

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED FINANCIAL STATEMENTS  
AND RELATED DISCLOSURES AT JUNE 30, 2018  
TOGETHER WITH REVIEW REPORT**

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



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

**AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION**

To the General Assembly of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

***Introduction***

We have reviewed the unconsolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("Türkiye Vakıflar Bankası T.A.O." or "the Bank") at 30 June 2018 and the related 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 and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on or review.

***Scope of Review***

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

***Basis for the Qualified Conclusion***

As mentioned in Section Five Part II-7 of Explanations and Notes to the Unconsolidated Financial Statements; the accompanying unconsolidated financial statements as at 30 June 2018 include a free provision amounting to TL 500,000 thousand recognized in 2017 provided by the Bank management considering the possible effect of the circumstances that may arise from the negative changes in the economy and market conditions.



### ***Qualified Conclusion***

Based on our review, except for the effects of the matter on the unconsolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information do not present fairly in all material respects the financial position of Türkiye Vakıflar Bankası T.A.O. at 30 June 2018 and the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.


### **Report on other regulatory requirements arising from legislation**

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

### **Additional Paragraph for Convenience Translation**

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying 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, 7 August 2018

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW  
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 SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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The unconsolidated financial report as at and for the six-month period ended June 30, 2018, prepared in accordance with the “Communiqué of Financial Statements and Related Disclosures and Footnotes to be Publicly Announced 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' REVIEW REPORT
- INTERIM ACTIVITY REPORT

The accompanying unconsolidated financial statements for the six-month period, related disclosures and footnotes which have been independently reviewed, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidance and in compliance with the financial records of our Bank and unless otherwise stated, presented in thousands of Turkish Lira.

August 7, 2018

İsmail 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  
UNCONSOLIDATED FINANCIAL REPORT  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

(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 June 30, 2018 and December 31, 2017, the Bank’s paid-in capital is TL 2,500,000, divided into 250,000,000,000 shares with each has a nominal value of Kr 1.

The Bank’s shareholders structure as at June 30, 2018 and December 31, 2017 is as stated below:

<b>Shareholders</b>	<b>Number of Shares – 100 unit</b>	<b>Nominal Value of the Shares – Thousands of TL</b>	<b>Share Percentage (%)</b>
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
<b>Total</b>	<b>2,500,000,000</b>	<b>2,500,000</b>	<b>100.00</b>

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

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**GENERAL INFORMATION (Continued)**

**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(Continued)**

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”.

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.

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UNCONSOLIDATED FINANCIAL REPORT  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**GENERAL INFORMATION (Continued)**

**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**

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Date of Appointment</b>	<b>Education</b>	<b>Experience in Banking and Management</b>
<b><u>Board of Directors</u></b>				
İsmail ALPTEKİN	Chairman	June 9, 2017	University	20 years
Serdar TUNÇBİLEK	Deputy Chairman	June 9, 2017	University	32 years
Mehmet Emin ÖZCAN	Member – General Manager	June 9, 2017	University	35 years
Dr.Adnan ERTEM	Member	October 28, 2010	PHD	30 years
Sabahattin BİRDAL	Member	March 31, 2014	University	41 years
Dilek YÜKSEL	Member	29 March, 2016	University	6 years
Şahin UĞUR	Member	June 9, 2017	University	32 years
Ömer ARISOY	Member	June 9, 2017	University	18 years
<b><u>Audit Committee</u></b>				
Serdar TUNÇBİLEK	Member	June 15, 2017	University	32 years
Sabahattin BİRDAL	Member	April 4, 2014	University	41 years
<b><u>Auditor</u></b>				
Yunus ARINCI	Auditor	March 19, 2010	Master	21 years
Hasan TÜRE	Auditor	June 9, 2017	University	34 years
<b><u>Assistant General Managers</u></b>				
Metin Recep ZAFER	Banking Operations, Treasury Operations, Credit, Customer and Account Operations, Foreign Operations,	June 13, 2006	PHD	22 years
Hasan ECESOY	Treasury Management, International Banking and Investor Relations, Treasury Management Middle Office	June 18, 2010	PHD	24 years
Osman DEMREN	Commercial Loans, Corporate Loans, Consumer Loans, SME and Local Government Loan Allocation Management	April 6, 2011	Master	27 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	University	23 years
Mustafa SAYDAM	Administrative Affairs, Construction, Real Estate and Purchasing	October 28, 2013	University	24 years
Mehmet Emin KARAĞAÇ	Chief Legal Counsellor, Legal Affairs, Credit Risk Liquidation	November 8, 2013	University	29 years
Yakup ŞİMŞEK	Corporate Banking Marketing, Commercial Banking Marketing, Local Government Banking Marketing, Corporate Branches	September 7, 2016	University	22 years
H.Uğur BİLGİN	Human Resources, Corporate Development and Academy	August 1, 2017	University	31 years
Şeyh Mehmet BOZ	Application of Credit Policies and Processes, Loans Planning and Follow-up, Evaluation and Rating	August 1, 2017	Master	23 years
İlker YEŞİL	Payment Systems Banking Marketing, Payment Systems Services, Digital Banking and Distribution Channels	August 1, 2017	University	23 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	University	22 years
Ersin ÖZOĞUZ	SME Banking Marketing, Cash Management Marketing	August 1, 2017	University	22 years
Abdi Serdar ÜSTÜNSALIH	R&D and Digital Transformation, Core Banking Application Development Channel Management and Marketing Application Development, System Management, IT Operation and Support, IT Planning and Coordination.	July 9, 2018	Master	27 years



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UNCONSOLIDATED FINANCIAL REPORT  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

**GENERAL INFORMATION (Continued)**

**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 (Continued)**

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. As per the resolution of the Board of Directors dated July 18, 2018 and numbered 91612 it is decided that the 64th Ordinary General Assembly Meeting of VakıfBank for 2017 will be held on August 13, 2018.

Abdi Serdar ÜSTÜNSALİH, Senior Vice President, has been appointed as Executive Vice President by the Board decision dated July 4, 2018.

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**

<b>Shareholders</b>	<b>Nominal Value of Shares</b>	<b>Share Percentage</b>	<b>Paid Shares (Nominal)</b>	<b>Unpaid Shares</b>
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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED FINANCIAL REPORT  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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**GENERAL INFORMATION (Continued)**

**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 June 30, 2018, the Bank has 953 domestic, 3 foreign, in total 956 branches (December 31, 2017: 924 domestic, 3 foreign, in total 927 branches). As at June 30, 2018, the Bank has 16,491 employees (December 31, 2017: 16,097 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  
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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**SECTION TWO**

**UNCONSOLIDATED  
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 JUNE 30, 2018**

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

ASSETS		Notes	Reviewed		Total
			TL	Current Period June 30, 2018 FC	
<b>I.</b>	<b>FINANCIAL ASSETS (Net)</b>		37,502,687	43,839,526	81,342,213
<b>1.1</b>	<b>Cash and cash equivalents</b>	V-I-1	6,784,559	36,180,333	42,964,892
1.1.1	Cash and balances at Central Bank	V-I-1	6,773,731	28,759,860	35,533,591
1.1.2	Banks	V-I-3	10,828	7,420,473	7,431,301
1.1.3	Receivables from Money Markets		-	-	-
<b>1.2</b>	<b>Financial assets at fair value through profit or loss</b>	V-I-2	242	60,701	60,943
1.2.1	Public debt securities		-	-	-
1.2.2	Equity instruments		15	60,701	60,716
1.2.3	Other financial assets		227	-	227
<b>1.3</b>	<b>Financial assets at fair value through other comprehensive income</b>	V-I-4	6,091,259	759,825	6,851,084
1.3.1	Public debt securities		6,091,259	759,825	6,851,084
1.3.2	Equity instruments		-	-	-
1.3.3	Other financial assets		-	-	-
<b>1.4</b>	<b>Financial assets measured at amortised cost</b>	V-I-6	21,573,787	6,486,635	28,060,422
1.4.1	Public debt securities		21,573,787	6,248,633	27,822,420
1.4.2	Other financial assets		-	238,002	238,002
<b>1.5</b>	<b>Derivative financial assets</b>		3,174,138	352,032	3,526,170
1.5.1	Derivative financial assets at fair value through profit or loss		3,174,138	352,032	3,526,170
1.5.2	Derivative financial assets at fair value through other comprehensive income		-	-	-
<b>1.6</b>	<b>Non-performing financial assets</b>		-	-	-
<b>1.7</b>	<b>Allowance for expected credit losses (-)</b>		121,298	-	121,298
<b>II.</b>	<b>LOANS (Net)</b>		143,193,307	66,570,492	209,763,799
<b>2.1</b>	<b>Loans</b>	V-I-5	143,550,713	66,550,704	210,101,417
2.1.1	Loans measured at amortised cost		143,550,713	66,550,704	210,101,417
2.1.2	Loans at fair value through profit or loss		-	-	-
2.1.3	Loans at fair value through other comprehensive income		-	-	-
<b>2.2</b>	<b>Receivables from leasing transactions</b>	V-I-10	-	-	-
2.2.1	Finance lease receivables		-	-	-
2.2.2	Operational lease receivables		-	-	-
2.2.3	Unearned income (-)		-	-	-
<b>2.3</b>	<b>Factoring receivables</b>		-	-	-
2.3.1	Factoring receivables measured at amortised cost		-	-	-
2.3.2	Factoring receivables at fair value through profit or loss		-	-	-
2.3.3	Factoring receivables at fair value through other comprehensive income		-	-	-
<b>2.4</b>	<b>Non-performing loans</b>		8,469,058	38,651	8,507,709
<b>2.5</b>	<b>Allowance for expected credit losses (-)</b>		8,826,464	18,863	8,845,327
2.5.1	12-Month expected credit losses (Stage 1)		1,770,757	10,208	1,780,965
2.5.2	Significant increase in credit risk (Stage 2)		448,323	-	448,323
2.5.3	Credit-Impaired (Stage 3)		6,607,384	8,655	6,616,039
<b>III.</b>	<b>NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)</b>	V-I-14	1,457,189	-	1,457,189
3.1	Held for sale		1,457,189	-	1,457,189
3.2	Held from discontinued operations		-	-	-
<b>IV.</b>	<b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		2,414,079	426,968	2,841,047
<b>4.1</b>	<b>Investments in associates (Net)</b>	V-I-7	660,866	-	660,866
4.1.1	Associates accounted by using equity method		-	-	-
4.1.2	Non-consolidated associates		660,866	-	660,866
<b>4.2</b>	<b>Investments in subsidiaries (Net)</b>	V-I-8	1,753,213	426,968	2,180,181
4.2.1	Non-consolidated financial subsidiaries		1,489,493	426,968	1,916,461
4.2.2	Non-consolidated non-financial subsidiaries		263,720	-	263,720
<b>4.3</b>	<b>Jointly Controlled Partnerships (Joint Ventures) (Net)</b>	V-I-9	-	-	-
4.3.1	Jointly controlled partnerships accounted by using equity method		-	-	-
4.3.2	Non-consolidated jointly controlled partnerships		-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>		1,463,981	8,916	1,472,897
<b>VI.</b>	<b>INTANGIBLE ASSETS AND GOODWILL (Net)</b>		207,691	-	207,691
6.1	Goodwill		-	-	-
6.2	Other		207,691	-	207,691
<b>VII.</b>	<b>INVESTMENT PROPERTIES (Net)</b>	V-I-12	-	-	-
<b>VIII.</b>	<b>CURRENT TAX ASSETS</b>		-	-	-
<b>IX.</b>	<b>DEFERRED TAX ASSETS</b>	V-I-13	306,558	-	306,558
<b>X.</b>	<b>OTHER ASSETS</b>	V-I-15	3,778,910	4,875,136	8,654,046
<b>TOTAL ASSETS</b>			<b>190,324,402</b>	<b>115,721,038</b>	<b>306,045,440</b>

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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.)

ASSETS	Notes	Audited Prior Period December 31, 2017		Total
		TL	FC	
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>V-I-1</b>	<b>4,021,321</b>	<b>24,623,503</b>	<b>28,644,824</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	<b>V-I-2</b>	<b>1,802,188</b>	<b>134,600</b>	<b>1,936,788</b>
2.1 Financial assets held for trading purpose		1,802,188	134,600	1,936,788
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
2.1.4 Other securities		263	-	263
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		-	-	-
<b>III. BANKS</b>	<b>V-I-3</b>	<b>308,552</b>	<b>11,579,276</b>	<b>11,887,828</b>
<b>IV. RECEIVABLES FROM INTERBANK MONEY MARKETS</b>		<b>1,652,102</b>	<b>-</b>	<b>1,652,102</b>
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		-	-	-
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>		<b>12,412,036</b>	<b>1,137,678</b>	<b>13,549,714</b>
5.1 Equity securities		15	43,355	43,370
5.2 Debt securities issued by the governments		12,412,021	1,094,323	13,506,344
5.3 Other securities		-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	<b>V-I-5</b>	<b>131,211,145</b>	<b>52,760,470</b>	<b>183,971,615</b>
6.1 Performing loans and receivables	V-I-5	130,197,248	52,734,980	182,932,228
6.1.1 Loans provided to risk group		63,865	98,796	162,661
6.1.2 Debt securities issued by the governments		-	-	-
6.1.3 Other		130,133,383	52,636,184	182,769,567
6.2 Loans under follow-up		7,605,376	32,830	7,638,206
6.3 Specific provisions (-)		6,591,479	7,340	6,598,819
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)</b>	<b>V-I-6</b>	<b>12,235,406</b>	<b>4,530,665</b>	<b>16,766,071</b>
8.1 Debt securities issued by the governments		12,235,406	4,286,627	16,522,033
8.2 Other securities		-	244,038	244,038
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>V-I-7</b>	<b>349,158</b>	<b>-</b>	<b>349,158</b>
9.1 Associates, consolidated per equity method		-	-	-
9.2 Unconsolidated associates		349,158	-	349,158
9.2.1 Financial associates		337,758	-	337,758
9.2.2 Non-Financial associates		11,400	-	11,400
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>V-I-8</b>	<b>1,851,610</b>	<b>362,248</b>	<b>2,213,858</b>
10.1 Unconsolidated financial subsidiaries		1,587,890	362,248	1,950,138
10.2 Unconsolidated non-financial subsidiaries		263,720	-	263,720
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>	<b>V-I-9</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-
<b>XII. LEASE RECEIVABLES</b>	<b>V-I-10</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Finance lease receivables		-	-	-
12.2 Operational lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>		<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair value hedges		-	-	-
13.2 Cash flow hedges		-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>		<b>1,409,644</b>	<b>7,619</b>	<b>1,417,263</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>		<b>210,970</b>	<b>-</b>	<b>210,970</b>
15.1 Goodwill		-	-	-
15.2 Other intangibles		210,970	-	210,970
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	<b>V-I-12</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. TAX ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>
17.1 Current tax assets		-	-	-
17.2 Deferred tax assets	V-I-13	-	-	-
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)</b>	<b>V-I-14</b>	<b>1,312,493</b>	<b>-</b>	<b>1,312,493</b>
18.1 Assets held for sale		1,312,493	-	1,312,493
18.2 Assets related to the discontinued operations		-	-	-
<b>XIX. OTHER ASSETS</b>	<b>V-I-15</b>	<b>3,036,653</b>	<b>3,622,373</b>	<b>6,659,026</b>
<b>TOTAL ASSETS</b>		<b>171,813,278</b>	<b>98,758,432</b>	<b>270,571,710</b>

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS AT JUNE 30, 2018**

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

LIABILITIES AND EQUITY		Notes	Reviewed Current Period June 30, 2018		Total
			TL	FC	
<b>I.</b>	<b>DEPOSITS</b>	<b>V-II-1</b>	<b>112,534,454</b>	<b>57,882,160</b>	<b>170,416,614</b>
<b>II.</b>	<b>LOANS RECEIVED</b>	<b>V-II-3</b>	<b>709,009</b>	<b>37,462,141</b>	<b>38,171,150</b>
<b>III.</b>	<b>MONEY MARKET FUNDS</b>		<b>22,298,811</b>	<b>3,274,140</b>	<b>25,572,951</b>
<b>IV.</b>	<b>MARKETABLE SECURITIES (Net)</b>	<b>V-II-3</b>	<b>8,742,053</b>	<b>15,437,876</b>	<b>24,179,929</b>
4.1	Bills		4,759,435	-	4,759,435
4.2	Asset backed securities		-	-	-
4.3.	Bonds		3,982,618	15,437,876	19,420,494
<b>V.</b>	<b>FUNDS</b>		<b>3,108</b>	<b>-</b>	<b>3,108</b>
5.1	Borrower funds		-	-	-
5.2	Other		3,108	-	3,108
<b>VI.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>VII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>	<b>V-II-2</b>	<b>1,958,787</b>	<b>208,869</b>	<b>2,167,656</b>
7.1	Derivative financial liabilities at fair value through profit or loss		1,958,787	208,869	2,167,656
7.2	Derivative financial liabilities at fair value through other comprehensive income		-	-	-
<b>VIII.</b>	<b>FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>LEASE PAYABLES</b>	<b>V-II-5</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses ( - )		-	-	-
<b>X.</b>	<b>PROVISIONS</b>	<b>V-II-7</b>	<b>2,123,278</b>	<b>9,943</b>	<b>2,133,221</b>
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		1,024,124	-	1,024,124
10.3	Insurance technical reserves (Net)		-	-	-
10.4	Other provisions		1,099,154	9,943	1,109,097
<b>XI.</b>	<b>CURRENT TAX LIABILITIES</b>	<b>V-II-8</b>	<b>601,317</b>	<b>1,146</b>	<b>602,463</b>
<b>XII.</b>	<b>DEFERRED TAX LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII.</b>	<b>LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)</b>	<b>V-II-9</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1	Held for sale		-	-	-
13.2	Related to discontinued operations		-	-	-
<b>XIV.</b>	<b>SUBORDINATED DEBT</b>	<b>V-II-10</b>	<b>528,568</b>	<b>6,541,527</b>	<b>7,070,095</b>
14.1	Loans		-	-	-
14.2	Other debt instruments		528,568	6,541,527	7,070,095
<b>XV.</b>	<b>OTHER LIABILITIES</b>	<b>V-II-4</b>	<b>6,769,857</b>	<b>2,871,007</b>	<b>9,640,864</b>
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>V-II-11</b>	<b>26,026,966</b>	<b>60,423</b>	<b>26,087,389</b>
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000
16.2	Capital reserves		815,741	-	815,741
16.2.1	Equity share premiums		723,918	-	723,918
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		91,823	-	91,823
<b>16.3</b>	<b>Other accumulated comprehensive income that will not be reclassified in profit or loss</b>		<b>2,092,702</b>	<b>63,823</b>	<b>2,156,525</b>
<b>16.4</b>	<b>Other accumulated comprehensive income that will be reclassified in profit or loss</b>		<b>(66,623)</b>	<b>(3,400)</b>	<b>(70,023)</b>
<b>16.5</b>	<b>Profit reserves</b>		<b>14,296,045</b>	<b>-</b>	<b>14,296,045</b>
16.5.1	Legal reserves		1,635,332	-	1,635,332
16.5.2	Statutory reserves		-	-	-
16.5.3	Extraordinary reserves		12,210,313	-	12,210,313
16.5.4	Other profit reserves		450,400	-	450,400
<b>16.6</b>	<b>Profit or loss</b>		<b>6,389,101</b>	<b>-</b>	<b>6,389,101</b>
16.6.1	Prior years' profits or losses		4,263,840	-	4,263,840
16.6.2	Current period net profit or loss		2,125,261	-	2,125,261
<b>16.7</b>	<b>Minority interests</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>182,296,208</b>	<b>123,749,232</b>	<b>306,045,440</b>

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AS AT DECEMBER 31, 2017**

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

			Audited Prior Period December 31, 2017		
LIABILITIES AND EQUITY		Notes	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	<b>V-II-1</b>	<b>103,532,624</b>	<b>51,744,498</b>	<b>155,277,122</b>
1.1	Deposits of risk group		2,815,871	218,060	3,033,931
1.2	Other deposits		100,716,753	51,526,438	152,243,191
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>	<b>V-II-2</b>	<b>1,015,603</b>	<b>168,927</b>	<b>1,184,530</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>V-II-3</b>	<b>668,532</b>	<b>27,639,089</b>	<b>28,307,621</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKET</b>		<b>18,699,026</b>	<b>3,571,811</b>	<b>22,270,837</b>
4.1	Interbank money market takings		11,662,376	1,631,693	13,294,069
4.2	Istanbul Stock Exchange money market takings		-	-	-
4.3	Obligations under repurchase agreements		7,036,650	1,940,118	8,976,768
<b>V.</b>	<b>SECURITIES ISSUED (Net)</b>	<b>V-II-3</b>	<b>6,443,119</b>	<b>13,041,979</b>	<b>19,485,098</b>
5.1	Bills		3,566,573	-	3,566,573
5.2	Asset backed securities		-	-	-
5.3	Bonds		2,876,546	13,041,979	15,918,525
<b>VI.</b>	<b>FUNDS</b>		<b>3,206</b>	<b>-</b>	<b>3,206</b>
6.1	Funds against borrower's note		-	-	-
6.2	Other		3,206	-	3,206
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>6,050,223</b>	<b>798,105</b>	<b>6,848,328</b>
<b>VIII.</b>	<b>OTHER EXTERNAL RESOURCES PAYABLE</b>	<b>V-II-4</b>	<b>860,160</b>	<b>2,977,406</b>	<b>3,837,566</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>X.</b>	<b>LEASE PAYABLES (Net)</b>	<b>V-II-5</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1	Finance lease payables		-	-	-
10.2	Operational lease payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE</b>		<b>-</b>	<b>-</b>	<b>-</b>
11.1	Fair value hedges		-	-	-
11.2	Cash flow hedges		-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	<b>V-II-7</b>	<b>3,395,373</b>	<b>17,109</b>	<b>3,412,482</b>
12.1	General provisions		1,872,826	12,667	1,885,493
12.2	Restructuring reserves		-	-	-
12.3	Reserve for employee benefits		821,819	-	821,819
12.4	Insurance technical provisions (Net)		-	-	-
12.5	Other provisions		700,728	4,442	705,170
<b>XIII.</b>	<b>TAX LIABILITIES</b>		<b>702,784</b>	<b>48,349</b>	<b>751,133</b>
13.1	Current tax liabilities	<b>V-II-8</b>	636,728	670	637,398
13.2	Deferred tax liabilities		66,056	47,679	113,735
<b>XIV.</b>	<b>PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>V-II-9</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1	Payables related to the assets held for sale		-	-	-
14.2	Payables related to the discontinued operations		-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	<b>V-II-10</b>	<b>528,188</b>	<b>5,407,781</b>	<b>5,935,969</b>
<b>XVI.</b>	<b>EQUITY</b>	<b>V-II-11</b>	<b>23,061,935</b>	<b>195,883</b>	<b>23,257,818</b>
16.1	Paid-in capital	<b>V-II-11</b>	2,500,000	-	2,500,000
16.2	Capital reserves		2,542,507	195,883	2,738,390
16.2.1	Share premium		723,918	-	723,918
16.2.2	Share cancellation profits		-	-	-
16.2.3	Valuation differences of the marketable securities	<b>V-II-11</b>	876,951	195,883	1,072,834
16.2.4	Revaluation surplus on tangible assets		873,080	-	873,080
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		91,823	-	91,823
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		(23,265)	-	(23,265)
16.3	Profit reserves		14,296,045	-	14,296,045
16.3.1	Legal reserves		1,635,332	-	1,635,332
16.3.2	Status reserves		-	-	-
16.3.3	Extraordinary reserves		12,210,313	-	12,210,313
16.3.4	Other profit reserves		450,400	-	450,400
16.4	Profit or loss		3,723,383	-	3,723,383
16.4.1	Prior years' profit/loss		-	-	-
16.4.2	Current period's profit/loss		3,723,383	-	3,723,383
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>164,960,773</b>	<b>105,610,937</b>	<b>270,571,710</b>

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

The accompanying explanations and notes form an integral part of these 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 JUNE 30, 2018  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

