

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

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



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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Unconsolidated Financial Statements

1. Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Türkiye Vakıflar Bankası T.A.O. (the "Bank"), which comprise the statement of unconsolidated balance sheet as at 31 December 2017, unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

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

2. Basis for Qualified Opinion

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

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



3. Key Audit Matters

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

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p><i>Impairment of loans and receivables</i></p> <p>The Bank has total provision for impairment of TL 8,484,312 thousands in respect to loans and receivables of TL 183,971,615 thousands which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2017. Explanations and notes related to provision for impairment of loans and receivables are presented Section III Part VII, Section V Part I-5 and Section V Part II-7 in the accompanying unconsolidated financial statements as at 31 December 2017.</p> <p>The reason we focused on this area during our audit is; the size of loans and receivables, the importance of their classification in accordance with the relevant legislation and estimation of impairment provision related to these loan and receivables. Timely and correctly identification of loss event and other subjective judgments and estimates made by management as well as objective judgments determined in accordance with the relevant legislation have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p>Within our audit procedures, we assessed and tested the design and operating effectiveness of controls applied by the Bank with respect to classification of loans and receivables and allocation, commitment, collateralization, follow-up procedure and calculation of impairment in-line with the framework of the relevant legislation. We have carried credit review on a selected sample of loans and receivables with the objective to identify whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation. In addition, we have tasted the appropriateness of specific provision calculation made for non-performing loans in line with the relevant legislation. For the portfolio of loans subject to the general provision we have examined the appropriateness of the general provision established in line with the related rules and other notifications made by the BRSA. Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.</p>



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p data-bbox="276 551 807 584"><i>Valuation of Pension Fund Obligations</i></p> <p data-bbox="276 624 831 763">Explanations on Valuation of Pension Obligations are presented in the Section III Part XVI in the accompanying unconsolidated financial statements as at 31 December 2017.</p> <p data-bbox="276 804 842 1563">“Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). Council of Ministers are authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Bank’s management uses external actuaries for the purpose of valuations of pension obligations.</p> <p data-bbox="276 1603 842 1888">During our audit, above mentioned fundamental assumption and estimates used in calculations of pension fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.</p>	<p data-bbox="876 551 1469 763">Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets.</p> <p data-bbox="876 804 1477 981">We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes.</p> <p data-bbox="876 1021 1469 1160">Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.</p>



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

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

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

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

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

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

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

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

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



B. Other Responsibilities Arising From Regulatory Requirements

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

Additional Paragraph for Convenience Translation

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

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

A handwritten signature in blue ink, appearing to read "Z Uras", is written over a light blue horizontal line.

Zeynep Uras, SMMM
Partner

Istanbul, 13 February 2018

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

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

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

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS
- ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements for the year and related disclosures and footnotes that were independently audited, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated financial report is presented in thousands of Turkish Lira (TL), and has been independent audited.

February 13, 2018

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

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

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

Shareholders	Number of Shares – 100 unit	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058,640	1,075,058	43.00
Vakıflarbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.10
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,224,785	386,225	15.45
Other appendant foundations (Group B)	2,673,619	2,674	0.11
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,527,393	1,528	0.06
Publicly traded (Group D)	630,514,354	630,514	25.22
Total	2,500,000,000	2,500,000	100.00

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

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

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

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

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)**

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

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

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

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**

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

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(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)**

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

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

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

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

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

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

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

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

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

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

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

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

GENERAL INFORMATION (Continued)

IV. INFORMATION ON THE BANK’S QUALIFIED SHAREHOLDERS

Name Surname/ Title	Share Amount (Nominal)	Share Percentage	Paid Shares (Nominal)	Unpaid Shares
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058	43.00	1,075,058	-
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,553	16.10	402,553	-
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,225	15.45	386,225	-

The shareholder holding control over the Bank is the General Directorate of the Foundations represented by the General Directorate of the Foundations having 58.45% of the Bank’s outstanding shares. Another organization holding qualified share in the Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, having 16.10% of outstanding shares of the Bank.

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

V. INFORMATION ABOUT THE SERVICES AND NATURE OF ACTIVITIES OF THE BANK

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

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

As at December 31, 2017, the Bank has 924 domestic, 3 foreign, in total 927 branches (December 31, 2016: 921 domestic, 3 foreign, in total 924 branches). As at December 31, 2017, the Bank has 16,097 employees (December 31, 2016: 15,615 employees).

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

None.

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

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

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

SECTION 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 DECEMBER 31, 2017

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

ASSETS	Notes	Audited Current Period December 31, 2017			Audited Prior Period December 31, 2016		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	4,021,321	24,623,503	28,644,824	4,409,130	19,956,167	24,365,297
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	1,802,188	134,600	1,936,788	1,478,068	133,112	1,611,180
2.1 Financial assets held for trading purpose		1,802,188	134,600	1,936,788	1,478,068	133,112	1,611,180
2.1.1 Debt securities issued by the governments		-	-	-	-	-	-
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading purpose	V-I-2	1,801,925	134,600	1,936,525	1,477,867	133,112	1,610,979
2.1.4 Other securities		263	-	263	201	-	201
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other securities		-	-	-	-	-	-
III. BANKS	V-I-3	308,552	11,579,276	11,887,828	37,570	3,852,752	3,890,322
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		1,652,102		1,652,102			
4.1 Interbank money market placements		1,652,102	-	1,652,102	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	12,412,036	1,137,678	13,549,714	12,588,929	5,230,128	17,819,057
5.1 Equity securities		15	43,355	43,370	15	27,595	27,610
5.2 Debt securities issued by the governments		12,412,021	1,094,323	13,506,344	12,588,914	5,202,533	17,791,447
5.3 Other securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	V-I-5	131,211,145	52,760,470	183,971,615	100,121,757	47,590,618	147,712,375
6.1 Performing loans and receivables		130,197,248	52,734,980	182,932,228	99,028,374	47,590,618	146,618,992
6.1.1 Loans provided to risk group	V-VII-1	63,865	98,796	162,661	36,595	295,669	332,264
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Other		130,133,383	52,636,184	182,769,567	98,991,779	47,294,949	146,286,728
6.2 Loans under follow-up		7,605,376	32,830	7,638,206	6,413,503	-	6,413,503
6.3 Specific provisions (-)		6,591,479	7,340	6,598,819	5,320,120	-	5,320,120
VII. FACTORING RECEIVABLES							
VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	12,235,406	4,530,665	16,766,071	8,039,914	140,621	8,180,535
8.1 Debt securities issued by the governments		12,235,406	4,286,627	16,522,033	8,039,914	-	8,039,914
8.2 Other securities		-	244,038	244,038	-	140,621	140,621
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	349,158		349,158	299,478		299,478
9.1 Associates, consolidated per equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		349,158	-	349,158	299,478	-	299,478
9.2.1 Financial associates		337,758	-	337,758	288,078	-	288,078
9.2.2 Non-Financial associates		11,400	-	11,400	11,400	-	11,400
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	1,851,610	362,248	2,213,858	1,363,012	434,112	1,797,124
10.1 Unconsolidated financial subsidiaries		1,587,890	362,248	1,950,138	1,094,116	434,112	1,528,228
10.2 Unconsolidated non-financial subsidiaries		263,720	-	263,720	268,896	-	268,896
XI. INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9						
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-Financial joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES	V-I-10						
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11						
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	V-I-12	1,409,644	7,619	1,417,263	1,401,949	7,926	1,409,875
XV. INTANGIBLE ASSETS (Net)	V-I-13	210,970		210,970	193,866		193,866
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		210,970	-	210,970	193,866	-	193,866
XVI. INVESTMENT PROPERTIES (Net)	V-I-14						
XVII. TAX ASSETS					83,109		83,109
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets	V-I-15	-	-	-	83,109	-	83,109
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-16	1,312,493		1,312,493	1,227,867		1,227,867
18.1 Assets held for sale		1,312,493	-	1,312,493	1,227,867	-	1,227,867
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-17	3,036,653	3,622,373	6,659,026	1,685,657	2,264,163	3,949,820
TOTAL ASSETS		171,813,278	98,758,432	270,571,710	132,930,306	79,609,599	212,539,905

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

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

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

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

LIABILITIES AND EQUITY		Notes	Audited Current Period December 31, 2017			Audited Prior Period December 31, 2016		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	103,532,624	51,744,498	155,277,122	86,113,201	37,725,176	123,838,377
1.1	Deposits of the risk group	V-VII-1	2,815,871	218,060	3,033,931	1,984,546	212,599	2,197,145
1.2	Other deposits		100,716,753	51,526,438	152,243,191	84,128,655	37,512,577	121,641,232
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	1,015,603	168,927	1,184,530	954,633	189,070	1,143,703
III.	FUNDS BORROWED	V-II-3	668,532	27,639,089	28,307,621	671,898	23,521,872	24,193,770
IV.	INTERBANK MONEY MARKET		18,699,026	3,571,811	22,270,837	11,172,470	1,722,864	12,895,334
4.1	Interbank money market takings		11,662,376	1,631,693	13,294,069	2,501,180	-	2,501,180
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Obligations under repurchase agreements		7,036,650	1,940,118	8,976,768	8,671,290	1,722,864	10,394,154
V.	SECURITIES ISSUED (Net)	V-II-3	6,443,119	13,041,979	19,485,098	3,268,595	11,439,150	14,707,745
5.1	Bills		3,566,573	-	3,566,573	3,268,595	-	3,268,595
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		2,876,546	13,041,979	15,918,525	-	11,439,150	11,439,150
VI.	FUNDS		3,206	-	3,206	3,319	-	3,319
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Other		3,206	-	3,206	3,319	-	3,319
VII.	MISCELLANEOUS PAYABLES		6,050,223	798,105	6,848,328	4,381,317	781,677	5,162,994
VIII.	OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	860,160	2,977,406	3,837,566	677,086	1,999,105	2,676,191
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	V-II-5	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	V-II-7	3,395,373	17,109	3,412,482	3,205,470	18,622	3,224,092
12.1	General provisions	V-II-7	1,872,826	12,667	1,885,493	2,153,773	13,670	2,167,443
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		821,819	-	821,819	710,171	-	710,171
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions	V-II-7	700,728	4,442	705,170	341,526	4,952	346,478
XIII.	TAX LIABILITIES	V-II-8	702,784	48,349	751,133	422,131	2,325	424,456
13.1	Current tax liabilities		636,728	670	637,398	422,131	2,325	424,456
13.2	Deferred tax liabilities	V-I-15	66,056	47,679	113,735	-	-	-
XIV.	PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS	V-II-9	-	-	-	-	-	-
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	V-II-10	528,188	5,407,781	5,935,969	-	5,031,213	5,031,213
XVI.	EQUITY		23,061,935	195,883	23,257,818	19,035,854	202,857	19,238,711
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		2,542,507	195,883	2,738,390	2,070,365	202,857	2,273,222
16.2.1	Share premium		723,918	-	723,918	723,918	-	723,918
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-11	876,951	195,883	1,072,834	495,171	202,857	698,028
16.2.4	Revaluation surplus on tangible assets		873,080	-	873,080	829,895	-	829,895
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	69,222	-	69,222
16.2.8	Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		(23,265)	-	(23,265)	(47,841)	-	(47,841)
16.3	Profit reserves		14,296,045	-	14,296,045	11,762,447	-	11,762,447
16.3.1	Legal reserves		1,635,332	-	1,635,332	1,367,022	-	1,367,022
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3.	Extraordinary reserves		12,210,313	-	12,210,313	9,964,966	-	9,964,966
16.3.4.	Other profit reserves		450,400	-	450,400	430,459	-	430,459
16.4	Profit or loss		3,723,383	-	3,723,383	2,703,042	-	2,703,042
16.4.1	Prior years' profit/loss		-	-	-	-	-	-
16.4.2	Current period's profit/loss		3,723,383	-	3,723,383	2,703,042	-	2,703,042
TOTAL LIABILITIES AND EQUITY			164,960,773	105,610,937	270,571,710	129,905,974	82,633,931	212,539,905

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

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

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

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

	Notes	Audited Current Period December 31, 2017			Audited Prior Period December 31, 2016		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		80,248,423	79,578,712	159,827,135	71,071,210	75,396,231	146,467,441
I. GUARANTEES AND SURETIES	V-III-2-4	32,109,922	18,657,662	50,767,584	26,743,456	13,704,968	40,448,424
1.1 Letters of guarantee		32,035,061	8,133,759	40,168,820	26,687,992	5,626,758	32,314,750
1.1.1 Guarantees subject to State Tender Law		3,163,898	4,099,756	7,263,654	3,203,501	2,571,209	5,774,710
1.1.2 Guarantees given for foreign trade operations		1,053,872	-	1,053,872	1,059,516	-	1,059,516
1.1.3 Other letters of guarantee		27,817,291	4,034,003	31,851,294	22,424,975	3,055,549	25,480,524
1.2 Bank acceptances		44,700	1,510,854	1,555,554	53,702	1,143,484	1,197,186
1.2.1 Import letter of acceptance		671	519,399	520,070	-	395,874	395,874
1.2.2 Other bank acceptances		44,029	991,455	1,035,484	53,702	747,610	801,312
1.3 Letters of credit		30,161	8,963,991	8,994,152	1,762	6,911,368	6,913,130
1.3.1 Documentary letters of credit		30,161	8,963,991	8,994,152	1,762	6,911,368	6,913,130
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	3,006	3,006	-	2,796	2,796
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of 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	-	16,890	16,890
1.9 Other sureties		-	2,056	2,056	-	3,672	3,672
II. COMMITMENTS		31,039,233	17,286,799	48,326,032	26,475,216	12,535,618	39,010,834
2.1 Irrevocable commitments		27,979,658	961,190	28,940,848	23,451,047	1,502,055	24,953,102
2.1.1 Asset purchase commitments	V-III-1	793,979	961,190	1,755,169	1,362,697	1,502,055	2,864,752
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	-	-	-	-	-	-
2.1.4 Loan granting commitments	V-III-1	11,843,577	-	11,843,577	9,817,555	-	9,817,555
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments	V-III-1	2,542,741	-	2,542,741	2,154,102	-	2,154,102
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	10,534,862	-	10,534,862	8,682,835	-	8,682,835
2.1.10 Commitments for credit card and banking operations promotions		761,674	-	761,674	300,108	-	300,108
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1,502,825	-	1,502,825	1,133,750	-	1,133,750
2.2 Revocable commitments		3,059,575	16,325,609	19,385,184	3,024,169	11,033,563	14,057,732
2.2.1 Revocable loan granting commitments		3,059,575	16,325,609	19,385,184	3,024,169	11,033,563	14,057,732
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	V-III-5	17,099,268	43,634,251	60,733,519	17,852,538	49,155,645	67,008,183
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		17,099,268	43,634,251	60,733,519	17,852,538	49,155,645	67,008,183
3.2.1 Forward foreign currency purchases/sales		1,152,837	1,617,661	2,770,498	489,310	1,120,684	1,609,994
3.2.1.1 Forward foreign currency purchases		576,772	808,889	1,385,661	244,982	560,368	805,350
3.2.1.2 Forward foreign currency sales		576,065	808,772	1,384,837	244,328	560,316	804,644
3.2.2 Currency and interest rate swaps		10,344,359	30,420,079	40,764,438	16,314,487	37,172,783	53,487,270
3.2.2.1 Currency swaps-purchases		3,297,551	11,363,303	14,660,854	8,539,652	11,631,406	20,171,058
3.2.2.2 Currency swaps-sales		4,706,808	4,435,680	9,142,488	6,324,835	9,924,553	16,249,388
3.2.2.3 Interest rate swaps-purchases		1,170,000	7,310,548	8,480,548	725,000	7,808,412	8,533,412
3.2.2.4 Interest rate swaps-sales		1,170,000	7,310,548	8,480,548	725,000	7,808,412	8,533,412
3.2.3 Currency, interest rate and security options		426,094	431,542	857,636	142,676	730,632	873,308
3.2.3.1 Currency call options		412,706	13,400	426,106	121,124	306,804	427,928
3.2.3.2 Currency put options		13,388	418,142	431,530	21,552	423,828	445,380
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	-	-	-	-	-
3.2.3.6 Security put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-purchases		-	-	-	-	-	-
3.2.4.2 Currency futures-sales		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-	-	-	-
3.2.6 Other		5,175,978	11,164,969	16,340,947	906,065	10,131,546	11,037,611
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,283,071,577	805,680,121	2,088,751,698	1,043,040,320	580,201,858	1,623,242,178
IV. ITEMS HELD IN CUSTODY		54,525,860	4,245,640	58,771,500	54,374,804	4,027,246	58,402,050
4.1 Customers' securities held		-	-	-	-	-	-
4.2 Investment securities held in custody		42,177,802	135,880	42,313,682	43,319,878	147,806	43,467,684
4.3 Checks received for collection		9,976,508	2,483,954	12,460,462	9,130,796	2,502,025	11,632,821
4.4 Commercial notes received for collection		1,178,205	412,078	1,590,283	941,776	410,946	1,352,722
4.5 Other assets received for collection		2,152	151	2,303	2,152	141	2,293
4.6 Assets received through public offering		-	-	-	-	-	-
4.7 Other items under custody		309	76,380	76,689	309	66,081	66,390
4.8 Custodians		1,190,884	1,137,197	2,328,081	979,893	900,247	1,880,140
V. PLEDGED ITEMS		315,422,683	132,707,352	448,130,035	280,652,246	104,200,492	384,852,738
5.1 Securities		739,672	5,090	744,762	495,249	16,366	511,615
5.2 Guarantee notes		707,502	524,748	1,232,250	767,038	544,996	1,312,034
5.3 Commodities		33,014,517	759,683	33,774,200	31,750,967	775,907	32,526,874
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		240,511,071	108,037,406	348,548,477	230,129,196	86,340,346	316,469,542
5.6 Other pledged items		39,688,651	23,254,495	62,943,146	16,959,461	16,365,309	33,324,770
5.7 Pledged items-depository		761,270	125,930	887,200	550,335	157,568	707,903
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		913,123,034	668,727,129	1,581,850,163	708,013,270	471,974,120	1,179,987,390
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		1,363,320,000	885,258,833	2,248,578,833	1,114,111,530	655,598,089	1,769,709,619

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

	Notes	Audited Current Period January 1, 2017-December 31, 2017	Audited Current Period January 1, 2016-December 31, 2016
I. INTEREST INCOME		21,444,094	16,557,626
1.1 Interest income from loans	V-IV-1	18,262,838	14,211,917
1.2 Interest income from reserve deposits		221,541	111,798
1.3 Interest income from banks	V-IV-1	52,638	25,032
1.4 Interest income from money market transactions		35,186	-
1.5 Interest income from securities portfolio	V-IV-1	2,868,891	2,204,418
1.5.1 Trading financial assets		-	-
1.5.2 Financial assets designated at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets		1,708,617	1,496,674
1.5.4 Held-to-maturity investments		1,160,274	707,744
1.6 Finance lease income		-	-
1.7 Other interest income		3,000	4,461
II. INTEREST EXPENSE		12,822,668	9,590,985
2.1 Interest expense on deposits	V-IV-2	9,205,081	7,213,909
2.2 Interest expense on funds borrowed	V-IV-2	671,892	385,750
2.3 Interest expense on money market transactions		1,523,311	992,840
2.4 Interest expense on securities issued	V-IV-2	1,020,139	680,296
2.5 Other interest expenses		402,245	318,190
III. NET INTEREST INCOME (I – II)		8,621,426	6,966,641
IV. NET FEES AND COMMISSIONS INCOME		1,330,665	980,883
4.1 Fees and commissions received		1,999,713	1,530,415
4.1.1 Non-cash loans		302,057	230,650
4.1.2 Others		1,697,656	1,299,765
4.2 Fees and commissions paid		669,048	549,532
4.2.1 Non-cash loans		130	67
4.2.2 Others		668,918	549,465
V. DIVIDEND INCOME	V-IV-3	93,561	91,753
VI. TRADING INCOME/LOSSES (Net)	V-IV-4	164,212	483,813
6.1 Trading account income/losses	V-IV-4	45,149	21,836
6.2 Income/losses from derivative financial instruments	V-IV-4	(26,021)	357,841
6.3 Foreign exchange gains/losses	V-IV-4	145,084	104,136
VII. OTHER OPERATING INCOME	V-IV-5	1,673,529	954,031
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		11,883,393	9,477,121
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	2,787,533	2,246,514
X. OTHER OPERATING EXPENSES (-)	V-IV-7	4,420,728	3,835,083
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		4,675,132	3,395,524
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		4,675,132	3,395,524
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-11	(951,749)	(692,482)
16.1 Current tax charges		(792,677)	(712,424)
16.2 Deferred tax credits		(159,072)	19,942
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)	V-IV-12	3,723,383	2,703,042
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from investment properties		-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3 Other income from discontinued activities		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS		-	-
19.1 Investment property expenses		-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3 Other expenses from discontinued activities		-	-
XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES		-	-
XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES		-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge		-	-
XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	V-IV-12	3,723,383	2,703,042
Profit/Loss per 100 shares (full TL)	III-XXIV	1.4894	1.0812

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS
ACCOUNTED UNDER SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

	Audited Current Period January 1, 2017- December 31, 2017	Audited Prior Period January 1, 2016- December 31, 2016
GAINS AND LOSSES RECOGNIZED IN EQUITY		
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	72,826	(238,688)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	(6,588)	(2,017)
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. CURRENCY TRANSLATION DIFFERENCES	-	-
V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)	-	-
VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS	-	-
VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS	385,802	60,089
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(36,316)	48,737
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	415,724	(131,879)
XI. CURRENT PERIOD'S PROFIT/(LOSS)	3,723,383	2,703,042
11.1 Change in fair value of securities (transfers to the statement of income)	(34,072)	(5,861)
11.2 Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges	-	-
11.3 Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges	-	-
11.4 Others	3,757,455	2,708,903
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	4,139,107	2,571,163

