

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AT MARCH 31, 2018
TOGETHER WITH THE REVIEW REPORT**

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



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

AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the unconsolidated balance sheet of Türkiye Vakıflar Bankası T.A.O. ("the Bank") at 31 March 2018 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on or review.

Scope of Review

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

Basis for the Qualified Conclusion

As mentioned in Section Five Part II-7 of Explanations and Notes to the Unconsolidated Financial Statements; the accompanying unconsolidated financial statements as at 31 March 2018 include a free provision amounting to TL 500.000 thousand recognized in 2017 provided by the Bank management considering the possible effect of the circumstances that may arise from the negative changes in the economy and market conditions.



Qualified Conclusion

Based on our review, except for the effects of the matter on the unconsolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information do not present fairly in all material respects the financial position of Türkiye Vakıflar Bankası T.A.O. at 31 March 2018 and the results of its operations and its cash flows for the three-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation

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

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

Zeynep Uras, SMMM
Partner

Istanbul, 21 May 2018

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
AS AT AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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The unconsolidated financial report as at and for the three-month period ended March 31, 2018, prepared in accordance with the "Communiqué of Financial Statements and Related Disclosures and Footnotes to be Publicly Announced by Banks" as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

May 21, 2018

İsmail ALPTEKİN
Chairman of the Board of
Directors

Serdar TUNÇBİLEK
Deputy Chairman of the
Board and Audit
Committee Member

Sabahattin BİRDAL
Board member and
Audit Committee Member

Mehmet Emin ÖZCAN
General Manager and
Board Member

Şuayyip İLBİLGİ
Assistant General Manager

Ferkan MERDAN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT**

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

The Bank’s shareholders structure as at March 31, 2018 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 A and Group B stocks of the Bank, the stocks are transferred to the treasury, by taking their per share value into consideration, over the calculated average value of the values that are mentioned in the conclusion sections of the valuation projects that are prepared by three different firms. The absolute amount of the stocks are recorded in the share ledger on behalf of the Undersecretariat of Treasury within the seven days after the effective date of the cabinet decree”.

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT**

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

(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, 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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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT**

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

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

GENERAL INFORMATION (Continued)

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

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	20 years
Serdar TUNÇBİLEK	Deputy Chairman	June 9, 2017	University	31 years
Mehmet Emin ÖZCAN	Member – General Manager	June 9, 2017	University	35 years
Dr.Adnan ERTEM	Member	October 28, 2010	PHD	30 years
Sabahattin BİRDAL	Member	March 31, 2014	University	41 years
Dilek YÜKSEL	Member	29 March, 2016	University	6 years
Şahin UĞUR	Member	June 9, 2017	University	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	41 years
<u>Auditor</u>				
Yunus ARINCI	Auditor	March 19, 2010	Master	21 years
Hasan TÜRE	Auditor	June 9, 2017	University	33 years
<u>Assistant General Managers</u>				
Metin Recep ZAFER	Banking Operations, Treasury Operations, Credit, Customer and Account Operations, Foreign Operations, R&D and Digital Transformation, Channel Management and Marketing Application Development, Core Banking Application Development, 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, Treasury Management Middle Office	June 18, 2010	PHD	24 years
Osman DEMREN	Commercial Loans, Corporate Loans, Consumer Loans, SME and Local Government Loan Allocation Management	April 6, 2011	Master	27 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	University	22 years
Mustafa SAYDAM	Administrative Affairs, Construction, Real Estate and Purchasing	October 28, 2013	University	24 years
Mehmet Emin KARAAĞAÇ	Chief Legal Counsellor, Legal Affairs, Credit Risk Liquidation	November 8, 2013	University	28 years
Yakup ŞİMŞEK	Corporate 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 Banking Marketing, Payment Systems Services, 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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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT**

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

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

GENERAL INFORMATION (Continued)

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

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

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

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

IV. INFORMATION ON THE BANK’S QUALIFIED SHAREHOLDERS

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

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

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.

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 March 31, 2018, the Bank has 932 domestic, 3 foreign, in total 935 branches (December 31, 2017: 924 domestic, 3 foreign, in total 927 branches). As at March 31, 2018, the Bank has 16,148 employees (December 31, 2017: 16,097 employees).

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

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018
(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 MARCH 31, 2018**

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

			Reviewed Current Period March 31, 2018		
ASSETS	Notes	TL	FC	Total	
I. FINANCIAL ASSETS (Net)		31,956,609	42,746,397	74,703,006	
1.1 Cash and cash equivalents	V-I-1	4,090,029	36,561,940	40,651,969	
1.1.1 Cash and balances at Central Bank	V-I-1	3,420,828	27,434,673	30,855,501	
1.1.2 Banks	V-I-3	209,819	9,127,267	9,337,086	
1.1.3 Receivables from Money Markets		459,382	-	459,382	
1.2. Financial assets at fair value through profit or loss	V-I-2	1,939	47,570	49,509	
1.2.1 Public debt securities		-	-	-	
1.2.2 Equity instruments		15	47,570	47,585	
1.2.3 Other financial assets		1,924	-	1,924	
1.3. Financial assets at fair value through other comprehensive income	V-I-4	5,617,560	434,133	6,051,693	
1.3.1 Public debt securities		5,617,560	434,133	6,051,693	
1.3.2 Equity instruments		-	-	-	
1.3.3 Other financial assets		-	-	-	
1.4. Financial assets measured at amortized cost	V-I-6	20,173,282	5,580,075	25,753,357	
1.4.1 Public debt securities		20,173,282	5,375,022	25,548,304	
1.4.2 Other financial assets		-	205,053	205,053	
1.5. Derivative Financial Assets		2,165,557	122,679	2,288,236	
1.5.1 Derivative financial assets at fair value through profit or loss		2,165,557	122,679	2,288,236	
1.5.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	
1.6. Non-performing financial assets		-	-	-	
1.7. Allowance for expected credit losses (-)		91,758	-	91,758	
II. LOANS (Net)		137,593,370	57,540,748	195,134,118	
2.1. Loans	V-I-5	137,877,308	57,523,431	195,400,739	
2.1.1 Loans measured at amortized cost		137,877,308	57,523,431	195,400,739	
2.1.2 Loans at fair value through profit or loss		-	-	-	
2.1.3 Loans at fair value through other comprehensive income		-	-	-	
2.2. Receivables from leasing transactions	V-I-10	-	-	-	
2.2.1 Finance lease receivables		-	-	-	
2.2.2 Operational lease receivables		-	-	-	
2.2.3 Unearned income (-)		-	-	-	
2.3. Factoring receivables		-	-	-	
2.3.1 Factoring receivables measured at amortized cost		-	-	-	
2.3.2 Factoring receivables at fair value through profit or loss		-	-	-	
2.3.3 Factoring receivables at fair value through other comprehensive income		-	-	-	
2.4. Non-performing loans		7,911,532	33,614	7,945,146	
2.5. Allowance for expected credit losses (-)		8,195,470	16,297	8,211,767	
2.5.1 12-Month expected credit losses (Stage 1)		1,532,856	8,819	1,541,675	
2.5.2 Significant increase in credit risk (Stage 2)		468,183	-	468,183	
2.5.3 Credit-Impaired (Stage 3)		6,194,431	7,478	6,201,909	
III. NON-CURRENT'S ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	V-I-14	1,326,745	-	1,326,745	
3.1 Held for sale		1,326,745	-	1,326,745	
3.2 Held from discontinued operations		-	-	-	
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		2,245,166	390,211	2,635,377	
4.1. Investments in associates (Net)	V-I-7	366,593	-	366,593	
4.1.1 Associates accounted by using equity method		-	-	-	
4.1.2 Non-consolidated associates		366,593	-	366,593	
4.2. Investments in subsidiaries (Net)	V-I-8	1,878,573	390,211	2,268,784	
4.2.1 Non-consolidated financial subsidiaries		1,614,853	390,211	2,005,064	
4.2.2 Non-consolidated non-financial subsidiaries		263,720	-	263,720	
4.3. Jointly Controlled Partnerships (Joint Ventures) (Net)	V-I-9	-	-	-	
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-	
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-	
V. TANGIBLE ASSETS (Net)		1,414,954	7,939	1,422,893	
VI. INTANGIBLE ASSETS (Net)		209,347	-	209,347	
6.1 Goodwill		-	-	-	
6.2 Other		209,347	-	209,347	
VII. INVESTMENT PROPERTIES (Net)	V-I-12	-	-	-	
VIII. CURRENT TAX ASSETS		-	-	-	
IX. DEFERRED TAX ASSETS	V-I-13	338,001	-	338,001	
X. OTHER ASSETS	V-I-15	3,402,876	2,812,381	6,215,257	
TOTAL ASSETS		178,487,068	103,497,676	281,984,744	

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

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

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

			Audited Prior Period December 31, 2017		
ASSETS		Notes	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	4,021,321	24,623,503	28,644,824
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	1,802,188	134,600	1,936,788
2.1	Financial assets held for trading purpose		1,802,188	134,600	1,936,788
2.1.1	Debt securities issued by the governments		-	-	-
2.1.2	Equity securities		-	-	-
2.1.3	Derivative financial assets held for trading purpose	V-I-2	1,801,925	134,600	1,936,525
2.1.4	Other securities		263	-	263
2.2	Financial assets designated at fair value through profit or loss		-	-	-
2.2.1	Debt securities issued by the governments		-	-	-
2.2.2	Equity securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other securities		-	-	-
III.	BANKS	V-I-3	308,552	11,579,276	11,887,828
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)		12,412,036	1,137,678	13,549,714
5.1	Equity securities		15	43,355	43,370
5.2	Debt securities issued by the governments		12,412,021	1,094,323	13,506,344
5.3	Other securities		-	-	-
VI.	LOANS AND RECEIVABLES	V-I-5	131,211,145	52,760,470	183,971,615
6.1	Performing loans and receivables	V-I-5	130,197,248	52,734,980	182,932,228
6.1.1	Loans provided to risk group		63,865	98,796	162,661
6.1.2	Debt securities issued by the governments		-	-	-
6.1.3	Other		130,133,383	52,636,184	182,769,567
6.2	Loans under follow-up		7,605,376	32,830	7,638,206
6.3	Specific provisions (-)		6,591,479	7,340	6,598,819
VII.	FACTORING RECEIVABLES		-	-	-
VIII.	HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	12,235,406	4,530,665	16,766,071
8.1	Debt securities issued by the governments		12,235,406	4,286,627	16,522,033
8.2	Other securities		-	244,038	244,038
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-7	349,158	-	349,158
9.1	Associates, consolidated per equity method		-	-	-
9.2	Unconsolidated associates		349,158	-	349,158
9.2.1	Financial associates		337,758	-	337,758
9.2.2	Non-Financial associates		11,400	-	11,400
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	1,851,610	362,248	2,213,858
10.1	Unconsolidated financial subsidiaries		1,587,890	362,248	1,950,138
10.2	Unconsolidated non-financial subsidiaries		263,720	-	263,720
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		-	-	-
13.1	Fair value hedges		-	-	-
13.2	Cash flow hedges		-	-	-
13.3	Hedges of net investment in foreign operations		-	-	-
XIV.	TANGIBLE ASSETS (Net)		1,409,644	7,619	1,417,263
XV.	INTANGIBLE ASSETS (Net)		210,970	-	210,970
15.1	Goodwill		-	-	-
15.2	Other intangibles		210,970	-	210,970
XVI.	INVESTMENT PROPERTIES (Net)	V-I-12	-	-	-
XVII.	TAX ASSETS		-	-	-
17.1	Current tax assets		-	-	-
17.2	Deferred tax assets	V-I-13	-	-	-
XVIII.	ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-14	1,312,493	-	1,312,493
18.1	Assets held for sale		1,312,493	-	1,312,493
18.2	Assets related to the discontinued operations		-	-	-
XIX.	OTHER ASSETS	V-I-15	3,036,653	3,622,373	6,659,026
TOTAL ASSETS			171,813,278	98,758,432	270,571,710