		Reviewed Current Period			
		June 30, 2018			
		Notes	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>93,466,121</b>	<b>118,478,578</b>	<b>211,944,699</b>
<b>I.</b>	<b>GUARANTEES AND SURETIES</b>	<b>V-III-2-4</b>	<b>36,378,682</b>	<b>23,809,928</b>	<b>60,188,610</b>
1.1.	Letters of guarantee		36,253,956	11,270,089	47,524,045
1.1.1.	Guarantees subject to State Tender Law		4,006,151	5,244,739	9,250,890
1.1.2.	Guarantees given for foreign trade operations		1,295,817	-	1,295,817
1.1.3.	Other letters of guarantee		30,951,988	6,025,350	36,977,338
1.2.	Bank acceptances		98,356	1,960,348	2,058,704
1.2.1.	Import letter of acceptance		-	628,450	628,450
1.2.2.	Other bank acceptances		98,356	1,331,898	1,430,254
1.3.	Letters of credit		26,370	10,518,722	10,545,092
1.3.1.	Documentary letters of credit		26,370	10,518,722	10,545,092
1.3.2.	Other letters of credit		-	-	-
1.4.	Pre-financing given as guarantee		-	3,639	3,639
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of Republic of Turkey		-	-	-
1.5.2.	Other endorsements		-	-	-
1.6.	Purchase guarantees for Securities issued		-	-	-
1.7.	Factoring guarantees		-	-	-
1.8.	Other guarantees		-	54,641	54,641
1.9.	Other warrantees		-	2,489	2,489
<b>II.</b>	<b>COMMITMENTS</b>		<b>36,169,778</b>	<b>24,451,230</b>	<b>60,621,008</b>
2.1.	Irrevocable commitments		32,106,902	1,707,540	33,814,442
2.1.1.	Asset purchase and sales commitments	V-III-1	1,494,229	1,707,540	3,201,769
2.1.2.	Deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries	V-III-1	2,250	-	2,250
2.1.4.	Loan granting commitments	V-III-1	13,225,596	-	13,225,596
2.1.5.	Securities issuance brokerage commitments		-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Commitments for checks payments		2,921,701	-	2,921,701
2.1.8.	Tax and fund liabilities from export commitments		-	-	-
2.1.9.	Commitments for credit card expenditure limits	V-III-1	12,609,798	-	12,609,798
2.1.10.	Commitments for credit cards and banking services promotions		777,078	-	777,078
2.1.11.	Receivables from short sale commitments of marketable securities		-	-	-
2.1.12.	Payables for short sale commitments of marketable securities		-	-	-
2.1.12.	Other irrevocable commitments		1,076,250	-	1,076,250
2.2.	Revocable commitments		4,062,876	22,743,690	26,806,566
2.2.1.	Revocable loan granting commitments		4,062,876	22,743,690	26,806,566
2.2.2.	Other revocable commitments		-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>20,917,661</b>	<b>70,217,420</b>	<b>91,135,081</b>
3.1.	Derivative financial instruments held for hedging		-	-	-
3.1.1.	Fair value hedges		-	-	-
3.1.2.	Cash flow hedges		-	-	-
3.1.3.	Hedges for investments made in foreign countries		-	-	-
3.2.	Trading transactions		20,917,661	70,217,420	91,135,081
3.2.1.	Forward foreign currency purchase and sale transactions		569,332	1,164,496	1,733,828
3.2.1.1.	Forward foreign currency purchase transactions		285,266	582,317	867,583
3.2.2.	Forward foreign currency sales		284,066	582,179	866,245
3.2.2.	Currency and interest rate swaps		12,253,526	54,972,007	67,225,533
3.2.2.1.	Currency swap purchase transactions		3,119,662	18,391,831	21,511,493
3.2.2.2.	Currency swap sale transactions		6,593,864	9,465,520	16,059,384
3.2.2.3.	Interest rate swap purchase transactions		1,270,000	13,557,328	14,827,328
3.2.2.4.	Interest rate swap sale transactions		1,270,000	13,557,328	14,827,328
3.2.3.	Currency, interest rate and security options		1,162,841	2,163,673	3,326,514
3.2.3.1.	Currency purchase options		977,009	517,010	1,494,019
3.2.3.2.	Currency sale options		185,832	1,372,127	1,557,959
3.2.3.3.	Interest rate purchase options		-	-	-
3.2.3.4.	Interest rate sale options		-	-	-
3.2.3.5.	Security purchase options		-	-	-
3.2.3.6.	Security sale options		-	274,536	274,536
3.2.4.	Currency futures		-	-	-
3.2.4.1.	Currency purchases futures		-	-	-
3.2.4.2.	Currency sales futures		-	-	-
3.2.5.	Interest rate futures		-	-	-
3.2.5.1.	Interest rate purchases futures		-	-	-
3.2.5.2.	Interest rate sales futures		-	-	-
3.2.6.	Other		6,931,962	11,917,244	18,849,206
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>1,491,584,216</b>	<b>1,028,892,214</b>	<b>2,520,476,430</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>56,637,774</b>	<b>2,970,853</b>	<b>59,608,627</b>
4.1.	Assets under management		-	-	-
4.2.	Securities held in custody		43,154,983	186,183	43,341,166
4.3.	Checks received for collection		10,592,888	1,065,247	11,658,135
4.4.	Commercial notes received for collection		1,510,179	652,694	2,162,873
4.5.	Other assets received for collection		2,152	183	2,335
4.6.	Securities received for public offering		-	-	-
4.7.	Other items under custody		309	92,537	92,846
4.8.	Custodians		1,377,263	974,009	2,351,272
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>417,216,271</b>	<b>171,081,040</b>	<b>588,297,311</b>
5.1.	Marketable securities		495,209	6,367	501,576
5.2.	Guarantee notes		692,601	420,516	1,113,117
5.3.	Commodity		33,478,207	974,596	34,452,803
5.4.	Warrant		-	-	-
5.5.	Immovables		332,172,225	138,245,195	470,417,420
5.6.	Other pledged items		49,414,071	31,105,067	80,519,138
5.7.	Depositories receiving pledged items		963,958	329,299	1,293,257
<b>VI.</b>	<b>ACCEPTED GUARANTEES AND WARRANTS</b>		<b>1,017,730,171</b>	<b>854,840,321</b>	<b>1,872,570,492</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>			<b>1,585,050,337</b>	<b>1,147,370,792</b>	<b>2,732,421,129</b>

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED OFF-BALANCE SHEET ITEMS AS AT DECEMBER 31, 2017**

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

		Audited			
		Prior Period December 31, 2017			
		Notes	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>80,248,423</b>	<b>79,578,712</b>	<b>159,827,135</b>
<b>I.</b>	<b>GUARANTEES AND SURETIES</b>	<b>V-III-2-4</b>	<b>32,109,922</b>	<b>18,657,662</b>	<b>50,767,584</b>
1.1	Letters of guarantee		32,035,061	8,133,759	40,168,820
1.1.1	Guarantees subject to State Tender Law		3,163,898	4,099,756	7,263,654
1.1.2	Guarantees given for foreign trade operations		1,053,872	-	1,053,872
1.1.3	Other letters of guarantee		27,817,291	4,034,003	31,851,294
1.2	Bank acceptances		44,700	1,510,854	1,555,554
1.2.1	Import letter of acceptance		671	519,399	520,070
1.2.2	Other bank acceptances		44,029	991,455	1,035,484
1.3	Letters of credit		30,161	8,963,991	8,994,152
1.3.1	Documentary letters of credit		30,161	8,963,991	8,994,152
1.3.2	Other letters of credit		-	-	-
1.4	Guaranteed pre-financings		-	3,006	3,006
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2	Other endorsements		-	-	-
1.6	Marketable securities underwriting commitments		-	-	-
1.7	Factoring related guarantees		-	-	-
1.8	Other guarantees		-	43,996	43,996
1.9	Other sureties		-	2,056	2,056
<b>II.</b>	<b>COMMITMENTS</b>		<b>31,039,233</b>	<b>17,286,799</b>	<b>48,326,032</b>
2.1	Irrevocable commitments		27,979,658	961,190	28,940,848
2.1.1	Asset purchase commitments	V-III-1	793,979	961,190	1,755,169
2.1.2	Deposit purchase and sales commitments		-	-	-
2.1.3	Share capital commitments to associates and subsidiaries	V-III-1	-	-	-
2.1.4	Loan granting commitments	V-III-1	11,843,577	-	11,843,577
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
2.1.8	Tax and fund obligations on export commitments		-	-	-
2.1.9	Commitments for credit card limits	V-III-1	10,534,862	-	10,534,862
2.1.10	Commitments for credit card and banking operations promotions		761,674	-	761,674
2.1.11	Receivables from "short" sale commitments on securities		-	-	-
2.1.12	Payables from "short" sale commitments on securities		-	-	-
2.1.13	Other irrevocable commitments		1,502,825	-	1,502,825
2.2	Revocable commitments		3,059,575	16,325,609	19,385,184
2.2.1	Revocable loan granting commitments		3,059,575	16,325,609	19,385,184
2.2.2	Other revocable commitments		-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>17,099,268</b>	<b>43,634,251</b>	<b>60,733,519</b>
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
3.2.1	Forward foreign currency purchases/sales		1,152,837	1,617,661	2,770,498
3.2.1.1	Forward foreign currency purchases		576,772	808,889	1,385,661
3.2.2.2	Forward foreign currency sales		576,065	808,772	1,384,837
3.2.2	Currency and interest rate swaps		10,344,359	30,420,079	40,764,438
3.2.2.1	Currency swaps-purchases		3,297,551	11,363,303	14,660,854
3.2.2.2	Currency swaps-sales		4,706,808	4,435,680	9,142,488
3.2.2.3	Interest rate swaps-purchases		1,170,000	7,310,548	8,480,548
3.2.2.4	Interest rate swaps-sales		1,170,000	7,310,548	8,480,548
3.2.3	Currency, interest rate and security options		426,094	431,542	857,636
3.2.3.1	Currency call options		412,706	13,400	426,106
3.2.3.2	Currency put options		13,388	418,142	431,530
3.2.3.3	Interest rate call options		-	-	-
3.2.3.4	Interest rate put options		-	-	-
3.2.3.5	Security call options		-	-	-
3.2.3.6	Security put options		-	-	-
3.2.4	Currency futures		-	-	-
3.2.4.1	Currency futures-purchases		-	-	-
3.2.4.2	Currency futures-sales		-	-	-
3.2.5	Interest rate futures		-	-	-
3.2.5.1	Interest rate futures-purchases		-	-	-
3.2.5.2	Interest rate futures-sales		-	-	-
3.2.6	Other		5,175,978	11,164,969	16,340,947
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>1,283,071,577</b>	<b>805,680,121</b>	<b>2,088,751,698</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>54,525,860</b>	<b>4,245,640</b>	<b>58,771,500</b>
4.1	Customers' securities held		-	-	-
4.2	Investment securities held in custody		42,177,802	135,880	42,313,682
4.3	Checks received for collection		9,976,508	2,483,954	12,460,462
4.4	Commercial notes received for collection		1,178,205	412,078	1,590,283
4.5	Other assets received for collection		2,152	151	2,303
4.6	Assets received through public offering		-	-	-
4.7	Other items under custody		309	76,380	76,689
4.8	Custodians		1,190,884	1,137,197	2,328,081
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>315,422,683</b>	<b>132,707,352</b>	<b>448,130,035</b>
5.1	Securities		739,672	5,090	744,762
5.2	Guarantee notes		707,502	524,748	1,232,250
5.3	Commodities		33,014,517	759,683	33,774,200
5.4	Warranties		-	-	-
5.5	Real estates		240,511,071	108,037,406	348,548,477
5.6	Other pledged items		39,688,651	23,254,495	62,943,146
5.7	Pledged items-depository		761,270	125,930	887,200
<b>VI.</b>	<b>CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>913,123,034</b>	<b>668,727,129</b>	<b>1,581,850,163</b>
	<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>1,363,320,000</b>	<b>885,258,833</b>	<b>2,248,578,833</b>

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF INCOME  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

	Notes	Reviewed Current Period January 1, 2018- June 30, 2018	Reviewed Current Period April 1, 2018- June 30, 2018
<b>I. INTEREST INCOME</b>	<b>V-IV-1</b>	<b>13,628,982</b>	<b>7,265,731</b>
1.1 Interest on loans	V-IV-1	11,801,088	6,306,322
1.2 Interest received from reserve deposits		169,393	93,369
1.3 Interest received from banks	V-IV-1	51,290	23,209
1.4 Interest received from money market transactions		18,572	14,708
1.5 Interest received from marketable securities portfolio	V-IV-1	1,585,741	827,606
1.5.1 Financial assets at fair value through profit or loss		-	-
1.5.2 Financial assets at fair value through other comprehensive income		309,721	154,779
1.5.3 Financial assets measured at amortised cost		1,276,020	672,827
1.6 Finance lease income		-	-
1.7 Other interest income		2,898	517
<b>II. INTEREST EXPENSES</b>		<b>8,751,029</b>	<b>4,693,949</b>
2.1 Interest on deposits	V-IV-2	5,933,478	3,148,942
2.2 Interest on funds borrowed	V-IV-2	485,679	285,461
2.3 Interest on money market transactions		1,183,523	646,435
2.4 Interest on securities issued	V-IV-2	906,959	499,372
2.5 Other interest expenses		241,390	113,739
<b>III. NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>4,877,953</b>	<b>2,571,782</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>955,348</b>	<b>511,491</b>
4.1 Fees and commissions received		1,353,231	733,380
4.1.1 Non-cash loans		195,455	102,754
4.1.2 Other		1,157,776	630,626
4.2 Fees and commissions paid		397,883	221,889
4.2.1 Non-cash loans		242	160
4.2.2 Other		397,641	221,729
<b>V. PERSONNEL EXPENSES (-)</b>		<b>1,050,297</b>	<b>511,916</b>
<b>VI. DIVIDEND INCOME</b>		<b>117,447</b>	<b>73,034</b>
<b>VII. TRADING PROFIT/LOSS (Net)</b>	<b>V-IV-3</b>	<b>300,959</b>	<b>188,142</b>
7.1 Profit/losses from capital market transactions	V-IV-3	56,969	30,068
7.2 Profit/losses from derivative financial transactions	V-IV-3	242,551	159,386
7.3 Foreign exchange profit/losses	V-IV-3	1,439	(1,312)
<b>VIII. OTHER OPERATING INCOME</b>	<b>V-IV-4</b>	<b>810,218</b>	<b>(139,345)</b>
<b>IX. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)</b>		<b>6,011,628</b>	<b>2,693,188</b>
<b>X. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>	<b>V-IV-5</b>	<b>1,789,772</b>	<b>496,458</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-6</b>	<b>1,563,687</b>	<b>838,471</b>
<b>XII. NET OPERATING PROFIT/LOSS (IX-X-XI)</b>		<b>2,658,169</b>	<b>1,358,259</b>
<b>XIII. SURPLUS WRITTEN AS GAIN AFTER MERGER</b>		-	-
<b>XIV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		-	-
<b>XV. NET MONETARY POSITION GAIN/LOSS</b>		-	-
<b>XVI. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)</b>	<b>V-IV-7</b>	<b>2,658,169</b>	<b>1,358,259</b>
<b>XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>V-IV-10</b>	<b>(532,908)</b>	<b>(284,419)</b>
17.1 Current tax provision	V-IV-10	(517,308)	(226,420)
17.2 Expense effect of deferred tax (+)		(246,641)	(156,508)
17.3 Income effect of deferred tax (-)		231,041	98,509
<b>XIII. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)</b>	<b>V-IV-9</b>	<b>2,125,261</b>	<b>1,073,840</b>
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
19.1 Income from assets held for sale		-	-
19.2 Profit from sale of associates, subsidiaries and joint ventures		-	-
19.3 Other income from discontinued operations		-	-
<b>XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
20.1 Expenses on assets held for sale		-	-
20.2 Losses from sale of associates, subsidiaries and joint ventures		-	-
20.3 Other expenses from discontinued operations		-	-
<b>XXI. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)</b>		-	-
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
22.1 Current tax provision		-	-
22.2 Expense effect of deferred tax (+)		-	-
22.3 Income effect of deferred tax (-)		-	-
<b>XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		-	-
<b>XXIV. NET PROFIT/LOSSES (XVIII+XXIII)</b>	<b>V-IV-11</b>	<b>2,125,261</b>	<b>1,073,840</b>
Profit/Loss per 100 shares (full TL)		0.8501	0.4295

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF INCOME  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

	Notes	Reviewed Prior Period January 1, 2017- June 30, 2017	Reviewed Prior Period April 1, 2017- June 30, 2017
<b>I. INTEREST INCOME</b>	<b>V-IV-1</b>	<b>9,997,370</b>	<b>5,156,835</b>
1.1 Interest income from loans	V-IV-1	8,283,971	4,356,520
1.2 Interest income from reserve deposits		94,097	50,695
1.3 Interest income from banks	V-IV-1	16,271	8,559
1.4 Interest income from money market transactions		22,187	8,287
1.5 Interest income from securities portfolio	V-IV-1	1,578,559	732,454
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		952,399	450,928
1.5.4 Held-to-maturity investments		626,160	281,526
1.6 Finance lease income		-	-
1.7 Other interest income		2,285	320
<b>II. INTEREST EXPENSE</b>		<b>5,499,230</b>	<b>3,035,452</b>
2.1 Interest expense on deposits	V-IV-2	3,953,202	2,217,929
2.2 Interest expense on funds borrowed	V-IV-2	304,056	161,819
2.3 Interest expense on money market transactions		619,523	349,464
2.4 Interest expense on securities issued	V-IV-2	436,380	221,088
2.5 Other interest expenses		186,069	85,152
<b>III. NET INTEREST INCOME (I – II)</b>		<b>4,498,140</b>	<b>2,121,383</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>602,788</b>	<b>311,912</b>
4.1 Fees and commissions received		909,371	474,923
4.1.1 Non-cash loans		140,561	72,438
4.1.2 Others		768,810	402,485
4.2 Fees and commissions paid		306,583	163,011
4.2.1 Non-cash loans		76	11
4.2.2 Others		306,507	163,000
<b>V. DIVIDEND INCOME</b>		<b>63,565</b>	<b>20,552</b>
<b>VI. TRADING INCOME/LOSSES (Net)</b>	<b>V-IV-3</b>	<b>118,629</b>	<b>1,295</b>
6.1 Trading account income/losses	V-IV-3	41,881	19,654
6.2 Income/losses from derivative financial instruments	V-IV-3	(33,994)	(69,761)
6.3 Foreign exchange gains/losses	V-IV-3	110,742	51,402
<b>VII. OTHER OPERATING INCOME</b>	<b>V-IV-4</b>	<b>820,302</b>	<b>380,802</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>6,103,424</b>	<b>2,835,944</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	<b>V-IV-5</b>	<b>1,351,938</b>	<b>618,503</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-6</b>	<b>2,094,222</b>	<b>1,077,767</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>2,657,264</b>	<b>1,139,674</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		-	-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>V-IV-7</b>	<b>2,657,264</b>	<b>1,139,674</b>
<b>XVI. CONTINUING OPERATIONS PROVISION FOR TAXES</b>	<b>V-IV-10</b>	<b>(535,854)</b>	<b>(243,016)</b>
16.1 Current tax charges	V-IV-10	(453,026)	(239,974)
16.2 Deferred tax credits		(82,828)	(3,042)
<b>XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>V-IV-9</b>	<b>2,121,410</b>	<b>896,658</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from investment properties		-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3 Other income from discontinued activities		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS(-)</b>		-	-
19.1 Investment property expenses		-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3 Other expenses from discontinued activities		-	-
<b>XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES(XVIII-XIX)</b>		-	-
<b>XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES(±)</b>		-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge		-	-
<b>XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS(XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVI+XXII)</b>	<b>V-IV-11</b>	<b>2,121,410</b>	<b>896,658</b>
Profit/Loss per 100 shares (full TL)		0.8486	0.3587

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
ACCOUNTED UNDER SHAREHOLDERS' EQUITY  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

		Reviewed Current Period January 1, 2018- June 30, 2018
<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
<b>I.</b>	<b>PROFIT (LOSS)</b>	<b>2,125,261</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>2,217</b>
<b>2.1.</b>	<b>Other comprehensive income that will not be reclassified to profit or loss</b>	<b>157,030</b>
2.1.1.	Gains (Losses) on Revaluation of Property, Plant and Equipment	29,488
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	-
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	166,580
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(39,038)
<b>2.2.</b>	<b>Other Comprehensive Income That Will Be Reclassified to Profit or Loss</b>	<b>(154,813)</b>
2.2.1.	Exchange Differences on Translation	-
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(194,823)
2.2.3.	Income (Loss) Related with Cash Flow Hedges	-
2.2.4.	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-
2.2.5.	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-
2.2.6.	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	40,010
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>2,127,478</b>

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UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF GAINS AND LOSSES RECOGNIZED IN EQUITY  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

<b>GAINS AND LOSSES RECOGNIZED IN EQUITY</b>		<b>Reviewed Prior Period January 1, 2017- June 30, 2017</b>
<b>I.</b>	<b>VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES</b>	<b>224,384</b>
<b>II.</b>	<b>REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	<b>(1,082)</b>
<b>III.</b>	<b>REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	<b>-</b>
<b>IV.</b>	<b>CURRENCY TRANSLATION DIFFERENCES</b>	<b>-</b>
<b>V.</b>	<b>GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)</b>	<b>-</b>
<b>VI.</b>	<b>GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)</b>	<b>-</b>
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS</b>	<b>-</b>
<b>VIII.</b>	<b>OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS</b>	<b>206,143</b>
<b>IX.</b>	<b>DEFERRED TAXES DUE TO VALUATION DIFFERENCES</b>	<b>(54,440)</b>
<b>X.</b>	<b>NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)</b>	<b>375,005</b>
<b>XI.</b>	<b>CURRENT PERIOD'S PROFIT/(LOSS)</b>	<b>2,121,410</b>
11.1	Change in fair value of securities (transfers to the statement of income)	3,465
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	2,117,945
<b>XII.</b>	<b>TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)</b>	<b>2,496,415</b>

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Prior Period Net Income (Loss)	Current Period Net Income (Loss)	Total Shareholders' Equity	
Reviewed	Notes	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves			
<b>Current Period June 30, 2018</b>															
<b>I. Prior Period End Balance</b>		2,500,000	723,918	-	91,823	873,080	(23,265)	1,149,680	80,727	(157,573)	-	14,296,045	3,723,383	-	23,257,818
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	161,636	-	-	570,122	-	731,758
2.1. Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	161,636	-	-	570,122	-	731,758
<b>III. Adjusted Beginning Balance (I+II)</b>		2,500,000	723,918	-	91,823	873,080	(23,265)	1,149,680	80,727	4,063	-	14,296,045	4,293,505	-	23,989,576
3.1. Total Comprehensive Income		-	-	-	-	1,075	-	155,955	-	(154,813)	-	-	-	2,125,261	2,127,478
3.2. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3. Capital Increase by Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.4. Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.5. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.6. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.7. Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	(29,665)	-	(29,665)
<b>IV. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1. Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3. <b>Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Balance</b>		2,500,000	723,918	-	91,823	874,155	(23,265)	1,305,635	80,727	(150,750)	-	14,296,045	4,263,840	2,125,261	26,087,389

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

Reviewed	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Op.s	Total Shareholders' Equity
<b>Prior Period</b>																	
<b>June 30, 2017</b>																	
<b>I.</b>	<b>Balances at the beginning of the period</b>	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
	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II.</b>	<b>Mergers</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>Associates, Subsidiaries and "Available-for-sale" securities</b>	-	-	-	-	-	-	-	-	-	-	376,034	-	-	-	-	376,034
<b>IV.</b>	<b>Hedges for risk management</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V.</b>	<b>Revaluation surplus on tangible assets</b>	-	-	-	-	-	-	-	-	-	-	-	(1,029)	-	-	-	(1,029)
<b>VI.</b>	<b>Revaluation surplus on intangible assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	<b>Bonus shares of associates, subsidiaries and joint-ventures</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII.</b>	<b>Translation differences</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX.</b>	<b>Changes resulted from disposal of the assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	<b>Changes resulted from reclassifications of the assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	<b>Effect of change in equities of associates on the Bank's equity</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII.</b>	<b>Capital increase</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII.</b>	<b>Share issuance</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV.</b>	<b>Share cancellation profits</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV.</b>	<b>Capital reserves from inflation adjustments to paid-in capital</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI.</b>	<b>Other</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII.</b>	<b>Current period's net profit/loss</b>	-	-	-	-	-	-	-	-	2,121,410	-	-	-	-	-	-	2,121,410
<b>XVIII.</b>	<b>Profit distribution</b>	-	-	-	-	268,310	-	2,245,347	19,941	-	(2,703,042)	-	49,444	-	-	-	(120,000)
18.1	Dividends	-	-	-	-	-	-	-	-	-	(120,000)	-	-	-	-	-	(120,000)
18.2	Transferred to reserves	-	-	-	-	268,310	-	2,245,347	19,941	-	(2,583,042)	-	49,444	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Balance</b>		<b>2,500,000</b>	<b>-</b>	<b>723,918</b>	<b>-</b>	<b>1,635,332</b>	<b>-</b>	<b>12,210,313</b>	<b>402,559</b>	<b>2,121,410</b>	<b>-</b>	<b>1,074,062</b>	<b>878,310</b>	<b>69,222</b>	<b>-</b>	<b>-</b>	<b>21,615,126</b>

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UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

	Notes	Reviewed Current Period June 30, 2018
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>	
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>	<b>3,148,174</b>
1.1.1	Interests received	12,270,973
1.1.2	Interests paid	(8,209,063)
1.1.3	Dividends received	61,282
1.1.4	Fee and commissions received	1,403,329
1.1.5	Other income	36,653
1.1.6	Collections from previously written-off loans and other receivables	960,170
1.1.7	Cash payments to personnel and service suppliers	(1,193,284)
1.1.8	Taxes paid	(872,965)
1.1.9	Other	(1,308,921)
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>	<b>(5,118,397)</b>
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss	(6,156)
1.2.2	Net increase (decrease) in due from banks	(3,253,126)
1.2.3	Net increase (decrease) in loans	(28,057,791)
1.2.4	Net increase (decrease) in other assets	845,110
1.2.5	Net increase (decrease) in bank deposits	34,831
1.2.6	Net increase (decrease) in other deposits	14,521,841
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss	-
1.2.8	Net increase (decrease) in funds borrowed	9,800,298
1.2.9	Net increase (decrease) in matured payables	-
1.2.10	Net increase (decrease) in other liabilities	996,596
<b>I.</b>	<b>Net cash flow provided from banking operations</b>	<b>(1,970,223)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<b>II.</b>	<b>Net cash provided from investing activities</b>	<b>(4,457,073)</b>
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures	(750)
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures	-
2.3	Cash paid for the purchase of tangible and intangible asset	(128,258)
2.4	Cash obtained from the sale of tangible and intangible asset	334,822
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income	(3,172,356)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income	642,042
2.7	Cash paid for the purchase of financial assets at amortized cost	(2,871,107)
2.8	Cash obtained from sale of financial assets at amortized cost	745,754
2.9	Other	(7,220)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>III.</b>	<b>Net cash flow from financing activities</b>	<b>5,661,689</b>
3.1	Cash obtained from funds borrowed and securities issued	11,435,431
3.2	Cash outflow from funds borrowed and securities issued	(5,773,742)
3.3	Equity instruments issued	-
3.4	Dividends paid	-
3.5	Payments for finance lease liabilities	-
3.6	Other	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(47,878)</b>
<b>V.</b>	<b>Net increase/decrease in cash and cash equivalents</b>	<b>(813,485)</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of the period</b>	<b>19,294,961</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of the period</b>	<b>18,481,476</b>

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

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



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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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

	<b>Reviewed Prior Period June 30, 2017</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>	
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>3,284,982</b>
1.1.1 Interests received	9,110,055
1.1.2 Interests paid	(5,203,936)
1.1.3 Dividends received	19,408
1.1.4 Fee and commissions received	909,371
1.1.5 Other income	32,243
1.1.6 Collections from previously written-off loans and other receivables	633,988
1.1.7 Payments to personnel and service suppliers	(914,150)
1.1.8 Taxes paid	(443,357)
1.1.9 Other	(858,640)
<b>1.2 Changes in operating assets and liabilities</b>	<b>(3,381,163)</b>
1.2.1 Net (increase) decrease in financial assets held for trading purpose	(6)
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	(1,247,048)
1.2.4 Net (increase) decrease in loans	(21,086,249)
1.2.5 Net (increase) decrease in other assets	(260,695)
1.2.6 Net increase (decrease) in bank deposits	(113,329)
1.2.7 Net increase (decrease) in other deposits	17,053,318
1.2.8 Net increase (decrease) in funds borrowed	1,930,812
1.2.9 Net increase (decrease) in matured payables	-
1.2.10 Net increase (decrease) in other liabilities	342,034
<b>I. Net cash flow from banking operations</b>	<b>(96,181)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<b>II. Net cash flow from investing activities</b>	<b>(565,466)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	-
2.3 Purchases of tangible assets	(158,455)
2.4 Proceeds from disposal of tangible assets	258,007
2.5 Cash paid for purchase of available-for-sale financial assets	(2,982,315)
2.6 Proceeds from disposal of available-for-sale financial assets	2,719,155
2.7 Cash paid for purchase of held-to-maturity investments	(1,499,542)
2.8 Proceeds from disposal of held-to-maturity investments	1,123,419
2.9 Other	(25,735)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>III. Net cash flow from financing activities</b>	<b>728,677</b>
3.1 Cash obtained from funds borrowed and securities issued	5,801,164
3.2 Cash used for repayment of funds borrowed and securities issued	(4,952,487)
3.3 Equity instruments issued	-
3.4 Dividends paid	(120,000)
3.5 Repayments for finance leases	-
3.6 Other	-
<b>IV. Effect of change in foreign exchange rates on cash and cash equivalents</b>	<b>71,711</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>138,741</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>11,108,769</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>11,247,510</b>

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

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

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**SECTION THREE**

**ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated November 1, 2006 and in accordance with the regulations, communiques, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards 34 “Interim Financial Reporting Standard”, and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) (together referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced 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.