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2017**

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

Audited	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellati on Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
Prior Period – December 31, 2016																			
I.	Balances at the beginning of the period	2,500,000	-	723,918	-	1,174,010	-	8,329,529	380,198	-	1,930,109	830,413	830,149	69,222	-	-	16,767,548	-	16,767,548
II.	Corrections made according to TAS 8																		
2.1.	The effect of corrections of error	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	The effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted beginning balance (I+II)	2,500,000	-	723,918	-	1,174,010	-	8,329,529	380,198	-	1,930,109	830,413	830,149	69,222	-	-	16,767,548	-	16,767,548
	Changes during the period																		
IV.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Associates, Subsidiaries and "Available- for-sale" securities	-	-	-	-	-	-	-	-	-	-	(132,385)	-	-	-	-	(132,385)	-	(132,385)
VI.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	(1,914)	-	-	-	(1,914)	-	(1,914)
VIII.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII	.																		
.	Other	-	-	-	-	-	-	-	2,420	-	-	-	-	-	-	-	2,420	-	2,420
XIX.	Current period's net profit/loss	-	-	-	-	-	-	-	-	2,703,042	-	-	-	-	-	-	2,703,042	-	2,703,042
XX.	Profit distribution	-	-	-	-	193,012	-	1,635,437	-	-	(1,930,109)	-	1,660	-	-	-	(100,000)	-	(100,000)
20.1	Dividends	V-V-5	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	(100,000)	-	(100,000)
20.2	Transferred to reserves	V-V-5	-	-	-	193,012	-	1,635,437	-	-	(1,830,109)	-	1,660	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period	2,500,000	-	723,918	-	1,367,022	-	9,964,966	382,618	2,703,042	-	698,028	829,895	69,222	-	-	19,238,711	-	19,238,711

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2017**

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

Audited	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancell ation 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 Shareholders’ Equity before Minority Interest	Minority Interest	Minority Interest	Shareholders’ Equity	Total Shareholders’ Equity
I. Current Period – December 31, 2017																				
I.	Balances at the beginning of the period	2,500,000	-	723,918	-	1,367,022	-	9,964,966	382,618	-	2,703,042	698,028	829,895	69,222	-	-	19,238,711	-	-	19,238,711
	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Associates, Subsidiaries and “Available-for-sale” securities	V-V-1	-	-	-	-	-	-	-	-	-	374,806	-	-	-	-	374,806	-	-	374,806
IV.	Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net cash flow hedges	V-V-2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	(6,259)	-	-	-	(6,259)	-	-	(6,259)
VI.	Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	22,601	-	-	22,601	-	-	22,601
VIII.	Translation differences	V-V-3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes resulted from disposal of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Bank’s equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	24,576	-	-	-	-	-	-	-	24,576	-	-	24,576
XVII.	Current period’s net profit/loss		-	-	-	-	-	-	-	3,723,383	-	-	-	-	-	-	3,723,383	-	-	3,723,383
XVIII.	Profit distribution		-	-	-	268,310	-	2,245,347	19,941	-	(2,703,042)	-	49,444	-	-	-	(120,000)	-	-	(120,000)
18.1	Dividends		-	-	-	-	-	-	-	-	(120,000)	-	-	-	-	-	(120,000)	-	-	(120,000)
18.2	Transferred to reserves		-	-	-	268,310	-	2,245,347	19,941	-	(2,583,042)	-	49,444	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period		2,500,000	-	723,918	-	1,635,332	-	12,210,313	427,135	3,723,383	-	1,072,834	873,080	91,823	-	23,257,818	-	-	23,257,818

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

	Notes	Audited Current Period December 31, 2017	Audited Prior Period December 31, 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		6,084,021	3,714,415
1.1.1 Interests received		19,820,982	15,258,012
1.1.2 Interests paid		(12,333,577)	(9,442,454)
1.1.3 Dividends received		34,690	14,819
1.1.4 Fee and commissions received		1,999,713	1,530,415
1.1.5 Other income		66,699	114,334
1.1.6 Collections from previously written-off loans and other receivables		1,353,005	1,156,863
1.1.7 Payments to personnel and service suppliers		(2,025,203)	(1,723,337)
1.1.8 Taxes paid		(776,051)	(926,251)
1.1.9 Other	V-VI-1	(2,056,237)	(2,267,986)
1.2 Changes in operating assets and liabilities		1,010,197	(4,599,505)
1.2.1 Net (increase) decrease in financial assets held for trading purpose		(62)	(201)
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(4,082,794)	1,371,941
1.2.4 Net (increase) decrease in loans		(37,194,911)	(25,683,142)
1.2.5 Net (increase) decrease in other assets		(3,379,376)	(102,153)
1.2.6 Net increase (decrease) in bank deposits		4,637,814	(469,244)
1.2.7 Net increase (decrease) in other deposits		26,101,910	14,322,656
1.2.8 Net increase (decrease) in funds borrowed		4,076,090	5,604,676
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	V-VI-1	10,851,526	355,962
I. Net cash flow from banking operations		7,094,218	(885,090)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		(2,629,403)	(1,137,408)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-	(76,155)
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures	V-VI-3	232	-
2.3 Purchases of tangible assets		(153,273)	(232,811)
2.4 Proceeds from disposal of tangible assets		560,233	458,440
2.5 Cash paid for purchase of available-for-sale financial assets		(7,355,604)	(6,473,075)
2.6 Proceeds from disposal of available-for-sale financial assets		4,599,232	5,430,885
2.7 Cash paid for purchase of held-to-maturity investments		(2,423,358)	(1,873,688)
2.8 Proceeds from disposal of held-to-maturity investments		2,186,864	1,673,758
2.9 Other	V-VI-1	(43,729)	(44,762)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		5,464,623	4,836,498
3.1 Cash obtained from funds borrowed and securities issued		17,617,496	14,111,686
3.2 Cash used for repayment of funds borrowed and securities issued		(12,032,873)	(9,175,188)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(120,000)	(100,000)
3.5 Repayments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents	V-VI-1	(91,144)	94,345
V. Net increase in cash and cash equivalents		9,838,294	2,908,345
VI. Cash and cash equivalents at the beginning of the period	V-VI-4	11,108,769	8,200,424
VII. Cash and cash equivalents at the end of the period	V-VI-4	20,947,063	11,108,769

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

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IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

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

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

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

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

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

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

Disclosures of IFRS 9 Financial Instruments:

TFRS 9 “Financial Instruments”, which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017. TFRS 9 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments. TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

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

Classification and measurement of financial assets

According to 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).

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ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued)

Upon initial recognition each financial asset will be classified as either fair value through profit or loss (“FVTPL”), amortized cost or fair value through other comprehensive income (“FVOCI”). As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

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

Impairment of financial assets

As of 1 January 2018, the Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Part VII-c of Explanation on Accounting Policies will be changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

The Bank will recognize an adjustment to opening retained earnings at 1 January 2018, to reflect the application of the new requirements at the adoption date. The primary impact is attributable to changes in the allowance for credit losses under the new impairment requirements and the related deferred taxes.

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

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

ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued)

Additional paragraph for convenience translation to English

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

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

Strategy for the use of financial instruments

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

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

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

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

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

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

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

ACCOUNTING POLICIES (Continued)

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

Information on foreign currency transactions

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

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

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

As of September 30, 2016 reporting period, the Bank started the fair value risk hedging strategy in order to avoid currency risk due to the share of Vakıfbank International AG's 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the Bank on May 4, 2016 with a maturity date of May 4, 2021 has been declared as the hedging instrument. In the subject process, the fair value changes that are related to the hedged investments abroad are recognized in the income statements as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement as at December 31, 2017 is TL 55,219. The effectiveness of the process is the degree of offset of the amount of changes in the hedged items' fair values that may be associated with the foreign exchange risks by the hedging instrument.

As of December 31, 2017, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS 39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

III. INFORMATION OF ASSOCIATES AND SUBSIDIARIES

Subsidiaries are the entities that the Bank has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Subsidiaries are accounted in accordance with TAS 39 Financial Instruments: Recognition and Measurement in the unconsolidated financial statements. Subsidiaries, which are traded in an active market or whose fair value can be reliably measured, are recorded at fair value.

Associates are accounted in accordance with TAS 39 Financial Instruments: Recognition and Measurement in the unconsolidated financial statements. Associates, which are traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates which are not traded in an active market and whose fair values cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

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ACCOUNTING POLICIES (Continued)

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

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

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

Subsequent to initial recognition derivative transactions are measured at their fair value and, if the fair value is positive, it is recorded in the balance sheet under “Derivative financial assets held for trading purpose” or if the fair value is negative, it is recorded in the balance sheet under “Derivative financial liabilities held for trading purpose”. As the result of related measurements to fair value changes of derivative transactions are recognized in the statement of income.

V. INFORMATION ON INTEREST INCOME AND EXPENSES

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

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

VI. INFORMATION ON FEES AND COMMISSIONS

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

VII. INFORMATION ON FINANCIAL ASSETS

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

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

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

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

ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Financial assets at fair value through profit or loss

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

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

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

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

Available-for-sale financial assets

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

Held to maturity investments

Held to maturity investments are the financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables. Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any.

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

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

Loans and receivables

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

Loans 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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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

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

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

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

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

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ACCOUNTING POLICIES (Continued)

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

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

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

XIII. INFORMATION ON TANGIBLE ASSETS

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

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

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

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ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON TANGIBLE ASSETS (Continued)

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. Depreciation rates and estimated useful lives are:

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

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

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

XIV. INFORMATION ON LEASING ACTIVITIES

Leasing activities

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

- ***Finance leasing activities as the lessee***

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

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

- ***Finance leasing transactions as lessor***

The Bank does not perform as a lessor on leasing transactions.

Operational leases

Operational leasing is defined as activities except financial leasing. Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

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ACCOUNTING POLICIES (Continued)

XV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

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

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

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

XVI. INFORMATION ON OBLIGATIONS OF THE BANK CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

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

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

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

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

Other benefits to employees

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

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

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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 December 31, 2017.

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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, according to Law No: 7061 “The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations” published in the Official Gazette dated 5 December 2017. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

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

75% of the associate shares that hold at least 2 years (this rate is 50% for sales after 5 December 2017 for real estates) and profits from property sales are exceptional from corporate taxes if there is a capital increase according to Corporate Tax Law or it is hold for a 5 years on special fund account. The Bank follows these profits in “Revaluation surplus on tangible assets” under the equity.

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

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

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

There is no practice about reaching an agreement with laws in Turkey. Corporate taxes are paid on 25th of the fourth month that is followed form the end of the accounting period. Firms that allowed to analyze taxes, can examine the accounting records and change the amount if there is a wrong transaction.

Corporation tax legislation for the foreign branches

Bahrain (Manama)

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.GIB.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.

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION (Continued)

Banking and Insurance Transaction Tax

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

Deferred taxes

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

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

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

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

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

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

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.

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ACCOUNTING POLICIES (Continued)

XVIII. INFORMATION ON CASH AND CASH EQUIVALENTS

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

XIX. ADDITIONAL INFORMATION ON BORROWINGS

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

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

The bank is not hedging about debt instruments.

XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

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

XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXII. INFORMATION ON GOVERNMENT INCENTIVES

As at December 31, 2017 the Bank does not have any government incentives.(December 31,2016: None)

XXIII. INFORMATION ON SEGMENT REPORTING

An operating segment is a component of an entity:

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

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

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS

Earnings per shares

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

As at and for the year ended December 31, 2017, earnings per 100 shares are full TL 1.4894 (December 31, 2016: full TL 1.0812).

Related parties

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

Classifications

None.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ON EQUITY ITEMS

Calculation of Equity and Capital Adequacy Standard Ratio are calculated according to “Regulation on Bank's Capital Adequacy Assessment of the Measurement“, “Communique on Credit Risk Mitigation”, “BRSA Regulation on Bank’s Shareholder Equity”, “Regulations on Systemically Important Banks”, “Regulation on Capital Conservation and Cyclical Capital Buffer”. As of December 31, 2017 Bank’s capital adequacy ratio is 15.52% (December 31, 2016: 14.16%).

	Current Period December 31, 2017	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	723,918	
Reserves	14,296,045	
Income recognized under equity in accordance with TAS	2,245,222	
Profit	3,723,383	
Current Period’s Profit	3,723,383	
Prior Period’s Profit	-	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	91,823	
Common Equity Tier 1 Capital Before Deductions	23,580,391	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	322,573	-
Leasehold Improvements on Operational Leases	182,977	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	168,776	210,970
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	674,326	
Common Equity Tier 1 capital (CET1)	22,906,065	
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	
Bank’s borrowing instruments and related issuance premium	-	

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

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

	Current Period December 31, 2017	Amount as per the regulation before 1/1/2014(*)
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital	-	-
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	42,194	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 Capital	-	-
Total Additional Tier 1 Capital	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	22,863,871	-
TIER 2 CAPITAL	-	-
Bank's borrowing instruments and related issuance premium	4,083,838	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	814,407	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,885,493	-
Tier 2 Capital Before Deductions	5,969,331	-
Deductions From Tier 2 Capital	-	-
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	5,969,331	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	28,833,202	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	-
Other items to be defined by the BRSA (-)	1,355	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL	-	-
Total Capital	28,831,847	-
Total Risk Weighted Amounts	185,800,511	-
Capital Adequacy Ratios	-	-
Core Capital Adequacy Ratio (%)	12.33	-
Tier 1 Capital Adequacy Ratio (%)	12.31	-
Capital Adequacy Ratio (%)	15.52	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

	Current Period December 31, 2017	Amount as per the regulation before 1/1/2014(*)
BUFFERS	-	-
Total buffer requirement	1.255	-
Capital conservation buffer requirement (%)	1.250	-
Bank specific counter-cyclical buffer requirement (%)	0.005	-
Systemically important banks buffer requirement (%)**	0.000	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.83	-
Amounts below deduction thresholds	-	-
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,885,493	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,136,162	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	723,918	
Reserves	11,762,447	
Income recognized under equity in accordance with TAS	1,771,737	
Profit	2,703,042	
Current Period’s Profit	2,703,042	
Prior Period’s Profit	-	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	69,222	
Common Equity Tier 1 Capital Before Deductions	19,530,366	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	291,655	-
Leasehold Improvements on Operational Leases	158,292	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	116,320	193,866
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	566,267	
Common Equity Tier 1 capital (CET1)	18,964,099	
Additional Tier 1 capital: instruments	-	

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014(*)
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	-	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital	-	-
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	77,546	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 Capital	-	-
Total Additional Tier 1 Capital	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	18,886,553	-
TIER 2 CAPITAL	-	-
Bank's borrowing instruments and related issuance premium	2,729,287	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	977,288	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,905,134	-
Tier 2 Capital Before Deductions	4,634,421	-
Deductions From Tier 2 Capital	-	-
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	4,634,421	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	23,520,974	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	112,142	-
Other items to be defined by the BRSA (-)	1,166	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

	Prior Period December 31, 2016	Amount as per the regulation before 1/1/2014(*)
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL	-	-
Total Capital	23,407,666	-
Total Risk Weighted Amounts	165,312,386	-
Capital Adequacy Ratios	-	-
Core Capital Adequacy Ratio (%)	11.47	-
Tier 1 Capital Adequacy Ratio (%)	11.42	-
Capital Adequacy Ratio (%)	14.16	-
BUFFERS	-	-
Total buffer requirement	0.627	-
Capital conservation buffer requirement (%)	0.625	-
Bank specific counter-cyclical buffer requirement (%)	0.002	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.97	-
Amounts below deduction thresholds	-	-
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2,167,443	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,905,134	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Issuer	T.Vakıflar Bankası T.A.O.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91 XS1175854923/ US90015WAC73 XS1551747733 / US90015WAE30 TRSVKFB92719
Governing law(s) of the instrument	Debt Instrument Communique numbered CMB-II-31.1 BRSA regulation on bank’s shareholder equity
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	XS0849728190/ US90015NAB91 is subject to deduction. XS1175854923/ US90015WAC73 is not subject to deduction. XS1551747733 / US90015WAE30 is not subject to deduction. TRSVKFB92719 / is not subject to deduction.
Eligible at solo/group/group&solo	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	4,084
Par value of instrument (in million)	5,817
Accounting classification	346011-347011 Subordinated Liabilities
Original date of issuance	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015 XS1551747733 / US90015WAE30 February 13, 2017 TRSVKFB92719 September 18, 2017
Perpetual or dated	XS0849728190/ US90015NAB91 Dated (10 years) Maturity Date: November 1, 2022 XS1175854923/ US90015WAC73 Dated (10 years) Maturity Date: February 3, 2025 XS1551747733 / US90015WAE30 Dated (10 years) Maturity Date: November 1, 2027 TRSVKFB92719 Dated (10 years) Maturity Date:September 6, 2027
Issue date	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015 XS1551747733 / US90015WAE30 February 13, 2017 TRSVKFB92719 September 18, 2017
Issuer call subject to prior supervisory approval	Yes
Call option dates, conditioned call dates and call amount	XS0849728190/ US90015NAB91 Not available. XS1175854923/ US90015WAC73 early call date at February 3, 2020 is available. XS1551747733/ US90015WAE30 early call date at November 1, 2022 is available. TRSVKFB92719 early call date at the end of five years.
Subsequent call dates, if applicable	XS0849728190/ US90015NAB91 Not available XS1175854923/ US90015WAC73 only one call option is available. XS1551747733/ US90015WAE30 only one call option is available. TRSVKFB92719 only one call option is available.
Coupons / dividends*	
Fixed or floating dividend/coupon	XS0849728190/ US90015NAB91 Fixed interest rate / Interest payment once in six month, principal payment at the maturity date XS1175854923/ US90015WAC73 Fixed interest rate / Interest payment once in six month ,principal payment at the maturity date XS1551747733 / US90015WAE30 Fixed interest rate / Interest payment once in six month, principal payment at the maturity date TRSVKFB92719 Floating interest rate/ Interest payment once in three month, principal payment at the maturity date
Coupon rate and any related index	XS0849728190/ US90015NAB91 6% fixed interest rate XS1175854923/ US90015WAC73 6.875% fixed interest rate XS1551747733/ US90015WAE30 8% fixed interest rate TRSVKFB92719 5 years maturity “Indicator Government Debt Security” +350 basis points
Existence of a dividend stopper	Nil
Fully discretionary, partially discretionary or mandatory	Nil
Existence of step up or other incentive to redeem	Nil
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	Nil

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

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
If write-down, write-down trigger(s)	XS0849728190/ US90015NAB91 Not available. XS1175854923/ US90015WAC73 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events XS1551747733/ US90015WAE30 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events TRSVKFB92719 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events
If write-down, full or partial	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has full or partial write down feature. XS1551747733/ US90015WAE30 has full or partial write down feature. TRSVKFB92719 has full or partial write down feature.
If write-down, permanent or temporary	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has permanent write down feature. XS1551747733/ US90015WAE30 has permanent write down feature. TRSVKFB92719 has permanent write down feature.
If temporary write-down, description of write-up mechanism	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has no write-up mechanism. XS1551747733/ US90015WAE30 has no write-up mechanism. TRSVKFB92719 has no write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments included in Tier II Capital after deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess Article 8
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	Not Possess Article 7

Reconciliation of capital items to balance sheet:

	December 31, 2017	31.12.2016
Shareholders' equity	23,257,818	19,238,711
Leasehold improvements on operational leases	(182,977)	(158,292)
Goodwill and intangible assets	(168,776)	(116,320)
General provision (1.25% of the amount that subject to credit risk)	1,885,493	1,905,134
Subordinated debt	4,083,838	2,729,287
Deductions from shareholders' equity	(43,549)	(190,854)
Capital	28,831,847	23,407,666

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK

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

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

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

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

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

For credit risk management purposes, Risk Management Department operates in

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

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

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

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

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

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

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

Regardless of the guarantees and pledges received, the Bank provides 20% provision for the Loans and Other Receivables classified in Group Three, by September 30, 2015, 50% provision for the Loans and Other Receivables classified in Group Four and 100% in Group Five. The provision amount is recognized in profit and loss statement of the period.

The Bank’s largest 100 cash loan customers compose 26.52% of the total cash loan portfolio (December 31, 2016: 27.22%).

The Bank’s largest 100 non-cash loan customers compose 53.48% of the total non-cash loan portfolio (December 31, 2016: 56.13%).

The Bank’s largest 100 cash loan customers compose 17.93% of total assets of the Bank and the Bank’s largest 100 non-cash loan customers compose 16.99% of total off-balance sheet items (December 31, 2016: 18.78% and 15.50%).

The Bank’s largest 200 cash loan customers compose 32.81% of the total cash loan portfolio (December 31, 2016: 33.48%).

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

The Bank’s largest 200 non-cash loan customers compose 65.73% of the total non-cash loan portfolio (December 31, 2016: 68.50%).

The Bank’s largest 200 cash loan customers compose 22.18% of total assets of the Bank and the Bank’s largest 200 non-cash loan customers compose 20.88% of total off-balance sheet items (December 31, 2016: 23.10% and 18.92%).