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT MARCH 31, 2018**

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

LIABILITIES AND EQUITY		Notes	Reviewed		Total
			Current Period	March 31, 2018	
			TL	FC	
I.	DEPOSITS	V-II-1	107,906,120	54,148,263	162,054,383
II.	LOANS RECEIVED	V-II-3	698,368	30,438,065	31,136,433
III.	MONEY MARKET FUNDS		17,156,925	2,707,395	19,864,320
IV.	MARKETABLE SECURITIES (Net)	V-II-3	8,344,976	16,395,913	24,740,889
4.1	Bills		4,408,480	-	4,408,480
4.2	Asset backed securities		-	-	-
4.3	Bonds		3,936,496	16,395,913	20,332,409
V.	FUNDS		3,173	-	3,173
5.1	Borrower funds		-	-	-
5.2	Other		3,173	-	3,173
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	V-II-2	1,296,662	163,554	1,460,216
7.1	Derivative financial liabilities at fair value through profit or loss		1,296,662	163,554	1,460,216
7.2	Derivative financial liabilities at fair value through other comprehensive income		-	-	-
VIII.	FACTORING PAYABLES		-	-	-
IX.	LEASE PAYABLES	V-II-5	-	-	-
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses (-)		-	-	-
X.	PROVISIONS	V-II-7	1,951,927	8,670	1,960,597
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		854,177	-	854,177
10.3	Insurance technical reserves (Net)		-	-	-
10.4	Other provisions		1,097,750	8,670	1,106,420
XI.	CURRENT TAX LIABILITIES	V-II-8	786,555	980	787,535
XII.	DEFERRED TAX LIABILITIES		-	-	-
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	V-II-9	-	-	-
13.1	Held for sale		-	-	-
13.2	Related to the discontinued operations		-	-	-
XIV.	SUBORDINATED DEBT	V-II-10	528,031	5,677,529	6,205,560
14.1	Loans		-	-	-
14.2	Other debt instruments		528,031	5,677,529	6,205,560
XV.	OTHER LIABILITIES	V-II-4	6,402,359	2,370,176	8,772,535
XVI.	SHAREHOLDERS' EQUITY	V-II-11	24,927,378	71,724	24,999,102
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000
16.2	Capital reserves		815,741	-	815,741
16.2.1	Equity share premiums		723,918	-	723,918
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		91,823	-	91,823
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		1,925,689	55,258	1,980,947
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		44,977	16,466	61,443
16.5	Profit reserves		14,296,045	-	14,296,045
16.5.1	Legal reserves		1,635,332	-	1,635,332
16.5.2	Statutory reserves		-	-	-
16.5.3	Extraordinary reserves		12,210,313	-	12,210,313
16.5.4	Other profit reserves		450,400	-	450,400
16.6	Profit or loss		5,344,926	-	5,344,926
16.6.1	Prior years' profits or losses		4,293,505	-	4,293,505
16.6.2	Current period net profit or loss		1,051,421	-	1,051,421
16.7	Minority interests		-	-	-
TOTAL LIABILITIES AND EQUITY			170,002,474	111,982,270	281,984,744

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

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

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

		Audited Prior Period December 31, 2017		
LIABILITIES AND EQUITY	Notes	TL	FC	Total
I. DEPOSITS	V-II-1	103,532,624	51,744,498	155,277,122
1.1 Deposits of the risk group		2,815,871	218,060	3,033,931
1.2 Other deposits		100,716,753	51,526,438	152,243,191
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	1,015,603	168,927	1,184,530
III. FUNDS BORROWED	V-II-3	668,532	27,639,089	28,307,621
IV. INTERBANK MONEY MARKET		18,699,026	3,571,811	22,270,837
4.1 Interbank money market takings		11,662,376	1,631,693	13,294,069
4.2 Istanbul Stock Exchange money market takings		-	-	-
4.3 Obligations under repurchase agreements		7,036,650	1,940,118	8,976,768
V. SECURITIES ISSUED (Net)	V-II-3	6,443,119	13,041,979	19,485,098
5.1 Bills		3,566,573	-	3,566,573
5.2 Asset backed securities		-	-	-
5.3 Bonds		2,876,546	13,041,979	15,918,525
VI. FUNDS		3,206	-	3,206
6.1 Funds against borrower's note		-	-	-
6.2 Other		3,206	-	3,206
VII. MISCELLANEOUS PAYABLES		6,050,223	798,105	6,848,328
VIII. OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	860,160	2,977,406	3,837,566
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		-	-	-
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
12.1 General provisions		1,872,826	12,667	1,885,493
12.2 Restructuring reserves		-	-	-
12.3 Reserve for employee benefits		821,819	-	821,819
12.4 Insurance technical provisions (Net)		-	-	-
12.5 Other provisions		700,728	4,442	705,170
XIII. TAX LIABILITIES		702,784	48,349	751,133
13.1 Current tax liabilities	V-II-8	636,728	670	637,398
13.2 Deferred tax liabilities		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
XVI. EQUITY	V-II-11	23,061,935	195,883	23,257,818
16.1 Paid-in capital	V-II-11	2,500,000	-	2,500,000
16.2 Capital reserves		2,542,507	195,883	2,738,390
16.2.1 Share premium		723,918	-	723,918
16.2.2 Share cancellation profits		-	-	-
16.2.3 Valuation differences of the marketable securities	V-II-11	876,951	195,883	1,072,834
16.2.4 Revaluation surplus on tangible assets		873,080	-	873,080
16.2.5 Revaluation surplus on intangible assets		-	-	-
16.2.6 Revaluation surplus on investment properties		-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		91,823	-	91,823
16.2.8 Hedging reserves (effective portion)		-	-	-
16.2.9 Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-
16.2.10 Other capital reserves		(23,265)	-	(23,265)
16.3 Profit reserves		14,296,045	-	14,296,045
16.3.1 Legal reserves		1,635,332	-	1,635,332
16.3.2 Status reserves		-	-	-
16.3.3 Extraordinary reserves		12,210,313	-	12,210,313
16.3.4 Other profit reserves		450,400	-	450,400
16.4 Profit or loss		3,723,383	-	3,723,383
16.4.1 Prior years' profit/loss		-	-	-
16.4.2 Current period's profit/loss		3,723,383	-	3,723,383
TOTAL LIABILITIES AND EQUITY		164,960,773	105,610,937	270,571,710

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED OFF-BALANCE SHEET ITEMS
AS AT MARCH 31, 2018**