TFRS 9 “Financial Instruments”, which is effective as of January 1, 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated January 19, 2017. “TAS 39 Financial Instruments: Recognition and Measurement” has been replaced with TFRS 9, related to the classification and measurement of financial instruments. Financial statements and related footnotes of the previous period have not been rearranged according to transition regulations of TFRS 9. According to April 17, 2018 BRSA 24049440-045.01 [3/8] -E.5358 notice, the previous period data was presented in the old format. The Bank applied the classification and measurement and impairment requirements to opening equity balances without any adjustments during comparative periods in the opening balance sheet as of January 1, 2018.

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

TFRS 15 “Revenue from Contracts with Customers” (“TFRS 15”) standard has no significant impact on the Bank’s accounting policies, financial position and performance.

The Bank has started to work on compliance with the TFRS 16 Leases Standard effective from January 1, 2019 and continues its works in order to comply with related standard as of June 30, 2018.

**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.

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

**Strategy for the use of financial instruments**

Core operations of the Bank, are based on retail banking, corporate banking, private banking, foreign exchange operations, money market operations, investment security transactions, and international banking in accordance with the requirements of its economic development while utilizing foundation resources. As a result of the nature of its operations, the Bank intensively utilizes financial instruments.

The Bank accepts deposits consisting various maturities as the main source of funding with deposits being in high return as well as carefully utilizing them in high quality financial activities.

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

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

Investments in marketable securities and lending loans generate higher return than the average rate of return of the Bank’s operating activities on the basis of maturity structures and market conditions. When bank placements are considered, they have short term maturity in terms of liquidity management and have lower return. The Bank can take various positions on short-term foreign exchange risk, interest rate risk and market risk in money and capital markets, by considering market conditions, within specified limits set by regulations. The Bank hedges itself and controls its position against the foreign exchange risk being exposed due to foreign currency financial assets at fair value through other comprehensive income 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 financial assets at fair value through other comprehensive income 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.

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 June 30, 2018 is TL 54,537. 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.

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**ACCOUNTING POLICIES (Continued)**

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

As of June 30, 2018, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS 39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

**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 27 in the unconsolidated financial statements. Subsidiaries, which are traded in an active market or whose fair value can be reliably measured, are recorded at fair value.

Associates are accounted in accordance with TAS 27. 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 "Derivative Financial Assets at Fair Value Through Profit or Loss" in accordance with the "TFRS 9 – Financial Instruments".

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.

Derivative transactions are valued at their fair values subsequent to their acquisition and in accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss". The fair value differences of derivative financial instruments are recognized in the income statement.

**V. INFORMATION ON INTEREST INCOME AND EXPENSES**

Interest income and expenses are recognized using the effective interest method. Starting from January 1 2018, Bank has started accruing interest income on non-performing loans. Net book value of the non-performing loans (Gross Book Value – Expected Credit Loss) are rediscounted through effective interest rate of and recognized through the gross book value of the non performing loan.

**VI. INFORMATION ON FEES AND COMMISSIONS**

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

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**ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS AND FOOTNOTES**

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

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

**Financial assets at fair value through profit or loss**

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

**Financial Assets at Fair Value Through Other Comprehensive Income**

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS AND FOOTNOTES (Continued)**

**Financial Assets Measured at Amortized Cost**

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

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

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

**Loans**

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

**VIII. INFORMATION ON EXPECTED LOSS PROVISIONS**

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

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

**Stage 1:**

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

**Stage 2:**

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

**Stage 3:**

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

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

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**ACCOUNTING POLICIES (Continued)**

**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 “Financial Assets at Fair Value through Profit or Loss”, “Financial Assets at Fair Value through Other Comprehensive Income” and/or “Financial Assets Measured at Amortised cost” 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 in balance sheet under “Money Market Funds” 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”. 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.

**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 December 31, 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%.

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**ACCOUNTING POLICIES (Continued)**

**XIII. INFORMATION ON TANGIBLE ASSETS**

The costs of the tangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. In subsequent periods no inflation adjustment is made for tangible assets, and costs which are restated as of December 31, 2004 are considered as their historical costs. Tangible assets purchased after January 1, 2005 were recorded at their historical costs after foreign exchange differences and financial expenses are deducted if any. The 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:

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

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

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

**XIV. INFORMATION ON LEASING ACTIVITIES**

**Leasing activities**

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

**- Finance leasing activities as the lessee**

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

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

**- 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.



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**ACCOUNTING POLICIES (Continued)**

**XV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND ASSETS**

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

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

**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 June 30, 2018 is TL 5,002 (full TL) (December 31, 2017: TL 4,732 (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.

**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.

In accordance with TAS 19, the Bank recognizes actuarial gains and losses generated in related reporting periods in equity.

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**ACCOUNTING POLICIES (Continued)**

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

**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:

- 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 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 June 30, 2018.

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**ACCOUNTING POLICIES (Continued)**

**XVII. INFORMATION ON TAXATION**

**Corporate tax**

Corporate tax rate is 20% in Turkey according to Article 32 of the Corporate Taxes Law No. 5520. However, the mentioned ratio will be applied as 22% for a period of three years 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 profit from sales of associate shares that held at least 2 years and 50% of the profit from sales of real estates are exceptional from corporate taxes if there is a capital increase according to Corporate Tax Law or it is hold for 5 years on a special fund account. The Bank follows these profits in “Other accumulated comprehensive income that will not be reclassified in profit or loss” 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 with the current rate through profit from quarterly period has to be declared on the 14th day and paid until the 17th night of the second following month after the period end. Advance taxes paid during the year are set off on corporate tax which is calculated in yearly corporate tax return for that year. In the case of excess amount of advance tax, the amount can be reimbursed in cash or be set off to 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 agreement with the tax authorities about the tax payables in Turkey. Corporate tax return declared until the evening of the 25th day of the fourth month following the end of the accounting period. Firms that allowed to analyze taxes, can examine the accounting records within five years and change the tax amount if there is a wrong transaction.

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**ACCOUNTING POLICIES (Continued)**

**XVII. INFORMATION ON TAXATION (Continued)**

**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.

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**XVII. INFORMATION ON TAXATION (Continued)**

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.

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**ACCOUNTING POLICIES (Continued)**

**XXII. INFORMATION ON GOVERNMENT INCENTIVES**

As at June 30, 2018 and December 31, 2017, the Bank does not have any government incentives.

**XXIII. INFORMATION ON SEGMENT REPORTING**

An operating segment is a component of an entity:

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

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 VII.

**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 for the six months June 30, 2018, earnings per 100 shares are full TL 0.8501 (June 30, 2017: full TL 0.8486).

**Related parties**

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

**Classifications**

Reclassification procedures in scope of TFRS 9 are stated below.

**TFRS 9 Financial Instruments implementation and effects**

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

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

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**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS (Continued)**

**Classification and measurement of financial instruments**

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

Financial Assets	Measurement Bases	Before TFRS 9	In Scope of TFRS 9
		Book Value December 31, 2017	Measurement Bases Book Value January 1, 2018
<b>Cash Balances and Central Bank</b>	Measured at amortized cost	28,644,824	Measured at amortized cost 28,644,824
<b>Banks and Money Markets</b>	Measured at amortized cost	13,539,930	Measured at amortized cost 13,539,930
	Fair value through profit and loss	263	Fair value through profit and loss 43,633
<b>Marketable Securities</b>	Fair value through other comprehensive income (Available-for-sale)	13,549,714	Fair value through other comprehensive income 6,051,817
	Measured at amortized cost (Held to Maturity Investments)	16,766,071	Measured at amortized cost 24,422,643
<b>Derivative Financial Assets Held-for-trading</b>	Fair value through profit and loss	1,936,525	Fair value through profit and loss 1,936,525
<b>Loans (Gross)</b>	Measured at amortized cost	182,932,228	Measured at amortized cost 182,932,228

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

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

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

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

As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

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**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS (Continued)**

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

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

	<b>Before TFRS 9 Book Value December 31, 2017</b>	<b>Reclassifications</b>	<b>Remeasurements</b>	<b>TFRS 9 Book Value January 1, 2018</b>
<b>Financial Assets</b>				
<b>Fair value through P/L</b>				
Balance before classification (trading financial assets)	263	-	-	-
Classified to marketable securities	-	43,370	-	-
Book value after classification	-	-	-	43,633
<b>Fair value through other comprehensive income</b>				
Book value before classification (available for sale)	13,549,714	-	-	-
Financial assets at fair value through profit or loss	-	(43,370)	-	-
Financial assets classified as measured at amortized cost	-	(7,454,527)	-	-
Book value after classification	-	-	-	6,051,817
<b>Measured at amortized cost financial assets</b>				
Balance before classification (held-to-maturity investments)	16,766,071	-	-	-
Classified from available for sale financial assets	-	7,454,527	202,045	-
Book value after classification	-	-	-	24,422,643

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

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

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

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

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

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

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



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**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS (Continued)**

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

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

	Book Value before TFRS 9	Remeasurements	Book Value after TFRS 9
	December 31, 2017		January 1, 2018
<b>Loans</b>	<b>8,307,489</b>	<b>(508,313)</b>	<b>7,799,176</b>
Stage 1	1,527,551	(90,072)	1,437,479
Stage 2	181,119	218,054	399,173
Stage 3	6,598,819	(636,295)	5,962,524
<b>Financial Assets (*)</b>	<b>39,402</b>	<b>41,876</b>	<b>81,278</b>
<b>Non-Cash Loans</b>	<b>292,475</b>	<b>216,070</b>	<b>508,545</b>
Stage 1 and 2 (**)	137,421	340,068	477,489
Stage 3 (***)	155,054	(123,998)	31,056
<b>Total</b>	<b>8,639,366</b>	<b>(250,367)</b>	<b>8,388,999</b>

(\*) Within the scope of TFRS 9 Financial Assets Measured at Amortized Cost include provisions for Financial Assets at Fair Value through Other Comprehensive Income, Banks and Receivables from Money Market.

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

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

**Effects on equity with TFRS 9 transition**

Deferred tax rate calculation has started to be measured over temporary expected provision losses differences according to TFRS 9 articles and BRSA regulations, beginning from January 1, 2018. In this framework, TL 479,084 valued deferred tax asset has been reflected to January 1, 2018 opening financials, and this amount are classified as prior period profit/loss under equity.

TL 250,367 revenue, consisted from bank's prior period's provisions and new loss provisions that measured in accordance with TFRS 9's expected loss model beginning from January 1, 2018, classified as prior period profit/loss under equity.

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

**Financial assets at fair value through profit or loss**

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

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

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

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

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

**Available-for-sale financial assets**

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

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**ACCOUNTING POLICIES (Continued)**

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

**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.

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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 June 30, 2018 Bank’s capital adequacy ratio is 15.02% (December 31, 2017: 15.52%).

<b>Current Period - June 30, 2018</b>	<b>Amount</b>	<b>Amount as per the regulation before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
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	2,260,517	-
Profit	6,389,101	-
Current Period’s Profit	2,125,261	-
Prior Period’s Profit	4,263,840	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	91,823	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>26,261,404</b>	<b>-</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
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	174,015	-
Leasehold Improvements on Operational Leases	193,504	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	207,691	207,691
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	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>575,210</b>	<b>-</b>
<b>Common Equity Tier 1 capital (CET1)</b>	<b>25,686,194</b>	<b>-</b>
<b>Additional Tier 1 capital: instruments</b>		
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)	-	-
<b>Additional Tier 1 Capital before deductions</b>	<b>-</b>	<b>-</b>
<b>Deductions from Additional Tier 1 Capital</b>		
Bank’s direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. INFORMATION ON EQUITY ITEMS (Continued)**

	Amount	Amount as per the regulation before 1/1/2014(*)
<b>Current Period - June 30, 2018</b>		
<b>Transition from the Core Capital to Continue to deduct Components</b>		
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 (-)	-	-
<b>Total Deductions from Additional Tier 1 Capital</b>	-	-
<b>Total Additional Tier 1 Capital</b>	-	-
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	<b>25,686,194</b>	-
<b>TIER 2 CAPITAL</b>		
Bank's borrowing instruments and related issuance premium	4,498,595	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	651,526	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,493,325	-
<b>Tier 2 Capital Before Deductions</b>	<b>6,991,920</b>	-
<b>Deductions From Tier 2 Capital</b>		
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 (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Tier 2 Capital</b>	<b>6,991,920</b>	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	<b>32,678,114</b>	-
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	<b>32,678,114</b>	-
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 accounts to be defined by the BRSA (-)	1,700	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
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	-	-
<b>TOTAL CAPITAL</b>		
Total Capital	32,676,414	-
Total Risk Weighted Amounts	217,543,980	-
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	11.81	-
Tier 1 Capital Adequacy Ratio (%)	11.81	-
Capital Adequacy Ratio (%)	15.02	-
<b>BUFFERS</b>		
Total buffer requirement	1.89	-
Capital conservation buffer requirement (%)	1.88	-
Bank specific counter-cyclical buffer requirement (%)	0.02	-
Systemically important banks buffer requirement (%)**	0.00	-
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 (%)	5.81	-
<b>Amounts below deduction thresholds</b>		
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)	-	-
<b>Limits related to provisions considered in Tier 2 calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2,876,445	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,493,325	-
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	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. INFORMATION ON EQUITY ITEMS (Continued)**

	Amount	Amount as per the regulation before 1/1/2014(*)
<b>Prior Period - December 31, 2017</b>		
<b>COMMON EQUITY TIER I CAPITAL</b>		
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	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>23,580,391</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
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	-	-
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	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>674,326</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>22,906,065</b>	
<b>Additional Tier 1 capital: instruments</b>		
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)	-	-
<b>Additional Tier 1 Capital before deductions</b>	-	-
<b>Deductions from Additional Tier 1 Capital</b>		
Bank's direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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**I. INFORMATION ON EQUITY ITEMS (Continued)**

<b>Prior Period - December 31, 2017</b>	<b>Amount</b>	<b>Amount as per the regulation before 1/1/2014(*)</b>
<b>Transition from the Core Capital to Continue to deduce Components</b>		
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 (-)	-	-
<b>Total Deductions from Additional Tier 1 Capital</b>	-	-
<b>Total Additional Tier 1 Capital</b>	-	-
<b>Total Tier 1 Capital (Tier 1 Capital+Common Equity+Additional Tier 1 Capital)</b>	<b>22,863,871</b>	-
<b>TIER 2 CAPITAL</b>		
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	-
<b>Tier 2 Capital Before Deductions</b>	<b>5,969,331</b>	-
<b>Deductions From Tier 2 Capital</b>		
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 (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Tier 2 Capital</b>	<b>5,969,331</b>	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	<b>28,833,202</b>	-
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	<b>28,833,202</b>	-
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	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
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	-	-
<b>TOTAL CAPITAL</b>		
Total Capital	28,831,847	-
Total Risk Weighted Amounts	185,800,511	-
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	12.33	-
Tier 1 Capital Adequacy Ratio (%)	12.31	-
Capital Adequacy Ratio (%)	15.52	-
<b>BUFFERS</b>		
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	-
<b>Amounts below deduction thresholds</b>		
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)	-	-
<b>Limits related to provisions considered in Tier 2 calculation</b>		
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	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-
*Represents the amounts taken into consideration according to transition clauses.	-	-
** According to the “Regulations on Systemically Important Banks” 4th paragraph of Article 4, the “systemically important banks buffer requirement (%)” is to be filled by the systemically important banks that are not obligated to prepare consolidated financial statements and should be reported as zero for by the other banks.	-	-

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. INFORMATION ON EQUITY ITEMS (Continued)**

**Summary information related to capital adequacy ratio**

<b>Current Period - June 30, 2018</b>	
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
<b>Regulatory treatment</b>	
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)	4,499
Par value of instrument (in million)	6,931
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.
<b>Coupons / dividends*</b>	
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



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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. INFORMATION ON EQUITY ITEMS (Continued)**

<b>Current Period - June 30, 2018</b>	
<b>Convertible or non-convertible</b>	
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
<b>Write-down feature</b>	
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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. INFORMATION ON EQUITY ITEMS (Continued)**

<b>Prior Period - December 31, 2017</b>	
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
<b>Regulatory treatment</b>	
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)	4,084
Par value of instrument	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.
<b>Coupons / dividends</b>	
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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. INFORMATION ON EQUITY ITEMS (Continued)**

<b>Prior Period - December 31, 2017</b>	
<b>Convertible or non-convertible</b>	
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
<b>Write-down feature</b>	
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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**I. INFORMATION ON EQUITY ITEMS (Continued)**

**Reconciliation of capital items to balance sheet:**

	<b>Current Period- June 30, 2018</b>
Shareholders’ equity	26,087,389
Leasehold improvements on operational leases	(193,504)
Goodwill and intangible assets	(207,691)
General provision (1.25% of the amount that subject to credit risk)	2,493,325
Subordinated debt	4,498,595
Deductions from shareholders’ equity	(1,700)
<b>Capital</b>	<b>32,676,414</b>
	<b>Prior Period- December 31, 2017</b>
Shareholders’ equity	23,257,818
Leasehold improvements on operational leases	(182,977)
Goodwill and intangible assets	(168,776)
General provision (1.25% of the amount that subject to credit risk)	1,885,493
Subordinated debt	4,083,838
Deductions from shareholders’ equity	(43,549)
<b>Capital</b>	<b>28,831,847</b>

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**II. 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 June 30, 2018 and December 31, 2017 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:

	<b>US Dollar</b>	<b>Euro</b>
<b>The Bank’s foreign currency purchase rate at the balance sheet date</b>	<b>4.5756</b>	<b>5.3311</b>
<b>Foreign currency purchase rates for the days before balance sheet date;</b>		
Day 1	4.5935	5.3239
Day 2	4.6019	5.3387
Day 3	4.6447	5.4124
Day 4	4.6948	5.4839
Day 5	4.6981	5.4592
	<b>US Dollar</b>	<b>Euro</b>
<b>Last 30-days arithmetical average rate</b>	<b>4.6212</b>	<b>5.4006</b>

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**II. FOREIGN CURRENCY EXCHANGE RISK (Continued)**

**Information on currency risk**

<b>Current Period - June 30, 2018</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
<i>Assets:</i>				
Cash and balances with the Central Bank of Republic of Turkey	6,212,243	15,960,313	6,587,304	28,759,860
Banks	358,197	6,821,468	240,808	7,420,473
Financial assets at fair value through profit or loss	-	60,701	-	60,701
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	204,459	555,366	-	759,825
Loans (2)	30,483,586	40,405,612	72,580	70,961,778
Associates, subsidiaries and joint-ventures	426,968	-	-	426,968
Financial assets measured at amortized cost	617,053	5,869,582	-	6,486,635
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	-	8,916	-	8,916
Intangible assets	-	-	-	-
Other assets (1) (3)	2,424,036	2,511,601	17	4,935,654
<b>Total assets</b>	<b>40,726,542</b>	<b>72,193,559</b>	<b>6,900,709</b>	<b>119,820,810</b>
<i>Liabilities:</i>				
Bank deposits	1,113,538	5,254,934	730,162	7,098,634
Foreign currency deposits	20,405,369	27,665,549	2,712,608	50,783,526
Interbank money market takings	538,985	2,735,155	-	3,274,140
Other funding	14,931,528	22,524,546	6,067	37,462,141
Securities issued	5,497,797	9,940,079	-	15,437,876
Miscellaneous payables	901,499	53,039	145,265	1,099,803
Derivative financial liabilities held for risk	-	-	-	-
Other liabilities (1) (4)	265,297	7,962,755	15,324	8,243,376
<b>Total liabilities</b>	<b>43,654,013</b>	<b>76,136,057</b>	<b>3,609,426</b>	<b>123,399,496</b>
<b>Net ‘on balance sheet’ position</b>	<b>(2,927,471)</b>	<b>(3,942,498)</b>	<b>3,291,283</b>	<b>(3,578,686)</b>
<b>Net ‘off-balance sheet’ position</b>	<b>3,132,000</b>	<b>4,215,808</b>	<b>(3,287,454)</b>	<b>4,060,354</b>
Derivative assets (6)	13,637,729	23,116,880	1,238,048	37,992,657
Derivative liabilities (6)	10,505,729	18,901,072	4,525,502	33,932,303
Non-cash loans (5)	8,752,897	14,756,996	300,035	23,809,928
<b>Prior Period – December 31, 2017</b>				
<b>Total assets</b>	<b>32,489,306</b>	<b>63,997,115</b>	<b>6,868,649</b>	<b>103,355,070</b>
<b>Total liabilities</b>	<b>34,106,813</b>	<b>68,776,305</b>	<b>2,260,489</b>	<b>105,143,607</b>
<b>Net ‘on balance sheet’ position</b>	<b>(1,617,507)</b>	<b>(4,779,190)</b>	<b>4,608,160</b>	<b>(1,788,537)</b>
<b>Net ‘off-balance sheet’ position</b>	<b>1,768,133</b>	<b>5,432,457</b>	<b>(4,605,831)</b>	<b>2,594,759</b>
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

- (1). Derivative financial assets amounting to TL 152,718 (December 31, 2017: TL 13,988) and liabilities amounting to TL 40,162 (December 31, 2017: TL 34,450) resulting from changes in foreign exchange rates are not included.
- (2). Foreign currency indexed loans amounting to TL 4,391,286 (December 31, 2017: TL 4,702,183) which are presented in TL column in the balance sheet are included in the table above.
- (3). Prepaid expenses amounting to TL 138,796 (December 31, 2017: TL 91,557) are not included.
- (4). Unearned revenues amounting to TL 249,151 (December 31, 2017: TL 189,318) and equities amounting to TL 60,423 (December 31, 2017: TL 195,883) are not included. (As of December 31, 2017, deferred tax liabilities amounting to TL 47,679 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 440,468 (December 31, 2017: TL 232,555) and asset sales commitments amounting to TL 1,267,072 (December 31, 2017: TL 728,635) are included.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10 percent appreciation of the TL against the following currencies for the six month period ended June 30, 2018 and 2017 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.

	Current Period- June 30, 2018	
	Profit or loss	Equity (*)
US Dollar	26,439	26,439
Euro	20,453	(22,244)
Other currencies	383	383
<b>Total, net (**)</b>	<b>47,275</b>	<b>4,578</b>

	Prior Period- June 30, 2017	
	Profit or loss	Equity (*)
US Dollar	93,837	93,837
Euro	(8,392)	(8,392)
Other currencies	601	601
<b>Total, net (**)</b>	<b>86,046</b>	<b>86,046</b>

(\*) Equity effect also the effect of the income statement due to the 10% devaluation of TL against related currencies.

(\*\*) Associates, subsidiaries and jointly controlled partnerships are included in the impact calculation for the income statement, but are not included in the impact calculation for the equity. Tangible and intangible assets are not included in the calculation of equity and income statement.

10 percent appreciation of the TL against the following currencies for the six month period ended June 30, 2018 and 2017 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	Current Period - June 30, 2018	
	Profit or loss	Equity (*)
US Dollar	(26,439)	(26,439)
Euro	(20,453)	22,244
Other currencies	(383)	(383)
<b>Total, net (**)</b>	<b>(47,275)</b>	<b>(4,578)</b>

	Prior Period - June 30, 2017	
	Profit or loss	Equity (*)
US Dollar	(93,837)	(93,837)
Euro	8,392	8,392
Other currencies	(601)	(601)
<b>Total, net (**)</b>	<b>(86,046)</b>	<b>(86,046)</b>

(\*) Equity effect also the effect of the income statement due to the 10% revaluation of TL against related currencies.

(\*\*) Associates, subsidiaries and jointly controlled partnerships are included in the impact calculation for the income statement, but are not included in the impact calculation for the equity. Tangible and intangible assets are not included in the calculation of equity and income statement.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**III. 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.

*Interest rate sensitivity of assets, liabilities and off balance sheet items based on repricing dates*

<b>Current Period - June 30, 2018</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<i>Assets:</i>							
Cash and balances with CBRT	20,601,722	-	-	-	-	14,931,869	35,533,591
Banks	5,975,446	427,729	8,492	-	-	1,019,634	7,431,301
Financial assets at fair value through profit/loss	-	-	-	-	-	60,943	60,943
Interbank money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	1,220,226	951,156	2,434,801	1,495,829	749,072	-	6,851,084
Loans (***)	92,819,296	12,440,087	34,856,041	43,952,191	23,804,514	1,891,670	209,763,799
Financial assets measured at amortized cost	3,972,574	3,609,328	9,529,690	6,800,606	4,148,224	-	28,060,422
Other assets (*)	657,719	908,134	159,559	1,582,011	146,521	14,890,356	18,344,300
<b>Total assets</b>	<b>125,246,983</b>	<b>18,336,434</b>	<b>46,988,583</b>	<b>53,830,637</b>	<b>28,848,331</b>	<b>32,794,472</b>	<b>306,045,440</b>
<i>Liabilities:</i>							
Bank deposits	8,487,360	709,568	8,210	-	-	613,470	9,818,608
Other deposits	92,595,651	27,533,694	8,571,547	170,916	-	31,726,198	160,598,006
Interbank money market takings	24,123,290	226,567	170,080	1,053,014	-	-	25,572,951
Miscellaneous payables	-	-	-	-	-	6,957,019	6,957,019
Securities issued	1,654,347	3,195,696	6,176,238	13,153,648	-	-	24,179,929
Funds borrowed	11,747,557	14,087,911	8,605,139	1,479,785	1,845,569	405,189	38,171,150
Other liabilities (**)	48,904	521,290	451,484	5,518,878	2,700,303	31,506,918	40,747,777
<b>Total liabilities</b>	<b>138,657,109</b>	<b>46,274,726</b>	<b>23,982,698</b>	<b>21,376,241</b>	<b>4,545,872</b>	<b>71,208,794</b>	<b>306,045,440</b>
On balance sheet long position	-	-	23,005,885	32,454,396	24,302,459	-	79,762,740
On balance sheet short position	(13,410,126)	(27,938,292)	-	-	-	(38,414,322)	(79,762,740)
Off-balance sheet long position	1,377,376	4,331,257	-	-	44,948	-	5,753,581
Off-balance sheet short position	-	-	(107,875)	(2,414,850)	-	-	(2,522,725)
<b>Net position</b>	<b>(12,032,750)</b>	<b>(23,607,035)</b>	<b>22,898,010</b>	<b>30,039,546</b>	<b>24,347,407</b>	<b>(38,414,322)</b>	<b>3,230,856</b>

(\*) Subsidiaries, associates and tangible and intangible assets, and deferred tax are stated in “Non-interest bearing” column.

