of the amount that subject to credit risk)	1,885,493	1,905,134
Subordinated debt	4,083,838	2,729,287
Deductions from shareholders' equity	(43,549)	(190,854)
Capital	28,831,847	23,407,666

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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.

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.

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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 September 30, 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 Bank's largest 100 cash loan customers compose 26.52% of the total cash loan portfolio (December 31, 2016: 27.22%).

The Bank's largest 100 non-cash loan customers compose 53.48% of the total non-cash loan portfolio (December 31, 2016: 56.13%).

The Bank's largest 100 cash loan customers compose 17.93% of total assets of the Bank and the Bank's largest 100 non-cash loan customers compose 16.99% of total off-balance sheet items (December 31, 2016: 18.78% and 15.50%).

The Bank's largest 200 cash loan customers compose 32.81% of the total cash loan portfolio (December 31, 2016: 33.48%).

The Bank's largest 200 non-cash loan customers compose 65.73% of the total non-cash loan portfolio (December 31, 2016: 68.50%).

The Bank's largest 200 cash loan customers compose 22.18% of total assets of the Bank and the Bank's largest 200 non-cash loan customers compose 20.88% of total off-balance sheet items (December 31, 2016: 23.10% and 18.92%).

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

Risk Classifications:	Current Period Risk Amount^(*)	Average Risk Amount^(**)
Claims on sovereigns and Central Banks	93,274,872	74,840,199
Claims on regional governments or local authorities	6,911,090	5,774,930
Claims on administrative bodies and other non-commercial undertakings	438,782	1,100,510
Claims on multilateral development banks	1,583	766
Claims on international organizations	-	-
Claims on banks and intermediary institutions	15,512,752	12,469,312
Claims on corporate	86,475,062	78,889,723
Claims included in the regulatory retail portfolios	50,027,447	47,829,523
Claims secured by residential property	48,390,010	46,101,812
Past due loans	1,039,387	1,076,847
Higher risk categories decided by the Agency	220,667	161,770
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	263	168
Stock Investments	2,606,386	2,358,540
Other claims	8,395,667	6,816,384

^(*) 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 2017 period.

Risk Classifications:	Prior Period Risk Amount^(*)	Average Risk Amount^(**)
Claims on sovereigns and Central Banks	57,284,685	61,840,339
Claims on regional governments or local authorities	4,754,398	4,084,408
Claims on administrative bodies and other non-commercial undertakings	1,310,984	1,482,636
Claims on multilateral development banks	5	128
Claims on international organizations	-	-
Claims on banks and intermediary institutions	15,606,113	12,947,340
Claims on corporate	69,787,149	64,539,017
Claims included in the regulatory retail portfolios	45,724,723	40,231,116
Claims secured by residential property	43,946,760	39,721,096
Past due loans	1,093,383	972,687
Higher risk categories decided by the Agency	288,697	2,027,588
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	5
Stock Investments	2,124,212	1,481,117
Other claims	6,149,265	6,090,464

^(*) 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 2016 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 organizations	Claims on banks and intermediary institutions	Claims on the regulatory corporates retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
Domestic	84,447,479	6,907,856	438,782	-	2,935,346	80,320,911	48,042,681	1,039,387	-	-	-	-	263	43,370	8,395,667	282,596,236
EU countries	-	-	-	1,447	10,390,621	50,024,494	-	-	476	-	-	-	-	-	-	10,392,544
OECD countries ⁽¹⁾	-	-	-	-	493,249	-	-	-	-	-	-	-	-	-	-	493,249
Off-shore banking regions	-	3,234	-	-	113,075	4,247,432	328,856	-	-	-	-	-	-	-	-	4,695,550
USA, Canada	8,827,393	-	-	136	1,390,568	1,810,274	18,473	-	-	-	-	-	-	-	-	12,046,844
Other countries	-	-	-	-	84,991	96,445	-	-	220,191	-	-	-	-	-	-	401,627
Investment and associates, subsidiaries and joint ventures	-	-	-	-	104,902	-	-	-	-	-	-	-	-	2,563,016	-	2,667,918
Undistributed Assets/ Liabilities ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	93,274,872	6,911,090	438,782	1,583	15,512,752	86,475,062	50,027,447	1,039,387	220,667	-	-	-	263	2,606,386	8,395,667	313,293,968

⁽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 the geographical concentration ^(*)

Prior Period	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates retail portfolios	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
Domestic	54,506,834	4,754,398	1,310,984	5	-	5,814,771	67,946,762	45,723,028	43,895,829	1,093,383	83,109	-	-	27,610	-	6,149,265	-	231,306,978
EU countries	-	-	-	-	-	8,194,793	32	-	-	-	-	-	-	-	-	-	-	8,194,825
OECD countries ^(*)	-	-	-	-	-	13,085	-	-	-	-	-	-	-	-	-	-	-	13,085
Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	2,777,851	-	-	-	-	1,511,754	1,748,377	1,695	47,931	-	-	-	-	-	-	-	-	6,087,608
Other countries	-	-	-	-	-	71,710	91,978	-	-	-	205,588	-	-	-	-	-	-	369,276
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,096,602	-	2,096,602
Undistributed Assets/ Liabilities ^(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	57,284,685	4,754,398	1,310,984	5	-	15,606,113	69,787,149	45,724,723	43,946,760	1,093,383	288,697	-	-	2,124,212	-	6,149,265	248,070,374	

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

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

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

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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	17	TL	FC	Total
Agricultural	190,377	444	10	-	-	-	191,847	521,938	445,896	-	-	-	-	-	-	-	-	1,300,468	50,044	1,350,512
Farming and raising livestock	182,614	444	10	-	-	-	190,409	495,664	432,391	-	-	-	-	-	-	-	-	1,253,437	48,095	1,301,532
Forestry	6,204	-	-	-	-	-	12	18,521	4,603	-	-	-	-	-	-	-	-	29,340	-	29,340
Fishing	1,559	-	-	-	-	-	1,426	7,753	8,902	-	-	-	-	-	-	-	-	17,691	1,949	19,640
Manufacturing	5,105,301	187,304	61,438	-	-	-	35,594,314	3,671,243	6,413,129	-	-	-	-	-	-	-	-	21,480,235	29,552,494	51,032,729
Mining	129,600	-	-	-	-	-	2,929,399	118,087	145,433	-	-	-	-	-	-	-	-	645,416	2,677,103	3,322,519
Production	4,897,999	30	75	-	-	-	22,149,831	3,354,038	6,089,190	-	-	-	-	-	-	-	-	17,587,629	18,903,534	36,491,163
Electric, Gas, Water	77,702	187,274	61,363	-	-	-	10,515,084	199,118	178,506	-	-	-	-	-	-	-	-	3,247,190	7,971,857	11,219,047
Construction	2,952,772	890	3,395	-	-	-	11,066,164	2,651,520	6,780,970	-	-	-	-	-	-	-	-	15,217,010	8,238,701	23,455,711
Services	50,188,812	6,706,806	176,666	1,583	-	15,512,752	17,478,456	6,935,084	8,239,232	-	220,667	-	-	-	263	43,370	-	58,447,114	47,056,577	105,503,691
Wholesale and retail trade	6,852	232	-	-	-	-	16,079	3,743	1,784	-	-	-	-	-	-	-	-	8,929	19,761	28,690
Hotel, Food and Beverage Services	526,253	11	263	-	-	-	1,726,737	777,934	3,323,258	-	-	-	-	-	-	-	-	2,330,352	4,024,104	6,354,456
Transportation and Telecommunication	913,632	11,378	23,397	-	-	-	10,190,783	4,629,489	2,330,411	-	-	-	-	-	-	-	-	8,039,607	9,939,483	17,999,090
Financial Institutions	47,943,735	10	733	1,583	-	15,512,752	3,704,075	146,088	946,723	-	220,667	-	-	263	43,370	-	-	37,283,253	31,236,746	68,519,999
Real Estate and renting services	215,895	-	70,183	-	-	-	1,095,952	1,058,137	919,586	-	-	-	-	-	-	-	-	2,610,958	748,795	3,359,753
Self-employment services	4,905	1,513	241	-	-	-	116	2	-	-	-	-	-	-	-	-	-	6,777	-	6,777
Education services	164,013	11	626	-	-	-	232,813	128,211	420,193	-	-	-	-	-	-	-	-	934,571	11,296	945,867
Health and social services	413,527	6,693,651	81,223	-	-	-	5,11,901	191,480	397,277	-	-	-	-	-	-	-	-	7,212,667	1,076,392	8,289,059
Other	34,837,610	15,646	197,273	-	-	22,144,281	36,247,662	26,510,783	1,039,387	-	-	-	-	-	2,563,016	8,395,667	91,221,658	40,729,667	131,951,325	
Total	93,274,872	6,911,090	438,782	1,583	-	15,512,752	86,475,062	50,027,447	48,390,010	1,039,387	220,667	-	-	-	263	2,606,386	8,395,667	187,666,485	125,627,483	313,293,968

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

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

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

Risk profile according to sectors and counterparties (*)

Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	2,235	54	207,563	-	-	-	1,140,397	628,586	667,275	-	-	-	-	-	-	-	-	1,874,122	771,988	2,646,110
<i>Farming and raising livestock</i>	1,762	54	207,563	-	-	-	839,819	570,802	628,684	-	-	-	-	-	-	-	-	1,745,073	503,611	2,248,684
<i>Forestry</i>	471	-	-	-	-	-	258,641	29,458	19,454	-	-	-	-	-	-	-	-	80,550	227,474	308,024
<i>Fishing</i>	2	-	-	-	-	-	41,937	28,226	19,137	-	-	-	-	-	-	-	-	48,499	40,903	89,402
Manufacturing	5,917	570	171,838	-	-	-	30,027,301	4,011,585	5,229,920	-	-	-	-	-	-	-	-	13,824,770	25,622,361	39,447,131
<i>Mining</i>	707	-	6,712	-	-	-	1,335,027	156,918	211,494	-	-	-	-	-	-	-	-	487,832	1,223,026	1,710,858
<i>Production</i>	5,210	23	49,004	-	-	-	19,839,469	3,721,968	4,890,928	-	-	-	-	-	-	-	-	11,425,080	17,081,522	28,506,602
<i>Electric, Gas, Water</i>	-	547	116,122	-	-	-	8,852,805	132,699	127,498	-	-	-	-	-	-	-	-	1,911,858	7,317,813	9,229,671
Construction	434	105	73,780	-	-	-	10,284,903	2,626,315	5,891,522	-	-	-	-	-	-	-	-	10,986,335	7,890,724	18,877,059
Services	34,861,036	4,624,122	700,689	-	-	15,605,640	22,800,714	12,764,923	15,372,178	-	205,588	-	-	-	-	27,610	-	64,892,821	42,069,679	106,962,500
<i>Wholesale and retail trade</i>	184,370	583	43	-	-	-	8,480,102	7,441,861	8,473,191	-	-	-	-	-	-	-	-	18,799,413	5,780,737	24,580,150
<i>Hotel, Food and Beverage Services</i>	2,282	17	64	-	-	-	2,364,966	498,907	3,130,880	-	-	-	-	-	-	-	-	1,372,446	4,624,670	5,997,116
<i>Transportation and Telecommunication</i>	283	7,555	365,545	-	-	-	7,648,521	4,174,378	1,476,312	-	-	-	-	-	-	-	-	6,056,650	7,615,944	13,672,594
<i>Financial Institutions</i>	34,446,465	7	1,010	-	-	15,605,640	3,098,274	50,347	1,086,383	-	205,588	-	-	-	27,610	-	-	31,936,658	22,584,666	54,521,324
<i>Real Estate and renting services</i>	-	-	4	-	-	-	275,182	133,166	489,797	-	-	-	-	-	-	-	-	398,126	500,023	898,149
<i>Self-employment services</i>	480	1,264	16,839	-	-	-	424	68	-	-	-	-	-	-	-	-	-	19,065	-	19,065
<i>Education services</i>	51,275	32	1,026	-	-	-	365,576	100,796	292,437	-	-	-	-	-	-	-	-	774,076	37,066	811,142
<i>Health and social services</i>	175,881	4,614,674	316,158	-	-	-	567,669	365,400	423,178	-	-	-	-	-	-	-	-	5,536,387	926,573	6,462,960
Other	22,415,063	129,547	157,114	5	-	473	5,533,834	25,693,314	16,785,865	1,093,383	83,109	-	-	-	-	-	-	2,096,602	6,149,265	55,493,437
Total	57,284,685	4,754,398	1,310,984	5	-	15,606,113	69,787,149	45,724,723	43,946,760	1,093,383	288,697	-	-	-	-	2,124,212	-	6,149,265	147,071,485	100,998,889

(*) 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
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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

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

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

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	6,977,725	252,551	758,827	1,571,397	83,714,372
Claims on regional governments or local authorities	9,682	9,196	28,124	235,613	6,628,475
Claims on administrative bodies and other non-commercial undertakings	1,426	1,690	3,390	66,488	365,788
Claims on multilateral development banks	1,583	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	3,692,962	1,869,140	240,445	57,924	9,652,281
Claims on corporate	2,712,960	4,078,255	6,484,943	12,519,643	60,679,261
Claims included in the regulatory retail portfolios	592,658	1,398,041	2,388,791	5,872,574	39,775,383
Claims secured by residential property	715,960	1,295,000	2,647,802	6,139,142	37,592,106
Past due loans	-	-	-	-	1,039,387
Higher risk categories decided by the Agency	4,083	1,105	2,265	887	212,327
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	263
Stock Investments	-	-	-	-	2,606,386
Other claims	-	-	-	-	8,395,667
Total	14,709,039	8,904,978	12,554,587	26,463,668	250,661,696

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

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

Risk Classifications-Prior Period	According to their outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
Claims on sovereigns and Central Banks	5,152,323	225,795	409,148	1,583,377	49,914,042
Claims on regional governments or local authorities	1,782	21,645	28,086	388,267	4,314,618
Claims on administrative bodies and other non-commercial undertakings	42,633	278,512	9,991	64,845	915,003
Claims on multilateral development banks	-	-	-	-	5
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	5,786,026	1,671,798	269,398	481,624	7,397,267
Claims on corporate	2,015,469	3,296,230	5,939,490	9,868,195	48,667,765
Claims included in the regulatory retail portfolios	716,137	1,483,217	2,596,991	6,293,038	34,635,340
Claims secured by residential property	672,308	1,262,277	2,192,724	5,051,029	34,768,422
Past due loans	-	-	-	-	1,093,383
Higher risk categories decided by the Agency	-	300	-	-	288,397
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Stock Investments	-	-	-	-	2,124,212
Other claims	-	-	-	-	6,149,265
Total	14,386,678	8,239,774	11,445,828	23,730,375	190,267,719

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

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS
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EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Risk balances according to risk weights

Risk Weights

Current Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	85,170,351	-	5,735,499	23,271,806	44,311,654	50,027,447	104,556,544	220,667	-	-	-	395,302
Amount after Credit Risk Mitigation	88,234,001	-	4,128,073	23,271,806	46,849,682	49,693,331	100,896,408	220,667	-	-	-	395,302

Risk Weights

Prior Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	32,055,602	-	9,195,120	21,214,639	55,183,682	45,724,723	84,407,911	205,588	-	83,109	-	465,466
Amount after Credit Risk Mitigation	39,236,688	-	3,636,014	21,214,639	57,187,435	45,433,669	81,073,232	205,588	-	83,109	-	465,466

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

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

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

Information According to Sectors and Counterparties

Current Period	Loans			Provisions
	Impaired (*)	Past Due (**)	Value Adjustments (***)	
Agricultural	49,564	73,741	1,420	40,488
<i>Farming and raising livestock</i>	45,271	72,536	1,395	36,982
<i>Forestry</i>	2,207	923	20	2,042
<i>Fishing</i>	2,086	282	5	1,464
Manufacturing	1,418,585	662,702	18,754	1,152,837
<i>Mining</i>	113,934	71,292	1,641	110,219
<i>Production</i>	1,298,469	502,312	13,001	1,036,732
<i>Electric, Gas, Water</i>	6,182	89,098	4,112	5,886
Construction	791,869	580,653	12,394	702,786
Services	2,913,617	2,982,220	68,074	2,525,464
<i>Wholesale and retail trade</i>	2,049,107	1,114,163	25,183	1,804,680
<i>Hotel, Food and Beverage Services</i>	103,954	187,259	3,844	90,251
<i>Transportation and telecommunication</i>	391,091	759,229	13,311	332,833
<i>Financial Institutions</i>	15,550	15,741	203	14,680
<i>Real estate and renting services</i>	61,752	835,721	16,650	53,351
<i>Self-employment services</i>	183,449	6,922	7,555	150,312
<i>Education services</i>	18,070	40,977	938	17,454
<i>Health and social services</i>	90,644	22,208	390	61,903
Other	2,464,571	4,232,963	213,400	2,177,244
Total	7,638,206	8,532,279	314,042	6,598,819

(*) 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	116,924	56,562	1,580	99,522
<i>Farming and raising livestock</i>	106,265	51,912	1,424	90,495
<i>Forestry</i>	7,848	3,064	91	6,997
<i>Fishing</i>	2,811	1,586	65	2,030
Manufacturing	1,112,305	572,232	15,267	983,726
<i>Mining</i>	41,038	69,885	1,436	36,879
<i>Production</i>	1,060,170	490,172	13,644	937,638
<i>Electric, Gas, Water</i>	11,097	12,175	187	9,209
Construction	599,481	235,419	8,541	526,093
Services	1,739,620	2,237,522	49,129	1,452,901
<i>Wholesale and retail trade</i>	1,229,957	607,124	18,008	1,014,712
<i>Hotel, Food and Beverage Services</i>	81,173	97,034	2,808	62,466
<i>Transportation and telecommunication</i>	229,301	1,228,172	20,804	195,486
<i>Financial Institutions</i>	5,635	1,950	58	4,791
<i>Real estate and renting services</i>	9,400	32,707	1,104	7,794
<i>Self-employment services</i>	112,056	183,281	3,788	103,965
<i>Education services</i>	16,788	20,255	721	13,270
<i>Health and social services</i>	55,310	66,999	1,838	50,417
Other	2,845,173	3,215,435	232,451	2,257,878
Total	6,413,503	6,317,170	306,968	5,320,120

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

Information on Changes in Value Adjustments and Credit Provisions

Current Period	The opening Balance	Provisions amounts set aside during the period	The cancelation of the provisions	Other Adjustments ^(*)	Closing Balance
Specific Provisions	5,320,120	2,194,095	(936,786)	21,390	6,598,819
General Provisions	2,167,443	208	(280,949)	(1,209)	1,885,493

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

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

Prior Period	The opening Balance	Provisions amounts set aside during the period	The cancelation of the provisions	Other Adjustments ^(*)	Closing Balance
Specific Provisions	4,044,038	1,935,699	(665,884)	6,267	5,320,120
General Provisions	1,957,603	213,855	-	(4,015)	2,167,443

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

Fair value of collateral held against impaired loans

	December 31, 2017	December 31, 2016
Cash collateral ^(*)	-	-
Mortgage	3,059,895	2,484,686
Promissory note ^(*)	-	-
Others ^(**)	4,578,311	3,928,817
Total	7,638,206	6,413,503

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

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

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

Cash loans	December 31, 2017	December 31, 2016
Secured Loans:	142,928,602	113,223,472
Secured by mortgages	46,667,479	43,001,264
Secured by cash collateral	803,321	974,445
Guarantees issued by financial institutions	434,954	357,875
Secured by government institutions or government securities	19,124,808	2,420,844
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	75,898,040	66,469,044
Unsecured Loans	40,003,626	33,395,520
Total performing loans	182,932,228	146,618,992
Non-cash loans	December 31, 2017	December 31, 2016
Secured Loans:	24,286,702	16,831,079
Secured by mortgages	3,210,379	2,105,139
Secured by cash collateral	149,782	126,564
Guarantees issued by financial institutions	158,194	240,422
Secured by government institutions or government securities	570,608	-
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	20,197,739	14,358,954
Unsecured Loans	26,480,882	23,617,345
Total non-cash loans	50,767,584	40,448,424

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Exposures subject to countercyclical capital buffer

Current Period

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA calculations for Trading Book	Total
Turkey	155,241,676	-	155,241,676
United States	2,078,814	-	2,078,814
England	1,690,247	-	1,690,247
France	1,360,764	-	1,360,764
Iraq	414,494	-	414,494
Switzerland	72,579	-	72,579
Netherlands	262,142	-	262,142
Germany	28,984	-	28,984
Austria	114,367	-	114,367
Lebanon	30,841	-	30,841
Other	4,536,296	-	4,536,296
Total	165,831,204	-	165,831,204

Prior Period

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA calculations for Trading Book	Total
Turkey	131,496,703	-	131,496,703
United States	2,133,393	-	2,133,393
England	918,231	-	918,231
France	630,245	-	630,245
Iraq	400,361	-	400,361
Switzerland	245,149	-	245,149
Netherlands	94,423	-	94,423
Germany	34,316	-	34,316
Austria	21,172	-	21,172
Albania	15,201	-	15,201
Other	2,709,410	-	2,709,410
Total	138,698,604	-	138,698,604

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III. 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 December 31, 2017 and December 31, 2016 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	3.7800	4.5230
Foreign currency purchase rates for the days before balance sheet date;		
Day 1	3.7757	4.5106
Day 2	3.8241	4.5514
Day 3	3.8073	4.5139
Day 4	3.8037	4.5177
Day 5	3.8190	4.5271
	US Dollar	Euro
Last 30-days arithmetical average rate	3.8678	4.5781

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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	3,779,428	14,497,302	6,346,773	24,623,503
Banks	1,273,439	9,858,720	447,117	11,579,276
Financial assets at fair value through profit or loss ⁽¹⁾	-	120,612	-	120,612
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	310,561	827,117	-	1,137,678
Loans and receivables ⁽²⁾	25,182,315	32,205,844	74,494	57,462,653
Associates, subsidiaries and joint-ventures	362,248	-	-	362,248
Held-to-maturity investments	570,123	3,960,542	-	4,530,665
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	-	7,619	-	7,619
Intangible assets	-	-	-	-
Other assets ⁽³⁾	1,011,192	2,519,359	265	3,530,816
Total assets	32,489,306	63,997,115	6,868,649	103,355,070
Liabilities:				
Bank deposits	368,654	7,583,592	313,320	8,265,566
Foreign currency deposits	16,679,420	24,922,159	1,877,353	43,478,932
Interbank money market takings	-	3,571,811	-	3,571,811
Other funding	11,449,619	16,189,470	-	27,639,089
Securities issued	4,681,410	8,360,569	-	13,041,979
Miscellaneous payables	714,678	25,393	58,034	798,105
Derivative financial liabilities held for risk	-	-	-	-
Other liabilities ^{(1) (4)}	213,032	8,123,311	11,782	8,348,125
Total liabilities	34,106,813	68,776,305	2,260,489	105,143,607
Net 'on balance sheet' position	(1,617,507)	(4,779,190)	4,608,160	(1,788,537)
Net 'off-balance sheet' position	1,768,133	5,432,457	(4,605,831)	2,594,759
Derivative assets ⁽⁶⁾	4,654,449	18,670,060	270,591	23,595,100
Derivative liabilities ⁽⁶⁾	2,886,316	13,237,603	4,876,422	21,000,341
Non-cash loans ⁽⁵⁾	5,608,465	12,773,104	276,093	18,657,662
Prior Period				
	Euro	US Dollar	Other FC	Total
Total assets	26,354,962	52,932,124	4,719,504	84,006,590
Total liabilities	26,674,021	54,128,445	1,436,505	82,238,971
Net 'on balance sheet' position	(319,059)	(1,196,321)	3,282,999	1,767,619
Net 'off-balance sheet' position	343,259	3,068,001	(3,282,690)	128,570
Derivative assets ⁽⁶⁾	3,404,136	21,698,055	290,944	25,393,135
Derivative liabilities ⁽⁶⁾	3,060,877	18,630,054	3,573,634	25,264,565
Non-cash loans ⁽⁵⁾	4,075,023	9,339,767	290,178	13,704,968

⁽¹⁾ Derivative financial assets amounting to TL 13,988 (December 31, 2016: TL 20,534) and liabilities amounting to TL 34,450 (December 31, 2016: TL 33,606) resulting from changes in foreign exchange rates are not included.

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

⁽³⁾ Prepaid expenses amounting to TL 91,557 (December 31, 2016: TL 76,295) is not included.

⁽⁴⁾ Unearned revenues amounting to TL 189,318 (December 31, 2016: TL 158,497), deferred tax liabilities amounting to TL 47,679 (December 31, 2016: None) and equities amounting to TL 195,883 (December 31, 2016: TL 202,857) 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 232,555 (December 31, 2016: TL 918,356) and asset sales commitments amounting to TL 728,635 (December 31, 2016: TL 583,699) are included.

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Exposure to currency risk

10 percent appreciation of the TL against the following currencies as at and for the year ended December 31, 2017 and 2016 would have effect on 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.

	December 31, 2017		December 31, 2016	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	64,565	64,565	186,375	186,375
Euro	(21,162)	(21,162)	(40,991)	(40,991)
Other currencies	233	233	31	31
Total, net^(**)	43,636	43,636	145,415	145,415

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

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

10 percent appreciation of the TL against the following currencies as at and for the year ended December 31, 2017 and 2016 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	December 31, 2017		December 31, 2016	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	(64,565)	(64,565)	(186,375)	(186,375)
Euro	21,162	21,162	40,991	40,991
Other currencies	(233)	(233)	(31)	(31)
Total, net^(**)	(43,636)	(43,636)	(145,415)	(145,415)

^(*) 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.

IV. 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	16,440,969	-	-	-	-	12,203,855	28,644,824
Banks	10,420,962	339,044	8,187	-	-	1,119,635	11,887,828
Financial assets at fair value through profit/loss	362,422	478,847	160,593	821,339	113,324	263	1,936,788
Interbank money market placements	1,652,102	-	-	-	-	-	1,652,102
Available-for-sale financial assets	3,068,976	1,572,628	4,215,856	3,919,288	729,596	43,370	13,549,714
Loans and receivables	80,792,041	10,839,504	31,219,398	40,081,705	19,999,580	1,039,387	183,971,615
Held-to-maturity investments	986,375	2,743,646	6,217,027	4,327,554	2,491,469	-	16,766,071
Other assets ⁽¹⁾	10,495	7	253	361	-	12,151,652	12,162,768
Total assets	113,734,342	15,973,676	41,821,314	49,150,247	23,333,969	26,558,162	270,571,710
Liabilities:							
Bank deposits	8,268,276	842,741	177,301	-	-	489,785	9,778,103
Other deposits	82,004,246	23,910,761	9,926,461	30,065	-	29,627,486	145,499,019
Interbank money market takings	21,616,184	-	140,509	449,402	64,742	-	22,270,837
Miscellaneous payables	-	-	-	-	-	6,848,328	6,848,328
Securities issued	1,089,758	2,007,529	5,838,303	9,383,681	1,165,827	-	19,485,098
Funds borrowed	8,690,010	11,049,075	5,215,950	1,453,908	1,663,576	235,102	28,307,621
Other liabilities ⁽²⁾	21,457	175,115	517,987	4,116,157	2,292,989	31,258,999	38,382,704
Total liabilities	121,689,931	37,985,221	21,816,511	15,433,213	5,187,134	68,459,700	270,571,710
On balance sheet long position	-	-	20,004,803	33,717,034	18,146,835	-	71,868,672
On balance sheet short position	(7,955,589)	(22,011,545)	-	-	-	(41,901,538)	(71,868,672)
Off-balance sheet long position	1,267,350	3,559,363	140,118	-	162,518	-	5,129,349
Off-balance sheet short position	-	-	-	(2,683,485)	-	-	(2,683,485)
Net Position	(6,688,239)	(18,452,182)	20,144,921	31,033,549	18,309,353	(41,901,538)	2,445,864

⁽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.

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	13,369,291	-	-	-	-	10,996,006	24,365,297
Banks	2,753,824	307,863	22,306	-	-	806,329	3,890,322
Financial assets at fair value through profit/loss	531,009	601,147	22,021	372,093	84,709	201	1,611,180
Interbank money market placements	-	-	-	-	-	-	-
Available-for-sale financial assets	2,895,405	2,103,852	4,371,742	5,781,463	2,638,985	27,610	17,819,057
Loans and receivables	47,139,973	34,356,861	33,175,198	21,061,924	10,885,036	1,093,383	147,712,375
Held-to-maturity investments	674,843	1,937,819	4,047,247	1,287,620	233,006	-	8,180,535
Other assets ⁽¹⁾	9,528	1,648	9,541	1,029	-	8,939,393	8,961,139
Total assets	67,373,873	39,309,190	41,648,055	28,504,129	13,841,736	21,862,922	212,539,905
Liabilities:							
Bank deposits	4,344,954	455,862	94,424	-	-	236,382	5,131,622
Other deposits	66,462,963	20,624,829	7,383,419	37,889	-	24,197,655	118,706,755
Interbank money market takings	11,349,237	1,031,916	-	449,439	64,742	-	12,895,334
Miscellaneous payables	-	-	-	-	-	5,162,994	5,162,994
Securities issued	538,113	1,528,432	3,599,819	9,041,381	-	-	14,707,745
Fund borrowed	3,933,704	8,899,174	8,633,401	1,102,037	1,625,454	-	24,193,770
Other liabilities ⁽²⁾	518,727	184,455	263,038	1,439,164	3,772,851	25,563,450	31,741,685
Total liabilities	87,147,698	32,724,668	19,974,101	12,069,910	5,463,047	55,160,481	212,539,905
On balance sheet long position	-	6,584,522	21,673,954	16,434,219	8,378,689	-	53,071,384
On balance sheet short position	(19,773,825)	-	-	-	-	(33,297,559)	(53,071,384)
Off-balance sheet long position	2,073,148	3,048,601	-	-	-	-	5,121,749
Off-balance sheet short position	-	-	(522,353)	(3,391,353)	(210,900)	-	(4,124,606)
Net Position	(17,700,677)	9,633,123	21,151,601	13,042,866	8,167,789	(33,297,559)	997,143

⁽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 ⁽¹⁾:

Current Period	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBRT	-	1.50	-	4.00
Banks	0.12	4.02	-	12.76
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	12.75
Available-for-sale financial assets	5.20	4.07	-	11.96
Loans and receivables	4.85	6.51	-	15.96
Held-to-maturity investments	5.05	6.52	-	11.51
Liabilities:				
Bank deposits	0.36	1.53	-	14.33
Other deposits	1.76	3.54	-	12.11
Interbank money market takings	-	2.09	-	12.59
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.84	-	13.69
Funds borrowed	1.28	3.20	-	10.24
Prior Period				
	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBRT	-	0.75	-	3.31
Banks	-	1.01	-	10.87
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	5.23	6.58	-	9.49
Loans and receivables	4.28	4.99	-	12.34
Held-to-maturity investments	-	2.68	-	9.65
Liabilities:				
Bank deposits	0.21	1.18	-	10.87
Other deposits	1.38	2.84	-	9.17
Interbank money market takings	-	1.75	-	8.26
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.88	-	9.53
Funds borrowed	0.96	2.48	-	10.22

⁽¹⁾ The rates above are calculated over financial instruments with interest rates.