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

	Notes	Reviewed Current Period March 31, 2018		Total
		TL	FC	
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		87,893,028	91,168,815	179,061,843
I. GUARANTEES AND SURETIES	V-III-2-4	34,120,407	21,090,950	55,211,357
1.1 Letters of guarantee		34,053,639	9,376,214	43,429,853
1.1.1 Guarantees subject to State Tender Law		3,407,410	4,596,461	8,003,871
1.1.2 Guarantees given for foreign trade operations		1,078,947	-	1,078,947
1.1.3 Other letters of guarantee		29,567,282	4,779,753	34,347,035
1.2 Bank acceptances		40,639	1,726,994	1,767,633
1.2.1 Import letter of acceptance		-	581,505	581,505
1.2.2 Other bank acceptances		40,639	1,145,489	1,186,128
1.3 Letters of credit		26,129	9,934,697	9,960,826
1.3.1 Documentary letters of credit		26,129	9,934,697	9,960,826
1.3.2 Other letters of credit		-	-	-
1.4 Pre-financing given as guarantee		-	3,144	3,144
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of Republic of Turkey		-	-	-
1.5.2 Other endorsements		-	-	-
1.6 Purchase guarantees for Securities issued		-	-	-
1.7 Factoring guarantees		-	-	-
1.8 Other guarantees		-	47,751	47,751
1.9 Other warranties		-	2,150	2,150
II. COMMITMENTS		32,379,760	19,837,044	52,216,804
2.1 Irrevocable commitments		29,187,859	1,298,809	30,486,668
2.1.1 Asset purchase and sales commitments	V-III-1	773,180	1,298,809	2,071,989
2.1.2 Deposit purchase and sales commitments	V-III-1	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	-	-	-
2.1.4 Loan granting commitments	V-III-1	12,444,590	-	12,444,590
2.1.5 Securities issuance brokerage commitments		-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-
2.1.7 Commitments for checks payments	V-III-1	2,889,596	-	2,889,596
2.1.8 Tax and fund liabilities from export commitments		-	-	-
2.1.9 Commitments for credit card expenditure limits	V-III-1	11,268,867	-	11,268,867
2.1.10 Commitments for credit cards and banking services promotions		780,159	-	780,159
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-
2.1.13 Other irrevocable commitments		1,031,467	-	1,031,467
2.2 Revocable commitments		3,191,901	18,538,235	21,730,136
2.2.1 Revocable loan granting commitments		3,191,901	18,538,235	21,730,136
2.2.2 Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		21,392,861	50,240,821	71,633,682
3.1 Derivative financial instruments held for hedging		-	-	-
3.1.1 Fair value hedges		-	-	-
3.1.2 Cash flow hedges		-	-	-
3.1.3 Hedges for investments made in foreign countries		-	-	-
3.2 Trading transactions		21,392,861	50,240,821	71,633,682
3.2.1 Forward foreign currency purchase and sale transactions		1,198,392	1,860,140	3,058,532
3.2.1.1 Forward foreign currency purchase transactions		599,747	930,146	1,529,893
3.2.2 Forward foreign currency sales		598,645	929,994	1,528,639
3.2.2 Currency and interest rate swaps		12,090,382	35,231,748	47,322,130
3.2.2.1 Currency swap purchase transactions		3,593,918	14,467,250	18,061,168
3.2.2.2 Currency swap sale transactions		6,556,464	5,472,920	12,029,384
3.2.2.3 Interest rate swap purchase transactions		970,000	7,645,789	8,615,789
3.2.2.4 Interest rate swap sale transactions		970,000	7,645,789	8,615,789
3.2.3 Currency, interest rate and security options		712,476	743,766	1,456,242
3.2.3.1 Currency purchase options		438,070	278,994	717,064
3.2.3.2 Currency sale options		274,406	464,772	739,178
3.2.3.3 Interest rate purchase options		-	-	-
3.2.3.4 Interest rate sale options		-	-	-
3.2.3.5 Security purchase options		-	-	-
3.2.3.6 Security sale options		-	-	-
3.2.4 Currency futures		-	-	-
3.2.4.1 Currency purchases futures		-	-	-
3.2.4.2 Currency sales futures		-	-	-
3.2.5 Interest rate futures		-	-	-
3.2.5.1 Interest rate purchases futures		-	-	-
3.2.5.2 Interest rate sales futures		-	-	-
3.2.6 Other		7,391,611	12,405,167	19,796,778
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,352,958,011	874,647,154	2,227,605,165
IV. ITEMS HELD IN CUSTODY		57,263,174	2,217,598	59,480,772
4.1 Assets under management		-	-	-
4.2 Securities held in custody		44,032,317	158,880	44,191,197
4.3 Checks received for collection		10,631,191	928,953	11,560,144
4.4 Commercial notes received for collection		1,443,687	482,427	1,926,114
4.5 Other assets received for collection		2,152	158	2,310
4.6 Securities received for public offering		-	-	-
4.7 Other items under custody		309	73,605	73,914
4.8 Custodians		1,153,518	573,575	1,727,093
V. PLEDGED ITEMS		332,628,753	146,770,735	479,399,488
5.1 Marketable securities		659,639	7,162	666,801
5.2 Guarantee notes		653,869	394,901	1,048,770
5.3 Commodity		33,218,662	871,593	34,090,255
5.4 Warrant		-	-	-
5.5 Immovables		252,964,112	119,836,192	372,800,304
5.6 Other pledged items		44,171,505	25,466,915	69,638,420
5.7 Depositories receiving pledged items		960,966	193,972	1,154,938
VI. ACCEPTED GUARANTEES AND WARRANTS		963,066,084	725,658,821	1,688,724,905
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		1,440,851,039	965,815,969	2,406,667,008

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

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

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

	Notes	Audited Prior Period December 31, 2017		Total
		TL	FC	
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		80,248,423	79,578,712	159,827,135
I. GUARANTEES AND SURETIES	V-III-2-4	32,109,922	18,657,662	50,767,584
1.1 Letters of guarantee		32,035,061	8,133,759	40,168,820
1.1.1 Guarantees subject to State Tender Law		3,163,898	4,099,756	7,263,654
1.1.2 Guarantees given for foreign trade operations		1,053,872	-	1,053,872
1.1.3 Other letters of guarantee		27,817,291	4,034,003	31,851,294
1.2 Bank acceptances		44,700	1,510,854	1,555,554
1.2.1 Import letter of acceptance		671	519,399	520,070
1.2.2 Other bank acceptances		44,029	991,455	1,035,484
1.3 Letters of credit		30,161	8,963,991	8,994,152
1.3.1 Documentary letters of credit		30,161	8,963,991	8,994,152
1.3.2 Other letters of credit		-	-	-
1.4 Guaranteed pre-financings		-	3,006	3,006
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of Republic of Turkey		-	-	-
1.5.2 Other endorsements		-	-	-
1.6 Marketable securities underwriting commitments		-	-	-
1.7 Factoring related guarantees		-	-	-
1.8 Other guarantees		-	43,996	43,996
1.9 Other sureties		-	2,056	2,056
II. COMMITMENTS		31,039,233	17,286,799	48,326,032
2.1 Irrevocable commitments		27,979,658	961,190	28,940,848
2.1.1 Asset purchase commitments	V-III-1	793,979	961,190	1,755,169
2.1.2 Deposit purchase and sales commitments		-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	-	-	-
2.1.4 Loan granting commitments	V-III-1	11,843,577	-	11,843,577
2.1.5 Securities issuance brokerage commitments		-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-
2.1.7 Commitments for cheque payments	V-III-1	2,542,741	-	2,542,741
2.1.8 Tax and fund obligations on export commitments		-	-	-
2.1.9 Commitments for credit card limits	V-III-1	10,534,862	-	10,534,862
2.1.10 Commitments for credit card and banking operations promotions		761,674	-	761,674
2.1.11 Receivables from "short" sale commitments on securities		-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-
2.1.13 Other irrevocable commitments		1,502,825	-	1,502,825
2.2 Revocable commitments		3,059,575	16,325,609	19,385,184
2.2.1 Revocable loan granting commitments		3,059,575	16,325,609	19,385,184
2.2.2 Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		17,099,268	43,634,251	60,733,519
3.1 Derivative financial instruments held for risk management		-	-	-
3.1.1 Fair value hedges		-	-	-
3.1.2 Cash flow hedges		-	-	-
3.1.3 Net foreign investment hedges		-	-	-
3.2 Trading derivatives		17,099,268	43,634,251	60,733,519
3.2.1 Forward foreign currency purchases/sales		1,152,837	1,617,661	2,770,498
3.2.1.1 Forward foreign currency purchases		576,772	808,889	1,385,661
3.2.1.2 Forward foreign currency sales		576,065	808,772	1,384,837
3.2.2 Currency and interest rate swaps		10,344,359	30,420,079	40,764,438
3.2.2.1 Currency swaps-purchases		3,297,551	11,363,303	14,660,854
3.2.2.2 Currency swaps-sales		4,706,808	4,435,680	9,142,488
3.2.2.3 Interest rate swaps-purchases		1,170,000	7,310,548	8,480,548
3.2.2.4 Interest rate swaps-sales		1,170,000	7,310,548	8,480,548
3.2.3 Currency, interest rate and security options		426,094	431,542	857,636
3.2.3.1 Currency call options		412,706	13,400	426,106
3.2.3.2 Currency put options		13,388	418,142	431,530
3.2.3.3 Interest rate call options		-	-	-
3.2.3.4 Interest rate put options		-	-	-
3.2.3.5 Security call options		-	-	-
3.2.3.6 Security put options		-	-	-
3.2.4 Currency futures		-	-	-
3.2.4.1 Currency futures-purchases		-	-	-
3.2.4.2 Currency futures-sales		-	-	-
3.2.5 Interest rate futures		-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-
3.2.6 Other		5,175,978	11,164,969	16,340,947
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,283,071,577	805,680,121	2,088,751,698
IV. ITEMS HELD IN CUSTODY		54,525,860	4,245,640	58,771,500
4.1 Customers' securities held		-	-	-
4.2 Investment securities held in custody		42,177,802	135,880	42,313,682
4.3 Checks received for collection		9,976,508	2,483,954	12,460,462
4.4 Commercial notes received for collection		1,178,205	412,078	1,590,283
4.5 Other assets received for collection		2,152	151	2,303
4.6 Assets received through public offering		-	-	-
4.7 Other items under custody		309	76,380	76,689
4.8 Custodians		1,190,884	1,137,197	2,328,081
V. PLEDGED ITEMS		315,422,683	132,707,352	448,130,035
5.1 Securities		739,672	5,090	744,762
5.2 Guarantee notes		707,502	524,748	1,232,250
5.3 Commodities		33,014,517	759,683	33,774,200
5.4 Warranties		-	-	-
5.5 Real estates		240,511,071	108,037,406	348,548,477
5.6 Other pledged items		39,688,651	23,254,495	62,943,146
5.7 Pledged items-depository		761,270	125,930	887,200
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		913,123,034	668,727,129	1,581,850,163
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		1,363,320,000	885,258,833	2,248,578,833

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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

	Notes	Reviewed Current Period January 1, 2018-March 31, 2018
I. INTEREST INCOME	V-IV-1	6,363,251
1.1 Interest on loans	V-IV-1	5,494,766
1.2 Interest received from reserve deposits		76,024
1.3 Interest received from banks	V-IV-1	28,081
1.4 Interest received from money market transactions		3,864
1.5 Interest received from marketable securities portfolio	V-IV-1	758,135
1.5.1 Financial assets at fair value through profit or loss		-
1.5.2 Financial assets at fair value through other comprehensive income		154,942
1.5.3 Financial assets measured at amortized cost		603,193
1.6 Finance lease income		-
1.7 Other interest income		2,381
II. INTEREST EXPENSE		4,057,080
2.1 Interest on deposits	V-IV-2	2,784,536
2.2 Interest on funds borrowed	V-IV-2	200,218
2.3 Interest on money market transactions		537,088
2.4 Interest on securities issued	V-IV-2	407,587
2.5 Other interest expenses		127,651
III. NET INTEREST INCOME/EXPENSE (I - II)		2,306,171
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		443,857
4.1 Fees and commissions received		619,851
4.1.1 Non-cash loans		92,701
4.1.2 Others		527,150
4.2 Fees and commissions paid		175,994
4.2.1 Non-cash loans		82
4.2.2 Others		175,912
V. PERSONNEL EXPENSES (-)		538,381
VI. DIVIDEND INCOME		44,413
VII. TRADING PROFIT/LOSS (Net)	V-IV-3	112,817
7.1 Profit/losses from capital market transactions	V-IV-3	26,901
7.2 Profit/losses from derivative financial transactions	V-IV-3	83,165
7.3 Foreign exchange profit/losses	V-IV-3	2,751
VIII. OTHER OPERATING INCOME	V-IV-4	949,563
IX. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		3,318,440
X. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	V-IV-5	1,293,314
XI. OTHER OPERATING EXPENSES (-)	V-IV-6	725,216
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)		1,299,910
XIII. SURPLUS WRITTEN AS GAIN AFTER MERGER		-
XIV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-
XV. NET MONETARY POSITION GAIN/LOSS		-
XVI. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	V-IV-7	1,299,910
XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	V-IV-10	(248,489)
17.1 Current tax provision	V-IV-10	(290,888)
17.2 Expense effect of deferred tax (+)		(90,133)
17.3 Income effect of deferred tax (-)		132,532
XVIII. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	V-IV-9	1,051,421
XIX. INCOME FROM DISCONTINUED OPERATIONS		-
19.1 Income from assets held for sale		-
19.2 Profit from sale of associates, subsidiaries and joint ventures		-
19.3 Other income from discontinued operations		-
XX. EXPENSES FROM DISCONTINUED OPERATIONS(-)		-
20.1 Expenses on assets held for sale		-
20.2 Losses from sale of associates, subsidiaries and joint ventures		-
20.3 Other expenses from discontinued operations		-
XXI. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)		-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1 Current tax provision		-
22.2 Expense effect of deferred tax (+)		-
22.3 Income effect of deferred tax (-)		-
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV. NET PROFIT/LOSSES (XVIII+XXIII)	V-IV-11	1,051,421
Profit/Loss per 100 shares (full TL)		0.4206