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

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



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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. INTEREST RATE RISK (Continued)

Prior Period - December 31, 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	16,440,969	-	-	-	-	12,203,855	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 (*)	10,495	7	253	361	-	12,151,652	12,162,768
<b>Total assets</b>	<b>113,734,342</b>	<b>15,973,676</b>	<b>41,821,314</b>	<b>49,150,247</b>	<b>23,333,969</b>	<b>26,558,162</b>	<b>270,571,710</b>
<i>Liabilities:</i>							
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 (**)	21,457	175,115	517,987	4,116,157	2,292,989	31,258,999	38,382,704
<b>Total liabilities</b>	<b>121,689,931</b>	<b>37,985,221</b>	<b>21,816,511</b>	<b>15,433,213</b>	<b>5,187,134</b>	<b>68,459,700</b>	<b>270,571,710</b>
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)
<b>Net position</b>	<b>(6,688,239)</b>	<b>(18,452,182)</b>	<b>20,144,921</b>	<b>31,033,549</b>	<b>18,309,353</b>	<b>(41,901,538)</b>	<b>2,445,864</b>

(\*) Subsidiaries, associates and tangible and intangible assets, and deferred tax are stated in non-interest bearing column.

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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**III. INTEREST RATE RISK (Continued)**

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

<b>Current Period - June 30, 2018</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and balance with CBRT	-	1.50	-	7.00
Banks	0.01	1.98	-	14.16
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	4.88	5.25	-	12.26
Loans	4.95	7.23	-	17.80
Held-to-maturity investments	5.05	6.59	-	11.02
<b>Liabilities:</b>				
Bank deposits	1.11	2.13	-	18.90
Other deposits	1.76	3.92	-	14.49
Interbank money market takings	1.04	2.47	-	17.52
Miscellaneous payables	-	-	-	-
Securities issued	2.88	5.49	-	14.99
Funds borrowed	1.15	3.91	-	10.05
<b>Prior Period - December 31, 2017</b>				
	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and balance with CBRT	-	1.50	-	4.00
Banks	0.12	1.78	-	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
<b>Liabilities:</b>				
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

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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**IV. 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 and Note VII.

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:

<b>Current Period - June 30, 2018</b>	<b>Comparison</b>		
<b>Stock Investments</b>	<b>Carrying Value</b>	<b>Fair Value(*)</b>	<b>Market Value(*)</b>
<b>Stocks quoted in exchange(*)</b>	<b>756,222</b>	<b>756,222</b>	<b>756,222</b>
1.Stocks Investments Group A	756,222	756,222	756,222
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
<b>Stocks unquoted in exchange(**)</b>	<b>2,145,541</b>	<b>2,033,301</b>	<b>-</b>

(\*) 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.

<b>Prior Period - December 31, 2017</b>	<b>Comparison</b>		
<b>Stock Investments</b>	<b>Carrying Value</b>	<b>Fair Value(*)</b>	<b>Market Value(*)</b>
<b>Stocks quoted in exchange(*)</b>	<b>871,231</b>	<b>871,231</b>	<b>871,231</b>
1.Stocks Investments Group A	871,231	871,231	871,231
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
<b>Stocks unquoted in exchange(**)</b>	<b>1,735,155</b>	<b>1,634,967</b>	<b>-</b>

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. STOCK POSITION RISKS (Continued)

**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- June 30, 2018	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total (*)	Included in Principal Capital	Total (*)	Included in Principal Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	88,238	88,238
3. Other Stocks	-	1,298,124	1,298,124	-	-
<b>4. Total</b>	-	<b>1,298,124</b>	<b>1,298,124</b>	<b>88,238</b>	<b>88,238</b>

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

Portfolio-Prior Period - December 31, 2017	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total (*)	Included in Principal Capital	Total (*)	Included in Principal Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	251,676	251,676
3. Other Stocks	-	992,670	992,670	-	-
<b>4. Total</b>	-	<b>992,670</b>	<b>992,670</b>	<b>251,676</b>	<b>251,676</b>

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

**Explanations on Equity Shares Risk Arising from Banking Book**

Portfolio-Current Period - June 30, 2018	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	756,222	756,222	60,498
3.Other Stocks	2,145,541	2,145,541	171,643
<b>4. Total</b>	<b>2,901,763</b>	<b>2,901,763</b>	<b>232,141</b>

Portfolio-Prior Period - December 31, 2017	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
<b>4. Total</b>	<b>2,606,386</b>	<b>2,606,386</b>	<b>208,511</b>

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**V. 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. Assumptions which are based on decisions that are related to net liquidity position are reviewed regularly and alternative scenarios are evaluated. 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.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

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

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.

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	29 June 2018	98.65	6 April 2018	166.05
The highest value	18 May 2018	120.91	11 May 2018	323.69

**Liquidity Coverage Ratio**

		Total unweighted value*		Total weighted value*	
Current Period - June 30, 2018		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)			41,459,744	29,612,346
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	81,083,888	27,798,768	6,908,110	2,779,877
3	Stable deposits	24,005,566	-	1,200,278	-
4	Less stable deposits	57,078,322	27,798,768	5,707,832	2,779,877
5	Unsecured wholesale funding, of which:	78,290,046	27,596,744	36,577,863	15,623,783
6	Operational deposits	40,185,165	9,855,977	10,046,291	2,463,994
7	Non-operational deposits	26,706,807	11,934,176	15,624,952	7,650,775
8	Unsecured debt	11,398,074	5,806,591	10,906,620	5,509,014
9	Secured wholesale funding				
10	Additional requirements of which:	13,777,311	10,251,237	13,777,311	10,251,236
11	Outflows related to derivative exposures and other collateral requirements	13,777,311	10,251,237	13,777,311	10,251,236
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	21,536,055	19,625,131	1,076,803	981,257
15	Other contingent funding obligations	71,718,263	19,279,006	5,775,232	1,450,582
16	<b>TOTAL CASH OUTFLOWS</b>			<b>64,115,319</b>	<b>31,086,735</b>
<b>CASH INFLOWS</b>					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	19,372,512	9,244,447	14,051,919	8,060,632
19	Other cash inflows	11,061,977	10,205,729	11,061,977	10,205,730
20	<b>TOTAL CASH INFLOWS</b>	<b>30,434,489</b>	<b>19,450,176</b>	<b>25,113,896</b>	<b>18,266,362</b>
<b>Üst Sınır Uygulanmış Değerler</b>					
21	<b>TOTAL HQLA</b>			<b>41,459,744</b>	<b>29,612,346</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>39,001,423</b>	<b>12,820,373</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>106.69</b>	<b>240.08</b>

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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

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

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	3 November 2017	92.8	10 November 2017	217.96
The highest value	29 December 2017	116.18	29 December 2017	255.77

		Total unweighted value*		Total weighted value*	
Prior Period - December 31, 2017		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)			35,096,294	25,035,823
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	70,032,187	23,622,856	5,934,881	2,362,286
3	Stable deposits	21,366,750	-	1,068,337	-
4	Less stable deposits	48,665,437	23,622,856	4,866,544	2,362,286
5	Unsecured wholesale funding, of which:	72,669,268	22,549,754	30,645,411	11,790,610
6	Operational deposits	44,462,727	9,075,213	11,115,682	2,268,803
7	Non-operational deposits	20,242,152	10,138,320	11,787,501	6,407,237
8	Unsecured debt	7,964,389	3,336,221	7,742,228	3,114,570
9	Secured wholesale funding			-	-
10	Additional requirements of which:	8,310,024	7,076,659	8,310,024	7,076,659
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	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	21,058,862	20,540,725	1,052,943	1,027,036
15	Other contingent funding obligations	56,786,818	13,481,508	6,485,099	1,238,265
16	<b>TOTAL CASH OUTFLOWS</b>			<b>52,428,358</b>	<b>23,494,856</b>
<b>CASH INFLOWS</b>					
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	<b>TOTAL CASH INFLOWS</b>	<b>22,522,463</b>	<b>13,797,934</b>	<b>17,932,181</b>	<b>12,818,523</b>
<b>Üst Sınır Uygulanmış Değerler</b>					
21	<b>TOTAL HQLA</b>			<b>35,096,294</b>	<b>25,035,823</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>34,496,177</b>	<b>10,676,333</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>102.23</b>	<b>235.38</b>

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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

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

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

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.

***Maturity analysis of assets and liabilities according to remaining maturities***

<b>Current Period – June 30, 2018</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and over</b>	<b>Undistributed (*)</b>	<b>Total</b>
<b>Assets:</b>								
Cash and balance with CBRT	34,467,371	1,066,220	-	-	-	-	-	35,533,591
Banks	1,019,634	5,975,446	427,729	8,492	-	-	-	7,431,301
Financial assets at fair value through profit/loss	60,943	-	-	-	-	-	-	60,943
Interbank money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	736,722	243,409	1,408,859	3,225,879	1,236,215	-	6,851,084
Loans	-	17,951,571	7,197,325	35,827,346	92,642,731	54,253,156	1,891,670	209,763,799
Financial assets measured at amortized cost	-	91,613	45,763	1,954,065	14,487,983	11,480,998	-	28,060,422
Other assets	3,078	1,672,299	22,475	116,303	2,892,440	258,177	13,379,528	18,344,300
<b>Total assets</b>	<b>35,551,026</b>	<b>27,493,871</b>	<b>7,936,701</b>	<b>39,315,065</b>	<b>113,249,033</b>	<b>67,228,546</b>	<b>15,271,198</b>	<b>306,045,440</b>
<b>Liabilities:</b>								
Bank deposits	613,470	8,487,360	709,568	8,210	-	-	-	9,818,608
Other deposits	31,726,198	92,595,651	27,533,694	8,571,547	170,916	-	-	160,598,006
Funds borrowed	-	1,083,655	1,555,665	17,386,131	13,453,978	4,691,721	-	38,171,150
Interbank money market takings	-	23,663,712	143,438	-	1,512,591	253,210	-	25,572,951
Securities issued	-	1,654,346	3,021,099	5,379,876	14,124,608	-	-	24,179,929
Miscellaneous payables	-	-	-	-	-	-	6,957,019	6,957,019
Other liabilities	-	768,853	497,578	43,447	4,860,693	4,034,135	30,543,071	40,747,777
<b>Total liabilities</b>	<b>32,339,668</b>	<b>128,253,577</b>	<b>33,461,042</b>	<b>31,389,211</b>	<b>34,122,786</b>	<b>8,979,066</b>	<b>37,500,090</b>	<b>306,045,440</b>
<b>Liquidity gap</b>	<b>3,211,358</b>	<b>(100,759,706)</b>	<b>(25,524,341)</b>	<b>7,925,854</b>	<b>79,126,247</b>	<b>58,249,480</b>	<b>(22,228,892)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>108,799</b>	<b>(471,252)</b>	<b>146,881</b>	<b>3,111,897</b>	<b>(110,836)</b>	<b>-</b>	<b>2,785,489</b>
Receivables from Derivative Financial Instruments	-	10,094,057	3,611,135	1,256,014	24,090,466	7,908,613	-	46,960,285
Payables from Derivative Financial Instruments	-	9,985,258	4,082,387	1,109,133	20,978,569	8,019,449	-	44,174,796
Non-cash Loans	5,792,565	1,584,000	34,335,761	10,265,906	7,357,514	852,864	-	60,188,610

<b>Prior Period – December 31, 2017</b>	<b>Vadesiz</b>	<b>1 aya kadar</b>	<b>1-3 Ay</b>	<b>3-12 Ay</b>	<b>1-5 Yıl</b>	<b>5 Yıl ve Üzeri</b>	<b>Dağıtılamayan (*)</b>	<b>Toplam</b>
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
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
<b>Liquidity gap</b>	<b>(336,785)</b>	<b>(90,446,247)</b>	<b>(23,093,284)</b>	<b>6,811,518</b>	<b>80,841,157</b>	<b>45,698,286</b>	<b>(19,474,645)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>92,650</b>	<b>7,777</b>	<b>112,825</b>	<b>1,271,821</b>	<b>974,446</b>	<b>-</b>	<b>2,459,519</b>
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

(\*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed assets, associates and subsidiaries, stationery, pre-paid expenses and non-performing loans and non-performing loans net-off related provision for expected loss of stage 3 are shown in this column



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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VI. 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 6.65%. Increase in balance sheet assets and Tier I Capital transactions resulted in change in comparison with previous period (December 31, 2017: 6.80%) leverage rate. The Regulation adjudicated minimum leverage rate as 3%.

**Leverage ratio common disclosure template**

	<b>Current Period - June 30, 2018 (*)</b>
<b>On-balance sheet exposures</b>	
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	296,338,027
2. Assets deducted in determining Basel III Tier 1 capital	(402,131)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	295,935,896
<b>Derivative exposures</b>	
4. Replacement cost	3,644,501
5. Add-on amount	782,364
6. Total derivative exposures	4,426,865
<b>Securities financing transaction exposures</b>	
7. Gross SFT assets (with no recognition of accounting netting)	1,432,582
8. Agent transaction exposures	-
9. Total securities financing transaction exposures	1,432,582
<b>Other off-balance sheet exposures</b>	
10. Off-balance sheet exposures with gross nominal amount	118,343,501
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(41,607,588)
12. Total off-balance sheet exposures	76,735,913
<b>Capital and total exposures</b>	
13. Tier 1 capital	25,155,043
14. Total exposures	378,531,256
<b>Leverage ratio</b>	
15. Leverage ratio (%)	6.65

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

	<b>Prior Period - December 31, 2017(*)</b>
<b>On-balance sheet exposures</b>	
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	261,224,004
2. Assets deducted in determining Basel III Tier 1 capital	(386,413)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	260,837,591
<b>Derivative exposures</b>	
4. Replacement cost	2,314,960
5. Add-on amount	620,408
6. Total derivative exposures	2,935,368
<b>Securities financing transaction exposures</b>	
7. Gross SFT assets (with no recognition of accounting netting)	657,737
8. Agent transaction exposures	-
9. Total securities financing transaction exposures	657,737
<b>Other off-balance sheet exposures</b>	
10. Off-balance sheet exposures with gross nominal amount	98,674,402
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(34,365,170)
12. Total off-balance sheet exposures	64,309,232
<b>Capital and total exposures</b>	
13. Tier 1 capital	22,349,984
14. Total exposures	328,739,928
<b>Leverage ratio</b>	
15. Leverage ratio (%)	6.80

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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VII. 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 banking service to its personnel and enterprises which are active 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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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VII. SEGMENT REPORTING (Continued)**

Major financial statement items according to business lines:

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	3,290,136	7,310,762	3,025,186	2,898	13,628,982
<i>Interest income from loans</i>	<i>3,290,136</i>	<i>7,310,762</i>	<i>1,200,190</i>	-	<i>11,801,088</i>
<i>Interest income from reserve deposits</i>	-	-	<i>169,393</i>	-	<i>169,393</i>
<i>Interest income from securities portfolio</i>	-	-	<i>1,585,741</i>	-	<i>1,585,741</i>
<i>Interest income from banks</i>	-	-	<i>51,290</i>	-	<i>51,290</i>
<i>Interest income from money market transactions</i>	-	-	<i>18,572</i>	-	<i>18,572</i>
<i>Finance Lease Income</i>	-	-	-	-	-
<i>Other interest income</i>	-	-	-	<i>2,898</i>	<i>2,898</i>
Interest Expense	3,004,452	2,755,041	2,946,915	44,621	8,751,029
<i>Interest expense on deposits</i>	<i>3,004,452</i>	<i>2,742,102</i>	<i>186,924</i>	-	<i>5,933,478</i>
<i>Interest expense on funds borrowed</i>	-	<i>12,939</i>	<i>472,740</i>	-	<i>485,679</i>
<i>Interest expense on money market transactions</i>	-	-	<i>1,183,523</i>	-	<i>1,183,523</i>
<i>Interest expense on securities issued</i>	-	-	<i>906,959</i>	-	<i>906,959</i>
<i>Other interest expenses</i>	-	-	<i>196,769</i>	<i>44,621</i>	<i>241,390</i>
Net Interest Income	285,684	4,555,721	78,271	(41,723)	4,877,953
Net Fees and Commissions Income	314,834	546,431	94,083	-	955,348
Trading Income/ Losses (Net)	-	-	300,959	-	300,959
Dividend Income	-	-	117,447	-	117,447
Other Income (*)	-	-	-	810,218	810,218
Allowance for Expected Credit Losses	345,431	1,442,719	1,622	-	1,789,772
Other Expenses (**)	-	-	-	2,613,984	2,613,984
<b>Profit Before Taxes</b>	<b>255,087</b>	<b>3,659,433</b>	<b>589,138</b>	<b>(1,845,489)</b>	<b>2,658,169</b>
Provision for taxes	-	-	-	(532,908)	(532,908)
<b>Net Profit/ Loss</b>	<b>255,087</b>	<b>3,659,433</b>	<b>589,138</b>	<b>(2,378,397)</b>	<b>2,125,261</b>
<b>SEGMENT ASSETS</b>					
Securities Portfolio	-	-	34,972,449	-	34,972,449
Derivative Financial Assets	-	-	3,526,170	-	3,526,170
Banks and Receivables From Money Markets	-	-	7,431,301	-	7,431,301
Investments in Associates and Subsidiaries	-	-	2,841,047	-	2,841,047
Loans	52,158,879	119,621,886	37,983,034	-	209,763,799
Other Assets	-	-	38,543,911	8,966,763	47,510,674
<b>TOTAL ASSETS</b>	<b>52,158,879</b>	<b>119,621,886</b>	<b>125,297,912</b>	<b>8,966,763</b>	<b>306,045,440</b>
<b>SEGMENT LIABILITIES</b>					
Deposits	77,095,294	83,502,712	9,818,608	-	170,416,614
Derivative Financial Liabilities	-	-	2,167,656	-	2,167,656
Interbank Money Market Takings	-	-	25,572,951	-	25,572,951
Funds Borrowed	-	1,815,522	36,355,628	-	38,171,150
Securities Issued	-	-	24,179,929	-	24,179,929
Other Liabilities	-	-	7,073,203	9,640,864	16,714,067
Provisions and Tax Liabilities	-	-	-	2,735,684	2,735,684
Equity	-	-	-	26,087,389	26,087,389
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>77,095,294</b>	<b>85,318,234</b>	<b>105,167,975</b>	<b>38,463,937</b>	<b>306,045,440</b>

(\*) TL 642,202 amount of TL 810,218 shown in other income line consists of rejecting reserves from previous periods, TL 78,158 of income from sale of Bank's assets, TL 18,231 from communications income, TL 571 from leasing income, and remaining TL 71,056 of other income.

(\*\*) TL 1,050,297 amount of TL 2,613,984 shown in other expenses line consists of personnel expenses, TL 1,036,460 of other operating expenses, TL 84,413 of depreciation expenses, TL 126,461 of dividend reserves expenses to be given to personnel, TL 93,654 of Savings Deposit Insurance Fund (SDIF) expenses, TL 95,560 of taxes and funds expenses, and the remaining TL 127,139 of other expenses.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VII. SEGMENT REPORTING (Continued)**

<b>Prior Period</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	2,667,230	4,860,245	2,467,610	2,285	9,997,370
<i>Interest income from loans</i>	2,667,230	4,860,245	756,496	-	8,283,971
<i>Interest income from reserve deposits</i>	-	-	94,097	-	94,097
<i>Interest income from securities portfolio</i>	-	-	1,578,559	-	1,578,559
<i>Interest income from banks</i>	-	-	16,271	-	16,271
<i>Interest income from money market transactions</i>	-	-	22,187	-	22,187
<i>Finance Lease Income</i>	-	-	-	-	-
<i>Other interest income</i>	-	-	-	2,285	2,285
Interest Expense	1,888,217	1,966,254	1,618,906	25,853	5,499,230
<i>Interest expense on deposits</i>	1,888,217	1,959,103	105,882	-	3,953,202
<i>Interest expense on funds borrowed</i>	-	7,151	296,905	-	304,056
<i>Interest expense on money market transactions</i>	-	-	619,523	-	619,523
<i>Interest expense on securities issued</i>	-	-	436,380	-	436,380
<i>Other interest expenses</i>	-	-	160,216	25,853	186,069
Net Interest Income	779,013	2,893,991	848,704	(23,568)	4,498,140
Net Fees and Commissions Income	225,541	338,009	39,238	-	602,788
Trading Income/ Losses (Net)	-	-	118,629	-	118,629
Dividend Income	-	-	63,565	-	63,565
Other Income (*)	-	-	-	820,302	820,302
Allowance for Expected Credit Losses	321,140	862,552	20,606	147,640	1,351,938
Other Expenses (**)	-	-	-	2,094,222	2,094,222
<b>Profit Before Taxes</b>	<b>683,414</b>	<b>2,369,448</b>	<b>1,049,530</b>	<b>(1,445,128)</b>	<b>2,657,264</b>
Provision for taxes	-	-	-	(535,854)	(535,854)
<b>Net Profit/ Loss</b>	<b>683,414</b>	<b>2,369,448</b>	<b>1,049,530</b>	<b>(1,980,982)</b>	<b>2,121,410</b>
<b>SEGMENT ASSETS</b>					
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
<b>TOTAL ASSETS</b>	<b>48,222,428</b>	<b>106,467,197</b>	<b>106,674,860</b>	<b>9,207,225</b>	<b>270,571,710</b>
<b>SEGMENT LIABILITIES</b>					
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
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>65,323,825</b>	<b>80,746,901</b>	<b>87,156,375</b>	<b>37,344,609</b>	<b>270,571,710</b>

(\*) TL 650,045 amount of TL 820,302 shown in other income line consists of rejecting reserves from previous periods, TL 76,360 of income from sale of Bank's assets, TL 24,976 from communications income, TL 474 from leasing income and remaining TL 68,447 of other income.

(\*\*) TL 801,970 amount of TL 2,094,222 shown in other expenses line consists of personnel expenses, TL 849,658 of other operating expenses, TL 92,305 of depreciation expenses, TL 82,005 of dividend reserves expenses to be given to personnel, TL 89,525 of Savings Deposit Insurance Fund (SDIF) expenses, TL 74,144 of taxes and funds expenses, and the remaining TL 104,615 of other expenses.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VIII. INFORMATION ON RISK MANAGEMENT**

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

**Risk Weighted Amounts**

<b>Current Period- June 30, 2018</b>	<b>Risk Weighted Amount</b>	<b>Minimum Capital Requirements</b>
<b>1 Credit Risk (excluding counterparty credit risk) (*)</b>	<b>194,641,607</b>	<b>15,571,329</b>
2 Standardised approach	194,641,607	15,571,329
3 Internal rating based approach	-	-
<b>4 Counterparty Credit Risk</b>	<b>4,824,167</b>	<b>385,933</b>
5 Standardised approach for counterparty credit risk	4,824,167	385,933
6 Internal model method	-	-
<b>7 Equity position in banking book under basic risk weighting or internal rating based</b>	<b>-</b>	<b>-</b>
<b>8 Equity investments in funds – look-through approach</b>	<b>227</b>	<b>18</b>
<b>9 Equity investments in funds – mandate-based approach</b>	<b>-</b>	<b>-</b>
<b>10 Equity investments in funds – 1250% weighted risk approach</b>	<b>-</b>	<b>-</b>
<b>11 Settlement Risk</b>	<b>-</b>	<b>-</b>
<b>12 Securitization positions in banking accounts</b>	<b>-</b>	<b>-</b>
13 IRB ratings-based approach	-	-
14 IRB Supervisory formula approach	-	-
15 SA/simplified supervisory formula approach	-	-
<b>16 Market risk</b>	<b>1,320,483</b>	<b>105,639</b>
17 Standardised approach	1,320,483	105,639
18 Internal model approaches	-	-
<b>19 Operational Risk</b>	<b>16,757,496</b>	<b>1,340,600</b>
20 Basic Indicator Approach	16,757,496	1,340,600
21 Standardised approach	-	-
22 Advanced measurement approach	-	-
<b>23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)</b>	<b>-</b>	<b>-</b>
<b>24 Floor adjustment</b>	<b>-</b>	<b>-</b>
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>217,543,980</b>	<b>17,403,518</b>

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

	Risk Weighted Amount	Minimum Capital Requirements
<b>Prior Period - December 31, 2017</b>		
<b>1 Credit Risk (excluding counterparty credit risk) (*)</b>	<b>168,059,840</b>	<b>13,444,787</b>
2 Standardised approach	168,059,840	13,444,787
3 Internal rating based approach	-	-
<b>4 Counterparty Credit Risk</b>	<b>2,832,891</b>	<b>226,631</b>
5 Standardised approach for counterparty credit risk	2,832,891	226,631
6 Internal model method	-	-
<b>7 Equity position in banking book under basic risk weighting or internal rating based</b>	<b>-</b>	<b>-</b>
<b>8 Equity investments in funds – look-through approach</b>	<b>263</b>	<b>21</b>
<b>9 Equity investments in funds – mandate-based approach</b>	<b>-</b>	<b>-</b>
<b>10 Equity investments in funds – 1250% weighted risk approach</b>	<b>-</b>	<b>-</b>
<b>11 Settlement Risk</b>	<b>-</b>	<b>-</b>
<b>12 Securitization positions in banking accounts</b>	<b>-</b>	<b>-</b>
13 IRB ratings-based approach	-	-
14 IRB Supervisory formula approach	-	-
15 SA/simplified supervisory formula approach	-	-
<b>16 Market risk</b>	<b>652,375</b>	<b>52,190</b>
17 Standardised approach	652,375	52,190
18 Internal model approaches	-	-
<b>19 Operational Risk</b>	<b>14,255,142</b>	<b>1,140,412</b>
20 Basic Indicator Approach	14,255,142	1,140,412
21 Standardised approach	-	-
22 Advanced measurement approach	-	-
<b>23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)</b>	<b>-</b>	<b>-</b>
<b>24 Floor adjustment</b>	<b>-</b>	<b>-</b>
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>185,800,511</b>	<b>14,864,041</b>

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

a) Credit Risk Mitigation

Credit quality of assets

		<u>Gross carrying values of (according to TAS)</u>			
<b>Current Period- June 30, 2018</b>		<b>Defaulted Exposures</b>	<b>Defaulted Exposures</b>	<b>Allowances / Impairment</b>	<b>Net Values</b>
1	Loans	8,507,709	210,101,417	8,845,327	209,763,799
2	Debt Securities	-	35,176,202	203,753	34,972,449
3	Off-balance sheet exposure	245,830	94,003,052	27,814	94,221,068
<b>4</b>	<b>Total</b>	<b>8,753,539</b>	<b>339,280,671</b>	<b>9,076,894</b>	<b>338,957,316</b>

		<u>Gross carrying values of (according to TAS)</u>			
<b>Prior Period - December 31, 2017</b>		<b>Defaulted Exposures</b>	<b>Defaulted Exposures</b>	<b>Allowances / Impairment</b>	<b>Net Values</b>
1	Loans	7,638,206	182,942,481	6,609,072	183,971,615
2	Debt Securities	0	30,127,332	123,452	30,003,880
3	Off-balance sheet exposure	169,355	79,708,432	75,942	79,801,845
<b>4</b>	<b>Total</b>	<b>7,807,561</b>	<b>292,778,245</b>	<b>6,808,466</b>	<b>293,777,340</b>

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VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Changes in stock of defaulted loans and debt securities (\*)

		Current Period - June 30, 2018
1	Defaulted Loans and debt securities at end of the previous reporting period	7,638,206
2	Loans and debt securities that have defaulted since the last reporting period	1,838,294
3	Returned to non-defaulted status	-
4	Amounts written-off	-
5	Other Changes	(968,791)
6	Defaulted Loans and debt securities at end of the reporting period (1+2-3-4±5)	8,507,709
		Prior Period - December 31, 2017
1	Defaulted Loans and debt securities at end of the previous reporting period	6,413,503
2	Loans and debt securities that have defaulted since the last reporting period	3,189,506
3	Returned to non-defaulted status	106,595
4	Amounts written-off	-
5	Other Changes	(1,858,208)
6	Defaulted Loans and debt securities at end of the reporting period (1+2-3-4±5)	7,638,206

(\*) Provisions for non-cash loans that are not indemnified and not converted into cash are not included.