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

Risk Classifications:	Current Period Risk Amount^(*)	Average Risk Amount^(**)
Claims on sovereigns and Central Banks	93,274,872	74,840,199
Claims on regional governments or local authorities	6,911,090	5,774,930
Claims on administrative bodies and other non-commercial undertakings	438,782	1,100,510
Claims on multilateral development banks	1,583	766
Claims on international organizations	-	-
Claims on banks and intermediary institutions	15,512,752	12,469,312
Claims on corporate	86,475,062	78,889,723
Claims included in the regulatory retail portfolios	50,027,447	47,829,523
Claims secured by residential property	48,390,010	46,101,812
Past due loans	1,039,387	1,076,847
Higher risk categories decided by the Agency	220,667	161,770
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	263	168
Stock Investments	2,606,386	2,358,540
Other claims	8,395,667	6,816,384

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

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

Risk Classifications:	Prior Period Risk Amount^(*)	Average Risk Amount^(**)
Claims on sovereigns and Central Banks	57,284,685	61,840,339
Claims on regional governments or local authorities	4,754,398	4,084,408
Claims on administrative bodies and other non-commercial undertakings	1,310,984	1,482,636
Claims on multilateral development banks	5	128
Claims on international organizations	-	-
Claims on banks and intermediary institutions	15,606,113	12,947,340
Claims on corporate	69,787,149	64,539,017
Claims included in the regulatory retail portfolios	45,724,723	40,231,116
Claims secured by residential property	43,946,760	39,721,096
Past due loans	1,093,383	972,687
Higher risk categories decided by the Agency	288,697	2,027,588
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	5
Stock Investments	2,124,212	1,481,117
Other claims	6,149,265	6,090,464

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

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

Current Period	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
Domestic	84,447,479	6,907,856	438,782	-	-	2,935,346	80,320,911	50,024,494	48,042,681	1,039,387	-	-	-	-	263	43,370	8,395,667	282,596,236
EU countries	-	-	-	1,447	-	10,390,621	-	-	-	-	476	-	-	-	-	-	-	10,392,544
OECD countries (*)	-	-	-	-	-	493,249	-	-	-	-	-	-	-	-	-	-	-	493,249
Off-shore banking regions	-	3,234	-	-	-	113,075	4,247,432	2,953	328,856	-	-	-	-	-	-	-	-	4,695,550
USA, Canada	8,827,393	-	-	136	-	1,390,568	1,810,274	-	18,473	-	-	-	-	-	-	-	-	12,046,844
Other countries	-	-	-	-	-	84,991	96,445	-	-	-	220,191	-	-	-	-	-	-	401,627
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	104,902	-	-	-	-	-	-	-	-	-	2,563,016	-	2,667,918
Undistributed Assets/Liabilities(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	93,274,872	6,911,090	438,782	1,583	-	15,512,752	86,475,062	50,027,447	48,390,010	1,039,387	220,667	-	-	-	263	2,606,386	8,395,667	313,293,968

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

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

Prior Period	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
Domestic	54,506,834	4,754,398	1,310,984	5	-	5,814,771	67,946,762	45,723,028	43,898,829	1,093,383	83,109	-	-	-	-	27,610	6,149,265	231,308,978
EU countries	-	-	-	-	-	8,194,793	32	-	-	-	-	-	-	-	-	-	-	8,194,825
OECD countries (*)	-	-	-	-	-	13,085	-	-	-	-	-	-	-	-	-	-	-	13,085
Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	2,777,851	-	-	-	-	1,511,754	1,748,377	1,695	47,931	-	-	-	-	-	-	-	-	6,087,608
Other countries	-	-	-	-	-	71,710	91,978	-	-	-	205,588	-	-	-	-	-	-	369,276
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,096,602	-	2,096,602
Undistributed Assets/ Liabilities(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	57,284,685	4,754,398	1,310,984	5	-	15,606,113	69,787,149	45,724,723	43,946,760	1,093,383	288,697	-	-	-	-	2,124,212	6,149,265	248,070,374

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

Risk profile according to sectors and counterparties (*)

Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total	
Agricultural	190,377	444	10	-	-	-	191,847	521,938	445,896	-	-	-	-	-	-	-	-	1,300,468	50,044	1,350,512	
<i>Farming and raising livestock</i>	<i>182,614</i>	<i>444</i>	<i>10</i>	-	-	-	<i>190,409</i>	<i>495,664</i>	<i>432,391</i>	-	-	-	-	-	-	-	-	<i>1,253,437</i>	<i>48,095</i>	<i>1,301,532</i>	
<i>Forestry</i>	<i>6,204</i>	-	-	-	-	-	<i>12</i>	<i>18,521</i>	<i>4,603</i>	-	-	-	-	-	-	-	-	<i>29,340</i>	-	<i>29,340</i>	
<i>Fishing</i>	<i>1,559</i>	-	-	-	-	-	<i>1,426</i>	<i>7,753</i>	<i>8,902</i>	-	-	-	-	-	-	-	-	<i>17,691</i>	<i>1,949</i>	<i>19,640</i>	
Manufacturing	5,105,301	187,304	61,438	-	-	-	35,594,314	3,671,243	6,413,129	-	-	-	-	-	-	-	-	21,480,235	29,552,494	51,032,729	
<i>Mining</i>	<i>129,600</i>	-	-	-	-	-	<i>2,929,399</i>	<i>118,087</i>	<i>145,433</i>	-	-	-	-	-	-	-	-	<i>645,416</i>	<i>2,677,103</i>	<i>3,322,519</i>	
<i>Production</i>	<i>4,897,999</i>	<i>30</i>	<i>75</i>	-	-	-	<i>22,149,831</i>	<i>3,354,038</i>	<i>6,089,190</i>	-	-	-	-	-	-	-	-	<i>17,587,629</i>	<i>18,903,534</i>	<i>36,491,163</i>	
<i>Electric, Gas, Water</i>	<i>77,702</i>	<i>187,274</i>	<i>61,363</i>	-	-	-	<i>10,515,084</i>	<i>199,118</i>	<i>178,506</i>	-	-	-	-	-	-	-	-	<i>3,247,190</i>	<i>7,971,857</i>	<i>11,219,047</i>	
Construction	2,952,772	890	3,395	-	-	-	11,066,164	2,651,520	6,780,970	-	-	-	-	-	-	-	-	15,217,010	8,238,701	23,455,711	
Services	50,188,812	6,706,806	176,666	1,583	-	15,512,752	17,478,456	6,935,084	8,239,232	-	220,667	-	-	-	-	263	43,370	58,447,114	47,056,577	105,503,691	
<i>Wholesale and retail trade</i>	<i>6,852</i>	<i>232</i>	-	-	-	-	<i>16,079</i>	<i>3,743</i>	<i>1,784</i>	-	-	-	-	-	-	-	-	<i>8,929</i>	<i>19,761</i>	<i>28,690</i>	
<i>Hotel, Food and Beverage Services</i>	<i>526,253</i>	<i>11</i>	<i>263</i>	-	-	-	<i>1,726,737</i>	<i>777,934</i>	<i>3,323,258</i>	-	-	-	-	-	-	-	-	<i>2,330,352</i>	<i>4,024,104</i>	<i>6,354,456</i>	
<i>Transportation and Telecommunication</i>	<i>913,632</i>	<i>11,378</i>	<i>23,397</i>	-	-	-	<i>10,190,783</i>	<i>4,629,489</i>	<i>2,230,411</i>	-	-	-	-	-	-	-	-	<i>8,059,607</i>	<i>9,939,483</i>	<i>17,999,090</i>	
<i>Financial Institutions</i>	<i>47,943,735</i>	<i>10</i>	<i>733</i>	<i>1,583</i>	-	<i>15,512,752</i>	<i>3,704,075</i>	<i>146,088</i>	<i>946,723</i>	-	<i>220,667</i>	-	-	-	-	-	<i>263</i>	<i>43,370</i>	<i>37,283,253</i>	<i>31,236,746</i>	<i>68,519,999</i>
<i>Real Estate and renting services</i>	<i>215,895</i>	-	<i>70,183</i>	-	-	-	<i>1,095,952</i>	<i>1,058,137</i>	<i>919,586</i>	-	-	-	-	-	-	-	-	<i>2,610,958</i>	<i>748,795</i>	<i>3,359,753</i>	
<i>Self-employment services</i>	<i>4,905</i>	<i>1,513</i>	<i>241</i>	-	-	-	<i>116</i>	<i>2</i>	-	-	-	-	-	-	-	-	-	<i>6,777</i>	-	<i>6,777</i>	
<i>Education services</i>	<i>164,013</i>	<i>11</i>	<i>626</i>	-	-	-	<i>232,813</i>	<i>128,211</i>	<i>420,193</i>	-	-	-	-	-	-	-	-	<i>934,571</i>	<i>11,296</i>	<i>945,867</i>	
<i>Health and social services</i>	<i>413,527</i>	<i>6,693,651</i>	<i>81,223</i>	-	-	-	<i>511,901</i>	<i>191,480</i>	<i>397,277</i>	-	-	-	-	-	-	-	-	<i>7,212,667</i>	<i>1,076,392</i>	<i>8,289,059</i>	
Other	34,837,610	15,646	197,273	-	-	-	22,144,281	36,247,662	26,510,783	1,039,387	-	-	-	-	-	2,563,016	8,395,667	91,221,658	40,729,667	131,951,325	
Total	93,274,872	6,911,090	438,782	1,583	-	15,512,752	86,475,062	50,027,447	48,390,010	1,039,387	220,667	-	-	-	263	2,606,386	8,395,667	187,666,485	125,627,483	313,293,968	

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

Risk profile according to sectors and counterparties (*)

Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	2,235	54	207,563	-	-	-	1,140,397	628,586	667,275	-	-	-	-	-	-	-	-	1,874,122	771,988	2,646,110
<i>Farming and raising livestock</i>	1,762	54	207,563	-	-	-	839,819	570,802	628,684	-	-	-	-	-	-	-	-	1,745,073	503,611	2,248,684
<i>Forestry</i>	471	-	-	-	-	-	258,641	29,458	19,454	-	-	-	-	-	-	-	-	80,550	227,474	308,024
<i>Fishing</i>	2	-	-	-	-	-	41,937	28,326	19,137	-	-	-	-	-	-	-	-	48,499	40,903	89,402
Manufacturing	5,917	570	171,838	-	-	-	30,027,301	4,011,585	5,229,920	-	-	-	-	-	-	-	-	13,824,770	25,622,361	39,447,131
<i>Mining</i>	707	-	6,712	-	-	-	1,335,027	156,918	211,494	-	-	-	-	-	-	-	-	487,832	1,223,026	1,710,858
<i>Production</i>	5,210	23	49,004	-	-	-	19,839,469	3,721,968	4,890,928	-	-	-	-	-	-	-	-	11,425,080	17,081,522	28,506,602
<i>Electric, Gas, Water</i>	-	547	116,122	-	-	-	8,852,805	132,699	127,498	-	-	-	-	-	-	-	-	1,911,858	7,317,813	9,229,671
Construction	434	105	73,780	-	-	-	10,284,903	2,626,315	5,891,522	-	-	-	-	-	-	-	-	10,986,335	7,890,724	18,877,059
Services	34,861,036	4,624,122	700,689	-	-	15,605,640	22,800,714	12,764,923	15,372,178	-	205,588	-	-	-	-	27,610	-	64,892,821	42,069,679	106,962,500
<i>Wholesale and retail trade</i>	184,370	583	43	-	-	-	8,480,102	7,441,861	8,473,191	-	-	-	-	-	-	-	-	18,799,413	5,780,737	24,580,150
<i>Hotel, Food and Beverage Services</i>	2,282	17	64	-	-	-	2,364,966	498,907	3,130,880	-	-	-	-	-	-	-	-	1,372,446	4,624,670	5,997,116
<i>Transportation and Telecommunication</i>	283	7,555	365,545	-	-	-	7,648,521	4,174,378	1,476,312	-	-	-	-	-	-	-	-	6,056,650	7,615,944	13,672,594
<i>Financial Institutions</i>	34,446,465	7	1,010	-	-	15,605,640	3,098,274	50,347	1,086,383	-	205,588	-	-	-	-	27,610	-	31,936,658	22,584,666	54,521,324
<i>Real Estate and renting services</i>	-	-	4	-	-	-	275,182	133,166	489,797	-	-	-	-	-	-	-	-	398,126	500,023	898,149
<i>Self-employment services</i>	480	1,254	16,839	-	-	-	424	68	-	-	-	-	-	-	-	-	-	19,065	-	19,065
<i>Education services</i>	51,275	32	1,026	-	-	-	365,576	100,796	292,437	-	-	-	-	-	-	-	-	774,076	37,066	811,142
<i>Health and social services</i>	175,881	4,614,674	316,158	-	-	-	567,669	365,400	423,178	-	-	-	-	-	-	-	-	5,536,387	926,573	6,462,960
Other	22,415,063	129,547	157,114	5	-	473	5,533,834	25,693,314	16,785,865	1,093,383	83,109	-	-	-	-	2,096,602	6,149,265	55,493,437	24,644,137	80,137,574
Total	57,284,685	4,754,398	1,310,984	5	-	15,606,113	69,787,149	45,724,723	43,946,760	1,093,383	288,697	-	-	-	-	2,124,212	6,149,265	147,071,485	100,998,889	248,070,374

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

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

Risk Classifications-Current Period	According to their outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
Claims on sovereigns and Central Banks	6,977,725	252,551	758,827	1,571,397	83,714,372
Claims on regional governments or local authorities	9,682	9,196	28,124	235,613	6,628,475
Claims on administrative bodies and other non-commercial undertakings	1,426	1,690	3,390	66,488	365,788
Claims on multilateral development banks	1,583	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	3,692,962	1,869,140	240,445	57,924	9,652,281
Claims on corporate	2,712,960	4,078,255	6,484,943	12,519,643	60,679,261
Claims included in the regulatory retail portfolios	592,658	1,398,041	2,388,791	5,872,574	39,775,383
Claims secured by residential property	715,960	1,295,000	2,647,802	6,139,142	37,592,106
Past due loans	-	-	-	-	1,039,387
Higher risk categories decided by the Agency	4,083	1,105	2,265	887	212,327
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	263
Stock Investments	-	-	-	-	2,606,386
Other claims	-	-	-	-	8,395,667
Total	14,709,039	8,904,978	12,554,587	26,463,668	250,661,696

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

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

Risk Classifications-Prior Period	According to their outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
Claims on sovereigns and Central Banks	5,152,323	225,795	409,148	1,583,377	49,914,042
Claims on regional governments or local authorities	1,782	21,645	28,086	388,267	4,314,618
Claims on administrative bodies and other non-commercial undertakings	42,633	278,512	9,991	64,845	915,003
Claims on multilateral development banks	-	-	-	-	5
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	5,786,026	1,671,798	269,398	481,624	7,397,267
Claims on corporate	2,015,469	3,296,230	5,939,490	9,868,195	48,667,765
Claims included in the regulatory retail portfolios	716,137	1,483,217	2,596,991	6,293,038	34,635,340
Claims secured by residential property	672,308	1,262,277	2,192,724	5,051,029	34,768,422
Past due loans	-	-	-	-	1,093,383
Higher risk categories decided by the Agency	-	300	-	-	288,397
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Stock Investments	-	-	-	-	2,124,212
Other claims	-	-	-	-	6,149,265
Total	14,386,678	8,239,774	11,445,828	23,730,375	190,267,719

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

Risk balances according to risk weights

Risk Weights Current Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	85,170,351	-	5,735,499	23,271,806	44,311,654	50,027,447	104,556,544	220,667	-	-	-	395,302
Amount after Credit Risk Mitigation	88,234,001	-	4,128,073	23,271,806	46,849,682	49,693,331	100,896,408	220,667	-	-	-	395,302
Risk Weights Prior Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	32,055,602	-	9,195,120	21,214,639	55,183,682	45,724,723	84,407,911	205,588	-	83,109	-	465,466
Amount after Credit Risk Mitigation	39,236,688	-	3,636,014	21,214,639	57,187,435	45,433,669	81,073,232	205,588	-	83,109	-	465,466

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

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

Information According to Sectors and Counterparties

Current Period	Loans			
	Impaired (*)	Past Due (**)	Value Adjustments (***)	Provisions
Agricultural	49,564	73,741	1,420	40,488
<i>Farming and raising livestock</i>	45,271	72,536	1,395	36,982
<i>Forestry</i>	2,207	923	20	2,042
<i>Fishing</i>	2,086	282	5	1,464
Manufacturing	1,418,585	662,702	18,754	1,152,837
<i>Mining</i>	113,934	71,292	1,641	110,219
<i>Production</i>	1,298,469	502,312	13,001	1,036,732
<i>Electric, Gas, Water</i>	6,182	89,098	4,112	5,886
Construction	791,869	580,653	12,394	702,786
Services	2,913,617	2,982,220	68,074	2,525,464
<i>Wholesale and retail trade</i>	2,049,107	1,114,163	25,183	1,804,680
<i>Hotel, Food and Beverage Services</i>	103,954	187,259	3,844	90,251
<i>Transportation and telecommunication</i>	391,091	759,229	13,311	332,833
<i>Financial Institutions</i>	15,550	15,741	203	14,680
<i>Real estate and renting services</i>	61,752	835,721	16,650	53,351
<i>Self-employment services</i>	183,449	6,922	7,555	150,312
<i>Education services</i>	18,070	40,977	938	17,454
<i>Health and social services</i>	90,644	22,208	390	61,903
Other	2,464,571	4,232,963	213,400	2,177,244
Total	7,638,206	8,532,279	314,042	6,598,819

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

Prior Period	Loans			Provisions
	Impaired ^(*)	Past Due ^(**)	Value Adjustments ^(***)	
Agricultural	116,924	56,562	1,580	99,522
<i>Farming and raising livestock</i>	106,265	51,912	1,424	90,495
<i>Forestry</i>	7,848	3,064	91	6,997
<i>Fishing</i>	2,811	1,586	65	2,030
Manufacturing	1,112,305	572,232	15,267	983,726
<i>Mining</i>	41,038	69,885	1,436	36,879
<i>Production</i>	1,060,170	490,172	13,644	937,638
<i>Electric, Gas, Water</i>	11,097	12,175	187	9,209
Construction	599,481	235,419	8,541	526,093
Services	1,739,620	2,237,522	49,129	1,452,901
<i>Wholesale and retail trade</i>	1,229,957	607,124	18,008	1,014,712
<i>Hotel, Food and Beverage Services</i>	81,173	97,034	2,808	62,466
<i>Transportation and telecommunication</i>	229,301	1,228,172	20,804	195,486
<i>Financial Institutions</i>	5,635	1,950	58	4,791
<i>Real estate and renting services</i>	9,400	32,707	1,104	7,794
<i>Self-employment services</i>	112,056	183,281	3,788	103,965
<i>Education services</i>	16,788	20,255	721	13,270
<i>Health and social services</i>	55,310	66,999	1,838	50,417
Other	2,845,173	3,215,435	232,451	2,257,878
Total	6,413,503	6,317,170	306,968	5,320,120

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

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

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

Information on Changes in Value Adjustments and Credit Provisions

Current Period	The opening Balance	Provisions amounts set aside during the period	The cancelation of the provisions	Other Adjustments ^(*)	Closing Balance
Specific Provisions	5,320,120	2,194,095	(936,786)	21,390	6,598,819
General Provisions	2,167,443	208	(280,949)	(1,209)	1,885,493

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

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

Prior Period	The opening Balance	Provisions amounts set aside during the period	The cancelation of the provisions	Other Adjustments ^(*)	Closing Balance
Specific Provisions	4,044,038	1,935,699	(665,884)	6,267	5,320,120
General Provisions	1,957,603	213,855	-	(4,015)	2,167,443

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

Fair value of collateral held against impaired loans

	December 31, 2017	December 31, 2016
Cash collateral ^(*)	-	-
Mortgage	3,059,895	2,484,686
Promissory note ^(*)	-	-
Others ^(**)	4,578,311	3,928,817
Total	7,638,206	6,413,503

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

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

Cash loans	December 31, 2017	December 31, 2016
Secured Loans:	142,928,602	113,223,472
Secured by mortgages	46,667,479	43,001,264
Secured by cash collateral	803,321	974,445
Guarantees issued by financial institutions	434,954	357,875
Secured by government institutions or government securities	19,124,808	2,420,844
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	75,898,040	66,469,044
Unsecured Loans	40,003,626	33,395,520
Total performing loans	182,932,228	146,618,992

Non-cash loans	December 31, 2017	December 31, 2016
Secured Loans:	24,286,702	16,831,079
Secured by mortgages	3,210,379	2,105,139
Secured by cash collateral	149,782	126,564
Guarantees issued by financial institutions	158,194	240,422
Secured by government institutions or government securities	570,608	-
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	20,197,739	14,358,954
Unsecured Loans	26,480,882	23,617,345
Total non-cash loans	50,767,584	40,448,424

Exposures subject to countercyclical capital buffer

Current Period

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA calculations for Trading Book	Total
Turkey	155,241,676	-	155,241,676
United States	2,078,814	-	2,078,814
England	1,690,247	-	1,690,247
France	1,360,764	-	1,360,764
Iraq	414,494	-	414,494
Switzerland	72,579	-	72,579
Netherlands	262,142	-	262,142
Germany	28,984	-	28,984
Austria	114,367	-	114,367
Lebanon	30,841	-	30,841
Other	4,536,296	-	4,536,296
Total	165,831,204	-	165,831,204

Prior Period

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA calculations for Trading Book	Total
Turkey	131,496,703	-	131,496,703
United States	2,133,393	-	2,133,393
England	918,231	-	918,231
France	630,245	-	630,245
Iraq	400,361	-	400,361
Switzerland	245,149	-	245,149
Netherlands	94,423	-	94,423
Germany	34,316	-	34,316
Austria	21,172	-	21,172
Albania	15,201	-	15,201
Other	2,709,410	-	2,709,410
Total	138,698,604	-	138,698,604

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. FOREIGN CURRENCY EXCHANGE RISK

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

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

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

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

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

Foreign exchange risk management policy

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

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

The Bank’s effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank in TL are as follows:

	US Dollar	Euro
The Bank’s foreign currency purchase rate at the balance sheet date	3.7800	4.5230
Foreign currency purchase rates for the days before balance sheet date:		
Day 1	3.7757	4.5106
Day 2	3.8241	4.5514
Day 3	3.8073	4.5139
Day 4	3.8037	4.5177
Day 5	3.8190	4.5271
	US Dollar	Euro
Last 30-days arithmetical average rate	3.8678	4.5781