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017**

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

	Notes	Reviewed Prior Period January 1, 2017-March 31, 2017
I. INTEREST INCOME	V-IV-1	4,840,535
1.1 Interest income from loans	V-IV-1	3,927,451
1.2 Interest income from reserve deposits		43,402
1.3 Interest income from banks	V-IV-1	7,712
1.4 Interest income from money market transactions		13,900
1.5 Interest income from securities portfolio	V-IV-1	846,105
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		501,471
1.5.4 Held-to-maturity investments		344,634
1.6 Finance lease income		-
1.7 Other interest income		1,965
II. INTEREST EXPENSE		2,463,778
2.1 Interest expense on deposits	V-IV-2	1,735,273
2.2 Interest expense on funds borrowed	V-IV-2	142,237
2.3 Interest expense on money market transactions		270,059
2.4 Interest expense on securities issued	V-IV-2	215,292
2.5 Other interest expenses		100,917
III. NET INTEREST INCOME (I – II)		2,376,757
IV. NET FEES AND COMMISSIONS INCOME		290,876
4.1 Fees and commissions received		434,448
4.1.1 Non-cash loans		68,123
4.1.2 Others		366,325
4.2 Fees and commissions paid		143,572
4.2.1 Non-cash loans		65
4.2.2 Others		143,507
V. DIVIDEND INCOME		43,013
VI. TRADING INCOME/LOSSES (Net)	V-IV-3	117,334
6.1 Trading account income/losses	V-IV-3	22,227
6.2 Income/losses from derivative financial instruments	V-IV-3	35,767
6.3 Foreign exchange gains/losses	V-IV-3	59,340
VII. OTHER OPERATING INCOME	V-IV-4	439,500
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		3,267,480
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5	733,435
X. OTHER OPERATING EXPENSES (-)	V-IV-6	1,016,455
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,517,590
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+...+XIV)	V-IV-7	1,517,590
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-10	(292,838)
16.1 Current tax charges	V-IV-10	(213,052)
16.2 Deferred tax credits		(79,786)
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-9	1,224,752
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-
18.1 Income from investment properties		-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-
18.3 Other income from discontinued activities		-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
19.1 Investment property expenses		-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-
19.3 Other expenses from discontinued activities		-
XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-
XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES (±)		-
21.1 Current tax charge		-
21.2 Deferred tax charge		-
XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII. NET PROFIT/LOSS (XVII+XXII)	V-IV-11	1,224,752
Profit/Loss per 100 shares (full TL)		0.4899

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Reviewed Current Period January 1, 2018-March 31, 2018
I.	PROFIT (LOSS)	1,051,421
II.	OTHER COMPREHENSIVE INCOME	(41,895)
2.1	Other comprehensive income that will not be reclassified to profit or loss	(18,548)
2.1.1	Gains (Losses) on Revaluation of Property, Plant and Equipment	(107)
2.1.2	Gains (losses) on revaluation of Intangible Assets	-
2.1.3	Gains (losses) on remeasurements of defined benefit plans	-
2.1.4	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	13,737
2.1.5	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(32,178)
2.2	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(23,347)
2.2.1	Exchange Differences on Translation	-
2.2.2	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(29,802)
2.2.3	Income (Loss) Related with Cash Flow Hedges	-
2.2.4	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-
2.2.5	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-
2.2.6	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	6,455
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	1,009,526

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF GAINS AND LOSSES RECOGNIZED IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017**

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

GAINS AND LOSSES RECOGNIZED IN EQUITY	Reviewed Prior Period January 1, 2017-March 31, 2017
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	173,769
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-
IV. CURRENCY TRANSLATION DIFFERENCES	-
V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)	-
VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS	-
VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS	76,617
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(37,896)
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	212,490
XI. CURRENT PERIOD'S PROFIT/(LOSS)	1,224,752
11.1 Change in fair value of securities (transfers to the statement of income)	2,447
11.2 Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges	-
11.3 Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges	-
11.4 Others	1,222,305
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	1,437,242

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY							Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss		Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss		Profit Reserves	Prior Period Net Income (Loss)	Current Period Net Income (Loss)	Total Shareholders' Equity	
Reviewed	Notes	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5					6
Current Period-March 31,2018															
I.	Prior Period End Balance	2,500,000	723,918	-	91,823	873,080	(23,265)	1,149,680	80,727	(157,573)	-	14,296,045	3,723,383	-	23,257,818
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	161,636	-	-	570,122	-	731,758
2.1	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	161,636	-	-	570,122	-	731,758
III.	Adjusted Beginning Balance (I+II)	2,500,000	723,918	-	91,823	873,080	(23,265)	1,149,680	80,727	4,063	-	14,296,045	4,293,505	-	23,989,576
3.1.	Total Comprehensive Income	-	-	-	-	(28,527)	-	9,979	-	(23,347)	-	-	-	1,051,421	1,009,526
3.2.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3.	Capital Increase by Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.4.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.5.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.6.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.7.	Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2.	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ending Balance	2,500,000	723,918	-	91,823	844,553	(23,265)	1,159,659	80,727	(19,284)	-	14,296,045	4,293,505	1,051,421	24,999,102

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

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 CHANGES IN EQUITY
FOR THREE-MONTH PERIOD ENDED MARCH 31, 2017**

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

Reviewed	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share 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 Assets of Discount. Op.s	Total Shareholders ' Equity
Prior Period – March 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
	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Associates, Subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	212,490	-	-	-	-	212,490
IV.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current period's net profit/loss	-	-	-	-	-	-	-	-	1,224,752	-	-	-	-	-	-	1,224,752
XVIII.	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1	Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transferred to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period		2,500,000	-	723,918	-	1,367,022	-	9,964,966	382,618	1,224,752	2,703,042	910,518	829,895	69,222	-	-	20,675,953

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

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CASH FLOW**

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

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

	Notes	Reviewed Current Period March 31, 2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		1,640,241
1.1.1 Interests received		5,282,244
1.1.2 Interests paid		(3,650,588)
1.1.3 Dividends received		9,352
1.1.4 Fee and commissions received		619,851
1.1.5 Other income		18,657
1.1.6 Collections from previously written-off loans and other receivables		503,785
1.1.7 Cash payments to personnel and service suppliers		(598,168)
1.1.8 Taxes paid		(358,809)
1.1.9 Other		(186,083)
1.2 Changes in operating assets and liabilities		(10,372,833)
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		(5,876)
1.2.2 Net increase (decrease) in due from banks		(2,504,235)
1.2.3 Net increase (decrease) in loans		(13,606,132)
1.2.4 Net increase (decrease) in other assets		1,335,698
1.2.5 Net increase (decrease) in bank deposits		(1,130,736)
1.2.6 Net increase (decrease) in other deposits		7,712,811
1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss		-
1.2.8 Net increase (decrease) in funds borrowed		2,788,273
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		(4,962,636)
I. Net cash flow provided from banking operations		(8,732,592)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		(611,281)
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		-
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		-
2.3 Cash paid for the purchase of tangible and intangible asset		(40,520)
2.4 Cash obtained from the sale of tangible and intangible asset		192,165
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income		(1,553,735)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income		1,037,232
2.7 Cash paid for the purchase of financial assets at amortized cost		(647,475)
2.8 Cash obtained from sale of financial assets at amortized cost		406,377
2.9 Other		(5,325)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities		5,258,101
3.1 Cash obtained from funds borrowed and securities issued		8,186,805
3.2 Cash outflow from funds borrowed and securities issued		(2,928,704)
3.3 Equity instruments issued		-
3.4 Dividends paid		-
3.5 Payments for finance lease liabilities		-
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		53,724
V. Net increase/decrease in cash and cash equivalents		(4,032,048)
VI. Cash and cash equivalents at beginning of the period		20,947,063
VII. Cash and cash equivalents at end of the period		16,915,015

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

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CASH FLOW**

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

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

	Notes	Reviewed Prior Period March 31, 2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		2,205,860
1.1.1 Interests received		4,258,772
1.1.2 Interests paid		(2,193,101)
1.1.3 Dividends received		12,828
1.1.4 Fee and commissions received		434,448
1.1.5 Other income		6,246
1.1.6 Collections from previously written-off loans and other receivables		290,238
1.1.7 Payments to personnel and service suppliers		(453,323)
1.1.8 Taxes paid		(173,148)
1.1.9 Other		22,900
1.2 Changes in operating assets and liabilities		(1,657,950)
1.2.1 Net (increase) decrease in financial assets held for trading purpose		(3)
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		174,141
1.2.4 Net (increase) decrease in loans		(6,633,557)
1.2.5 Net (increase) decrease in other assets		(51,194)
1.2.6 Net increase (decrease) in bank deposits		1,679,971
1.2.7 Net increase (decrease) in other deposits		4,311,235
1.2.8 Net increase (decrease) in funds borrowed		2,428,829
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		(3,567,372)
I. Net cash flow from banking operations		547,910
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities		(403,981)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures		-
2.3 Purchases of tangible assets		(26,725)
2.4 Proceeds from disposal of tangible assets		104,949
2.5 Cash paid for purchase of available-for-sale financial assets		(2,161,488)
2.6 Proceeds from disposal of available-for-sale financial assets		1,901,039
2.7 Cash paid for purchase of held-to-maturity investments		(1,203,427)
2.8 Proceeds from disposal of held-to-maturity investments		996,919
2.9 Other		(15,248)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities		893,120
3.1 Cash obtained from funds borrowed and securities issued		2,907,917
3.2 Cash used for repayment of funds borrowed and securities issued		(2,014,797)
3.3 Equity instruments issued		-
3.4 Dividends paid		-
3.5 Repayments for finance leases		-
3.6 Other		-
IV. Effect of change in foreign exchange rates on cash and cash equivalents		42,068
V. Net increase in cash and cash equivalents		1,079,117
VI. Cash and cash equivalents at the beginning of the period		11,108,769
VII. Cash and cash equivalents at the end of the period		12,187,886

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

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

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UNCONSOLIDATED FINANCIAL REPORT
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

TFRS 9 “Financial Instruments”, which is effective as of January 1, 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated January 19, 2017. “TAS 39 Financial Instruments: Recognition and Measurement” has been replaced with TFRS 9, related to the classification and measurement of financial instruments. Financial statements and related footnotes of the previous period have not been rearranged according to transition regulations of TFRS 9.