Credit risk mitigation techniques

		Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
<b>Current Period Sonu - June 30, 2018</b>								
1	Loans	142,061,017	67,702,782	53,537,023	27,138,509	24,914,095	-	-
2	Debt Securities	34,972,449	-	-	-	-	-	-
3	<b>Total</b>	<b>177,033,466</b>	<b>67,702,782</b>	<b>53,537,023</b>	<b>27,138,509</b>	<b>24,914,095</b>	-	-
4	Of which Defaulted	8,507,709	-	-	-	-	-	-
<b>Prior Period - December 31, 2017</b>								
1	Loans	105,589,475	78,382,140	66,629,280	3,652,598	3,128,437	-	-
2	Debt Securities	30,003,880	-	-	-	-	-	-
3	<b>Total</b>	<b>135,593,355</b>	<b>78,382,140</b>	<b>66,629,280</b>	<b>3,652,598</b>	<b>3,128,437</b>	-	-
Of which								
4	Defaulted	7,638,206	-	-	-	-	-	-

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**VIII. INFORMATION ON RISK MANAGEMENT (Continued)**

**Credit risk exposure and credit risk mitigation effects**

Current Period - June 30, 2018	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
1 Exposures to central governments or central banks	92,542,427	1,515,991	97,747,517	892,410	7,255,402	7.36%
2 Exposures to regional governments or local authorities	8,598,699	712,741	8,598,699	336,973	4,464,584	49.96%
3 Exposures to public sector entities	407,563	332,848	407,563	144,878	534,586	96.77%
4 Exposures to multilateral development banks	-	1,753	-	1,753	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to institutions	8,068,038	2,498,574	8,068,037	1,648,686	4,074,022	41.93%
7 Exposures to corporates	80,524,963	80,071,721	75,319,874	27,995,085	101,745,104	98.48%
8 Retail exposures	51,151,162	28,940,902	51,151,162	3,672,189	40,862,148	74.53%
9 Exposures secured by residential property	25,056,355	1,013,528	25,056,355	457,273	8,929,770	35.00%
10 Exposures secured by commercial real estate	25,201,211	2,507,288	25,201,211	1,446,630	16,251,129	60.98%
11 Past-due loans	1,891,670	-	1,891,670	-	1,891,670	100.00%
12 Higher-risk categories by the Agency Board	249,433	10,038	249,433	9,412	388,267	150.00%
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 (CIUs)	227	-	227	-	227	100.00%
16 Other assets	7,738,568	-	7,738,568	-	5,343,165	69.05%
17 Investment in equities	2,901,763	-	2,901,763	-	2,901,760	100.00%
18 <b>Total</b>	<b>304,332,079</b>	<b>117,605,384</b>	<b>304,332,079</b>	<b>36,605,289</b>	<b>194,641,834</b>	<b>57.09%</b>

Prior Period – December 31, 2017	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA
1 Exposures to central governments or central banks	82,907,438	1,395,677	85,877,681	802,646	5,046,770	5.82%
2 Exposures to regional governments or local authorities	6,667,600	518,181	6,667,600	241,940	3,416,740	49.45%
3 Exposures to public sector entities	301,190	311,734	301,190	137,108	424,900	96.94%
4 Exposures to multilateral development banks	-	1,583	-	1,583	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to institutions	6,234,863	2,067,023	6,234,862	1,302,306	3,338,108	44.29%
7 Exposures to corporates	66,095,260	65,127,912	63,125,018	23,100,224	84,870,828	98.43%
8 Retail exposures	46,810,704	24,689,970	46,810,704	3,212,915	37,286,782	74.54%
9 Exposures secured by residential property	22,850,866	931,214	22,850,866	420,940	8,145,132	35.00%
10 Exposures secured by commercial real estate	23,816,613	2,279,165	23,816,613	1,301,591	15,449,818	61.51%
11 Past-due loans	1,039,387	-	1,039,387	-	1,039,387	100.00%
12 Higher-risk categories by the Agency Board	212,032	15,305	212,032	8,635	331,000	150.00%
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 (CIUs)	263	-	263	-	263	100.00%
16 Other assets	8,395,667	-	8,395,667	-	6,103,990	72.70%
17 Investment in equities	2,606,386	-	2,606,386	-	2,606,385	100.00%
18 <b>Total</b>	<b>267,938,269</b>	<b>97,337,764</b>	<b>267,938,269</b>	<b>30,529,888</b>	<b>168,060,103</b>	<b>56.31%</b>



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**VIII. INFORMATION ON RISK MANAGEMENT (Continued)**

**Exposures by asset classes and risk weights**

Current Period - June 30, 2018	Asset Classes/ Risk Weight*	0%	10%	20%	35% (secured by real estate)	50%	75%	100%	150%	200%	250%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
1	Exposures to central governments or central banks	84,129,122	-	-	-	14,510,804	-	-	-	-	-	-	98,639,927
2	Exposures to regional governments or local authorities	6,475	-	46	-	8,929,150	-	-	-	-	-	-	8,935,672
3	Exposures to public sector entities	2,782	-	18,841	-	-	-	530,818	-	-	-	-	552,441
4	Exposures to multilateral development banks	1,753	-	-	-	-	-	-	-	-	-	-	1,753
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	740	-	2,985,910	-	6,506,469	-	223,605	-	-	-	-	9,716,724
7	Exposures to corporates	459,307	-	267,998	-	1,792,300	-	100,795,354	-	-	-	-	103,314,959
8	Retail exposures	261,166	-	108,165	-	-	54,454,020	-	-	-	-	-	54,823,351
9	Exposures secured by residential property	-	-	-	25,513,629	-	-	-	-	-	-	-	25,513,629
10	Exposures secured by commercial real estate	-	-	-	-	20,793,423	-	5,854,418	-	-	-	-	26,647,841
11	Past-due loans	-	-	-	-	-	-	1,891,670	-	-	-	-	1,891,670
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	258,845	-	-	-	258,845
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-
	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	227	-	-	-	-	227
16	Investments in equities	-	-	-	-	-	-	2,901,763	-	-	-	-	2,901,763
17	Other assets	2,088,091	-	384,140	-	-	-	5,266,337	-	-	-	-	7,738,568
<b>18</b>	<b>Total</b>	<b>86,949,436</b>	<b>-</b>	<b>3,765,100</b>	<b>25,513,629</b>	<b>52,532,146</b>	<b>54,454,020</b>	<b>117,464,192</b>	<b>258,845</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>340,937,368</b>
Prior Period - December 31, 2017	Asset Classes/ Risk Weight*	0%	10%	20%	35% (secured by real estate)	50%	75%	100%	150%	200%	250%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
1	Exposures to central governments or central banks	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	-	-	-	-	-	-	-	23,271,806
10	Exposures secured by commercial real estate	-	-	-	-	19,336,772	-	5,781,432	-	-	-	-	25,118,204
11	Past-due loans	-	-	-	-	-	-	1,039,387	-	-	-	-	1,039,387
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	220,667	-	-	-	220,667
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	263	-	-	-	-	263
16	Investments in equities	-	-	-	-	-	-	2,606,386	-	-	-	-	2,606,386
17	Other assets	1,987,490	-	380,234	-	-	-	6,027,943	-	-	-	-	8,395,667
<b>18</b>	<b>Total</b>	<b>79,196,710</b>	<b>-</b>	<b>2,723,763</b>	<b>23,271,806</b>	<b>43,186,749</b>	<b>49,690,469</b>	<b>100,177,993</b>	<b>220,667</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>298,468,157</b>

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VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Counterparty credit risk (CCR) approach analysis

Current Period - June 30, 2018		Renewal Cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk-weighted amounts
1	Fair value method - KKR (for derivatives)	4,207,918	762,919			4,970,837	2,521,210
2	Standard approach - KKR (for derivatives)	-	-		1.4	-	-
3	Internal Model Method(for derivative financial instruments,repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap için)					-	-
4	Simple methods that can be used to mitigate credit risk-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					1,654,391	434,092
5	A comprehensive method for credit risk reduction-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					-	-
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
7	<b>Total</b>						<b>2,955,302</b>

Prior Period - December 31, 2017		Yenileme maliyeti	Potansiyel kredi risk tutarı	EBPRT	Yasal risk tutarının hesaplanması için kullanılan alfa	Kredi risk azaltım sonrası risk tutarı	Risk ağırlıklı tutarlar
1	Fair value method - KKR (for derivatives)	2,150,962	593,723			2,744,685	1,535,780
2	Standard approach - KKR (for derivatives)	-	-		1.4	-	-
3	Internal Model Method(for derivative financial instruments,repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap için)					-	-
4	Simple methods that can be used to mitigate credit risk-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					568,751	141,930
5	A comprehensive method for credit risk reduction-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					-	-
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
6	<b>Total</b>						<b>1,677,710</b>

Capital requirement for credit valuation adjustment (CVA)

Current Period - June 30, 2018		EAD post CRM	RWA
<b>Total portfolios subject to the Advanced CVA capital obligation</b>		-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	4,970,837	1,867,552
4	Total subject to the CVA capital obligation	4,970,837	1,867,552
Prior Period - December 31, 2017		EAD post CRM	RWA
<b>Total portfolios subject to the Advanced CVA capital obligation</b>		-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	2,744,685	1,154,771
4	Total subject to the CVA capital obligation	2,744,685	1,154,771

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VIII. INFORMATION ON RISK MANAGEMENT (Continued)**

**Standardized approach CCR exposures by risk class and risk weights**

<b>Risk Classes / Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35% Secured by real estate</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Diğer</b>	<b>Total Credit Exposures(*)</b>
Claims from central governments and central banks	22,189,436	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	2,714	-	32	-	-	-	-	-	-	6
Claims from administration and non commercial entity	174	-	-	-	-	-	2	-	-	2
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	3,234,863	-	3,990,327	-	6,315,025	-	505,654	-	-	4,461,232
Corporates	1,148	-	-	-	-	-	358,254	-	-	358,254
Retail portfolios	220	-	-	-	-	6,229	-	-	-	4,672
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 Receivables	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
<b>Toplam</b>	<b>25,428,555</b>	<b>-</b>	<b>3,990,359</b>	<b>-</b>	<b>6,315,025</b>	<b>6,229</b>	<b>863,910</b>	<b>-</b>	<b>-</b>	<b>4,824,166</b>

(\*) 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 counter counterparty risks includes amounts not included in the credit risk.

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**VIII. INFORMATION ON RISK MANAGEMENT (Continued)**

*Standardized approach CCR exposures by risk class and risk weights (Continued)*

<b>Risk Classes / Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35% Secured by real estate</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Diğer</b>	<b>Total Credit Exposures(*)</b>
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 Receivables	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
<b>Toplam</b>	<b>9,037,292</b>	<b>-</b>	<b>1,404,309</b>	<b>-</b>	<b>3,662,933</b>	<b>2,862</b>	<b>718,415</b>	<b>-</b>	<b>-</b>	<b>2,832,891</b>

(\*) 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 counter counterparty risks includes amounts not included in the credit risk.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Collaterals for counterparty credit risk

Current Period - June 30, 2018	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	22,793,055	-
Cash-foreign currency	-	-	-	-	4,289,890	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>27,082,945</b>	-

Prior Period - December 31, 2017	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	7,193,065	-
Cash-foreign currency	-	-	-	-	2,412,978	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>9,606,043</b>	-

Loan Derivatives

Current Period - June 30, 2018	Protection bought	Protection sold
<b>Notionals</b>		
Single-name credit default swaps	90,159	252,124
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
<b>Total Notionals</b>	<b>90,159</b>	<b>252,124</b>
<b>Fair Values</b>	<b>4,508</b>	<b>57,289</b>
Positive fair values (asset)	4,508	-
Negative fair values (liability)	-	57,289
<b>Prior Period - December 31, 2017</b>	<b>Protection bought</b>	<b>Protection sold</b>
<b>Notionals</b>		
Single-name credit default swaps	72,125	140,118
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
<b>Total Notionals</b>	<b>72,125</b>	<b>140,118</b>
<b>Fair Values</b>	<b>7,631</b>	<b>24,444</b>
Positive fair values (asset)	7,631	-
Negative fair values (liability)	-	24,444

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VIII. INFORMATION ON RISK MANAGEMENT (Continued)**

**Central counterparty risks**

<b>Current Period - June 30, 2018</b>		<b>Exposure at default (post-CRM)</b>	<b>RWA</b>
1	<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		1,313
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC Derivatives	65,630	1,313
4	(ii) Exchange-traded Derivatives	65,630	1,313
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	<b>Exposures to non-QCCPs (total)</b>		-
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	-	-

<b>Prior Period - December 31, 2017</b>		<b>Exposure at default (post-CRM)</b>	<b>RWA</b>
1	<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		410
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC Derivatives	20,494	410
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	<b>Exposures to non-QCCPs (total)</b>		-
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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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Market Risk- Standardized approach

Current Period - June 30, 2018		RWA
<b>Outright products</b>		
1	Interest rate risk (general and specific)	576,063
2	Stock risk (general and specific)	-
3	Foreign exchange risk	723,683
4	Commodity risk	-
<b>Options</b>		
5	Simplified approach	-
6	Delta-plus method	20,737
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>1,320,483</b>
Prior Period - December 31, 2017		RAT
<b>Outright products</b>		
1	Interest rate risk (general and specific)	233,425
2	Stock risk (general and specific)	-
3	Foreign exchange risk	385,122
4	Commodity risk	-
<b>Options</b>		
5	Simplified approach	-
6	Delta-plus method	33,828
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>652,375</b>

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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**

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Cash	1,389,161	683,395
Central Bank of the Republic of Turkey (*)	5,017,439	28,043,921
Other	367,131	32,544
<b>Total</b>	<b>6,773,731</b>	<b>28,759,860</b>

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Cash	1,395,342	584,189
Central Bank of the Republic of Turkey (*)	2,275,103	24,001,997
Other	350,876	37,317
<b>Total</b>	<b>4,021,321</b>	<b>24,623,503</b>

(\*) TL 22,884,183 (December 31, 2017: TL 20,815,769) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

In accordance with “Announcement on Reserve Deposits” of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from %4 to %10.5 (December 31, 2017: ranging from %4 to %10.5). For foreign currency liabilities, all banks shall provide a reserve rate ranging from %4 to %24 in US Dollar or Euro (December 31, 2017: ranging from %4 to %24).

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***

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Unrestricted demand deposits	4,924,071	4,093,518
Unrestricted time deposits	-	-
Restricted time deposits	-	1,066,220
Reserve Deposits	93,368	22,884,183
<b>Total</b>	<b>5,017,439</b>	<b>28,043,921</b>

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

**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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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

*Positive differences on derivative financial assets held for trading purpose*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Forward transactions	24,076	6,404
Swap transactions	3,149,633	342,632
Futures	-	-
Options	429	2,996
Other	-	-
<b>Total</b>	<b>3,174,138</b>	<b>352,032</b>

*Positive differences on derivative financial assets held for trading purpose*

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Forward transactions	20,577	5,359
Swap transactions	1,780,915	128,744
Futures	-	-
Options	433	497
Other	-	-
<b>Total</b>	<b>1,801,925</b>	<b>134,600</b>

3. Information on banks

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Banks		
Domestic	10,828	778,910
Foreign	-	6,641,563
Foreign Head Offices and Branches	-	-
<b>Total</b>	<b>10,828</b>	<b>7,420,473</b>

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Banks		
Domestic	308,552	1,750,257
Foreign	-	9,829,019
Foreign Head Offices and Branches	-	-
<b>Total</b>	<b>308,552</b>	<b>11,579,276</b>

4. Information on financial assets at fair value through other comprehensive income:

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

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FP</b>
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	940,254	41,358
Other	-	-
<b>Total</b>	<b>940,254</b>	<b>41,358</b>

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

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FP</b>
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	8,553,659	344,646
Other	-	-
<b>Toplam</b>	<b>8,553,659</b>	<b>344,646</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FP</b>
Government bonds	3,035,228	-
Treasury bills	-	-
Other debt securities	-	25,364
Bonds issued or guaranteed by banks	-	-
Asset backed securities	-	-
Other	-	-
<b>Total</b>	<b>3,035,228</b>	<b>25,364</b>

*Available-for-sale financial assets subject to repurchase agreements*

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

*Information on financial assets at fair value through other comprehensive income*

	<b>Current Period - June 30, 2018</b>
<b>Debt securities</b>	<b>7,054,837</b>
Quoted on a Stock Exchange	7,054,837
Unquoted	-
<b>Equity securities</b>	<b>-</b>
Quoted on a Stock Exchange	-
Unquoted	-
<b>Provisions for impairment losses (-)</b>	<b>203,753</b>
<b>Total</b>	<b>6,851,084</b>

*Information on available-for-sale financial assets*

	<b>Current Period - December 31, 2017</b>
<b>Debt securities</b>	<b>13,626,089</b>
Quoted on a Stock Exchange	13,626,089
Unquoted	-
<b>Equity securities</b>	<b>43,370</b>
Quoted on a Stock Exchange	-
Unquoted	43,370
<b>Provisions for impairment losses (-)</b>	<b>119,745</b>
<b>Total</b>	<b>13,549,714</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

5. Information on loans

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

<b>Current Period - June 30, 2018</b>	<b>Cash</b>	<b>Non-Cash</b>
<b>Direct loans provided to the shareholders</b>	-	38,079
Legal entities	-	38,079
Real persons	-	-
<b>Indirect loans provided to the shareholders</b>	-	-
<b>Loans provided to the employees</b>	146,336	-
<b>Total</b>	<b>146,336</b>	<b>38,079</b>
<b>Prior Period - December 31, 2017</b>	<b>Cash</b>	<b>Non-Cash</b>
<b>Direct loans provided to the shareholders</b>	-	38,243
Legal entities	-	38,243
Real persons	-	-
<b>Indirect loans provided to the shareholders</b>	-	-
<b>Loans provided to the employees</b>	140,344	-
<b>Total</b>	<b>140,344</b>	<b>38,243</b>

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

<b>Current Period - June 30, 2018</b>	<b>Loans and other receivables under close monitoring</b>			
	<b>Standard loans</b>	<b>Loans not Subject to Restructuring</b>	<b>Agreement conditions modified</b>	
			<b>Loans with Revised Contract Terms</b>	<b>Refinance</b>
<b>Cash Loans</b>				
<b>Non-specialized loans</b>	<b>201,584,709</b>	<b>5,523,646</b>	<b>358,553</b>	<b>2,634,509</b>
Loans given to enterprises	67,513,064	2,834,033	157,261	2,441,530
Export loans	9,450,947	275,729	1,048	1,916
Import loans	-	-	-	-
Loans given to financial sector	1,552,983	187	-	-
Consumer loans	45,380,406	892,332	49,719	186,915
Credit cards	7,437,814	150,541	43,678	4,057
Other	70,249,495	1,370,824	106,847	91
<b>Specialized lending</b>	-	-	-	-
<b>Other receivables</b>	-	-	-	-
<b>Total</b>	<b>201,584,709</b>	<b>5,523,646</b>	<b>358,553</b>	<b>2,634,509</b>

The Bank has a cash loan exposure to Ojer Telekomunikasyon A.Ş. (OTAŞ) with a principal balance of TL 966,979 included accrued interest related with the acquisition finance of Türk Telekomunikasyon A.Ş. (Türk Telekom) within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral. The respective loan is classified as loans under follow up. All creditors including our Bank have reached an agreement on restructuring the related loan. As per the agreed structure, it is contemplated that the OTAŞ's 1.925.000.000 Class A shares in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing facilities would be taken over by a special purpose vehicle incorporated or to be incorporated directly or indirectly by the creditors in the Republic of Turkey. Completion of the transaction is subject to agreements with respect to the facilities to be restructured at the new company level being agreed, all requisite corporate, governmental and any other approvals and consents being obtained and all requisite conditions under the agreements being met.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

**Prior Period - December 31, 2017**

Cash Loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Agreement conditions modified	Other	Loans and other receivables	Agreement conditions modified	
					Payment plan extensions	Other
<b>Non-specialized loans</b>	<b>173,317,808</b>	<b>2,664,938</b>	-	<b>5,391,296</b>	<b>1,558,186</b>	-
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	-
<b>Specialized lending</b>	-	-	-	-	-	-
<b>Other receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>173,317,808</b>	<b>2,664,938</b>	-	<b>5,391,296</b>	<b>1,558,186</b>	-

**Current Period - June 30, 2018**

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,780,965	-
Significant Increase in Credit Risk	-	448,323

*Information related to the changes in the payment plans of loans:*

**Current Period - June 30, 2018**

Number of modifications to extend payment plans	Standard Loans	Loans under close monitoring
Extended for 1 or 2 times	1,513,591	2,993,062
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

Extended period of time	Standard Loans	Loans under close monitoring
0-6 Months	5	18,648
6-12 Months	84,716	91,175
1-2 Years	27,730	112,663
2-5 Years	738,556	1,706,401
5 Years and Over	662,584	1,064,175

**Prior period - December 31, 2017**

Number of modifications to extend payment plans	Standard Loans (*)	Loans 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 (*)	Loans 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.

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

Current Period - June 30, 2018	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>568,666</b>	<b>42,877,452</b>	<b>43,446,118</b>
Housing loans	12,273	20,870,727	20,883,000
Automobile loans	4,479	414,938	419,417
General purpose loans	551,914	21,591,787	22,143,701
Other	-	-	-
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans – FC</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Retail credit cards – TL</b>	<b>5,596,029</b>	<b>72,092</b>	<b>5,668,121</b>
With instalment	2,379,726	70,426	2,450,152
Without instalment	3,216,303	1,666	3,217,969
<b>Retail credit cards – FC</b>	<b>12,468</b>	-	<b>12,468</b>
With instalment	-	-	-
Without instalment	12,468	-	12,468
<b>Personnel loans – TL</b>	<b>6,488</b>	<b>69,381</b>	<b>75,869</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	6,488	69,381	75,869
Other	-	-	-
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans – FC</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel credit cards – TL</b>	<b>69,885</b>	<b>285</b>	<b>70,170</b>
With instalment	26,538	270	26,808
Without instalment	43,347	15	43,362
<b>Personnel credit cards – FC</b>	<b>297</b>	-	<b>297</b>
With instalment	-	-	-
Without instalment	297	-	297
<b>Overdraft Checking Accounts – TL (Real person)</b>	<b>2,987,204</b>	-	<b>2,987,204</b>
<b>Overdraft Checking Accounts – FC (Real person)</b>	<b>181</b>	-	<b>181</b>
<b>Total</b>	<b>9,241,218</b>	<b>43,019,210</b>	<b>52,260,428</b>

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

Prior Period - December 31, 2017	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>573,114</b>	<b>39,344,936</b>	<b>39,918,050</b>
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	-	-	-
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans – FC</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Retail credit cards – TL</b>	<b>5,174,880</b>	<b>93,414</b>	<b>5,268,294</b>
With instalment	2,271,719	82,305	2,354,024
Without instalment	2,903,161	11,109	2,914,270
<b>Retail credit cards – FC</b>	<b>12,071</b>	-	<b>12,071</b>
With instalment	-	-	-
Without instalment	12,071	-	12,071
<b>Personnel loans – TL</b>	<b>4,477</b>	<b>57,389</b>	<b>61,866</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	4,477	57,389	61,866
Other	-	-	-
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans – FC</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel credit cards – TL</b>	<b>77,776</b>	<b>454</b>	<b>78,230</b>
With instalment	30,276	411	30,687
Without instalment	47,500	43	47,543
<b>Personnel credit cards – FC</b>	<b>248</b>	-	<b>248</b>
With instalment	-	-	-
Without instalment	248	-	248
<b>Overdraft Checking Accounts – TL (Real person)</b>	<b>2,613,639</b>	-	<b>2,613,639</b>
<b>Overdraft Checking Accounts – FC (Real person)</b>	<b>158</b>	-	<b>158</b>
<b>Total</b>	<b>8,456,363</b>	<b>39,496,193</b>	<b>47,952,556</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

*Installment based commercial loans and corporate credit cards*

Current Period - June 30, 2018	Short-Term	Medium and Long-Term	Total
<b>Installment-based commercial loans – TL</b>	<b>1,203,704</b>	<b>47,142,088</b>	<b>48,345,792</b>
Real estate loans	1,242	1,118,890	1,120,132
Automobile loans	109,738	1,987,349	2,097,087
General purpose loans	1,092,724	44,035,849	45,128,573
Other	-	-	-
<b>Installment-based commercial loans – FC indexed</b>	<b>923</b>	<b>1,987,183</b>	<b>1,988,106</b>
Real estate loans	-	-	-
Automobile loans	-	188,933	188,933
General purpose loans	923	1,798,250	1,799,173
Other	-	-	-
<b>Installment-based commercial loans – FC</b>	<b>1,142</b>	<b>10,292,262</b>	<b>10,293,404</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,142	10,292,262	10,293,404
Other	-	-	-
<b>Corporate credit cards – TL</b>	<b>1,880,414</b>	<b>3,117</b>	<b>1,883,531</b>
With instalment	470,013	3,117	473,130
Without instalment	1,410,401	-	1,410,401
<b>Corporate credit cards – FC</b>	<b>1,503</b>	<b>-</b>	<b>1,503</b>
With instalment	-	-	-
Without instalment	1,503	-	1,503
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>1,847,731</b>	<b>-</b>	<b>1,847,731</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4,935,417</b>	<b>59,424,650</b>	<b>64,360,067</b>