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V. STOCK POSITION RISKS

Stock position risks arising from banking book items

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

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

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

Current Period	Comparison		
	Carrying Value	Fair Value ^(*)	Market Value ^(*)
Stock Investments			
Stocks quoted in exchange^(*)	871,231	871,231	871,231
1.Stocks Investments Group A	871,231	871,231	871,231
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
Stocks unquoted in exchange^(**)	1,735,155	1,634,967	-

^(*) 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^(*)	652,998	652,998	652,998
1.Stocks Investments Group A	652,998	652,998	652,998
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
Stocks unquoted in exchange^(**)	1,471,214	1,386,964	-

^(*) 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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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 Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	251,676	251,676
3. Other Stocks	-	992,670	992,670	-	-
4. Total	-	992,670	992,670	251,676	251,676

(*) 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 Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	85,226	85,226
3. Other Stocks	-	828,877	828,877	-	-
4. Total	-	828,877	828,877	85,226	85,226

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

Explanations on Equity Shares Risk Arising from Banking Book

Portfolio-Current Period	Carrying Value	Total RWA	Minimum Capital Requirement
1. Private Equity Investments	-	-	-
2. Quoted	871,231	871,231	69,699
3. Other Stocks	1,735,155	1,735,155	138,812
4. Total	2,606,386	2,606,386	208,511

Portfolio-Prior Period	Carrying Value	Total RWA	Minimum Capital Requirement
1. Private Equity Investments	-	-	-
2. Quoted	652,998	652,998	52,240
3. Other Stocks	1,471,214	1,471,214	117,697
4. Total	2,124,212	2,124,212	169,937

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VI. 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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The Bank's Foreign Currency (FC) and total (TL+FC) liquidity coverage ratio (LCR) averages for current period. The highest value and the lowest value occurred in this period are given below:

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	03.11.2017	92.80	10.11.2017	217.96
The highest value	29.12.2017	116.18	29.12.2017	255.77

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)			35,096,294	25,035,823
CASH OUTFLOWS				
2 Retail deposits and deposits from small business customers, of which:				
3 Stable deposits	70,032,187	23,622,856	5,934,881	2,362,286
4 Less stable deposits	21,366,750	-	1,068,337	-
5 Unsecured wholesale funding, of which:	48,665,437	23,622,856	4,866,544	2,362,286
6 Operational deposits	72,669,268	22,549,754	30,645,411	11,790,610
7 Non-operational deposits	44,462,727	9,075,213	11,115,682	2,268,803
8 Unsecured debt	20,242,152	10,138,320	11,787,501	6,407,237
9 Secured wholesale funding	7,964,389	3,336,221	7,742,228	3,114,570
10 Additional requirements of which:				
11 Outflows related to derivative exposures and other collateral requirements	8,310,024	7,076,659	8,310,024	7,076,659
12 Outflows related to loss of funding on debt products	8,310,024	7,076,659	8,310,024	7,076,659
13 Credit and liquidity facilities	-	-	-	-
14 Other contractual funding obligations	-	-	-	-
15 Other contingent funding obligations	21,058,862	20,540,725	1,052,943	1,027,036
16 TOTAL CASH OUTFLOWS	56,786,818	13,481,508	6,485,099	1,238,265
			52,428,358	23,494,856
CASH INFLOWS				
17 Secured lending	-	-	-	-
18 Inflows from fully performing exposures	16,761,213	8,319,742	12,170,931	7,340,331
19 Other cash inflows	5,761,250	5,478,192	5,761,250	5,478,192
20 TOTAL CASH INFLOWS	22,522,463	13,797,934	17,932,181	12,818,523
			Upper Limit Applied Values	
21 TOTAL HQLA			35,096,294	25,035,823
22 TOTAL NET CASH OUTFLOWS			34,496,177	10,676,333
23 LIQUIDITY COVERAGE RATIO (%)			102.23	235.38

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

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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)		30,911,865	17,187,025
CASH OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:			
3	56,094,081	18,064,063	4,674,027	1,806,406
4	18,707,617	-	935,381	-
5	37,386,464	18,064,063	3,738,646	1,806,406
6	Unsecured wholesale funding, of which:			
7	62,416,947	15,846,190	24,240,183	7,659,013
8	42,745,940	8,687,042	10,686,485	2,171,760
9	10,454,745	5,701,889	6,886,996	4,064,477
10	9,216,262	1,457,259	6,666,702	1,422,776
11	Secured wholesale funding		-	-
12	Additional requirements of which:			
13	11,436,793	10,467,385	11,436,793	10,467,385
14	Outflows related to derivative exposures and other collateral requirements			
15	11,436,793	10,467,385	11,436,793	10,467,385
16	Outflows related to loss of funding on debt products		-	-
17	Credit and liquidity facilities		-	-
18	Other contractual funding obligations			
19	16,068,573	15,621,541	803,429	781,077
20	Other contingent funding obligations			
21	44,619,198	11,874,367	6,579,804	1,116,914
22	TOTAL CASH OUTFLOWS		47,734,236	21,830,795
CASH INFLOWS				
23	Secured lending		-	-
24	Inflows from fully performing exposures			
25	11,938,083	5,431,272	8,394,971	4,704,964
26	Other cash inflows			
27	9,183,453	4,946,269	9,183,453	4,946,269
28	TOTAL CASH INFLOWS		17,578,424	9,651,233
			Upper Limit Applied Values	
29	TOTAL HQLA		30,911,865	17,187,025
30	TOTAL NET CASH OUTFLOWS		30,155,812	12,179,562
31	LIQUIDITY COVERAGE RATIO (%)		102.69	143.21

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

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

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 ^(c)	Total
Assets:								
Cash and balance with CBRT	28,644,824	-	-	-	-	-	-	28,644,824
Banks	1,131,958	10,408,639	339,044	8,187	-	-	-	11,887,828
Financial assets at fair value through profit/loss	263	107,401	22,184	119,512	1,531,330	156,098	-	1,936,788
Interbank money market placements	-	1,652,102	-	-	-	-	-	1,652,102
Available-for-sale financial assets	-	367,288	222,590	1,478,073	6,697,310	4,741,083	43,370	13,549,714
Loans and receivables	-	15,014,654	5,187,532	32,686,698	84,252,856	45,790,488	1,039,387	183,971,615
Held-to-maturity investments	-	75,675	37,804	329,917	10,046,465	6,276,210	-	16,766,071
Other assets	3,441	1,419,267	7	253	361	-	10,739,439	12,162,768
Total assets	29,780,486	29,045,026	5,809,161	34,622,640	102,528,322	56,963,879	11,822,196	270,571,710
Liabilities:								
Bank deposits	489,785	8,268,276	842,741	177,301	-	-	-	9,778,103
Other deposits	29,627,486	82,004,246	23,910,761	9,926,461	30,065	-	-	145,499,019
Funds borrowed	-	280,597	1,685,371	12,187,874	7,895,028	6,258,751	-	28,307,621
Interbank money market takings	-	21,616,184	-	-	449,402	205,251	-	22,270,837
Securities issued	-	1,089,758	1,958,558	5,331,516	9,731,997	1,373,269	-	19,485,098
Miscellaneous payables	-	5,582,267	93,013	-	-	-	1,173,048	6,848,328
Other liabilities	-	649,945	412,001	187,970	3,580,673	3,428,322	30,123,793	38,382,704
Total liabilities	30,117,271	119,491,273	28,902,445	27,811,122	21,687,165	11,265,593	31,296,841	270,571,710
Liquidity gap	(336,785)	(90,446,247)	(23,093,284)	6,811,518	80,841,157	45,698,286	(19,474,645)	-
Net Off Balance Sheet Position	-	92,650	7,777	112,825	1,271,821	974,446	-	2,459,519
Receivables from Derivative Financial Instruments	-	4,136,503	3,080,526	2,801,093	13,990,524	7,587,873	-	31,596,519
Payables from Derivative Financial Instruments	-	4,043,853	3,072,749	2,688,268	12,718,703	6,613,427	-	29,137,000
Non-cash Loans	5,213,196	1,431,728	29,600,053	7,371,102	5,895,657	1,255,848	-	50,767,584
Prior Period								
Total assets	27,856,378	15,182,265	5,857,983	32,892,726	76,454,225	45,459,944	8,836,384	212,539,905
Total liabilities	24,434,037	88,090,552	24,843,197	21,662,436	16,484,413	11,188,413	25,836,857	212,539,905
Liquidity gap	3,422,341	(72,908,287)	(18,985,214)	11,230,290	59,969,812	34,271,531	(17,000,473)	-
Net Off Balance Sheet Position	-	(474,036)	(2,839)	423,666	933,313	652,787	-	1,532,891
Receivables from Derivative Financial Instruments	-	8,574,724	4,360,190	2,799,556	12,736,387	5,799,680	-	34,270,537
Payables from Derivative Financial Instruments	-	9,048,760	4,363,029	2,375,890	11,803,074	5,146,893	-	32,737,646
Non-cash Loans	3,594,694	1,317,799	23,409,999	6,456,303	4,800,854	868,775	-	40,448,424

^(c) 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	9,778,103	9,796,769	489,785	8,272,414	854,421	180,149	-	-
Other deposits	145,499,019	146,499,091	29,627,486	82,282,714	24,253,612	10,303,755	31,524	-
Funds borrowed	28,307,621	31,692,011	-	281,240	1,697,680	12,358,483	9,336,829	8,017,779
Money market takings	22,270,837	22,383,452	-	21,624,960	-	-	515,576	242,916
Issued Securities (Net)	19,485,098	21,040,600	-	1,094,586	2,003,909	5,474,410	10,951,274	1,516,421
Miscellaneous payables	6,848,328	6,848,328	1,173,048	5,582,267	93,013	-	-	-
Other liabilities	10,402,548	13,486,296	2,894,770	325,720	98,828	187,970	4,134,611	5,844,397
Total	242,591,554	251,746,547	34,185,089	119,463,901	29,001,463	28,504,767	24,969,814	15,621,513
Non-Cash Loans	50,767,584	50,767,584	5,213,196	1,431,728	29,600,053	7,371,102	5,895,657	1,255,848

Prior Period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	5,131,622	5,141,393	236,382	4,350,077	459,456	95,478	-	-
Other deposits	118,706,755	119,246,907	24,197,655	66,625,143	20,826,563	7,558,475	39,071	-
Funds borrowed	24,193,770	26,893,798	-	230,644	891,367	11,094,371	7,131,178	7,546,238
Money market takings	12,895,334	13,025,681	-	11,353,745	1,033,461	-	548,086	90,389
Issued Securities (Net)	14,707,745	15,921,674	-	540,447	1,550,520	3,309,738	10,520,969	-
Miscellaneous payables	5,162,994	5,162,994	1,073,406	4,010,273	79,315	-	-	-
Other liabilities	8,462,117	10,482,436	1,908,339	878,821	87,442	27,241	466,873	7,113,720
Total	189,260,337	195,874,883	27,415,782	87,989,150	24,928,124	22,085,303	18,706,177	14,750,347
Non-Cash Loans	40,448,424	40,448,424	3,594,694	1,317,799	23,409,999	6,456,303	4,800,854	868,775

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.

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VII. 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 6.80%. Increase in balance sheet assets and Tier I Capital transactions resulted in change in comparison with previous period (December 31, 2016: 7.13%) 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 (excluding derivatives and SFTs; including collateral)	261,224,004	209,429,643
2 Assets deducted in determining Basel III Tier 1 capital	(386,413)	(312,844)
3 Total on-balance sheet exposures (excluding derivatives and SFTs)	260,837,591	209,116,799
Derivative exposures		
4 Replacement cost	2,314,960	1,388,332
5 Add-on amount	620,408	647,688
6 Total derivative exposures	2,935,368	2,036,020
Securities financing transaction exposures		
7 Gross SFT assets (with no recognition of accounting netting)	657,737	653,843
8 Agent transaction exposures	-	-
9 Total securities financing transaction exposures	657,737	653,843
Other off-balance sheet exposures		
10 Off-balance sheet exposures with gross nominal amount	60,490,879	47,738,380
11 Adjustment amount off-balance sheet exposures with credit conversion factor	3,818,352	2,804,179
12 Total off-balance sheet exposures	64,309,231	50,542,559
Capital and total exposures		
13 Tier 1 capital	22,349,984	18,677,993
14 Total exposures	328,739,927	262,349,221
Leverage ratio		
15 Leverage ratio	6.80	7.13

⁽¹⁾ Calculated by using three 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	1,652,102	-	1,652,102	-
Banks	11,887,828	3,890,322	11,887,828	3,890,322
Available-for-Sale Financial Assets	13,549,714	17,819,057	13,549,714	17,819,057
Held-to-Maturity Investments	16,766,071	8,180,535	16,466,094	7,992,774
Loans	183,971,615	147,712,375	185,012,645	147,807,948
Financial Liabilities:				
Bank Deposits	9,778,103	5,131,622	9,778,103	5,131,622
Other Deposits	145,499,019	118,706,755	145,316,551	118,363,783
Funds Borrowed	28,307,621	24,193,770	28,269,920	24,986,292
Securities Issued	19,485,098	14,707,745	19,286,884	14,572,326
Subordinated Loans	5,935,969	5,031,213	5,856,356	4,677,751
Miscellaneous Payables	6,848,328	5,162,994	6,848,328	5,162,994

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

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

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

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

Classification of Fair Value Measurement

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

December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	263	1,936,525	-	1,936,788
Derivative financial assets held for trading purpose	-	1,936,525	-	1,936,525
Investment fund participation certificates	263	-	-	263
Available-for-sale financial assets	10,534,324	3,015,375	15 ^(*)	13,549,714
Debt securities	10,534,324	2,972,020	-	13,506,344
Equity securities	-	43,355	15	43,370
Investments in associates and subsidiaries	871,231	-	1,634,967 ^(*)	2,506,198
Total Financial Assets	11,405,818	4,951,900	1,634,982	17,992,700
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(1,184,530)	-	(1,184,530)
Total Financial Liabilities	-	(1,184,530)	-	(1,184,530)

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

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

December 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	201	1,610,979	-	1,611,180
Derivative financial assets held for trading purpose	-	1,610,979	-	1,610,979
Investment fund participation certificates	201	-	-	201
Available-for-sale financial assets	15,661,669	2,157,373	15 ^(*)	17,819,057
Debt securities	15,661,669	2,129,778	-	17,791,447
Equity securities	-	27,595	15	27,610
Investments in associates and subsidiaries	652,998	-	1,386,964 ^(*)	2,039,962
Total Financial Assets	16,314,868	3,768,352	1,386,979	21,470,199
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(1,143,703)	-	(1,143,703)
Total Financial Liabilities	-	(1,143,703)	-	(1,143,703)

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

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

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

	Level 3 Current Period	Level 3 Prior Period
Balance at the beginning of the year	1,386,979	1,352,854
Total gains or losses for the year recognized in profit or loss	-	-
Total gains or losses for the year recognized under equity	248,003	34,125
Balance at the end of the year	1,634,982	1,386,979

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

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	5,627,056	10,965,512	4,848,526	3,000	21,444,094
Interest income from loans	5,627,056	10,965,512	1,670,270	-	18,262,838
Interest income from reserve deposits	-	-	221,541	-	221,541
Interest income from securities portfolio	-	-	2,868,891	-	2,868,891
Interest income from banks	-	-	52,638	-	52,638
Interest income from money market transactions	-	-	35,186	-	35,186
Finance Lease Income	-	-	-	-	-
Other interest income	-	-	-	3,000	3,000
Interest Expense	4,337,115	4,634,234	3,787,824	63,495	12,822,668
Interest expense on deposits	4,337,115	4,619,108	248,858	-	9,205,081
Interest expense on funds borrowed	-	15,126	656,766	-	671,892
Interest expense on money market transactions	-	-	1,523,311	-	1,523,311
Interest expense on securities issued	-	-	1,020,139	-	1,020,139
Other interest expenses	-	-	338,750	63,495	402,245
Net Interest Income	1,289,941	6,331,278	1,060,702	(60,495)	8,621,426
Net Fees and Commissions Income	497,841	748,403	84,421	-	1,330,665
Trading Income/ Losses (Net)	-	-	164,212	-	164,212
Dividend Income	-	-	93,561	-	93,561
Other Income ^(*)	-	-	-	1,673,529	1,673,529
Provision For Losses on Loans and Other Receivables	483,166	1,773,358	30,802	500,207	2,787,533
Other Expenses ^(**)	-	-	-	4,420,728	4,420,728
Profit Before Taxes	1,304,616	5,306,323	1,372,094	(3,307,901)	4,675,132
Provision for taxes	-	-	-	(951,749)	(951,749)
Net Profit/ Loss	1,304,616	5,306,323	1,372,094	(4,259,650)	3,723,383
SEGMENT ASSETS					
Securities Portfolio	-	-	30,316,048	-	30,316,048
Derivative Financial Assets Held for Trading Purpose	-	-	1,936,525	-	1,936,525
Banks and Receivables From Money Markets	-	-	13,539,930	-	13,539,930
Investments in Associates and Subsidiaries	-	-	2,563,016	-	2,563,016
Loans and Receivables	48,222,428	106,467,197	29,281,990	-	183,971,615
Other Assets	-	-	29,037,351	9,207,225	38,244,576
TOTAL ASSETS	48,222,428	106,467,197	106,674,860	9,207,225	270,571,710
SEGMENT LIABILITIES					
Deposits	65,323,825	80,175,194	9,778,103	-	155,277,122
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,184,530	-	1,184,530
Interbank Money Market Takings	-	-	22,270,837	-	22,270,837
Funds Borrowed	-	571,707	27,735,914	-	28,307,621
Securities Issued	-	-	19,485,098	-	19,485,098
Other Liabilities	-	-	6,701,893	9,923,176	16,625,069
Provisions and Tax Liabilities	-	-	-	4,163,615	4,163,615
Equity	-	-	-	23,257,818	23,257,818
TOTAL LIABILITIES AND EQUITY	65,323,825	80,746,901	87,156,375	37,344,609	270,571,710

^(*) TL 936,786 amount of TL 1,673,529 shown in other income line consists of rejecting reserves from previous periods, TL 148,977 of income from sale of Bank's assets, TL 43,602 from communications income and remaining, TL 1,018 from leasing income, TL 543,146 of other income.

^(**) TL 1,768,758 amount of TL 4,420,728 shown in other expenses line consists of personnel expenses, TL 1,844,656 of other operating expenses, TL 161,271 of depreciation expenses, TL 168,500 of dividend reserves expenses to be given to personnel, TL 168,783 of Savings Deposit Insurance Fund (SDIF) expenses, TL 148,817 of taxes and funds expenses, and the remaining TL 159,943 of other expenses.

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Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	4,959,598	8,079,808	3,513,759	4,461	16,557,626
Interest income from loans	4,959,598	8,079,808	1,172,511	-	14,211,917
Interest Income from reserve deposits	-	-	111,798	-	111,798
Interest income from securities portfolio	-	-	2,204,418	-	2,204,418
Interest income from banks	-	-	25,032	-	25,032
Interest income from money market transactions	-	-	-	-	-
Finance Lease Income	-	-	-	-	-
Other interest income	-	-	-	4,461	4,461
Interest Expense	3,387,868	3,618,235	2,541,301	43,581	9,590,985
Interest expense on deposits	3,387,868	3,605,822	220,219	-	7,213,909
Interest expense on funds borrowed	-	12,413	373,337	-	385,750
Interest expense on money market transactions	-	-	992,840	-	992,840
Interest expense on securities issued	-	-	680,296	-	680,296
Other interest expenses	-	-	274,609	43,581	318,190
Net Interest Income	1,571,730	4,461,573	972,458	(39,120)	6,966,641
Net Fees and Commissions Income	425,547	478,927	76,409	-	980,883
Trading Income/ Losses (Net)	-	-	483,813	-	483,813
Dividend Income	-	-	91,753	-	91,753
Other Income ^(*)	-	-	-	954,031	954,031
Provision For Losses on Loans and Other Receivables	431,235	1,570,736	30,688	213,855	2,246,514
Other Expenses ^(**)	-	-	-	3,835,083	3,835,083
Profit Before Taxes	1,566,042	3,369,764	1,593,745	(3,134,027)	3,395,524
Provision for taxes	-	-	-	(692,482)	(692,482)
Net Profit/ Loss	1,566,042	3,369,764	1,593,745	(3,826,509)	2,703,042
SEGMENT ASSETS					
Securities Portfolio	-	-	25,999,793	-	25,999,793
Derivative Financial Assets Held for Trading Purpose	-	-	1,610,979	-	1,610,979
Banks and Receivables From Money Markets	-	-	3,890,322	-	3,890,322
Investments in Associates and Subsidiaries	-	-	2,096,602	-	2,096,602
Loans and Receivables	41,424,553	82,471,067	23,816,755	-	147,712,375
Other Assets	-	-	24,223,603	7,006,231	31,229,834
TOTAL ASSETS	41,424,553	82,471,067	81,638,054	7,006,231	212,539,905
SEGMENT LIABILITIES					
Deposits	54,150,626	64,556,129	5,131,622	-	123,838,377
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,143,703	-	1,143,703
Interbank Money Market Takings	-	-	12,895,334	-	12,895,334
Funds Borrowed	-	662,429	23,531,341	-	24,193,770
Securities Issued	-	-	14,707,745	-	14,707,745
Other Liabilities	-	-	5,774,949	7,098,768	12,873,717
Provisions and Tax Liabilities	-	-	-	3,648,548	3,648,548
Equity	-	-	-	19,238,711	19,238,711
TOTAL LIABILITIES AND EQUITY	54,150,626	65,218,558	63,184,694	29,986,027	212,539,905

^(*) TL 665,884 amount of TL 954,031 shown in other income line consists of rejecting reserves from previous periods, TL 164,709 of income from sale of Bank's assets, TL 40,316 from communications income, TL 923 from leasing income and remaining TL 82,199 of other income.

^(**) TL 1,488,861 amount of TL 3,835,083 shown in other expenses line consists of personnel expenses, TL 1,560,004 of other operating expenses, TL 172,096 of depreciation expenses, TL 147,970 of dividend reserves expenses to be given to personnel, TL 138,469 of Savings Deposit Insurance Fund (SDIF) expenses, TL 130,750 of taxes and funds expenses, and the remaining TL 196,933 of other expenses.

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XI. INFORMATION ON RISK MANAGEMENT

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

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

a) Risk Management Strategy

The bank manages assets and values which are entrusted to it effectively and efficiently in order to increase the constant contribution to customers, shareholders and the society. The bank adopted the forward looking risk based approach in all activities undertaken by creating assets in a high quality and managing obligations well. Generating the systems and processes of risk management and observation of its effectiveness are structured in the responsibility of Board of Directors. Current risk profile of the bank defines the all the internal and external important risks arises from the operating environment, the regulatory or economic environment. These risks defined on the console and non-console level are managed with policies and implementation procedures approved by the Bank's Board of Directors. To achieve this, Risk Management Department working under the Audit Committee, Inspection Board Department and Internal Control Department are working in coordination with all the departments at the same time.

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

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

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

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

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

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

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

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

b) Risk Weighted Amounts

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit Risk (excluding counterparty credit risk) ^(*)	168,059,840	150,079,012	13,444,787
2 Standardised approach	168,059,840	150,079,012	13,444,787
3 Internal rating based approach	-	-	-
4 Counterparty Credit Risk	2,832,891	2,123,897	226,631
5 Standardised approach for counterparty credit risk	2,832,891	2,123,897	226,631
6 Internal model method	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating based	-	-	-
8 Equity investments in funds – look-through approach	263	-	21
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – 1250% weighted risk approach	-	-	-
11 Settlement Risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
16 Market risk	652,375	611,455	52,190
17 Standardised approach	652,375	611,455	52,190
18 Internal model approaches	-	-	-
19 Operational Risk	14,255,142	12,290,249	1,140,412
20 Basic Indicator Approach	14,255,142	12,290,249	1,140,412
21 Standardised approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	-	207,773	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	185,800,511	165,312,386	14,864,041

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

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2. Linkages between Financial Statements and Regulatory Exposures

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

Current Period	Carrying values of items (according to TAS)					Not subject to capital requirements or subject to deduction from capital
	Carrying values as reported in published financial statements	Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
Assets						
Cash and balances at central bank	28,644,824	28,644,824	-	-	-	-
Financial assets held for trading	1,936,788	-	1,936,788	-	49,126	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	11,887,828	11,887,828	-	-	-	-
Receivables from money markets	1,652,102	1,652,102	-	-	-	-
Available for sale financial assets (net)	13,549,714	13,245,166	1,839,025	-	304,548	-
Loans and receivables	183,971,615	183,970,260	-	-	-	1,355
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	16,766,071	16,766,071	7,767,018	-	-	-
Investments in associates (net)	349,158	349,158	-	-	-	-
Investments in subsidiaries (net)	2,213,858	2,213,858	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	1,417,263	1,234,286	-	-	-	182,977
Intangible assets (net)	210,970	-	-	-	-	210,970
Investment properties (net)	-	-	-	-	-	-
Tax assets	-	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	1,312,493	1,312,493	-	-	-	-
Other assets	6,659,026	6,659,026	-	-	-	-
Total assets	270,571,710	267,935,072	11,542,831	-	353,674	395,302
Liabilities						
Deposits	155,277,122	-	-	-	-	155,277,122
Derivative financial liabilities held for trading	1,184,530	-	1,184,530	-	49,131	1,184,530
Loans	28,307,621	-	-	-	-	28,307,621
Debt to money markets	22,270,837	-	8,976,768	-	-	13,294,069
Debt securities in issue	19,485,098	-	-	-	-	-
Funds	3,206	-	-	-	-	3,206
Various debts	6,848,328	-	-	-	-	6,848,328
Other liabilities	3,837,566	-	-	-	-	3,837,566
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	3,412,482	-	-	-	-	3,412,482
Tax liability	751,133	-	-	-	-	751,133
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	5,935,969	-	-	-	-	5,935,969
Equity	23,257,818	-	-	-	-	23,257,818
Total liabilities	270,571,710	-	10,161,298	-	49,131	242,109,844

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Prior Period	Carrying values of items (according to TAS)					Not subject to capital requirements or subject to deduction from capital
	Carrying values as reported in published financial statements	Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
Assets						
Cash and balances at central bank	24,365,297	24,365,297	-	-	-	-
Financial assets held for trading	1,611,180	-	1,611,180	-	45,496	-
Financial assets designated at fair value						
through profit or loss	-	-	-	-	-	-
Banks	3,890,322	3,890,322	-	-	-	-
Receivables from money markets	-	-	-	-	-	-
Available for sale financial assets (net)	17,819,057	17,455,016	5,888,625	-	364,041	-
Loans and receivables	147,712,375	147,711,209	-	-	-	1,166
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	8,180,535	8,180,535	5,323,555	-	-	-
Investments in associates (net)	299,478	299,478	-	-	-	-
Investments in subsidiaries (net)	1,797,124	1,797,124	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	1,409,875	1,251,583	-	-	-	158,292
Intangible assets (net)	193,866	-	-	-	-	193,866
Investment properties (net)	-	-	-	-	-	-
Tax assets	83,109	83,109	-	-	-	-
Non-current assets and disposal groups						
classified as held for sale (net)	1,227,867	1,115,725	-	-	-	112,142
Other assets	3,949,820	3,949,820	-	-	-	-
Total assets	212,539,905	210,099,218	12,823,360	-	409,537	465,466
Liabilities						
Deposits	123,838,377	-	-	-	-	123,838,377
Derivative financial liabilities held for trading	1,143,703	-	1,143,703	-	45,295	1,143,703
Loans	24,193,770	-	-	-	-	24,193,770
Debt to money markets	12,895,334	-	12,895,334	-	-	12,895,334
Debt securities in issue	14,707,745	-	-	-	-	-
Funds	3,319	-	-	-	-	3,319
Various debts	5,162,994	-	-	-	-	5,162,994
Other liabilities	2,676,191	-	-	-	-	2,676,191
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	3,224,092	-	-	-	-	3,224,092
Tax liability	424,456	-	-	-	-	424,456
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	5,031,213	-	-	-	-	5,031,213
Equity	19,238,711	-	-	-	-	19,238,711
Total liabilities	212,539,905	-	14,039,037	-	45,295	197,832,160

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

Current Period	Total	Items subject to credit risk	Items subject to securitization	Items subject to counterparty credit risk	Items subject to market risk
1 Asset carrying value amount under scope of regulatory consolidation	270,176,408	267,935,072	-	11,542,831	353,674
2 Liabilities carrying value amount under regulatory scope of consolidation	28,461,866	-	-	10,161,298	(49,131)
3 Total net amount under regulatory scope of consolidation	241,714,542	267,935,072	-	1,381,533	304,543
4 Off-balance sheet amounts	-	-	-	2,744,685	-
5 Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to prudential filters	-	-	-	-	-
9 Differences due to risk reduction	-	-	-	568,751	-
10 Exposure amounts considered for regulatory	-	267,935,072	-	3,313,436	304,543

Prior Period	Total	Items subject to credit risk	Items subject to securitization	Items subject to counterparty credit risk	Items subject to market risk
1 Asset carrying value amount under scope of regulatory consolidation	212,074,439	210,099,218	-	12,823,360	409,537
2 Liabilities carrying value amount under regulatory scope of consolidation	14,707,745	-	-	14,039,037	(45,295)
3 Total net amount under regulatory scope of consolidation	197,366,694	210,099,218	-	(1,215,677)	364,242
4 Off-balance sheet amounts	114,291,533	22,195,365	-	2,222,070	-
5 Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to prudential filters	-	(3,898,133)	-	-	-
9 Differences due to risk reduction	-	-	-	769,248	-
10 Exposure amounts considered for regulatory	-	228,396,450	-	2,991,318	364,242

c) Explanations of differences between accounting and regulatory exposure amounts

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

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3. Credit Risk Explanations

a) General Information on Credit Risk

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

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

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

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

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

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

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

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

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

The eventual aim of the Bank is using credit risk inherent management methods in accordance with Basel III and best international implementations. In this context, studies of IRB (Internal Ratings Based Approach) are carried out. Within the scope of IRB studies, politics and procedures are updated as risk-focused. In addition, the work involves the correctness, precision and consistency of the models, which are used by the Bank, and the ratios of them in determining these criteria, measuring the general coherence of the other parts of the models, and basically, the work is continued in terms of qualitative and quantitative validation (verification) of the Bank's inner credit rating systems.

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Credit quality of assets

Current Period	Gross carrying values of (according to TAS)			Net values
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	
1 Loans	7,638,206	182,942,481	6,609,072	183,971,615
2 Debt Securities	-	30,127,332	123,452	30,003,880
3 Off-balance sheet exposures	169,355	79,708,432	75,942	79,801,845
4 Total	7,807,561	292,778,245	6,808,466	293,777,340

Prior Period	Gross carrying values of (according to TAS)			Net values
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	
1 Loans	6,413,503	146,619,289	5,320,417	147,712,375
2 Debt Securities	-	26,219,504	247,522	25,971,982
3 Off-balance sheet exposures	165,159	65,401,526	59,816	65,506,869
4 Total	6,578,662	238,240,319	5,627,755	239,191,226

Changes in stock of defaulted loans and debt securities ^(*)

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	6,413,503	4,850,213
2 Loans and debt securities that have defaulted since the last reporting period	3,189,506	2,919,386
3 Returned to non-defaulted status	106,595	31,895
4 Amounts written off	-	-
5 Other changes	(1,858,208)	(1,324,201)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) Definitions	7,638,206	6,413,503

^(*) Provisions for non-cash loans that are not indemnified and not converted into cash are not included.

Additional disclosure related to the credit quality of assets

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

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

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

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

Breakdown of receivables in terms of geographic regions

Geographical area	Current Period	Prior Period
	Credit receivables/ risks)	Credit receivables/ risks
Domestic	173,143,176	139,359,552
European Union Countries	-	-
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	1,801,673	1,756,636
Other	7,987,379	5,502,804
Total	182,932,228	146,618,992

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

Breakdown of loan receivables by sector

Current Period	Cash Loans	Impaired Loans	Provisions
Agricultural	1,008,685	49,564	40,488
Farming and raising livestock	977,078	45,271	36,982
Forestry	14,342	2,207	2,042
Fishing	17,265	2,086	1,464
Manufacturing	37,893,692	1,418,585	1,152,837
Mining and Quarrying	3,036,391	113,934	110,219
Production	26,282,464	1,298,469	1,036,732
Electricity, Gas, Water	8,574,837	6,182	5,886
Construction	23,424,262	791,869	702,786
Services	65,008,629	2,913,617	2,525,464
Wholesale and Retail Trade	28,096,489	2,049,107	1,804,680
Accommodation and Dining	5,786,152	103,954	90,251
Transportation and Telecommunication	13,816,900	391,091	332,833
Financial Institutions	3,750,023	15,550	14,680
Real Estate and Rental Services	9,329,897	61,752	53,351
Professional Services	2,746,513	183,449	150,312
Educational Services	856,735	18,070	17,454
Health and Social Services	625,920	90,644	61,903
Other	55,596,960	2,464,571	2,177,244
Total	182,932,228	7,638,206	6,598,819

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Prior Period	Cash Loans	Impaired Loans	Provisions
Agricultural	1,878,400	116,924	99,522
Farming and raising livestock	1,509,662	106,265	90,495
Forestry	286,476	7,848	6,997
Fishing	82,262	2,811	2,030
Manufacturing	26,254,073	1,112,305	983,726
Mining and Quarrying	1,004,707	41,038	36,879
Production	19,649,526	1,060,170	937,638
Electricity, Gas, Water	5,599,840	11,097	9,209
Construction	16,846,159	599,481	526,093
Services	44,711,065	1,739,620	1,452,901
Wholesale and Retail Trade	18,617,008	1,229,957	1,014,712
Accommodation and Dining	5,361,779	81,173	62,466
Transportation and Telecommunication	10,268,765	229,301	195,486
Financial Institutions	2,959,544	5,635	4,791
Real Estate and Rental Services	2,558,545	9,400	7,794
Professional Services	3,403,072	112,056	103,965
Educational Services	691,346	16,788	13,270
Health and Social Services	851,006	55,310	50,417
Other	56,929,295	2,845,173	2,257,878
Total	146,618,992	6,413,503	5,320,120

Breakdown of loan receivables by outstanding maturity

Current Period	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	15,014,654	5,187,532	32,686,698	84,252,856	45,790,488	182,932,228
Prior Period	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	12,575,901	5,268,530	30,613,044	62,734,890	35,426,627	146,618,992

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

Breakdown by of provision allocated receivables by geographical area

Current Period	Loan Receivables (Risks)	Provision
Geographical area		
Domestic	7,605,376	6,591,479
European Union Countries	-	-
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	32,130	6,643
Other	700	697
Total	7,638,206	6,598,819

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

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Prior Period

Geographical area	Loan Receivables (Risks)	Provision
Domestic	6,412,988	5,319,644
European Union Countries	-	-
OECD Countries ⁽¹⁾	-	-
Off-Shore Banking Regions	-	-
USA, Canada	65	50
Other	450	426
Total	6,413,503	5,320,120

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

Aging analysis for overdue receivables

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

⁽¹⁾ Loan receivables with overdue loans are taken into consideration.

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

Changes Made to Extend Payment Plan	Current Period	Prior Period
Loans restructured from Standard Loans and Other Receivables	2,664,938	1,473,046
Loans restructured from Loans under Follow-up and Other Receivables	1,558,186	1,511,482
Loans restructured from Non-Performing Loans	335,136	392,162

b) Credit Risk Mitigation

Qualitative disclosure on credit risk mitigation techniques

Credit risk mitigation techniques in the Bank are evaluated within the scope of the "Policy Document on Credit Risk Management". Within the scope of "Communiqué on Credit Risk Mitigation", published in the Official Gazette dated 06.09.2014, numbered 291111 simple financial guarantee method is used for financial guarantees. Cash and cash equivalents, Treasury Support Containing Credit Guarantee Fund Securities and guarantees are used to mitigate credit risk.

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

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

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Credit risk mitigation techniques

Current Period	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	105,589,475	78,382,140	66,629,280	3,652,598	3,128,437	-	-
2 Debt Securities	30,003,880	-	-	-	-	-	-
3 Total	135,593,355	78,382,140	66,629,280	3,652,598	3,128,437	-	-
4 Of which defaulted	7,638,206	-	-	-	-	-	-

Prior Period	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	92,786,791	54,925,584	46,872,614	3,076,521	2,649,313	-	-
2 Debt Securities	25,971,982	-	-	-	-	-	-
3 Total	118,758,773	54,925,584	46,872,614	3,076,521	2,649,313	-	-
4 Of which defaulted	6,413,503	-	-	-	-	-	-

c) Credit risk under standardized approach

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

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

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

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

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

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Credit risk exposure and credit risk mitigation effects

Current Period	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	82,907,438	1,395,677	85,877,681	802,646	5,046,770	5.82%
2	6,667,600	518,181	6,667,600	241,940	3,416,740	49.45%
3	301,190	311,734	301,190	137,108	424,900	96.94%
4	-	1,583	-	1,583	-	0.00%
5	-	-	-	-	-	0.00%
6	6,234,863	2,067,023	6,234,862	1,302,306	3,338,108	44.29%
7	66,095,260	65,127,912	63,125,018	23,100,224	84,870,828	98.43%
8	46,810,704	24,689,970	46,810,704	3,212,915	37,286,782	74.54%
9	22,850,866	931,214	22,850,866	420,940	8,145,132	35.00%
10	23,816,613	2,279,165	23,816,613	1,301,591	15,449,818	61.51%
11	1,039,387	-	1,039,387	-	1,039,387	100.00%
12	212,032	15,305	212,032	8,635	331,000	150.00%
13	-	-	-	-	-	0.00%
14	-	-	-	-	-	0.00%
15	263	-	263	-	263	100.00%
16	8,395,667	-	8,395,667	-	6,103,990	72.70%
17	2,606,386	-	2,606,386	-	2,606,385	100.00%
18 Total	267,938,269	97,337,764	267,938,269	30,529,888	168,060,103	56.31%

Prior Period	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	50,736,755	492,584	53,157,599	241,211	13,513,323	25.31%
2	4,596,673	344,708	4,596,673	156,470	2,345,713	49.35%
3	625,954	1,373,402	625,954	667,205	1,288,571	99.65%
4	5	-	5	-	-	-
5	-	-	-	-	-	-
6	3,333,183	1,748,404	3,333,184	989,208	1,814,921	41.99%
7	55,502,287	49,396,629	53,081,444	16,492,054	67,858,666	97.54%
8	42,983,144	20,892,607	42,983,144	2,703,720	34,063,507	74.56%
9	20,926,182	703,497	20,926,182	288,457	7,425,124	35.00%
10	22,075,082	1,401,642	22,075,082	657,040	14,085,290	61.96%
11	1,093,383	-	1,093,383	-	1,093,383	100.00%
12	288,697	-	288,697	-	516,154	178.79%
13	-	-	-	-	-	-
14	-	-	-	-	-	-
15	-	-	-	-	-	-
16	6,149,265	-	6,149,265	-	4,157,923	67.62%
17	2,124,212	-	2,124,212	-	2,124,210	100.00%
18 Total	210,434,822	76,353,473	210,434,824	22,195,365	150,286,785	64.60%

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Exposures by asset classes and risk weights

Current Period	Asset classes/ Risk weight	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	200%	250%	Other risk weights	Total risk Amount (After CCF and CRM)
1	Exposures to central governments or central banks	76,586,734	-	90	-	10,093,503	-	-	-	-	-	-	86,680,327
2	Exposures to regional governments or local authorities	9,934	-	110,209	-	6,789,397	-	-	-	-	-	-	6,909,540
3	Exposures to public sector entities	3,704	-	12,118	-	-	-	422,476	-	-	-	-	438,298
4	Exposures to multilateral development banks	1,583	-	-	-	-	-	-	-	-	-	-	1,583
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	738	-	1,901,162	-	5,354,785	-	280,483	-	-	-	-	7,537,168
7	Exposures to corporates	368,031	-	225,296	-	1,612,292	-	84,019,623	-	-	-	-	86,225,242
8	Retail exposures	238,496	-	94,654	-	-	-	49,690,469	-	-	-	-	50,023,619
9	Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-	-	23,271,806
10	Exposures secured by commercial real estate	-	-	-	-	23,271,806	-	-	-	-	-	-	23,271,806
11	Past-due loans	-	-	-	-	19,336,772	-	5,781,432	-	-	-	-	25,118,204
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	1,039,387	-	-	-	-	1,039,387
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	220,667	-	-	-	220,667
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	263	-	-	-	-	263
17	Other assets	1,987,490	-	380,234	-	-	-	2,606,386	-	-	-	-	2,606,386
18	Total	79,196,710	-	2,723,763	23,271,806	43,186,749	49,690,469	100,177,993	220,667	-	-	-	298,468,157

Prior Period	Asset classes/ Risk weight	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	200%	250%	Other risk weights	Total risk Amount (After CCF and CRM)
1	Exposures to central governments or central banks	26,372,164	-	-	-	27,026,646	-	-	-	-	-	-	53,398,810
2	Exposures to regional governments or local authorities	10,108	-	86,015	-	4,657,020	-	-	-	-	-	-	4,753,143
3	Exposures to public sector entities	4,060	-	660	-	-	-	1,288,439	-	-	-	-	1,293,159
4	Exposures to multilateral development banks	5	-	-	-	-	-	-	-	-	-	-	5
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	1,793	-	1,195,014	-	3,099,334	-	26,251	-	-	-	-	4,322,392
7	Exposures to corporates	399,141	-	394,561	-	2,000,084	-	66,779,712	-	-	-	-	69,573,498
8	Retail exposures	-	-	-	-	-	-	45,686,864	-	-	-	-	45,686,864
9	Exposures secured by residential property	-	-	-	-	21,214,639	-	-	-	-	-	-	21,214,639
10	Exposures secured by commercial real estate	-	-	-	-	-	-	5,438,457	-	-	-	-	22,732,122
11	Past-due loans	-	-	-	-	17,293,665	-	1,093,383	-	-	-	-	1,093,383
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	205,588	-	-	-	205,588
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	2,124,212	-	-	-	-	2,124,212
17	Other assets	1,797,559	-	242,229	-	-	-	4,109,477	-	-	-	-	6,149,265
18	Total	28,584,830	-	1,918,479	21,214,639	54,076,749	45,686,864	80,859,931	205,588	-	83,109	-	232,630,189

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4. Counterparty Credit Risk Explanations

Qualitative disclosure on counterparty credit risk

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

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

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

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

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

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Counterparty credit risk (CCR) approach analysis

Current Period	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for Computing regulatory exposure at default	Exposure at default post CRM	RWA
1 Standardized Approach - CCR (for derivatives)	2,150,962	593,723		1.4	2,744,685	1,535,780
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-			-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	568,751	141,930
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6 Total					-	-
7 Standardized Approach - CCR (for derivatives)						1,677,710

Prior Period	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for Computing regulatory exposure at default	Exposure at default post CRM	RWA
1 Standardized Approach - CCR (for derivatives)	1,598,350	623,720		1.4	2,222,070	1,094,707
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					769,248	183,239
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6 Total					-	-
7 Standardized Approach - CCR (for derivatives)						1,277,946

Capital requirement for credit valuation adjustment (CVA)

Current Period	EAD post CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-
1 (i) VaR component (including the 3x multiplier)		-
2 (ii) Stressed VaR component (including the 3x multiplier)		-
3 All portfolios subject to the Standardized CVA capital obligation	2,744,685	1,154,771
4 Total subject to the CVA capital obligation	2,744,685	1,154,771

Prior Period	EAD post CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-
1 (i) VaR component (including the 3x multiplier)		-
2 (ii) Stressed VaR component (including the 3x multiplier)		-
3 All portfolios subject to the Standardized CVA capital obligation	2,222,070	845,628
4 Total subject to the CVA capital obligation	2,222,070	845,628

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Standardized approach CCR exposures by risk class and risk weights

Current Period

Risk Classes / Risk Weights	0%	10%	20% by real estate	35% Secured	50%	75%	100%	150%	Others	Total credit exposure (*)
Claims from central governments and central banks	6,594,545	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	1,514	-	36	-	-	-	-	-	-	7
Claims from administration and non-commercial entity	473	-	-	-	-	-	11	-	-	11
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	2,438,621	-	1,404,273	-	3,662,933	-	469,757	-	-	2,582,079
Corporates	1,173	-	-	-	-	-	248,647	-	-	248,647
Retail portfolios	966	-	-	-	-	2,862	-	-	-	2,147
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
Total	9,037,292	-	1,404,309	-	3,662,933	2,862	718,415	-	-	2,832,891

(*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

(**) Other assets: The counterparty reported in the counterparty risks includes amounts not included in the credit risk.