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

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.

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ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Information on foreign currency transactions

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

Foreign exchange differences resulting from amortized costs of foreign currency denominated financial assets at fair value through other comprehensive income are recognized in the statement of income whilst foreign exchange differences resulting from unrealized gains and losses are presented in “Valuation differences of marketable securities” under equity.

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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)**

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 March 31, 2018 is TL 23,564. 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 March 31, 2018, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS 39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

III. INFORMATION OF ASSOCIATES AND SUBSIDIARIES

Subsidiaries are the entities that the Bank has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Financial subsidiaries are accounted at fair value in accordance with TAS 27 in the unconsolidated financial statements. Subsidiaries, which are traded in an active market or whose fair value can be reliably measured, are recorded at fair value.

Associates are accounted in accordance with TAS 27 in the unconsolidated financial statements. Associates, which are traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates which are not traded in an active market and whose fair values cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

The derivative transactions mainly consist of currency and interest rate swaps, precious metals swaps, foreign currency forward contracts and currency options. The derivative transactions mainly consist of currency and interest rate swaps, precious metals swaps, foreign currency forward contracts and currency options. The Bank has classified its derivative transactions, mentioned above, as "Derivative Financial Assets at Fair Value Through Profit or Loss" in accordance with the "IFRS 9 – Financial Instruments".

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

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

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ACCOUNTING POLICIES (Continued)

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.

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

VI. INFORMATION ON FEES AND COMMISSIONS

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

VII. INFORMATION ON FINANCIAL ASSETS

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

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

Financial assets at fair value through profit or loss

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

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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 Other Comprehensive Income

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

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

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

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

Financial Assets Measured at Amortized Cost

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

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

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

Loans

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

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED LOSS PROVISIONS

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

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

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

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

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

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

Securities sold under repurchase agreements (“repo”) are classified under “Financial Assets at Fair value Through Profit or Loss”, “Financial Assets at Fair Value Through Other Comprehensive Income” and/or “Financial Assets Measured at Amortized Cost” portfolios according to their holding purposes in the Bank’s portfolio, and they are valued based on the revaluation principles of the related portfolios. Funds received through repurchase agreements are classified in balance sheet under “Money Market Funds” and the related interest expenses are accounted on an accrual basis of balance sheet date.

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

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

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

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

XIII. INFORMATION ON TANGIBLE ASSETS

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

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

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

Operational leases

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

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ACCOUNTING POLICIES (Continued)

XV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

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

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

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

XVI. INFORMATION ON OBLIGATIONS OF THE BANK CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement, quitting for military service, the personnel who passed away 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 March 31, 2018 is TL 5,002 (full TL) (December 31, 2017: TL 4,732 (full TL)).

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

As at March 31, 2018 and December 31, 2017, the major actuarial assumptions used in the calculation of the total liability are as follows:

	Current Period-March 31, 2018
Discount Rate	12.32%
Estimated Inflation Rate	8.00%
Increase in Real Wage Rate	9.00%

	Prior Period-December 31, 2017
Discount Rate	12.32%
Estimated Inflation Rate	8.00%
Increase in Real Wage Rate	9.00%

Other benefits to employees

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

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

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ACCOUNTING POLICIES (Continued)

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

Pension fund

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

As part of Social Security Law’s 506 numbered, temporary article No. 20, monthly income or salary is eligible for whose disabled with fund’s associates, senility and death insurance is subjected according to the first paragraph of the temporary article No. 23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the 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 from May 8, 2013 to May 8, 2014. 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 March 31, 2018.

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION

Corporate tax

Corporate tax rate is 20% in Turkey according to Article 32 of the Corporate Taxes Law No. 5520. However, the mentioned ratio will be applied as 22% for a period of three years between 2018-2020, according to Law No: 7061 “The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations” published in the Official Gazette dated December 5, 2017. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

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

75% of the associate shares that hold at least 2 years (this rate is 50% for sales after December 5, 2017 for real estates) and profits from property sales are exceptional from corporate taxes if there is a capital increase according to Corporate Tax Law or it is hold for 5 years on a 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% on their corporate income with current rate from the quarterly period has to be paid on 17th in the two months followed which is declared on 14th of the same month. Advance tax which is paid during the year is to be set off on corporate taxes that calculates on corporate tax return. Taxes paid is to collect in cash or is to set off on other financial debts.

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

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

Corporation tax legislation for the foreign branches

Bahrain (Manama)

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

North Iraq (Erbil)

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

USA (New York)

New York branch is taxable according to state law legislation and country law legislation. Double Tax Treaty Agreements is stated for being taxed in Turkey.

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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.

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

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

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

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

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 March 31, 2018 and December 31, 2017, the Bank does not have any government incentives.

XXIII. INFORMATION ON SEGMENT REPORTING

An operating segment is a component of an entity:

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

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

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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 three-month period ended March 31, 2018, earnings per 100 shares are full TL 0.4206 (March 31, 2017: full TL 0.4899).

Related parties

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

Classifications

Reclassification procedures in scope of TFRS 9 are stated below.

TFRS 9 Financial Instruments implementation and effects

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

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

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

Classification and measurement of financial instruments

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

Financial Assets	Before TFRS 9		In Scope of TFRS 9	
	Measurement Bases	Book Value December 31, 2017	Measurement Bases	Book Value January 1, 2018
Cash Balances and Central Bank	Measured at amortized cost	28,644,824	Measured at amortized cost	28,644,824
Banks and Money Markets	Measured at amortized cost	13,539,930	Measured at amortized cost	13,539,930
	Fair value through profit and loss	263	Fair value through profit and loss	43,633
Marketable Securities	Fair value through other comprehensive income (Available-for-sale)	13,549,714	Fair value through other comprehensive income	6,051,817
	Measured at amortized cost (Held to Maturity Investments)	16,766,071	Measured at amortized cost	24,442,643
Derivative Financial Assets Held-for- trading	Fair value through profit and loss	1,936,525	Fair value through profit and loss	1,936,525
Loans (Gross)	Measured at amortized cost	182,932,228	Measured at amortized cost	182,932,228

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

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

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

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

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

As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39. Explanations of the effect from Bank’s application of TFRS 9 can be found below:

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

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

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

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

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

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

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

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

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

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

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

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

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

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

(*) Consists of derivative financial assets.

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

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

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

Effects on equity with TFRS 9 transition

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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ACCOUNTING POLICIES (Continued)

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

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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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 March 31, 2018 Bank’s capital adequacy ratio is 15.37% (December 31, 2017: 15.52%).

Current Period- March 31, 2018

	Amount	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	2,101,405	
Profit	5,344,926	
Current Period’s Profit	1,051,421	
Prior Period’s Profit	4,293,505	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	91,823	
Common Equity Tier 1 Capital Before Deductions	25,058,117	
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	59,015	-
Leasehold Improvements on Operational Leases	190,689	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	209,347	209,347
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	459,051	-
Common Equity Tier 1 capital (CET1)	24,599,066	-
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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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Current Period- March 31, 2018

	Amount	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 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 (-)	-	-
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)	24,599,066	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	4,046,809	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	651,526	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,298,308	-
Tier 2 Capital Before Deductions	6,345,117	-
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	6,345,117	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	30,944,183	-
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 accounts to be defined by the BRSA (-)	1,538	-
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	30,942,645	-
Total Risk Weighted Amounts	201,371,099	-
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	12.22	-
Tier 1 Capital Adequacy Ratio (%)	12.22	-
Capital Adequacy Ratio (%)	15.37	-

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I. INFORMATION ON EQUITY ITEMS (Continued)

Current Period- March 31, 2018

	Amount	Amount as per the regulation before 1/1/2014(*)
BUFFERS		
Total buffer requirement	1.882	-
Capital conservation buffer requirement (%)	1.875	-
Bank specific counter-cyclical buffer requirement (%)	0.007	-
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 (%)	7.72	-
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)	2,629,297	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,298,308	-
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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I. INFORMATION ON EQUITY ITEMS (Continued)

Prior Period- December 31, 2017

	Amount	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		

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I. INFORMATION ON EQUITY ITEMS (Continued)

Prior Period- December 31, 2017

	Amount	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 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	-	

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Prior Period- December 31, 2017

	Amount	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	28,831,847	-
Total Risk Weighted Amounts	185,800,511	-
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	12.33	-
Tier 1 Capital Adequacy Ratio (%)	12.31	-
Capital Adequacy Ratio (%)	15.52	-
BUFFERS		
Total buffer requirement	1.255	-
Capital conservation buffer requirement (%)	1.250	-
Bank specific counter-cyclical buffer requirement (%)	0.005	-
Systemically important banks buffer requirement (%)**	0.000	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.83	-
Amounts below deduction thresholds	-	-
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,885,493	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,136,162	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Current Period- March 31, 2018

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 Communiqué 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&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)	4,047
Par value of instrument (in million)	6,060
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
If convertible, fully or partially	Nil
If convertible, conversion rate	Nil
If convertible, mandatory or optional conversion	Nil

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Current Period- March 31, 2018

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

Prior Period- December 31, 2017

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 Communiqué 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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Prior Period- December 31, 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
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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Prior Period- December 31, 2017

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:

	Current Period- March 31, 2018
Shareholders' equity	24,999,102
Leasehold improvements on operational leases	(190,689)
Goodwill and intangible assets	(209,347)
General provision (1.25% of the amount that subject to credit risk)	2,298,308
Subordinated debt	4,046,809
Deductions from shareholders' equity	(1,538)
Capital	30,942,645
	Prior Period- December 31, 2017
Shareholders' equity	23,257,818
Leasehold improvements on operational leases	(182,977)
Goodwill and intangible assets	(168,776)
General provision (1.25% of the amount that subject to credit risk)	1,885,493
Subordinated debt	4,083,838
Deductions from shareholders' equity	(43,549)
Capital	28,831,847

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. FOREIGN CURRENCY EXCHANGE RISK

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

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

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

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

As at March 31, 2018 and December 31, 2017 the Bank does not have derivative financial instruments held for risk management.