Prior Period - December 31, 2017	Short-Term	Medium and Long-Term	Total
<b>Installment-based commercial loans – TL</b>	<b>1,169,354</b>	<b>43,812,223</b>	<b>44,981,577</b>
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	-	-	-
<b>Installment-based commercial loans – FC indexed</b>	<b>3,987</b>	<b>1,633,951</b>	<b>1,637,938</b>
Real estate loans	-	-	-
Automobile loans	-	177,864	177,864
General purpose loans	3,987	1,456,087	1,460,074
Other	-	-	-
<b>Installment-based commercial loans – FC</b>	<b>297</b>	<b>8,696,118</b>	<b>8,696,415</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	297	8,696,118	8,696,415
Other	-	-	-
<b>Corporate credit cards – TL</b>	<b>1,761,150</b>	<b>1,708</b>	<b>1,762,858</b>
With instalment	451,980	1,708	453,688
Without instalment	1,309,170	-	1,309,170
<b>Corporate credit cards – FC</b>	<b>1,154</b>	<b>-</b>	<b>1,154</b>
With instalment	-	-	-
Without instalment	1,154	-	1,154
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>1,844,329</b>	<b>-</b>	<b>1,844,329</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4,780,271</b>	<b>54,144,000</b>	<b>58,924,271</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

*Allocation of domestic and overseas loans*

	<b>Current Period- June 30, 2018</b>
Domestic loans	209,669,271
Foreign loans	432,146
<b>Total</b>	<b>210,101,417</b>
	<b>Prior Period - December 31, 2017</b>
Domestic loans	182,540,709
Foreign loans	391,519
<b>Total</b>	<b>182,932,228</b>

*Loans to associates and subsidiaries*

	<b>Current Period - June 30, 2018</b>
Direct loans to associates and subsidiaries	422,975
Indirect loans to associates and subsidiaries	-
<b>Total</b>	<b>422,975</b>
	<b>Prior Period - December 31, 2017</b>
Direct loans to associates and subsidiaries	144,551
Indirect loans to associates and subsidiaries	-
<b>Total</b>	<b>144,551</b>

*Specific provisions accounted for loans (Stage 3)*

	<b>Current Period - June 30, 2018</b>
Loans and receivables with limited collectability	442,243
Loans and receivables with doubtful collectability	683,702
Uncollectible loans and receivables	5,490,094
<b>Total</b>	<b>6,616,039</b>

*Specific provisions for loans*

	<b>Prior Period - December 31, 2017</b>
Loans and receivables with limited collectability	150,730
Loans and receivables with doubtful collectability	419,518
Uncollectible loans and receivables	6,028,571
<b>Total</b>	<b>6,598,819</b>

*Information on non-performing loans (Net)*

*Information on non-performing loans restructured or rescheduled*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With</b>	<b>Loans With</b>	<b>Uncollectible</b>
	<b>Limited</b>	<b>Doubtful</b>	<b>Loans</b>
	<b>Collectability</b>	<b>Collectability</b>	<b>Loans</b>
<b>Current period - June 30, 2018</b>			
Gross Amounts Before The Reserves	108,790	185,613	174,765
Loans Which Are Restructured	108,790	185,613	174,765
	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and</b>	<b>Loans and</b>	<b>Uncollectible</b>
	<b>receivables</b>	<b>receivables</b>	<b>loans and</b>
	<b>with limited</b>	<b>with doubtful</b>	<b>loans and</b>
	<b>collectability</b>	<b>collectability</b>	<b>receivables</b>
<b>Prior Period - December 31, 2017</b>			
(Gross amounts before the specific reserves)	80,662	118,684	135,790
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	80,662	118,684	135,790



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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Movements in non-performing loan groups*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With</b>	<b>Loans With</b>	
	<b>Limited</b>	<b>Doubtful</b>	<b>Uncollectible</b>
<b>Current Period - June 30, 2018</b>	<b>Collectability</b>	<b>Collectability</b>	<b>Loans</b>
<b>Balance at the beginning of the period</b>	<b>753,650</b>	<b>855,985</b>	<b>6,028,571</b>
Additions (+)	1,639,075	90,269	108,950
Transfers from other categories of loans under follow-up (+)	-	1,459,067	801,995
Transfers to other categories of loans under follow-up (-)			
(*)	1,257,381	1,008,335	3,967
Collections (-)	230,152	195,388	534,630
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Balance at the end of the period</b>	<b>905,192</b>	<b>1,201,598</b>	<b>6,400,919</b>
Provision (-)(**)	442,243	683,702	5,490,094
<b>Net balance</b>	<b>462,949</b>	<b>517,896</b>	<b>910,825</b>

(\*) Loans that transferred to restructured loan accounts from non performing loan accounts are shown by way of addition to this line.

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and</b>	<b>Loans and</b>	
	<b>receivables</b>	<b>receivables</b>	<b>Uncollectible</b>
<b>Prior Period - December 31, 2017</b>	<b>with limited</b>	<b>with doubtful</b>	<b>loans and</b>
	<b>collectability</b>	<b>collectability</b>	<b>receivables</b>
<b>Balance at the beginning of the period</b>	<b>927,110</b>	<b>1,102,016</b>	<b>4,384,377</b>
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 (-)			
(*)	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	-	-	-
<b>Balance at the end of the period</b>	<b>753,650</b>	<b>855,985</b>	<b>6,028,571</b>
Specific provisions (-) (**)	150,730	419,518	6,028,571
<b>Net balance on balance sheet</b>	<b>602,920</b>	<b>436,467</b>	<b>-</b>

(\*) Loans that transferred to restructured loan accounts from non performing loan accounts are shown by way of addition to this line.

(\*\*) 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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

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

	Group III	Group IV	Group V
	Loans With	Loans With	Uncollectible
	Limited	Doubtful	Loans
	Collectability	Collectability	
<b>Current Period - June 30, 2018</b>			
Balance at the end of the period	11,377	44,147	365,293
Specific provision (-)	5,621	32,510	324,806
<b>Net balance on balance sheet</b>	<b>5,756</b>	<b>11,637</b>	<b>40,487</b>

	Group III	Group IV	Group V
	Loans With	Loans With	Uncollectible
	Limited	Doubtful	Loans
	Collectability	Collectability	
<b>Prior Period - December 31, 2017</b>			
Balance at the end of the period	42,517	6,850	366,534
Specific provision (-)	8,503	3,425	366,534
<b>Net balance on balance sheet</b>	<b>34,014</b>	<b>3,425</b>	<b>-</b>

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	Group IV	Group V
	Loans With	Loans With	Uncollectible
	Limited	Doubtful	Loans
	Collectability	Collectability	
<b>Current Period - June 30, 2018</b>			
<b>Current Period (Net)</b>	<b>462,949</b>	<b>517,896</b>	<b>910,825</b>
Consumer and Commercial Loans (Gross)	905,118	1,201,415	6,302,940
Specific Provision (-)	442,190	683,553	5,396,923
<b>Consumer and Commercial Loans (Net)</b>	<b>462,928</b>	<b>517,862</b>	<b>906,017</b>
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	74	183	96,428
Specific Provision (-)	53	149	91,620
<b>Other Loans and Receivables (Net)</b>	<b>21</b>	<b>34</b>	<b>4,808</b>

	Group III	Group IV	Group V
	Loans With	Loans With	Uncollectible
	Limited	Doubtful	Loans
	Collectability	Collectability	
<b>Prior Period - December 31, 2017</b>			
<b>Current Period (Net)</b>	<b>602,920</b>	<b>436,467</b>	<b>-</b>
Consumer and Commercial Loans (Gross)	753,526	854,437	5,930,619
Specific Provision (-)	150,705	418,744	5,930,619
<b>Consumer and Commercial Loans (Net)</b>	<b>602,821</b>	<b>435,693</b>	<b>-</b>
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	124	1,548	96,401
Specific Provision (-)	25	774	96,401
<b>Other Loans and Receivables (Net)</b>	<b>99</b>	<b>774</b>	<b>-</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period (Net) - June 30, 2018</b>			
Interest accruals and valuation differences	45,157	61,987	3
Provision (-)	-	-	-
<b>Prior Period (Net) * - December 31, 2017</b>			
Interest accruals and valuation differences	-	-	-
Provision (-)	-	-	-

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

**6. Information on measured at amortized cost investments**

*Measured at amortized cost debt securities issued by the governments*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Government bonds	21,573,787	1,970,426
Treasury bills	-	-
Other securities issued by the governments	-	4,278,207
<b>Total</b>	<b>21,573,787</b>	<b>6,248,633</b>

*Held-to-maturity debt securities issued by the governments*

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

*Information on measured at amortized cost investment securities*

	<b>Current Period - June 30, 2018</b>
<b>Debt Securities</b>	<b>28,060,422</b>
<i>Quoted at stock exchanges</i>	27,923,046
<i>Unquoted at stock exchanges</i>	137,376
<b>Impairment losses (-)</b>	<b>-</b>
<b>Total</b>	<b>28,060,422</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Information on held-to-maturity investment securities*

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

*The movement table of the financial assets measured at amortized cost*

	<b>Current Period - June 30, 2018</b>
<b>Balances at the beginning of the period</b>	<b>16,766,071</b>
Foreign currency differences on monetary assets	257,995
Purchases during the period	2,871,107
IFRS 9 Classification	7,656,572
Disposals through sales/redemptions	(745,754)
Change in Impairment losses	-
Change in amortized costs of the securities (*)	1,254,431
<b>Balances at the end of the period</b>	<b>28,060,422</b>

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

(\*\*) As of January 1, 2018, the Bank has applied the transition to the management model for certain government debt securities as a financial asset measured at amortized cost within the transition to TFRS 9. Bank previously classified securities as available-for-sale financial assets at fair value through other comprehensive income.

*The movement table of the held-to-maturity investments*

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

(\*) 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 accounts related to financial assets measured at amortized cost*

	<b>Cost</b>		<b>Carrying Value</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Current Period - June 30, 2018</b>				
Collateralized/blocked investment securities	1,073,473	1,220,950	1,233,961	1,234,739
Investments subject to repurchase agreements	16,636,416	4,205,972	19,757,828	4,264,526
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	498,553	972,861	581,998	987,370
<b>Total</b>	<b>18,208,442</b>	<b>6,399,783</b>	<b>21,573,787</b>	<b>6,486,635</b>

(\*) *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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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Information on held-to-maturity investments*

Prior Period - December 31, 2017	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
<b>Total</b>	<b>10,546,068</b>	<b>4,506,585</b>	<b>12,235,406</b>	<b>4,530,665</b>

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

**6. Information on investments in associates**

*Information on investments in associates*

Title	Address (City/ Country)	Parent Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1 Kıbrıs Vakıflar Bankası Ltd.	Lefkoşa/KKTC	15.00	15.00
2 Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Türkiye	8.38	8.38
3 Roketsan Roket Sanayi ve Ticaret AŞ (*)	Ankara/Türkiye	9.93	9.93
4 Bankalararası Kart Merkezi AŞ (*)	İstanbul/Türkiye	9.70	9.70
5 KKB Kredi Kayıt Bürosu AŞ (*)	İstanbul/Türkiye	9.09	9.09
6 Güçbirliği Holding AŞ (*)	İzmir/Türkiye	0.07	0.07
7 İzmir Enternasyonal Otelcilik AŞ	İstanbul/Türkiye	5.00	5.00
8 İstanbul Takas ve Saklama Bankası AŞ (*)	İstanbul/Türkiye	4.37	4.37
9 Kredi Garanti Fonu AŞ (*)	Ankara/Türkiye	1.54	1.54
10 Tasfiye Halinde World Vakıf UBB Ltd.	Lefkoşa/KKTC	82.00	85.32

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Period’s Profit/Loss	Fair Value
1	1,213,638	99,426	7,783	49,570	2,198	14,512	2,412	-
2	35,739,859	3,756,926	870,635	1,022,294	241,519	323,495	301,800	2,715,184
3	4,720,403	1,282,109	906,570	5,915	-	74,779	(9,615)	3,845,000
4	86,772	53,658	46,024	565	-	4,564	3,416	-
5	287,212	196,196	177,616	2,879	-	12,874	14,597	-
6	143,886	(69,107)	88,086	-	-	(23,422)	(2,975)	-
7	118,267	(62,346)	81,954	-	-	(33,251)	(2,476)	-
8	10,069,021	1,355,493	112,017	123,960	1,017	90,884	59,697	-
9	672,324	495,361	12,352	8,591	-	37,381	63,507	-
10	1,129	(151,980)	-	38	-	(7,479)	(5,834)	-

(\*) The financial statement information provided for these associates is taken from the financial statements dated March 31, 2018.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

*Movement table of investments in associates*

	<b>Current Period - June 30, 2018</b>
<b>Balance at the beginning of the period</b>	<b>349,158</b>
<b>Movements during the period</b>	<b>311,708</b>
Transfers	-
Acquisitions	750
Bonus shares received	35,061
Share of current year profit	-
Sales/liquidations	-
Fair value changes	284,168
Impairment losses	(8,271)
<b>Balance at the end of the period</b>	<b>660,866</b>
<b>Capital commitments</b>	<b>-</b>
<b>Share percentage at the end of period (%)</b>	<b>-</b>
	<b>Prior Period - December 31, 2017</b>
<b>Balance at the beginning of the period</b>	<b>299,478</b>
<b>Movements during the period</b>	<b>49,680</b>
Transfers	-
Acquisitions	-
Bonus shares received	29,498
Share of current year profit	-
Sales/liquidations	-
Fair value changes	20,182
Impairment losses	-
<b>Balance at the end of the period</b>	<b>349,158</b>
<b>Capital commitments</b>	<b>-</b>
<b>Share percentage at the end of period (%)</b>	<b>-</b>

In the current period, Roketsan Roket Sanayii ve Ticaret A.Ş is reflected in the financial statement through fair value, and valuation difference between the cost value and the fair value of TL 374,215 is presented in the revaluation increases line in the movement table of investments in associates.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Bankalararası Kart Merkezi AŞ from TL 14,000 to TL 30,000 in the Ordinary General Meeting of the Company dated March 22, 2018. The share of the Bank amounting to TL 1,551 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 Türkiye Sınai Kalkınma Bankası AŞ from TL 2,400,000 to TL 2,800,000 in the Ordinary General Meeting of the Company dated March 23, 2018. The share of the Bank amounting to TL 33,510 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 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 prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,050,000 to TL 2,400,000 in the Ordinary General Meeting of the Company dated March 23, 2017. The share of the Bank amounting to TL 29,321 is presented in the movement table of investments in associates as bonus shares received.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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".

*Sectoral distribution of investments in financial associates*

	<b>Current Period - June 30, 2018</b>
Banks	268,052
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial associates	4,897
<b>Total</b>	<b>272,949</b>
	<b>Prior Period - December 31, 2017</b>
Banks	332,861
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial associates	4,897
<b>Total</b>	<b>337,758</b>

*Quoted associates*

	<b>Current Period - June 30, 2018</b>
Quoted at domestic stock exchanges	227,532
Quoted at international stock exchanges	-
<b>Total</b>	<b>227,532</b>
	<b>Prior Period - December 31, 2017</b>
Quoted at domestic stock exchanges	292,340
Quoted at international stock exchanges	-
<b>Total</b>	<b>292,340</b>

*Investments in associates disposed during the period*

There is not any associate disposed in the current period.

*Investments in associates acquired during the period*

In the current period, the Bank have participated establishment of "Turkey Products Inc. Specialized Exchange" with a capital of TL 100,000. In the Company, the nominal share of Bank is TL 3,000 and its share is 3%. The bank has to pay one-quarter of its share in cash, and the remaining three quarters within 24 months of the registration of the Company. Transactions related to the establishment of the company were registered in the trade registry on 8 June 2018. As of June 30, 2018 the Bank has made a payment of one-quarter of its share and the shares amounting to TL 750 has been presented in Purchases in the movement table of investment in associates.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

7. Investments in subsidiaries

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

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



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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

8. Investments in subsidiaries (Continued)

Prior Period - December 31, 2017	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik ve Hayat AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Paid in Capital	114,483	109,000	35,000	70,000	270,000	26,500	12,000	217,500	20,000
Share Premium	-	-	-	-	655	-	-	246,731	-
Adjustment to paid-in capital	-	248	(271)	51	(2,046)	6,297	57	21,674	62
Valuation changes in marketable securities	41,310	3,470	64,446	347	287,304	964	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	17,517	-	-	205,045	50,005	-	547	-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	1,094	-	-	4,010	191	-	-	-
Legal Reserves	10,614	6,286	6,128	5,824	17,179	18,385	1,347	7,543	395
Extraordinary Reserves	-	33,523	7,368	45,624	19,247	104,880	7,050	108,125	-
Other Profit Reserves	309,490	-	2,308	-	-	-	-	-	-
Profit/Loss	146,910	23,115	15,473	18,022	(336,529)	138,418	5,856	6,350	-3,179
<i>Prior Period's Profit/Loss</i>	129,784	(18)	1,123	-	(437,001)	73,395	-	-	-3,008
<i>Current Period's Profit/Loss</i>	17,126	23,133	14,350	18,022	100,472	65,023	5,856	6,350	-171
Minority Rights	-	84	-	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>622,807</b>	<b>194,337</b>	<b>130,452</b>	<b>139,868</b>	<b>464,865</b>	<b>345,640</b>	<b>26,310</b>	<b>608,470</b>	<b>17,278</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>622,807</b>	<b>194,337</b>	<b>130,452</b>	<b>139,868</b>	<b>464,865</b>	<b>345,640</b>	<b>26,310</b>	<b>608,470</b>	<b>17,278</b>
<b>NET AVAILABLE EQUITY</b>	<b>622,807</b>	<b>194,337</b>	<b>130,452</b>	<b>139,868</b>	<b>464,865</b>	<b>345,640</b>	<b>26,310</b>	<b>608,470</b>	<b>17,278</b>

Audited BRSA financial statements as of December 31, 2017 are considered.

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Vakıf Yatırım Menkul Değerler AŞ, a subsidiary of the Bank, calculates capital adequacy in accordance with Serial:V, No: 34 numbered “Communiqué on Capital and Capital Adequacy of Intermediary Firms” of CMB every six month. Güneş Sigorta AŞ ve Vakıf Emeklilik AŞ that operate in insurance business calculate capital adequacy in accordance with “Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms” published by Republic of Turkey Undersecretariat of Treasury every six month. According to the calculations at June 30, 2018, there is no capital requirement for the subsidiaries mentioned.

*Information on investments in subsidiaries*

	<b>Title</b>	<b>Address (City / Country)</b>	<b>Bank’s Share –If Different, Voting Rights (%)</b>	<b>Bank’s Risk Group Share (%)</b>
1	Güneş Sigorta AŞ	İstanbul/TÜRKİYE	48.02	48.02
2	Vakıf Emeklilik ve Hayat AŞ (*)	İstanbul/TÜRKİYE	53.90	79.67
3	Vakıf Faktoring AŞ (*)	İstanbul/TÜRKİYE	78.39	88.68
4	Vakıf Finansal Kiralama AŞ (*)	İstanbul/TÜRKİYE	58.71	66.23
5	Vakıf Yatırım Menkul Değerler AŞ (*)	İstanbul/TÜRKİYE	99.00	99.48
6	Vakıfbank International AG(*)	Viyana/AVUSTURYA	90.00	90.00
7	Vakıf Portföy Yönetimi AŞ(*)	İstanbul/TÜRKİYE	100.00	100.00
8	Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ(*)	İstanbul/TÜRKİYE	22.89	34.55
9	Vakıf Gayrimenkul Yatırım Ortaklığı AŞ(*)	İstanbul/TÜRKİYE	38.70	40.86
10	Vakıf Enerji ve Madencilik AŞ (**)	Ankara/TÜRKİYE	65.50	85.52
11	Taksim Otelcilik AŞ (*)	İstanbul/TÜRKİYE	51.00	51.69
12	Vakıf Pazarlama Sanayi ve Ticaret AŞ	İstanbul/TÜRKİYE	69.33	76.18
13	Vakıf Gayrimenkul Değerleme AŞ	Ankara/TÜRKİYE	54.29	58.73

	<b>Total Assets</b>	<b>Equity</b>	<b>Tangible Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Year’s Profit/Loss</b>	<b>Prior Period’s Profit/Loss</b>	<b>Fair Value</b>
1	2,215,946	695,662	714,721	51,721	479	19,902	(2,917)	452,211
2	7,511,914	377,238	136,861	15,853	75	33,758	11,592	1,094,402
3	2,728,606	155,990	576	84,995	-	10,945	5,068	157,611
4	2,266,166	217,702	21,495	41,430	-	12,570	5,870	230,435
5	500,841	172,761	2,382	9,413	7	7,075	3,736	170,039
6	4,566,145	705,018	2,123	25,067	10,232	25,051	6,740	474,409
7	32,094	30,776	417	1,061	14	2,503	1,827	79,031
8	18,027	17,556	20	142	471	107	147	25,663
9	1,245,000	938,856	797,909	563	-	(1,417)	2,398	440,249
10	27,804	12,972	1,040	1,236	-	1,316	6,020	14,494
11	366,819	354,100	216,915	3,648	-	(671)	(2,661)	403,062
12	78,063	55,999	13,316	2,789	-	1,206	2,850	49,458
13	34,835	26,592	799	2,078	-	482	621	26,479

(\*) The financial statement information provided for these subsidiaries is taken from the financial statements as of March 31, 2018.

(\*\*) The financial statement information provided for these subsidiaries is taken from the financial statements as of December 31, 2017.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Movement table of investments in subsidiaries

	Current Period - June 30, 2018
<b>Balance at the beginning of the period</b>	<b>2,213,858</b>
<b>Movements during the period</b>	<b>(33,677)</b>
Transfers	-
Acquisitions	-
Bonus shares received	21,104
Share of current year profit	(49,610)
Sales and liquidations	-
Fair value changes	32,485
Impairment losses	(37,656)
<b>Balance at the end of the period</b>	<b>2,180,181</b>
<b>Capital commitments</b>	<b>-</b>
<b>Share percentage at the end of the period (%)</b>	<b>-</b>

	Prior Period - December 31, 2017
<b>Balance at the beginning of the period</b>	<b>1,797,124</b>
<b>Movements during the period</b>	<b>416,734</b>
Transfers	-
Acquisitions	-
Bonus shares received	51,974
Share of current year profit	(17,527)
Sales and liquidations	(232)
Fair value changes	371,260
Impairment losses	11,259
<b>Balance at the end of the period</b>	<b>2,213,858</b>
<b>Capital commitments</b>	<b>-</b>
<b>Share percentage at the end of the period (%)</b>	<b>-</b>

*Methods to measure investments in subsidiaries*

	Current Period - June 30, 2018
Measured at cost	-
Measured at fair value	2,180,181
Equity method of accounting	-
<b>Total</b>	<b>2,180,181</b>

	Prior Period - December 31, 2017
Measured at cost	-
Measured at fair value	2,213,858
Equity method of accounting	-
<b>Total</b>	<b>2,213,858</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

*Sectoral distribution of investments in financial subsidiaries*

	<b>Current Period - June 30, 2018</b>
Banks	426,968
Insurance companies	807,034
Factoring companies	123,551
Leasing companies	135,288
Financing companies	-
Other financial subsidiaries	423,620
<b>Total</b>	<b>1,916,461</b>

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

*Quoted subsidiaries*

	<b>Current Period - June 30, 2018</b>
Quoted at domestic stock exchanges	528,690
Quoted at international stock exchanges	-
<b>Total</b>	<b>528,690</b>

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

*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, at the Ordinary General Assembly Meeting held on May 15, 2018, Vakıf Finansal Kiralama AŞ, an affiliate of our Bank, has resolved to increase its capital from TL 109,000 by a bonus increase of TL 31,000 to TL 140,000 TL. 18,201 corresponding to our Bank’s shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the current period, at the Ordinary General Assembly Meeting held on May 14, 2018, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an affiliate of our Bank, has resolved to increase its capital from TL 217,500 by a bonus increase of TL 7,500 to TL 225,000. TL. 2,903 corresponding to our Bank’s shareholding are presented in the Bonus Shares in the movement table for the affiliates.

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

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

In the prior period, at the Ordinary General Assembly Meeting held on July 13, 2017, Vakıf Faktoring AŞ, an affiliate of our Bank, has resolved to increase its capital from TL 22,400 by a bonus increase of TL 47,600 to TL 70,000. 37,315 corresponding to our Bank’s shareholding are presented in the Bonus Shares in the movement table for the affiliates.

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

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf 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 prior period, subsequent to approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama A.Ş. from TL 87,000 to TL 109,000 by a bonus increase of TL 22,000 in the Ordinary Meeting of General Assembly of the Company dated June 14, 2017. 12,917 corresponding to our Bank’s shareholding are presented in the Bonus Shares in the movement table for the affiliates.

**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.

**12. Information on investment properties**

None.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

13. Information on deferred tax assets

As at June 30, 2018 and December 31, 2017, items generating deferred tax assets or liabilities are listed below:

	<b>Current Period - June 30, 2018</b>
<b>Deferred tax assets</b>	<b>770,913</b>
Provision for employee termination benefits and unused vacations	112,048
Other provisions	14,043
Valuation differences of associates and subsidiaries	23,456
Provision (General Provision)	575,289
Valuation differences of financial assets and liabilities	43,874
Other differences	2,203
<b>Deferred tax liabilities</b>	<b>(464,355)</b>
Valuation differences of financial assets and liabilities	(338,252)
Valuation difference for associates and subsidiaries	(66,525)
Valuation differences of properties	(56,847)
Other differences	(2,731)
<b>Deferred tax assets, (net)</b>	<b>306,558</b>
	<b>Prior Period - December 31, 2017</b>
<b>Deferred tax assets</b>	<b>218,616</b>
Provision for employee termination benefits and unused vacations	98,052
Other provisions	14,994
Valuation differences of associates and subsidiaries	23,456
Provision (General Provision)	80,160
Valuation differences of financial assets and liabilities	-
Other differences	1,954
<b>Deferred tax liabilities</b>	<b>(332,351)</b>
Valuation differences of financial assets and liabilities	(240,275)
Valuation difference for associates and subsidiaries	(56,408)
Valuation differences of properties	(28,433)
Other differences	(7,235)
<b>Deferred tax assets, (net)</b>	<b>(113,735)</b>

The deferred tax asset / liability schedule as of June 30, 2018 and December 31, 2017 is as follows:

	<b>Current Period - June 30, 2018</b>
<b>As of 1 January</b>	<b>(113,735)</b>
Adjustment according to TAS as of January, 1	(40,408)
Deferred tax income/loss	(15,600)
Deferred tax that is accounted under Equity	972
Deferred tax that is accounted under general provision	479,084
Exchange differences	(3,755)
<b>Deferred tax asset/(Liability)</b>	<b>306,558</b>
	<b>Prior Period - December 31, 2017</b>
<b>As of 1 January</b>	<b>83,109</b>
Deferred tax income/loss	(159,072)
Deferred tax that is accounted under Equity	(36,316)
Exchange differences	(1,456)
<b>Deferred tax asset/(Liability)</b>	<b>(113,735)</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

As at June 30, 2018 assets held for sale and assets related to the discontinued operations amount to TL 1,457,189 (December 31, 2017: TL 1,312,493).