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period	Euro	US Dollar	Other FC	Total
Assets:				
Cash and balances with the Central Bank of Republic of Turkey	3,779,428	14,497,302	6,346,773	24,623,503
Banks	1,273,439	9,858,720	447,117	11,579,276
Financial assets at fair value through profit or loss ⁽¹⁾	-	120,612	-	120,612
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	310,561	827,117	-	1,137,678
Loans and receivables ⁽²⁾	25,182,315	32,205,844	74,494	57,462,653
Associates, subsidiaries and joint-ventures	362,248	-	-	362,248
Held-to-maturity investments	570,123	3,960,542	-	4,530,665
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	-	7,619	-	7,619
Intangible assets	-	-	-	-
Other assets ⁽³⁾	1,011,192	2,519,359	265	3,530,816
Total assets	32,489,306	63,997,115	6,868,649	103,355,070
Liabilities:				
Bank deposits	368,654	7,583,592	313,320	8,265,566
Foreign currency deposits	16,679,420	24,922,159	1,877,353	43,478,932
Interbank money market takings	-	3,571,811	-	3,571,811
Other funding	11,449,619	16,189,470	-	27,639,089
Securities issued	4,681,410	8,360,569	-	13,041,979
Miscellaneous payables	714,678	25,393	58,034	798,105
Derivative financial liabilities held for risk	-	-	-	-
Other liabilities ^{(1) (4)}	213,032	8,123,311	11,782	8,348,125
Total liabilities	34,106,813	68,776,305	2,260,489	105,143,607
Net ‘on balance sheet’ position	(1,617,507)	(4,779,190)	4,608,160	(1,788,537)
Net ‘off-balance sheet’ position	1,768,133	5,432,457	(4,605,831)	2,594,759
Derivative assets ⁽⁶⁾	4,654,449	18,670,060	270,591	23,595,100
Derivative liabilities ⁽⁶⁾	2,886,316	13,237,603	4,876,422	21,000,341
Non-cash loans ⁽⁵⁾	5,608,465	12,773,104	276,093	18,657,662
Prior Period	Euro	US Dollar	Other FC	Total
Total assets	26,354,962	52,932,124	4,719,504	84,006,590
Total liabilities	26,674,021	54,128,445	1,436,505	82,238,971
Net ‘on balance sheet’ position	(319,059)	(1,196,321)	3,282,999	1,767,619
Net ‘off-balance sheet’ position	343,259	3,068,001	(3,282,690)	128,570
Derivative assets ⁽⁶⁾	3,404,136	21,698,055	290,944	25,393,135
Derivative liabilities ⁽⁶⁾	3,060,877	18,630,054	3,573,634	25,264,565
Non-cash loans ⁽⁵⁾	4,075,023	9,339,767	290,178	13,704,968

- (1). Derivative financial assets amounting to TL 13,988 (December 31, 2016: TL 20,534) and liabilities amounting to TL 34,450 (December 31, 2016: TL 33,606) resulting from changes in foreign exchange rates are not included.
- (2). Foreign currency indexed loans amounting to TL 4,702,183 (December 31, 2016: TL 4,493,820) which are presented in TL column in the balance sheet are included in the table above.
- (3). Prepaid expenses amounting to TL 91,557 (December 31, 2016: TL 76,295) is not included.
- (4). Unearned revenues amounting to TL 189,318 (December 31, 2016: TL 158,497), deferred tax liabilities amounting to TL 47,679 (December 31, 2016: None) and equities amounting to TL 195,883 (December 31, 2016: TL 202,857) are not included.
- (5). Non-cash loans are not taken into consideration in the calculation of the net ‘off-balance sheet’ position.
- (6). Asset purchase commitments amounting to TL 232,555 (December 31, 2016: TL 918,356) and asset sales commitments amounting to TL 728,635 (December 31, 2016: TL 583,699) are included.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10 percent appreciation of the TL against the following currencies as at and for the year ended December 31, 2017 and 2016 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

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

	December 31, 2017		December 31, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	64,565	64,565	186,375	186,375
Euro	(21,162)	(21,162)	(40,991)	(40,991)
Other currencies	233	233	31	31
Total, net(**)	43,636	43,636	145,415	145,415

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

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

10 percent appreciation of the TL against the following currencies as at and for the year ended December 31, 2017 and 2016 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	December 31, 2017		December 31, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(64,565)	(64,565)	(186,375)	(186,375)
Euro	21,162	21,162	40,991	40,991
Other currencies	(233)	(233)	(31)	(31)
Total, net(**)	(43,636)	(43,636)	(145,415)	(145,415)

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

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

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IV. INTEREST RATE RISK

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

Bank's interest rate risk is measured by the standard method.

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets:							
Cash and balances with CBRT	16,440,969	-	-	-	-	12,203,855	28,644,824
Banks	10,420,962	339,044	8,187	-	-	1,119,635	11,887,828
Financial assets at fair value through profit/loss	362,422	478,847	160,593	821,339	113,324	263	1,936,788
Interbank money market placements	1,652,102	-	-	-	-	-	1,652,102
Available-for-sale financial assets	3,068,976	1,572,628	4,215,856	3,919,288	729,596	43,370	13,549,714
Loans and receivables	80,792,041	10,839,504	31,219,398	40,081,705	19,999,580	1,039,387	183,971,615
Held-to-maturity investments	986,375	2,743,646	6,217,027	4,327,554	2,491,469	-	16,766,071
Other assets (*)	10,495	7	253	361	-	12,151,652	12,162,768
Total assets	113,734,342	15,973,676	41,821,314	49,150,247	23,333,969	26,558,162	270,571,710
Liabilities:							
Bank deposits	8,268,276	842,741	177,301	-	-	489,785	9,778,103
Other deposits	82,004,246	23,910,761	9,926,461	30,065	-	29,627,486	145,499,019
Interbank money market takings	21,616,184	-	140,509	449,402	64,742	-	22,270,837
Miscellaneous payables	-	-	-	-	-	6,848,328	6,848,328
Securities issued	1,089,758	2,007,529	5,838,303	9,383,681	1,165,827	-	19,485,098
Funds borrowed	8,690,010	11,049,075	5,215,950	1,453,908	1,663,576	235,102	28,307,621
Other liabilities (**)	21,457	175,115	517,987	4,116,157	2,292,989	31,258,999	38,382,704
Total liabilities	121,689,931	37,985,221	21,816,511	15,433,213	5,187,134	68,459,700	270,571,710
On balance sheet long position	-	-	20,004,803	33,717,034	18,146,835	-	71,868,672
On balance sheet short position	(7,955,589)	(22,011,545)	-	-	-	(41,901,538)	(71,868,672)
Off-balance sheet long position	1,267,350	3,559,363	140,118	-	162,518	-	5,129,349
Off-balance sheet short position	-	-	-	(2,683,485)	-	-	(2,683,485)
Net Position	(6,688,239)	(18,452,182)	20,144,921	31,033,549	18,309,353	(41,901,538)	2,445,864

(*) 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)

IV. INTEREST RATE RISK (Continued)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets:							
Cash and balances with CBRT	13,369,291	-	-	-	-	10,996,006	24,365,297
Banks	2,753,824	307,863	22,306	-	-	806,329	3,890,322
Financial assets at fair value through profit/loss	531,009	601,147	22,021	372,093	84,709	201	1,611,180
Interbank money market placements	-	-	-	-	-	-	-
Available-for-sale financial assets	2,895,405	2,103,852	4,371,742	5,781,463	2,638,985	27,610	17,819,057
Loans and receivables	47,139,973	34,356,861	33,175,198	21,061,924	10,885,036	1,093,383	147,712,375
Held-to-maturity investments	674,843	1,937,819	4,047,247	1,287,620	233,006	-	8,180,535
Other assets (*)	9,528	1,648	9,541	1,029	-	8,939,393	8,961,139
Total assets	67,373,873	39,309,190	41,648,055	28,504,129	13,841,736	21,862,922	212,539,905
Liabilities:							
Bank deposits	4,344,954	455,862	94,424	-	-	236,382	5,131,622
Other deposits	66,462,963	20,624,829	7,383,419	37,889	-	24,197,655	118,706,755
Interbank money market takings	11,349,237	1,031,916	-	449,439	64,742	-	12,895,334
Miscellaneous payables	-	-	-	-	-	5,162,994	5,162,994
Securities issued	538,113	1,528,432	3,599,819	9,041,381	-	-	14,707,745
Fund borrowed	3,933,704	8,899,174	8,633,401	1,102,037	1,625,454	-	24,193,770
Other liabilities (**)	518,727	184,455	263,038	1,439,164	3,772,851	25,563,450	31,741,685
Total liabilities	87,147,698	32,724,668	19,974,101	12,069,910	5,463,047	55,160,481	212,539,905
On balance sheet long position	-	6,584,522	21,673,954	16,434,219	8,378,689	-	53,071,384
On balance sheet short position	(19,773,825)	-	-	-	-	(33,297,559)	(53,071,384)
Off-balance sheet long position	2,073,148	3,048,601	-	-	-	-	5,121,749
Off-balance sheet short position	-	-	(522,353)	(3,391,353)	(210,900)	-	(4,124,606)
Net Position	(17,700,677)	9,633,123	21,151,601	13,042,866	8,167,789	(33,297,559)	997,143

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

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

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

Current Period	Euro %	US Dollar %	Yen %	TL %
Assets:				
Cash and balance with CBRT	-	1.50	-	4.00
Banks	0.12	4.02	-	12.76
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	12.75
Available-for-sale financial assets	5.20	4.07	-	11.96
Loans and receivables	4.85	6.51	-	15.96
Held-to-maturity investments	5.05	6.52	-	11.51
Liabilities:				
Bank deposits	0.36	1.53	-	14.33
Other deposits	1.76	3.54	-	12.11
Interbank money market takings	-	2.09	-	12.59
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.84	-	13.69
Funds borrowed	1.28	3.20	-	10.24

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. INTEREST RATE RISK (Continued)

Prior Period	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBRT	-	0.75	-	3.31
Banks	-	1.01	-	10.87
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	5.23	6.58	-	9.49
Loans and receivables	4.28	4.99	-	12.34
Held-to-maturity investments	-	2.68	-	9.65
Liabilities:				
Bank deposits	0.21	1.18	-	10.87
Other deposits	1.38	2.84	-	9.17
Interbank money market takings	-	1.75	-	8.26
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.88	-	9.53
Funds borrowed	0.96	2.48	-	10.22

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

V. STOCK POSITION RISKS

Stock position risks arising from banking book items

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

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

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

Current Period	Comparison			
	Stock Investments	Carrying Value	Fair Value ^(*)	Market Value ^(*)
Stocks quoted in exchange^(*)	871,231	871,231	871,231	871,231
1.Stocks Investments Group A	871,231	871,231		871,231
2.Stock Investments Group B	-	-	-	-
3.Stock Investment Group C	-	-	-	-
Stocks unquoted in exchange^(**)	1,735,155	1,634,967		-

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. STOCK POSITION RISKS (Continued)

Prior Period Stock Investments	Carrying Value	Comparison	
		Fair Value ^(*)	Market Value ^(*)
Stocks quoted in exchange^(*)	652,998	652,998	652,998
1.Stocks Investments Group A	652,998	652,998	652,998
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
Stocks unquoted in exchange^(**)	1,471,214	1,386,964	-

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

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

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

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

Portfolio-Current Period	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total ^(*)	Included in Supplementary Capital	Total ^(*)	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	251,676	251,676
3. Other Stocks	-	992,670	992,670	-	-
4. Total	-	992,670	992,670	251,676	251,676

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

Portfolio-Prior Period	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total ^(*)	Included in Supplementary Capital	Total ^(*)	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	85,226	85,226
3. Other Stocks	-	828,877	828,877	-	-
4. Total	-	828,877	828,877	85,226	85,226

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

Explanations on Equity Shares Risk Arising from Banking Book

Portfolio-Current Period	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	871,231	871,231	69,699
3.Other Stocks	1,735,155	1,735,155	138,812
4. Total	2,606,386	2,606,386	208,511

Portfolio-Prior Period	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	652,998	652,998	52,240
3.Other Stocks	1,471,214	1,471,214	117,697
4. Total	2,124,212	2,124,212	169,937

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. 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	03.11.2017	92.80	10.11.2017	217.96
The highest value	29.12.2017	116.18	29.12.2017	255.77

Liquidity Coverage Ratio

Current Period		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			35,096,294	25,035,823
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	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	TOTAL CASH OUTFLOWS			52,428,358	23,494,856
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	16,761,213	8,319,742	12,170,931	7,340,331
19	Other cash inflows	5,761,250	5,478,192	5,761,250	5,478,192
20	TOTAL CASH INFLOWS	22,522,463	13,797,934	17,932,181	12,818,523
				Upper Limit Applied Values	
21	TOTAL HQLA			35,096,294	25,035,823
22	TOTAL NET CASH OUTFLOWS			34,496,177	10,676,333
23	LIQUIDITY COVERAGE RATIO (%)			102.23	235.38

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

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VI. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

Prior Period		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			30,911,865	17,187,025
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	56,094,081	18,064,063	4,674,027	1,806,406
3	Stable deposits	18,707,617	-	935,381	-
4	Less stable deposits	37,386,464	18,064,063	3,738,646	1,806,406
5	Unsecured wholesale funding, of which:	62,416,947	15,846,190	24,240,183	7,659,013
6	Operational deposits	42,745,940	8,687,042	10,686,485	2,171,760
7	Non-operational deposits	10,454,745	5,701,889	6,886,996	4,064,477
8	Unsecured debt	9,216,262	1,457,259	6,666,702	1,422,776
9	Secured wholesale funding			-	-
10	Additional requirements of which:	11,436,793	10,467,385	11,436,793	10,467,385
11	Outflows related to derivative exposures and other collateral requirements	11,436,793	10,467,385	11,436,793	10,467,385
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	16,068,573	15,621,541	803,429	781,077
15	Other contingent funding obligations	44,619,198	11,874,367	6,579,804	1,116,914
16	TOTAL CASH OUTFLOWS			47,734,236	21,830,795
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	11,938,083	5,431,272	8,394,971	4,704,964
19	Other cash inflows	9,183,453	4,946,269	9,183,453	4,946,269
20	TOTAL CASH INFLOWS	21,121,536	10,377,541	17,578,424	9,651,233
				Upper Limit Applied Values	
21	TOTAL HQLA			30,911,865	17,187,025
22	TOTAL NET CASH OUTFLOWS			30,155,812	12,179,562
23	LIQUIDITY COVERAGE RATIO (%)			102.69	143.21

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. 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

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed^(*)	Total
Assets:								
Cash and balance with CBRT	28,644,824	-	-	-	-	-	-	28,644,824
Banks	1,131,958	10,408,639	339,044	8,187	-	-	-	11,887,828
Financial assets at fair value through profit/loss	263	107,401	22,184	119,512	1,531,330	156,098	-	1,936,788
Interbank money market placements	-	1,652,102	-	-	-	-	-	1,652,102
Available-for-sale financial assets	-	367,288	222,590	1,478,073	6,697,310	4,741,083	43,370	13,549,714
Loans and receivables	-	15,014,654	5,187,532	32,686,698	84,252,856	45,790,488	1,039,387	183,971,615
Held-to-maturity investments	-	75,675	37,804	329,917	10,046,465	6,276,210	-	16,766,071
Other assets	3,441	1,419,267	7	253	361	-	10,739,439	12,162,768
Total assets	29,780,486	29,045,026	5,809,161	34,622,640	102,528,322	56,963,879	11,822,196	270,571,710
Liabilities:								
Bank deposits	489,785	8,268,276	842,741	177,301	-	-	-	9,778,103
Other deposits	29,627,486	82,004,246	23,910,761	9,926,461	30,065	-	-	145,499,019
Funds borrowed	-	280,597	1,685,371	12,187,874	7,895,028	6,258,751	-	28,307,621
Interbank money market takings	-	21,616,184	-	-	449,402	205,251	-	22,270,837
Securities issued	-	1,089,758	1,958,558	5,331,516	9,731,997	1,373,269	-	19,485,098
Miscellaneous payables	-	5,582,267	93,013	-	-	-	1,173,048	6,848,328
Other liabilities	-	649,945	412,001	187,970	3,580,673	3,428,322	30,123,793	38,382,704
Total liabilities	30,117,271	119,491,273	28,902,445	27,811,122	21,687,165	11,265,593	31,296,841	270,571,710
Liquidity gap	(336,785)	(90,446,247)	(23,093,284)	6,811,518	80,841,157	45,698,286	(19,474,645)	-
Net Off Balance Sheet Position								
Receivables from Derivative Financial Instruments	-	92,650	7,777	112,825	1,271,821	974,446	-	2,459,519
Payables from Derivative Financial Instruments	-	4,136,503	3,080,526	2,801,093	13,990,524	7,587,873	-	31,596,519
Non-cash Loans	5,213,196	4,043,853	3,072,749	2,688,268	12,718,703	6,613,427	-	29,137,000
		1,431,728	29,600,053	7,371,102	5,895,657	1,255,848	-	50,767,584
Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed^(*)	Total
Total assets	27,856,378	15,182,265	5,857,983	32,892,726	76,454,225	45,459,944	8,836,384	212,539,905
Total liabilities	24,434,037	88,090,552	24,843,197	21,662,436	16,484,413	11,188,413	25,836,857	212,539,905
Liquidity gap	3,422,341	(72,908,287)	(18,985,214)	11,230,290	59,969,812	34,271,531	(17,000,473)	-
Net Off Balance Sheet Position								
Receivables from Derivative Financial Instruments	-	(474,036)	(2,839)	423,666	933,313	652,787	-	1,532,891
Payables from Derivative Financial Instruments	-	8,574,724	4,360,190	2,799,556	12,736,387	5,799,680	-	34,270,537
Non-cash Loans	3,594,694	9,048,760	4,363,029	2,375,890	11,803,074	5,146,893	-	32,737,646
		1,317,799	23,409,999	6,456,303	4,800,854	868,775	-	40,448,424

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

Residual contractual maturities of the financial liabilities

Current Period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	9,778,103	9,796,769	489,785	8,272,414	854,421	180,149	-	-
Other deposits	145,499,019	146,499,091	29,627,486	82,282,714	24,253,612	10,303,755	31,524	-
Funds borrowed	28,307,621	31,692,011	-	281,240	1,697,680	12,358,483	9,336,829	8,017,779
Money market takings	22,270,837	22,383,452	-	21,624,960	-	-	515,576	242,916
Issued Securities (Net)	19,485,098	21,040,600	-	1,094,586	2,003,909	5,474,410	10,951,274	1,516,421
Miscellaneous payables	6,848,328	6,848,328	1,173,048	5,582,267	93,013	-	-	-
Other liabilities	10,402,548	13,486,296	2,894,770	325,720	98,828	187,970	4,134,611	5,844,397
Total	242,591,554	251,746,547	34,185,089	119,463,901	29,001,463	28,504,767	24,969,814	15,621,513
Non-Cash Loans	50,767,584	50,767,584	5,213,196	1,431,728	29,600,053	7,371,102	5,895,657	1,255,848

Prior Period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	5,131,622	5,141,393	236,382	4,350,077	459,456	95,478	-	-
Other deposits	118,706,755	119,246,907	24,197,655	66,625,143	20,826,563	7,558,475	39,071	-
Funds borrowed	24,193,770	26,893,798	-	230,644	891,367	11,094,371	7,131,178	7,546,238
Money market takings	12,895,334	13,025,681	-	11,353,745	1,033,461	-	548,086	90,389
Issued Securities (Net)	14,707,745	15,921,674	-	540,447	1,550,520	3,309,738	10,520,969	-
Miscellaneous payables	5,162,994	5,162,994	1,073,406	4,010,273	79,315	-	-	-
Other liabilities	8,462,117	10,482,436	1,908,339	878,821	87,442	27,241	466,873	7,113,720
Total	189,260,337	195,874,883	27,415,782	87,989,150	24,928,124	22,085,303	18,706,177	14,750,347
Non-Cash Loans	40,448,424	40,448,424	3,594,694	1,317,799	23,409,999	6,456,303	4,800,854	868,775

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

VII. LEVERAGE RATIO

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

The Bank's unconsolidated leverage rate which is calculated due to "Regulation on Banks' Measurement and Evaluation of Leverage Level" actualised as 6.80%. Increase in balance sheet assets and Tier I Capital transactions resulted in change in comparison with previous period (December 31, 2016: 7.13%) leverage rate. The Regulation adjudicated minimum leverage rate as 3%.