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Standardized approach CCR exposures by risk class and risk weights

Prior Period

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Others	Total credit exposure (*)
Claims from central governments and central banks	3,885,875	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	1,216	-	38	-	-	-	-	-	-	8
Claims from administration and non-commercial entity	16,486	-	-	-	-	-	1,339	-	-	1,339
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	6,537,261	-	1,635,775	-	3,110,686	-	-	-	-	1,882,498
Corporates	1,689	-	-	-	-	-	211,962	-	-	211,962
Retail portfolios	406	-	-	-	-	37,453	-	-	-	28,089
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
Total	10,442,933	-	1,635,813	-	3,110,686	37,453	213,301	-	-	2,123,896

(*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

(**) Other assets: The counterparty reported in the counterparty risks includes amounts not included in the credit risk.

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Collaterals for counterparty credit risk

	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Current Period						
Cash-domestic currency	-	-	-	-	7,193,065	-
Cash-foreign currency	-	-	-	-	2,412,978	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	9,606,043	-

	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Prior Period						
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	5,462,076	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	5,462,076	-

Loan Derivatives

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

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

Central counterparty risks

	Current Period		Prior Period	
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1 Exposure to Qualified Central Counterparties (QCCPs) (total)		410		323
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	20,494	410	16,124	323
3 (i) OTC Derivatives	20,494	410	16,124	323
4 (ii) Exchange-traded Derivatives	-	-	-	-
5 (iii) Securities financing transactions	-	-	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-
11 Exposures to non-QCCPs (total)		-		-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-	-	-
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
17 Segregated initial margin	-	-	-	-
18 Non-segregated initial margin	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

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5. Explanations on Market Risk

None.

6. Explanations on Market Risk

Qualitative disclosure requirements related to market risk

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

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

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

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

In addition to the results of market risk measurements using standard method, which calculated in monthly periods, other daily risk dependencies can be also calculated by using internal model. Only by using the 99% of trust range, other measurements that are subject to risk can be daily calculated by using the historical stimulation and Monte Carlo stimulation. There are daily back testings occurred in order to examine the trustworthiness and performance of the model results. Besides, there are also scenario analyzes and stress tests are happening in order to backing up the standard method and internal models. In addition to this, in order to limit the market risks, daily limit implementation and limit implementation in accordance with the early warning system can be monitored on daily basis.

Market Risk- Standardized approach

RWA	Current Period	Prior Period
Outright products		
1 Interest rate risk (general and specific)	233,425	261,767
2 Stock risk (general and specific)	-	400
3 Foreign exchange risk	385,122	348,988
4 Commodity risk	-	-
Options		
5 Simplified approach	-	-
6 Delta-plus method	33,828	300
7 Scenario approach	-	-
8 Securitization	-	-
9 Total	652,375	611,455

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7. Explanations on Operational Risk

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

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

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

Current Period	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	6,260,273	7,331,177	9,216,778	7,602,743	15	1,140,411
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	14,255,142

Prior Period	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	6,159,500	6,232,883	7,272,016	6,554,800	15	983,220
Amount subject to Operational Risk (Amount*12,5)						12,290,249

8. Interest Rate Risk Related to Banking Book

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

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

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

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

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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	1,395,342	584,189	1,281,047	504,949
Central Bank of the Republic of Turkey ⁽¹⁾	2,275,103	24,001,997	2,892,154	19,433,355
Other	350,876	37,317	235,929	17,863
Total	4,021,321	24,623,503	4,409,130	19,956,167

⁽¹⁾ TL 20,815,769 (December 31, 2016: TL 14,977,543) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

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

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

According to 2015-35 numbered and May 2, 2015 dated announcement of Central Bank of 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	2,209,475	3,186,228	2,861,879	2,647,870
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	1,807,942
Reserve Deposits	65,628	20,815,769	30,275	14,977,543
Total	2,275,103	24,001,997	2,892,154	19,433,355

2. Further information on 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	20,577	5,359	18,625	4,254
Swap Transactions	1,780,915	128,744	1,459,135	128,530
Futures	-	-	-	-
Options	433	497	107	328
Other	-	-	-	-
Total	1,801,925	134,600	1,477,867	133,112

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	308,552	1,750,257	22,355	155,746
Foreign	-	9,829,019	15,215	3,697,006
Foreign Head Offices and Branches	-	-	-	-
Total	308,552	11,579,276	37,570	3,852,752

Due from foreign banks

	Unrestricted Balance		Restricted Balances ^(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	557,780	343,932	-	-
USA, Canada	8,561,544	2,746,877	339,989	308,742
OECD Countries ^(*)	91,584	89,546	-	-
Off-shore Banking Regions	145	90	-	-
Others	277,977	223,034	-	-
Total	9,489,030	3,403,479	339,989	308,742

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

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

4. Information on available-for-sale financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar Marketable Securities	8,553,659	344,646	1,882,699	2,051,546
Other	-	-	-	-
Total	8,553,659	344,646	1,882,699	2,051,546

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Available-for-sale financial assets subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	1,682,275	-	3,775,304	-
Treasury Bills	-	-	-	-
Other Debt Securities	-	156,751	-	2,113,320
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Total	1,682,275	156,751	3,775,304	2,113,320

Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	13,626,089	18,032,192
Quoted on a Stock Exchange	13,626,089	18,032,192
Unquoted	-	-
Equity securities	43,370	27,610
Quoted on a Stock Exchange	-	-
Unquoted	43,370	27,610
Provision for impairment on available-for-sale financial assets (-)	119,745	240,745
Total	13,549,714	17,819,057

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	-	38,243	-	31,720
Legal entities	-	38,243	-	31,720
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	140,344	-	117,056	-
Total	140,344	38,243	117,056	31,720

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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 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	173,317,808	2,664,938	-	5,391,296	1,558,186	-
Loans given to enterprises	60,356,661	1,837,235	-	2,406,619	1,228,858	-
Export loans	7,126,444	10,902	-	190,861	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1,200,646	-	-	4,480	-	-
Consumer loans	40,447,739	365,935	-	1,505,359	274,680	-
Credit cards	6,788,760	46,501	-	260,850	26,744	-
Other	57,397,558	404,365	-	1,023,127	27,904	-
Specialized lending	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	173,317,808	2,664,938	-	5,391,296	1,558,186	-

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

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

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

^(*) The a and b paragraph of the 4th article of the 5th paragraph is the loan balances within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.27947 dated May 28, 2011.

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	39,955,844	30,278	2,035,874	62,739
Loans	39,955,844	30,278	2,035,874	62,739
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
Medium, Long-term Loans and Other Receivables	133,361,964	2,634,660	3,355,422	1,495,447
Loans	133,361,964	2,634,660	3,355,422	1,495,447
Specialization loans	-	-	-	-
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	573,114	39,344,936	39,918,050
Housing Loans	16,254	18,950,268	18,966,522
Automobile Loans	6,463	423,169	429,632
General Purpose Loans	550,397	19,971,499	20,521,896
Other	-	-	-
Consumer Loans – FC indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Retail Credit Cards – TL	5,174,880	93,414	5,268,294
With Installment	2,271,719	82,305	2,354,024
Without Installment	2,903,161	11,109	2,914,270
Retail Credit Cards – FC	12,071	-	12,071
With Installment	-	-	-
Without Installment	12,071	-	12,071
Personnel Loans – TL	4,477	57,389	61,866
Housing Loan	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	4,477	57,389	61,866
Other	-	-	-
Personnel Loans – FC indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards – TL	77,776	454	78,230
With Installment	30,276	411	30,687
Without Installment	47,500	43	47,543
Personnel Credit Cards – FC	248	-	248
With Installment	-	-	-
Without Installment	248	-	248
Overdraft Checking Accounts – TL (Real persons)	2,613,639	-	2,613,639
Overdraft Checking Accounts – FC (Real persons)	158	-	158
Total	8,456,363	39,496,193	47,952,556

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Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans-TL	1,169,354	43,812,223	44,981,577
Real Estate Loans	1,154	1,049,786	1,050,940
Automobile Loans	88,063	1,940,882	2,028,945
General Purpose Loans	1,080,137	40,821,555	41,901,692
Other	-	-	-
Installment-based Commercial Loans-FC indexed	3,987	1,633,951	1,637,938
Real Estate Loans	-	-	-
Automobile Loans	-	177,864	177,864
General Purpose Loans	3,987	1,456,087	1,460,074
Other	-	-	-
Installment-based Commercial Loans-FC	297	8,696,118	8,696,415
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	297	8,696,118	8,696,415
Other	-	-	-
Corporate Credit Cards-TL	1,761,150	1,708	1,762,858
With Installment	451,980	1,708	453,688
Without Installment	1,309,170	-	1,309,170
Corporate Credit Cards-FC	1,154	-	1,154
With Installment	-	-	-
Without Installment	1,154	-	1,154
Overdraft Checking Accounts-TL (Corporate)	1,844,329	-	1,844,329
Overdraft Checking Accounts-FC (Corporate)	-	-	-
Total	4,780,271	54,144,000	58,924,271

Allocation of loan customers

	Current Period	Prior Period
Public Sector	3,032,772	2,526,793
Private Sector	179,899,456	144,092,199
Total	182,932,228	146,618,992

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic Loans	182,540,709	146,192,697
Foreign Loans	391,519	426,295
Total	182,932,228	146,618,992

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Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Loans Provided to the Subsidiaries and Associates	144,551	294,757
Indirect Loans Provided to the Subsidiaries and Associates	-	-
Total	144,551	294,757

Specific provisions for loans

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	150,730	384,497
Loans and Receivables with Doubtful Collectability	419,518	551,246
Uncollectible Loans and Receivables	6,028,571	4,384,377
Total	6,598,819	5,320,120

Information on non-performing loans (Net)

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

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

Movements in non-performing loan groups

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Balance at the beginning of the period	927,110	1,102,016	4,384,377
Additions (+)	2,836,423	137,362	215,721
Transfers from other categories of loans under follow-up (+)	-	2,510,046	2,225,124
Transfers to other categories of loans under follow-up (-) ⁽¹⁾	2,674,478	2,552,971	119,519
Collections (-)	335,405	340,468	677,132
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Balance at the end of the period	753,650	855,985	6,028,571
Specific provision (-) ⁽²⁾	150,730	419,518	6,028,571
Net balance	602,920	436,467	-

⁽¹⁾ 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.

⁽²⁾ After taking the collaterals of the loans amounting TL 32,026, that are classified in group IV, as from December 31, 2017 into account, the bank had recorded provision over the remaining amount.

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

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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	42,517	6,850	366,534
Specific provision (-)	8,503	3,425	366,534
Net balance on balance sheet	34,014	3,425	-
Prior Period			
Balance at the end of the period	57,993	12,646	223,454
Specific provision (-)	50,675	6,323	223,454
Net balance on balance sheet	7,318	6,323	-

Non-performing foreign currency denominated loans are followed in TL accounts.

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)	753,526	854,437	5,930,619
Specific Provision (-)	150,705	418,744	5,930,619
Consumer and Commercial Loans (Net)	602,821	435,693	-
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	124	1,548	96,401
Specific Provision (-)	25	774	96,401
Other Loans and Receivables (Net)	99	774	-
Prior Period (Net)			
Consumer and Commercial Loans (Gross)	926,977	1,092,516	4,292,536
Specific Provision (-)	384,470	546,496	4,292,536
Consumer and Commercial Loans (Net)	542,507	546,020	-
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	133	9,500	90,290
Specific Provision (-)	27	4,750	90,290
Other Loans and Receivables (Net)	106	4,750	-

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6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	12,235,406	2,022,702	8,039,914	-
Treasury Bills	-	-	-	-
Other Securities Issued by the Governments	-	2,263,925	-	-
Total	12,235,406	4,286,627	8,039,914	-

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	16,766,071	8,187,293
Quoted at Stock Exchanges	16,652,591	8,046,672
Unquoted at Stock Exchanges	113,480	140,621
Impairment Losses (-)	-	6,758
Total	16,766,071	8,180,535

The movement table of the held-to-maturity investments

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

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

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

Information on held-to-maturity investments

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

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

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

⁽¹⁾ The securities held as free that are not subject to collateral/blockage or other transactions are presented in the "Other" 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 Kibris Vakıflar Bankası Ltd. ⁽¹⁾	Lefkoşa/TRNC	15.00	15.00
2 Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/ Turkey	8.38	8.38
3 Roketsan Roket Sanayi ve Ticaret AŞ ⁽¹⁾	İstanbul/ Turkey	9.93	9.93
4 Bankalararası Kart Merkezi AŞ ⁽¹⁾	İstanbul/ Turkey	9.70	9.70
5 KKB Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/ Turkey	9.09	9.09
6 Güçbirliği Holding AŞ ⁽¹⁾	İzmir/Turkey	0.07	0.07
7 İzmir Enternasyonel Otelcilik AŞ	İstanbul/ Turkey	5.00	5.00
8 İstanbul Takas ve Saklama Bankası AŞ ⁽¹⁾	İstanbul/ Turkey	4.37	4.37
9 Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara/Turkey	1.54	1.54
10 Tasfiye Halinde World Vakıf UBB Ltd.	Lefkoşa/TRNC	82.00	85.32

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	1,047,132	88,271	7,571	59,475	3,603	5,231	3,640	-
2	29,917,636	3,711,341	871,378	1,440,834	438,839	611,177	443,431	3,488,552
3	4,185,749	1,062,721	716,013	13,978	-	173,897	128,591	-
4	80,677	46,880	47,322	1,043	-	6,983	14,517	-
5	259,153	175,797	172,992	4,049	-	36,919	16,458	-
6	142,810	(42,509)	88,001	360	-	(6,986)	(4,997)	-
7	120,766	(27,699)	83,574	4	-	(6,271)	(21,798)	-
8	9,913,087	1,170,007	97,419	281,518	7,404	201,251	162,178	-
9	486,557	462,323	10,969	21,449	-	127,873	17,738	-
10	1,104	(125,554)	-	66	-	(12,193)	(8,988)	-

⁽¹⁾ The financial statement information provided for these associates is taken from the financial statements dated September 30, 2017.

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Movement table of investments in associates

	Current Period	Prior Period
Balance at the beginning of the period	299,478	270,290
Movements during the period	49,680	29,188
Transfers	-	-
Acquisitions and capital increases	-	-
Bonus shares received	29,498	29,632
Income/loss from investments under equity accounting	-	-
Sales and liquidations	-	-
Fair value changes	20,182	(444)
Impairment losses	-	-
Balance at the end of the period	349,158	299,478
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,050,000 to TL 2,400,000 in the Ordinary General Meeting of the Company dated March 23, 2017. The share of the Bank amounting to TL 29,321 is presented in the movement table of investments in associates as bonus shares received.

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

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

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

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Sectoral distribution of investments in financial associates

	Current Period	Prior Period
Banks	332,861	283,359
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other associates	4,897	4,719
Total	337,758	288,078

Quoted associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	292,340	242,838
Quoted at international stock exchanges	-	-
Total	292,340	242,838

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 Faktoring AŞ	Vakıf Sigorta AŞ	Güneş Emeklilik AŞ	Vakıf Emeklilik AŞ	Vakıf Portföy Yönetimi AŞ	Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Paid in Capital	114,483	109,000	35,000	70,000	270,000	26,500	12,000	217,500	20,000	
Share Premium	-	-	-	-	655	-	-	246,731	-	
Other Capital Reserves	-	248	(271)	51	(2,046)	6,297	57	21,674	62	
Securities Value Increase Fund	41,310	3,470	64,446	347	287,304	964	-	-	-	
Tangible Assets' Value Increase From Revaluation	-	17,517	-	-	205,045	50,005	-	547	-	
Associates And Subsidiaries Bonus Shares	-	1,094	-	-	4,010	191	-	-	-	
Legal Reserves	10,614	6,286	6,128	5,824	17,179	18,385	1,347	7,543	395	
Extraordinary Reserves	-	33,523	7,368	45,624	19,247	104,880	7,050	108,125	-	
Other Profit Reserves	309,490	-	2,308	-	-	-	-	-	-	
Profit/Loss	146,910	23,115	15,473	18,022	(336,529)	138,418	5,856	6,350	(3,179)	
Prior Period's Profit/Loss	129,784	(18)	1,123	-	(437,001)	73,395	-	-	(3,008)	
Current Period's Profit/Loss	17,126	23,133	14,350	18,022	100,472	65,023	5,856	6,350	(171)	
Minority Rights	-	84	-	-	-	-	-	-	-	
Total Core Capital	622,807	194,337	130,452	139,868	464,865	345,640	26,310	608,470	17,278	
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-	-	
CAPITAL	622,807	194,337	130,452	139,868	464,865	345,640	26,310	608,470	17,278	
NET AVAILABLE EQUITY	622,807	194,337	130,452	139,868	464,865	345,640	26,310	608,470	17,278	

Reviewed BRSA financial statements as of September 30, 2017 are considered.

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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 and Vakıf Emeklilik ve Hayat 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 December 31, 2017, there is no capital requirement for the subsidiaries mentioned.

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 ^(*)	İstanbul/Turkey	48.02	48.02
2 Vakıf Emeklilik ve Hayat AŞ ^(*)	İstanbul/ Turkey	53.90	79.67
3 Vakıf Faktoring AŞ ^(*)	İstanbul/ Turkey	78.39	88.68
4 Vakıf Finansal Kiralama AŞ ^(*)	İstanbul/ Turkey	58.71	66.23
5 Vakıf Yatırım Menkul Değerler AŞ ^(*)	İstanbul/ Turkey	99.00	99.48
6 Vakıfbank International AG ^(*)	Vienna/Austria	90.00	90.00
7 Vakıf Portföy Yönetimi AŞ ^(*)	İstanbul/ Turkey	100.00	100.00
8 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ ^(*)	İstanbul/ Turkey	22.89	34.55
9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ^(*)	İstanbul/ Turkey	38.70	40.86
10 Vakıf Enerji ve Madencilik AŞ ^(**)	Ankara/ Turkey	65.50	85.52
11 Taksim Otelcilik AŞ ^(*)	İstanbul/ Turkey	51.00	51.69
12 Vakıf Pazarlama Sanayi ve Ticaret AŞ ^(***)	İstanbul/ Turkey	69.33	76.18
13 Vakıf Gayrimenkul Değerleme AŞ ^(*)	Ankara/ Turkey	54.29	58.73

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Company's Fair Value
1	1,857,209	536,171	582,483	59,978	669	15,030	(71,174)	449,781
2	6,618,429	308,951	127,457	36,713	196	73,260	38,512	1,149,195
3	1,528,034	139,869	328	128,206	-	18,023	12,943	157,611
4	1,868,750	192,531	21,786	100,798	-	22,421	15,894	232,724
5	422,141	130,451	2,029	26,480	18	14,350	5,752	186,870
6	4,005,275	579,208	1,988	61,159	23,491	16,637	17,711	402,497
7	27,486	26,310	444	2,328	32	5,856	4,937	81,031
8	18,747	17,277	28	264	1,485	(171)	(196)	27,963
9	1,067,326	873,533	638,872	10,869	-	8,495	10,768	568,147
10	25,851	12,062	1,043	530	-	404	280	14,494
11	371,463	356,839	221,749	8,132	-	5,653	504	403,062
12	59,791	49,796	1,710	3,948	-	6,422	3,587	49,458
13	31,550	25,967	280	2,811	-	(178)	1,269	26,479

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

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

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

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Movement table of investments in subsidiaries

	Current Period	Prior Period
Balance at the beginning of the period	1,797,124	1,604,319
Movements during the period	416,734	192,805
Transfers	-	-
Acquisitions and capital increases	-	76,155
Bonus shares received	51,974	24,858
Dividends from current year profit	(17,527)	(1,694)
Sales and liquidations	(232)	-
Fair value changes	371,260	87,159
Impairment losses	11,259	6,327
Balance at the end of the period	2,213,858	1,797,124
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	2,213,858	1,797,124
Equity method of accounting	-	-
Total	2,213,858	1,797,124

Sectoral distribution of investments in financial subsidiaries

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

Quoted subsidiaries

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

Investments in subsidiaries disposed during the period

There is no disposal in subsidiaries in the current period.

Investments in subsidiaries acquired during the period

In the current period, denomination of Vakıf Emeklilik AŞ has changed to "Vakıf Emeklilik ve Hayat AŞ" on July, 26 2017, respective alteration is registered officially in trade registry.

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

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

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

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

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

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

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

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

9. Investments in joint-ventures

None.

10. Information on finance lease receivables (net)

None.

11. Information on hedging purpose derivatives

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	921,897	111,890	27,927	1,261,847	2,323,561
Accumulated depreciation(-)	6,543	109,022	23,118	768,772	907,455
Impairment (-)	6,231	-	-	-	6,231
Net book value	909,123	2,868	4,809	493,075	1,409,875
Balance at the end of the current year:					
Net book value at the beginning of the current year	909,123	2,868	4,809	493,075	1,409,875
Additions	9,007	-	3,282	141,130	153,419
Cost of the disposals	11,008	-	8,164	8,376	27,548
Classification Among the Tangible Fixed Assets	-	(111,890)	-	111,890	-
Depreciation of the disposals	107	-	7,982	6,794	14,883
Depreciation of the current year (-)	5,558	-	1,598	127,335	134,491
Classification Among the Depreciation of the Tangible Fixed Assets	-	(109,022)	-	109,022	-
Impairment (-)	-	-	-	-	-
Net exchange differences from Foreign Branches	-	-	26	1,099	1,125
Cost at the end of the current year	919,896	-	23,071	1,507,590	2,450,557
Accumulated depreciation at the end of the year (-)	11,994	-	16,734	998,335	1,027,063
Impairment (-) ⁽¹⁾	6,231	-	-	-	6,231
Net book value at the end of the current year	901,671	-	6,337	509,255	1,417,263

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

	Current period	Prior Period
Deferred tax assets:	218,616	256,814
Provision for employee termination benefits and unused vacations	98,052	93,202
Other provisions	14,994	50,864
Valuation differences of associates and subsidiaries	23,456	23,456
Valuation differences of financial assets and liabilities	80,160	81,386
BRSA - Tax Code depreciation differences	-	5,986
Other	1,954	1,920
Deferred tax liabilities:	(332,351)	(173,705)
Valuation differences of financial assets and liabilities	(240,275)	(96,100)
Valuation differences of associates and subsidiaries	(56,408)	(48,843)
Valuation differences of properties	(28,433)	(28,762)
BRSA - Tax Code depreciation differences	(7,235)	-
Deferred tax assets/(liabilities), net	(113,735)	83,109

The deferred tax asset / liability schedule as of December 31, 2017 and December 31, 2016 is as follows:

	Current Period	Prior Period
As of 1 January	83,109	15,421
Deferred tax income/loss	(159,072)	19,942
Deferred tax that is accounted under Equity	(36,316)	48,737
Exchange differences	(1,456)	(991)
Deferred tax asset/(Liability)	(113,735)	83,109

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

	Current Period	Prior Period
Receivables from credit card payments	(14,566)	47,738
Guarantees given for derivative financial instruments	(15,934)	1,500
Prepaid expenses	328	104
Receivables from term sale of assets	(6,144)	(605)
Guarantees given for repurchase agreements	(36,316)	48,737

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

As at December 31, 2017 assets held for sale and assets related to the discontinued operations amount to TL 1,312,493 (December 31, 2016: TL 1,227,867).

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17. Information on other assets

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

	Current period	Prior Period
Receivables from credit card payments	1,173,158	988,257
Guarantees given for derivative financial instruments	2,749,121	1,876,321
Prepaid expenses	934,474	507,866
Receivables from term sale of assets	11,116	21,746
Guarantees given for repurchase agreements	151	-
Other	1,791,006	555,630
Total	6,659,026	3,949,820

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	6,056,971	-	3,050,910	31,050,795	2,289,658	270,480	177,229	2,178	42,898,221
Foreign Currency Deposits	7,173,350	-	2,608,077	24,483,346	1,775,564	1,135,081	4,702,551	-	41,877,969
Residents in Turkey	6,810,525	-	2,606,029	24,058,549	1,430,203	720,911	998,723	-	36,624,940
Residents Abroad	362,825	-	2,048	424,797	345,361	414,170	3,703,828	-	5,253,029
Public Sector Deposits	7,188,859	-	6,443,410	7,672,161	1,141,489	4,439,864	176,770	-	27,062,553
Commercial Deposits	3,773,023	-	5,746,560	10,678,076	2,281,607	190,433	8,957	-	22,678,656
Other	3,834,320	-	982,513	3,345,561	1,163,948	21,913	32,402	-	9,380,657
Precious Metal Deposits	1,600,963	-	-	-	-	-	-	-	1,600,963
Bank Deposits	489,785	-	7,033,739	2,058,712	18,565	59,147	118,155	-	9,778,103
Central Bank	1,349	-	-	-	-	-	-	-	1,349
Domestic Banks	140,446	-	6,644,460	947,960	18,565	-	-	-	7,751,431
Foreign Banks	255,751	-	200,144	768,660	-	59,147	41,441	-	1,325,143
Participation Banks	92,239	-	189,135	342,092	-	-	76,714	-	700,180
Other	-	-	-	-	-	-	-	-	-
Total	30,117,271	-	25,865,209	79,288,651	8,670,831	6,116,918	5,216,064	2,178	155,277,122

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	5,705,688	-	1,680,889	25,414,440	1,642,146	289,813	164,353	268	34,897,597
Foreign Currency Deposits	5,046,499	-	2,673,873	18,808,024	1,720,217	844,659	3,991,576	-	33,084,848
Residents in Turkey	4,817,098	-	2,667,484	18,521,686	1,479,501	544,129	943,203	-	28,973,101
Residents Abroad	229,401	-	6,389	286,338	240,716	300,530	3,048,373	-	4,111,747
Public Sector Deposits	5,358,931	-	5,219,406	6,965,059	768,349	2,589,066	115,942	-	21,016,753
Commercial Deposits	2,906,967	-	6,121,194	7,400,536	1,488,185	312,555	9,300	-	18,238,737
Other	4,168,961	-	1,901,192	3,401,011	881,451	85,146	20,450	-	10,458,211
Precious Metal Deposits	1,010,609	-	-	-	-	-	-	-	1,010,609
Bank Deposits	236,382	-	3,302,157	1,395,631	98,703	23,363	75,386	-	5,131,622
Central Bank	1,117	-	-	-	-	-	-	-	1,117
Domestic Banks	10,240	-	2,934,648	913,292	98,703	2,144	4,323	-	3,963,350
Foreign Banks	162,049	-	156,451	288,852	-	21,219	71,063	-	699,634
Participation Banks	62,976	-	211,058	193,487	-	-	-	-	467,521
Other	-	-	-	-	-	-	-	-	-
Total	24,434,037	-	20,898,711	63,384,701	6,599,051	4,144,602	4,377,007	268	123,838,377

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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	21,807,725	19,306,192	21,090,496	15,591,405
Foreign Currency Saving Deposits	6,571,401	5,092,943	15,854,203	14,160,086
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	28,379,126	24,399,135	36,944,699	29,751,491

Saving deposits out of insurance coverage limits

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

2. Information on derivative financial liabilities held for trading purpose

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	19,903	5,240	18,011	4,202
Swap Transactions	965,364	162,772	898,463	184,541
Futures	-	-	-	-
Options	30,336	915	38,159	327
Other	-	-	-	-
Total	1,015,603	168,927	954,633	189,070

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Republic of Turkey	-	235,102	-	-
Domestic Bank and Institutions	96,890	600,641	100,256	557,124
Foreign Banks, Institutions and Funds	571,642	26,803,346	571,642	22,964,748
Total	668,532	27,639,089	671,898	23,521,872

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Maturity information of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short-term ⁽¹⁾	98,337	2,927,224	97,160	2,275,319
Medium and Long term ⁽¹⁾	570,195	24,711,865	574,738	21,246,553
Total	668,532	27,639,089	671,898	23,521,872

⁽¹⁾ 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 %11.45 ((December 31, 2016: %12.52) of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

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

On September 26, 2016, the loan has been renewed with a new syndicated loan amounting to 224.5 million US Dollar and 544 million Euros with the interest rate of US Libor + 1.10% and Euribor + 1.00% at a maturity of 367 days with participation of 22 banks, ING Bank, London Branch and National Bank of Abu Dhabi PJSC acting as coordinator and ING Bank, London Branch acting as agent bank. On September 25, 2017, the mentioned loan has been renewed with a new syndicated loan amounting to 131 Million US Dollars and 634 Million Euros with the interest rate of US Libor + 1.35% and Euribor + 1.25% with a maturity of 367 days and with participation of 22 banks from 12 countries, where the ING Bank and Emirates NBD acted as common coordinator banks and ING Bank London Branch acted as the agent bank.

On December 19, 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.

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

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

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Information on securities issued

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

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

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

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

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

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

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

Current Period	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	3,647,403	2,816,000	98,149	12,831,440
Cost	3,492,003	2,816,000	98,149	12,758,003
Net Book Value	3,566,573	2,876,546	98,742	12,943,237

Prior Period	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	3,333,301	-	152,903	11,188,895
Cost	3,214,945	-	152,903	11,107,606
Net Book Value	3,268,595	-	154,695	11,284,455

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.

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

Information on employee rights

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

As of December 31, 2017, TL 388,002 (December 31, 2016: TL 374,691) provision for severance pay and TL 102,256 (December 31, 2016 TL 91,322) provision for unused vacation are stated in financial statements under employee rights provision.

Movement of severance pay provision in the period:

	Current Period	Prior Period
Opening balance	374,691	350,227
Current service cost	36,861	40,672
Previous service cost	8,866	-
Interest cost	38,395	33,177
Paid compensation	(39,522)	(48,357)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	(569)	1,996
Actuary loss/(gain)	(30,720)	(3,024)
Closing balance	388,002	374,691

Information on pension rights

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

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Transferable retirement and health liabilities

	31 December 2017	31 December 2016
Net Present Value of Transferable Retirement Liabilities	(5,495,589)	(4,843,316)
Net Present Value of Transferable Retirement and Health Contributions	4,317,510	3,352,762
General Administration Expenses	(99,503)	(86,552)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,277,583)	(1,577,107)
Fair Value of Plan Assets (2)	5,360,551	4,299,662
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	4,082,968	2,722,555

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

Discount Rates	31 December 2017	31 December 2016
Benefits Transferable to SSI	%9,80	%9,80
Non Transferable Benefits	%2,50	%2,50

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

	31 December 2017	31 December 2016
Bank placements	2,290,956	2,210,265
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	362,512	110,880
Tangible assets*	2,517,925	1,750,695
Other	189,158	227,822
Total	5,360,551	4,299,662

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

Provision for currency exchange loss on foreign currency indexed loans

	Current Period	Prior Period
Provision for currency exchange gain/loss on foreign currency indexed loans	10,253	297

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

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

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

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Information on other provisions

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Provisions for credits	3,207	184,880
Specific provisions for non-cash loans	75,942	59,816
Provision for cheques	79,112	66,959
Provisions for lawsuits against the Bank	2,760	4,755
Provisions for credit card promotions	9,768	9,595
Other provisions	534,381	20,473
Total	705,170	346,478

Information on provision for possible risks

The Bank recognized free provision in the current year amounting to TL 500.000 in line with the conservatism principle considering the circumstances that may arise from possible changes in the economy and financial markets.

8. Taxation

Current taxes

Tax provision

As at and for the year ended December 31, 2017, the corporate taxes payable was amounted to TL 764,909 (December 31, 2016: TL 724,953). As at December 31, 2017, corporate tax liabilities of the Bank was amounted to TL 451,736 (December 31, 2016: TL 576,578), after deducting prepaid taxes paid during temporary tax periods amounted to TL 313,173 (December 31, 2016: TL 148,375).

Information on taxes payable

	Current Year	Prior Year
Corporate taxes payable	313,173	148,375
Taxation on securities	160,257	151,546
Capital gains tax on property	3,045	2,655
Taxes on foreign exchange transactions	-	-
Banking and Insurance Transaction Tax (BITT)	121,325	91,205
Value added tax payable	4,234	3,616
Other	32,683	24,814
Total	634,717	422,211

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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	7	-
Unemployment insurance- employee share	887	748
Unemployment insurance- employer share	1,773	1,497
Other	14	-
Total	2,681	2,245

Information on deferred tax liabilities

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

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

None.

10. Information on subordinated loans

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

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

In 2012, the Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased. In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 228 million which issued abroad, with the new Basel III compliant conditions, was completed on 13 February 2017 and the redemption date of the bonds to be exchanged was determined as November 1, 2027, with a maturity of 10 years (recall option in 2022) and coupon rate as 8.00%.

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

Stated bonds' total balance sheet value is TL 5,935,969 as of December 31, 2017 (December 31, 2016: TL 5,031,213).