15. Information on other assets

As at June 30, 2018 and December 31, 2017 other assets are as follows:

	<b>Current Period - June 30, 2018</b>
Receivables from credit card payments	1,336,956
Prepaid expenses	1,161,539
Guarantees given for repurchase agreements	47,783
Receivables from term sale of assets	49,072
Guarantees given for repurchase agreements	5,554,736
Other	503,960
<b>Total</b>	<b>8,654,046</b>

	<b>Prior Period - December 31, 2017</b>
Receivables from credit card payments	1,173,158
Prepaid expenses	934,474
Guarantees given for repurchase agreements	151
Receivables from term sale of assets	11,116
Guarantees given for repurchase agreements	2,749,121
Other	1,791,006
<b>Total</b>	<b>6,659,026</b>

16. Information related to expected credit loss for financial assets

	<b>Current Period - June 30, 2018</b>
Balances with the Central Bank	372
Banks	11,692
stock securities portfolio	3,997
Other Assets	105,237
<b>Total</b>	<b>121,298</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES

1. Information on maturity profile of deposits

Current Period June 30, 2018	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	6,930,624	-	5,270,315	34,181,967	2,342,429	369,751	226,772	3,226	49,325,084
Foreign currency deposits	7,991,989	-	2,946,300	28,551,518	2,063,382	1,421,239	5,504,071	-	48,478,499
Residents in Turkey	7,449,693	-	2,932,326	28,099,642	1,542,318	900,352	1,168,139	-	42,092,470
Residents in abroad	542,296	-	13,974	451,876	521,064	520,887	4,335,932	-	6,386,029
Public sector deposits	7,311,776	-	5,314,888	8,208,302	1,235,014	4,945,641	282,924	-	27,298,545
Commercial deposits	3,301,903	-	4,846,006	13,087,218	1,836,224	476,453	12,820	-	23,560,624
Other	3,884,879	-	1,020,514	3,642,172	776,878	271,458	34,326	-	9,630,227
Precious metal deposits	2,305,027	-	-	-	-	-	-	-	2,305,027
Bank deposits	613,470	-	5,649,973	3,172,428	251,883	36,530	94,504	-	9,818,608
Central Bank	1,472	-	-	-	-	-	-	-	1,472
Domestic banks	168,978	-	5,167,016	959,157	21,741	8,210	-	-	6,325,102
Foreign banks	227,611	-	282,763	1,752,644	-	28,140	-	-	2,291,158
Participation banks	215,409	-	200,194	460,627	230,142	-	94,504	-	1,200,876
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>32,339,668</b>	<b>-</b>	<b>25,047,996</b>	<b>90,843,605</b>	<b>8,505,810</b>	<b>7,520,892</b>	<b>6,155,417</b>	<b>3,226</b>	<b>170,416,614</b>

Prior Period December 31, 2017	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 in 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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>30,117,271</b>	<b>-</b>	<b>25,865,209</b>	<b>79,288,651</b>	<b>8,670,831</b>	<b>6,116,918</b>	<b>5,216,064</b>	<b>2,178</b>	<b>155,277,122</b>

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

Current Period - June 30, 2018	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	24,588,520	24,736,564
Foreign currency saving deposits	7,817,200	19,953,010
Other saving deposits	-	-
Foreign branches' deposits under foreign insurance coverage	-	-
Off-Shore deposits under foreign insurance coverage	-	-
<b>Total</b>	<b>32,405,720</b>	<b>44,689,574</b>

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



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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

*Saving deposits out of insurance coverage limits*

	<b>Current Period - June 30, 2018</b>
Deposits and other accounts at foreign branches	38,674
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	2,773
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	-
	<b>Prior Period - December 31, 2017</b>
Deposits and other accounts at foreign branches	22,958
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	2,399
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-

2. Information on derivative financial liabilities held for trading purpose

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

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Forwards	22,900	6,267
Swaps	1,880,146	197,469
Futures	-	-
Options	55,741	5,133
Other	-	-
<b>Total</b>	<b>1,958,787</b>	<b>208,869</b>
	<b>Prior Period - December 31, 2017</b>	<b>TL</b>
Forwards	19,903	5,240
Swaps	965,364	162,772
Futures	-	-
Options	30,336	915
Other	-	-
<b>Total</b>	<b>1,015,603</b>	<b>168,927</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

3. Information on banks and other financial institutions

Current Period - June 30, 2018	TL	FC
Central Bank of the Republic of Turkey	-	405,189
Domestic banks and institutions	137,529	1,272,484
Foreign banks, institutions and funds	571,480	35,784,468
<b>Total</b>	<b>709,009</b>	<b>37,462,141</b>

Prior Period - December 31, 2017	TL	FC
Central Bank of the Republic of Turkey	-	235,102
Domestic banks and institutions	96,890	600,641
Foreign banks, institutions and funds	571,642	26,803,346
<b>Total</b>	<b>668,532</b>	<b>27,639,089</b>

*Maturity information of funds borrowed*

Current Period - June 30, 2018	TL	FC
Short-term (*)	138,021	3,656,843
Medium and Long-term (*)	570,988	33,805,298
<b>Total</b>	<b>709,009</b>	<b>37,462,141</b>

(\*) Maturity profile of funds borrowed is prepared in accordance to their original maturities.

Prior Period - December 31, 2017	TL	FC
Short-term (*)	98,337	2,927,224
Medium and Long-term (*)	570,195	24,711,865
<b>Total</b>	<b>668,532</b>	<b>27,639,089</b>

(\*) 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 %13.63 ((December 31, 2017: %11.45) of the Bank’s liabilities. There is no risk concentration on funding sources of the Bank.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

On April 24, 2017, the loan has been renewed with a new syndicated loan amounting to US Dollar 185.5 million and Euro 716.5 million with the interest rate of US Libor + 1.15% and Euribor + 1.05% at a maturity of 367 days with participation of 37 banks, Bank of America Merrill Lynch International Limited and Emirates NBD Bank PJSC acting as coordinator, and, National Bank of Abu Dhabi PJSC acting as agent bank. On April 24, 2018, the loan has been renewed with a new syndicated loan amounting to US Dollar 100 million at a maturity of 735 days with the interest rate of US Libor +%2.10 and US Dollar 229 million and Euro 778.75 million at a maturity of 367 days, with the interest rate of US Libor +%1.30 and Euribor +1.20% with participation of 35 banks, Mizuho Bank, LTD and Emirates NBD Bank PJSC acting as coordinator, and first Abu Dhabi PJSC acting as agent bank.

On September 25, 2017, the loan has been renewed with a new syndicated loan amounting to US Dollar 131 million and Euro 634 million with the interest rate of US Libor + 1.35% and Euribor + 1.25% at a maturity of 367 days with participation of 22 banks from 12 countries, ING Bank London Branch and Emirates acting as coordinator.

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 October 4, 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.

On May 4, 2018, the Bank carried out a securitization transaction in the amount of USD 380 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 maturity, in six separate segments. Within the program, 2016-A segment was collected from ING Bank, 2016-B segment from SMBC, 2016-C segment from Standard Chartered Bank, 2016-D segment from Raiffeisen Bank, 2016-E segment from Mizuho Bank, 2016-F segment from Société Générale. As of June 30, 2018, the sum of the securitization loans amounted to USD 1.431 million and EUR 377 million.

On March 3, 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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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*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%.

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

The context of Global Medium Term Notes (GMTN), the Bank has issued 234 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 4,899 million US Dollar private placements as of the date of June 30, 2018. The total private placements are 26.1 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.

On February 28, 2018, the Bank also carried out Covered Bond transaction with a nominal value of TL 1,000 million with a 5-year maturity and realized a total of TL 6.4 billion under the program.

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
<b>Current Period - June 30, 2018</b>				
Nominal	4,866,497	3,816,000	143,940	15,195,295
Cost	4,638,729	3,816,000	143,845	15,110,916
Net Book Value	4,759,435	3,982,618	144,360	15,293,516
	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
<b>Prior Period - December 31, 2017</b>				
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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

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

5. Information on lease payables (net)

*Obligations under financial leasing*

None.

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

*Negative fair values of hedging purpose derivatives*

None.

7. Information on provisions

*Information on general provisions*

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

*Provision for currency exchange loss on foreign currency indexed loans*

The Bank has not recorded provision amounting to TL (December 31, 2017: TL 10,253 for foreign exchange losses on principal amounts of foreign currency indexed loans and reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans).

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

As of June 30, 2018, Bank has recorded TL 27,814 (December 31, 2017: TL 75,942) as provisions for non-cash loans that are not indemnified or converted into cash.

*Information on free provision for probable risks*

As of June 30, 2018, free provision recognized in 2017 which is not in accordance with BRSA principles amounting to TL 500,000 by the Bank in line with the conservatism principle considering the possible effect of the circumstances that may arise from the negative changes in the economy and market conditions. (December 31, 2017: TL 500,000, June, 30 2017: None).

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

8. Taxation

*Current taxes*

*Tax provision*

As at June 30, 2018, the tax provision was amounted to TL 653,229 (December 31, 2017: TL 764,909). Corporate tax liabilities of the Bank was amounted to TL 430,334 (December 31, 2017: TL 451,736), after deducting prepaid taxes paid during temporary tax periods amounted to TL 222,895 (December 31, 2017: TL 313,173).

*Information on taxes payable*

	<b>Current Period - June 30, 2018</b>
Corporate taxes payable	222,895
Taxation on securities	190,370
Capital gains tax on property	3,087
Banking and Insurance Transaction Tax (BITT)	154,357
Taxes on foreign exchange transactions	-
Value added tax payable	3,446
Other	24,967
<b>Total</b>	<b>599,122</b>
	<b>Prior Period - December 31, 2017</b>
Corporate taxes payable	313,173
Taxation on securities	160,257
Capital gains tax on property	3,045
Banking and Insurance Transaction Tax (BITT)	-
Taxes on foreign exchange transactions	121,325
Value added tax payable	4,234
Other	32,683
<b>Total</b>	<b>634,717</b>

*Information on premiums payable*

	<b>Current Period - June 30, 2018</b>
Social security premiums- employee share	-
Social security premiums- employer share	-
Bank pension fund premium- employee share	-
Bank pension fund premium- employer share	-
Pension fund membership fees and provisions- employee share	-
Pension fund membership fees and provisions- employer share	-
Unemployment insurance- employee share	1,113
Unemployment insurance- employer share	2,227
Other	1
<b>Total</b>	<b>3,341</b>

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

	<b>Prior Period - December 31, 2017</b>
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
Unemployment insurance- employer share	1,773
Other	14
<b>Total</b>	<b>2,681</b>

***Information on deferred tax liabilities***

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

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

None.

**10. Information on subordinated loans**

The Bank has issued bond having the secondary subordinated loan quality to be sold to non-resident natural and legal persons. The bond has been issued at the nominal value of US Dollar 500 million with the maturity of 10 years and 6.0% coupon rate. In addition to the bond issued on 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.

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Stated bonds’ total balance sheet value is TL 7,070,095 as of June 30, 2018 (December 31, 2017: TL 5,935,969).

	Current Period – June 30, 2018	
	TL	FC
<b>To be included in the calculation of additional Capital borrowing instruments</b>	-	-
Subordinated Loans	-	-
Subordinated Debt Instruments	-	-
<b>Debt instruments to be included in contribution capital calculation</b>	<b>528,568</b>	<b>6,541,527</b>
Subordinated Loans	-	-
Subordinated Debt Instruments	528,568	6,541,527
<b>Total</b>	<b>528,568</b>	<b>6,541,527</b>

11. Information on equity

*Paid-in capital*

	Current Period - June 30, 2018
Common Stock	2,500,000
Preferred Stock	-
	<b>Prior Period - December 31, 2017</b>
Common Stock	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*

<b>Capital System</b>	<b>Paid-in Capital</b>	<b>Ceiling per Registered Share Capital</b>
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.



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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

There is no share capital increase in the current 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*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Associates, subsidiaries and joint ventures	1,241,812	63,823
Financial assets at fair value through other comprehensive income	(147,350)	(3,400)
Foreign exchange differences	80,727	-
<b>Total</b>	<b>1,175,189</b>	<b>60,423</b>

<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>FC</b>
Associates, subsidiaries and joint ventures	1,095,532	54,148
Financial assets at fair value through other comprehensive income	(299,308)	141,735
Foreign exchange differences	80,727	-
<b>Total</b>	<b>876,951</b>	<b>195,883</b>

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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*

	<b>Current Period - June 30, 2018</b>
Commitments for credit card limits	12,609,798
Loan granting commitments	13,225,596
Commitments for cheque payments	2,921,701
Asset purchase sale commitments	3,201,769
Other	1,855,578
<b>Total</b>	<b>33,814,442</b>

	<b>Prior Period - December 31, 2017</b>
Commitments for credit card limits	10,534,862
Loan granting commitments	11,843,577
Commitments for cheque payments	2,542,741
Asset purchase sale commitments	1,755,169
Other	2,264,499
<b>Total</b>	<b>28,940,848</b>

*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 245,830 (December 31, 2017: TL 169,355) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 27,814 (December 31, 2017: TL 75,942).

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

*Final guarantees, provisional guarantees, sureties and similar transactions*

	<b>Current Period - June 30, 2018</b>
Final letters of guarantee	1,389,670
Letters of guarantee for advances	17,192,374
Letters of guarantee given to custom offices	7,987,761
Provisional letters of guarantee	1,295,817
Other letters of guarantee	19,658,423
<b>Total</b>	<b>47,524,045</b>
	<b>Prior Period - December 31, 2017</b>
Final letters of guarantee	14,073,061
Letters of guarantee for advances	6,684,317
Letters of guarantee given to custom offices	1,053,872
Provisional letters of guarantee	1,180,248
Other letters of guarantee	17,177,322
<b>Total</b>	<b>40,168,820</b>

2. Non-cash loans

	<b>Current Period - June 30, 2018</b>
Non-cash loans given for cash loan risks	6,197,261
<i>With original maturity of 1 year or less</i>	1,605,424
<i>With original maturity of more than 1 year</i>	4,591,837
Other non-cash loans	53,991,349
<b>Total</b>	<b>60,188,610</b>
	<b>Prior Period - December 31, 2017</b>
Non-cash loans given for cash loan risks	3,771,138
<i>With original maturity of 1 year or less</i>	1,216,243
<i>With original maturity of more than 1 year</i>	2,554,895
Other non-cash loans	46,996,446
<b>Total</b>	<b>50,767,584</b>

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

3. Sectoral risk concentrations of non-cash loans

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>%</b>	<b>FC</b>	<b>%</b>
<b>Agricultural</b>	<b>43,137</b>	<b>0.12</b>	<b>220,779</b>	<b>0.93</b>
Farming and Cattle	37,566	0.10	220,779	0.93
Forestry	3,293	0.01	-	-
Fishing	2,278	0.01	-	-
<b>Manufacturing</b>	<b>13,488,455</b>	<b>37.08</b>	<b>9,509,539</b>	<b>39.94</b>
Mining	292,444	0.80	147,676	0.62
Production	9,579,175	26.33	8,824,134	37.06
Electric, gas and water	3,616,836	9.94	537,729	2.26
<b>Construction</b>	<b>7,220,117</b>	<b>19.85</b>	<b>3,918,515</b>	<b>16.46</b>
<b>Services</b>	<b>14,302,703</b>	<b>39.32</b>	<b>5,880,866</b>	<b>24.70</b>
Wholesale and retail trade	5,814,744	15.98	3,294,609	13.84
Hotel, food and beverage Services	292,835	0.80	46,524	0.20
Transportation and telecommunication	1,751,742	4.82	712,720	2.99
Financial institutions	3,370,441	9.26	376,557	1.58
Real estate and renting Services	1,397,513	3.84	349,603	1.47
Self-employment services	1,444,815	3.97	574,618	2.41
Education services	35,476	0.10	2,777	0.01
Health and social services	195,137	0.54	523,458	2.20
<b>Other</b>	<b>1,324,270</b>	<b>3.64</b>	<b>4,280,229</b>	<b>17.98</b>
<b>Total</b>	<b>36,378,682</b>	<b>100.00</b>	<b>23,809,928</b>	<b>100.00</b>
<b>Prior Period - December 31, 2017</b>	<b>TL</b>	<b>%</b>	<b>FC</b>	<b>%</b>
<b>Agricultural</b>	<b>40,142</b>	<b>0.13</b>	<b>20,449</b>	<b>0.11</b>
Farming and Cattle	35,606	0.11	20,449	0.11
Forestry	3,213	0.01	-	-
Fishing	1,323	0.01	-	-
<b>Manufacturing</b>	<b>12,256,698</b>	<b>38.17</b>	<b>7,292,016</b>	<b>39.09</b>
Mining	281,602	0.87	175,494	0.94
Production	7,930,683	24.70	6,505,402	34.87
Electric, gas and water	4,044,413	12.60	611,120	3.28
<b>Construction</b>	<b>4,855,489</b>	<b>15.12</b>	<b>1,577,187</b>	<b>8.45</b>
<b>Services</b>	<b>13,929,661</b>	<b>43.38</b>	<b>5,397,807</b>	<b>28.93</b>
Wholesale and retail trade	5,412,904	16.86	3,084,564	16.54
Hotel, food and beverage Services	269,673	0.84	18,654	0.10
Transportation and telecommunication	1,530,254	4.77	754,438	4.04
Financial institutions	3,537,700	11.02	437,212	2.34
Real estate and renting Services	1,558,909	4.85	408,524	2.19
Self-employment services	1,439,047	4.48	682,640	3.66
Education services	37,182	0.12	8,202	0.04
Health and social services	143,992	0.44	3,573	0.02
<b>Other</b>	<b>1,027,932</b>	<b>3.20</b>	<b>4,370,203</b>	<b>23.42</b>
<b>Total</b>	<b>32,109,922</b>	<b>100.00</b>	<b>18,657,662</b>	<b>100.00</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**4. Information on the first and second group of non-cash loans**

<b>Current Period - June 30, 2018</b>	<b>Group I</b>		<b>Group II</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Letters of Guarantee	35,875,209	11,173,824	194,818	48,657
Confirmed Bills of Exchange and Acceptances	84,063	1,960,348	-	-
Letters of Credit	26,370	10,517,337	-	1,385
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	60,769	-	-
<b>Non-Cash Loans</b>	<b>35,985,642</b>	<b>23,712,278</b>	<b>194,818</b>	<b>50,042</b>

<b>Prior Period - December 31, 2017</b>	<b>Group I</b>		<b>Group II</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
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	-	-
<b>Non-Cash Loans</b>	<b>31,705,614</b>	<b>18,536,488</b>	<b>240,831</b>	<b>115,296</b>

**5. Contingent assets and liabilities**

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

**6. 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.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. INFORMATION AND DISCLOSURES RELATED TO THE STATEMENT OF INCOME

1. Interest income

*Information on interest income received from loans*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Short-term Loans	3,190,697	111,493
Medium and Long-Term Loans	6,644,697	1,695,375
Non-performing Loans	158,826	-
Premiums Received from Resource Utilization Support Fund	-	-
<b>Total</b>	<b>9,994,220</b>	<b>1,806,868</b>
<b>Prior Period - June 30, 2017</b>	<b>TL</b>	<b>FC</b>
Short-term Loans	2,292,450	95,311
Medium and Long-Term Loans	4,676,506	1,154,470
Non-performing Loans	65,234	-
Premiums Received from Resource Utilization Support Fund	-	-
<b>Total</b>	<b>7,034,190</b>	<b>1,249,781</b>

*Information on interest income received from banks*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Central Bank of Republic of Turkey	-	-
Domestic Banks	1,227	15,783
Foreign Banks	-	34,280
Foreign Head Office and Branches	-	-
<b>Total</b>	<b>1,227</b>	<b>50,063</b>
<b>Prior Period - June 30, 2017</b>	<b>TL</b>	<b>FC</b>
Central Bank of Republic of Turkey	-	6
Domestic Banks	1,545	1,573
Foreign Banks	57	13,090
Foreign Head Office and Branches	-	-
<b>Total</b>	<b>1,602</b>	<b>14,669</b>

*Information on interest income received from marketable securities portfolio*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	297,244	12,477
Financial assets measured at amortized cost	1,128,286	147,734
<b>Total</b>	<b>1,425,530</b>	<b>160,211</b>
<b>Prior Period - June 30, 2017</b>	<b>TL</b>	<b>FC</b>
Financial assets held for trading	-	-
Financial assets where fair value change is reflected to income statement	-	-
Financial assets available for sale	806,626	145,773
Investments held to maturity	623,955	2,205
<b>Total</b>	<b>1,430,581</b>	<b>147,978</b>

As stated in Section 3 Note VIII, “Fair value through other comprehensive income” and “measured at amortized cost” securities portfolio of the Bank include Consumer Price Indexed (CPI) Bonds. The estimated inflation rate used is updated as needed within the year. In this context, as of June 30, 2018, the valuation of the related securities was based on an annual inflation forecast of 9.05%. If the valuation of these securities indexed to CPI was made according to the reference index valid for June 30, 2018, the Bank's equity valuation differences on equity would decrease by TL 30 million (full TL) and the net profit for the period would increase by TL 281 million to 2,406 million TL (full TL amount).

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Information on interest income received from associates and subsidiaries*

	<b>Current Period - June 30, 2018</b>
Interest Received from Associates and Subsidiaries	3,601
	<b>Prior Period - June 30, 2017</b>
Interest Received from Associates and Subsidiaries	8,556

**2. Interest expense**

*Interest expense on funds borrowed*

<b>Current Period - June 30, 2018</b>	<b>TL</b>	<b>FC</b>
<b>Banks</b>	<b>34,328</b>	<b>417,536</b>
Central Bank of Republic of Turkey	-	617
Domestic Banks	3,906	8,416
Foreign Banks	30,422	408,503
Foreign Head Offices and Branches	-	-
<b>Other Institutions</b>	-	33,815
<b>Total</b>	<b>34,328</b>	<b>451,351</b>
	<b>TL</b>	<b>FC</b>
<b>Prior Period - June 30, 2017</b>	<b>33,577</b>	<b>245,152</b>
<b>Banks</b>	<b>33,577</b>	<b>245,152</b>
Central Bank of Republic of Turkey	-	-
Domestic Banks	3,155	3,996
Foreign Banks	30,422	241,156
Foreign Head Offices and Branches	-	-
<b>Other Institutions</b>	-	25,327
<b>Total</b>	<b>33,577</b>	<b>270,479</b>

*Interest expense paid to associates and subsidiaries*

	<b>Current Period - June 30, 2018</b>
Interest Paid to Associates and Subsidiaries	127,498
	<b>Prior Period - June 30, 2017</b>
Interest Paid to Associates and Subsidiaries	59,015

*Interest expense on securities issued*

Interest paid to securities issued as at for the six months June 30, 2018 is TL 906,959 (June 30, 2017: TL 436,380).

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Maturity structure of the interest expense on deposits*

Current Period June 30, 2018	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	14,520	124,342	-	2,274	-	-	141,136
Saving deposits	-	275,035	2,236,331	147,013	18,190	9,251	135	2,685,955
Public sector deposits	5,651	223,366	394,449	53,823	302,124	10,644	-	990,057
Commercial deposits	-	300,784	741,837	150,442	13,953	664	-	1,207,680
Other deposits	-	35,334	194,751	57,759	4,524	2,772	-	295,140
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,651</b>	<b>849,039</b>	<b>3,691,710</b>	<b>409,037</b>	<b>341,065</b>	<b>23,331</b>	<b>135</b>	<b>5,319,968</b>
<i>FC</i>								
Foreign currency deposits	11,658	17,229	435,287	26,910	15,381	61,257	-	567,722
Interbank deposits	2,415	2,067	18,059	6,612	3,103	13,532	-	45,788
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>14,073</b>	<b>19,296</b>	<b>453,346</b>	<b>33,522</b>	<b>18,484</b>	<b>74,789</b>	<b>-</b>	<b>613,510</b>
<b>Grand Total</b>	<b>19,724</b>	<b>868,335</b>	<b>4,145,056</b>	<b>442,559</b>	<b>359,549</b>	<b>98,120</b>	<b>135</b>	<b>5,933,478</b>

Prior Period June 30, 2017	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	590	39,571	45,646	-	-	-	85,807
Saving deposits	-	105,373	1,440,249	87,561	14,241	7,845	38	1,655,307
Public sector deposits	4,577	154,271	317,861	46,331	154,751	5,778	-	683,569
Commercial deposits	-	261,825	493,630	67,954	12,716	403	-	836,528
Other deposits	-	41,748	176,513	66,083	4,058	629	-	289,031
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,577</b>	<b>563,807</b>	<b>2,467,824</b>	<b>313,575</b>	<b>185,766</b>	<b>14,655</b>	<b>38</b>	<b>3,550,242</b>
<i>FC</i>								
Foreign currency deposits	11,150	9,385	295,097	22,817	9,765	35,834	-	384,048
Interbank deposits	1,302	2,279	9,885	2,153	3,073	220	-	18,912
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>12,452</b>	<b>11,664</b>	<b>304,982</b>	<b>24,970</b>	<b>12,838</b>	<b>36,054</b>	<b>-</b>	<b>402,960</b>
<b>Grand Total</b>	<b>17,029</b>	<b>575,471</b>	<b>2,772,806</b>	<b>338,545</b>	<b>198,604</b>	<b>50,709</b>	<b>38</b>	<b>3,953,202</b>



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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on trading income/losses

	<b>Current Period - June 30, 2018</b>
<b>Income</b>	<b>12,143,299</b>
Income from capital market operations	69,066
Income from derivative financial instruments	8,736,052
Foreign exchange gains	3,338,181
<b>Losses</b>	<b>(11,842,340)</b>
Loss from capital market operations	(12,097)
Loss from derivative financial instruments	(8,493,501)
Foreign exchange loss	(3,336,742)
<b>Net trading profit/loss</b>	<b>300,959</b>
	<b>Prior Period - June 30, 2017</b>
<b>Income</b>	<b>5,163,876</b>
Income from capital market operations	49,846
Income from derivative financial instruments	2,277,518
Foreign exchange gains	2,836,512
<b>Losses</b>	<b>(5,045,247)</b>
Loss from capital market operations	(7,965)
Loss from derivative financial instruments	(2,311,512)
Foreign exchange loss	(2,725,770)
<b>Net trading profit/loss</b>	<b>118,629</b>

Net income arising from changes in foreign exchange rates that relate to the Bank’s foreign exchange rate based derivative financial instruments is amounting to TL 97,382 as at and for the six-month period ended June 30, 2018 (June 30, 2017: TL 56,224 income).