Foreign exchange risk management policy

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

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

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

	US Dollar	Euro
The Bank’s foreign currency purchase rate at the balance sheet date	3.95334	4.87215
Foreign currency purchase rates for the days before balance sheet date:		
Day 1	3.9659	4.8886
Day 2	4.0120	4.9521
Day 3	3.9809	4.9331
Day 4	3.9746	4.9430
Day 5	3.9620	4.8872
	US Dollar	Euro
Last 30-days arithmetical average rate	3.8639	4.7627

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

II. FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period – March 31, 2018	Euro	US Dollar	Other FC	Total
Assets:				
Cash and balances with the Central Bank of Republic of Turkey	4,166,831	16,741,288	6,526,554	27,434,673
Banks	842,031	7,790,158	495,078	9,127,267
Financial assets at fair value through profit or loss	-	47,570	-	47,570
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	334,493	99,640	-	434,133
Loans ⁽²⁾	27,251,229	34,915,861	74,614	62,241,704
Associates, subsidiaries and joint-ventures	390,211	-	-	390,211
Financial assets measured at amortized cost	584,069	4,996,006	-	5,580,075
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	-	7,939	-	7,939
Intangible assets	-	-	-	-
Other assets ^{(1) (3)}	1,188,168	1,642,421	16	2,830,605
Total assets	34,757,032	66,240,883	7,096,262	108,094,177
Liabilities:				
Bank deposits	428,375	5,876,159	462,082	6,766,616
Foreign currency deposits	18,638,413	26,826,020	1,917,214	47,381,647
Interbank money market takings	338,226	2,369,169	-	2,707,395
Other funding	12,656,819	17,778,467	2,779	30,438,065
Securities issued	5,056,752	11,339,161	-	16,395,913
Miscellaneous payables	850,716	39,010	61,175	950,901
Derivative financial liabilities held for risk	-	-	-	-
Other liabilities ^{(1) (4)}	126,599	6,872,613	19,788	7,019,000
Total liabilities	38,095,900	71,100,599	2,463,038	111,659,537
Net ‘on balance sheet’ position	(3,338,868)	(4,859,716)	4,633,224	(3,565,360)
Net ‘off-balance sheet’ position	3,583,822	5,879,857	(4,633,249)	4,830,430
Derivative assets ⁽⁶⁾	7,261,955	20,155,932	767,143	28,185,030
Derivative liabilities ⁽⁶⁾	3,678,133	14,276,075	5,400,392	23,354,600
Non-cash loans ⁽⁵⁾	7,012,648	13,777,993	300,309	21,090,950
Prior Period-December 31, 2017	Euro	US Dollar	Other FC	Total
Total assets	32,489,306	63,997,115	6,868,649	103,355,070
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

- (1). Derivative financial assets amounting to TL 13,368 (December 31, 2017: TL 13,988) and liabilities amounting to TL 34,314 (December 31, 2017: TL 34,450) resulting from changes in foreign exchange rates are not included.
- (2). Foreign currency indexed loans amounting to TL 4,700,956 (December 31, 2017: TL 4,702,183) which are presented in TL column in the balance sheet are included in the table above.
- (3). Prepaid expenses amounting to TL 91,087 (December 31, 2017: TL 91,557) is not included.
- (4). Unearned revenues amounting to TL 216,695 (December 31, 2017: TL 189,318) and equities amounting to TL 71,724 (December 31, 2017: TL 195,883) are not included. (As of December 31, 2017, deferred tax liabilities amounting to TL 47,679 are not included.)
- (5). Non-cash loans are not taken into consideration in the calculation of the net ‘off-balance sheet’ position.
- (6). Asset purchase commitments amounting to TL 638,421 (December 31, 2017: TL 232,555) and asset sales commitments amounting to TL 660,388 (December 31, 2017: TL 728,635) are included.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10 percent appreciation of the TL against the following currencies as at and for the three-month period ended March 31, 2018 and 2017 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

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

	Current Period-March 31, 2018	
	Profit or loss	Equity (*)
US Dollar	101,220	101,220
Euro	(14,526)	(14,526)
Other currencies	(3)	(3)
Total, net(**)	86,691	86,691

	Prior Period-March 31, 2017	
	Profit or loss	Equity (*)
US Dollar	136,098	136,098
Euro	(27,686)	(27,686)
Other currencies	2,100	2,100
Total, net(**)	110,512	110,512

(*) 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 three-month period ended March 31, 2018 and 2017 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	Current Period-March 31, 2018	
	Profit or loss	Equity (*)
US Dollar	(101,220)	(101,220)
Euro	14,526	14,526
Other currencies	3	3
Total, net(**)	(86,691)	(86,691)

	Prior Period-March 31, 2017	
	Profit or loss	Equity (*)
US Dollar	(136,098)	(136,098)
Euro	27,686	27,686
Other currencies	(2,100)	(2,100)
Total, net(**)	(110,512)	(110,512)

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. 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-March 31, 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	18,227,832	-	-	-	-	12,627,669	30,855,501
Banks	7,573,840	365,465	6,335	-	-	1,391,446	9,337,086
Financial assets at fair value through profit/loss	-	-	-	-	-	49,509	49,509
Interbank money market placements	459,382	-	-	-	-	-	459,382
Financial assets at fair value through other comprehensive income	285,743	1,161,622	2,514,516	1,729,380	360,432	-	6,051,693
Loans and receivables (***)	88,626,564	19,398,009	23,419,452	40,179,523	21,767,333	1,743,237	195,134,118
Financial assets measured at amortized cost	2,256,513	6,347,420	7,092,965	6,504,187	3,552,272	-	25,753,357
Other assets (*)	461,001	623,244	33,242	1,009,577	118,016	12,099,018	14,344,098
Total assets	117,890,875	27,895,760	33,066,510	49,422,667	25,798,053	27,910,879	281,984,744
<i>Liabilities:</i>							
Bank deposits	7,159,244	1,146,154	105,055	-	-	239,072	8,649,525
Other deposits	86,296,304	27,876,603	10,386,640	42,635	-	28,802,676	153,404,858
Interbank money market takings	18,865,065	78,558	-	849,260	71,437	-	19,864,320
Miscellaneous payables	-	-	-	-	-	6,298,970	6,298,970
Securities issued	3,292,907	2,529,067	4,535,602	13,638,714	744,599	-	24,740,889
Funds borrowed	9,371,679	12,032,054	6,100,964	1,452,552	1,797,257	381,927	31,136,433
Other liabilities (**)	222,185	168,119	421,349	4,498,856	2,358,440	30,220,800	37,889,749
Total liabilities	125,207,384	43,830,555	21,549,610	20,482,017	4,971,733	65,943,445	281,984,744
On balance sheet long position	-	-	11,516,900	28,940,650	20,826,320	-	61,283,870
On balance sheet short position	(7,316,509)	(15,934,795)	-	-	-	(38,032,566)	(61,283,870)
Off-balance sheet long position	1,311,988	3,956,836	-	-	163,766	-	5,432,590
Off-balance sheet short position	-	-	(47,002)	(2,653,771)	-	-	(2,700,773)
Net Position	(6,004,521)	(11,977,959)	11,469,898	26,286,879	20,990,086	(38,032,566)	2,731,817

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

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

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

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III. INTEREST RATE RISK (Continued)

Prior Period- December 31, 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
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
Fund 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 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-March 31, 2018	Euro %	US Dollar %	Yen %	TL %
Assets:				
Cash and balance with CBRT	-	1.50	-	4.00
Banks	0.01	2.10	-	12.77
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	12.75
Financial assets at fair value through other comprehensive income	5.20	6.79	-	10.83
Loans and receivables	4.89	6.81	-	16.37
Financial assets measured at amortized cost	5.05	6.38	-	10.35
Liabilities:				
Bank deposits	0.86	1.86	-	14.41
Other deposits	1.73	3.57	-	12.32
Interbank money market takings	1.04	2.19	-	12.60
Miscellaneous payables	-	-	-	-
Securities issued	2.91	5.08	-	14.12
Funds borrowed	1.28	3.59	-	10.17

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. INTEREST RATE RISK (Continued)

Prior Period-December 31, 2017	Euro %	US Dollar %	Yen %	TL %
Assets:				
Cash and balance with CBRT	-	1.50	-	4.00
Banks	0.12	1.78	-	12.76
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	12.75
Available-for-sale financial assets	5.20	4.07	-	11.96
Loans and receivables	4.85	6.51	-	15.96
Held-to-maturity investments	5.05	6.52	-	11.51
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

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

IV. STOCK POSITION RISKS

Stock position risks arising from banking book items

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

The accounting applications regarding to share investment and equity securities designated at fair value through profit or loss that qualifications in associate and subsidiary of are disclosed in Section 3 Note III and Note VII.