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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 January 2, 2015 and 61st Ordinary Meeting of the General Assembly dated March 30, 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.

Valuation differences of the marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	1,095,532	54,148	658,258	174,877
Fair value differences of available-for-sale securities	(299,308)	141,735	(243,814)	27,980
Foreign exchange differences	80,727	-	80,727	-
Total	876,951	195,883	495,171	202,857

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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	10,534,862	8,682,835
Loan granting commitments	11,843,577	9,817,555
Commitments for cheque payments	2,542,741	2,154,102
Asset purchase sale commitments	1,755,169	2,864,752
Other	2,264,499	1,433,858
Total	28,940,848	24,953,102

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 169,355 (December 31, 2016: TL 165,159) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 75,942 (December 31, 2016: TL 59,816).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Final letters of guarantee	14,073,061	11,547,141
Letters of guarantee for advances	6,684,317	4,843,148
Letters of guarantee given to custom offices	1,053,872	1,059,516
Provisional letters of guarantee	1,180,248	994,372
Other letters of guarantee	17,177,322	13,870,573
Total	40,168,820	32,314,750

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	3,771,138	2,788,811
<i>With original maturity of 1 year or less</i>	<i>1,216,243</i>	<i>1,126,734</i>
<i>With original maturity of more than 1 year</i>	<i>2,554,895</i>	<i>1,662,077</i>
Other non-cash loans	46,996,446	37,659,613
Total	50,767,584	40,448,424

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3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	40,142	0.13	20,449	0.11	81,809	0.30	382,403	2.79
Farming and Cattle	35,606	0.11	20,449	0.11	69,203	0.26	378,930	2.76
Forestry	3,213	0.01	-	0.00	11,601	0.04	3,473	0.03
Fishing	1,323	0.01	-	0.00	1,005	0.00	-	0.00
Manufacturing	12,256,698	38.17	7,292,016	39.09	10,907,710	40.79	7,157,290	52.22
Mining	281,602	0.87	175,494	0.94	1,157,275	4.33	144,199	1.05
Production	7,930,683	24.70	6,505,402	34.87	6,697,549	25.04	6,606,838	48.21
Electric, gas and water	4,044,413	12.60	611,120	3.28	3,052,886	11.42	406,253	2.96
Construction	4,855,489	15.12	1,577,187	8.45	4,216,428	15.77	2,323,864	16.96
Services	13,929,661	43.38	5,397,807	28.93	9,412,571	35.20	2,601,267	18.98
Wholesale and retail trade	5,412,904	16.86	3,084,564	16.54	4,056,016	15.17	1,556,748	11.36
Hotel, food and beverage Services	269,673	0.84	18,654	0.10	112,775	0.42	378	0.00
Transportation and telecommunication	1,530,254	4.77	754,438	4.04	1,330,694	4.98	876,095	6.39
Financial institutions	3,537,700	11.02	437,212	2.34	2,492,659	9.32	66,272	0.48
Real estate and renting Services	1,558,909	4.85	408,524	2.19	358,074	1.34	28,456	0.21
Self-employment services	1,439,047	4.48	682,640	3.66	700,053	2.62	66,033	0.48
Education services	37,182	0.12	8,202	0.04	18,627	0.07	1,588	0.01
Health and social services	143,992	0.44	3,573	0.02	343,673	1.28	5,697	0.05
Other	1,027,932	3.20	4,370,203	23.42	2,124,938	7.94	1,240,144	9.05
Total	32,109,922	100.00	18,657,662	100.00	26,743,456	100.00	13,704,968	100.00

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	31,630,753	8,020,115	240,831	110,773
Confirmed Bills of Exchange and Acceptances	44,700	1,510,854	-	-
Letters of Credit	30,161	8,959,467	-	4,523
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	46,052	-	-
Non-Cash Loans	31,705,614	18,536,488	240,831	115,296

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Prior Period	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	26,226,670	5,579,150	308,947	45,257
Confirmed Bills of Exchange and Acceptances	53,702	1,142,668	-	272
Letters of Credit	1,762	6,887,315	-	16,960
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	20,562	-	-
Non-Cash Loans	26,282,134	13,629,695	308,947	62,489

5. Information on derivative transactions

	Current Period	Prior Period
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	27,431,476	38,903,748
Currency Forwards	2,770,498	1,609,994
Currency Swaps	23,803,342	36,420,446
Currency Futures	-	-
Currency Options	857,636	873,308
Interest Rate Derivative Transactions (II)	16,961,096	17,066,824
Interest Rate Forwards	-	-
Interest Rate Swaps	16,961,096	17,066,824
Interest Rate Futures	-	-
Interest Rate Options	-	-
Other Trading Derivatives (III)	16,340,947	11,037,611
A. Total Trading Derivatives (I+II+III)	60,733,519	67,008,183
Hedging Derivatives	-	-
Fair Value Hedges and Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	-	-
Derivative Transactions (A+B)	60,733,519	67,008,183

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	December 31, 2017					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	3,208,743	2,610,791	1,146,654	271,380	-	7,237,568
Sale	608,287	374,412	1,121,536	287,826	-	2,392,061
Currency forwards:						
Purchase	191,078	237,194	861,239	96,150	-	1,385,661
Sale	190,999	237,075	860,677	96,086	-	1,384,837
Cross currency interest rate swaps:						
Purchase	264,597	37,800	303,700	6,677,071	140,118	7,423,286
Sale	161,595	25,580	303,700	6,126,870	132,682	6,750,427
Interest rate swaps:						
Purchase	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Sale	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Options:						
Purchase	333,265	19,141	73,700	-	-	426,106
Sale	336,538	19,392	75,600	-	-	431,530
Other trading derivatives:						
Purchase	38,820	75,600	415,800	2,683,002	3,430,128	6,643,350
Sale	2,646,434	2,316,290	326,755	1,945,000	2,463,118	9,697,597
Total purchases	4,136,503	3,080,526	2,801,093	13,990,524	7,587,873	31,596,519
Total sales	4,043,853	3,072,749	2,688,268	12,718,703	6,613,427	29,137,000
Total	8,180,356	6,153,275	5,489,361	26,709,227	14,201,300	60,733,519

	December 31, 2016					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	8,008,041	3,889,096	58,635	333,432	-	12,289,204
Sale	5,835,336	3,065,253	57,519	406,566	-	9,364,674
Currency forwards:						
Purchase	88,457	240,192	436,920	39,781	-	805,350
Sale	88,411	240,137	436,440	39,656	-	804,644
Cross currency interest rate swaps:						
Purchase	-	-	826,025	7,055,829	-	7,881,854
Sale	-	-	434,479	6,450,235	-	6,884,714
Interest rate swaps:						
Purchase	-	-	1,231,927	3,384,843	3,916,642	8,533,412
Sale	-	-	1,231,927	3,384,842	3,916,643	8,533,412
Options:						
Purchase	407,926	20,002	-	-	-	427,928
Sale	424,764	20,616	-	-	-	445,380
Other trading derivatives:						
Purchase	70,300	210,900	246,049	1,922,502	1,883,038	4,332,789
Sale	2,700,249	1,037,023	215,525	1,521,775	1,230,250	6,704,822
Total purchases	8,574,724	4,360,190	2,799,556	12,736,387	5,799,680	34,270,537
Total sales	9,048,760	4,363,029	2,375,890	11,803,074	5,146,893	32,737,646
Total	17,623,484	8,723,219	5,175,446	24,539,461	10,946,573	67,008,183

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6. Information on contingent assets and liabilities

Bank allocates TL 2,760 as provision for lawsuits against the Bank (December 31, 2016: TL 4,755).

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	4,816,136	180,467	4,374,026	179,314
Medium and Long-Term Loans	10,645,543	2,483,640	7,546,973	1,842,032
Non-performing Loans	137,052	-	269,572	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	15,598,731	2,664,107	12,190,571	2,021,346

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Republic of Turkey	-	6	-	198
Domestic Banks	8,690	5,368	867	1,368
Foreign Banks	57	38,517	15	22,584
Foreign Head Office and Branches	-	-	-	-
Total	8,747	43,891	882	24,150

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	1,481,282	227,335	1,225,597	271,077
Investments held to maturity	1,111,569	48,705	706,281	1,463
Total	2,592,851	276,040	1,931,878	272,540

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	17,079	11,011

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2. Interest expense

Interest expense on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	66,817	551,122	55,610	285,523
Central Bank of Republic of Turkey	-	99	-	-
Domestic Banks	5,571	9,456	6,481	5,931
Foreign Banks	61,246	541,567	49,129	279,592
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	53,953	-	44,617
Total	66,817	605,075	55,610	330,140

Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	153,477	78,418

Interest expense on securities issued

Interest paid to securities issued is TL 1,020,139 for the year ended December 31, 2017 (December 31, 2016: TL 680,296).

Maturity structure of the interest expense on deposits

Current Period	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Interbank deposits	-	4,583	181,129	3,707	-	-	-	189,419
Saving deposits	-	278,663	3,336,384	226,701	32,556	16,695	119	3,891,118
Public sector deposits	9,611	362,078	699,671	111,071	375,522	20,612	-	1,578,565
Commercial deposits	87	512,659	1,249,420	247,147	22,461	793	-	2,032,567
Other deposits	-	84,740	374,560	154,694	7,720	1,302	-	623,016
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	9,698	1,242,723	5,841,164	743,320	438,259	39,402	119	8,314,685
FC								
Foreign currency deposits	21,775	24,101	641,578	47,234	22,725	84,958	-	842,371
Interbank deposits	2,812	6,046	19,432	464	5,313	13,958	-	48,025
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	24,587	30,147	661,010	47,698	28,038	98,916	-	890,396
Grand Total	34,285	1,272,870	6,502,174	791,018	466,297	138,318	119	9,205,081

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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	-	50,936	124,957	-	5,449	12,337	-	193,679
Saving deposits	-	60,356	2,763,745	172,556	29,617	12,540	-	3,038,814
Public sector deposits	22,342	356,076	662,052	62,623	179,128	21,863	-	1,304,084
Commercial deposits	89	416,043	988,249	140,868	15,856	450	-	1,561,555
Other deposits	4	89,305	324,753	91,558	7,164	1,849	-	514,633
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	22,435	972,716	4,863,756	467,605	237,214	49,039	-	6,612,765
FC								
Foreign currency deposits	19,011	25,772	410,652	31,102	16,223	73,236	-	575,996
Interbank deposits	663	1,730	12,364	2,147	1,184	7,060	-	25,148
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	19,674	27,502	423,016	33,249	17,407	80,296	-	601,144
Grand Total	42,109	1,000,218	5,286,772	500,854	254,621	129,335	-	7,213,909

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	234	22,443
Others	93,327	69,310
Total	93,561	91,753

4. Information on trading income/losses

	Current Period	Prior Period
Income	8,981,578	5,974,847
Income from capital market operations	93,037	85,057
Income from derivative financial instruments	3,752,925	3,363,168
Foreign exchange gains	5,135,616	2,526,622
Loss	(8,817,366)	(5,491,034)
Loss from capital market operations	(47,888)	(63,221)
Loss from derivative financial instruments	(3,778,946)	(3,005,327)
Foreign exchange loss	(4,990,532)	(2,422,486)
Net trading profit/loss	164,212	483,813

Net loss arising from changes in foreign exchange rates that relate to the Bank's foreign exchange rate based derivative financial instruments is amounting to TL 120,839 as at and for the year ended December 31, 2017 (December 31, 2016: TL 349,745 income).

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5. Information on other operating income

	Current Period	Prior Period
Income from reversal of specific provisions for loans	936,786	665,884
Communication income	43,602	40,316
Gain on sale of assets	148,977	164,709
Rent income	1,018	923
Other income	543,146	82,199
Total	1,673,529	954,031

6. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	2,194,095	1,935,699
<i>Loans and receivables in Group III</i>	485,250	717,481
<i>Loans and receivables in Group IV</i>	593,276	526,966
<i>Loans and receivables in Group V</i>	1,115,569	691,252
Non-performing commissions and other receivables	-	-
General provision expenses	208	213,855
Provision for possible losses	500,000	-
Impairment losses on securities:	424	4,682
<i>Trading securities</i>	-	-
<i>Investment securities available-for-sale</i>	424	4,682
Impairment losses from associates, subsidiaries, joint ventures, and marketable securities held to maturity :	29,147	25,297
<i>Associates</i>	-	-
<i>Subsidiaries</i>	2,525	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	26,622	25,297
Other ⁽¹⁾	63,659	66,981
Total	2,787,533	2,246,514

⁽¹⁾ Other provision expenses amounting to TL 63,659 (December 31, 2016: TL 66,981) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 48,866 (December 31, 2016: TL 44,085) and provision expenses related to retail loans amounting to TL 14,793 (December 31, 2016: TL 22,896)

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7. Information on other operating expenses

	Current Period	Prior Period
Personnel Costs	1,768,758	1,488,861
Reserve for Employee Termination Benefits	44,031	27,488
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Amortization Expenses on Tangible Assets	134,491	130,200
Impairment Losses on Intangible Assets	-	-
Amortization Expenses on Intangible Assets	26,780	22,173
Impairment Losses on Assets to be Disposed	-	5,278
Depreciation Expenses on Assets to be Disposed	-	19,723
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	1,844,656	1,560,004
<i>Operational lease expenses</i>	247,667	224,714
<i>Repair and maintenance expenses</i>	62,247	47,576
<i>Advertisement expenses</i>	108,801	78,123
<i>Other expenses</i>	1,425,941	1,209,591
Loss on sale of assets	1,834	3,351
Other ⁽¹⁾	600,178	578,005
Total	4,420,728	3,835,083

⁽¹⁾ Other operating expenses amounting to TL 600,178 (December 31, 2016: TL 578,005) is comprised of provision expenses for dividends to the personnel amounting to TL 168,500 (December 31, 2016: TL 147,970), tax, fees and funds expenses amounting to TL 148,817 (December 31, 2016: TL 130,750), "Saving Deposits Insurance Fund" expenses amounting to TL 168,783 (December 31, 2016: TL 138,469) and other expenses amounting to TL 114,078 (December 31, 2016: TL 160,816).

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

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 792,677 (December 31, 2016: TL 712,424) 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.

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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	(47,016)	28,861
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(112,056)	(8,919)
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	(159,072)	19,942

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

	Current Period	Prior Period
Profit before tax	4,675,132	3,395,524
Additions	1,578,221	1,090,863
Reductions	(1,479,835)	(172,535)
Other	(951,750)	(694,457)
Basis	3,821,768	3,619,395
Corporate tax rate	20%	20%
Tax calculated	764,354	723,879
Other corrections	187,395	(31,397)
Tax expense	951,749	692,482

12. Information on net profit and loss

The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period

The Bank has earned TL 21,444,094 interest income, TL 1,330,665 net fees and commissions income and incurred TL 12,822,668 interest expenses, from ordinary banking transactions (December 31, 2016: TL 16,557,626 interest income, TL 9,590,985 interest expenses, TL 980,883 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 20% of the sub-accounts belonging to components of other items in the statement of income exceeding 10% of the group total

Banks' other commissions income mainly consists of credit card fee and commissions, insurance commissions and transfer 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	(215,834)	(24,884)
Fair value changes in the current year	115,416	(231,362)
Valuation differences transferred to the statement of income	(42,590)	(7,326)
Effect of deferred and corporate taxes	(14,565)	47,738
Valuation differences at the end of the year	(157,573)	(215,834)

Valuation Difference of the Subsidiaries and Affiliates	Current Period	Prior Period
Valuation differences at the beginning of the year	913,862	855,297
Fair value changes in the current year	332,479	57,065
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	(15,934)	1,500
Valuation differences at the end of the year	1,230,407	913,862

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

5. Information on profit distribution

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

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

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

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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 (2,056,237) (December 31, 2016: TL (2,267,986)) is comprised cash amount of other operating expenses, fee and commissions paid and trading income/ losses.

"Net increase/decrease in other liabilities" amounting to TL 10,851,526 (December 31, 2016: TL 355,962) under "Net increase (decrease) in other liabilities" is mainly comprised of cash inflows from funds provided by interbank Money markets.

"Other" item under "net cash flow from investing activities" amounting to TL (43,729) (December 31, 2016: TL (44,762)) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related assets' high turnover rate are taken into consideration. Each exchange rate's arithmetic average of the last five days before the report date and provision of average TL that is calculated from the difference from current period's exchange rate are reflected as an effect of exchange rate change on the cash flow statement. Except for the above-mentioned, banks that have less than three months to maturity are accepted as cash equivalents and average TL provision is calculated by difference between related operation's per term exchange rate and current period's exchange rate. As of December 31, 2017 impact of the exchange rate change on cash and cash equivalents is TL (91,144) (December 31, 2016: TL 94,345).

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

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

4. Information on cash and cash equivalents

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

	Prior Period December 31, 2016	Prior Period December 31, 2015
Cash on hand	1,785,996	1,434,849
Cash in TL	1,281,047	1,157,743
Cash in foreign currency	504,949	277,106
Cash equivalents	9,322,773	6,765,575
CBRT	22,325,509	19,834,346
Banks	3,890,322	5,234,266
Receivables from money markets	-	-
Other	253,792	215,594
Loans and advances to banks having maturity of more than 3 months	(22,000)	-
Restricted cash and cash equivalents	(17,124,471)	(18,518,412)
Unrealized foreign exchange rate differences on cash equivalents	(379)	(219)
Total	11,108,769	8,200,424

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

	Current Period December 31, 2017	Prior Period December 31, 2016
Cash on hand	1,979,531	1,785,996
Cash in TL	1,395,342	1,281,047
Cash in foreign currency	584,189	504,949
Cash equivalents	18,967,532	9,322,773
CBT - Unrestricted demand deposit	26,277,100	22,325,509
Banks	11,887,828	3,890,322
Receivables from money markets	1,652,102	-
Other	388,193	253,792
Loans and advances to banks having maturity of more than 3 months	(8,000)	(22,000)
Restricted cash and cash equivalents	(21,221,265)	(17,124,471)
Unrealized foreign exchange rate differences on cash equivalents	(8,426)	(379)
Total	20,947,063	11,108,769

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

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

Foreign currency bank deposits amounting to TL 339,868 (December 31, 2016: TL 308,711) is blocked and has not been included in cash and cash equivalents due to securitization loans and other ordinary banking operations of the Bank.

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	294,757	1,205,242	-	31,720	37,507	22,446
Balance at the end of the period	144,551	1,441,249	-	38,243	18,110	34,799
Interest and commission income	17,079	2,059	-	38	964	78
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	145,876	955,222	-	28,550	822	15,858
Balance at the end of the period	294,757	1,205,242	-	31,720	37,507	22,446
Interest and commission income	11,011	1,575	-	32	424	105

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS
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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

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

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

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	1,055,694	965,832	977,319	740,156	164,132	104,508
Balance at the end of the period	1,692,043	1,055,694	1,100,243	977,319	241,645	164,132
Interest on deposits	153,477	78,418	108,847	62,682	19,892	288

Information on forwards and option agreements and other similar agreements made with 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
Held for Trading Transactions						
Purchase balance at the beginning of the period	-	-	-	-	-	-
Sale balance at the beginning of the period	-	-	-	-	-	-
Purchase balance at the end of the period	217,476	-	-	-	-	-
Sale balance at the end of the period	223,669	-	-	-	-	-
Total profit/(loss)	(1,355)	49	-	-	-	-

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 %0.09 (December 31, 2016: %0.23) and %2.98(December 31, 2016: %3.11), respectively.

Current Period	Compared to financial statement	
	Amount	amount (%)
Cash loans	162,661	0.09%
Non-cash loans	1,514,291	2.98%
Deposits	3,033,931	1.95%
Forward and option agreements	441,145	0.73%

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

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

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

Prior Period	Amount	Compared to
		financial statement amount (%)
Cash loans	332,264	0.23%
Non-cash loans	1,259,408	3.11%
Deposits	2,197,145	1.77%
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⁽¹⁾	924	16,050			
			Country		
Foreign Representative Offices					
Foreign Branches	1	26	USA	10,881,965	62,370
	1	16	Iraq	329,145	189,000
Off-shore Branches	1	5	Bahrain	13,839,751	-

⁽¹⁾ Free zone branches in Turkey is included to domestic branches.

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

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

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

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

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

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

1 February 2018	Fitch Ratings
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB-
Short Term Local Currency	F3
Local Currency Outlook	Stable
National Long Term	AAA (tur)
National Outlook	Stable
Support	3
Support Rating Floor	BB+
Viability Note	bb+

2 February 2018	Moody's Investors' Service
Baseline Credit Assessment	ba2
Local Currency Deposit Rating	Ba1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Ba2/NP
Foreign Currency Outlook	Negative

12 December 2017	Standard&Poors
Foreign Currency Counterparty Credit Rating	BB/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	BB/B
Local Currency Outlook	Negative
Turkey National Scale	trAA-/trA-1

*) Dates represent last report dates.

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS
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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

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

(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

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

Book-building process in relation to issuance of the Eurobond has been completed by Vakıfbank. Coupon rate has been set at 5,75% with a yield of 5,85% in respect of USD 650 million fixed rate notes with semi-annual interest payment, having a maturity on January 30th, 2023 with a term of 5 years.

SECTION SEVEN INDEPENDENT AUDITORS' AUDIT REPORT

I. INFORMATION ON INDEPENDENT AUDITOR'S REPORT

The Bank's unconsolidated financial statements and footnotes as at and for year ended December 31, 2017 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. It was noted in their audited report dated February 13, 2018 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated financial statements do not give a true and fair view of the Bank's financial position and results of its operations.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

**CONSOLIDATED FINANCIAL STATEMENTS AND RELATED
DISCLOSURES AT DECEMBER 31, 2017 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

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



BAĞIMSIZ DENETÇİ RAPORU

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Genel Kurulu'na

A. Konsolide Finansal Tabloların Bağımsız Denetimi

1. Sınırlı Olumlu Görüş

Türkiye Vakıflar Bankası T.A.O.'nun ("Banka") ve bağlı ortaklıklarının (hep birlikte "Grup" olarak anılacaktır) 31 Aralık 2017 tarihli konsolide bilançosu ile aynı tarihte sona eren hesap dönemine ait; konsolide gelir tablosu, konsolide özkaynaklarda muhasebeleştirilen gelir gider kalemlerine ilişkin tablo, konsolide özkaynak değişim tablosu ve konsolide nakit akış tablosu ile önemli muhasebe politikalarının özeti de dâhil olmak üzere konsolide finansal tablo dipnotlarından oluşan konsolide finansal tablolarını denetlemiş bulunuyoruz.

Görüşümüze göre, aşağıdaki Sınırlı Olumlu Görüşün Dayanağı bölümünde açıklanan hususun konsolide finansal tablolar üzerindeki etkisi hariç olmak üzere, ilişikteki konsolide finansal tablolar Grup'un 31 Aralık 2017 tarihi itibarıyla konsolide finansal durumunu ve aynı tarihte sona eren hesap dönemine ait konsolide finansal performansını ve konsolide nakit akışlarını 1 Kasım 2006 tarihli ve 26333 sayılı Resmi Gazete'de yayımlanan "Bankaların Muhasebe Uygulamalarına ve Belgelerin Saklanması İlişkin Usul ve Esaslar Hakkında Yönetmelik" ve Bankacılık Düzenleme ve Denetleme Kurulu tarafından bankaların hesap ve kayıt düzenine ilişkin yayımlanan diğer düzenlemeler ile Bankacılık Düzenleme ve Denetleme Kurumu ("BDDK") genelge ve açıklamaları ve bunlar ile düzenlenmeyen konularda Türkiye Muhasebe Standartları ("TMS") hükümlerini içeren; "BDDK Muhasebe ve Finansal Raporlama Mevzuatı"na uygun olarak tüm önemli yönleriyle gerçeğe uygun bir biçimde sunmaktadır.

2. Sınırlı Olumlu Görüşün Dayanağı

Konsolide Finansal Tablolara İlişkin Açıklama ve Dipnotlar Beşinci Bölüm II. Kısım 7. maddede belirtildiği üzere 31 Aralık 2017 tarihi itibarıyla hazırlanan ilişikteki konsolide finansal tablolar, Banka yönetimi tarafından gelecek dönemlerde ekonomide ve piyasalarda meydana gelebilecek olumsuz gelişmelerin olası etkileri dikkate alınarak tamamı cari dönemde ayrılmış olan toplam 500,000 Bin TL tutarında serbest karşılığı içermektedir.

Yaptığımız bağımsız denetim, BDDK tarafından 2 Nisan 2015 tarihli 29314 sayılı Resmi Gazete'de yayımlanan "Bankaların Bağımsız Denetimi Hakkında Yönetmelik" ve Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumu ("KGK") tarafından yayımlanan Türkiye Denetim Standartları'nın bir parçası olan Bağımsız Denetim Standartları'na ("BDS") uygun olarak yürütülmüştür. Bu standartlar kapsamındaki sorumluluklarımız, raporumuzun "Bağımsız Denetçinin Konsolide Finansal Tabloların Bağımsız Denetimine İlişkin Sorumlulukları" bölümünde ayrıntılı bir şekilde açıklanmıştır. KGK tarafından yayımlanan Bağımsız Denetçiler için Etik Kurallar ("Etik Kurallar") ile konsolide finansal tabloların bağımsız denetimiyle ilgili mevzuatta yer alan etik hükümlere uygun olarak Grup'tan bağımsız olduğumuzu beyan ederiz. Etik Kurallar ve mevzuat kapsamındaki etiğe ilişkin diğer sorumluluklar da tarafımızca yerine getirilmiştir. Bağımsız denetim sırasında elde ettiğimiz bağımsız denetim kanıtlarının, sınırlı olumlu görüşümüzün oluşturulması için yeterli ve uygun bir dayanak oluşturduğuna inanıyoruz.



3. Kilit Denetim Konuları

Kilit denetim konuları, mesleki muhakememize göre cari döneme ait konsolide finansal tabloların bağımsız denetiminde en çok önem arz eden konulardır. Kilit denetim konuları, bir bütün olarak konsolide finansal tabloların bağımsız denetimi çerçevesinde ve konsolide finansal tablolara ilişkin görüşümüzün oluşturulmasında ele alınmış olup, bu konular hakkında ayrı bir görüş bildirmiyoruz. Tarafımızca; Sınırlı Olumlu Görüşün Dayanağı bölümünde açıklanan konuya ilave olarak aşağıda açıklanan konular kilit denetim konuları olarak belirlenmiş ve raporumuzda bildirilmiştir.

Kilit Denetim Konuları

Krediler ve alacaklar değer düşüklüğü

Grup'un 31 Aralık 2017 tarihli konsolide finansal tablolarında aktifinde önemli bir paya sahip olan toplam 186,548,784 bin TL kredi ve alacaklar ve bunlara ilişkin ayrılmış olan toplam 8,722,425 bin TL değer düşüş karşılığı bulunmaktadır. Krediler ve alacaklar ile ilgili tesis edilen değer düşüklüğü karşılığına ilişkin açıklama ve dipnotlar 31 Aralık 2017 tarihi itibarıyla düzenlenmiş olan ilişikteki konsolide finansal tabloların Üçüncü Bölüm VII, Beşinci Bölüm I-5 ve Beşinci Bölüm II-7 numaralı dipnotlarında yer almaktadır.

Denetimimiz esnasında bu alana odaklanmamızın nedeni; mevcut olan kredi ve alacakların büyüklüğü, söz konusu kredi ve alacakların mevzuata uygun olarak niteliklerine göre sınıflandırılması ve bunlara ilişkin değer düşüş karşılıklarının belirlenmesinin önemidir. Kredilerin temerrüt halinin doğru ve zamanında belirlenmesi ve ilgili mevzuat gereğince belirlenen nesnel yargıların yanında yönetim tarafından yapılan diğer öznel yargı ve tahminler bilançoda taşınan değer düşüş karşılık tutarını önemli derecede etkileyeceğinden, söz konusu alan tarafımızca kilit denetim konusu olarak ele alınmıştır.

Emekli Sandığı Yükümlülüklerinin Değerlemesi

Emekli Sandığı Yükümlülüklerine ilişkin açıklamalar 31 Aralık 2017 tarihi itibarıyla düzenlenmiş olan ilişikteki konsolide finansal tabloların Üçüncü Bölüm XVII numaralı dipnotunda yer almaktadır.

Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı ("Sandık") 506 Sayılı Kanununun Geçici 20. maddesi çerçevesinde kurulmuş bir sandık olup SGK'ya devredilecek sandıklar kapsamına girmektedir. Devir tarihini belirlemede Bakanlar Kurulu yetkili kılınmıştır. Sandığın toplam yükümlülükleri, devredilecek faydalar ve Sandığın sorumluluğunda kalacak ilave faydalar için ayrı ayrı yöntem ve varsayımlar kullanılarak hesaplanmaktadır. Emekli Sandığı yükümlülüklerinin değerlemeleri ve uygun varsayımların seçiminde, önemli yargı ve teknik uzmanlık gerektirir. Sandık yükümlülüklerinin değerlendirilmesi, emekli sandığı yükümlülük hesaplamalarında kullanılan devir edilebilir sosyal faydalar, iskonto oranları, maaş artışları, ekonomik ve demografik beklentiler gibi varsayım ve tahminlerdeki belirsizlikleri içermektedir. Banka yönetimi söz konusu değerlemelerin yapılması amacıyla harici bir aktüerya firmasının hizmetlerinden faydalanmaktadır.

Denetimimiz esnasında; Emekli Sandığı yükümlülük hesaplamalarında kullanılan yukarıda da bahsedilen temel varsayım ve tahminler, devir tarihindeki belirsizlik ve teknik faiz oranının kanun ile belirlenmiş olması ile bu varsayımlardaki olası farklılaşmaların emekli sandığı yükümlülüğü üzerinde önemli etkileri dikkate alınarak bu alan kilit denetim konusu olarak belirlenmiştir.

Konunun Denetimde Nasıl Ele Alındığı

Bu çerçevede gerçekleştirdiğimiz denetim çalışmaları dahilinde krediler ve alacakların niteliklerine göre sınıflandırılmasına ve tahsis, kullandırma, teminatlandırma, takip politikası ve değer düşüklüğü hesaplamalarının, ilgili mevzuat çerçevesinde doğru olarak yapılmasına ilişkin önemli gördüğümüz Grup'un uygulamakta olduğu kontrollerin tasarım ve faaliyet etkinliklerini değerlendirdik ve test ettik. Gerçekleştirmiş olduğumuz denetim dahilinde kredi ve alacaklardan seçtiğimiz bir örneklem kümesini test ederek; kredilerin değer düşüklüğüne uğrayıp uğramadığının tespiti ve alacağın değer düşüklüğü karşılığının zamanında ve mevzuat hükümlerine uygun olarak tesis edilip edilmediğini saptamak amacıyla kredi inceleme süreci gerçekleştirdik. Ayrıca değer düşüklüğüne uğramış kredi ve alacaklar olarak sınıflandırılan varlıklara ilişkin tesis edilen özel karşılıkların ilgili mevzuata istinaden doğru olarak hesaplandığını test ettik. Mevzuatla belirlenen kriterler çerçevesinde genel karşılık hesaplamasına tabi portföy için tesis edilen karşılıkların ilgili hükümlere ve BDDK tarafından yapılan diğer bildirimlere uygunluğunu kontrol ettik. Banka yönetimi ile yapılan görüşmeler çerçevesinde değer düşüklüğü hesaplamalarına baz teşkil eden temel varsayım ve diğer yargıların makul olup olmadığını değerlendirdik.

Gerçekleştirdiğimiz denetim çalışmaları dahilinde, Emekli Sandığı yükümlülüklerinin hesaplamalarında kullanılan ve Banka yönetimi tarafından harici aktüerya firmasına sağlanan, çalışan verilerinin doğruluğunu bir örneklem kümesi seçerek test ettik. Ayrıca Emekli Sandığı bilançosunda yer alan varlıkların fiili mevcudiyeti ve değerlerini doğruladık.

Hesaplama kullanılan aktüeryal varsayımlarda, dönem içerisinde çalışanlara sağlanan faydalarda, plan varlıkları ve yükümlülüklerinde ve değerlemeler ile ilgili düzenlemelerde önemli değişiklik olup olmadığı değerlendirilerek önemli değişimleri test ettik.

Harici aktüerler tarafından yükümlülüğün hesaplanmasında kullanılan varsayım ve değerlemelerin makul olup olmadığını aktüer uzmanlarımız vasıtasıyla değerlendirdik.



4. Yönetimin ve Üst Yönetimden Sorumlu Olanların Konsolide Finansal Tablolara İlişkin Sorumlulukları

Grup yönetimi; konsolide finansal tabloların BDDK Muhasebe ve Finansal Raporlama Mevzuatı'na uygun olarak hazırlanmasından, gerçeğe uygun bir biçimde sunumundan ve hata veya hile kaynaklı önemli yanlışlık içermeyecek şekilde hazırlanması için gerekli gördüğü iç kontrolden sorumludur.

Konsolide finansal tabloları hazırlarken yönetim; Grup'un sürekliliğini devam ettirme kabiliyetinin değerlendirilmesinden, gerektiğinde süreklilikle ilgili hususları açıklamaktan ve Grup'u tasfiye etme ya da ticari faaliyeti sona erdirmeye niyeti ya da mecburiyeti bulunmadığı süreçte işletmenin sürekliliği esasını kullanmaktan sorumludur.

Üst yönetimden sorumlu olanlar, Grup'un finansal raporlama sürecinin gözetiminden sorumludur.

5. Bağımsız Denetçinin Konsolide Finansal Tabloların Bağımsız Denetimine İlişkin Sorumlulukları

Bir bağımsız denetimde, biz bağımsız denetçilerin sorumlulukları şunlardır:

Amacımız, bir bütün olarak finansal tabloların hata veya hile kaynaklı önemli yanlışlık içerip içermediğine ilişkin makul güvence elde etmek ve görüşümüzü içeren bir bağımsız denetçi raporu düzenlemektir. BDDK tarafından 2 Nisan 2015 tarihli 29314 sayılı Resmi Gazete' de yayımlanan "Bankaların Bağımsız Denetimi Hakkında Yönetmelik" ve BDS'lere uygun olarak yürütülen bir bağımsız denetim sonucunda verilen makul güvence; yüksek bir güvence seviyesidir ancak, var olan önemli bir yanlışlığın her zaman tespit edileceğini garanti etmez. Yanlışlıklar hata veya hile kaynaklı olabilir. Yanlışlıkların, tek başına veya toplu olarak, finansal tablo kullanıcılarının bu konsolide tablolara istinaden alacakları ekonomik kararları etkilemesi makul ölçüde bekleniyorsa bu yanlışlıklar önemli olarak kabul edilir.