Leverage ratio common disclosure template

On-balance sheet exposures	Current Period ^(*)	Prior Period ^(*)
1 On-balance sheet items (excluding derivatives and SFTs; including collateral)	261,224,004	209,429,643
2 Assets deducted in determining Basel III Tier 1 capital	(386,413)	(312,844)
3 Total on-balance sheet exposures (excluding derivatives and SFTs)	260,837,591	209,116,799
Derivative exposures		
4 Replacement cost	2,314,960	1,388,332
5 Add-on amount	620,408	647,688
6 Total derivative exposures	2,935,368	2,036,020
Securities financing transaction exposures		
7 Gross SFT assets (with no recognition of accounting netting)	657,737	653,843
8 Agent transaction exposures	-	-
9 Total securities financing transaction exposures	657,737	653,843
Other off-balance sheet exposures		
10 Off-balance sheet exposures with gross nominal amount	60,490,879	47,738,380
11 Adjustment amount off-balance sheet exposures with credit conversion factor	3,818,352	2,804,179
12 Total off-balance sheet exposures	64,309,231	50,542,559
Capital and total exposures		
13 Tier 1 capital	22,349,984	18,677,993
14 Total exposures	328,739,927	262,349,221
Leverage ratio		
15 Leverage ratio	6.80	7.13

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<i>Financial Assets:</i>				
Receivables from Interbank				
Money Markets	1,652,102	-	1,652,102	-
Banks	11,887,828	3,890,322	11,887,828	3,890,322
Available-for-Sale Financial Assets	13,549,714	17,819,057	13,549,714	17,819,057
Held-to-Maturity Investments	16,766,071	8,180,535	16,466,094	7,992,774
Loans	183,971,615	147,712,375	185,012,645	147,807,948
<i>Financial Liabilities:</i>				
Bank Deposits	9,778,103	5,131,622	9,778,103	5,131,622
Other Deposits	145,499,019	118,706,755	145,316,551	118,363,783
Funds Borrowed	28,307,621	24,193,770	28,269,920	24,986,292
Securities Issued	19,485,098	14,707,745	19,286,884	14,572,326
Subordinated Loans	5,935,969	5,031,213	5,856,356	4,677,751
Miscellaneous Payables	6,848,328	5,162,994	6,848,328	5,162,994

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

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

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

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

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

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

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

December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	263	1,936,525	-	1,936,788
Derivative financial assets held for trading purpose	-	1,936,525	-	1,936,525
Investment fund participation certificates	263	-	-	263
Available-for-sale financial assets	10,534,324	3,015,375	15(**)	13,549,714
Debt securities	10,534,324	2,972,020	-	13,506,344
Equity securities	-	43,355	15	43,370
Investments in associates and subsidiaries	871,231	-	1,634,967(*)	2,506,198
Total Financial Assets	11,405,818	4,951,900	1,634,982	17,992,700
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(1,184,530)	-	(1,184,530)
Total Financial Liabilities	-	(1,184,530)	-	(1,184,530)

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

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

December 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	201	1,610,979	-	1,611,180
Derivative financial assets held for trading purpose	-	1,610,979	-	1,610,979
Investment fund participation certificates	201	-	-	201
Available-for-sale financial assets	15,661,669	2,157,373	15(**)	17,819,057
Debt securities	15,661,669	2,129,778	-	17,791,447
Equity securities	-	27,595	15	27,610
Investments in associates and subsidiaries	652,998	-	1,386,964(*)	2,039,962
Total Financial Assets	16,314,868	3,768,352	1,386,979	21,470,199
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(1,143,703)	-	(1,143,703)
Total Financial Liabilities	-	(1,143,703)	-	(1,143,703)

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

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

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

	Level 3 Current Period	Level 3 Prior Period
Balance at the beginning of the year	1,386,979	1,352,854
Total gains or losses for the year recognized in profit or loss	-	-
Total gains or losses for the year recognized under equity	248,003	34,125
Balance at the end of the year	1,634,982	1,386,979

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

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

X. SEGMENT REPORTING

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	5,627,056	10,965,512	4,848,526	3,000	21,444,094
<i>Interest income from loans</i>	5,627,056	10,965,512	1,670,270	-	18,262,838
<i>Interest income from reserve deposits</i>	-	-	221,541	-	221,541
<i>Interest income from securities portfolio</i>	-	-	2,868,891	-	2,868,891
<i>Interest income from banks</i>	-	-	52,638	-	52,638
<i>Interest income from money market transactions</i>	-	-	35,186	-	35,186
<i>Finance Lease Income</i>	-	-	-	-	-
<i>Other interest income</i>	-	-	-	3,000	3,000
Interest Expense	4,337,115	4,634,234	3,787,824	63,495	12,822,668
<i>Interest expense on deposits</i>	4,337,115	4,619,108	248,858	-	9,205,081
<i>Interest expense on funds borrowed</i>	-	15,126	656,766	-	671,892
<i>Interest expense on money market transactions</i>	-	-	1,523,311	-	1,523,311
<i>Interest expense on securities issued</i>	-	-	1,020,139	-	1,020,139
<i>Other interest expenses</i>	-	-	338,750	63,495	402,245
Net Interest Income	1,289,941	6,331,278	1,060,702	(60,495)	8,621,426
Net Fees and Commissions Income	497,841	748,403	84,421	-	1,330,665
Trading Income/ Losses (Net)	-	-	164,212	-	164,212
Dividend Income	-	-	93,561	-	93,561
Other Income (*)	-	-	-	1,673,529	1,673,529
Provision For Losses on Loans and Other Receivables	483,166	1,773,358	30,802	500,207	2,787,533
Other Expenses (**)	-	-	-	4,420,728	4,420,728
Profit Before Taxes	1,304,616	5,306,323	1,372,094	(3,307,901)	4,675,132
Provision for taxes	-	-	-	(951,749)	(951,749)
Net Profit/ Loss	1,304,616	5,306,323	1,372,094	(4,259,650)	3,723,383
SEGMENT ASSETS					
Securities Portfolio	-	-	30,316,048	-	30,316,048
Derivative Financial Assets Held for Trading Purpose	-	-	1,936,525	-	1,936,525
Banks and Receivables From Money Markets	-	-	13,539,930	-	13,539,930
Investments in Associates and Subsidiaries	-	-	2,563,016	-	2,563,016
Loans and Receivables	48,222,428	106,467,197	29,281,990	-	183,971,615
Other Assets	-	-	29,037,351	9,207,225	38,244,576
TOTAL ASSETS	48,222,428	106,467,197	106,674,860	9,207,225	270,571,710
SEGMENT LIABILITIES					
Deposits	65,323,825	80,175,194	9,778,103	-	155,277,122
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,184,530	-	1,184,530
Interbank Money Market Takings	-	-	22,270,837	-	22,270,837
Funds Borrowed	-	571,707	27,735,914	-	28,307,621
Securities Issued	-	-	19,485,098	-	19,485,098
Other Liabilities	-	-	6,701,893	9,923,176	16,625,069
Provisions and Tax Liabilities	-	-	-	4,163,615	4,163,615
Equity	-	-	-	23,257,818	23,257,818
TOTAL LIABILITIES AND EQUITY	65,323,825	80,746,901	87,156,375	37,344,609	270,571,710

(*) TL 936,786 amount of TL 1,673,529 shown in other income line consists of rejecting reserves from previous periods, TL 148,977 of income from sale of Bank's assets, TL 43,602 from communications income and remaining, TL 1,018 from leasing income, TL 543,146 of other income.

(**) TL 1,768,758 amount of TL 4,420,728 shown in other expenses line consists of personnel expenses, TL 1,844,656 of other operating expenses, TL 161,271 of depreciation expenses, TL 168,500 of dividend reserves expenses to be given to personnel, TL 168,783 of Savings Deposit Insurance Fund (SDIF) expenses, TL 148,817 of taxes and funds expenses, and the remaining TL 159,943 of other expenses.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. SEGMENT REPORTING (Continued)

Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	4,959,598	8,079,808	3,513,759	4,461	16,557,626
<i>Interest income from loans</i>	<i>4,959,598</i>	<i>8,079,808</i>	<i>1,172,511</i>	-	<i>14,211,917</i>
<i>Interest Income from reserve deposits</i>	-	-	<i>111,798</i>	-	<i>111,798</i>
<i>Interest income from securities portfolio</i>	-	-	<i>2,204,418</i>	-	<i>2,204,418</i>
<i>Interest income from banks</i>	-	-	<i>25,032</i>	-	<i>25,032</i>
<i>Interest income from money market transactions</i>	-	-	-	-	-
<i>Finance Lease Income</i>	-	-	-	-	-
<i>Other interest income</i>	-	-	-	<i>4,461</i>	<i>4,461</i>
Interest Expense	3,387,868	3,618,235	2,541,301	43,581	9,590,985
<i>Interest expense on deposits</i>	<i>3,387,868</i>	<i>3,605,822</i>	<i>220,219</i>	-	<i>7,213,909</i>
<i>Interest expense on funds borrowed</i>	-	<i>12,413</i>	<i>373,337</i>	-	<i>385,750</i>
<i>Interest expense on money market transactions</i>	-	-	<i>992,840</i>	-	<i>992,840</i>
<i>Interest expense on securities issued</i>	-	-	<i>680,296</i>	-	<i>680,296</i>
<i>Other interest expenses</i>	-	-	<i>274,609</i>	<i>43,581</i>	<i>318,190</i>
Net Interest Income	1,571,730	4,461,573	972,458	(39,120)	6,966,641
Net Fees and Commissions Income	425,547	478,927	76,409	-	980,883
Trading Income/ Losses (Net)	-	-	483,813	-	483,813
Dividend Income	-	-	91,753	-	91,753
Other Income (*)	-	-	-	954,031	954,031
Provision For Losses on Loans and Other Receivables	431,235	1,570,736	30,688	213,855	2,246,514
Other Expenses (**)	-	-	-	3,835,083	3,835,083
Profit Before Taxes	1,566,042	3,369,764	1,593,745	(3,134,027)	3,395,524
Provision for taxes	-	-	-	(692,482)	(692,482)
Net Profit/ Loss	1,566,042	3,369,764	1,593,745	(3,826,509)	2,703,042
SEGMENT ASSETS					
Securities Portfolio	-	-	25,999,793	-	25,999,793
Derivative Financial Assets Held for Trading Purpose	-	-	1,610,979	-	1,610,979
Banks and Receivables From Money Markets	-	-	3,890,322	-	3,890,322
Investments in Associates and Subsidiaries	-	-	2,096,602	-	2,096,602
Loans and Receivables	41,424,553	82,471,067	23,816,755	-	147,712,375
Other Assets	-	-	24,223,603	7,006,231	31,229,834
TOTAL ASSETS	41,424,553	82,471,067	81,638,054	7,006,231	212,539,905
SEGMENT LIABILITIES					
Deposits	54,150,626	64,556,129	5,131,622	-	123,838,377
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,143,703	-	1,143,703
Interbank Money Market Takings	-	-	12,895,334	-	12,895,334
Funds Borrowed	-	662,429	23,531,341	-	24,193,770
Securities Issued	-	-	14,707,745	-	14,707,745
Other Liabilities	-	-	5,774,949	7,098,768	12,873,717
Provisions and Tax Liabilities	-	-	-	3,648,548	3,648,548
Equity	-	-	-	19,238,711	19,238,711
TOTAL LIABILITIES AND EQUITY	54,150,626	65,218,558	63,184,694	29,986,027	212,539,905

(*) TL 665,884 amount of TL 954,031 shown in other income line consists of rejecting reserves from previous periods, TL 164,709 of income from sale of Bank's assets, TL 40,316 from communications income, TL 923 from leasing income and remaining TL 82,199 of other income.

(**) TL 1,488,861 amount of TL 3,835,083 shown in other expenses line consists of personnel expenses, TL 1,560,004 of other operating expenses, TL 172,096 of depreciation expenses, TL 147,970 of dividend reserves expenses to be given to personnel, TL 138,469 of Savings Deposit Insurance Fund (SDIF) expenses, TL 130,750 of taxes and funds expenses, and the remaining TL 196,933 of other expenses.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT

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

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

a) Risk Management Strategy

The bank manages assets and values which are entrusted to it effectively and efficiently in order to increase the constant contribution to customers, shareholders and the society. The bank adopted the forward looking risk based approach in all activities undertaken by creating assets in a high quality and managing obligations well. Generating the systems and processes of risk management and observation of its effectiveness are structured in the responsibility of Board of Directors. Current risk profile of the bank defines the all the internal and external important risks arises from the operating environment, the regulatory or economic environment. These risks defined on the console and non-console level are managed with policies and implementation procedures approved by the Bank's Board of Directors. To achieve this, Risk Management Department working under the Audit Committee, Inspection Board Department and Internal Control Department are working in coordination with all the departments at the same time.

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

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

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

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

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

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XI. INFORMATION ON RISK MANAGEMENT(Continued)

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

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

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

b) Risk Weighted Amounts

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit Risk (excluding counterparty credit risk) (*)	168,059,840	150,079,012	13,444,787
2 Standardised approach	168,059,840	150,079,012	13,444,787
3 Internal rating based approach	-	-	-
4 Counterparty Credit Risk	2,832,891	2,123,897	226,631
5 Standardised approach for counterparty credit risk	2,832,891	2,123,897	226,631
6 Internal model method	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating based	-	-	-
8 Equity investments in funds – look-through approach	263	-	21
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – 1250% weighted risk approach	-	-	-
11 Settlement Risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
16 Market risk	652,375	611,455	52,190
17 Standardised approach	652,375	611,455	52,190
18 Internal model approaches	-	-	-
19 Operational Risk	14,255,142	12,290,249	1,140,412
20 Basic Indicator Approach	14,255,142	12,290,249	1,140,412
21 Standardised approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	-	207,773	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	185,800,511	165,312,386	14,864,041

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

2. Linkages between Financial Statements and Regulatory Exposures

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

Current Period	Carrying values as reported in published financial statements	Carrying values of items (according to TAS)				
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances at central bank	28,644,824	28,644,824	-	-	-	-
Financial assets held for trading	1,936,788	-	1,936,788	-	49,126	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	11,887,828	11,887,828	-	-	-	-
Receivables from money markets	1,652,102	1,652,102	-	-	-	-
Available for sale financial assets (net)	13,549,714	13,245,166	1,839,025	-	304,548	-
Loans and receivables	183,971,615	183,970,260	-	-	-	1,355
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	16,766,071	16,766,071	7,767,018	-	-	-
Investments in associates (net)	349,158	349,158	-	-	-	-
Investments in subsidiaries (net)	2,213,858	2,213,858	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	1,417,263	1,234,286	-	-	-	182,977
Intangible assets (net)	210,970	-	-	-	-	210,970
Investment properties (net)	-	-	-	-	-	-
Tax assets	-	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	1,312,493	1,312,493	-	-	-	-
Other assets	6,659,026	6,659,026	-	-	-	-
Total assets	270,571,710	267,935,072	11,542,831	-	353,674	395,302
Liabilities						
Deposits	155,277,122	-	-	-	-	155,277,122
Derivative financial liabilities held for trading	1,184,530	-	1,184,530	-	49,131	1,184,530
Loans	28,307,621	-	-	-	-	28,307,621
Debt to money markets	22,270,837	-	8,976,768	-	-	13,294,069
Debt securities in issue	19,485,098	-	-	-	-	-
Funds	3,206	-	-	-	-	3,206
Various debts	6,848,328	-	-	-	-	6,848,328
Other liabilities	3,837,566	-	-	-	-	3,837,566
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	3,412,482	-	-	-	-	3,412,482
Tax liability	751,133	-	-	-	-	751,133
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	5,935,969	-	-	-	-	5,935,969
Equity	23,257,818	-	-	-	-	23,257,818
Total liabilities	270,571,710	-	10,161,298	-	49,131	242,109,844

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Prior Period	Carrying values as reported in published financial statements	Carrying values of items (according to TAS)				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
Assets						
Cash and balances at central bank	24,365,297	24,365,297	-	-	-	-
Financial assets held for trading	1,611,180	-	1,611,180	-	45,496	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	3,890,322	3,890,322	-	-	-	-
Receivables from money markets	-	-	-	-	-	-
Available for sale financial assets (net)	17,819,057	17,455,016	5,888,625	-	364,041	-
Loans and receivables	147,712,375	147,711,209	-	-	-	1,166
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	8,180,535	8,180,535	5,323,555	-	-	-
Investments in associates (net)	299,478	299,478	-	-	-	-
Investments in subsidiaries (net)	1,797,124	1,797,124	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	1,409,875	1,251,583	-	-	-	158,292
Intangible assets (net)	193,866	-	-	-	-	193,866
Investment properties (net)	-	-	-	-	-	-
Tax assets	83,109	83,109	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	1,227,867	1,115,725	-	-	-	112,142
Other assets	3,949,820	3,949,820	-	-	-	-
Total assets	212,539,905	210,099,218	12,823,360	-	409,537	465,466
Liabilities						
Deposits	123,838,377	-	-	-	-	123,838,377
Derivative financial liabilities held for trading	1,143,703	-	1,143,703	-	45,295	1,143,703
Loans	24,193,770	-	-	-	-	24,193,770
Debt to money markets	12,895,334	-	12,895,334	-	-	12,895,334
Debt securities in issue	14,707,745	-	-	-	-	-
Funds	3,319	-	-	-	-	3,319
Various debts	5,162,994	-	-	-	-	5,162,994
Other liabilities	2,676,191	-	-	-	-	2,676,191
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	3,224,092	-	-	-	-	3,224,092
Tax liability	424,456	-	-	-	-	424,456
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	5,031,213	-	-	-	-	5,031,213
Equity	19,238,711	-	-	-	-	19,238,711
Total liabilities	212,539,905	-	14,039,037	-	45,295	197,832,160

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

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

Current Period		Total	Items subject to credit risk	Items subject to securitization	Items subject to counterparty credit risk	Items subject to market risk
1	Asset carrying value amount under scope of regulatory consolidation	270,176,408	267,935,072	-	11,542,831	353,674
2	Liabilities carrying value amount under regulatory scope of consolidation	28,461,866	-	-	10,161,298	(49,131)
3	Total net amount under regulatory scope of consolidation	241,714,542	267,935,072	-	1,381,533	304,543
4	Off-balance sheet amounts	-	-	-	2,744,685	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	568,751	-
10	Exposure amounts considered for regulatory	-	267,935,072	-	3,313,436	304,543

Prior Period		Total	Items subject to credit risk	Items subject to securitization	Items subject to counterparty credit risk	Items subject to market risk
1	Asset carrying value amount under scope of regulatory consolidation	212,074,439	210,099,218	-	12,823,360	409,537
2	Liabilities carrying value amount under regulatory scope of consolidation	14,707,745	-	-	14,039,037	(45,295)
3	Total net amount under regulatory scope of consolidation	197,366,694	210,099,218	-	(1,215,677)	364,242
4	Off-balance sheet amounts	114,291,533	22,195,365	-	2,222,070	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	(3,898,133)	-	-	-
9	Differences due to risk reduction	-	-	-	769,248	-
10	Exposure amounts considered for regulatory	-	228,396,450	-	2,991,318	364,242

c) Explanations of differences between accounting and regulatory exposure amounts

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

3. Credit Risk Explanations

a) General Information on Credit Risk

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

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

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

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

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

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

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

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

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

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

The eventual aim of the Bank is using credit risk inherent management methods in accordance with Basel III and best international implementations. In this context, studies of IRB (Internal Ratings Based Approach) are carried out. Within the scope of IRB studies, politics and procedures are updated as risk-focused. In addition, the work involves the correctness, precision and consistency of the models, which are used by the Bank, and the ratios of them in determining these criteria, measuring the general coherence of the other parts of the models, and basically, the work is continued in terms of qualitative and quantitative validation (verification) of the Bank’s inner credit rating systems.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Credit quality of assets

Current Period		Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	7,638,206	182,942,481	6,609,072	183,971,615
2	Debt Securities	-	30,127,332	123,452	30,003,880
3	Off-balance sheet exposures	169,355	79,708,432	75,942	79,801,845
4	Total	7,807,561	292,778,245	6,808,466	293,777,340

Prior Period		Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	6,413,503	146,619,289	5,320,417	147,712,375
2	Debt Securities	-	26,219,504	247,522	25,971,982
3	Off-balance sheet exposures	165,159	65,401,526	59,816	65,506,869
4	Total	6,578,662	238,240,319	5,627,755	239,191,226

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

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	6,413,503	4,850,213
2	Loans and debt securities that have defaulted since the last reporting period	3,189,506	2,919,386
3	Returned to non-defaulted status	106,595	31,895
4	Amounts written off	-	-
5	Other changes	(1,858,208)	(1,324,201)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	7,638,206	6,413,503
	Definitions	7,638,206	6,413,503

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

Additional disclosure related to the credit quality of assets

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

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

Breakdown of receivables in terms of geographic regions

Geographical area	Current Period	Prior Period
	Credit receivables/risks)	Credit receivables/risks
Domestic	173,143,176	139,359,552
European Union Countries	-	-
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	1,801,673	1,756,636
Other	7,987,379	5,502,804
Total	182,932,228	146,618,992

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

Breakdown of loan receivables by sector

Current Period	Cash Loans	Impaired	Provisions
		Loans	
Agricultural	1,008,685	49,564	40,488
Farming and raising livestock	977,078	45,271	36,982
Forestry	14,342	2,207	2,042
Fishing	17,265	2,086	1,464
Manufacturing	37,893,692	1,418,585	1,152,837
Mining and Quarrying	3,036,391	113,934	110,219
Production	26,282,464	1,298,469	1,036,732
Electricity, Gas, Water	8,574,837	6,182	5,886
Construction	23,424,262	791,869	702,786
Services	65,008,629	2,913,617	2,525,464
Wholesale and Retail Trade	28,096,489	2,049,107	1,804,680
Accommodation and Dining	5,786,152	103,954	90,251
Transportation and Telecommunication	13,816,900	391,091	332,833
Financial Institutions	3,750,023	15,550	14,680
Real Estate and Rental Services	9,329,897	61,752	53,351
Professional Services	2,746,513	183,449	150,312
Educational Services	856,735	18,070	17,454
Health and Social Services	625,920	90,644	61,903
Other	55,596,960	2,464,571	2,177,244
Total	182,932,228	7,638,206	6,598,819

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Prior Period	Cash Loans	Impaired Loans	Provisions
Agricultural	1,878,400	116,924	99,522
Farming and raising livestock	1,509,662	106,265	90,495
Forestry	286,476	7,848	6,997
Fishing	82,262	2,811	2,030
Manufacturing	26,254,073	1,112,305	983,726
Mining and Quarrying	1,004,707	41,038	36,879
Production	19,649,526	1,060,170	937,638
Electricity, Gas, Water	5,599,840	11,097	9,209
Construction	16,846,159	599,481	526,093
Services	44,711,065	1,739,620	1,452,901
Wholesale and Retail Trade	18,617,008	1,229,957	1,014,712
Accommodation and Dining	5,361,779	81,173	62,466
Transportation and Telecommunication	10,268,765	229,301	195,486
Financial Institutions	2,959,544	5,635	4,791
Real Estate and Rental Services	2,558,545	9,400	7,794
Professional Services	3,403,072	112,056	103,965
Educational Services	691,346	16,788	13,270
Health and Social Services	851,006	55,310	50,417
Other	56,929,295	2,845,173	2,257,878
Total	146,618,992	6,413,503	5,320,120

Breakdown of loan receivables by outstanding maturity

Current Period	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	15,014,654	5,187,532	32,686,698	84,252,856	45,790,488	182,932,228

Prior Period	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	12,575,901	5,268,530	30,613,044	62,734,890	35,426,627	146,618,992

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

Breakdown by of provision allocated receivables by geographical area

Current Period	Loan Receivables (Risks)	Provision
Geographical area		
Domestic	7,605,376	6,591,479
European Union Countries	-	-
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	32,130	6,643
Other	700	697
Total	7,638,206	6,598,819

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

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Prior Period		
Geographical area	Loan Receivables (Risks)	Provision
Domestic	6,412,988	5,319,644
European Union Countries	-	-
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	65	50
Other	450	426
Total	6,413,503	5,320,120

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

Aging analysis for overdue receivables

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

(*) Loan receivables with overdue loans are taken into consideration.