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

Current Period-March 31, 2018	Comparison		
Stock Investments	Carrying Value	Fair Value ^(*)	Market Value ^(*)
Stocks quoted in exchange^(*)	914,078	914,078	914,078
1.Stocks Investments Group A	914,078	914,078	914,078
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
Stocks unquoted in exchange^(**)	1,768,884	1,662,930	-

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

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. STOCK POSITION RISKS (Continued)

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

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

Portfolio-Current Period	Realized	Revaluation Surplus	Unrealized Gain and Loss	
	Gain/Loss in Current Period	Included in Principal Capital	Total (*)	Included in Principal Capital
1. Private Capital Investments	-	-	-	-
2. Publicly Traded Stocks	-	-	260,546	260,546
3. Other Stocks	-	979,841	-	-
4. Total	-	979,841	260,546	260,546

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

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

(*) 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	914,078	914,078	73,126
3.Other Stocks	1,768,884	1,768,884	141,511
4. Total	2,682,962	2,682,962	214,637

Portfolio-Prior 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

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V. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

The Bank’s Foreign Currency (FC) and total (TL+FC) Liquidity Coverage Ratio (LCR) averages for current period. The highest value and the lowest value occurred in this period are given below:

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	09.03.2018	103.82	23.03.2018	200.30
The highest value	12.01.2018	121.47	16.02.2018	311.19

Liquidity Coverage Ratio

Current Period-March 31, 2018		Total unweighted value (*)		Total weighted value(*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			37,429,757	26,836,176
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	73,349,804	24,683,129	6,229,245	2,468,313
3	Stable deposits	22,114,685	-	1,105,733	-
4	Less stable deposits	51,235,119	24,683,129	5,123,512	2,468,313
5	Unsecured wholesale funding, of which:	71,254,765	22,827,925	31,121,594	11,847,059
6	Operational deposits	39,109,732	8,420,380	9,777,433	2,105,095
7	Non-operational deposits	23,886,628	11,069,721	13,226,199	6,538,507
8	Unsecured debt	8,258,405	3,337,824	8,117,962	3,203,457
9	Secured wholesale funding			-	-
10	Additional requirements of which:	8,673,115	7,285,053	8,673,115	7,285,053
11	Outflows related to derivative exposures and other collateral requirements	8,673,115	7,285,053	8,673,115	7,285,053
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	18,080,597	17,677,377	904,030	883,869
15	Other contingent funding obligations	66,111,048	17,029,879	5,351,872	1,249,602
16	TOTAL CASH OUTFLOWS			52,279,856	23,733,896
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	17,029,783	8,540,348	12,500,511	7,681,017
19	Other cash inflows	6,178,645	5,558,252	6,178,645	5,558,252
20	TOTAL CASH INFLOWS	23,208,428	14,098,600	18,679,156	13,239,269
				Upper Limit Applied Values	
21	TOTAL HQLA			37,429,757	26,836,176
22	TOTAL NET CASH OUTFLOWS			33,600,700	10,494,627
23	LIQUIDITY COVERAGE RATIO (%)			111.60	263.32

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

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V. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

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

Prior Period-December 31, 2017		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			35,096,294	25,035,823
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:				
3	Stable deposits	70,032,187	23,622,856	5,934,881	2,362,286
4	Less stable deposits	21,366,750	-	1,068,337	-
5	Less stable deposits	48,665,437	23,622,856	4,866,544	2,362,286
6	Unsecured wholesale funding, of which:	72,669,268	22,549,754	30,645,411	11,790,610
7	Operational deposits	44,462,727	9,075,213	11,115,682	2,268,803
8	Non-operational deposits	20,242,152	10,138,320	11,787,501	6,407,237
9	Unsecured debt	7,964,389	3,336,221	7,742,228	3,114,570
10	Secured wholesale funding			-	-
11	Additional requirements of which:	8,310,024	7,076,659	8,310,024	7,076,659
12	Outflows related to derivative exposures and other collateral requirements	8,310,024	7,076,659	8,310,024	7,076,659
13	Outflows related to loss of funding on debt products	-	-	-	-
14	Credit and liquidity facilities	-	-	-	-
15	Other contractual funding obligations	21,058,862	20,540,725	1,052,943	1,027,036
16	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.

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

Bank’s high quality liquid asset stock consists of cash and debt instruments issued by CBRT and Republic of Turkey Undersecretariat of Treasury.

Whereas the Banks’ important fund sources are deposits, funds obtained from other financial institutions, marketable securities issued and funds obtained from repo transactions.

Derivatives transactions with 30 or less days to maturity are included into liquidity coverage calculation with cash outflows created by the transactions as of the calculated liquidity coverage rate. In case of a liability resulting from derivatives transactions and security fulfillment liability resulting from other liabilities, actions are taken accordingly to the related regulation.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

Maturity analysis of assets and liabilities according to remaining maturities

Current Period-March 31, 2018	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	30,855,501	-	-	-	-	-	-	30,855,501
Banks	1,391,446	7,573,840	365,465	6,335	-	-	-	9,337,086
Financial assets at fair value through profit/loss	49,509	-	-	-	-	-	-	49,509
Interbank money market placements	-	459,382	-	-	-	-	-	459,382
Financial assets at fair value through other comprehensive income	-	87,663	126,163	1,609,835	3,242,562	985,470	-	6,051,693
Loans and receivables	-	15,992,824	7,654,031	35,374,521	85,052,469	49,317,036	1,743,237	195,134,118
Financial assets measured at amortized cost	-	457,657	-	1,285,120	12,347,516	11,663,064	-	25,753,357
Other assets	3,122	1,452,036	63,147	56,094	1,843,952	182,595	10,743,152	14,344,098
Total assets	32,299,578	26,023,402	8,208,806	38,331,905	102,486,499	62,148,165	12,486,389	281,984,744
Liabilities:								
Bank deposits	239,072	7,159,244	1,146,154	105,055	-	-	-	8,649,525
Other deposits	28,802,676	86,296,304	27,876,603	10,386,640	42,635	-	-	153,404,858
Funds borrowed	-	4,998,615	1,705,105	10,003,198	7,871,339	6,558,176	-	31,136,433
Interbank money market takings	-	18,717,658	78,558	-	849,260	218,844	-	19,864,320
Securities issued	-	3,189,545	2,243,691	3,938,098	13,951,826	1,417,729	-	24,740,889
Miscellaneous payables	-	-	-	-	-	-	6,298,970	6,298,970
Other liabilities	-	944,583	607,594	112,663	3,859,117	3,541,131	28,824,661	37,889,749
Total liabilities	29,041,748	121,305,949	33,657,705	24,545,654	26,574,177	11,735,880	35,123,631	281,984,744
Liquidity gap	3,257,830	(95,282,547)	(25,448,899)	13,786,251	75,912,322	50,412,285	(22,637,242)	-
Net Off Balance Sheet Position	-	(7,159)	60,879	50,537	1,620,298	956,359	-	2,680,914
Receivables from Derivative Financial Instruments	-	6,619,800	4,796,493	1,935,932	15,844,354	7,960,719	-	37,157,298
Payables from Derivative Financial Instruments	-	6,626,959	4,735,614	1,885,395	14,224,056	7,004,360	-	34,476,384
Non-cash Loans	5,086,941	1,947,811	31,434,158	8,817,797	6,936,514	988,136	-	55,211,357
Prior Period-December 31, 2017								
Total assets	29,780,486	29,045,026	5,809,161	34,622,640	102,528,322	56,963,879	11,822,196	270,571,710
Total liabilities	30,117,271	119,491,273	28,902,445	27,811,122	21,687,165	11,265,593	31,296,841	270,571,710
Liquidity gap	(336,785)	(90,446,247)	(23,093,284)	6,811,518	80,841,157	45,698,286	(19,474,645)	-
Net Off Balance Sheet Position	-	92,650	7,777	112,825	1,271,821	974,446	-	2,459,519
Receivables from Derivative Financial Instruments	-	4,136,503	3,080,526	2,801,093	13,990,524	7,587,873	-	31,596,519
Payables from Derivative Financial Instruments	-	4,043,853	3,072,749	2,688,268	12,718,703	6,613,427	-	29,137,000
Non-cash Loans	5,213,196	1,431,728	29,600,053	7,371,102	5,895,657	1,255,848	-	50,767,584

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. LEVERAGE RATIO

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

The Bank’s unconsolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualized as 7.02%. Increase in balance sheet assets and Tier I Capital transactions resulted in change in comparison with previous period (December 31, 2017: 6.80%) leverage rate. The Regulation adjudicated minimum leverage rate as 3%.

Leverage ratio common disclosure template

	Current Period^(*)- March 31, 2018
On-balance sheet exposures	
1 On-balance sheet items (excluding derivatives and SFTs; including collateral)	274,225,165
2 Assets deducted in determining Basel III Tier 1 capital	(401,161)
3 Total on-balance sheet exposures (excluding derivatives and SFTs)	273,824,004
Derivative exposures	
4 Replacement cost	2,551,057
5 Add-on amount	650,583
6 Total derivative exposures	3,201,640
Securities financing transaction exposures	
7 Gross SFT assets (with no recognition of accounting netting)	779,056
8 Agent transaction exposures	-
9 Total securities financing transaction exposures	779,056
Other off-balance sheet exposures	
10 Off-balance sheet exposures with gross nominal amount	104,986,681
11 Adjustment amount off-balance sheet exposures with credit conversion factor	(36,639,837)
12 Total off-balance sheet exposures	68,346,844
Capital and total exposures	
13 Tier 1 capital	24,283,495
14 Total exposures	346,151,544
Leverage ratio	
15 Leverage ratio	7.02