BDDK tarafından 2 Nisan 2015 tarihli 29314 sayılı Resmi Gazete' de yayımlanan "Bankaların Bağımsız Denetimi Hakkında Yönetmelik" ve BDS'lere uygun olarak yürütülen bağımsız denetimin gereği olarak, bağımsız denetim boyunca mesleki muhakememizi kullanmakta ve meslekî şüphecilikimizi sürdürmekteyiz. Tarafımızca ayrıca:

- Konsolide finansal tablolardaki hata veya hile kaynaklı "önemli yanlışlık" riskleri belirlenmekte ve değerlendirilmekte; bu risklere karşılık veren denetim prosedürleri tasarlanmakta ve uygulanmakta ve görüşümüze dayanak teşkil edecek yeterli ve uygun denetim kanıtı elde edilmektedir. Hile; muvazaa, sahtekârlık, kasıtlı ihmal, gerçeğe aykırı beyan veya iç kontrol ihlali fiillerini içerebildiğinden, hile kaynaklı önemli bir yanlışlığı tespit edememe riski, hata kaynaklı önemli bir yanlışlığı tespit edememe riskinden yüksektir.
- Grup'un iç kontrolünün etkinliğine ilişkin bir görüş bildirmek amacıyla değil ama duruma uygun denetim prosedürlerini tasarlamak amacıyla denetimle ilgili iç kontrol değerlendirilmektedir.
- Yönetim tarafından kullanılan muhasebe politikalarının uygunluğu ile yapılan muhasebe tahminleri ile ilgili açıklamaların makul olup olmadığı değerlendirilmektedir.
- Elde edilen denetim kanıtlarına dayanarak Grup'un sürekliliğini devam ettirme kabiliyetine ilişkin ciddi şüphe oluşturabilecek olay veya şartlarla ilgili önemli bir belirsizliğin mevcut olup olmadığı hakkında ve yönetimin işletmenin sürekliliği esasının kullanılmasının uygunluğu hakkında sonuca varılmaktadır. Önemli bir belirsizliğin mevcut olduğu sonucuna varmamız hâlinde, raporumuzda, finansal tablolardaki ilgili açıklamalara dikkat çekmemiz ya da bu açıklamaların yetersiz olması durumunda olumlu görüş dışında bir görüş vermemiz gerekmektedir. Vardığımız sonuçlar, bağımsız denetçi raporu tarihine kadar elde edilen denetim kanıtlarına dayanmaktadır. Bununla birlikte, gelecekteki olay veya şartlar Grup'un sürekliliğini sona erdirebilir.
- Konsolide finansal tabloların açıklamaları dâhil olmak üzere, genel sunumu, yapısı ve içeriği ile bu tabloların, temelini oluşturan işlem ve olayları gerçeğe uygun sunumu sağlayacak şekilde yansıtıp yansıtmadığı değerlendirilmektedir.
- Konsolide finansal tablolar hakkında görüş vermek amacıyla, Grup içerisindeki işletmelere veya faaliyet bölümlerine ilişkin finansal bilgiler hakkında yeterli ve uygun denetim kanıtı elde edilmektedir. Grup denetiminin yönlendirilmesinden, gözetiminden ve yürütülmesinden sorumluyuz. Verdiğimiz denetim görüşünden de tek başımıza sorumluyuz.

Diğer hususların yanı sıra, denetim sırasında tespit ettiğimiz önemli iç kontrol eksiklikleri dâhil olmak üzere, bağımsız denetimin planlanan kapsamı ve zamanlaması ile önemli denetim bulgularını üst yönetimden sorumlu olanlara bildirmekteyiz.

Bağımsızlığa ilişkin etik hükümlere uygunluk sağladığımızı üst yönetimden sorumlu olanlara bildirmiş bulunmaktayız. Ayrıca bağımsızlık üzerinde etkili olduğu düşünülebilecek tüm ilişkiler ve diğer hususlar ile varsa, ilgili önlemleri üst yönetimden sorumlu olanlara iletmış bulunmaktayız.



Üst yönetimden sorumlu olanlara bildirilen konular arasından, cari döneme ait konsolide finansal tabloların bağımsız denetiminde en çok önem arz eden konuları yani kilit denetim konularını belirlemekteyiz. Mevzuatın konunun kamuya açıklanmasına izin vermediği durumlarda veya konuyu kamuya açıklamanın doğuracağı olumsuz sonuçların, kamuya açıklamanın doğuracağı kamu yararını aşacağına makul şekilde beklendiği oldukça istisnai durumlarda, ilgili hususun bağımsız denetçi raporumuzda bildirilmemesine karar verebiliriz.

B. Mevzuattan Kaynaklanan Diğer Yükümlülükler

1. 6102 sayılı Türk Ticaret Kanunu'nun ("TTK") 402. Maddesi'nin dördüncü fıkrası uyarınca, Banka'nın 1 Ocak - 31 Aralık 2017 hesap döneminde defter tutma düzeninin, kanun ile Banka esas sözleşmesinin finansal raporlamaya ilişkin hükümlerine uygun olmadığına dair önemli bir hususa rastlanmamıştır.
2. TTK'nın 402. Maddesi'nin dördüncü fıkrası uyarınca, Yönetim Kurulu tarafımıza denetim kapsamında istenen açıklamaları yapmış ve istenen belgeleri vermiştir.

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

Zeynep Uras, SMMM
Partner

Istanbul, 2 March 2018

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED INTERIM FINANCIAL REPORT AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017**

Address : Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi
No: 7/A-B 34768 Ümraniye/İSTANBUL
Telephone : 0216 724 10 00
Fax : 0216 724 39 09
Electronic web site : www.vakifbank.com.tr
Electronic mail address : mevzuat@vakifbank.com.tr

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES
- INDEPENDENT AUDITOR'S REPORT

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

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

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

March 2, 2018



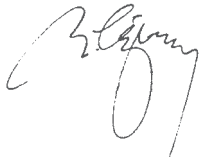
İsmail ALPTEKİN
Chairman of the Board of Directors



Serdar TUNÇBİLEK
Board Member and Audit
Committee Member



Sabahattin BİRDAL
Board member and
Audit Committee Member



Mehmet Emin ÖZCAN
General Manager and
Board Member



Şuayyip İLBİLGİ
Assistant General Manager



Ferkan MERDAN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

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

Name-Surname/Title : Burcu Sütcü AKDAĞ / Asst. Manager
Phone no : 0 312 591 11 93
Fax no : 0 312 591 20 01

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

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

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

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

Shareholders	Number of Shares (100 unit)	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058,640	1,075,058	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.10
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,224,785	386,225	15.45
Other appendant foundations (Group B)	2,673,619	2,674	0.11
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,527,393	1,528	0.06
Publicly traded (Group D)	630,514,354	630,514	25.22
Total	2,500,000,000	2,500,000	100.00

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

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

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

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

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

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

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

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

With the mentioned provisional article, the ownership of the stocks which are represented and managed by the T.C General Directorate for Foundations will be transferred to the Prime Ministry Undersecretariat of Treasury.

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				
İsmail ALPTEKİN	Chairman	June 9, 2017	University	19 years
Serdar TUNÇBİLEK	Deputy Chairman	June 9, 2017	University	31 years
Mehmet Emin ÖZCAN	Member –General Manager	June 9, 2017	University	34 years
Dr.Adnan ERTEM	Member	October 28, 2010	PHD	29 years
Sabahattin BİRDAL	Member	March 31, 2014	University	40 years
Dilek YÜKSEL	Member	March 29, 2016	University	5 years
Şahin UĞUR	Member	June 9, 2017	University	31 years
Ömer ARISOY	Member	June 9, 2017	University	17 years
Audit Committee				
Serdar TUNÇBİLEK	Member	June 15, 2017	University	31 years
Sabahattin BİRDAL	Member	April 4, 2014	University	40 years
Auditor				
Yunus ARINCI	Auditor	March 19, 2010	Master	20 years
Hasan TÜRE	Auditor	June 9, 2017	University	33 years
Assistant General Managers				
Metin Recep ZAFER	Banking Operations, Credit, Customer and Account Operations, Treasury Operations, Foreign Operations, Payment System Operations, Application Development Departments, System Management, IT Operations and Support, IT Planning and Coordination.	June 13, 2006	PHD	22 years
Hasan ECESÖY	Treasury Management, International Banking and Investor Relations, Treasury Management Middle Office	June 18, 2010	PHD	24 years
Osman DEMREN	Commercial Loans, Corporate Loans, Consumer Loans, SME and Local Government Loan Allocation Management	April 6, 2011	Master	27 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	University	22 years
Mustafa SAYDAM	Administrative Affairs, Construction, Real Estate and Purchasing	October 28, 2013	University	24 years
Mehmet Emin KARAAĞAÇ	Chief Legal Counsellor, Legal Affairs, Credit Risk Liquidation	November 8, 2013	University	28 years
Yakup ŞİMŞEK	Corporate and Investment Banking Marketing, Commercial Banking Marketing, Cash Management Affairs, Corporate Branches	September 7, 2016	University	21 years
Hüseyin Uğur BİLGİN	Human Resources, Corporate Development and Academy	August 1, 2017	University	31 years
Şeyh Mehmet BOZ	Application of Credit Policies and Processes, Loans Planning and Follow-up, Evaluation and Rating	August 1, 2017	Master	23 years
İlker YEŞİL	Payment Systems, Digital Banking and Distribution Channels	August 1, 2017	University	23 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	University	22 years
Ersin ÖZOĞUZ	SME Banking, Marketing, Local Government Banking Marketing	August 1, 2017	University	22 years

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

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

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

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

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

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

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

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

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

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

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

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

IV. INFORMATION ON THE PARENT BANK'S QUALIFIED SHAREHOLDERS

Shareholders	Nominal Value of Shares	Share Percentage	Paid Shares (Nominal)	Unpaid Shares
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058	43.00	1,075,058	-
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,553	16.10	402,553	-
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,225	15.45	386,225	-

The shareholder holding control over the Parent Bank is the General Directorate of the Foundations and Appendant foundations represented by the General Directorate of the Foundations having 58.45% of the Bank's outstanding shares. Another organization holding qualified share in the Parent Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, having 16.10% of outstanding shares of the Bank.

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

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

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

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

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

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

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

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

As at December 31, 2017, The Parent Bank has 924 domestic, 3 foreign, in total 927 branches (December 31, 2016: 921 domestic, 3 foreign, in total 924 branches). As at December 31, 2017, The Parent Bank has 16,097 employees (December 31, 2016: 15,615 employees).

VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

As at and for the year ended December 31, 2017, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik ve Hayat AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

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

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

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

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

None.

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

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

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Independent Auditor's Current Period January 1, 2017- December 31, 2017	Independent Auditor's Prior Period January 1, 2016- December 31, 2016
GAINS AND LOSSES RECOGNIZED IN EQUITY		
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	86,257	(234,289)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	333	16,708
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. CURRENCY TRANSLATION DIFFERENCES	(27,252)	59,217
V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)	-	-
VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS	-	-
VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS	88,820	31,515
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(21,448)	44,360
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	126,710	(82,489)
XI. CURRENT PERIOD'S PROFIT/(LOSS)	4,017,346	2,792,446
11.1 Change in fair value of securities (transfers to the statement of income)	(34,098)	(5,576)
11.2 Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges	-	-
11.3 Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges	-	-
11.4 Others	4,051,444	2,798,022
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	4,144,056	2,709,957

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

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

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

Audited	Notes	Paid-in Capital	Adjustments from Inflation	Capital Reserves	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Profit/ (Loss)	Prior Period Profit/ (Loss)	Valuation Differences of the 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 Shareholders' Assets before Discount.	Minority Interest	Minority Shareholders' Interest	Total Shareholders' Equity
PRIOR PERIOD - December 31, 2016																				
I.	Balances at the beginning of the period	2,500,000	-	727,780	-	1,236,166	6,337	8,480,048	556,741	-	2,015,941	30,011	940,657	3,683	-	16,497,364	505,391	17,002,755	-	-
II.	Corrections made according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	The effect of corrections of error	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	The effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted beginning balance (I+II)	2,500,000	-	727,780	-	1,236,166	6,337	8,480,048	556,741	-	2,015,941	30,011	940,657	3,683	-	16,497,364	505,391	17,002,755	-	-
Changes during the period																				
IV.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Associates, Subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	-	(157,650)	-	-	(157,650)	-	-	933	(156,717)
VI.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1.	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2.	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	7,643	-	-	7,643	-	-	7,154	14,797
VIII.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	52,130	-	-	-	-	-	-	52,130	-	-	7,087	59,217
XII.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	(25,031)	(3,530)	-	-	-	-	(28,561)	-	-	(28,561)	-
XIV.	Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2.	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	3,070	-	1,606	2,177	-	(8,295)	-	25,454	-	-	24,012	-	-	4,763	28,775
XIX.	Current period's net profit/loss	-	-	-	-	-	-	-	-	2,789,918	-	-	-	-	-	2,789,918	-	-	2,528	2,792,446
XX.	Profit distribution	-	-	-	-	197,551	-	1,674,921	(4,239)	-	(1,996,589)	-	23,443	-	-	(104,913)	-	-	(327)	(105,240)
20.1.	Dividends	-	-	-	-	-	-	-	-	-	(104,913)	-	-	-	-	(104,913)	-	-	(327)	(105,240)
20.2.	Transferred to reserves	-	-	-	-	197,551	-	1,674,921	(4,239)	-	(1,891,676)	-	23,443	-	-	(104,913)	-	-	-	-
20.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period																				
		2,500,000	-	727,780	-	1,436,787	6,337	10,156,575	606,809	2,789,918	(13,974)	(131,169)	997,197	3,683	-	19,079,943	527,529	19,607,472	-	-

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

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

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

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

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

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

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

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

	Notes	Audited Current Period December 31, 2017	Audited Prior Period December 31, 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1		6,846,022	4,169,924
1.1.1		20,390,595	15,649,451
1.1.2		(12,569,147)	(9,579,425)
1.1.3		17,865	10,225
1.1.4		1,896,758	1,458,702
1.1.5		1,503,221	1,155,052
1.1.6		1,378,167	1,203,154
1.1.7		(2,239,442)	(1,886,447)
1.1.8		(813,686)	(950,946)
1.1.9	V-VI-1	(2,718,309)	(2,889,842)
1.2		(502,403)	(4,359,432)
1.2.1		52,705	(68,142)
1.2.2		-	-
1.2.3		(4,638,887)	1,386,426
1.2.4		(39,057,735)	(26,315,387)
1.2.5		(3,821,724)	(353,827)
1.2.6		4,631,612	(469,133)
1.2.7		26,388,303	14,656,938
1.2.8		4,868,590	6,024,640
1.2.9		-	-
1.2.10	V-VI-1	11,074,733	779,053
I.		6,343,619	(189,508)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.		(2,727,581)	(1,212,616)
2.1		-	-
2.2	V-VI-3	232	-
2.3		(171,566)	(248,621)
2.4		574,326	462,653
2.5		(7,485,592)	(6,636,883)
2.6		4,650,615	5,466,684
2.7		(2,423,358)	(1,873,688)
2.8		2,186,864	1,673,758
2.9	V-VI-1	(59,102)	(56,519)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.		5,862,857	4,712,885
3.1		16,823,204	13,644,312
3.2		(10,831,784)	(8,831,100)
3.3		-	-
3.4		(128,563)	(100,327)
3.5		-	-
3.6		-	-
IV.	V-VI-1	(137,492)	53,516
V.		9,341,403	3,364,277
VI.	V-VI-4	12,421,404	9,057,127
VII.	V-VI-4	21,762,807	12,421,404

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

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

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

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

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

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

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

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

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

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

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

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

Disclosures of IFRS 9 Financial Instruments:

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

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

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

Classification and measurement of financial assets

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent "solely payments of principal and interest (SPPI).

Upon initial recognition each financial asset will be classified as either fair value through profit or loss ("FVTPL"), amortized cost or fair value through other comprehensive income ("FVOCI"). As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

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

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

Impairment of financial assets

As of January 1, 2018, the Parent Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated June 22, 2016 numbered 29750. In this framework, as of December 31, 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Part VII of Explanation on Accounting Policies will be changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

The Parent Bank will recognize an adjustment to opening retained earnings at January 1, 2018, to reflect the application of the new requirements at the adoption date. The primary impact is attributable to changes in the allowance for credit losses under the new impairment requirements and the related deferred taxes.

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

Additional paragraph for convenience translation to English

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

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

Strategy for the use of financial instruments

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

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

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

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

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

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

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

Information on foreign currency transactions

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

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

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

As of September 30, 2016 reporting period, the Parent Bank started the fair value risk hedging strategy in order to avoid currency risk due to the share of Vakıfbank International AG's 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the Bank on May 4, 2016 with a maturity date of May 4, 2021 has been declared as the hedging instrument. In the subject process, the fair value changes that are related to the hedged investments abroad are recognized in the income statements as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement as at December 31, 2017 is TL 55,219. The effectiveness of the process is the degree of offset of the amount of changes in the hedged items' fair values that may be associated with the foreign exchange risks by the hedging instrument.

As of December 31, 2017, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS-39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The Parent Bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

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

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

Consolidated subsidiaries

As at and for the year ended December 31, 2017, the financial statements of T. Vakıflar Bankası T.A.O, Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik ve Hayat AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments in associates consolidated per equity method

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

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

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

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.

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.

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

Factoring operations

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

VI. INFORMATION ON FEES AND COMMISSIONS

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

VII. INFORMATION ON FINANCIAL ASSETS

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

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

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

Financial assets at fair value through profit or loss

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

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

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.

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Held to maturity investments

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

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

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

Loans and receivables

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

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

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

VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

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

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

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

XI. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

The Group has no discontinued operations.

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

XIII. INFORMATION ON TANGIBLE ASSETS

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

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

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

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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).

XV. INFORMATION ON LEASING ACTIVITIES

Leasing activities

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

- *Finance leasing activities as the lessee*

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

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

- *Finance leasing transactions as lessor*

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

Operational leases

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

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XVI. INFORMATION ON PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

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

XVII. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

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

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

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

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

Other benefits to employees

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

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

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Pension fund

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

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

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

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

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

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

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

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

The technical financial statements of the Fund are audited by the certified actuary according to the "Actuaries Regulation" which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report regarding December 31, 2017 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at December 31, 2017.

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XVIII. INFORMATION ON TAXATION

Corporate tax

Corporate tax rate is 20% in Turkey according to Article 32 of the Corporate Taxes Law No. 5520. However, the mentioned ratio will be applied as 22% for a period of three years between 2018-2020, according to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette dated December 5, 2017. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

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

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

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

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

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

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

Corporation tax legislation for the foreign branches

Bahrain (Manama)

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

North Iraq (Erbil)

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

USA (New York)

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

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Banking and Insurance Transaction Tax

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

Deferred taxes

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

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

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

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

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

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

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

Transfer Pricing

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

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

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XIX. INFORMATION ON CASH AND CASH EQUIVALENT

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

XX. ADDITIONAL INFORMATION ON BORROWINGS

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

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

The group is not hedging about debt instruments.

XXI. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

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

XXII. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXIII. INFORMATION ON GOVERNMENT INCENTIVES

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

XXIV. INFORMATION ON SEGMENT REPORTING

An operating segment is a component of an entity:

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

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

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XXV. OTHER MATTERS

Earnings per shares

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

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

Related parties

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

Classifications

None.

Insurance operations

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

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

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

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

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

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

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

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

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

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

Individual pension business

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

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

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

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

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SECTION FOUR

INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS

Calculation of Equity and Capital Adequacy Standard Ratio are calculated according to "Regulation on Bank's Capital Adequacy Assessment of the Measurement", "Communique on Credit Risk Mitigation", "BRSA Regulation on Bank's Shareholder Equity", "Regulations on Systemically Important Banks", "Regulation on Capital Conservation and Cyclical Capital Buffer". As of December 31, 2017 Group's capital adequacy ratio is 14.95% (December 31, 2016: 13.88%).

Information about the consolidated shareholder equity items

	Current Period December 31, 2017	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	-
Share Premium	724,269	-
Reserves	14,805,097	-
Income recognized under equity in accordance with TAS	1,031,317	-
Profit	3,881,266	-
Current Period's Profit	3,932,432	-
Prior Period's Profit	(51,166)	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	3,913	-
Minority shares	670,718	-
Common Equity Tier 1 Capital Before Deductions	23,616,580	-
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	-	-
Leasehold improvements on Operational Leases	186,861	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	204,370	255,462
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	391,231	-
Common Equity Tier 1 capital (CET1)	23,225,349	-
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	-	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital -	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital		
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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	Current Period December 31, 2017	Amount as per the regulation before 1/1/2014 ⁽¹⁾
Transition from the Core Capital to Continue to deduce Components	92,106	-
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (AT1)	-	-
Total Tier 1 Capital (Tier 1 Capital+Common Equity+Additional Tier 1 Capital)	19,209,033	-
TIER 2 CAPITAL	-	-
Bank's borrowing instruments and related issuance premium	2,723,659	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	977,288	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	6,053	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,983,272	-
Tier 2 Capital Before Deductions	5,971,026	-
Deductions From Tier 2 Capital	-	-
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	5,971,026	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	29,145,283	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	-
Other items to be defined by the BRSA (-)	1,355	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL	-	-
Total Capital	29,143,928	-
Total Risk Weighted Amounts	194,903,773	-
CAPITAL ADEQUACY RATIOS	-	-
Consolidated Core Capital Adequacy Ratio (%)	11.92	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.89	-
Consolidated Capital Adequacy Ratio (%)	14.95	-
BUFFERS	-	-
Total buffer requirement	1.753	-
Capital conservation buffer requirement (%)	1.250	-
Bank specific counter-cyclical buffer requirement (%)	0.003	-
Systemically important banks buffer requirement (%)	0.500	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.42	-
Amounts below deduction thresholds	-	-
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,885,493	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,244,752	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	-	-
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

⁽¹⁾ Represents the amounts taken into consideration according to transition clauses.

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Information about the consolidated shareholder equity items

	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014 ^(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	-
Share Premium	727,780	-
Reserves	12,259,333	-
Income recognized under equity in accordance with TAS	866,028	-
Profit	2,775,944	-
Current Period's Profit	2,789,918	-
Prior Period's Profit	(13,974)	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	3,683	-
Minority shares	521,476	-
Common Equity Tier 1 Capital Before Deductions	19,654,244	-
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	52,825	-
Leasehold Improvements on Operational Leases	162,121	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	138,159	230,265
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	353,105	-
Common Equity Tier 1 capital (CET1)	19,301,139	-
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	-	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier 1 capital -	-	-
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital		
Bank's direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Threshold of Common Equity Tier 1 Capital	-	-
Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014 ^(*)
Transition from the Core Capital to Continue to deduce Components	92,106	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (AT1)	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	19,209,033	-
TIER 2 CAPITAL	-	-
Bank's borrowing instruments and related issuance premium	2,723,659	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	977,288	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	6,053	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,983,272	-
Tier 2 Capital Before Deductions	4,712,984	-
Deductions From Tier 2 Capital	-	-
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	4,712,984	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	23,922,017	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	112,142	-
Other items to be defined by the BRSA (-)	1,166	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL	-	-
Total Capital	23,808,709	-
Total Risk Weighted Amounts	171,540,121	-
CAPITAL ADEQUACY RATIOS	-	-
Consolidated Core Capital Adequacy Ratio (%)	11.25	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.20	-
Consolidated Capital Adequacy Ratio (%)	13.88	-
BUFFERS	-	-
Total buffer requirement	0.627	-
Capital conservation buffer requirement (%)	0.625	-
Bank specific counter-cyclical buffer requirement (%)	0.002	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.75	-
Amounts below deduction thresholds	-	-
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2,167,443	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,983,272	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	-	-
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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

Reconciliation of capital items to balance sheet:

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

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

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sector and the geographical position of customers, where they operate and other factors that may affect their operations are considered in the evaluation process of loans. Apart from ordinary intelligence operations, the financial position of the customer is mainly analyzed based on the balance sheets and the income statements provided by the loan customer, the documents received in accordance with the related regulation for their state of accounts and other related documents. Credit limits are subject to revision regarding the overall economic developments and the changes in the financial information and operations of the customers.

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

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

For credit risk management purposes, Risk Management Department operates in

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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	17	TL	FC	Total	
Agricultural	2,306	54	207,563	-	-	1,265,696	628,586	667,275	-	-	-	-	-	-	-	-	-	1,925,166	846,314	2,771,480	
Farming and raising livestock	1,833	54	207,563	-	-	961,861	570,802	628,685	-	-	-	-	-	-	-	-	-	1,792,861	577,937	2,370,798	
Forestry	471	-	-	-	-	258,674	29,158	19,454	-	-	-	-	-	-	-	-	-	80,584	227,473	308,057	
Fishing	2	-	-	-	-	45,161	28,326	19,136	-	-	-	-	-	-	-	-	-	51,721	40,904	92,625	
Manufacturing	5,917	570	171,838	-	-	32,036,896	4,011,586	5,229,920	-	-	-	-	-	-	-	-	-	14,872,642	26,584,085	41,456,727	
Production	707	-	6,712	-	-	1,406,125	156,918	271,494	-	-	-	-	-	-	-	-	-	538,930	1,223,026	1,781,956	
Mining	5,210	23	49,004	-	-	21,506,151	3,721,968	4,890,928	-	-	-	-	-	-	-	-	-	12,288,286	17,884,998	30,173,284	
Electric, gas, water	-	547	116,122	-	-	9,124,620	132,700	127,498	-	-	-	-	-	-	-	-	-	2,025,426	7,476,061	9,501,487	
Construction	434	105	73,780	-	-	10,681,069	2,626,315	5,891,523	-	-	-	-	-	-	-	-	-	11,263,498	8,009,728	19,273,226	
Services	34,903,667	4,624,121	700,690	3,700	-	17,386,596	24,649,122	12,764,924	15,372,177	-	205,588	-	-	-	-	27,610	-	66,896,612	43,741,583	110,638,195	
Wholesale and retail trade	184,370	583	43	-	-	8,817,625	7,441,861	8,473,190	-	-	-	-	-	-	-	-	-	19,003,181	5,914,491	24,917,672	
Hotel, food and beverage services	2,282	17	64	-	-	2,450,566	498,907	3,130,880	-	-	-	-	-	-	-	-	-	1,455,534	4,627,182	6,082,716	
Transportation and telecommunication	283	7,554	365,546	-	-	8,323,167	4,174,378	1,476,312	-	-	-	-	-	-	-	-	-	6,498,613	7,848,627	14,347,240	
Financial institutions	34,488,078	7	1,010	3,700	-	17,386,596	3,611,257	50,347	1,086,383	-	205,588	-	-	-	-	27,610	-	33,038,141	23,822,435	56,860,576	
Real estate and renting services	-	-	-	-	-	374,326	133,167	489,797	-	-	-	-	-	-	-	-	-	432,085	565,209	997,294	
Self-employment services	480	1,254	16,839	-	-	20,133	68	-	-	-	-	-	-	-	-	-	-	38,774	-	38,774	
Education services	51,276	32	1,026	-	-	445,396	100,796	292,437	-	-	-	-	-	-	-	-	-	853,897	37,066	890,963	
Health and social services	176,898	4,614,674	316,158	-	-	606,652	365,400	423,178	-	-	-	-	-	-	-	-	-	5,576,387	926,573	6,502,960	
Other	23,118,755	129,907	167,190	5	-	493	6,606,398	25,700,840	16,785,865	1,170,775	197,087	-	-	-	-	-	-	622,957	7,538,274	56,420,395	
Total	58,031,079	4,754,757	1,321,061	3,705	-	17,387,089	75,239,181	45,732,251	43,946,760	1,170,775	402,675	-	-	-	-	-	-	650,567	7,538,274	151,378,313	
																				104,799,861	256,178,174

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

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

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

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

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

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

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

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

Risk balances according to risk weights

Risk Weights Current Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	86,314,704	-	6,519,704	23,271,806	46,149,416	50,830,366	111,410,324	220,666	-	62,596	-	443,678
Amount after Credit Risk Mitigation	89,381,822	-	4,909,786	23,271,806	48,686,466	50,496,251	107,750,188	220,667	-	62,596	-	443,678
Risk Weights Prior Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	32,700,554	-	9,993,765	21,214,639	56,561,380	45,732,250	89,572,911	205,588	-	197,087	-	505,694
Amount after Credit Risk Mitigation	39,936,159	-	4,432,856	21,214,639	58,565,139	45,441,195	86,185,511	205,588	-	197,087	-	505,694

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

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

Information According to Sectors and Counterparties

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

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

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

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

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

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

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

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

Information on Changes in Value Adjustments and Credit Provisions

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

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

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

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

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

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Fair value of collateral held against impaired loans

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

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

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

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

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Exposures subject to countercyclical capital buffer

Current Period

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

Prior Period

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

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III. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK

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

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

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

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

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

Foreign exchange risk management policy

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

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

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

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

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

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

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

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

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

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

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

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

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Exposure to currency risk

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

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

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

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

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

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

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

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

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

IV. CONSOLIDATED INTEREST RATE RISK

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

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

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

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

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

⁽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	-	1.50	-	4.00
Banks	0.19	4.02	-	14.18
Financial assets at fair value through profit/loss	-	11.82	-	13.81
Interbank money market placements	-	-	-	12.75
Available-for-sale financial assets	4.25	4.12	-	11.96
Loans and receivables	4.81	6.51	-	15.96
Held-to-maturity investments	5.05	6.52	-	11.51
Liabilities:				
Bank deposits	0.36	1.53	-	14.33
Other deposits	1.72	3.54	-	12.11
Interbank money market takings	-	2.09	-	12.61
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.84	-	13.73
Funds borrowed	1.32	3.21	-	13.37
Prior Period				
	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBRT	-	0.75	-	3.31
Banks	0.19	1.02	-	11.49
Financial assets at fair value through profit/loss	5.50	11.78	-	10.91
Interbank money market placements	-	-	-	9.81
Available-for-sale financial assets	4.82	6.54	-	9.49
Loans and receivables	4.24	4.99	-	12.34
Held-to-maturity investments	-	2.68	-	9.65
Liabilities:				
Bank deposits	0.21	1.18	-	10.87
Other deposits	1.37	2.84	-	9.17
Interbank money market takings	0.19	1.77	-	8.32
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.88	-	9.60
Funds borrowed	1.02	2.49	-	11.18

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

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V. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Explanations on Equity Shares Risk Arising from Banking Book

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

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

VI. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

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

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

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

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	October	90.46	October	234.96
The highest value	December	113.84	November	243.80

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

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

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

⁽¹⁾ Simple arithmetic average, calculated for the last three months, of the values calculated by taking monthly simple arithmetic average.

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

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

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

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

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Maturity analysis of assets and liabilities according to remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^(*)	Total
Assets:								
Cash and balance with CBRT	28,656,246	-	-	-	-	-	-	28,656,246
Banks	1,275,845	11,160,027	879,740	8,187	-	-	-	13,323,799
Financial assets at fair value through profit/loss	7,893	125,950	47,634	163,788	1,563,687	167,271	-	2,076,223
Interbank money market placements	-	1,657,596	957	509	-	-	-	1,659,062
Available-for-sale financial assets	-	367,288	222,590	1,514,607	7,117,757	5,304,772	43,370	14,570,384
Loans and receivables	27,331	15,033,785	5,711,157	33,139,366	85,661,984	45,868,907	1,106,254	186,548,784
Held-to-maturity investments	-	75,675	37,804	329,917	10,046,465	6,276,210	-	16,766,071
Other assets	3,441	1,692,757	803,227	1,781,772	1,935,765	112,835	10,928,640	17,258,437
Total assets	29,970,756	30,113,078	7,703,109	36,938,146	106,325,658	57,729,995	12,078,264	280,859,006
Liabilities:								
Bank deposits	491,073	8,268,276	842,741	177,301	-	-	-	9,779,391
Other deposits	29,632,439	81,441,570	24,580,392	11,175,827	1,336,926	41,321	-	148,208,475
Funds borrowed	-	1,098,000	2,013,560	13,248,094	8,769,383	6,258,751	-	31,387,788
Interbank money market takings	-	22,019,375	15,047	-	449,402	205,251	-	22,689,075
Securities issued	-	1,247,389	2,050,535	5,605,001	9,594,565	1,373,269	-	19,870,759
Miscellaneous payables	-	5,628,784	305,845	231,107	1,808	-	1,165,486	7,333,030
Other liabilities	-	924,390	1,130,629	1,465,656	3,822,177	3,588,563	30,659,073	41,590,488
Total liabilities	30,123,512	120,627,784	30,938,749	31,902,986	23,974,261	11,467,155	31,824,559	280,859,006
Liquidity gap	(152,756)	(90,514,706)	(23,235,640)	5,035,160	82,351,397	46,262,840	(19,746,295)	-
Net Off Balance Sheet								
Position	-	94,163	5,183	113,226	1,271,821	974,446	-	2,458,839
Receivables from Derivative Financial Instruments	-	4,193,884	3,236,673	2,895,897	13,990,524	7,587,873	-	31,904,851
Payables from Derivative Financial Instruments	-	4,099,721	3,231,490	2,782,671	12,718,703	6,613,427	-	29,446,012
Non-cash Loans	5,213,196	1,431,728	29,600,053	7,378,630	6,202,111	1,255,848	242,136	51,323,702
Prior Period								
Total assets	28,037,787	16,311,836	7,328,645	33,931,797	79,690,315	46,063,541	9,307,079	220,671,000
Total liabilities	24,939,864	88,813,514	26,286,246	23,795,349	19,097,068	11,268,137	26,470,822	220,671,000
Liquidity gap	3,097,923	(72,501,678)	(18,957,601)	10,136,448	60,593,247	34,795,404	(17,163,743)	-
Net Off Balance Sheet								
Position	-	(479,339)	(6,902)	423,379	933,313	652,787	-	1,523,238
Receivables from Derivative Financial Instruments	-	8,668,204	4,637,320	2,809,733	12,736,387	5,799,680	-	34,651,324
Payables from Derivative Financial Instruments	-	9,147,543	4,644,222	2,386,354	11,803,074	5,146,893	-	33,128,086
Non-cash Loans	3,594,694	1,317,799	23,411,576	6,463,985	5,003,522	868,775	-	40,660,351

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

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Residual contractual maturities of financial liabilities

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

Non-Cash Loans **51,323,702** **51,323,702** **5,455,332** **1,431,728** **29,600,053** **7,378,630** **6,202,111** **1,255,848**

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

Non-Cash Loans **40,660,351** **40,660,351** **3,594,694** **1,317,799** **23,411,576** **6,463,985** **5,003,522** **868,775**

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

VII. CONSOLIDATED LEVERAGE RATIO

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

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

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

	Current Period	Prior Period
Total asset amount in the consolidated financial statements prepared as per TAS ⁽¹⁾	243,233,266	218,939,563
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks ⁽¹⁾	(1,913,734)	(1,731,437)
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts ⁽²⁾	(2,434,636)	(2,033,927)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts ⁽²⁾	7,733,292	8,970,906
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts ⁽²⁾	18,349,982	12,271,448
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(98,128,516)	(84,701,860)
Total risk amount	316,732,130	283,709,054

⁽¹⁾ The amounts represent June 30, 2017 and December 31, 2016 balances of consolidated financial statements prepared as per the sixth paragraph of Article 5 of the Communiqué on the Preparation of the Consolidated Financial Statements of Banks.

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

Leverage ratio common disclosure template

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

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

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

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

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

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

Classification of fair value measurement

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.

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

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

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

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

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

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

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

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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 December 31, 2017 is as follows:

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

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

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

X. CONSOLIDATED SEGMENT REPORTING

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

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

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

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

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Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	5,627,234	11,312,319	5,086,543	19,083	22,045,179
<i>Interest income from loans</i>	5,627,234	10,984,327	1,704,015	-	18,315,576
<i>Interest income from reserve deposits</i>	-	-	221,541	-	221,541
<i>Interest income from securities portfolio</i>	-	-	2,914,538	-	2,914,538
<i>Interest income from banks</i>	-	-	210,696	-	210,696
<i>Interest income from money market transactions</i>	-	-	35,753	-	35,753
<i>Finance lease income</i>	-	138,960	-	-	138,960
<i>Other interest income</i>	-	189,032	-	19,083	208,115
Interest Expense	4,372,191	4,762,843	3,866,395	71,876	13,073,305
<i>Interest expense on deposits</i>	4,372,191	4,578,537	249,892	-	9,200,620
<i>Interest expense on funds borrowed</i>	-	184,306	656,766	-	841,072
<i>Interest expense on money market transactions</i>	-	-	1,553,389	-	1,553,389
<i>Interest expense on securities issued</i>	-	-	1,059,739	-	1,059,739
<i>Other interest expenses</i>	-	-	346,609	71,876	418,485
Net Interest Income	1,255,043	6,549,476	1,220,148	(52,793)	8,971,874
Net Fees and Commissions Income	497,841	653,288	84,421	-	1,235,550
Trading Income/ Losses (Net)	-	-	194,447	-	194,447
Dividend Income	-	-	47,481	-	47,481
Other Income ^(*)	-	-	-	3,085,245	3,085,245
Provision For Losses on Loans and Other Receivables	484,334	1,827,038	30,979	500,207	2,842,558
Other Expenses ^(**)	-	-	-	5,734,147	5,734,147
Income/Loss From Investments Under Equity Accounting	-	-	51,481	-	51,481
Profit Before Taxes	1,268,550	5,375,726	1,566,999	(3,201,902)	5,009,373
Provision for taxes	-	-	-	(992,027)	(992,027)
Net Profit/ Loss	1,268,550	5,375,726	1,566,999	(4,193,929)	4,017,346
SEGMENT ASSETS					
Securities Portfolio	-	-	31,466,427	-	31,466,427
Derivative Financial Assets Held for Trading Purpose	-	-	1,946,251	-	1,946,251
Banks and Receivables From Money Markets	-	-	14,982,861	-	14,982,861
Investments in Associates and Subsidiaries	-	-	664,101	-	664,101
Loans and Receivables	48,230,054	107,804,983	30,513,747	-	186,548,784
Other Assets	-	4,072,502	29,037,351	12,140,729	45,250,582
TOTAL ASSETS	48,230,054	111,877,485	108,610,738	12,140,729	280,859,006
SEGMENT LIABILITIES					
Deposits	68,788,960	79,419,515	9,779,391	-	157,987,866
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,180,542	-	1,180,542
Interbank Money Market Takings	-	-	22,689,075	-	22,689,075
Funds Borrowed	-	571,707	30,816,081	-	31,387,788
Securities Issued	-	-	19,870,759	-	19,870,759
Other Liabilities	-	437	6,683,061	10,547,605	17,231,103
Provisions and Tax Liabilities	-	-	-	6,888,908	6,888,908
Equity	-	-	-	23,622,965	23,622,965
TOTAL LIABILITIES AND EQUITY	68,788,960	79,991,659	91,018,909	41,059,478	280,859,006

^(*) TL 1,207,630 amount of TL 3,085,245 shown in other income consist of acquired insurance premiums, TL 937,669 of income from reversal of the specific provisions for loans from prior periods, TL 149,607 of income from the sale of Group's assets, TL 43,602 from communications income, TL 770 of leasing income, TL 102,575 of income from private pension activities and the remaining TL 643,392 of other operating income.