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

Changes Made to Extend Payment Plan	Current Period	Prior Period
Loans restructured from Standard Loans and Other Receivables	2,664,938	1,473,046
Loans restructured from Loans under Follow-up and Other Receivables	1,558,186	1,511,482
Loans restructured from Non-Performing Loans	335,136	392,162

b) Credit Risk Mitigation

Qualitative disclosure on credit risk mitigation techniques

Credit risk mitigation techniques in the Bank are evaluated within the scope of the "Policy Document on Credit Risk Management". Within the scope of "Communiqué on Credit Risk Mitigation", published in the Official Gazette dated 06.09.2014, numbered 291111 simple financial guarantee method is used for financial guarantees. Cash and cash equivalents, Treasury Support Cointaining Credit Guarantee Fund Securities and guarantees are used to mitigate credit risk.

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

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

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Credit risk mitigation techniques

	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
Current Period							
1 Loans	105,589,475	78,382,140	66,629,280	3,652,598	3,128,437	-	-
2 Debt Securities	30,003,880	-	-	-	-	-	-
3 Total	135,593,355	78,382,140	66,629,280	3,652,598	3,128,437	-	-
4 Of which defaulted	7,638,206	-	-	-	-	-	-
Prior Period							
1 Loans	92,786,791	54,925,584	46,872,614	3,076,521	2,649,313	-	-
2 Debt Securities	25,971,982	-	-	-	-	-	-
3 Total	118,758,773	54,925,584	46,872,614	3,076,521	2,649,313	-	-
4 Of which defaulted	6,413,503	-	-	-	-	-	-

c) Credit risk under standardized approach

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

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

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

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

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

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Credit risk exposure and credit risk mitigation effects

Current Period		Exposures before credit		Exposures post-credit		RWA and RWA density	
		conversion factor and CRM		conversion factor and CRM		RWA	RWA density
Risk classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
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	-	0.00%
5	Exposures to international organizations	-	-	-	-	-	0.00%
6	Exposures to institutions and banks	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	-	-	-	-	-	0.00%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
15	Exposures in the form of units or shares in collective investment undertakings	263	-	263	-	263	100.00%
16	Other receivables	8,395,667	-	8,395,667	-	6,103,990	72.70%
17	Investments in equities	2,606,386	-	2,606,386	-	2,606,385	100.00%
18	Total	267,938,269	97,337,764	267,938,269	30,529,888	168,060,103	56.31%

Prior Period		Exposures before credit		Exposures post-credit		RWA and RWA density	
		conversion factor and CRM		conversion factor and CRM		RWA	RWA density
Risk classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
1	Exposures to central governments or central banks	50,736,755	492,584	53,157,599	241,211	13,513,323	25.31%
2	Exposures to regional governments or local authorities	4,596,673	344,708	4,596,673	156,470	2,345,713	49.35%
3	Exposures to public sector entities	625,954	1,373,402	625,954	667,205	1,288,571	99.65%
4	Exposures to multilateral development banks	5	-	5	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions and banks	3,333,183	1,748,404	3,333,184	989,208	1,814,921	41.99%
7	Exposures to corporates	55,502,287	49,396,629	53,081,444	16,492,054	67,858,666	97.54%
8	Retail exposures	42,983,144	20,892,607	42,983,144	2,703,720	34,063,507	74.56%
9	Exposures secured by residential property	20,926,182	703,497	20,926,182	288,457	7,425,124	35.00%
10	Exposures secured by commercial real estate	22,075,082	1,401,642	22,075,082	657,040	14,085,290	61.96%
11	Past-due loans	1,093,383	-	1,093,383	-	1,093,383	100.00%
12	Higher-risk categories by the Agency Board	288,697	-	288,697	-	516,154	178.79%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
16	Other receivables	6,149,265	-	6,149,265	-	4,157,923	67.62%
17	Investments in equities	2,124,212	-	2,124,212	-	2,124,210	100.00%
18	Total	210,434,822	76,353,473	210,434,824	22,195,365	150,286,785	64.60%

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Exposures by asset classes and risk weights

Current Period	Asset classes/ Risk weight	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	200%	250%	Other risk weights	Total risk Amount (After CCF and CRM)
1	Exposures to central governments or central banks	76,586,734	-	90	-	10,093,503	-	-	-	-	-	-	86,680,327
2	Exposures to regional governments or local authorities	9,934	-	110,209	-	6,789,397	-	-	-	-	-	-	6,909,540
3	Exposures to public sector entities	3,704	-	12,118	-	-	-	422,476	-	-	-	-	438,298
4	Exposures to multilateral development banks	1,583	-	-	-	-	-	-	-	-	-	-	1,583
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	738	-	1,901,162	-	5,354,785	-	280,483	-	-	-	-	7,537,168
7	Exposures to corporates	368,031	-	225,296	-	1,612,292	-	84,019,623	-	-	-	-	86,225,242
8	Retail exposures	238,496	-	94,654	-	-	49,690,469	-	-	-	-	-	50,023,619
9	Exposures secured by residential property	-	-	-	23,271,806	-	-	-	-	-	-	-	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 assessment	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	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
18	Total	79,196,710	-	2,723,763	23,271,806	43,186,749	49,690,469	100,177,993	220,667	-	-	-	298,468,157

Prior Period	Asset classes/ Risk weight	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	200%	250%	Other risk weights	Total risk Amount (After CCF and CRM)
1	Exposures to central governments or central banks	26,372,164	-	-	-	27,026,646	-	-	-	-	-	-	53,398,810
2	Exposures to regional governments or local authorities	10,108	-	86,015	-	4,657,020	-	-	-	-	-	-	4,753,143
3	Exposures to public sector entities	4,060	-	660	-	-	-	1,288,439	-	-	-	-	1,293,159
4	Exposures to multilateral development banks	5	-	-	-	-	-	-	-	-	-	-	5
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	1,793	-	1,195,014	-	3,099,334	-	26,251	-	-	-	-	4,322,392
7	Exposures to corporates	399,141	-	394,561	-	2,000,084	-	66,779,712	-	-	-	-	69,573,498
8	Retail exposures	-	-	-	-	-	45,686,864	-	-	-	-	-	45,686,864
9	Exposures secured by residential property	-	-	-	21,214,639	-	-	-	-	-	-	-	21,214,639
10	Exposures secured by commercial real estate	-	-	-	-	17,293,665	-	5,438,457	-	-	-	-	22,732,122
11	Past-due loans	-	-	-	-	-	-	1,093,383	-	-	-	-	1,093,383
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	205,588	-	83,109	-	288,697
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	2,124,212	-	-	-	-	2,124,212
17	Other assets	1,797,559	-	242,229	-	-	-	4,109,477	-	-	-	-	6,149,265
18	Total	28,584,830	-	1,918,479	21,214,639	54,076,749	45,686,864	80,859,931	205,588	-	83,109	-	232,630,189

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

4. Counterparty Credit Risk Explanations

Qualitative disclosure on counterparty credit risk

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

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Counterparty credit risk (CCR) approach analysis

Current Period		Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for Computing regulatory exposure at default	Exposure at default post CRM	RWA
1	Standardized Approach - CCR (for derivatives)	2,150,962	593,723		1.4	2,744,685	1,535,780
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-			-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					568,751	141,930
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total					-	-
7	Standardized Approach - CCR (for derivatives)						1,677,710

Prior Period		Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for Computing regulatory exposure at default	Exposure at default post CRM	RWA
1	Standardized Approach - CCR (for derivatives)	1,598,350	623,720		1.4	2,222,070	1,094,707
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-			-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					769,248	183,239
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total					-	-
7	Standardized Approach - CCR (for derivatives)						1,277,946

Capital requirement for credit valuation adjustment (CVA)

Current Period		EAD post CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation		-	-
1	(i) VaR component (including the 3x multiplier)		-
2	(ii) Stressed VaR component (including the 3x multiplier)		-
3	All portfolios subject to the Standardized CVA capital obligation	2,744,685	1,154,771
4	Total subject to the CVA capital obligation	2,744,685	1,154,771
Prior Period		EAD post CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation		-	-
1	(i) VaR component (including the 3x multiplier)		-
2	(ii) Stressed VaR component (including the 3x multiplier)		-
3	All portfolios subject to the Standardized CVA capital obligation	2,222,070	845,628
4	Total subject to the CVA capital obligation	2,222,070	845,628

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Standardized approach CCR exposures by risk class and risk weights

Current Period

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Others	Total credit exposure (*)
Claims from central governments and central banks	6,594,545	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	1,514	-	36	-	-	-	-	-	-	7
Claims from administration and non-commercial entity	473	-	-	-	-	-	11	-	-	11
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	2,438,621	-	1,404,273	-	3,662,933	-	469,757	-	-	2,582,079
Corporates	1,173	-	-	-	-	-	248,647	-	-	248,647
Retail portfolios	966	-	-	-	-	2,862	-	-	-	2,147
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
Total	9,037,292	-	1,404,309	-	3,662,933	2,862	718,415	-	-	2,832,891

(*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

(**) Other assets: The counterparty reported in the counter counterparty risks includes amounts not included in the credit risk.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Standardized approach CCR exposures by risk class and risk weights

Prior Period

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Others	Total credit exposure (*)
Claims from central governments and central banks	3,885,875	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	1,216	-	38	-	-	-	-	-	-	8
Claims from administration and non-commercial entity	16,486	-	-	-	-	-	1,339	-	-	1,339
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	6,537,261	-	1,635,775	-	3,110,686	-	-	-	-	1,882,498
Corporates	1,689	-	-	-	-	-	211,962	-	-	211,962
Retail portfolios	406	-	-	-	-	37,453	-	-	-	28,089
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
Total	10,442,933	-	1,635,813	-	3,110,686	37,453	213,301	-	-	2,123,896

(*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

(**) Other assets: The counterparty reported in the counterparty risks includes amounts not included in the credit risk.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Collaterals for counterparty credit risk

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

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	5,462,076	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	5,462,076	-

Loan Derivatives

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Central counterparty risks

	Current Period		Prior Period	
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1 Exposure to Qualified Central Counterparties (QCCPs) (total)		410		323
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	20,494	410	16,124	323
3 (i) OTC Derivatives	20,494	410	16,124	323
4 (ii) Exchange-traded Derivatives	-	-	-	-
5 (iii) Securities financing transactions	-	-	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-
11 Exposures to non-QCCPs (total)		-		-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-	-	-
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
17 Segregated initial margin	-	-	-	-
18 Non-segregated initial margin	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

5. Explanations on Market Risk

None.

6. Explanations on Market Risk

Qualitative disclosure requirements related to market risk

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

In addition to the results of market risk measurements using standard method, which calculated in monthly periods, other daily risk dependencies can be also calculated by using internal model. Only by using the 99% of trust range, other measurements that are subject to risk can be daily calculated by using the historical stimulation and Monte Carlo stimulation. There are daily back testings occurred in order to examine the trustworthiness and performance of the model results. Besides, there are also scenario analyzes and stress tests are happening in order to backing up the standard method and internal models. In addition to this, in order to limit the market risks, daily limit implementation and limit implementation in accordance with the early warning system can be monitored on daily basis.

Market Risk- Standardized approach

RWA		Current Period	Prior Period
Outright products			
1	Interest rate risk (general and specific)	233,425	261,767
2	Stock risk (general and specific)	-	400
3	Foreign exchange risk	385,122	348,988
4	Commodity risk	-	-
Options			
5	Simplified approach	-	-
6	Delta-plus method	33,828	300
7	Scenario approach	-	-
8	Securitization	-	-
9	Total	652,375	611,455

7. Explanations on Operational Risk

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

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

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

Current Period	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	6,260,273	7,331,177	9,216,778	7,602,743	15	1,140,411
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	14,255,142

Prior Period	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	6,159,500	6,232,883	7,272,016	6,554,800	15	983,220
Amount subject to Operational Risk (Amount*12,5)						12,290,249

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

8. Interest Rate Risk Related to Banking Book

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

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

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

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

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SECTION FIVE

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS

1. Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1,395,342	584,189	1,281,047	504,949
Central Bank of the Republic of Turkey (*)	2,275,103	24,001,997	2,892,154	19,433,355
Other	350,876	37,317	235,929	17,863
Total	4,021,321	24,623,503	4,409,130	19,956,167

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

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

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

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

Balances with the Central Bank of Republic of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	2,209,475	3,186,228	2,861,879	2,647,870
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	1,807,942
Reserve Deposits	65,628	20,815,769	30,275	14,977,543
Total	2,275,103	24,001,997	2,892,154	19,433,355

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

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

None.

Trading securities subject to repurchase agreements

None.

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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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	20,577	5,359	18,625	4,254
Swap Transactions	1,780,915	128,744	1,459,135	128,530
Futures	-	-	-	-
Options	433	497	107	328
Other	-	-	-	-
Total	1,801,925	134,600	1,477,867	133,112

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	308,552	1,750,257	22,355	155,746
Foreign	-	9,829,019	15,215	3,697,006
Foreign Head Offices and Branches	-	-	-	-
Total	308,552	11,579,276	37,570	3,852,752

Due from foreign banks

	Unrestricted Balance		Restricted Balances ^(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	557,780	343,932	-	-
USA, Canada	8,561,544	2,746,877	339,989	308,742
OECD Countries ^(*)	91,584	89,546	-	-
Off-shore Banking Regions	145	90	-	-
Others	277,977	223,034	-	-
Total	9,489,030	3,403,479	339,989	308,742

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

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

4. Information on available-for-sale financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar				
Marketable Securities	8,553,659	344,646	1,882,699	2,051,546
Other	-	-	-	-
Total	8,553,659	344,646	1,882,699	2,051,546

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Available-for-sale financial assets subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	1,682,275	-	3,775,304	-
Treasury Bills	-	-	-	-
Other Debt Securities	-	156,751	-	2,113,320
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Total	1,682,275	156,751	3,775,304	2,113,320

Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	13,626,089	18,032,192
Quoted on a Stock Exchange	13,626,089	18,032,192
Unquoted	-	-
Equity securities	43,370	27,610
Quoted on a Stock Exchange	-	-
Unquoted	43,370	27,610
Provision for impairment on available-for-sale financial assets (-)	119,745	240,745
Total	13,549,714	17,819,057

5. Information on loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	38,243	-	31,720
Legal entities	-	38,243	-	31,720
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	140,344	-	117,056	-
Total	140,344	38,243	117,056	31,720

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

Cash Loan	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Agreement conditions modified		Loans and other receivables	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
Non-specialized loans	173,317,808	2,664,938	-	5,391,296	1,558,186	-
Loans given to enterprises	60,356,661	1,837,235	-	2,406,619	1,228,858	-
Export loans	7,126,444	10,902	-	190,861	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1,200,646	-	-	4,480	-	-
Consumer loans	40,447,739	365,935	-	1,505,359	274,680	-
Credit cards	6,788,760	46,501	-	260,850	26,744	-
Other	57,397,558	404,365	-	1,023,127	27,904	-
Specialized lending	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	173,317,808	2,664,938	-	5,391,296	1,558,186	-

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

Number of modifications to extend payment plans	Standard Loans and Other Receivables (*)	Loans and other receivables under close monitoring (*)
Extended for 1 or 2 times	2,664,938	1,278,943
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

Extended period of time	Standard Loans and Other Receivables (*)	Loans and other receivables under close monitoring (*)
0-6 Months	11,488	1,035
6 - 12 Months	113,343	8,606
1-2 Years	58,323	23,959
2-5 Years	1,163,249	977,007
5 Years and Over	1,318,535	268,336

(*) The a and b paragraph of the 4th article of the 5th paragraph is the loan balances within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.27947 dated May 28, 2011.

Maturity analysis of cash loans

Cash loans	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Short-term Loans and Other Receivables	39,955,844	30,278	2,035,874	62,739
Loans	39,955,844	30,278	2,035,874	62,739
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
Medium, Long-term Loans and Other Receivables	133,361,964	2,634,660	3,355,422	1,495,447
Loans	133,361,964	2,634,660	3,355,422	1,495,447
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	573,114	39,344,936	39,918,050
Housing Loans	16,254	18,950,268	18,966,522
Automobile Loans	6,463	423,169	429,632
General Purpose Loans	550,397	19,971,499	20,521,896
Other	-	-	-
Consumer Loans – FC indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Retail Credit Cards – TL	5,174,880	93,414	5,268,294
With Installment	2,271,719	82,305	2,354,024
Without Installment	2,903,161	11,109	2,914,270
Retail Credit Cards – FC	12,071	-	12,071
With Installment	-	-	-
Without Installment	12,071	-	12,071
Personnel Loans – TL	4,477	57,389	61,866
Housing Loan	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	4,477	57,389	61,866
Other	-	-	-
Personnel Loans – FC indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards – TL	77,776	454	78,230
With Installment	30,276	411	30,687
Without Installment	47,500	43	47,543
Personnel Credit Cards – FC	248	-	248
With Installment	-	-	-
Without Installment	248	-	248
Overdraft Checking Accounts – TL (Real persons)	2,613,639	-	2,613,639
Overdraft Checking Accounts – FC (Real persons)	158	-	158
Total	8,456,363	39,496,193	47,952,556

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans–TL	1,169,354	43,812,223	44,981,577
Real Estate Loans	1,154	1,049,786	1,050,940
Automobile Loans	88,063	1,940,882	2,028,945
General Purpose Loans	1,080,137	40,821,555	41,901,692
Other	-	-	-
Installment-based Commercial Loans–FC indexed	3,987	1,633,951	1,637,938
Real Estate Loans	-	-	-
Automobile Loans	-	177,864	177,864
General Purpose Loans	3,987	1,456,087	1,460,074
Other	-	-	-
Installment-based Commercial Loans–FC	297	8,696,118	8,696,415
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	297	8,696,118	8,696,415
Other	-	-	-
Corporate Credit Cards–TL	1,761,150	1,708	1,762,858
With Installment	451,980	1,708	453,688
Without Installment	1,309,170	-	1,309,170
Corporate Credit Cards–FC	1,154	-	1,154
With Installment	-	-	-
Without Installment	1,154	-	1,154
Overdraft Checking Accounts–TL (Corporate)	1,844,329	-	1,844,329
Overdraft Checking Accounts–FC (Corporate)	-	-	-
Total	4,780,271	54,144,000	58,924,271

Allocation of loan customers

	Current Period	Prior Period
Public Sector	3,032,772	2,526,793
Private Sector	179,899,456	144,092,199
Total	182,932,228	146,618,992

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic Loans	182,540,709	146,192,697
Foreign Loans	391,519	426,295
Total	182,932,228	146,618,992

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Loans Provided to the Subsidiaries and Associates	144,551	294,757
Indirect Loans Provided to the Subsidiaries and Associates	-	-
Total	144,551	294,757

Specific provisions for loans

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	150,730	384,497
Loans and Receivables with Doubtful Collectability	419,518	551,246
Uncollectible Loans and Receivables	6,028,571	4,384,377
Total	6,598,819	5,320,120

Information on non-performing loans (Net)

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

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

Movements in non-performing loan groups

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Balance at the beginning of the period	927,110	1,102,016	4,384,377
Additions (+)	2,836,423	137,362	215,721
Transfers from other categories of loans under follow-up (+)	-	2,510,046	2,225,124
Transfers to other categories of loans under follow-up (-) ^(*)	2,674,478	2,552,971	119,519
Collections (-)	335,405	340,468	677,132
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Balance at the end of the period	753,650	855,985	6,028,571
Specific provision (-) ^(**)	150,730	419,518	6,028,571
Net balance	602,920	436,467	-

^(*) Loans that are transferred from restructured loans to non-performing loans and from non-performing loans to restructured loans are presented in the Transfers from and to other categories of loans under follow-up lines.

^(**) After taking the collaterals of the loans amounting TL 32,026, that are classified in group IV, as from December 31, 2017 into account, the bank had recorded provision over the remaining amount.

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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Balance at the end of the period	42,517	6,850	366,534
Specific provision (-)	8,503	3,425	366,534
Net balance on balance sheet	34,014	3,425	-
Prior Period			
Balance at the end of the period	57,993	12,646	223,454
Specific provision (-)	50,675	6,323	223,454
Net balance on balance sheet	7,318	6,323	-

Non-performing foreign currency denominated loans are followed in TL accounts.

Loan customer concentration of gross and net amounts of non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Consumer and Commercial Loans (Gross)	753,526	854,437	5,930,619
Specific Provision (-)	150,705	418,744	5,930,619
Consumer and Commercial Loans (Net)	602,821	435,693	-
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	124	1,548	96,401
Specific Provision (-)	25	774	96,401
Other Loans and Receivables (Net)	99	774	-
Prior Period (Net)			
Consumer and Commercial Loans (Gross)	926,977	1,092,516	4,292,536
Specific Provision (-)	384,470	546,496	4,292,536
Consumer and Commercial Loans (Net)	542,507	546,020	-
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	133	9,500	90,290
Specific Provision (-)	27	4,750	90,290
Other Loans and Receivables (Net)	106	4,750	-

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	12,235,406	2,022,702	8,039,914	-
Treasury Bills	-	-	-	-
Other Securities Issued by the Governments	-	2,263,925	-	-
Total	12,235,406	4,286,627	8,039,914	-

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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

	Current Period	Prior Period
Debt Securities	16,766,071	8,187,293
Quoted at Stock Exchanges	16,652,591	8,046,672
Unquoted at Stock Exchanges	113,480	140,621
Impairment Losses (-)	-	6,758
Total	16,766,071	8,180,535

The movement table of the held-to-maturity investments

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

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

(**) The bank had classified TL 7,166,704 nominal value of marketable securities, which was followed under available for sale securities portfolio, to held to maturity portfolio on different dates in 2017. These marketable securities are included in the held to maturity portfolio with TL 7,501,432 book value, representing the fair value of the securities as from the dates when the classification occurred. The revaluation differences amounting to TL 63,966 as from the dates when the classification occurred are now being followed under equity, and the composed revaluation differences will be transferred to terminal accounts until the end of the maturity of the securities.