4. Information on other operating income

	<b>Current Period - June 30, 2018</b>
Income from reversal of the specific provisions for loans from prior periods	642,202
Communication income	18,231
Gain on sale of assets	78,158
Rent income	571
Other income	71,056
<b>Total</b>	<b>810,218</b>
	<b>Prior Period - June 30, 2017</b>
Income from reversal of the specific provisions for loans from prior periods	650,045
Communication income	24,976
Gain on sale of assets	76,360
Rent income	474
Other income	68,447
<b>Total</b>	<b>820,302</b>

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

5. Expected Credit Loss

	Current Period - June 30, 2018
<b>Expected Credit Loss</b>	<b>1,788,150</b>
12 month expected credit loss (stage 1)	431,766
Significant increase in credit risk (stage 2)	58,828
Non-performing loans (stage 3)	1,297,556
<b>Marketable Securities Impairment Expense</b>	<b>1,622</b>
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	1,622
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease</b>	<b>-</b>
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
<b>Other</b>	<b>-</b>
<b>Total</b>	<b>1,789,772</b>

Provision expenses for losses on loans and other receivables

	Prior Period - June 30, 2017
Specific provisions on loans and other receivables	1,152,697
<i>Loans and receivables in Group III</i>	261,778
<i>Loans and receivables in Group IV</i>	395,249
<i>Loans and receivables in Group V</i>	495,670
Non-performing commissions and other receivables	-
General provision expenses	147,640
Provision for possible losses	-
Impairment losses on securities	5,758
<i>Trading securities</i>	-
<i>Investment securities available-for-sale</i>	5,758
Impairment losses from associates, subsidiaries, joint ventures and marketable securities held to maturity	13,505
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint ventures</i>	-
<i>Investment securities held-to-maturity</i>	13,505
Other (*)	32,338
<b>Total</b>	<b>1,351,938</b>

(\*) Other provision expenses of TL 32,338 consist of provisions for non-cash loans and cheques that are not indemnified or converted into cash.

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

6. Information on other operating expenses

	Current Period - June 30, 2018
Personnel Costs	1,050,297
Reserve for Employee Termination Benefits	40,426
Deficit Provision for Pension Funds	-
Impairment Losses on Tangible Assets	-
Depreciation Expenses on Tangible Assets	70,441
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortization Expenses on Intangible Assets	13,972
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Losses on Assets to be Disposed	-
Depreciation Expenses on Assets to be Disposed	-
Impairment Losses on Assets Held for Sale	-
Other Operating Expenses	1,036,460
<i>Operational lease expenses</i>	140,347
<i>Repair and maintenance expenses</i>	29,065
<i>Advertisement expenses</i>	85,314
<i>Other expenses</i>	781,734
Loss on sale of assets	3,582
Other (*)	398,806
<b>Total</b>	<b>2,613,984</b>

	Prior Period - June 30, 2017
Personnel Costs	801,970
Reserve for Employee Termination Benefits	37,628
Deficit Provision for Pension Funds	-
Impairment Losses on Tangible Assets	-
Amortization Expenses on Tangible Assets	67,370
Impairment Losses on Intangible Assets	-
Amortization Expenses on Intangible Assets	13,018
Impairment Losses on Assets to be Disposed	-
Depreciation Expenses on Assets to be Disposed	11,917
Impairment Losses on Assets Held for Sale	-
Other Operating Expenses	849,658
<i>Operational lease expenses</i>	116,837
<i>Repair and maintenance expenses</i>	23,995
<i>Advertisement expenses</i>	46,461
<i>Other expenses</i>	662,365
Loss on sale of assets	376
Other (*)	312,285
<b>Total</b>	<b>2,094,222</b>

(\*) Other operating expenses amounting to TL 398,806 (June 30, 2017: TL 312,285) is comprised of provision expenses for dividends to the personnel amounting to TL 126,461 (June 30, 2017: TL 82,005), tax, fees and funds expenses amounting to TL 95,560 (June 30, 2017: TL 74,144), “Saving Deposits Insurance Fund” expenses amounting to TL 93,654 (June 30, 2017: TL 89,525) and other operating expenses amounting to TL 83,131 (June 30, 2017: TL 66,611).

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. 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 1-6 in this section.

8. 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 10 in this section.

9. 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 1-12 in this section.

10. 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 517,308 (June 30, 2017: TL 453,026) from the net taxable profit calculated in accordance the laws and regulations in effect.

Deferred tax benefit of the Bank is detailed in the table below.

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

<b>Sources of deferred tax benefit/charge</b>	<b>Current Period - June 30, 2018</b>
Arising from Origination / (Reversal) of Deductible Temporary Differences	110,017
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(125,617)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
<b>Total</b>	<b>(15,600)</b>

<b>Sources of deferred tax benefit/charge</b>	<b>Prior Period - June 30, 2017</b>
Arising from Origination / (Reversal) of Deductible Temporary Differences	(11,415)
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(71,413)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
<b>Total</b>	<b>(82,828)</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. INFORMATION AND DISCLOSURES RELATED TO THE STATEMENT OF INCOME  
(Continued)**

**11. 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 13,628,982 interest income, TL 955,348 net fees and commissions income and incurred TL 8,751,029 interest expenses, from ordinary banking transactions (June 30, 2017: TL 9,997,370 interest income, TL 5,499,230 interest expenses, TL 602,788 net fees and commissions income).

*Any changes in estimations that might have a material effect on current and subsequent period results*

None.

**12. 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, transfer commissions and intelligence commissions.

Banks’ other commissions expense mainly consists of credit card fee and commissions and commissions given for foreign banks credits.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. 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 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	144,551	1,441,249	-	38,243	18,110	34,799
Balance at the end of the year	422,975	1,772,862	-	38,079	124,428	66,696
Interest and commission income	3,601	1,373	-	-	7,673	73

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	294,757	1,205,242	-	31,720	37,507	22,446
Balance at the end of the year	144,551	1,441,249	-	38,243	18,110	34,799
Interest and commission income	8,556	906	-	37	-	106

Information on deposits held by the Bank’s risk group

Current Period	Associates and Subsidiaries and Joint-Ventures	Bank’s Direct and Indirect Shareholders	Other Components in Risk Group
	Deposits		
Balance at the beginning of the year	1,692,043	1,100,243	241,645
Balance at the end of the year	1,520,766	367,701	378,740
Interest on deposits	127,498	39,886	9,898

Prior Period	Associates and Subsidiaries and Joint-Ventures	Bank’s Direct and Indirect Shareholders	Other Components in Risk Group
	Deposits		
Balance at the beginning of the year	1,055,694	977,319	164,132
Balance at the end of the year	1,692,043	1,100,243	241,645
Interest on deposits	59,015	40,403	187

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Information on forwards and option agreements and other similar agreements made with the Bank’s risk group*

Bank’s Risk Group Current Period	Associates, Subsidiaries and Joint-Ventures	Bank’s Direct and Indirect Shareholders	Other Components in Risk Group
Transactions at Fair Value Through Profit or Loss	-	-	-
Beginning of the Period	441,145	-	-
Balance at the End of the Period	329,015	-	-
<b>Total income/loss</b>	<b>(3,920)</b>	-	-
Transactions for Hedging Purposes	-	-	-
Beginning of the Period	-	-	-
Balance at the End of the Period	-	-	-
<b>Total income/loss</b>	<b>-</b>	<b>-</b>	<b>-</b>

Bank’s Risk Group Prior Period	Associates, Subsidiaries and Joint-Ventures	Bank’s Direct and Indirect Shareholders	Other Components in Risk Group
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	-	-
<b>Total profit/(loss)</b>	<b>(799)</b>	<b>-</b>	<b>-</b>

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 0.26 (December 31, 2017: 0.09) and 3.12 (December 31, 2017: 2.98), respectively.

Current Period - June 30, 2018	Amount	Compared with the Financial Statement Amount %
Cash Loans	547,403	0.26
Non-Cash Loans	1,877,637	3.12
Deposits	2,267,207	1.33
Forward and Option Agreements	329,015	0.36

Prior Period - December 31, 2017	Amount	Compared with the Financial Statement 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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**SECTION SIX**

**OTHER DISCLOSURES**

**I. OTHER DISCLOSURES ON THE BANK’S ACTIVITY**

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

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

<b>July 2018</b>	<b>Fitch Ratings</b>
Long Term Foreign Currency	BB-
Short Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long Term Local Currency	BB+
Short Term Local Currency	B
Local Currency Outlook	Negative
National Long Term	AAA (tur)
National Outlook	Stable
Support	3
Support Rating Floor	BB-
Viability Note	bb-

<b>June 2018</b>	<b>Moody’s Investors’ Service</b>
Baseline Credit Assessment	b2
Local Currency Deposit	Ba3/NP
Local Currency Outlook	Rating Under Review
Foreign Currency Deposit	Ba3/NP
Foreign Currency Outlook	Rating Under Review

<b>June 2018</b>	<b>Standard&amp;Poors</b>
Foreign Currency Counterparty Credit Rating	BB-/B
Foreign Currency Outlook	Stable
Local Currency Counterparty Credit Rating	BB-/B
Local Currency Outlook	Stable
National Scale	trAA/--trA-1+

<b>March 2018</b>	<b>JCR Eurasia</b>
Long Term International FC	BBB- (Stable)
Short Term International FC	A-3 (Stable)
Long Term International TL	BBB-
Short Term International TL	A-3
Long Term NSR	AAA (Stable)
Short Term NSR	A-1 + (Stable)
Support	1
Independancy from Shareholders	A

(\*) Dates represent last report dates.



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**OTHER DISCLOSURES (Continued)**

**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 July 20, 2018, with nominal value of TL 200,000,000 (Full TL), with 98 days maturity, and maturity date of October 26, 2018, on July 16-17-18, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFBE1851, is determined with TL 141,649,473 (Full TL) nominal value, with 98 days maturity and maturity date of October 26, 2018, 17.8209% annual compound interest, 16.7659% simple interest and TL 95,692 issue price.

Fitch Ratings -International Rating Agency- has downgraded miscellaneous credit ratings of 24 Turkish banks, including the Bank, the rating actions follow the downgrade of Turkey’s Sovereign Credit Rating. In line with this matter, the Bank’s new credit ratings are as follows, Long-Term Foreign-Currency IDR: downgraded to ‘BB-’ from ‘BB+’; Outlook Negative, Long-Term Local-Currency IDR: downgraded to ‘BB+’/Negative from ‘BBB-’/Stable, Short-Term Local-Currency IDR: downgraded to ‘B’ from ‘F3’, Viability Rating: downgraded to ‘bb-’ from ‘bb+’ and Rating Watch Off. Long-term senior unsecured rating: downgraded to ‘BB-’ and Rating Watch Off from ‘BB+’/Negative’. Subordinated debt rating: downgraded to ‘B+’ from ‘BB’; Rating Watch Off’. Short-Term Foreign-Currency IDR and Short-term senior unsecured rating affirmed at ‘B’, Support Rating affirmed at ‘3’.

Board of Directors membership election is renewed every year in the General Meeting. As per the resolution of the Board of Directors dated July 18, 2018 and numbered 91612 it is decided that the 64th Ordinary General Assembly Meeting of VakıfBank for 2017 will be held on August 13, 2018.

**SECTION SEVEN**

**INDEPENDENT AUDITORS’ REVIEW REPORT**

**I. INFORMATION ON THE INDEPENDENT AUDITORS’ REVIEW REPORT**

The Bank’s unconsolidated financial statements and footnotes for the period ended June 30, 2018 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The review report dated August 7, 2018 is presented preceding the unconsolidated financial statements.

**II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR**

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

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**SECTION EIGHT  
INFORMATION ON THE INTERIM ANNUAL REPORT**

**Assessment of the Board Chairman**

During the second quarter of 2018, the USA announced that it would impose additional customs duties to many products imports from China. In addition, it has also increased customs duty tariffs for many imports from other countries. This led to an increase in worries for trade wars in global markets and an enhancement in risk perception regarding the global economic growth,

During that quarter, monetary policies of central banks in developed countries were one of the most important topics in the agenda. US Federal Reserve (FED) underlined that economic activities and labour market continue to be more powerful in May and increased interest rates by 25 basis points basis point to a target range of 1.75% to 2.00% in its meeting on June 12 and 13. The fact that US data for non-farm payrolls demonstrated a rise by 213 thousands people in June and that CPI were above FED’s 2% target consolidated the expectations that Fed would increase interest rates two times more in 2018. European Central Bank (ECB) announced in its June monetary policy meeting that asset purchase program would be ended by the end of the year and that earliest interest rate increases may possibly start in the second half of 2019.

According to the data published in second quarter of 2018, global growth maintained its strong momentum. During that period, while economies of developed countries, in particular, USA displayed a positive growth performance, growth rates in the European Union, Japan and England slightly decelerated. Compared to first quarter 2018 growth figures, China and India were the best performers among emerging markets.

It is seen that Turkish economy continue its growth without decelerated in 2018. Our economy grew by 7.4% during first quarter 2018. Thanks to this strong performance, Turkish economy is ranked as the second among G20 countries, and is on the first rank among the Organization for Economic Cooperation and Development (OECD) countries.

Another important issue for Turkey in the second quarter of 2018 was Turkish Presidential and Parliamentary Elections held on June 24<sup>th</sup>. When the shift to the presidential system is completed and the political stability is secured in near future, this will contribute to a sustainable growth in Turkish economy.

In the second quarter of 2018, Turkish banking sector maintained its strong position and continued to support national economy. During that period, total assets of the banking sector reached 3,671 billion TL and total loans to 2,353 billion TL: Capital adequacy ratio of Turkish banking sector is materialized at 16.26%.

In VakıfBank, we gave our best support to the sustainable and strong growth of Turkish economy during that time. I believe that thanks to our Bank’s high quality human resources and strong balance sheet, we will perform and continue to work ceaselessly during the rest of 2018. I would like to thank to all our customers, shareholders, investors and our dedicated employees.

Sincerely yours

**İsmail ALPTEKİN  
Chairman of the Board**

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**Assessment of the General Manager:**

The most important topics for the global economy in second quarter of 2018 were increased protective measure talks about global trade and certain policies introduced by countries in this respect. During that period, countries, including, in particular, the USA and China, raised their customs duty barriers on many imports listed by them on a mutual basis. These developments fuelled the worries that protectionism will become a favourable trend and therefore growth rate in the global economy will slow down.

According to the data published in the second quarter of 2018, the USA and EU economies grew by 2.3% and 2.5%, respectively, during the first three months this year. These figures point out a slight deceleration compared to the last quarter of 2017. During the same period, Chinese economy grew by 6.8% close to the last quarter of 2017. On the other hand, Turkish economy grew by 7.4% in the first three months of the year and displayed an outstanding performance compared to many developed and emerging markets. Leading indicators demonstrate that the national economy maintain its strong growth momentum in the second quarter of the year although the figures may slightly be lower than the first quarter figures.

One of the most important developments in the second quarter of the year for our economy was the steps taken by Central Bank Republic of Turkey (CBRT) due to the volatility in the markets and currency instability. CBRT decided to simplify its monetary policy within an operational framework by the end of May. In this respect, it resumed its weekly repo auctions after a one and half year hiatus. At the same time, it increase its policy interest rate to 17.75%.

Another important fact in this quarter for our economy was General Elections for the Presidency and 27<sup>th</sup> Period Parliament Members on 24 June. These elections, which heralded a new regime, were successfully completed thanks to Turkey’s full-fledged democracy experience and a political stability was ensured for the next five years. As was the case since 2002, this political stability for the next five years will be the insurance of the sustainable growth in our national economy,

In the second quarter of the year, our Bank continued its support to national economy despite volatilities in financial markets with the vision of “Leading Bank of Strong Turkey”. During that period, its total assets increased by 13.11% compared to the end of 2017, reaching to 306 billion TL. During the first half of the year, both our commercial loans and retail loans were increased way above the industry. Our commercial loans reached 157.8 billion TL (a 16.94% increase) and our retail loans to 52.3 billion TL (a 8.98% increase). Our cash and non-cash loans that hover around 270,3 billion TL as of the end of June 2018 is the biggest expression of our trust in the current times and future of our economy.

While, on the one hand, our Bank gives support to the economy, on the other hand, it works to enhance and diversify its resources. During the first half of 2018, our total deposits jumped to 170,4 billion TL, meaning a 9.75% increase. In addition, following the highest amount of Eurobond issued by VakıfBank in a single transaction, for a value of 650 million USD in the first quarter of 2018, our Bank secured a resource worth 1.3 billion USD pursuant to the biggest syndicated loan agreement ever in its history. Moreover, we executed a securitization worth 380 million USD which was rated by the rating agency Fitch with BBB+ which is two grades above the investment grade. This way loans borrowed by us displayed a 34.84% increase, reaching to 38.2 billion TL. Securities issued by us rose by 24.09% with a value of 24.2 billion TL.

Effective asset and liability management policies of our Bank were favourably reflected in its income statement figures. Our net profit turned out to be 2.125TL as of the end of June. During the same period, our capital adequacy

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ratio was 15.02% and it clearly demonstrates that our Bank’s policies had highly successful results in terms of risk management.

The increase in net fees and commission income in the first half of the year is also quite satisfactory. In this period, our net fee and commission income reached TL 955 million and increased by 58,49% compared to the same period of previous year. The contribution of our new subsidiary strategy is quite high for the increase in net fees and commission income. Güneş Sigorta, Vakıf Emeklilik ve Hayat A.S., Vakıf Leasing, Vakıf Faktoring and Vakıf Yatırım the product of our subsidiaries on direct sales of the Bank's channels has contributed quite positively to the balance of our subsidiaries and VakıfBank.

Our Bank introduced certain changes in branch organization in the first half of 2018. Commercial branches were set up to serve commercial segment customers more effectively. The total number of our branches, including the recent commercial ones, reached 956. During that time, our Bank’s support to national employment continued and the number of our employees now hovers around 16,500

Our quick steps in the second quarter towards innovation continued its repercussions in international platforms. Our Bank was rewarded with the “Award of Distinction” thanks to its “Mobile Field Sales Application” in Communicator Awards, one of the most prestigious international awards in marketing and communication field.

Our Bank does not only give support to our country in financial areas but for its development in sports as well. Our VakıfBank Volleyball Women’s Team that we have been ceaselessly supporting for 32 years won the championship cup in CEV Women’s Champions League for the fourth time after 2011, 2013 and 2017. Having managed to take this cup to its museum for the second consecutive time, our team made us and our nation proud once again. Similarly, during the second half of the year, our team won Vestel Venus Sultans League for the third time in four years, reaching its 9<sup>th</sup> Turkey championship in its history.

As VakıfBank Financial Group, we will continue to be the “Strength by Growing Turkey” in near future. Our trust in and support to real sector, household and athletes. Therefore, I would like to give my thanks to our Women’s Volleyball Team players, the coach and his team and the management who have proven several times what Turkish people can do with sufficient means and support and to our precious customers who have the lion’s share in our bank’s success storey, and to our shareholders and investors who were never shy of their trust in us, and last but not least, to our employees for their efforts.

Best regards,

**Mehmet Emin ÖZCAN**  
**General Manager and Board**  
**of Members Executive Member**

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**Significant Financial Indicators**

<b>BALANCE SHEET (Million TL)</b>	<b>JUNE 2018</b>	<b>DECEMBER 2017</b>	<b>CHANGE (%)</b>
<b>TOTAL ASSETS</b>	306,045	270,572	13.11
<b>SECURITIES PORTFOLIO</b>	34,972	30,316	15.36
<b>LOANS (*)</b>	210,101	182,932	14.85
- Commercial Loans	157,841	134,980	16.94
- Retail Loans	52,260	47,952	8.98
<b>DEPOSITS</b>	170,417	155,277	9.75
- Term deposits	138,077	125,160	10.32
- Demand deposits	32,340	30,117	7.38
<b>LOANS BORROWED</b>	38,171	28,308	34.84
<b>SUBORDINATED LOAN</b>	7,070	5,936	19.11
<b>SECURITIES ISSUED (NET)</b>	24,180	19,485	24.09
<b>EQUITY RESOURCES</b>	26,087	23,258	12.17
<b>NON-CASH LOANS</b>	60,189	50,768	18.56

<b>INCOME STATEMENT (Million TL)</b>	<b>JUNE 2018</b>	<b>JUNE 2017</b>	<b>CHANGE (%)</b>
<b>Financial period's Net Profit/ Loss</b>	2,125	2,121	0.18

<b>INDICATOR RATIOS (%)</b>	<b>JUNE 2018</b>	<b>DECEMBER 2017</b>
<b>TOTAL LOANS/ ASSETS (*)</b>	68.65	67.61
<b>LOAN/ DEPOSIT (*)</b>	123.29	117.81
<b>NON-PERFORMING LOANS</b>	3.89	4.01
<b>CAPITAL ADEQUACY RATIO</b>	15.02	15.52
<b>RETURN ON AVERAGE ASSETS (ROAA) (**)</b>	1.47	1.54
<b>RETURN ON AVERAGE EQUITY (ROAE) (**)</b>	17.23	17.52

(\*) Excluding non-performing loans

(\*\*) Calculations are annualized.

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**2018 Second Quarter Assessment**

Having continued its growth in the second quarter of 2018 as well, and our Bank increased its total assets by 13.11% to TL 306,045 million. In this period, our performing loans rose by 14.85%, reaching a level of TL 210,101 million, and their share in total assets turned out to be 68.65%. When we look at the breakdown of loans, it is seen that our commercial loans reached TL 157,841 million and retail loans TL 52,260 million.

In the first half of 2018, our Bank’s deposits increased by 9.75% to TL 170,417 million.

In addition, our Bank issued domestic and eurobonds in various types and maturities to diversify funding sources, to assist in cost control, to reduce the interest rate risk, to provide additional funding, and to contribute in liquidity management, and to support the loan growth.

In the first half of 2018, bonds with a nominal value of TL 6,960 million were issued for selling to qualified investors through a domestic public offering.

Our Bank continues its efforts without slowing down to find long-term and cost-effective funding from international markets to support national economy. In April, we signed a syndicated loan agreement amounting to USD 329 million and EUR 779 million equivalent in total with the participation of 35 banks from 17 countries. USD equivalent of 1.2 billion tranche has one year tenor, whereas the term of its 100 million USD tranche is 2 years +1 day. All-in cost of the one-year tenor is Libor +1.30% and Euribor +1.20% and the total cost of 2-year tenor is Libor + 2.10%.

Moreover, as being the “strength by Turkey”, VakıfBank obtained a new source of USD 380 million under the securitization program based on future flow transactions. The transaction is procured in six separate tranches denominated in USD and EUR with 5 year maturity. The transaction is rated as “BBB+”, two notches higher than the investment grade, by Fitch Ratings.

Our Bank maintained its strong position in terms of profitability and capital structure in the second half of 2018. In this period, our Bank delivered TL 2,125 million net income. Our Bank’s average return on equity was 17.23%, and average return on assets 1.47% and capital adequacy ratio 15.02%.

As of June 30, 2018, the number of our Bank’s branches reached 956 and 16,491 staff members.

Following the downgrade of Turkey’s sovereign rating from "BB" to "BB-", Standard & Poor's (S&P), the international rating agency, downgraded the Bank’s Long-term Foreign Currency and Local Currency ratings from "BB" to "BB-", while upgrading outlooks to “Stable” from “Negative”.

International rating agency Moody's downgraded 17 Turkish Banks and our Banks T.A.O Long-term Local Currency Deposits, Baseline Credit Assessment, Adjusted Baseline Credit Assessment and Senior Unsecured rating by one notch and placed under review for further downgrade, following the Agency's decision to place Turkey's ratings on review for downgrade on June 1st, 2018. Long-term Foreign Currency (Ba3) is also placed on review for downgrade. Short-term ratings were affirmed.

Additionally, following decision to place Turkey's local-currency bond ceiling ratings on review for downgrade, Moody's announced that VakıfBank's Covered Bond program rating (Baa2) is also placed on review for downgrade.

Fitch Ratings affirmed Türkiye Vakıflar Bankası T.A.O. National Long Term Rating as ‘AAA(tur)’ and National Long Term Rating Outlook as ‘Stable’.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED FINANCIAL REPORT  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

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Following Turkey's sovereign rating downgrade on 13 July 2018, Fitch Ratings has revised the following ratings on Türkiye Vakıflar Bankası T.A.O.:

- Long-Term Foreign-Currency IDR: downgraded to ‘BB-‘ from 'BB+'; Outlook Negative ;
- Short-Term Foreign-Currency IDR: affirmed at 'B';
- Long-Term Local-Currency IDR: downgraded to 'BB+' / Negative from ‘BBB-‘ / Stable;
- Short-Term Local-Currency IDR: downgraded to ‘B’ from 'F3';
- Viability Rating: downgraded to ‘bb-‘ from 'bb+'; Rating Watch Off;
- Support Rating: affirmed at '3';
- Long-term senior unsecured rating: downgraded to 'BB-' and Rating Watch Off from ‘BB+ / Negative’;
- Short-term senior unsecured rating: affirmed at 'B';
- Subordinated debt rating: downgraded to ‘B+’ from 'BB'; Rating Watch Off

**Other Significant Developments**

- As per the resolution of the Board of Directors dated July 18th, 2018 and numbered 91612 it is decided that the 64th Ordinary General Assembly Meeting of VakıfBank for 2017 will be held on August 13th, 2018.
- With the Bank's Board of Directors' decision dated July 18, 2018, the decision regarding the distribution of dividend for 2017, which is prepared to be submitted to the approval of Ordinary General Assembly, is taken. The information for the dividend distribution table for 2017 is disclosed via <https://www.kap.org.tr/tr/Bildirim/69656>.
- On the 64th anniversary of our foundation, we opened the new Head Office in Umraniye, Istanbul in a ceremony which was honoured by Mehmet Şimşek, the Deputy Prime Minister.
- Our Mobil Field Sales Application was deemed worthy of “Distinction Award” by the Communicator Awards, one of the most prestigious international award organization of communication and marketing, which was organized by the Academy of Interactive & Visual Arts for the 24th time of this year.
- Upon the proposal by the shareholders with the greatest majority in Groups (A), (B) and (C) and the resolution by the General Assembly, it was resolved that our Bank’s 64<sup>th</sup> Annual General Meeting was postponed; that the date of the adjourned meeting should be determined by the Board of Directors and that necessary calls, publications and other procedures should be carried out by the Board.
- Owing to our Mobile Field Sales Application, our customers no longer need to visit our branches. Our sales representatives visit our customers and instantly offer any banking solution regardless of where they are. This application prevents time wasting and customer satisfaction has been enhanced upon digital certification and document wasting is no longer applicable. Besides our application comes up with many services and products in its contents and is a pioneer in the sector thanks to its offline application feature.
- VakıfBank Women’s Volleyball Team won CEV Champions League Final organized in Bucharest and brought Europe’s biggest cup to Turkey for the fourth time. Moreover, VakıfBank was hailed as the first Turkish team who won CEV Champions League cup for two times consecutively.
- Pursuant to the resolution adopted by our Board of Directors on July 4, 2018, Abdi Serdar ÜSTÜNSALİH, our former Senior Vice President responsible for Banking Applications and Development, was appointed to the Executive Vice President.

**Amendments to Articles of Association**

There has been no amendment to the Articles of Association during the term.