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

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

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

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

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XI. INFORMATION ON RISK MANAGEMENT

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

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

Risk Management Strategy

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

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

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

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

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

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

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

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

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

Risk weighted amounts

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit Risk (excluding counterparty credit risk) ^(*)	176,588,946	156,045,237	14,127,116
2 Standardized approach	176,588,946	156,045,237	14,127,116
3 Internal rating based approach	-	-	-
4 Counterparty Credit Risk	2,834,489	2,123,816	226,759
5 Standardized approach for counterparty credit risk	2,834,489	2,123,816	226,759
6 Internal model method	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating based	-	-	-
8 Equity investments in funds - look-through approach	263	-	21
9 Equity investments in funds - mandate-based approach	-	-	-
10 Equity investments in funds - 1250% weighted risk approach	-	-	-
11 Settlement Risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
16 Market risk	799,860	632,989	63,989
17 Standardized approach	799,860	632,989	63,989
18 Internal model approaches	-	-	-
19 Operational Risk	14,523,725	12,245,361	1,161,898
20 Basic Indicator Approach	14,523,725	12,245,361	1,161,898
21 Standardized approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	156,490	492,718	12,519
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	194,903,773	171,540,121	15,592,302

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

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2. Linkages between Financial statements and Regulatory Exposures

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

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

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

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

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

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

c) Explanations of differences between accounting and regulatory exposure amounts

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

3. Credit Risk Explanations

a) General Information on Credit Risk

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

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

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

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

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

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

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

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

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

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

Credit Quality of Assets

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

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

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

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

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

Additional disclosure related to the credit quality of assets

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

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

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

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

Breakdown of receivables in terms of geographic regions

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

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

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Breakdown of loan receivables by sector

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

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

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Breakdown by outstanding maturity

Current Period

Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
27,331	15,033,785	5,711,157	33,139,366	85,661,984	45,868,907	185,442,530

Prior Period

Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
9,441	12,646,753	5,498,653	30,852,055	63,969,529	35,428,484	148,404,915

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

Breakdown by of provision allocated receivables by geographical area

Current Period

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

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

Prior Period

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

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

Aging analysis for overdue receivables

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

Loan receivables with overdue loans are taken into consideration.

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

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

b) Credit Risk Mitigation

Qualitative disclosure on credit risk mitigation techniques

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

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

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

Credit Risk Mitigation Techniques

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

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

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c) Credit risk under standardized approach

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

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

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

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

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

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Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects

Current Period	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes						
1 Exposures to central governments or central banks	83,964,302	1,395,677	86,934,545	802,646	5,140,577	6%
2 Exposures to regional governments or local authorities	6,667,730	518,181	6,667,730	241,940	3,416,805	49%
3 Exposures to public sector entities	301,326	311,734	301,326	137,108	425,036	97%
4 Exposures to multilateral development banks	18,032	1,583	18,032	1,583	18,032	92%
5 Exposures to international organizations	-	-	-	-	-	0%
6 Exposures to institutions	8,266,758	1,990,510	8,266,758	1,264,050	4,260,234	45%
7 Exposures to corporates	72,362,193	66,603,953	69,391,950	23,989,142	91,627,602	98%
8 Retail exposures	47,612,387	24,689,970	47,612,387	3,212,915	37,888,045	75%
9 Exposures secured by residential property	22,850,866	931,214	22,850,866	420,940	8,145,132	35%
10 Exposures secured by commercial real estate	23,816,613	2,279,165	23,816,613	1,301,591	15,449,818	62%
11 Past-due loans	1,106,254	-	1,106,254	-	1,106,254	100%
12 Higher-risk categories by the Agency Board	274,628	15,305	274,628	8,635	487,490	172%
13 Exposures in the form of covered bonds	-	-	-	-	-	0%
14 Exposures to institutions and corporates with a short-term credit assessment	263	-	263	-	263	0%
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	10,375,891	-	10,375,891	-	8,072,913	78%
16 Other assets	707,498	-	707,498	-	707,498	100%
18 Total	278,324,741	98,737,292	278,324,741	31,380,550	176,745,699	57%
Prior Period	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes						
1 Exposures to central governments or central banks	51,462,827	492,584	53,883,670	241,211	13,566,988	25%
2 Exposures to regional governments or local authorities	4,597,033	344,708	4,597,033	156,470	2,345,893	49%
3 Exposures to public sector entities	636,031	1,373,402	636,031	667,205	1,298,648	100%
4 Exposures to multilateral development banks	3,705	-	3,705	-	-	0%
5 Exposures to international organizations	-	-	-	-	-	0%
6 Exposures to institutions	5,149,430	1,682,800	5,149,432	956,406	2,486,006	41%
7 Exposures to corporates	60,375,270	50,259,565	57,954,425	17,018,385	73,095,869	97%
8 Retail exposures	42,990,135	20,892,607	42,990,135	2,703,720	34,068,749	75%
9 Exposures secured by residential property	20,926,182	703,497	20,926,182	288,457	7,425,123	35%
10 Exposures secured by commercial real estate	22,075,082	1,401,642	22,075,082	657,040	14,085,290	62%
11 Past-due loans	1,170,775	-	1,170,775	-	1,170,775	100%
12 Higher-risk categories by the Agency Board	402,675	-	402,675	-	801,099	199%
13 Exposures in the form of covered bonds	-	-	-	-	-	0%
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	7,538,274	-	7,538,274	-	5,542,948	74%
16 Other assets	650,567	-	650,567	-	650,567	100%
18 Total	217,977,986	77,150,805	217,977,986	22,688,894	156,537,955	65%

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Exposures by asset classes and risk weights

Current Period	Asset classes/ Risk Weight*	35% (secured by real estate)					100%	150%	200%	250%	Other Risk amount (After Weights CCF and CRM)	Total credit risk exposure
		0%	10%	20%	50%	75%						
1	Exposures to central governments or central banks	77,478,439	-	90	10,236,204	-	27,458	-	-	-	87,737,191	
2	Exposures to regional governments or local authorities	9,934	-	110,209	6,789,526	-	-	-	-	-	6,909,669	
3	Exposures to public sector entities	3,704	-	12,118	-	422,612	-	-	-	-	438,434	
4	Exposures to multilateral development banks	1,583	-	-	-	18,032	-	-	-	-	19,615	
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	
6	Exposures to institutions	738	-	2,681,063	6,249,972	-	599,037	-	-	-	9,530,810	
7	Exposures to corporates	368,031	-	225,296	2,410,442	-	90,377,323	-	-	-	93,381,092	
8	Retail exposures	238,496	-	94,654	50,492,152	-	-	-	-	-	50,825,303	
9	Exposures secured by residential property	-	-	-	23,271,806	-	-	-	-	-	23,271,806	
10	Exposures secured by commercial real estate	-	-	-	19,336,772	-	5,781,432	-	-	-	25,118,204	
11	Past-due loans	-	-	-	-	-	1,106,254	-	-	-	1,106,254	
12	Higher Risk categories by the Agency Board	-	-	-	-	-	220,667	-	62,596	-	283,263	
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	
16	Other assets	-	-	-	-	-	263	-	-	-	263	
17	Investments in equities	1,908,789	-	380,234	-	-	707,498	-	-	-	707,498	
18	Total	80,099,714	-	3,503,664	45,022,916	50,492,152	107,031,776	220,667	-	62,596	309,705,291	
Prior Period	Asset classes/ Risk Weight*	35% (secured by real estate)					100%	150%	200%	250%	Other Risk amount (After Weights CCF and CRM)	Total credit risk exposure
		0%	10%	20%	50%	75%						
1	Exposures to central governments or central banks	26,990,907	-	-	27,133,972	-	2	-	-	-	54,124,881	
2	Exposures to regional governments or local authorities	10,109	-	86,015	4,657,379	-	-	-	-	-	4,753,503	
3	Exposures to public sector entities	4,060	-	660	-	1,298,516	-	-	-	-	1,303,236	
4	Exposures to multilateral development banks	3,705	-	-	-	-	-	-	-	-	3,705	
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	
6	Exposures to institutions	1,792	-	1,994,366	4,045,095	-	64,585	-	-	-	6,105,838	
7	Exposures to corporates	399,141	-	394,561	2,324,302	-	71,854,806	-	-	-	74,972,810	
8	Retail exposures	-	-	-	-	-	45,693,855	-	-	-	45,693,855	
9	Exposures secured by residential property	-	-	-	21,214,639	-	-	-	-	-	21,214,639	
10	Exposures secured by commercial real estate	-	-	-	17,293,665	-	5,438,457	-	-	-	22,732,122	
11	Past-due loans	-	-	-	-	-	1,170,775	-	-	-	1,170,775	
12	Higher Risk categories by the Agency Board	-	-	-	-	-	205,588	-	197,087	-	402,675	
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	
16	Other assets	-	-	-	-	-	650,567	-	-	-	650,567	
17	Investments in equities	1,801,543	-	242,229	-	-	5,494,502	-	-	-	7,538,274	
18	Total	29,211,257	-	2,717,831	21,214,639	55,454,413	85,972,210	205,588	-	197,087	240,666,880	

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4. Counterparty Credit Risk Explanations

Qualitative disclosure on counterparty credit risk

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

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

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

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

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

Counterparty credit risk (CCR) approach analysis

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

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

Capital requirement for credit valuation adjustment (CVA)

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

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

Current Period

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

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

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

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Prior Period

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

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

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

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Collaterals for counterparty credit risk

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

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

Loan Derivatives

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

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

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Central counterparty risks

Current Period		Exposure at default (post-CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		410
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	20,494	410
3	(i) OTC Derivatives	20,494	410
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-
Prior Period		Exposure at default (post-CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		323
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	16,124	323
3	(i) OTC Derivatives	16,124	323
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

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5. Explanations on Securitizations

None.

6. Explanations on Market Risk

Qualitative disclosure requirements related to market risk

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

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

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

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

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

Market Risk- Standardized approach

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

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7. Explanations on Operational Risk

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

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

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

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

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

8. Interest Rate Risk Related to Banking Book

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

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

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

Prior Period	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains / Shareholders' Equity Losses/ Shareholders' Equity
1	TRY	500/(400)	(2,210,943) / 2,186,994	(%9.45) / %9.34
2	EURO	200/(200)	388,955 / 1,240	%1.66 / %0.01
3	USD	200/(200)	603,486 / (601,248)	%2.58 / (%2.57)
Total (for negative shocks)			-	1,586,986 / 6.78%
Total (for positive shocks)			-	(1,218,502) / (5.21%)

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SECTION FIVE

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. Information on cash and balances with the Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1,395,384	595,490	1,281,060	508,933
Central Bank of the Republic of Turkey ⁽¹⁾	2,275,103	24,001,997	2,892,154	19,433,355
Other	350,955	37,317	235,950	17,863
Total	4,021,442	24,634,804	4,409,164	19,960,151

⁽¹⁾ TL 20,815,769 (December 31, 2016: TL 14,977,543) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

In accordance with "Announcement on Reserve Deposits" of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from 4% to 10.5% (December 31, 2016: ranging from 4% to 10.5%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 4% to 24% in US Dollar or Euro (December 31, 2016: ranging from 4.5% to 24.5%).

According to 2014-72 numbered and October 21, 2014 dated announcement of Central Bank of the Republic of Turkey, interest has been started to be paid for Turkish Lira reserve deposit beginning from November 2014.

According to 2015-35 numbered and May 2, 2015 dated announcement of Central Bank of the Republic of Turkey, interest has started to be paid for US Dollar denominated reserve deposits beginning from May 2015.

Balances with the Central Bank of the Republic of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	2,209,475	3,186,228	2,861,879	2,647,870
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	1,807,942
Reserve Deposits	65,628	20,815,769	30,275	14,977,543
Total	2,275,103	24,001,997	2,892,154	19,433,355

2. Further information on classified as financial assets at fair value through profit/loss

Financial assets at fair value through profit/loss given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	-	1,552	68,526	10,647
Other	-	-	-	-
Total	-	1,552	68,526	10,647

Trading securities subject to repurchase agreements

None.

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Positive differences on derivative financial assets held for trading purpose

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	20,577	5,365	18,625	4,254
Swap transactions	1,780,873	138,506	1,455,133	129,105
Futures	-	-	-	-
Options	433	497	107	328
Other	-	-	-	-
Total	1,801,883	144,368	1,473,865	133,687

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	1,176,047	1,957,624	1,180,083	301,055
Foreign	849	10,189,279	15,703	3,778,648
Foreign Head Offices and Branches	-	-	-	-
Total	1,176,896	12,146,903	1,195,786	4,079,703

Due from foreign banks

	Unrestricted Balance		Restricted Balances ^(*)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	916,102	418,643	-	-
USA, Canada	8,563,253	2,753,327	339,989	308,742
OECD Countries ^(†)	91,584	89,546	-	-
Off-shore Banking Regions	1,223	1,059	-	-
Others	277,977	223,034	-	-
Total	9,850,139	3,485,609	339,989	308,742

^(†) EU countries, OECD countries except USA and Canada.

^(*) Restricted balances that occur from securization loans and other common banking activities

4. Information on available-for-sale financial assets

Available-for-sale financial assets given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	8,553,659	344,646	1,882,699	2,051,546
Other	-	-	-	-
Total	8,553,659	344,646	1,882,699	2,051,546

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Available-for-sale financial assets subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1,682,275	-	3,775,304	-
Treasury bills	-	-	-	-
Other debt securities	-	156,751	-	2,113,320
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Total	1,682,275	156,751	3,775,304	2,113,320

Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	14,649,567	18,832,215
Quoted on a Stock Exchange	14,649,567	18,832,215
Unquoted	-	-
Equity securities	43,370	27,610
Quoted on a Stock Exchange	-	-
Unquoted	43,370	27,610
Provisions for impairment losses (-)	122,553	240,745
Total	14,570,384	18,619,080

5. Information on loans

Information on all types of loans and advances given to shareholders and employees of the Parent Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	38,243	-	31,720
Legal entities	-	38,243	-	31,720
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	140,344	313	117,544	41
Total	140,344	38,556	117,544	31,761

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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	175,748,884	2,664,938	-	5,443,050	1,558,327	-
Loans given to enterprises	61,848,581	1,837,235	-	2,454,411	1,228,903	-
Export loans	7,126,444	10,902	-	190,861	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2,136,947	-	-	4,480	-	-
Consumer loans	40,450,594	365,935	-	1,509,321	274,776	-
Credit cards	6,788,760	46,501	-	260,850	26,744	-
Other	57,397,558	404,365	-	1,023,127	27,904	-
Specialized lending	-	-	-	-	-	-
Other receivables	27,331	-	-	-	-	-
Total	175,776,215	2,664,938	-	5,443,050	1,558,327	-

Information related to the changes in the payment plans of loans and other receivables:

	Standard Loans and Other Receivables ^(*)	Loans and other receivables under close monitoring ^(*)
Number of modifications to extend payment plans		
Extended for 1 or 2 times	2,664,938	1,278,943
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-
Extended period of time		
0-6 Months	11,488	1,035
6-12 Months	113,343	8,606
1-2 Years	58,323	23,959
2-5 Years	1,163,249	977,007
5 Years and Over	1,318,535	268,336

^(*) The a and b paragraph of the 4th article of the 5th paragraph is the loan balances which change in contract conditions according to the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.27947 dated May 28, 2011.

Maturity analysis of cash loans

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	40,281,664	30,278	2,043,156	62,739
Loans	40,281,664	30,278	2,043,156	62,739
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
Medium, Long-term Loans and Other Receivables	135,494,551	2,634,660	3,399,894	1,495,588
Loans	135,467,220	2,634,660	3,399,894	1,495,588
Specialization loans	-	-	-	-
Other Receivables	27,331	-	-	-

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Consumer loans, retail credit cards, personnel loans and personnel credit cards

	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	573,114	39,344,936	39,918,050
Housing loans	16,254	18,950,268	18,966,522
Automobile loans	6,463	423,169	429,632
General purpose loans	550,397	19,971,499	20,521,896
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	1,878	5,035	6,913
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,878	5,035	6,913
Other	-	-	-
Retail credit cards – TL	5,174,880	93,414	5,268,294
With instalment	2,271,719	82,305	2,354,024
Without instalment	2,903,161	11,109	2,914,270
Retail credit cards – FC	12,071	-	12,071
With instalment	-	-	-
Without instalment	12,071	-	12,071
Personnel loans – TL	4,477	57,389	61,866
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	4,477	57,389	61,866
Other	-	-	-
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans – FC	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel credit cards – TL	77,776	454	78,230
With instalment	30,276	411	30,687
Without instalment	47,500	43	47,543
Personnel credit cards – FC	248	-	248
With instalment	-	-	-
Without instalment	248	-	248
Overdraft Checking Accounts – TL (Real person)	2,613,639	-	2,613,639
Overdraft Checking Accounts – FC (Real person)	158	-	158
Total	8,458,241	39,501,228	47,959,469

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Instalment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	1,169,354	43,812,223	44,981,577
Real estate loans	1,154	1,049,786	1,050,940
Automobile loans	88,063	1,940,882	2,028,945
General purpose loans	1,080,137	40,821,555	41,901,692
Other	-	-	-
Instalment-based commercial loans – FC indexed	3,987	1,633,951	1,637,938
Real estate loans	-	-	-
Automobile loans	-	177,864	177,864
General purpose loans	3,987	1,456,087	1,460,074
Other	-	-	-
Instalment-based commercial loans – FC	33,525	10,943,718	10,977,243
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	10,888	10,225,284	10,236,172
Other	22,637	718,434	741,071
Corporate credit cards – TL	1,761,150	1,708	1,762,858
With instalment	451,980	1,708	453,688
Without instalment	1,309,170	-	1,309,170
Corporate credit cards – FC	1,154	-	1,154
With instalment	-	-	-
Without instalment	1,154	-	1,154
Overdraft Checking Accounts – TL (Corporate)	1,844,329	-	1,844,329
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	4,813,499	56,391,600	61,205,099

Allocation of loan customers

	Current Period	Prior Period
Public Sector	3,032,772	2,537,136
Private Sector	182,409,758	145,867,358
Total	185,442,530	148,404,494

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic loans	184,512,099	147,783,305
Foreign loans	930,431	621,189
Total	185,442,530	148,404,494

Loans to associates and subsidiaries

	Current Period	Prior Period
Direct loans to associates and subsidiaries	17	10
Indirect loans to associates and subsidiaries	-	-
Total	17	10

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Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Loans and receivables with limited collectability	153,441	389,259
Loans and receivables with doubtful collectability	430,333	553,966
Uncollectible loans and receivables	6,253,158	4,589,383
Total	6,836,932	5,532,608

Information on non-performing loans (Net)

Information on non-performing loans and other receivables restructured or rescheduled

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current period	80,662	118,684	135,790
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	80,662	118,684	135,790
Prior period	137,005	176,551	78,606
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	137,005	176,551	78,606

Movements in non-performing loan groups

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Balance at the beginning of the period	946,968	1,107,117	4,649,298
Additions (+)	2,847,948	148,142	220,657
Transfers from other categories of loans under follow-up (+)	-	2,515,964	2,240,565
Transfers to other categories of loans under follow-up (-) ⁽¹⁾	2,692,529	2,556,278	119,519
Collections (-)	338,335	340,677	699,155
Write-offs (-)	-	-	4,054
Corporate and commercial loans	-	-	4,054
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	-	17,074
Balance at the end of the period	764,052	874,268	6,304,866
Specific provisions (-) ⁽²⁾	153,441	430,333	6,253,158
Net balance on balance sheet	610,611	443,935	51,708

⁽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⁾ After taking the collaterals of the loans amounting TL 32,026, that are classified in group IV, as from December 31, 2017 into account, the Parent Bank had recorded provision over the remaining amount.

Uncollectible loans and other receivables are collected through liquidation of collaterals and legal follow-up.

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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	43,425	12,519	581,510
Specific provision (-)	9,094	7,242	540,597
Net balance on balance sheet	34,331	5,277	40,913
Prior Period			
Balance at the end of the period	64,048	17,087	423,134
Specific provision (-)	52,069	8,807	382,751
Net balance on balance sheet	11,979	8,280	40,383

Non-performing loans due to foreign currency denominated loans provided by the Parent Bank or domestic financial subsidiaries are followed in TL accounts, while non-performing loans provided by subsidiaries in abroad are followed in foreign currency accounts.

Explanation on Write-off Policy

The Group writes off a loan balance (and any related allowances for impairment losses) when it is concluded that those loans are uncollectible. This conclusion is given after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

The gross and net amounts of non-performing loans according to user groups

	Group III 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)	763,928	872,720	6,206,914
Specific Provision (-)	153,416	429,559	6,155,206
Consumer and Commercial Loans (Net)	610,512	443,161	51,708
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	124	1,548	96,401
Specific Provision (-)	25	774	96,401
Other Loans and Receivables (Net)	99	774	-
Prior Period (Net)			
Consumer and Commercial Loans (Gross)	946,563	1,097,026	4,551,110
Specific Provision (-)	389,232	549,216	4,490,332
Consumer and Commercial Loans (Net)	557,331	547,810	60,778
Banks (Gross)	-	-	8,761
Specific Provision (-)	-	-	8,761
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	133	9,500	90,290
Specific Provision (-)	27	4,750	90,290
Other Loans and Receivables (Net)	106	4,750	-

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6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	12,235,406	2,022,702	8,039,914	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	2,263,925	-	-
Total	12,235,406	4,286,627	8,039,914	-

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	16,766,071	8,187,293
Quoted at stock exchanges	16,652,591	8,046,672
Unquoted at stock exchanges	113,480	140,621
Impairment losses (-)	-	6,758
Total	16,766,071	8,180,535

The movement table of the held-to-maturity investments

	Current Period	Prior Period
Balances at the beginning of the period	8,180,535	7,677,729
Foreign currency differences on monetary assets	116,077	7,371
Purchases during the period	2,423,358	1,873,688
Transfers to available for sale portfolio ^(*)	7,501,432	-
Disposals through sales/redemptions	(2,186,864)	(1,673,758)
Impairment losses	6,758	(537)
Change in amortized costs of the securities ^(*)	724,775	296,042
Balances at the end of the period	16,766,071	8,180,535

^(*) Changes in the amortized costs of the marketable securities also include rediscount differences in marketable securities.

^(*) The Parent Bank had classified TL 7,166,704 nominal value of marketable securities, which was followed under available for sale securities portfolio, to held to maturity portfolio on different dates in 2017. These marketable securities are included in the held to maturity portfolio with TL 7,501,432 book value, representing the fair value of the securities as from the dates when the classification occurred. The revaluation differences amounting to TL 63,966 as from the dates when the classification occurred are now being followed under equity, and the composed revaluation differences will be transferred to terminal accounts until the end of the maturity of the securities.

Information on held-to-maturity investments

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	5,856,554	1,879,125	6,591,740	1,886,904
Investments subject to repurchase agreements	4,581,632	2,242,632	5,510,791	2,256,226
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other ^(*)	107,882	384,828	132,875	387,535
Total	10,546,068	4,506,585	12,235,406	4,530,665

^(*) The securities held as free that are not subject to collateral/blockage or other transactions are presented in the "Other" line.

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Prior Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	556,248	140,600	576,573	140,621
Investments subject to repurchase agreements	4,680,338	-	5,323,556	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other ⁽¹⁾	1,821,464	-	2,139,785	-
Total	7,058,050	140,600	8,039,914	140,621

⁽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 AŞ ⁽¹⁾	Ankara/Turkey	9.93	9.93
2 Bankalararası Kart Merkezi AŞ	İstanbul/Turkey	9.70	9.70
3 KKB Kredi Kayıt Bürosu AŞ	İstanbul/Turkey	9.09	9.09
4 Güçbirliği Holding AŞ	İzmir/Turkey	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ	İstanbul/Turkey	5.00	5.00
6 İstanbul Takas ve Saklama Bankası AŞ ⁽¹⁾	İstanbul/Turkey	4.37	4.37
7 Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara/Turkey	1.54	1.54
8 Tasfiye Halinde World Vakıf UBB Ltd.	Lefkoşa/TRNC	82.00	85.32

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Period's Profit/Loss	Fair Value
1	4,185,749	1,062,721	716,013	13,978	-	173,897	128,591	-
2	90,246	49,094	47,325	1,656	-	9,004	10,403	-
3	282,149	183,485	179,270	6,467	-	44,798	34,759	-
4	144,158	(45,685)	88,005	360	-	(10,162)	(3,360)	-
5	120,766	(27,699)	83,574	4	-	(6,271)	(21,798)	-
6	9,913,087	1,170,007	97,419	281,518	7,404	201,251	162,178	-
7	486,557	462,323	10,969	21,449	-	127,873	17,738	-
8	1,104	(125,554)	-	66	-	(12,193)	(8,988)	-

⁽¹⁾ The financial statement information provided for these associates is taken from the financial statements dated September 30, 2017.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Kredi Garanti Fonu AŞ from TL 278,439 to TL 318,282. The share of the Bank amounting to TL 177 is presented in the movement table of investments in associates as bonus shares received. During the capital increase, the share of the Bank decreased from 1.69% to 1.54% due to the participation of new banks in the association.

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The title of World Vakıf Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakıf UBB. Ltd. on February 4, 2009. Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorization of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to May 24, 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. In year 2010, due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified as "Investments in associates". The liquidation process of World Vakıf UBB Ltd, an associate of the Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed on August 27, 2013. Thus, the company's title has been changed as "World Vakıf UBB Ltd in Liquidation".

Unconsolidated associates, reasons for not consolidating such investments and accounting treatments applied for such investments:

Istanbul Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ have not been consolidated since their total assets and net operating profit/loss) individually or as a whole, do not comprise a material portion within the consolidated totals. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

Consolidated investments in associates

Title	Parent Bank's		Bank Risk Group's Share (%)
	Address (City/ Country)	Share - If Different, Voting Rights (%)	
1 Kıbrıs Vakıflar Bankası Ltd. ⁽¹⁾	Lefkoşa/TRNC	15.00	15.00
2 Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Turkey	8.38	8.38

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio		Fair Value	
					Current Year's Profit/Loss	Prior Period's Profit/Loss		
1	1,047,132	88,271	7,571	59,475	3,603	5,231	3,640	-
2	29,917,636	3,711,341	871,378	1,440,834	438,839	611,177	443,431	3,488,552

⁽¹⁾ The financial statement information provided for these associates is taken from the financial statements dated September 30, 2017.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,050,000 to TL 2,400,000 in the Ordinary General Meeting of the Company dated March 23, 2017. The share of the Bank amounting to TL 29,321 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Kıbrıs Vakıflar Bankası LTD. from TL 40,000 to TL 70,000 in the Extraordinary General Meeting of the Company dated May 12, 2016. The share of the Bank amounting to TL 4,500 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 1,750,000 to TL 2,050,000 in the Ordinary Meeting of General Assembly of the Company dated March 24, 2016, the share of the Bank amounting to TL 25,132 is presented in the movement table of investments in associates as bonus shares received.

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Movement of consolidated investments in associates

	Current Period	Prior Period
Balance at the beginning of the period	253,457	224,269
Movements during the period	49,502	29,188
Transfers	-	-
Acquisitions	-	-
Bonus shares received	29,321	29,632
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	20,181	(444)
Impairment losses	-	-
Balance at the end of the period	302,959	253,457
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Sectoral distribution of consolidated investments and associates

	Current Period	Prior Period
Banks	302,959	253,457
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
Total	302,959	253,457

Quoted associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	292,341	242,838
Quoted at international stock exchanges	-	-
Total	292,341	242,838

Investments in associates disposed during the period

There is not any associate disposed by the Parent Bank in the current period.

Investments in associates acquired during the period

There is not any associate acquired by the Parent Bank in the current period.

➤➤ CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

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8. Investments in subsidiaries

Information on significant subsidiaries

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik ve Hayat AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Paid in Capital	114,483	109,000	35,000	70,000	270,000	26,500	12,000	217,500	20,000
Share Premium	-	-	-	-	655	-	-	246,731	-
Adjustment to paid-in capital	-	206	(109)	51	(2,369)	5,832	74	21,600	63
Valuation changes in marketable securities	38,306	3,821	92,327	352	413,605	869	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	16,596	-	-	218,237	50,005	-	547	-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	1,094	-	-	4,010	191	-	-	-
Legal Reserves	10,614	6,286	6,128	5,824	17,179	18,385	1,347	7,543	395
Extraordinary Reserves	-	33,523	7,368	45,624	19,246	104,880	7,050	108,125	-
Other Profit Reserves	352,474	-	2,308	-	-	-	-	-	-
Profit/Loss	157,216	34,514	21,246	23,195	(331,590)	155,164	7,809	5,469	(3,007)
Prior Period's Profit/Loss	129,784	(18)	1,623	-	(439,449)	73,393	-	-	(3,008)
Current Period's Profit/Loss	27,432	34,532	19,623	23,195	107,859	81,771	7,809	5,469	1
Minority Rights	-	98	-	-	-	-	-	-	-
Total Core Capital	673,093	205,138	164,268	145,046	608,973	361,826	28,280	607,515	17,451
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-	-
CAPITAL	673,093	205,138	164,268	145,046	608,973	361,826	28,280	607,515	17,451
NET AVAILABLE EQUITY	673,093	205,138	164,268	145,046	608,973	361,826	28,280	607,515	17,451

(*) Reviewed BBSA financial statements as of December 31, 2017 are considered.

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Vakıf Yatırım Menkul Değerler AŞ, which is one of the consolidated subsidiaries of the Parent Bank, calculates capital adequacy in accordance with "Communiqué on Capital and Capital Adequacy of Intermediary Firms" serial V, No:34 of Capital Markets Board as six months periods. Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ, which are the consolidated subsidiaries of the Parent Bank operating in insurance sector, calculate capital adequacy in accordance with "Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms" published by Republic of Turkey Undersecretariat of Treasury as six months periods. According to the calculations at December 31, 2017, there is no capital requirement for the subsidiaries mentioned.

Unconsolidated investments in subsidiaries

Title	Address (City / Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Vakıf Enerji ve Madencilik AŞ ^(*)	Ankara/Turkey	65.50	85.52
2 Taksim Otelcilik AŞ ^(*)	İstanbul/Turkey	51.00	51.69
3 Vakıf Pazarlama Sanayi ve Ticaret AŞ ^(**)	İstanbul/Turkey	69.33	76.18
4 Vakıf Gayrimenkul Değerleme AŞ ^(*)	Ankara/Turkey	54.29	58.73

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Years' Profit/(Loss)	Fair Value
1	25,851	12,062	1,043	530	-	404	280	14,494
2	371,463	356,839	221,749	8,132	-	5,653	504	403,062
3	59,791	49,796	1,710	3,948	-	6,422	3,587	49,458
4	31,550	25,967	280	2,811	-	(178)	1,269	26,479

^(*) The financial statement information provided for these subsidiaries is taken from the financial statements dated September 30, 2017.

^(**) The financial statement information provided for these subsidiaries is taken from the financial statements dated June 30, 2017.

^(***) The financial statement information provided for these subsidiaries is taken from the financial statements dated December 31, 2016.

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments:

Vakıf Enerji ve Madencilik AŞ, Taksim Otelcilik AŞ, Vakıf Pazarlama Sanayi ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme AŞ have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values.

Investments in consolidated subsidiaries

Title	Address (City / Country)	Bank's Share – If Different Voting Rights (%)	Bank's Risk Group Share (%)
1 Güneş Sigorta AŞ	İstanbul/Turkey	48.02	48.02
2 Vakıf Emeklilik AŞ ^(*)	İstanbul/Turkey	53.90	79.67
3 Vakıf Faktoring AŞ	İstanbul/Turkey	78.39	88.68
4 Vakıf Finansal Kiralama AŞ	İstanbul/Turkey	58.71	66.23
5 Vakıf Yatırım Menkul Değerler AŞ ^(*)	İstanbul/Turkey	99.00	99.48
6 Vakıfbank International AG ^(*)	Vienna/Austria	90.00	90.00
7 Vakıf Portföy Yönetimi AŞ	İstanbul/Turkey	100.00	100.00
8 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	İstanbul/Turkey	22.89	34.55
9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/Turkey	38.70	40.86

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit / (Loss)	Prior Period's Profit / (Loss)	Fair Value
1	2,167,689	677,599	718,869	83,947	1,419	26,493	(48,066)	449,781
2	6,618,429	308,951	127,457	36,713	196	73,260	38,512	1,149,195
3	2,246,286	145,045	3,156	189,406	-	23,194	16,098	157,611
4	2,095,369	205,138	21,591	139,151	-	33,847	23,281	232,724
5	493,702	164,268	2,491	35,659	28	19,623	8,568	186,870
6	4,005,275	579,208	1,988	61,159	23,491	16,637	17,711	402,497
7	29,555	28,280	446	3,294	42	7,809	6,855	81,031
8	18,021	17,450	24	330	1,488	1	(237)	27,963
9	1,152,183	940,321	749,372	12,671	-	75,357	42,425	568,147

^(*) Financial information as at September 30, 2017 has been presented for these subsidiaries.

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Movement table of consolidated investments in subsidiaries in consolidated financial statements

	Current Period	Prior Period
Balance at the beginning of the period	1,528,228	1,350,170
Movements during the period	421,910	178,058
Transfers	-	-
Acquisitions	-	76,155
Bonus shares received	51,974	24,858
Share of current year profit	(16,825)	(1,314)
Sales and liquidations	(232)	-
Fair value changes	373,209	72,033
Impairment losses	13,784	6,326
Balance at the end of the period	1,950,138	1,528,228
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	1,950,138	1,528,228
Equity method of accounting	-	-
Total	1,950,138	1,528,228

Sectoral distribution of consolidated investments in financial subsidiaries

	Current Period	Prior Period
Banks	362,247	434,112
Insurance companies	835,401	568,089
Factoring companies	123,551	74,498
Leasing companies	136,632	79,019
Financing companies	-	-
Other financial subsidiaries	492,307	372,510
Total	1,950,138	1,528,228

Quoted consolidated subsidiaries

	Current Period	Prior Period
Quoted at domestic stock exchanges	578,891	410,160
Quoted at international stock exchanges	-	-
Total	578,891	410,160

Consolidated subsidiaries disposed during the period

There is not any disposal in the consolidated subsidiaries in the current year.

Consolidated investments in subsidiaries acquired during the period

The Parent Bank does not have any subsidiary that are purchased in the current period in the scope of consolidation.

In the current period, denomination of Vakıf Emeklilik AŞ has changed to "Vakıf Emeklilik ve Hayat AŞ" on July 26, 2017, respective alteration is registered officially in trade registry.