Information on held-to-maturity investments

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	5,856,554	1,879,125	6,591,740	1,886,904
Investments subject to repurchase agreements	4,581,632	2,242,632	5,510,791	2,256,226
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	107,882	384,828	132,875	387,535
Total	10,546,068	4,506,585	12,235,406	4,530,665

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

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

7. Information on investments in associates

Information on investments in associates

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company’s Fair Value
1	1,047,132	88,271	7,571	59,475	3,603	5,231	3,640	-
2	29,917,636	3,711,341	871,378	1,440,834	438,839	611,177	443,431	3,488,552
3	4,185,749	1,062,721	716,013	13,978	-	173,897	128,591	-
4	80,677	46,880	47,322	1,043	-	6,983	14,517	-
5	259,153	175,797	172,992	4,049	-	36,919	16,458	-
6	142,810	(42,509)	88,001	360	-	(6,986)	(4,997)	-
7	120,766	(27,699)	83,574	4	-	(6,271)	(21,798)	-
8	9,913,087	1,170,007	97,419	281,518	7,404	201,251	162,178	-
9	486,557	462,323	10,969	21,449	-	127,873	17,738	-
10	1,104	(125,554)	-	66	-	(12,193)	(8,988)	-

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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Movement table of investments in associates

	Current Period	Prior Period
Balance at the beginning of the period	299,478	270,290
Movements during the period	49,680	29,188
Transfers	-	-
Acquisitions and capital increases	-	-
Bonus shares received	29,498	29,632
Income/loss from investments under equity accounting	-	-
Sales and liquidations	-	-
Fair value changes	20,182	(444)
Impairment losses	-	-
Balance at the end of the period	349,158	299,478
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,050,000 to TL 2,400,000 in the Ordinary General Meeting of the Company dated March 23, 2017. The share of the Bank amounting to TL 29,321 is presented in the movement table of investments in associates as bonus shares received.

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

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

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Sectoral distribution of investments in financial associates

	Current Period	Prior Period
Banks	332,861	283,359
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other associates	4,897	4,719
Total	337,758	288,078

Quoted associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	292,340	242,838
Quoted at international stock exchanges	-	-
Total	292,340	242,838

Investments in associates disposed during the period

There is not any associate disposed in the current period.

Investments in associates acquired during the period

There is not any associate acquired in the current period.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

8. 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 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	-
Other Capital Reserves	-	248	(271)	51	(2,046)	6,297	57	21,674	62
Securities Value Increase Fund	41,310	3,470	64,446	347	287,304	964	-	-	-
Tangible Assets' Value Increase From Revaluation	-	17,517	-	-	205,045	50,005	-	547	-
Associates And Subsidiaries Bonus Shares	-	1,094	-	-	4,010	191	-	-	-
Legal Reserves	10,614	6,286	6,128	5,824	17,179	18,385	1,347	7,543	395
Extraordinary Reserves	-	33,523	7,368	45,624	19,247	104,880	7,050	108,125	-
Other Profit Reserves	309,490	-	2,308	-	-	-	-	-	-
Profit/Loss	146,910	23,115	15,473	18,022	(336,529)	138,418	5,856	6,350	(3,179)
<i>Prior Period's Profit/Loss</i>	129,784	(18)	1,123	-	(437,001)	73,395	-	-	(3,008)
<i>Current Period's' Profit/Loss</i>	17,126	23,133	14,350	18,022	100,472	65,023	5,856	6,350	(171)
Minority Rights	-	84	-	-	-	-	-	-	-
Total Core Capital	622,807	194,337	130,452	139,868	464,865	345,640	26,310	608,470	17,278
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-	-
CAPITAL	622,807	194,337	130,452	139,868	464,865	345,640	26,310	608,470	17,278
NET AVAILABLE EQUITY	622,807	194,337	130,452	139,868	464,865	345,640	26,310	608,470	17,278

Reviewed BRSA financial statements as of September 30, 2017 are considered.

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DISCLOSURE AND FOOTNOTES ON 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 and Vakıf Emeklilik ve Hayat AŞ that operate in insurance business calculate capital adequacy in accordance with “Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms” published by Republic of Turkey Undersecretariat of Treasury every six month. According to the calculations at December 31, 2017, there is no capital requirement for the subsidiaries mentioned.

Information on investments in subsidiaries

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Company's Fair Value
1	1,857,209	536,171	582,483	59,978	669	15,030	(71,174)	449,781
2	6,618,429	308,951	127,457	36,713	196	73,260	38,512	1,149,195
3	1,528,034	139,869	328	128,206	-	18,023	12,943	157,611
4	1,868,750	192,531	21,786	100,798	-	22,421	15,894	232,724
5	422,141	130,451	2,029	26,480	18	14,350	5,752	186,870
6	4,005,275	579,208	1,988	61,159	23,491	16,637	17,711	402,497
7	27,486	26,310	444	2,328	32	5,856	4,937	81,031
8	18,747	17,277	28	264	1,485	(171)	(196)	27,963
9	1,067,326	873,533	638,872	10,869	-	8,495	10,768	568,147
10	25,851	12,062	1,043	530	-	404	280	14,494
11	371,463	356,839	221,749	8,132	-	5,653	504	403,062
12	59,791	49,796	1,710	3,948	-	6,422	3,587	49,458
13	31,550	25,967	280	2,811	-	(178)	1,269	26,479

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

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

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Movement table of investments in subsidiaries

	Current Period	Prior Period
Balance at the beginning of the period	1,797,124	1,604,319
Movements during the period	416,734	192,805
Transfers	-	-
Acquisitions and capital increases	-	76,155
Bonus shares received	51,974	24,858
Dividends from current year profit	(17,527)	(1,694)
Sales and liquidations	(232)	-
Fair value changes	371,260	87,159
Impairment losses	11,259	6,327
Balance at the end of the period	2,213,858	1,797,124
Capital commitments	-	-
Share percentage at the end of the period	-	-

Methods to measure investments in subsidiaries

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	2,213,858	1,797,124
Equity method of accounting	-	-
Total	2,213,858	1,797,124

Sectoral distribution of investments in financial subsidiaries

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

Quoted subsidiaries

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Investments in subsidiaries disposed during the period

There is no disposal in subsidiaries in the current period.

Investments in subsidiaries acquired during the period

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

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

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

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

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

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

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

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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

9. Investments in joint-ventures

None.

10. Information on finance lease receivables (net)

None.

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	921,897	111,890	27,927	1,261,847	2,323,561
Accumulated depreciation(-)	6,543	109,022	23,118	768,772	907,455
Impairment (-)	6,231	-	-	-	6,231
Net book value	909,123	2,868	4,809	493,075	1,409,875
Balance at the end of the current year:					
Net book value at the beginning of the current year	909,123	2,868	4,809	493,075	1,409,875
Additions	9,007	-	3,282	141,130	153,419
Cost of the disposals	11,008	-	8,164	8,376	27,548
Classification Among the Tangible Fixed Assets	-	(111,890)	-	111,890	-
Depreciation of the disposals	107	-	7,982	6,794	14,883
Depreciation of the current year (-)	5,558	-	1,598	127,335	134,491
Classification Among the Depreciation of the Tangible Fixed Assets	-	(109,022)	-	109,022	-
Impairment (-)	-	-	-	-	-
Net exchange differences from Foreign Branches	-	-	26	1,099	1,125
Cost at the end of the current year	919,896	-	23,071	1,507,590	2,450,557
Accumulated depreciation at the end of the year (-)	11,994	-	16,734	998,335	1,027,063
Impairment (-) ⁽⁶⁾	6,231	-	-	-	6,231
Net book value at the end of the current year	901,671	-	6,337	509,255	1,417,263

13. Information on intangible assets

Bank’s intangible assets consist of computer softwares and licences. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis over the estimated useful lives. The Bank divides the extinction share of intangible assets according to inflation adjusted values.

There is not any intangible asset that is important for fullest extend of financial statements.

Bank does not have any intangible asset that is collateral or acquired by government promotion and has a limitation on usage.

The Bank did not declared a commitment to purchase intangible assets.

14. Information on investment properties

None.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

15. Information on deferred tax assets

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

	Current period	Prior Period
<i>Deferred tax assets:</i>	218,616	256,814
Provision for employee termination benefits and unused vacations	98,052	93,202
Other provisions	14,994	50,864
Valuation differences of associates and subsidiaries	23,456	23,456
Valuation differences of financial assets and liabilities	80,160	81,386
BRSA - Tax Code depreciation differences	-	5,986
Other	1,954	1,920
<i>Deferred tax liabilities:</i>	(332,351)	(173,705)
Valuation differences of financial assets and liabilities	(240,275)	(96,100)
Valuation differences of associates and subsidiaries	(56,408)	(48,843)
Valuation differences of properties	(28,433)	(28,762)
BRSA - Tax Code depreciation differences	(7,235)	-
Deferred tax assets/(liabilities), net	(113,735)	83,109

The deferred tax asset / liability schedule as of December 31, 2017 and December 31, 2016 is as follows:

	Current Period	Prior Period
As of 1 January	83,109	15,421
Deferred tax income/loss	(159,072)	19,942
Deferred tax that is accounted under Equity	(36,316)	48,737
Exchange differences	(1,456)	(991)
Deferred tax asset/(Liability)	(113,735)	83,109

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

	Current Period	Prior Period
Receivables from credit card payments	(14,566)	47,738
Guarantees given for derivative financial instruments	(15,934)	1,500
Prepaid expenses	328	104
Receivables from term sale of assets	(6,144)	(605)
Guarantees given for repurchase agreements	(36,316)	48,737

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

As at December 31, 2017 assets held for sale and assets related to the discontinued operations amount to TL 1,312,493 (December 31, 2016: TL 1,227,867).

17. Information on other assets

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

	Current period	Prior Period
Receivables from credit card payments	1,173,158	988,257
Guarantees given for derivative financial instruments	2,749,121	1,876,321
Prepaid expenses	934,474	507,866
Receivables from term sale of assets	11,116	21,746
Guarantees given for repurchase agreements	151	-
Other	1,791,006	555,630
Total	6,659,026	3,949,820

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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	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	6,056,971	-	3,050,910	31,050,795	2,289,658	270,480	177,229	2,178	42,898,221
Foreign Currency									
Deposits	7,173,350	-	2,608,077	24,483,346	1,775,564	1,135,081	4,702,551	-	41,877,969
Residents in Turkey	6,810,525	-	2,606,029	24,058,549	1,430,203	720,911	998,723	-	36,624,940
Residents Abroad	362,825	-	2,048	424,797	345,361	414,170	3,703,828	-	5,253,029
Public Sector Deposits	7,188,859	-	6,443,410	7,672,161	1,141,489	4,439,864	176,770	-	27,062,553
Commercial Deposits	3,773,023	-	5,746,560	10,678,076	2,281,607	190,433	8,957	-	22,678,656
Other	3,834,320	-	982,513	3,345,561	1,163,948	21,913	32,402	-	9,380,657
Precious Metal									
Deposits	1,600,963	-	-	-	-	-	-	-	1,600,963
Bank Deposits	489,785	-	7,033,739	2,058,712	18,565	59,147	118,155	-	9,778,103
Central Bank	1,349	-	-	-	-	-	-	-	1,349
Domestic Banks	140,446	-	6,644,460	947,960	18,565	-	-	-	7,751,431
Foreign Banks	255,751	-	200,144	768,660	-	59,147	41,441	-	1,325,143
Participation Banks	92,239	-	189,135	342,092	-	-	76,714	-	700,180
Other	-	-	-	-	-	-	-	-	-
Total	30,117,271	-	25,865,209	79,288,651	8,670,831	6,116,918	5,216,064	2,178	155,277,122
Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	5,705,688	-	1,680,889	25,414,440	1,642,146	289,813	164,353	268	34,897,597
Foreign Currency									
Deposits	5,046,499	-	2,673,873	18,808,024	1,720,217	844,659	3,991,576	-	33,084,848
Residents in Turkey	4,817,098	-	2,667,484	18,521,686	1,479,501	544,129	943,203	-	28,973,101
Residents Abroad	229,401	-	6,389	286,338	240,716	300,530	3,048,373	-	4,111,747
Public Sector Deposits	5,358,931	-	5,219,406	6,965,059	768,349	2,589,066	115,942	-	21,016,753
Commercial Deposits	2,906,967	-	6,121,194	7,400,536	1,488,185	312,555	9,300	-	18,238,737
Other	4,168,961	-	1,901,192	3,401,011	881,451	85,146	20,450	-	10,458,211
Precious Metal									
Deposits	1,010,609	-	-	-	-	-	-	-	1,010,609
Bank Deposits	236,382	-	3,302,157	1,395,631	98,703	23,363	75,386	-	5,131,622
Central Bank	1,117	-	-	-	-	-	-	-	1,117
Domestic Banks	10,240	-	2,934,648	913,292	98,703	2,144	4,323	-	3,963,350
Foreign Banks	162,049	-	156,451	288,852	-	21,219	71,063	-	699,634
Participation Banks	62,976	-	211,058	193,487	-	-	-	-	467,521
Other	-	-	-	-	-	-	-	-	-
Total	24,434,037	-	20,898,711	63,384,701	6,599,051	4,144,602	4,377,007	268	123,838,377

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

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

Saving deposits out of insurance coverage limits

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

2. Information on derivative financial liabilities held for trading purpose

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	19,903	5,240	18,011	4,202
Swap Transactions	965,364	162,772	898,463	184,541
Futures	-	-	-	-
Options	30,336	915	38,159	327
Other	-	-	-	-
Total	1,015,603	168,927	954,633	189,070

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Republic of Turkey	-	235,102	-	-
Domestic Bank and Institutions	96,890	600,641	100,256	557,124
Foreign Banks, Institutions and Funds	571,642	26,803,346	571,642	22,964,748
Total	668,532	27,639,089	671,898	23,521,872

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Maturity information of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short-term (*)	98,337	2,927,224	97,160	2,275,319
Medium and Long term (*)	570,195	24,711,865	574,738	21,246,553
Total	668,532	27,639,089	671,898	23,521,872

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

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for %11.45 (December 31, 2016: %12.52) of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

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

On September 26, 2016, the loan has been renewed with a new syndicated loan amounting to 224.5 million US Dollar and 544 million Euros with the interest rate of US Libor + 1.10% and Euribor + 1.00% at a maturity of 367 days with participation of 22 banks, ING Bank, London Branch and National Bank of Abu Dhabi PJSC acting as coordinator and ING Bank, London Branch acting as agent bank. On September 25, 2017, the mentioned loan has been renewed with a new syndicated loan amounting to 131 Million US Dollars and 634 Million Euros with the interest rate of US Libor + 1.35% and Euribor + 1.25% with a maturity of 367 days and with participation of 22 banks from 12 countries, where the ING Bank and Emirates NBD acted as common coordinator banks and ING Bank London Branch acted as the agent bank.

On December 19, 2014, the Bank has obtained securitization loan at the amount of US Dollar 928.6 million related to foreign transfers and treasury transactions in Euro and US Dollar. Loan amounting to US Dollar 500 million has been obtained related to foreign transfers at a maturity of five years and loan at the amount of US Dollar 428.6 million has been obtained related to treasury transactions at a maturity of seven years in seven different segments in total.

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

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

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

Information on securities issued

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

Within the context of Global Medium Term Notes (GMTN), the Bank has issued Eurobond. The bond has been issued in GMTN programme on October 27, 2016 has a nominal value of US Dollar 500 million, maturity date on October 27, 2021 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.50%.

Within the context of Global Medium Term Notes (GMTN), the Bank has issued Eurobond. The bond has been issued in GMTN programme on May 30, 2017 has a nominal value of US Dollar 500 million, maturity date on May 30, 2022 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.625%.

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

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

On October 9, 2017, the bank had issued a private placement for the qualified foreign institutional investor within the context of Global Medium Term Notes (GMTN), with 5.5 years of maturity, and a nominal value of 1.333 million Turkish Liras.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

The bank had realized the second Global Medium Term Notes (GMTN) on December 14, 2017 with HSBC Bank Plc with with 5 years of maturity, and a nominal value of 1.333 million Turkish Liras.

Current Period	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	3,647,403	2,816,000	98,149	12,831,440
Cost	3,492,003	2,816,000	98,149	12,758,003
Net Book Value	3,566,573	2,876,546	98,742	12,943,237

Prior Period	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	3,333,301	-	152,903	11,188,895
Cost	3,214,945	-	152,903	11,107,606
Net Book Value	3,268,595	-	154,695	11,284,455

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

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

5. Information on lease payables (net)

Obligations under financial leasing

None.

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

Negative fair values of hedging purpose derivatives

None.

7. Information on provisions

Information on general provisions

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

Information on employee rights

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

As of December 31, 2017, TL 388,002 (December 31, 2016: TL 374,691) provision for severance pay and TL 102,256 (December 31, 2016 TL 91,322) provision for unused vacation are stated in financial statements under employee rights provision.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Movement of severance pay provision in the period:

	Current Period	Prior Period
Opening balance	374,691	350,227
Current service cost	36,861	40,672
Previous service cost	8,866	-
Interest cost	38,395	33,177
Paid compensation	(39,522)	(48,357)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	(569)	1,996
Actuary loss/(gain)	(30,720)	(3,024)
Closing balance	388,002	374,691

Information on pension rights

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

Transferable retirement and health liabilities

	31 December 2017	31 December 2016
Net Present Value of Transferable Retirement Liabilities	(5,495,589)	(4,843,316)
Net Present Value of Transferable Retirement and Health Contributions	4,317,510	3,352,762
General Administration Expenses	(99,503)	(86,552)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,277,583)	(1,577,107)
Fair Value of Plan Assets (2)	5,360,551	4,299,662
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	4,082,968	2,722,555

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

Discount Rates	31 December 2017	31 December 2016
Benefits Transferable to SSI	%9,80	%9,80
Non Transferable Benefits	%2,50	%2,50

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

	31 December 2017	31 December 2016
Bank placements	2,290,956	2,210,265
Government Bonds and Treasury Bill, Fund and Accrual Interest		
Income	362,512	110,880
Tangible assets*	2,517,925	1,750,695
Other	189,158	227,822
Total	5,360,551	4,299,662

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Provision for currency exchange loss on foreign currency indexed loans

	Current Period	Prior Period
Provision for currency exchange gain/loss on foreign currency indexed loans	10,253	297

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

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

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

Information on other provisions

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Provisions for credits	3,207	184,880
Specific provisions for non-cash loans	75,942	59,816
Provision for cheques	79,112	66,959
Provisions for lawsuits against the Bank	2,760	4,755
Provisions for credit card promotions	9,768	9,595
Other provisions	534,381	20,473
Total	705,170	346,478

Information on provision for possible risks

The Bank recognized free provision in the current year amounting to TL 500.000 in line with the conservatism principle considering the circumstances that may arise from possible changes in the economy and financial markets.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

8. Taxation

Current taxes

Tax provision

As at and for the year ended December 31, 2017, the corporate taxes payable was amounted to TL 764,909 (December 31, 2016: TL 724,953). As at December 31, 2017, corporate tax liabilities of the Bank was amounted to TL 451,736 (December 31, 2016: TL 576,578), after deducting prepaid taxes paid during temporary tax periods amounted to TL 313,173 (December 31, 2016: TL 148,375).

Information on taxes payable

	Current Year	Prior Year
Corporate taxes payable	313,173	148,375
Taxation on securities	160,257	151,546
Capital gains tax on property	3,045	2,655
Taxes on foreign exchange transactions	-	-
Banking and Insurance Transaction Tax (BITT)	121,325	91,205
Value added tax payable	4,234	3,616
Other	32,683	24,814
Total	634,717	422,211

Information on premiums payable

	Current Year	Prior Year
Social security premiums- employee share	-	-
Social security premiums- employer share	-	-
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	7	-
Unemployment insurance- employee share	887	748
Unemployment insurance- employer share	1,773	1,497
Other	14	-
Total	2,681	2,245

Information on deferred tax liabilities

Information on deferred tax liabilities is presented in disclosure 15 of information and disclosures related to assets.

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

None.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

10. Information on subordinated loans

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

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

In 2012, the Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased. In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 228 million which issued abroad, with the new Basel III compliant conditions, was completed on 13 February 2017 and the redemption date of the bonds to be exchanged was determined as November 1, 2027, with a maturity of 10 years (recall option in 2022) and coupon rate as 8.00%.

On September 2017, the bank had issued a floating rated subordinated bond (secondary capital) for the qualified domestic institutional investor with nominal value of 525 million Turkish Liras, that has the maturity of 10 years, that is callable in 5 years, and has quarterly coupon payments.

Stated bonds' total balance sheet value is TL 5,935,969 as of December 31, 2017 (December 31, 2016: TL 5,031,213).

11. Information on equity

Paid-in capital

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

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

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

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

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

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

There is no share capital increase in the current and prior period.

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following period

None.

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

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	1,095,532	54,148	658,258	174,877
Fair value differences of available-for-sale securities	(299,308)	141,735	(243,814)	27,980
Foreign exchange differences	80,727	-	80,727	-
Total	876,951	195,883	495,171	202,857

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

	Current Period	Prior period
Commitments for credit card limits	10,534,862	8,682,835
Loan granting commitments	11,843,577	9,817,555
Commitments for cheque payments	2,542,741	2,154,102
Asset purchase sale commitments	1,755,169	2,864,752
Other	2,264,499	1,433,858
Total	28,940,848	24,953,102

Type and amount of possible losses from off-balance sheet items including those referred to below

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

The Bank provided specific provision amounting to TL 169,355 (December 31, 2016: TL 165,159) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 75,942 (December 31, 2016: TL 59,816).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Final letters of guarantee	14,073,061	11,547,141
Letters of guarantee for advances	6,684,317	4,843,148
Letters of guarantee given to custom offices	1,053,872	1,059,516
Provisional letters of guarantee	1,180,248	994,372
Other letters of guarantee	17,177,322	13,870,573
Total	40,168,820	32,314,750

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	3,771,138	2,788,811
<i>With original maturity of 1 year or less</i>	1,216,243	1,126,734
<i>With original maturity of more than 1 year</i>	2,554,895	1,662,077
Other non-cash loans	46,996,446	37,659,613
Total	50,767,584	40,448,424

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

3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	40,142	0.13	20,449	0.11	81,809	0.30	382,403	2.79
Farming and Cattle	35,606	0.11	20,449	0.11	69,203	0.26	378,930	2.76
Forestry	3,213	0.01	-	0.00	11,601	0.04	3,473	0.03
Fishing	1,323	0.01	-	0.00	1,005	0.00	-	0.00
Manufacturing	12,256,698	38.17	7,292,016	39.09	10,907,710	40.79	7,157,290	52.22
Mining	281,602	0.87	175,494	0.94	1,157,275	4.33	144,199	1.05
Production	7,930,683	24.70	6,505,402	34.87	6,697,549	25.04	6,606,838	48.21
Electric, gas and water	4,044,413	12.60	611,120	3.28	3,052,886	11.42	406,253	2.96
Construction	4,855,489	15.12	1,577,187	8.45	4,216,428	15.77	2,323,864	16.96
Services	13,929,661	43.38	5,397,807	28.93	9,412,571	35.20	2,601,267	18.98
Wholesale and retail trade	5,412,904	16.86	3,084,564	16.54	4,056,016	15.17	1,556,748	11.36
Hotel, food and beverage	-	-	-	-	-	-	-	-
Services	269,673	0.84	18,654	0.10	112,775	0.42	378	0.00
Transportation and telecommunication	1,530,254	4.77	754,438	4.04	1,330,694	4.98	876,095	6.39
Financial institutions	3,537,700	11.02	437,212	2.34	2,492,659	9.32	66,272	0.48
Real estate and renting	-	-	-	-	-	-	-	-
Services	1,558,909	4.85	408,524	2.19	358,074	1.34	28,456	0.21
Self-employment services	1,439,047	4.48	682,640	3.66	700,053	2.62	66,033	0.48
Education services	37,182	0.12	8,202	0.04	18,627	0.07	1,588	0.01
Health and social services	143,992	0.44	3,573	0.02	343,673	1.28	5,697	0.05
Other	1,027,932	3.20	4,370,203	23.42	2,124,938	7.94	1,240,144	9.05
Total	32,109,922	100.00	18,657,662	100.00	26,743,456	100.00	13,704,968	100.00

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	31,630,753	8,020,115	240,831	110,773
Confirmed Bills of Exchange and Acceptances	44,700	1,510,854	-	-
Letters of Credit	30,161	8,959,467	-	4,523
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	46,052	-	-
Non-Cash Loans	31,705,614	18,536,488	240,831	115,296

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	26,226,670	5,579,150	308,947	45,257
Confirmed Bills of Exchange and Acceptances	53,702	1,142,668	-	272
Letters of Credit	1,762	6,887,315	-	16,960
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	20,562	-	-
Non-Cash Loans	26,282,134	13,629,695	308,947	62,489

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on derivative transactions

	Current Period	Prior Period
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	27,431,476	38,903,748
Currency Forwards	2,770,498	1,609,994
Currency Swaps	23,803,342	36,420,446
Currency Futures	-	-
Currency Options	857,636	873,308
Interest Rate Derivative Transactions (II)	16,961,096	17,066,824
Interest Rate Forwards	-	-
Interest Rate Swaps	16,961,096	17,066,824
Interest Rate Futures	-	-
Interest Rate Options	-	-
Other Trading Derivatives (III)	16,340,947	11,037,611
A. Total Trading Derivatives (I+II+III)	60,733,519	67,008,183
Hedging Derivatives	-	-
Fair Value Hedges air Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	-	-
Derivative Transactions (A+B)	60,733,519	67,008,183

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

	December 31, 2017					Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	
Currency swaps:						
Purchase	3,208,743	2,610,791	1,146,654	271,380	-	7,237,568
Sale	608,287	374,412	1,121,536	287,826	-	2,392,061
Currency forwards:						
Purchase	191,078	237,194	861,239	96,150	-	1,385,661
Sale	190,999	237,075	860,677	96,086	-	1,384,837
Cross currency interest rate swaps:						
Purchase	264,597	37,800	303,700	6,677,071	140,118	7,423,286
Sale	161,595	25,580	303,700	6,126,870	132,682	6,750,427
Interest rate swaps:						
Purchase	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Sale	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Options:						
Purchase	333,265	19,141	73,700	-	-	426,106
Sale	336,538	19,392	75,600	-	-	431,530
Other trading derivatives:						
Purchase	38,820	75,600	415,800	2,683,002	3,430,128	6,643,350
Sale	2,646,434	2,316,290	326,755	1,945,000	2,463,118	9,697,597
Total purchases	4,136,503	3,080,526	2,801,093	13,990,524	7,587,873	31,596,519
Total sales	4,043,853	3,072,749	2,688,268	12,718,703	6,613,427	29,137,000
Total	8,180,356	6,153,275	5,489,361	26,709,227	14,201,300	60,733,519

	December 31, 2016					Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	
Currency swaps:						
Purchase	8,008,041	3,889,096	58,635	333,432	-	12,289,204
Sale	5,835,336	3,065,253	57,519	406,566	-	9,364,674
Currency forwards:						
Purchase	88,457	240,192	436,920	39,781	-	805,350
Sale	88,411	240,137	436,440	39,656	-	804,644
Cross currency interest rate swaps:						
Purchase	-	-	826,025	7,055,829	-	7,881,854
Sale	-	-	434,479	6,450,235	-	6,884,714
Interest rate swaps:						
Purchase	-	-	1,231,927	3,384,843	3,916,642	8,533,412
Sale	-	-	1,231,927	3,384,842	3,916,643	8,533,412
Options:						
Purchase	407,926	20,002	-	-	-	427,928
Sale	424,764	20,616	-	-	-	445,380
Other trading derivatives:						
Purchase	70,300	210,900	246,049	1,922,502	1,883,038	4,332,789
Sale	2,700,249	1,037,023	215,525	1,521,775	1,230,250	6,704,822
Total purchases	8,574,724	4,360,190	2,799,556	12,736,387	5,799,680	34,270,537
Total sales	9,048,760	4,363,029	2,375,890	11,803,074	5,146,893	32,737,646
Total	17,623,484	8,723,219	5,175,446	24,539,461	10,946,573	67,008,183

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information on contingent assets and liabilities

Bank allocates TL 2,760 as provision for lawsuits against the Bank (December 31, 2016: TL 4,755).

7. Services rendered on behalf of third parties

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

IV. INFORMATION ON DISCLOSURES RELATED TO THE STATEMENT OF INCOME

1. Interest income

Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term Loans	4,816,136	180,467	4,374,026	179,314
Medium and Long-Term Loans	10,645,543	2,483,640	7,546,973	1,842,032
Non-performing Loans	137,052	-	269,572	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	15,598,731	2,664,107	12,190,571	2,021,346

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Republic of Turkey	-	6	-	198
Domestic Banks	8,690	5,368	867	1,368
Foreign Banks	57	38,517	15	22,584
Foreign Head Office and Branches	-	-	-	-
Total	8,747	43,891	882	24,150

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on interest income received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	-	-	-	-
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	1,481,282	227,335	1,225,597	271,077
Investments held to maturity	1,111,569	48,705	706,281	1,463
Total	2,592,851	276,040	1,931,878	272,540

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	17,079	11,011

2. Interest expense

Interest expense on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	66,817	551,122	55,610	285,523
Central Bank of Republic of Turkey	-	99	-	-
Domestic Banks	5,571	9,456	6,481	5,931
Foreign Banks	61,246	541,567	49,129	279,592
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	53,953	-	44,617
Total	66,817	605,075	55,610	330,140

Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	153,477	78,418

Interest expense on securities issued

Interest paid to securities issued is TL 1,020,139 for the year ended December 31, 2017 (December 31, 2016: TL 680,296).

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Maturity structure of the interest expense on deposits

Current Period	Demand Deposits	Time Deposits					Cumulative deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	4,583	181,129	3,707	-	-	-	189,419
Saving deposits	-	278,663	3,336,384	226,701	32,556	16,695	119	3,891,118
Public sector deposits	9,611	362,078	699,671	111,071	375,522	20,612	-	1,578,565
Commercial deposits	87	512,659	1,249,420	247,147	22,461	793	-	2,032,567
Other deposits	-	84,740	374,560	154,694	7,720	1,302	-	623,016
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	9,698	1,242,723	5,841,164	743,320	438,259	39,402	119	8,314,685
<i>FC</i>								
Foreign currency deposits	21,775	24,101	641,578	47,234	22,725	84,958	-	842,371
Interbank deposits	2,812	6,046	19,432	464	5,313	13,958	-	48,025
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	24,587	30,147	661,010	47,698	28,038	98,916	-	890,396
Grand Total	34,285	1,272,870	6,502,174	791,018	466,297	138,318	119	9,205,081

Prior Period	Demand Deposits	Time Deposits					Cumulative deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	50,936	124,957	-	5,449	12,337	-	193,679
Saving deposits	-	60,356	2,763,745	172,556	29,617	12,540	-	3,038,814
Public sector deposits	22,342	356,076	662,052	62,623	179,128	21,863	-	1,304,084
Commercial deposits	89	416,043	988,249	140,868	15,856	450	-	1,561,555
Other deposits	4	89,305	324,753	91,558	7,164	1,849	-	514,633
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	22,435	972,716	4,863,756	467,605	237,214	49,039	-	6,612,765
<i>FC</i>								
Foreign currency deposits	19,011	25,772	410,652	31,102	16,223	73,236	-	575,996
Interbank deposits	663	1,730	12,364	2,147	1,184	7,060	-	25,148
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	19,674	27,502	423,016	33,249	17,407	80,296	-	601,144
Grand Total	42,109	1,000,218	5,286,772	500,854	254,621	129,335	-	7,213,909

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Dividend Income

	Current Period	Prior Period
Trading Purpose Financial Assets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	234	22,443
Others	93,327	69,310
Total	93,561	91,753

4. Information on trading income/losses

	Current Period	Prior Period
Income	8,981,578	5,974,847
Income from capital market operations	93,037	85,057
Income from derivative financial instruments	3,752,925	3,363,168
Foreign exchange gains	5,135,616	2,526,622
Loss	(8,817,366)	(5,491,034)
Loss from capital market operations	(47,888)	(63,221)
Loss from derivative financial instruments	(3,778,946)	(3,005,327)
Foreign exchange loss	(4,990,532)	(2,422,486)
Net trading profit/loss	164,212	483,813

Net loss arising from changes in foreign exchange rates that relate to the Bank’s foreign exchange rate based derivative financial instruments is amounting to TL 120,839 as at and for the year ended December 31, 2017 (December 31, 2016: TL 349,745 income).

5. Information on other operating income

	Current Period	Prior Period
Income from reversal of specific provisions for loans	936,786	665,884
Communication income	43,602	40,316
Gain on sale of assets	148,977	164,709
Rent income	1,018	923
Other income	543,146	82,199
Total	1,673,529	954,031

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	2,194,095	1,935,699
<i>Loans and receivables in Group III</i>	485,250	717,481
<i>Loans and receivables in Group IV</i>	593,276	526,966
<i>Loans and receivables in Group V</i>	1,115,569	691,252
Non-performing commissions and other receivables	-	-
General provision expenses	208	213,855
Provision for possible losses	500,000	-
Impairment losses on securities:	424	4,682
<i>Trading securities</i>	-	-
<i>Investment securities available-for-sale</i>	424	4,682
Impairment losses from associates, subsidiaries, joint ventures, and marketable securities held to maturity :	29,147	25,297
<i>Associates</i>	-	-
<i>Subsidiaries</i>	2,525	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	26,622	25,297
Other ^(*)	63,659	66,981
Total	2,787,533	2,246,514

(*) Other provision expenses amounting to TL 63,659 (December 31, 2016: TL 66,981) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 48,866 (December 31, 2016: TL 44,085) and provision expenses related to retail loans amounting to TL 14,793 (December 31, 2016: TL 22,896)

7. Information on other operating expenses

	Current Period	Prior Period
Personnel Costs	1,768,758	1,488,861
Reserve for Employee Termination Benefits	44,031	27,488
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Amortization Expenses on Tangible Assets	134,491	130,200
Impairment Losses on Intangible Assets	-	-
Amortization Expenses on Intangible Assets	26,780	22,173
Impairment Losses on Assets to be Disposed	-	5,278
Depreciation Expenses on Assets to be Disposed	-	19,723
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	1,844,656	1,560,004
<i>Operational lease expenses</i>	247,667	224,714
<i>Repair and maintenance expenses</i>	62,247	47,576
<i>Advertisement expenses</i>	108,801	78,123
<i>Other expenses</i>	1,425,941	1,209,591
Loss on sale of assets	1,834	3,351
Other ^(*)	600,178	578,005
Total	4,420,728	3,835,083

(*) Other operating expenses amounting to TL 600,178 (December 31, 2016: TL 578,005) is comprised of provision expenses for dividends to the personnel amounting to TL 168,500 (December 31, 2016: TL 147,970), tax, fees and funds expenses amounting to TL 148,817 (December 31, 2016: TL 130,750), “Saving Deposits Insurance Fund” expenses amounting to TL 168,783 (December 31, 2016: TL 138,469) and other expenses amounting to TL 114,078 (December 31, 2016: TL 160,816).

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

9. Information on tax provision from discontinued and continuing operations

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

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

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

11. Provision for taxes

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

In the current period, the Bank has recorded a tax charge of TL 792,677 (December 31, 2016: TL 712,424) from the net taxable profit calculated in accordance the laws and regulations in effect.

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

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

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination / (Reversal) of Deductible Temporary Differences	(47,016)	28,861
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(112,056)	(8,919)
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	(159,072)	19,942

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

	Current Period	Prior Period
Profit before tax	4,675,132	3,395,524
Additions	1,578,221	1,090,863
Reductions	(1,479,835)	(172,535)
Other	(951,750)	(694,457)
Basis	3,821,768	3,619,395
Corporate tax rate	20%	20%
Tax calculated	764,354	723,879
Other corrections	187,395	(31,397)
Tax expense	951,749	692,482

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12. Information on net profit and loss

The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank’s performance for the period

The Bank has earned TL 21,444,094 interest income, TL 1,330,665 net fees and commissions income and incurred TL 12,822,668 interest expenses, from ordinary banking transactions (December 31, 2016: TL 16,557,626 interest income, TL 9,590,985 interest expenses, TL 980,883 net fees and commissions income).

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

None.

13. Information related to the 20% of the sub-accounts belonging to components of other items in the statement of income exceeding 10% of the group total

Banks’ other commissions income mainly consists of credit card fee and commissions, insurance commissions and transfer commissions.

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. INFORMATION AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

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

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

Valuation Differences of Marketable Securities	Current Period	Prior Period
Valuation differences at the beginning of the year	(215,834)	(24,884)
Fair value changes in the current year	115,416	(231,362)
Valuation differences transferred to the statement of income	(42,590)	(7,326)
Effect of deferred and corporate taxes	(14,565)	47,738
Valuation differences at the end of the year	(157,573)	(215,834)

Valuation Difference of the Subsidiaries and Affiliates	Current Period	Prior Period
Valuation differences at the beginning of the year	913,862	855,297
Fair value changes in the current year	332,479	57,065
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	(15,934)	1,500
Valuation differences at the end of the year	1,230,407	913,862

2. Information on increases in cash flow hedges

None.

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

None.

4. Information on differences in shareholders’ equity accounts due to inflation accounting

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

5. Information on profit distribution

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

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

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS

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

“Other” item under the “operating profit before changes in operating assets and liabilities” amounting to TL (2,056,237) (December 31, 2016: TL (2,267,986)) is comprised cash amount of other operating expenses, fee and commissions paid and trading income/ losses.

“Net increase/decrease in other liabilities” amounting to TL 10,851,526 (December 31, 2016: TL 355,962) under “Net increase (decrease) in other liabilities ” is mainly comprised of cash inflows from funds provided by interbank Money markets.

“Other” item under “net cash flow from investing activities” amounting to TL (43,729) (December 31, 2016: TL (44,762)) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related assets’ high turnover rate are taken into consideration. Each exchange rate’s arithmetic average of the last five days before the report date and provision of average TL that is calculated from the difference from current period’s exchange rate are reflected as an effect of exchange rate change on the cash flow statement. Except for the above-mentioned, banks that have less than three months to maturity are accepted as cash equivalents and average TL provision is calculated by difference between related operation’s per term exchange rate and current period’s exchange rate. As of December 31, 2017 impact of the exchange rate change on cash and cash equivalents is TL (91,144) (December 31, 2016: TL 94,345).

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

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

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

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

4. Information on cash and cash equivalents

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

	Prior Period December 31, 2016	Prior Period December 31, 2015
Cash on hand	1,785,996	1,434,849
Cash in TL	1,281,047	1,157,743
Cash in foreign currency	504,949	277,106
Cash equivalents	9,322,773	6,765,575
CBRT	22,325,509	19,834,346
Banks	3,890,322	5,234,266
Receivables from money markets	-	-
Other	253,792	215,594
Loans and advances to banks having maturity of more than 3 months	(22,000)	-
Restricted cash and cash equivalents	(17,124,471)	(18,518,412)
Unrealized foreign exchange rate differences on cash equivalents	(379)	(219)
Total	11,108,769	8,200,424

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period December 31, 2017	Prior Period December 31, 2016
Cash on hand	1,979,531	1,785,996
Cash in TL	1,395,342	1,281,047
Cash in foreign currency	584,189	504,949
Cash equivalents	18,967,532	9,322,773
CBT - Unrestricted demand deposit	26,277,100	22,325,509
Banks	11,887,828	3,890,322
Receivables from money markets	1,652,102	-
Other	388,193	253,792
Loans and advances to banks having maturity of more than 3 months	(8,000)	(22,000)
Restricted cash and cash equivalents	(21,221,265)	(17,124,471)
Unrealized foreign exchange rate differences on cash equivalents	(8,426)	(379)
Total	20,947,063	11,108,769

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

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

Foreign currency bank deposits amounting to TL 339,868 (December 31, 2016: TL 308,711) is blocked and has not been included in cash and cash equivalents due to securitization loans and other ordinary banking operations of the Bank.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period	Associates, Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	294,757	1,205,242	-	31,720	37,507	22,446
Balance at the end of the period	144,551	1,441,249	-	38,243	18,110	34,799
Interest and commission income	17,079	2,059	-	38	964	78
Prior Period	Associates, Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	145,876	955,222	-	28,550	822	15,858
Balance at the end of the period	294,757	1,205,242	-	31,720	37,507	22,446
Interest and commission income	11,011	1,575	-	32	424	105

Information on deposits held by the Bank’s risk group

Bank’s Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	1,055,694	965,832	977,319	740,156	164,132	104,508
Balance at the end of the period	1,692,043	1,055,694	1,100,243	977,319	241,645	164,132
Interest on deposits	153,477	78,418	108,847	62,682	19,892	288

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

Bank’s Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Held for Trading Transactions						
Purchase balance at the beginning of the period	-	-	-	-	-	-
Sale balance at the beginning of the period	-	-	-	-	-	-
Purchase balance at the end of the period	217,476	-	-	-	-	-
Sale balance at the end of the period	223,669	-	-	-	-	-
Total profit/(loss)	(1,355)	49	-	-	-	-

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

Pricing policy and other conditions of transactions with the risk group of the Bank are determined and applied on arm’s length basis. The ratio of cash and non-cash loans given to the Bank’s risk group to total cash and non-cash loans are %0.09 (December 31, 2016: %0.23) and %2.98(December 31, 2016: %3.11), respectively.

Current Period	Amount	Compared to 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%

Prior Period	Amount	Compared to financial statement amount (%)
Cash loans	332,264	0.23%
Non-cash loans	1,259,408	3.11%
Deposits	2,197,145	1.77%
Forward and option agreements	-	-

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

Domestic and foreign branches and representative offices

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

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

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

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

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SECTION SIX

OTHER DISCLOSURES

I. OTHER DISCLOSURES ON THE BANK’S ACTIVITY

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

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

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

1 February 2018	Fitch Ratings
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB-
Short Term Local Currency	F3
Local Currency Outlook	Stable
National Long Term	AAA (tur)
National Outlook	Stable
Support	3
Support Rating Floor	BB+
Viability Note	bb+

2 February 2018	Moody’s Investors’ Service
Baseline Credit Assessment	ba2
Local Currency Deposit Rating	Ba1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Ba2/NP
Foreign Currency Outlook	Negative

12 December 2017	Standard&Poors
Foreign Currency Counterparty Credit Rating	BB/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	BB/B
Local Currency Outlook	Negative
Turkey National Scale	trAA-/trA-1

(*) Dates represent last report dates.

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

Book-building process in relation to issuance of the Eurobond has been completed by Vakıfbank. Coupon rate has been set at 5,75% with a yield of 5,85% in respect of USD 650 million fixed rate notes with semi-annual interest payment, having a maturity on January 30th, 2023 with a term of 5 years.

SECTION SEVEN

INDEPENDENT AUDITORS’ AUDIT REPORT

I. INFORMATION ON INDEPENDENT AUDITOR’S REPORT

The Bank’s unconsolidated financial statements and footnotes as at and for year ended December 31, 2017 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. It was noted in their audited report dated February 13, 2018 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated financial statements do not give a true and fair view of the Bank’s financial position and results of its operations.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

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