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In the current period, at the Ordinary General Assembly Meeting held on July 13, 2017, Vakıf Faktoring AŞ, an affiliate of our Bank, has resolved to increase its capital through bonus issues from TL 22,400 to TL 70,000. TL 37,315, corresponding to our Bank's shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the current period, it is decided to sell Güneş Sigorta AŞ's 500,000 shares, that are traded in the stock market. After the selling, the bank's share had decreased to TL 129,643 from 130,143 TL. The sold shares, amounting TL 232, are presented in the Sales, in the movement table for the affiliates. After the selling, the bank's share in Güneş Sigorta AŞ had decreased to 48.02% from 48.20%.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 213,000 to TL 217,500 by a bonus increase of TL 4,500 in the Ordinary General Meeting of the Company dated June 16, 2017. The share of the Bank amounting to TL 1,742 is presented in the movement table of investments in associates as bonus shares received.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ from TL 87,000 to TL 109,000 by a bonus increase of TL 22,000 in the Ordinary General Meeting of the Company dated June 14, 2017. The share of the Bank amounting to TL 12,917 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, within the registered capital ceiling of TL 300,000 of Güneş Sigorta AŞ, the paid-in capital increased from TL 150,000 to TL 270,000 by increasing TL 120,000. In this context, our fair value was fully used in the capital increase of the Company and our Bank's current nominal share was TL 43,619. In addition, TL 32,536 has been paid for the premiums not used by other shareholders (from the shares offered to the public on the BİAŞ share market) for the nominal 32,000,000 shares purchased from the prices formed in the BİAŞ Primary Market. Total share capital of the Bank amounting to TL 76,155 is included in Purchases in the movement table of subsidiaries. After the capital increase, our nominal share of TL 54,524 in the capital of Güneş Sigorta AŞ has increased to TL 130,143 and our share of 36.35% has increased to 48.20%.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Portföy Yönetimi AŞ from TL 3,000 to TL 12,000 by a bonus increase of TL 9,000. After the capital increase, Bank's current nominal share has been increased from TL 3,000 to TL 12,000 by bonus increase of 9,000 and Bank's share percentage has been remained the same (100.00%). The share of the Bank amounting to TL 9,000 is presented as bonus shares received in the movement table of investments in subsidiaries.

In the prior period, subsequent to approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 205,400 to TL 213,000 by a bonus increase of TL 7,600 in the Ordinary Meeting of General Assembly of the Company dated April 15, 2016. After the capital increase, Bank's current nominal share has been increased from TL 79,495 to TL 82,436 by bonus increase of 2,941 and Bank's share percentage has been remained the same (38.70%). The share of the Bank amounting to TL 2,941 is presented as bonus shares received in the movement table of investments in subsidiaries.

In the prior period, subsequent to approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ from TL 65,000 to TL 87,000 by a bonus increase of TL 22,000 in the Ordinary Meeting of General Assembly of the Company dated April 12, 2016. After the capital increase, Bank's current nominal share has been increased from TL 38,163 to TL 51,080 by bonus increase of 12,917 and Bank's share percentage has been remained the same (58.71%). The share of the Bank amounting to TL 12,917 is presented as bonus shares received in the movement table of investments in subsidiaries.

9. Investments in joint-ventures

There is not any investment in joint-ventures of the Group within current and prior period.

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	329,412	315,471	127,815	124,560
Between 1-4 years	1,268,523	1,092,496	1,069,370	940,008
Longer than 4 years	579,828	472,233	591,496	481,841
Total	2,177,763	1,880,200	1,788,681	1,546,409

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Net investments in finance lease receivables

	Current Period	Prior Period
Gross finance lease receivables	2,177,763	1,788,681
Unearned income on finance lease receivables (-)	297,563	242,272
Terminated lease contracts (-)	-	-
Net finance lease receivables	1,880,200	1,546,409

Finance lease agreements

Sum of the minimum lease payments including interest and principal amounts are stated under the "finance lease receivables" as gross. The difference between the total of rent payments and the cost of the related fixed assets is reflected to the "unearned income" account. If the lease payments are made, the lease principal amount is deducted from the "finance lease receivables" as the interest component of the payment is reflected to interest income on the consolidated statement of income.

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	1,196,829	120,731	29,140	1,317,756	2,664,456
Accumulated depreciation(-)	11,399	113,222	24,091	806,410	955,122
Impairment(-)	6,231	-	-	-	6,231
Net book value	1,179,199	7,509	5,049	511,346	1,703,103
Balance at the end of the current year:					
Net book value at the beginning of the current year	1,179,199	7,509	5,049	511,346	1,703,103
Additions	29,501	-	3,402	157,142	190,045
Cost of the disposals	11,008	-	8,818	21,815	41,641
Classification Among the Tangible Fixed Assets	-	(111,890)	-	111,890	-
Depreciation of the disposals (-)	1,866	-	8,501	19,928	30,295
Depreciation of the current year	10,279	1,919	1,678	132,218	146,094
Classification Among the Depreciation of the Tangible Fixed Assets	-	(109,022)	-	109,022	-
Impairment (-)	603	-	-	4,821	5,424
Exchange differences related to foreign associates	-	-	26	1,099	1,125
Cost at the end of the current year	1,215,322	120,731	23,750	1,454,182	2,813,985
Accumulated depreciation at the end of the year (-)	19,812	115,141	17,268	918,700	1,070,921
Impairment (-)	6,834	-	-	4,821	11,655
Net book value at the end of the current year	1,188,676	5,590	6,482	530,661	1,731,409

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13. Information on intangible assets

Group's intangible assets consist of computer softwares and licenses. The estimated useful life of intangible assets is 5 years. Intangible assets are amortized on a straight-line basis through the estimated useful lives over their costs adjusted for inflation for the items purchased before December 31, 2004, over their initial costs for the items purchased after December 31, 2004.

In the current year an intangible asset that presents severity for the financial statements does not exist.

Additionally the Group does not have intangible assets, which are obtained by government incentives, recorded at fair value, have utilization restrictions or have been pledged.

The Group has not declared a commitment to purchase intangible assets.

14. Information on investment properties

As of December 31, 2017, the Group has investment properties that have book amount of its subsidiaries which are operating in the insurance business is TL 8,377 (December 31, 2016: TL 8,877) and its subsidiaries which are operating in real estate investment business is TL 415,121 (December 31, 2016: TL 345,508).

15. Information on tax assets

a) Current tax assets

As at December 31, 2017 the current tax asset of the Group amounts to TL 1,016 (December 31, 2016: TL 835).

b) Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at December 31, 2017 and December 31, 2016:

	Current Period	Prior Period
Provision for employee termination benefits and unused vacations	103,455	97,828
Other provisions	57,514	93,646
Valuation differences of associates and subsidiaries	55,424	27,488
Deductible financial losses	24,099	26,418
Investment incentives	373	4,314
Valuation differences of financial assets and liabilities	80,160	82,263
Reporting Standards - Tax Code depreciation differences	-	6,330
Other differences	17,108	16,268
Deferred tax assets	338,133	354,555
Net-off of the deferred tax assets and liabilities from the same entity	(275,537)	(157,468)
Deferred tax assets, (net)	62,596	197,087
Valuation differences of financial assets and liabilities	254,360	119,153
Valuation difference for associates and subsidiaries	21,501	17,511
Valuation differences of properties	51,801	39,593
Other differences	22,939	4,235
Deferred tax liabilities	350,601	180,492
Net-off of the deferred tax assets and liabilities from the same entity	(275,537)	(157,468)
Deferred tax liabilities, (net)	75,064	23,024

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As at December 31, 2017 and December 31, 2016, items generating deferred tax assets or liabilities movement table is listed below:

	Current Period	Previous Period
As of 1 January	174,063	116,095
Deferred tax income/loss	(160,372)	17,554
Deferred tax that is accounted under equity	(21,448)	44,360
Other	(4,711)	(3,946)
Deferred tax asset/(liability)	(12,468)	174,063

The reconciliation of the deferred tax on the assets directly related to the equity is as follows as of December 31, 2017 and December 31, 2016:

	Current period	Prior Period
Securities available for sale	(15,709)	48,081
Associates and subsidiaries	234	(1,371)
Tangible assets	(18)	(1,911)
Actuarial gains and losses	(5,955)	(439)
Total	(21,448)	44,360

16. Information on assets held for sale and assets related to the discontinued operations

As at December 31, 2017, net book value of assets held for sale of the Group is amounting to TL 1,312,728 (December 31, 2016: TL 1,228,102).

17. Information on other assets

As at December 31, 2017 and December 31, 2016, the details of other assets are as follows:

	Current Period	Prior Period
Receivables from insurance operations	1,352,349	928,905
Receivables from credit card payments	1,173,158	988,257
Prepaid expenses	1,097,170	522,306
Guarantees given for repurchase agreements	151	-
Guarantees given for derivative financial instruments	2,749,121	1,876,321
Receivables from term sale of assets	11,116	21,746
Receivables from reinsurance companies	60,613	27,240
Deferred commission expenses	43,083	59,891
Other	2,248,364	1,158,351
Total	8,735,125	5,583,017

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

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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	6,056,971	-	3,050,910	31,050,795	2,289,658	270,480	177,229	2,178	42,898,221
Foreign currency deposits	7,190,052	-	2,538,293	24,512,375	1,965,662	2,017,138	7,100,230	-	45,323,750
Residents in Turkey	6,808,852	-	2,536,245	24,058,549	1,430,203	720,911	998,723	-	36,553,483
Residents in abroad	381,200	-	2,048	453,826	535,459	1,296,227	6,101,507	-	8,770,267
Public sector deposits	7,188,859	-	6,443,410	7,672,161	1,141,489	4,439,864	176,770	-	27,062,553
Commercial deposits	3,761,274	-	5,698,290	10,001,770	2,281,607	190,433	8,957	-	21,942,331
Other	3,834,320	-	982,513	3,345,561	1,163,948	21,913	32,402	-	9,380,657
Precious metal deposits	1,600,963	-	-	-	-	-	-	-	1,600,963
Bank deposits	491,073	-	7,033,739	2,058,712	18,565	59,147	118,155	-	9,779,391
Central Bank	1,349	-	-	-	-	-	-	-	1,349
Domestic banks	140,492	-	6,644,460	947,960	18,565	-	-	-	7,751,477
Foreign banks	256,993	-	200,144	768,660	-	59,147	41,441	-	1,326,385
Participation banks	92,239	-	189,135	342,092	-	-	76,714	-	700,180
Other	-	-	-	-	-	-	-	-	-
Total	30,123,512	-	25,747,155	78,641,374	8,860,929	6,998,975	7,613,743	2,178	157,987,866

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	5,705,688	-	1,680,889	25,414,440	1,642,146	289,813	164,353	268	34,897,597
Foreign currency deposits	5,459,945	-	2,646,284	18,828,852	1,782,652	1,397,067	5,744,196	-	35,858,996
Residents in Turkey	4,811,159	-	2,639,895	18,521,686	1,479,501	544,129	943,203	-	28,939,573
Residents in abroad	648,786	-	6,389	307,166	303,151	852,938	4,800,993	-	6,919,423
Public sector deposits	5,358,931	-	5,219,406	6,965,059	768,349	2,589,066	115,942	-	21,016,753
Commercial deposits	2,896,213	-	6,103,794	7,131,196	1,488,185	312,555	9,299	-	17,941,242
Other	4,168,961	-	1,901,192	3,401,011	881,451	85,146	20,450	-	10,458,211
Precious metal deposits	1,010,609	-	-	-	-	-	-	-	1,010,609
Bank deposits	243,644	-	3,239,174	1,395,631	98,703	23,363	75,386	-	5,075,901
Central Bank	1,117	-	-	-	-	-	-	-	1,117
Domestic banks	10,075	-	2,934,647	913,292	98,703	2,144	4,323	-	3,963,184
Foreign banks	169,476	-	93,469	288,852	-	21,219	71,063	-	644,079
Participation banks	62,976	-	211,058	193,487	-	-	-	-	467,521
Other	-	-	-	-	-	-	-	-	-
Total	24,843,991	-	20,790,739	63,136,189	6,661,486	4,697,010	6,129,626	268	126,259,309

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Information on saving deposits insured by Saving Deposit Insurance Fund and the total amounts of the deposits exceeding the insurance coverage limit

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	21,807,725	19,306,192	21,090,496	15,591,405
Foreign currency saving deposits	6,571,401	5,092,943	15,854,203	14,160,086
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	28,379,126	24,399,135	36,944,699	29,751,491

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	22,958	37,431
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	2,399	4,957
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

Negative differences related to the derivative financial liabilities held for trading purpose

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	19,903	5,240	22,407	4,202
Swaps	961,269	162,879	894,453	194,876
Futures	-	-	-	-
Options	30,336	915	38,159	327
Other	-	-	-	-
Total	1,011,508	169,034	955,019	199,405

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	235,102	-	-
Domestic banks and institutions	1,321,299	1,452,085	1,081,208	1,023,229
Foreign banks, institutions and funds	936,242	27,443,060	639,606	23,555,387
Total	2,257,541	29,130,247	1,720,814	24,578,616

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Maturity information of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term ^(*)	1,341,505	3,012,169	715,655	2,342,821
Medium and Long-term ^(*)	916,036	26,118,078	1,005,159	22,235,795
Total	2,257,541	29,130,247	1,720,814	24,578,616

^(*) Maturity profile of funds borrowed has been prepared in accordance with their original maturities.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 12.20% (December 31, 2016: 13.08%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On April 20, 2016, Parent Bank's loan has been renewed with a new syndicated loan amounting to US Dollar 207 million and Euro 631.5 million with the interest rate of US Libor + 0.85% and Euribor + 0.75% at a maturity of 367 days with participation of 30 banks, Wells Fargo Bank, London Branch and National Bank of Abu Dhabi PJSC acting as coordinator and agent bank. On April 24, 2017, the loan has been renewed with a new syndicated loan amounting to US Dollar 188.5 million and Euro 716.5 million with the interest rate of US Libor + 1.15% and Euribor + 1.05% at a maturity of 367 days with participation of 37 banks, Bank of America Merrill Lynch International Limited and Emirates NBD Bank PJSC and National Bank of Abu Dhabi PJSC acting as coordinator and agent bank.

On September 26, 2016, Parent Bank's loan has been renewed with a new syndicated loan amounting to 224.5 million US Dollar and 544 million Euros with the interest rate of US Libor + 1.10% and Euribor + 1.00% at a maturity of 367 days with participation of 22 banks, ING Bank, London Branch and National Bank of Abu Dhabi PJSC acting as coordinator and ING Bank, London Branch acting as agent bank. On September 25, 2017, the mentioned loan has been renewed with a new syndicated loan amounting to 131 Million US Dollars and 634 Million Euros with the interest rate of US Libor + 1.35% and Euribor + 1.25% with a maturity of 367 days and with participation of 22 banks from 12 countries, where the ING Bank and Emirates NBD acted as common coordinator banks and ING Bank London Branch acted as the agent bank.

On December 19, 2014, the Parent Bank has obtained securitization loan at the amount of US Dollar 928.6 million related to foreign transfers and treasury transactions in Euro and US Dollar. Loan amounting to US Dollar 500 million has been obtained related to foreign transfers at a maturity of five years and loan at the amount of US Dollar 428.6 million has been obtained related to treasury transactions at a maturity of seven years in seven different segments in total.

The loan obtained from European Bank for Reconstruction and Development (EBRD) amounting to US Dollar 125 million in 2014-A segment in order to finance medium term loans including to meet the needs of agricultural enterprises and support woman entrepreneurs. 2014-B segment of the loan has been obtained from Wells Fargo Bank, N.A., 2014-C segment of the loan has been obtained from Raiffeisen Bank International AG, 2014-D segment of the loan has been obtained from Standard Chartered Bank, 2014-E segment of the loan has been obtained from Societe Generale, 2014-G segment of the loan has been obtained from Bank of America, N.A. and 2014-F segment of the loan related to treasury transactions has been obtained from JP Morgan Securities plc. in the scope of programme.

On October 4, 2016, the Parent Bank carried out a securitization transaction in the amount of USD 890 million equivalent in Euros and US Dollars based on foreign money transfers and treasury transactions as part of the securitization program. A total of USD 310 million was provided for 5 years and USD 535 million based on treasury financing transactions was provided with 7 years maturity, based on foreign delegations of the loan provided in seven separate segments. Within the program, 2016-A segment was collected from SMBC, 2016-B segment from Wells Fargo Bank, 2016-C segment from Credit Suisse, 2016-D segment from Standard Chartered Bank, 2016-E segment from EBRD, 2016-F segment from JP Morgan and 2016-G segment from ING Bank. EBRD participated in the securitization loan with the TurSEFF II and TurSEFF III projects. As of December 31, 2017, the sum of the securitization loans amounted to USD 1.347 billion and EUR 258 million.

On March 3, 2017, under the coordination of ICBC Turkey AŞ, the Parent Bank signed a bilateral loan agreement with ICBC Dubai amounting USD 250 million with 3 years maturity which will be used for trade finance purposes together with general purpose financial needs.

Information on securities issued

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Turkey's first Eurobond apart from Republic of Turkey Undersecretariat of Treasury. The bond has been issued in GMTN programme on June 17, 2014 has a nominal value of 500 million Euros, maturity date on June 17, 2019 with fixed rate, 5 years maturity and annually coupon paid with 3.65% return and coupon rate 3.50%.

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Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Eurobond. The bond has been issued in GMTN programme on October 27, 2016 has a nominal value of US Dollar 500 million, maturity date on October 27, 2021 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.50%.

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Eurobond. The bond has been issued in GMTN programme on May 30, 2017 has a nominal value of US Dollar 500 million, maturity date on May 30, 2022 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.625%.

The context of Global Medium Term Notes (GMTN), the Bank has issued 230 private placements with 19 different banks from 2013 June on. This private placements have issued several currencies as of (US Dollar, Euro, Swiss Franc and Japanese Yen) and the maturities are 3 months, 6 months, 1 year and 2 years. Bank has issued 4.860 million US Dollar private placements as of the date of December 31, 2017. The total private placements are 123.7 million US Dollar as of the same date on.

The Parent Bank has issued Turkey's first Euro covered bond on May 4, 2016. The bond has been issued on May 4, 2016 has nominal value of 500 million Euros, maturity date on May 4, 2021 with fixed rate, 5 years maturity and annually interest paid with coupon rate 2.375% and 2.578% return.

On October 9, 2017, the Parent Bank had issued a private placement for the qualified foreign institutional investor within the context of Global Medium Term Notes (GMTN), with 5.5 years of maturity, and a nominal value of 1.333 million Turkish Liras.

The Parent Bank had realized the second Global Medium Term Notes (GMTN) on December 14, 2017 with HSBC Bank Plc with with 5 years of maturity, and a nominal value of 1.333 million Turkish Liras.

Current Period	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	4,189,913	2,816,000	98,149	12,697,366
Cost	4,016,622	2,816,000	98,149	12,625,204
Net Book Value	4,090,998	2,876,546	98,742	12,804,473

Prior Period	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	3,437,915	-	152,903	11,060,179
Cost	3,320,629	-	152,903	10,979,708
Net Book Value	3,373,519	-	154,695	11,154,610

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.

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7. Information on provisions

Information on general provisions

	Current Period	Prior Period
Provisions for loans and receivables in Group I	1,527,551	1,796,316
-Additional provision for loans with extended payment plans	67,249	50,986
Provisions for loans and receivables in Group II	181,119	222,879
-Additional provision for loans with extended payment plans	32,611	33,725
Provisions for non-cash loans	137,421	124,718
Other	39,402	23,530
Total	1,885,493	2,167,443

Information on employee rights

According to the TAS-19- Judgments of benefits that are provided to employees, bank accounts and calculate provision to obligations of severance pay and allowance rights.

As of December 31, 2017, TL 413,371 (December 31, 2016: TL 395,650) provision for severance pay and TL 107,986 (December 31, 2016: TL 98,026) provision for unused vacation are stated in financial statements under employee rights provision.

Movement of severance pay provision in the period:

	Current Period	Previous Period
Opening balance	395,650	369,078
Current service cost	39,480	43,060
Previous service cost	8,866	-
Interest cost	40,470	35,121
Paid compensation	(42,544)	(51,300)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	(569)	1,637
Actuary loss/(gain)	(28,363)	(2,107)
Net foreign exchange differences from foreign subsidiaries	381	161
Closing balance	413,371	395,650

Information on pension rights

The Fund's technical financial statements are inspected by an actuary who is registered to the actuaries registry, in accordance with the Insurance Law no. 5684, article 21, and the "Actuaries Regulations" published referring to the mentioned article. According to the actuary report dated January 2018, there are no technical or actual deficits that requires making any provision.

Transferable retirement and health liabilities	Current Period	Previous Period
Net Present Value of Transferable Retirement Liabilities	(5,495,589)	(4,843,316)
Net Present Value of Transferable Retirement and Health Contributions	4,317,510	3,352,762
General Administration Expenses	(99,503)	(86,552)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,277,583)	(1,577,107)
Fair Value of Plan Assets (2)	5,360,551	4,299,662
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	4,082,968	2,722,555

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Actuarial assumptions used in valuation of Non Transferable Benefits based on IAS 19 are as follows:

Discount Rates	Current Period	Previous Period
Benefits Transferable to SSI	9.80%	9.80%
Non Transferable Benefits	2.50%	2.50%

Distribution of total assets of the Retirement Fund as of December 31, 2017 and December 31, 2016 is presented below:

	Current Period	Previous Period
Bank placements	2,290,956	2,210,265
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	362,512	110,880
Tangible assets*	2,517,925	1,750,695
Other	189,158	227,822
Total	5,360,551	4,299,662

* The Tangible assets value indicates all the stocks' and real estate properties' market values, as of December, 31, 2017.

Provision for currency exchange loss on foreign currency indexed loans

	Current Period	Previous Period
Provision for currency exchange loss on foreign currency indexed loans	10,253	297

The Group has recorded provision amounting to TL 10,253 (December 31, 2016: TL 297) for foreign exchange losses on principal amounts of foreign currency indexed loans and reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.

Provisions for non-cash loans that are not indemnified and not converted into cash

As of December 31, 2017, the Parent Bank has recorded TL 75,942 (December 31, 2016: TL 59,816) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on insurance technical provisions

	Current Period	Prior Period
Unearned Premium Reserves	961,880	791,429
Outstanding Claims Reserves	1,353,675	1,232,257
Life Mathematical Reserves	304,770	273,162
Other	25,193	21,497
Total	2,645,518	2,318,345

Information on other provisions

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Provisions for credits	3,207	184,902
Specific provisions for non-cash loans	75,942	59,816
Provision for cheques	5,871	7,662
Provisions for lawsuits against the Bank	79,112	66,959
Provisions for credit card promotions	9,768	9,595
Other provisions	566,592	52,976
Total	740,492	381,910

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Information on provision for possible risks

The Parent Bank recognized free provision in the current year amounting to TL 500,000 in line with the conservatism principle considering the circumstances that may arise from possible changes in the economy and financial markets.

8. Taxation

Current Taxes

As at and for the year ended December 31, 2017, the tax liability of the Group is amounting to TL 323,837 (December 31, 2016: TL 157,549).

Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	323,837	157,549
Taxation on securities	160,257	151,546
Capital gains tax on property	3,493	2,676
Banking and Insurance Transaction Tax (BITT)	124,488	92,730
Taxes on foreign exchange transactions	-	-
Value added tax payable	6,100	5,937
Other	59,620	49,051
Total	677,795	459,489

Information on premiums payable

	Current Period	Prior Period
Social security premiums- employee share	1,407	1,000
Social security premiums- employer share	4,488	3,689
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	32	25
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	7	-
Unemployment insurance- employee share	918	763
Unemployment insurance- employer share	2,106	1,768
Other	50	29
Total	9,008	7,274

Information on deferred tax liabilities

Information on deferred tax liabilities is presented in disclosure 15 of information and disclosures related to assets.

9. Information on payables for assets held for resale and tangible assets related to discounted activities

None.

10. Information on subordinated loans

The Parent Bank has issued bond having the secondary subordinated loan quality to be sold to non-resident natural and legal persons. The bond has been issued at the nominal value of US Dollar 500 million with the maturity of 10 years and 6.0% coupon rate. In addition to the bond issued on November 1, 2012, on December 3, 2012 the Parent Bank has realized second tranche at nominal value of US Dollar 400 million, has the same due date and maturity of 10 years and 5.5% coupon rate.

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The Bank has issued secondary subordinated loan (Tier-II bond) as at January 2015 which contains Basel-III criteria. In this context, the bond has been issued at the nominal value of US Dollar 500 million with the maturity date of February 3, 2025 and early call option date of February 3, 2020. The bond has fixed interest, 10 years and one day maturity, two times interest payment in a year with coupon rate of 6.875% and issue yield of 6.95%.

In 2012, the Parent Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased. In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 227,605,000 which issued abroad, with the new Basel III compliant conditions, was completed on February 13, 2017 and the redemption date of the bonds to be exchanged was determined as November 1, 2027, with a maturity of 10 years (recall option in 2022) and coupon rate as 8.00%.

On September 2017, the Parent Bank had issued a floating rated subordinated bond (secondary capital) for the qualified domestic institutional investor with nominal value of 525 million Turkish Liras, that has the maturity of 10 years, that is callable in 5 years, and has quarterly coupon payments.

Stated bonds' total balance sheet value is TL 5,917,137 as of December 31, 2017 (December 31, 2016: TL 5,014,700).

11. Information on shareholders' equity

Paid-in capital

	Current Period	Prior Period
Common stock	2,500,000	2,500,000
Preferred stock	-	-

Paid-in capital of the Parent Bank amounted to TL 2,500,000 is divided into groups comprised of 43.0% Group (A), 15.6 % Group (B), 16.2% Group (C) and 25.2% Group (D).

Board of Directors' members; one member is appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members are appointed representing Group (A), one member is appointed representing Group (B), and two members are appointed representing Group (C), and one member is appointed among the nominees offered by the shareholders at the General Assembly. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the parent bank; if so the amount of registered share capital

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered capital system	2,500,000	10,000,000

At the resolutions of Board of Directors dated January 2, 2015 and 61st Ordinary Meeting of the General Assembly dated March 30, 2015, the Parent Bank's ceiling per registered share capital has been increased from TL 5,000,000 to TL 10,000,000.

Information on share capital increases and their sources; other information on any increase in capital shares during the current period

There is no share capital increase in the current year and previous year.

Information on share capital increases from revaluation funds

None.

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

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Capital commitments for current financial year and following period and its general purpose and estimated sources that are required for commitments

None

Prior period indicators of the Parent Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	61,709	-	64,288	-
Fair value differences of available-for-sale securities	(302,087)	177,252	(245,897)	50,440
Foreign exchange differences	-	-	-	-
Total	(240,378)	177,252	(181,609)	50,440

III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS

1. Disclosures related to other contingent liabilities

Type and amount of consolidated irrevocable commitments

	Current Period	Prior Period
Commitments for credit card limits	10,534,862	8,682,835
Loan granting commitments	11,918,133	9,851,597
Commitments for cheque payments	2,542,741	2,154,102
Asset purchase sale commitments	1,755,169	2,864,752
Other	3,609,820	2,184,230
Total	30,360,725	25,737,516

Type and amount of possible losses from off-balance sheet items

Guarantees, bills of exchange and acceptances and other letters of credit which can be counted as financial collateral

The Parent Bank provided specific provision amounting to TL 169,355 (December 31, 2016: TL 165,159) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 75,942 (December 31, 2016: TL 59,816).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Final letters of guarantee	14,073,061	11,547,141
Letters of guarantee for advances	6,684,317	4,843,148
Letters of guarantee given to custom offices	1,053,872	1,059,516
Provisional letters of guarantee	1,180,248	994,372
Other letters of guarantee	17,179,490	13,872,150
Total	40,170,988	32,316,327

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2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	3,771,138	2,788,811
<i>With original maturity of 1 year or less</i>	1,216,243	1,126,734
<i>With original maturity of more than 1 year</i>	2,554,895	1,662,077
Other non-cash loans	47,552,564	37,871,540
Total	51,323,702	40,660,351

3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	40,142	0.12	20,449	0.11	81,809	0.30	382,403	2.79
Farming and cattle	35,606	0.11	20,449	0.11	69,203	0.26	378,930	2.76
Forestry	3,213	0.01	-	-	11,601	0.04	3,473	0.03
Fishing	1,323	-	-	-	1,005	-	-	-
Manufacturing	12,256,698	37.53	7,292,016	39.06	10,907,710	40.35	7,157,290	52.18
Mining	281,602	0.86	175,494	0.94	1,157,275	4.29	144,199	1.05
Production	7,930,683	24.29	6,505,402	34.85	6,697,549	24.73	6,606,838	48.17
Electric, gas and water	4,044,413	12.38	611,120	3.27	3,052,886	11.33	406,253	2.96
Construction	4,855,489	14.87	1,577,187	8.45	4,216,428	15.77	2,323,864	16.96
Services	13,929,661	42.66	5,399,060	28.92	9,412,571	34.94	2,602,185	18.97
Wholesale and retail trade	5,412,904	16.58	3,084,829	16.53	4,056,016	15.05	1,556,974	11.35
Hotel, food and beverage services	269,673	0.83	18,654	0.10	112,775	0.42	663	-
Transportation and telecommunication	1,530,254	4.69	754,908	4.04	1,330,694	4.94	876,095	6.39
Financial institutions	3,537,700	10.83	437,710	2.34	2,492,659	9.25	66,679	0.49
Real estate and renting services	1,558,909	4.77	408,524	2.19	358,074	1.33	28,456	0.21
Self-employment services	1,439,047	4.41	682,660	3.66	700,053	2.60	66,033	0.48
Education services	37,182	0.11	8,202	0.04	18,627	0.07	1,588	0.01
Health and social services	143,992	0.44	3,573	0.02	343,673	1.28	5,697	0.04
Other	1,574,354	4.82	4,378,646	23.46	2,327,606	8.64	1,248,485	9.10
Total	32,656,344	100.00	18,667,358	100.00	26,946,124	100.00	13,714,227	100.00

4. Information on the non-cash loans classified as first and second group

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	31,630,753	8,022,283	240,831	110,773
Confirmed bills of exchange and acceptances	44,700	1,510,854	-	-
Letters of credit	30,161	8,959,467	-	4,523
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	225,380	7,528	-	-
Other guarantees and sureties	321,042	46,052	-	-
Total Non-Cash Loans	32,252,036	18,546,184	240,831	115,296

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Prior Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	26,226,670	5,580,727	308,947	45,257
Confirmed bills of exchange and acceptances	53,702	1,142,668	-	272
Letters of credit	1,762	6,887,315	-	16,960
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	202,668	7,682	-	-
Other guarantees and sureties	-	20,562	-	-
Total Non-Cash Loans	26,484,802	13,638,954	308,947	62,489

5. Information on the non-cash loans classified as first and second group

	Current Period	Prior Period
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	28,048,820	39,674,975
Currency Forwards	2,770,498	1,615,985
Currency Swaps	24,420,686	37,185,682
Currency Futures	-	-
Currency Options	857,636	873,308
Interest Rate Derivative Transactions (II)	16,961,096	17,066,824
Interest Rate Forwards	-	-
Interest Rate Swaps	16,961,096	17,066,824
Interest Rate Options	-	-
Securities Call Put Options	-	-
Interest Rate Futures	-	-
Other Trading Derivatives (III)	16,340,947	11,037,611
A. Total Trading Derivatives (I+II+III)	61,350,863	67,779,410
Hedging Derivatives		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	-	-
Derivative Transactions (A+B)	61,350,863	67,779,410

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

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	December 31, 2017					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	3,321,304	3,044,756	908,460	271,380	-	7,545,900
Sale	718,359	795,056	899,832	287,826	-	2,701,073
Currency forwards:						
Purchase	191,078	237,194	861,239	96,150	-	1,385,661
Sale	190,999	237,075	860,677	96,086	-	1,384,837
Cross currency interest rate swaps:						
Purchase	264,597	37,800	303,700	6,677,071	140,118	7,423,286
Sale	161,595	25,580	303,700	6,126,870	132,682	6,750,427
Interest rate swaps:						
Purchase	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Sale	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Options:						
Purchase	333,265	19,141	73,700	-	-	426,106
Sale	336,538	19,392	75,600	-	-	431,530
Other trading derivatives:						
Purchase	38,820	75,600	415,800	2,683,002	3,430,128	6,643,350
Sale	2,646,434	2,316,290	326,755	1,945,000	2,463,118	9,697,597
Total purchases	4,249,064	3,514,491	2,562,899	13,990,524	7,587,873	31,904,851
Total sales	4,153,925	3,493,393	2,466,564	12,718,703	6,613,427	29,446,012
Total	8,402,989	7,007,884	5,029,463	26,709,227	14,201,300	61,350,863
	December 31, 2016					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	8,131,383	4,142,976	59,393	333,432	-	12,667,184
Sale	5,967,447	3,320,505	57,412	406,566	-	9,751,930
Currency forwards:						
Purchase	91,264	240,192	436,920	39,781	-	808,157
Sale	91,595	240,137	436,440	39,656	-	807,828
Cross currency interest rate swaps:						
Purchase	-	-	826,025	7,055,829	-	7,881,854
Sale	-	-	434,479	6,450,235	-	6,884,714
Interest rate swaps:						
Purchase	-	-	1,231,927	3,384,843	3,916,642	8,533,412
Sale	-	-	1,231,927	3,384,842	3,916,643	8,533,412
Options:						
Purchase	407,926	20,002	-	-	-	427,928
Sale	424,764	20,616	-	-	-	445,380
Other trading derivatives:						
Purchase	70,300	210,900	246,049	1,922,502	1,883,038	4,332,789
Sale	2,700,249	1,037,023	215,525	1,521,775	1,230,250	6,704,822
Total purchases	8,700,873	4,614,070	2,800,314	12,736,387	5,799,680	34,651,324
Total sales	9,184,055	4,618,281	2,375,783	11,803,074	5,146,893	33,128,086
Total	17,884,928	9,232,351	5,176,097	24,539,461	10,946,573	67,779,410

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6. Contingent assets and liabilities

Group allocates TL 5,871 as provision for lawsuits against the Group (December 31, 2016: TL 7,662).

7. Services rendered on behalf of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts. The Parent Bank's custody services and banking transactions on behalf of individuals and corporate customers do not present a material portion.

IV. INFORMATION ON DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT OF INCOME

1. Interest income

Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	4,818,618	214,105	4,375,361	207,352
Medium and long-term loans	10,638,423	2,507,378	7,535,971	1,880,672
Non-performing loans	137,052	-	269,572	-
Premiums received from resource utilization support fund	-	-	-	-
Total	15,594,093	2,721,483	12,180,904	2,088,024

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	6	-	198
Domestic Banks	164,088	5,711	95,516	1,851
Foreign Banks	651	40,240	342	23,274
Foreign Head Office and Branches	-	-	-	-
Total	164,739	45,957	95,858	25,323

Information on interest income received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	18,182	869	7,891	1,055
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	1,481,282	253,931	1,225,597	287,852
Investments held to maturity	1,111,569	48,705	706,281	1,463
Total	2,611,033	303,505	1,939,769	290,370

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	-	8

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2. Interest Expense

Interest expense on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	192,335	594,784	134,386	329,113
Central Bank of the Republic of Turkey	-	99	-	-
Domestic Banks	114,994	25,392	59,952	19,416
Foreign Banks	77,341	569,293	74,434	309,697
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	53,953	-	44,617
Total	192,335	648,737	134,386	373,730

Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	132,348	24,678

Interest expense on securities issued

As at and for the year ended at December 31, 2017, interest paid to securities issued is TL 1,059,739 (December 31, 2016: TL 691,897).

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on securities issued	532,626	527,113	321,968	369,929

Maturity structure of the interest expense on deposits

Current Period	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	-	4,583	181,129	3,707	-	-	-	189,419
Saving deposits	-	278,663	3,336,384	226,701	32,556	16,695	119	3,891,118
Public sector deposits	9,611	362,078	699,671	111,071	375,522	20,612	-	1,578,565
Commercial deposits	87	509,951	1,211,479	247,147	22,461	793	-	1,991,918
Other deposits	-	84,740	374,560	154,694	7,720	1,302	-	623,016
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	9,698	1,240,015	5,803,223	743,320	438,259	39,402	119	8,274,036
FC								
Foreign Currency deposits	21,775	25,633	641,645	47,405	29,271	112,830	-	878,559
Interbank deposits	2,812	6,046	19,432	464	5,313	13,958	-	48,025
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	24,587	31,679	661,077	47,869	34,584	126,788	-	926,584
Grand Total	34,285	1,271,694	6,464,300	791,189	472,843	166,190	119	9,200,620

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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	-	50,936	124,957	-	5,449	12,337	-	193,679
Saving deposits	-	60,356	2,763,745	172,556	29,617	12,540	-	3,038,814
Public sector deposits	22,342	356,076	662,052	62,623	179,128	21,863	-	1,304,084
Commercial deposits	89	412,802	938,081	140,868	15,856	450	-	1,508,146
Other deposits	4	89,305	324,753	91,558	7,164	1,849	-	514,633
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	22,435	969,475	4,813,588	467,605	237,214	49,039	-	6,559,356
FC								
Foreign Currency deposits	24,182	25,417	410,909	31,379	19,459	98,917	-	610,263
Interbank deposits	663	1,730	12,364	2,147	1,184	7,060	-	25,148
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	24,845	27,147	423,273	33,526	20,643	105,977	-	635,411
Grand Total	47,280	996,622	5,236,861	501,131	257,857	155,016	-	7,194,767

3. Dividend Income

	Current Period	Prior Period
Trading Purpose Financial Assets	80	73
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	234	22,443
Others	47,167	39,220
Total	47,481	61,736

4. Information on trading income/losses

	Current Period	Prior Period
Income	14,405,506	9,373,771
Income from capital market operations	5,126,139	3,246,495
Income from derivative financial instruments	3,763,265	3,364,513
Foreign exchange gains	5,516,102	2,762,763
Losses	(14,211,059)	(8,868,733)
Loss from capital market operations	(5,077,693)	(3,222,444)
Loss from derivative financial instruments	(3,778,946)	(3,009,715)
Foreign exchange loss	(5,354,420)	(2,636,574)
Net trading profit/loss	194,447	505,038

Net loss arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is TL 110,499 as at and for the year ended December 31, 2017 (December 31, 2016: net profit of TL 345,690).

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5. Other operating income

	Current Period	Prior Period
Income from reversal of the specific provisions for loans from prior periods	937,669	668,315
Earned insurance premiums (net of reinsurance share)	1,207,630	892,467
Communication income	43,602	40,316
Gain on sale of assets	149,607	165,307
Income from private pension business	102,575	78,307
Rent income	770	987
Other income	643,392	158,637
Total	3,085,245	2,004,336

6. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	2,214,490	1,963,013
<i>Loans and receivables in Group III</i>	495,617	743,731
<i>Loans and receivables in Group IV</i>	595,073	526,966
<i>Loans and receivables in Group V</i>	1,123,800	692,316
Non-performing commissions and other receivables	-	-
General provision expenses	208	213,855
Provision for possible losses	500,000	-
Impairment losses on securities	550	4,688
<i>Trading securities</i>	126	6
<i>Investment securities available-for-sale</i>	424	4,682
Impairment losses from associates, subsidiaries, joint ventures and marketable securities held to maturity	29,147	25,297
<i>Associates</i>	-	-
<i>Subsidiaries</i>	2,525	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	26,622	25,297
Other ^(*)	98,163	126,756
Total	2,842,558	2,333,609

^(*) Other provision expenses amounting to TL 98,163 is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 48,866, other provision expenses related to loans amounting to TL 14,793 and other provision expenses amounting to TL 34,504. (Other provision expenses amounting to TL 126,756 is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 44,085, other provision expenses related to loans amounting to TL 22,896 and other provision expenses amounting to TL 59,775, as of December 31, 2016.)

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7. Other operating expenses

	Current Period	Prior Period
Personnel costs	1,979,798	1,663,884
Reserve for employee termination benefits	49,531	30,847
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	150,160	140,921
Impairment losses on intangible assets	-	409
Amortization expenses on intangible assets	30,270	25,756
Impairment losses on assets to be disposed	-	5,278
Depreciation expenses on assets to be disposed	-	19,723
Impairment losses on assets held for sale	-	-
Other operating expenses	2,413,794	1,984,578
Operational lease related expenses	258,477	232,514
Repair and maintenance expenses	68,416	52,947
Advertisement expenses	129,056	94,760
Other expenses	1,957,845	1,604,357
Loss on sale of assets	2,302	3,351
Other ⁽¹⁾	1,108,292	1,031,957
Total	5,734,147	4,906,704

⁽¹⁾ Other operating expenses amounting to TL 1,108,292 (December 31, 2016: TL 1,031,957) is comprised of provision expenses for dividends to the personnel amounting to TL 168,500 (December 31, 2016: TL 147,970), tax, fees and funds expenses amounting to TL 163,010 (December 31, 2016: TL 141,588), Saving Deposits Insurance Fund expenses amounting to TL 168,783 (December 31, 2016: TL 138,469), Compensation pensions amounting to TL 9,807 (December 31, 2016: TL 47,034), cumulative/noncumulative commission expenses amounting to TL 91,727 (December 31, 2016: TL 79,694), production commission expenses to TL 251,574 (December 31, 2016: TL 240,676) and other expenses amounting to TL 254,891 (December 31, 2016: TL 236,526)

8. Information on income/loss from discontinued and continuing operations

Information and detailed tables on profit before tax from continuing operations are presented in disclosures 1-7 in this section. The Group has no discontinued operations.

9. Information on tax provision from discontinued and continuing operations

Information on provision for taxes on income from continuing operations is presented in disclosure 11 in this section. The Group has no discontinued operations.

10. Information on net profit/loss from discontinued and continuing operations

Information on net profit/loss from continuing operations is presented in disclosures 1-13 in this section. The Group has no discontinued operations.

11. Provision for taxes

Current year taxation benefit or charge and deferred tax benefit or charge

In the current period, the Group recorded a tax provision of TL 831,655 (December 31, 2016: TL 741,888) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Deferred tax charge arising from temporary differences, tax losses and unused tax credits

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination/ (Reversal) of Deductible Temporary Differences	(48,316)	26,473
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(112,056)	(8,919)
Arising from Origination/ (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	(160,372)	17,554

The table of the tax provision reconciliation related with the group for the years December 31, 2017 and December 31, 2016 is as below.

	Current Period	Prior Period
Profit before tax	4,957,892	3,395,524
Additions	1,646,277	1,090,863
Reductions	(1,517,989)	(172,535)
Other	(985,237)	(694,457)
Basis	4,166,181	3,619,395
Corporate tax rate	%20 ⁽¹⁾	20%
Tax calculated	804,637	723,879
Other corrections	187,390	(31,397)
Tax expense	992,027	692,482

⁽¹⁾Different tax rates are used in our subsidiary operating abroad.

12. Net profit and loss

Any further explanation on operating results needed for a proper understanding of the Bank's performance

Group has incurred TL 22,045,179 interest income and TL 13,073,305 interest expense, also incurred TL 1,235,550 amount of net fee and commission income from its ordinary banking operations (December 31, 2016: TL 16,964,189 interest income, TL 9,727,956 interest expense, TL 912,483 net fee and commission income).

Any changes in estimations, that might have a material effect on current and subsequent period, is indicated

None.

13. Income/loss related to non-controlling interest

	Current Period	Prior Period
Income/(losses) related to non-controlling interest	84,914	2,528

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.

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

V. INFORMATION AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1. Information on increases that occur after revaluation of available-for-sale investments

Movement tables related to revaluation differences of available-for-sale investments where valuation differences arising from the fair value measurement of available-for-sale assets, subsidiaries and affiliates are recorded are as follows:

Valuation Differences of Marketable Securities	Current Period	Prior Period
Valuation differences at the beginning of the year	(195,457)	(9,331)
Fair value changes in the current year	120,429	(227,237)
Valuation differences transferred to the statement of income	(34,098)	(6,970)
Effect of deferred and corporate taxes	(15,709)	48,081
Valuation differences at the end of the year	(124,835)	(195,457)

Valuation Difference of the Subsidiaries and Affiliates	Current Period	Prior Period
Valuation differences at the beginning of the year	64,288	39,342
Fair value changes in the current year	(2,813)	26,317
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	234	(1,371)
Valuation differences at the end of the year	61,709	64,288

2. Information on increases in cash flow hedges

None.

3. Reconciliation of the beginning and end of the year balances of foreign exchange differences

As of December 31, 2017, foreign currency translation differences of (27,252) TL (December 31, 2016: 59,217 TL), which occurred from converting abroad subsidiaries' financial statements to TL for consolidation purpose, is accounted under other reserves in the enclosed consolidated financial statements.

4. Information on correction differences of shareholders' equity accounts due to inflation

In compliance with BRSA's Circular on April 28, 2005 on ceasing the inflation accounting application, the balances resulted from the inflation accounting application as at December 31, 2004 and booked according to the Uniform Chart of Accounts and the related Articles, are transferred to the main accounts that were subject to the inflation accounting adjustments except for "capital reserves from inflation adjustments". The balance of "capital reserves from inflation adjustments" account is transferred to "other capital reserves" account. In 2006, the Bank has increased its paid in capital through "other capital reserves" by TL 605,763.

5. Information on profit distribution

As per the resolution of 63 Annual General Assembly held on June 9, 2017, the net profit of the year 2016 which amounts to TL 2,683,101 after deferred tax income deducted is decided to be distributed as legal reserves amounting to TL 268,310, extraordinary reserves amounting to TL 2,245,347, special funds amounting to TL 49,444 and dividends to equity holders of the Parent Bank amounting to TL 120,000.

6. Information on decreases of revaluation of available-for-sale investments

Revaluation differences of available-for-sale investments has resulted with increase in the current year. Detailed information about the increases is explained above in Note 1.

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS

1. Disclosures for "other" items in statement of cash flows and effect of change in foreign currency rates cash and cash equivalents

"Other" item under the "operating profit before changes in operating assets and liabilities" amounting to TL (2,718,309) (December 31, 2016: TL (2,889,842)) is comprised of other operating expense in the balance sheet, fees and commission expense, and cash amount of trading profit/loss.

"Net increase/decrease in other liabilities" amounting to TL 11,074,733 (December 31, 2016: TL 779,053) under "changes in operating assets and liabilities" is mainly comprised of fund based cash inflows from repurchase agreements.

"Other" balance under "net cash flow from investing activities" amounting to TL (59,102) (December 31, 2016: TL (56,519)) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related assets' high turnover rate are taken into consideration. Each exchange rate's arithmetic average of the last five days before the report date and provision of average TL that is calculated from the difference from current period's exchange rate are reflected as an effect of exchange rate change on the cash flow statement. Except for the above-mentioned, banks that have less than three months to maturity are accepted as cash equivalents and average TL provision is calculated by difference between related operation's per term exchange rate and current period's exchange rate. As of December 31, 2017 impact of the exchange rate change on cash and cash equivalents is TL (137,492) (December 31, 2016: TL 53,516).

2. Cash flows from acquisition of associates, subsidiaries and joint-ventures

There is not any cash flow that is related with Bank's subsidiaries in the current and previous periods.

3. Cash flows from the disposal of associates, subsidiaries and joint-ventures

The Parent Bank had realized the sale of its shares in Güneş Sigorta A.Ş., which amounts to TL 232, corresponding to its 500,000 number of shares in the current period.

4. Information on cash and cash equivalents

Information on cash and cash equivalents at the beginning of the year

	Prior Period December 31, 2016	Prior Period December 31, 2015
Cash on hand	1,789,993	1,439,972
Cash in TL	1,285,044	1,162,866
Cash in foreign currency	504,949	277,106
Cash equivalents	10,631,411	7,617,155
CBRT	22,325,509	19,834,346
Banks	5,275,489	6,176,019
Receivables from money markets	5,232	6,699
Other	253,813	215,596
Loans and advances to banks having maturity of more than 3 months	(97,573)	(90,084)
Restricted cash and cash equivalents	(17,124,659)	(18,518,574)
Unrealized foreign exchange rate differences on cash equivalents	(6,400)	(6,847)
Total	12,421,404	9,057,127

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Information on cash and cash equivalents at the end of the year

	Current Period December 31, 2017	Prior Period December 31, 2016
Cash on hand	1,990,874	1,789,993
Cash in TL	1,406,685	1,285,044
Cash in foreign currency	584,189	504,949
Cash equivalents	19,771,933	10,631,411
CBT - Unrestricted demand deposit	26,277,100	22,325,509
Banks	13,323,799	5,275,489
Receivables from money markets	1,659,062	5,232
Other	388,272	253,813
Loans and advances to banks having maturity of more than 3 months	(639,854)	(97,573)
Restricted cash and cash equivalents	(21,221,265)	(17,124,659)
Unrealized foreign exchange rate differences on cash equivalents	(15,181)	(6,400)
Total	21,762,807	12,421,404

5. Management comment on restricted cash and cash equivalents due to legal requirements or other reasons taking materiality principle into account

Reserve requirements at CBRT amounting to TL 20,881,397 as at December 31, 2017 (December 31, 2016: TL 16,815,760) has not been included in cash and cash equivalents.

Deposits of the Group amounting to TL 339,868 (December 31, 2016: TL 308,711) is blocked due to securitization loans and other ordinary operations of the Group.

VII. INFORMATION AND DISCLOSURES RELATED TO THE PARENT BANK'S RISK GROUP

1. Information on the volume of transactions with the Parent Bank's risk group, lending and deposits outstanding at year end and income and expenses in the current year

Information on loans and other receivables held by Parent Bank's risk group

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	10	1,024,338	-	31,720	37,507	22,446
Balance at the end of the year	17	1,190,628	-	38,243	18,111	34,799
Interest and commission income	-	912	-	38	-	78

Prior Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	1,071	811,349	-	28,550	822	15,858
Balance at the end of the year	10	1,024,338	-	31,720	37,507	22,446
Interest and commission income	8	651	-	32	424	105

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Information on deposits held by the Parent Bank's risk group

The Parent Bank's Risk Group	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the year	661,402	475,233	977,319	740,156	164,132	104,508
Balance at the end of the year	884,201	661,402	1,100,243	977,319	241,646	164,132
Interest on deposits	132,348	24,678	106,934	46,267	486	288

Information on forwards, options and other derivative transactions held by the Parent Bank's risk group

None.

2. Disclosures of transactions with the Parent Bank's risk group

Relations with entities in the risk group of / or controlled by the Parent Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

The branches of the Bank are agencies of Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ. Vakıf Yatırım Menkul Değerler AŞ engages with the management of the funds established by the Bank.

In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.010%

(December 31, 2016: 0.025%) and 2.462% (December 31, 2016: 2.652 %) respectively.

Current Period	Compared with the Financial Statement	
	Amount	Amount %
Cash Loans	18,128	0.010
Non-Cash Loans	1,263,670	2.462
Deposits	2,226,090	1.409
Forward and Option Agreements	-	-

Prior Period	Compared with the Financial Statement	
	Amount	Amount %
Cash Loans	37,517	0.025
Non-Cash Loans	1,078,504	2.652
Deposits	1,802,853	1.428
Forward and Option Agreements	-	-

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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		Total Assets	Capital
Domestic Branches⁽¹⁾	924	16,050			
			Country		
Foreign Representative Offices					
Foreign Branches	1	26	USA	10,881,965	62,370
	1	16	Iraq	329,145	189,000
Off-shore Branches	1	5	Bahrain	13,839,751	-

⁽¹⁾ Free zone branches in Turkey is included to domestic branches.

Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

During 2017, 7 new domestic branches (2016: 8 domestic branches) have been opened and 4 have been closed (2016: 4).

SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. OTHER DISCLOSURES ON THE PARENT BANK'S ACTIVITY

As per the resolution of 63rd Annual General Assembly held on June 9, 2017, the net profit of year 2016 has been decided to be distributed as follows:

	Profit Distribution Table of Year 2016
Bank's unconsolidated profit in its statutory financial statements	2,703,042
Deferred tax credits	(19,941)
Net profit of the year subject to distribution	2,683,101
Legal reserves	268,310
<i>First Legal Reserves</i>	134,155
<i>Reserves allocated according to banking law and articles of association.</i>	134,155
Net profit of the year subject to distribution	2,414,791
Gain on sale of immovable and shares of associates and subsidiaries	49,444
Extraordinary reserves	2,245,347
Dividends to shareholders	120,000

» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

II. INFORMATION ON THE PARENT BANK'S RATING GIVEN BY INTERNATIONAL CREDIT RATING INSTITUTIONS

February 1, 2018 ^(*)	Fitch Ratings
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB-
Short Term Local Currency	F3
Local Currency Outlook	Stable
National Long Term	AAA (tur)
National Outlook	Stable
Support	3
Support Rating Floor	BB+
Viability Note	bb+

February 2, 2018 ^(*)	Moody's Investors' Service
Baseline Credit Assessment	ba2
Local Currency Deposit Rating	Ba1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Ba2/NP
Foreign Currency Outlook	Negative

December 12, 2017 ^(*)	Standard&Poors
Foreign Currency Counterparty Credit Rating	BB/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	BB/B
Local Currency Outlook	Negative
Turkey National Scale	trAA- / trA-1

^(*) Dates represent last report dates.

III. SIGNIFICANT EVENTS AND MATTERS SUBSEQUENT TO BALANCE SHEET DATE THAT ARE NOT RESULTED

The Parent Bank has issued and offered to public a Vakıfbank bond, which has a value date of January 26, 2018, with nominal value of 400,000,000 (Full TL), with 154 days maturity, and maturity date of June 29, 2018, on January 22-23-24, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFB61828, is determined with 201,773,448 (Full TL) nominal value, with 154 days maturity and maturity date of June 29, 2018, 13.8236% annual compound interest, 13.3082% simple interest and TL 94,684 issue price.

Book-building process in relation to issuance of the Eurobond has been completed by the Parent Bank. Coupon rate has been set at 5.75% with a yield of 5.85% in respect of USD 650 million fixed rate notes with semi-annual interest payment, having a maturity on January 30, 2023 with a term of 5 years.

The Parent Bank has issued and offered to public a Vakıfbank bond, which has a value date of February 23, 2018, with nominal value of TL 200 million (Full TL), with 126 days maturity, and maturity date of June 29, 2018, on February 19-20-21, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFB61836, is determined with 267,253,694 (Full TL) nominal value, with 126 days maturity and maturity date of June 29, 2018, 13.7488% annual compound interest, 13.1730% simple interest and TL 95,650 issue price.

The Parent Bank has issued and offered to public a Vakıfbank bond, which has a value date of February 23, 2018, with nominal value of TL 100 million (Full TL), with 210 days maturity, and maturity date of September 21, 2018, on February 19-20-21, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFB91817, is determined with 46,272,511 (Full TL) nominal value, with 210 days maturity and maturity date of September 21, 2018, 14.0756% annual compound interest, 13.6809% simple interest and TL 92,703 issue price.

»» CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION SEVEN

INDEPENDENT AUDITORS' REVIEW REPORT

I. INFORMATION ON LIMITED REVIEW REPORT

The consolidated financial statements and footnotes of the Bank and its financial subsidiaries as at and for the year ended December 31, 2017, have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ. It was noted in their review report dated March 2, 2018 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group's financial position and results of its operations as at and for the year ended December 31, 2017.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

There are no important aspects and necessary explanations and footnotes that are not mentioned in the sections above that are related with the Parent Bank's operations.

» EVALUATION OF THE BANK'S FINANCIAL POSITION, PROFITABILITY AND SOLVENCY

Adopting a profitable, efficient and high-quality growth strategy, VakıfBank, with its vision to be the Leader Bank of Strong Turkey, continues its services with 16,097 employees in 927 branches as of 2017 year end.

» ASSESSMENT ON THE ASSETS

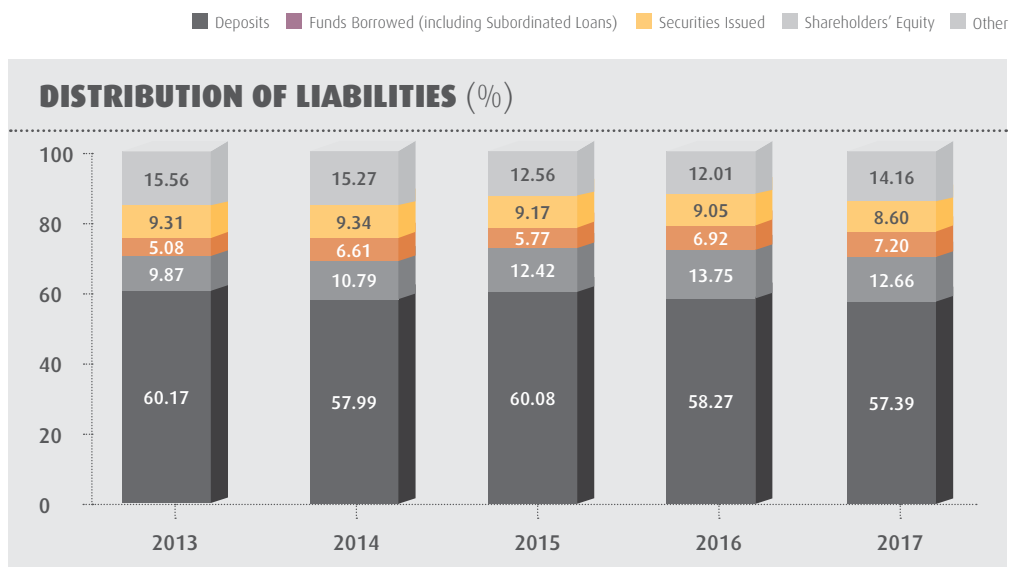
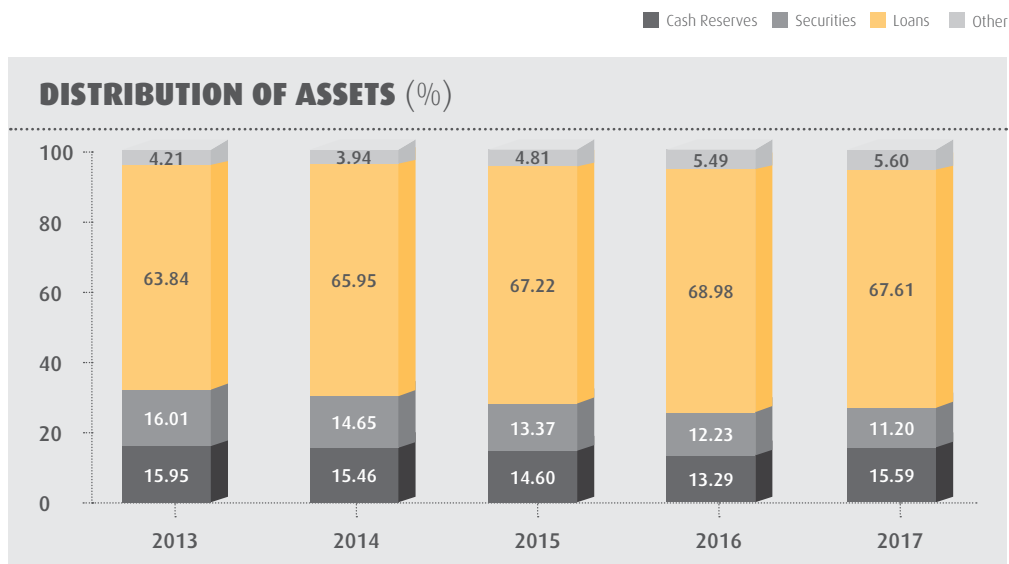
VakıfBank continued the growth in its assets also in 2017 while its assets increased by 27.30% compared to the previous year-end and reached TL 270,572 million. When we examine the structure of the total assets we see that total loans with 67.61% share are the most important item in the assets. In 2017, VakıfBank's performing loans, the fundamental intermediary function in the banking sector, increased by 24.77% and reached TL 182,932 million. Some 73.79% of total performing loans are composed of commercial loans while 26.21% is composed of retail loans. VakıfBank increased its commercial loans by 27.84% while increasing retail loans by 16.85%. When we examine the structure of retail loans, we see that mortgage loans increased by 11.68% while auto loans increased by 4.19%, and general consumer loans increased by 21.07%.

In 2017, VakıfBank's non-performing loans ratio was 4.01%. In the same period, VakıfBank's securities portfolio increased by 16.60% and reached TL 30,316 million. The share of the securities portfolio in the assets is 11.20%.

» ASSESSMENT ON THE LIABILITIES

In 2017, while VakıfBank's total liabilities increased by 27.30%, the increase in deposits was 25.39%. The share of deposits in total liabilities amounted to 57.39%. The most important item in the funding structure is deposits amounting to TL 155,277 as of year-end 2017. Some 80.60% of the deposits are term deposits while 19.40% is demand deposits.

Diversifying the sources of funds and performing effective cost management, VakıfBank increased the securities issued



» EVALUATION OF THE BANK'S FINANCIAL POSITION, PROFITABILITY AND SOLVENCY

to TL 19,485 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.

In 2017, VakıfBank's shareholder's equity increased by 20.89% compared to the previous year end and reached TL 23,258 million. Moreover, the share of equity in the assets was 8.60%.

» ASSESSMENT ON PROFITABILITY

In 2017, VakıfBank's net period profit reached TL 3,723 million increasing by 37.75% compared to the previous year end. In the same period, VakıfBank's interest income reached TL 21,444 million while the interest expense was TL 12,823 million. Furthermore, VakıfBank's net interest revenue was TL 8,621 million. Compared to the previous period, the interest income increased by 29.51% while the interest expense was increasing by 33.70%. Thus, the ratio of interest income to interest expenses was 167.24%.

As of year-end 2017, VakıfBank's return on average equity 17.52% while its return on average assets was 1.54%.

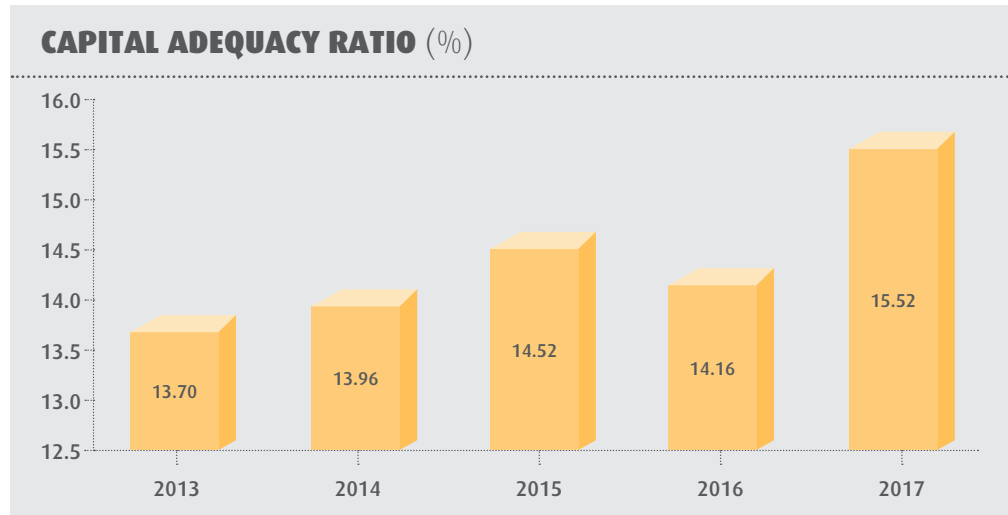
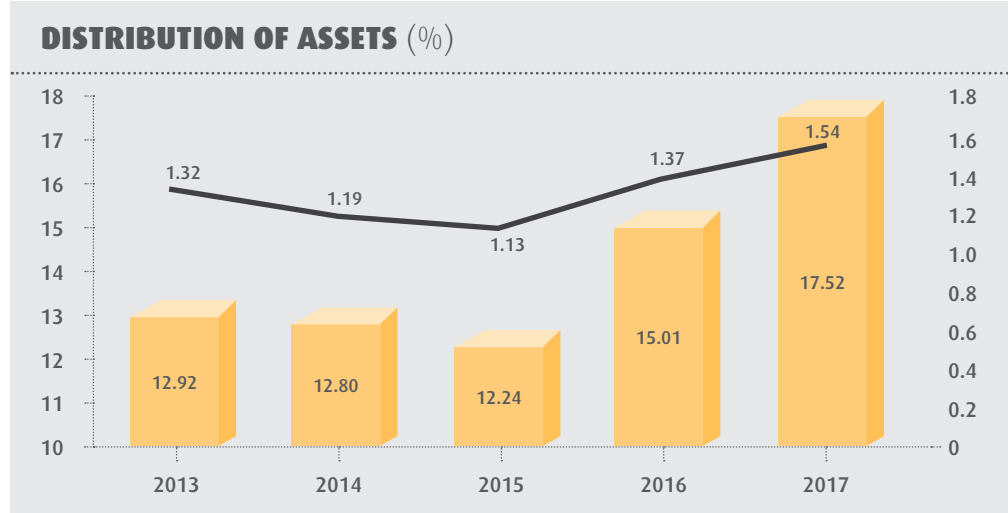
Solvency Ratio

Keeping the share of the interest bearing assets in the total assets at 92.64% in 2017, VakıfBank continued its strong liquidity structure, and maintained its solvency ratio.

Continuing its growth in loans without compromising on risk control, VakıfBank's capital adequacy ratio, with 15.52%, which was above the legal limits and target ratio, was another indicator of its financial strength. The capital adequacy ratio's long term progress is given in the chart.

In the following 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.

Return on Average Equity (%) Return on Average Assets (%)



» INTERNATIONAL CREDIT RATINGS

February 2018^(*)	Fitch Ratings
Long-Term Foreign Currency	BB+
Short-Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long-Term Local Currency	BBB-
Short-Term Local Currency	F3
Local Currency Outlook	Stable
National Long-Term Rating	AAA (tur)
National Outlook	Stable
Support Rating	3
Support Rating Floor	BB+
Viability Rating	bb+

2nd of February, 2018^(*)	Moody's Investors' Service
BCA (Baseline Credit Assessment)	ba2
LC Deposit	Ba1/NP
Outlook on LC	Negative
FC Deposit	Ba2/NP
Outlook on FC	Negative

12th of December, 2017^(*)	Standard&Poors
FC Credit	BB/B
Outlook on FC	Negative
LC Credit	BB/B
Outlook on LC	Negative
National Rating	trAA-/trA-1

^(*) Most recent dates of changes in credit ratings and outlooks.

» FIVE-YEAR SUMMARY FINANCIAL INFORMATION

ASSETS (TL MILLION)	2013	2014	2015	2016	2017
Cash and banks (including Interbank money markets)	21,607,218	24,455,599	26,719,055	28,255,619	42,184,754
Securities	21,692,002	23,178,509	24,451,698	25,999,793	30,316,048
Loans	86,496,223	104,343,442	122,974,478	146,618,992	182,932,228
Commercial loans	56,008,662	71,492,889	86,363,710	105,581,895	134,979,672
Retail loans	30,487,561	32,850,553	36,610,768	41,037,097	47,952,556
Non-performing loans (net)	255,994	240,075	806,175	1,093,383	1,039,387
Non-performing loans (gross)	3,531,427	3,974,372	4,850,213	6,413,503	7,638,206
Special provisions (-)	3,275,433	3,734,297	4,044,038	5,320,120	6,598,819
Affiliates and subsidiaries	1,610,993	1,736,982	1,874,609	2,096,602	2,563,016
Tangible fixed assets	1,223,535	1,454,883	2,378,114	2,637,742	2,729,756
Other assets	2,610,078	2,808,236	3,742,995	5,837,774	8,806,521
TOTAL ASSETS	135,496,043	158,217,726	182,947,124	212,539,905	270,571,710

LIABILITIES (TL MILLION)	2013	2014	2015	2016	2017
Deposits	81,532,814	91,756,968	109,922,534	123,838,377	155,277,122
Term deposits	67,855,955	74,944,145	89,644,574	99,404,340	125,159,851
Demand deposits	13,676,859	16,812,823	20,277,960	24,434,037	30,117,271
Interbank money market	14,477,081	16,385,302	12,744,041	12,895,334	22,270,837
Funds borrowed	11,404,812	14,927,048	18,555,997	24,193,770	28,307,621
Subordinated loans	1,974,142	2,138,030	4,169,474	5,031,213	5,935,969
Securities issued	6,884,826	10,457,757	10,547,759	14,707,745	19,485,098
Provisions	2,014,284	2,437,139	2,923,772	3,224,092	3,412,482
Shareholders' equity	12,616,321	14,771,750	16,767,548	19,238,711	23,257,818
Paid-in capital	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Profit or loss	1,585,539	1,753,273	1,930,109	2,703,042	3,723,383
Last year's profit or loss	0	0	0	0	0
Net profit or loss	4,591,763	5,343,732	7,315,999	9,410,663	12,625,763
TOTAL LIABILITIES	135,496,043	158,217,726	182,947,124	212,539,905	270,571,710

PROFIT/LOSS (TL MILLION)	2013	2014	2015	2016	2017
Interest income	9,220,570	11,373,587	13,630,050	16,557,626	21,444,094
Interest expense	4,430,953	6,722,109	8,143,569	9,590,985	12,822,668
Net interest income	4,789,617	4,651,478	5,486,481	6,966,641	8,621,426
Net fee and commission income	686,511	709,334	921,084	980,883	1,330,665
Dividend income	54,001	66,288	62,219	91,753	93,561
Capital market trading income (net)	259,065	123,513	32,951	379,677	19,128
Foreign exchange gains (net)	-27,408	99,606	66,523	104,136	145,084
Other operating income	708,320	1,345,534	1,048,278	954,031	1,673,529
Total operating income	6,470,106	6,995,753	7,617,536	9,477,121	11,883,393
Provisions for loans and other receivables (-)	1,671,867	1,537,060	2,246,514	2,787,533	1,857,239
Other operating expenses (-)	2,629,953	3,110,210	3,610,183	3,835,083	4,420,728
Operating profit	1,982,914	2,213,676	2,470,293	3,395,524	4,675,132
NET PROFIT OR LOSS FOR THE PERIOD	1,585,539	1,753,273	1,930,109	2,703,042	3,723,383

KEY RATIOS (%)	2013	2014	2015	2016	2017
Securities/Total Assets	16.01	14.65	13.37	12.23	11.20
Loans/Total Assets	63.84	65.95	67.22	68.98	67.21
Loans/Deposits	106.09	113.72	111.87	118.40	117.81
Retail Loans/Loans	35.25	31.48	29.77	27.99	26.21
Commercial Loans/Loans	64.75	68.52	70.23	72.01	73.79
Non-performing Loans/Total Loans	3.92	3.67	3.79	4.19	4.01
Deposits/Total Liabilities	60.17	57.99	60.08	58.27	57.39
Demand Deposits/Total Deposits	16.77	18.32	18.45	19.73	19.40
Shareholders' Equity/Total Liabilities	9.31	9.34	9.17	9.05	8.60
Funds Borrowed/Total Liabilities	8.42	9.43	10.14	11.38	10.46
Capital Adequacy Ratio	13.70	13.96	14.52	14.16	15.52
Return on Average Assets	1.32	1.19	1.13	1.37	1.54
Return on Average Equity	12.92	12.80	12.24	15.01	17.52

MARKET SHARE (%)	2013	2014	2015	2016	2017
Securities Portfolio	7.72	7.79	7.69	7.85	7.55
Loans	8.26	8.41	8.28	8.45	8.72
Commercial Loans	7.83	8.08	7.85	8.03	8.38
Retail Loans	9.18	9.23	9.51	9.77	9.82
Non-Performing Loans (Net)	3.64	2.52	6.67	8.33	7.85
Non-Performing Loans (Gross)	11.92	10.91	10.20	11.03	11.94
Special Provisions (-)	14.49	13.88	11.40	11.81	13.00
Deposits	8.62	8.72	8.83	8.52	9.08
Term Deposits	8.83	8.77	8.90	8.58	9.29
Demand Deposits	7.72	8.47	8.51	8.27	8.29
Total Funds Borrowed	5.74	6.26	6.57	7.15	6.83
Guarantees and Commitments	6.99	7.46	7.21	7.32	7.71
Total Assets	7.82	7.93	7.76	7.78	8.31
Shareholders' Equity	6.51	6.37	6.39	6.41	6.48
NET PROFIT OR LOSS	6.43	7.12	7.41	7.20	7.59