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. SEGMENT REPORTING

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period-March 31, 2018	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	1,596,876	3,379,938	1,384,056	2,381	6,363,251
<i>Interest income from loans</i>	<i>1,596,876</i>	<i>3,379,938</i>	<i>517,952</i>	-	<i>5,494,766</i>
<i>Interest income from reserve deposits</i>	-	-	<i>76,024</i>	-	<i>76,024</i>
<i>Interest income from securities portfolio</i>	-	-	<i>758,135</i>	-	<i>758,135</i>
<i>Interest income from banks</i>	-	-	<i>28,081</i>	-	<i>28,081</i>
<i>Interest income from money market transactions</i>	-	-	<i>3,864</i>	-	<i>3,864</i>
<i>Finance Lease Income</i>	-	-	-	-	-
<i>Other interest income</i>	-	-	-	<i>2,381</i>	<i>2,381</i>
Interest Expense	1,389,056	1,316,167	1,313,497	38,360	4,057,080
<i>Interest expense on deposits</i>	<i>1,389,056</i>	<i>1,310,867</i>	<i>84,613</i>	-	<i>2,784,536</i>
<i>Interest expense on funds borrowed</i>	-	<i>5,300</i>	<i>194,918</i>	-	<i>200,218</i>
<i>Interest expense on money market transactions</i>	-	-	<i>537,088</i>	-	<i>537,088</i>
<i>Interest expense on securities issued</i>	-	-	<i>407,587</i>	-	<i>407,587</i>
<i>Other interest expenses</i>	-	-	<i>89,291</i>	<i>38,360</i>	<i>127,651</i>
Net Interest Income	207,820	2,063,771	70,559	(35,979)	2,306,171
Net Fees and Commissions Income	144,730	260,506	38,621	-	443,857
Trading Income/ Losses (Net)	-	-	112,817	-	112,817
Dividend Income	-	-	44,413	-	44,413
Other Income (*)	-	-	-	949,563	949,563
Allowance for Expected Credit Losses	279,831	1,003,283	10,200	-	1,293,314
Other Expenses (**)	-	-	-	1,263,597	1,263,597
Profit Before Taxes	72,719	1,320,994	256,210	(350,013)	1,299,910
Provision for taxes	-	-	-	(248,489)	(248,489)
Net Profit/ Loss	72,719	1,320,994	256,210	(598,502)	1,051,421
SEGMENT ASSETS					
Securities Portfolio	-	-	31,854,559	-	31,854,559
Derivative Financial Assets Held for Trading Purpose	-	-	2,288,236	-	2,288,236
Banks and Receivables From Money Markets	-	-	9,796,468	-	9,796,468
Investments in Associates and Subsidiaries	-	-	2,635,377	-	2,635,377
Loans and Receivables	49,297,265	113,021,040	32,815,813	-	195,134,118
Other Assets	-	-	32,182,394	8,093,592	40,275,986
TOTAL ASSETS	49,297,265	113,021,040	111,572,847	8,093,592	281,984,744
SEGMENT LIABILITIES					
Deposits	70,250,023	83,154,835	8,649,525	-	162,054,383
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,460,216	-	1,460,216
Interbank Money Market Takings	-	-	19,864,320	-	19,864,320
Funds Borrowed	-	1,630,683	29,505,750	-	31,136,433
Securities Issued	-	-	24,740,889	-	24,740,889
Other Liabilities	-	-	6,208,733	8,772,536	14,981,269
Provisions and Tax Liabilities	-	-	-	2,748,132	2,748,132
Equity	-	-	-	24,999,102	24,999,102
TOTAL LIABILITIES AND EQUITY	70,250,023	84,785,518	90,429,433	36,519,770	281,984,744

(*) TL 798,855 amount of TL 949,563 shown in other income line consists of rejecting reserves from previous periods, TL 49,971 of income from sale of Bank’s assets, TL 9,150 from communications income and remaining, TL 279 from leasing income, TL 91,308 of other income.

(**) TL 538,381 amount of TL 1,263,597 shown in other expenses line consists of personnel expenses, TL 474,148 of other operating expenses, TL 41,101 of depreciation expenses, TL 51,177 of dividend reserves expenses to be given to personnel, TL 45,043 of Savings Deposit Insurance Fund (SDIF) expenses, TL 47,055 of taxes and funds expenses, and the remaining TL 66,692 of other expenses.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. SEGMENT REPORTING (Continued)

Prior Period-December 31, 2017	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	1,317,687	2,236,935	1,283,948	1,965	4,840,535
<i>Interest income from loans</i>	<i>1,317,687</i>	<i>2,236,935</i>	<i>372,829</i>	-	<i>3,927,451</i>
<i>Interest Income from reserve deposits</i>	-	-	<i>43,402</i>	-	<i>43,402</i>
<i>Interest income from securities portfolio</i>	-	-	<i>846,105</i>	-	<i>846,105</i>
<i>Interest income from banks</i>	-	-	<i>7,712</i>	-	<i>7,712</i>
<i>Interest income from money market transactions</i>	-	-	<i>13,900</i>	-	<i>13,900</i>
<i>Finance Lease Income</i>	-	-	-	-	-
<i>Other interest income</i>	-	-	-	<i>1,965</i>	<i>1,965</i>
Interest Expense	867,357	835,928	740,665	19,828	2,463,778
<i>Interest expense on deposits</i>	<i>867,357</i>	<i>832,333</i>	<i>35,583</i>	-	<i>1,735,273</i>
<i>Interest expense on funds borrowed</i>	-	<i>3,595</i>	<i>138,642</i>	-	<i>142,237</i>
<i>Interest expense on money market transactions</i>	-	-	<i>270,059</i>	-	<i>270,059</i>
<i>Interest expense on securities issued</i>	-	-	<i>215,292</i>	-	<i>215,292</i>
<i>Other interest expenses</i>	-	-	<i>81,089</i>	<i>19,828</i>	<i>100,917</i>
Net Interest Income	450,330	1,401,007	543,283	(17,863)	2,376,757
Net Fees and Commissions Income	116,043	152,279	22,554	-	290,876
Trading Income/ Losses (Net)	-	-	117,334	-	117,334
Dividend Income	-	-	43,013	-	43,013
Other Income (*)	-	-	-	439,500	439,500
Allowance for Expected Credit Losses	122,679	572,227	12,955	25,574	733,435
Other Expenses (**)	-	-	-	1,016,455	1,016,455
Profit Before Taxes	443,694	981,059	713,229	(620,392)	1,517,590
Provision for taxes	-	-	-	(292,838)	(292,838)
Net Profit/ Loss	443,694	981,059	713,229	(913,230)	1,224,752
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 330,987 amount of TL 439,500 shown in other income line consists of rejecting reserves from previous periods, TL 35,964 of income from sale of Bank’s assets, TL 13,707 from communications income and remaining, TL 213 from leasing income, TL 58,629 of other income.

(**) TL 405,332 amount of TL 1,016,455 shown in other expenses line consists of personnel expenses, TL 392,377 of other operating expenses, TL 46,170 of depreciation expenses, TL 37,098 of dividend reserves expenses to be given to personnel, TL 49,461 of Savings Deposit Insurance Fund (SDIF) expenses, TL 36,597 of taxes and funds expenses, and the remaining TL 49,420 of other expenses.

(***) Operating income / expenses line indicates March 31, 2017 balances.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT

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

Risk Weighted Amounts

Current Period- March 31, 2018

	Risk Weighted Amount		Minimum Capital
	Current Period	Current Period	Requirements
1	Credit Risk (excluding counterparty credit risk) (*)	179,435,800	14,354,864
2	Standardized approach	179,435,800	14,354,864
3	Internal rating based approach	-	-
4	Counterparty Credit Risk	3,581,875	286,550
5	Standardized approach for counterparty credit risk	3,581,875	286,550
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	1,923	154
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	749,002	59,920
17	Standardized approach	749,002	59,920
18	Internal model approaches	-	-
19	Operational Risk	16,757,496	1,340,600
20	Basic Indicator Approach	16,757,496	1,340,600
21	Standardized approach	-	-
22	Advanced measurement approach	-	-
23	The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	845,003	67,600
24	Floor adjustment	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	201,371,099	16,109,688

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

Prior Period-December 31, 2017

	Risk Weighted Amount		Minimum Capital
	Current Period	Current Period	Requirements
1	Credit Risk (excluding counterparty credit risk) (*)	168,059,840	13,444,787
2	Standardized approach	168,059,840	13,444,787
3	Internal rating based approach	-	-
4	Counterparty Credit Risk	2,832,891	226,631
5	Standardized approach for counterparty credit risk	2,832,891	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	52,190
17	Standardized approach	652,375	52,190
18	Internal model approaches	-	-
19	Operational Risk	14,255,142	1,140,412
20	Basic Indicator Approach	14,255,142	1,140,412
21	Standardized approach	-	-
22	Advanced measurement approach	-	-
23	The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	-	-
24	Floor adjustment	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	185,800,511	14,864,041

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

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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-March 31, 2018	
	TL	FC
Cash	1,328,631	519,267
Central Bank of the Republic of Turkey (*)	1,775,440	26,852,597
Other	316,757	62,809
Total	3,420,828	27,434,673

(*) TL 23,283,217 of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

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

(*) TL 20,815,769 of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

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

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

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

Balances with the Central Bank of Republic of Turkey

	Current Period-March 31, 2018	
	TL	FC
Unrestricted Demand Deposits	1,699,416	3,569,380
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	-
Reserve Deposits	76,024	23,283,217
Total	1,775,440	26,852,597

	Prior Period- December 31, 2017	
	TL	FC
Unrestricted Demand Deposits	2,209,475	3,186,228
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	-
Reserve Deposits	65,628	20,815,769
Total	2,275,103	24,001,997

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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. (December 31, 2017: None.)

Trading securities subject to repurchase agreements

None. (December 31, 2017: None.)

Positive differences on derivative financial assets held for trading purpose

	Current Period-March 31, 2018	
	TL	FC
Forward Transactions	21,610	8,534
Swap Transactions	2,143,162	113,243
Futures	-	-
Options	785	902
Other	-	-
Total	2,165,557	122,679

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

3. Information on banks

	Current Period-March 31, 2018	
	TL	FC
Banks		
Domestic	209,819	1,115,610
Foreign	-	8,011,657
Foreign Head Offices and Branches	-	-
Total	209,819	9,127,267

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

4. Information on available-for-sale financial assets

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

	Current Period-March 31, 2018	
	TL	FC
Share Certificates	-	-
Bonds, Treasury Bills and Similar Marketable Securities	3,815,958	324,852
Other	-	-
Total	3,815,958	324,852

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

	Prior Period- December 31, 2017	
	TL	FC
Share Certificates	-	-
Bonds, Treasury Bills and Similar Marketable Securities	8,553,659	344,646
Other	-	-
Total	8,553,659	344,646

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

	Current Period-March 31, 2018	
	TL	FC
Government Bonds	241,246	-
Treasury Bills	-	-
Other Debt Securities	-	23,953
Bonds Issued or Guaranteed by Banks	-	-
Asset Backed Securities	-	-
Total	241,246	23,953

Available-for-sale financial assets subject to repurchase agreements

	Prior Period- December 31, 2017	
	TL	FC
Government Bonds	1,682,275	-
Treasury Bills	-	-
Other Debt Securities	-	156,751
Bonds Issued or Guaranteed by Banks	-	-
Asset Backed Securities	-	-
Total	1,682,275	156,751

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Information on financial assets at fair value through other comprehensive income

	Current Period-March 31, 2018
Debt securities	6,099,859
Quoted on a Stock Exchange	6,099,859
Unquoted	-
Equity securities	-
Quoted on a Stock Exchange	-
Unquoted	-
Provision for impairment (-)	48,166
Total	6,051,693

Information on available-for-sale financial assets

	Prior Period- December 31, 2017
Debt securities	13,626,089
Quoted on a Stock Exchange	13,626,089
Unquoted	-
Equity securities	43,370
Quoted on a Stock Exchange	-
Unquoted	43,370
Provision for impairment (-)	119,745
Total	13,549,714

5. Information on loans

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

	Current Period-March 31, 2018	
	Cash	Non-Cash
Direct loans provided to the shareholders	-	37,842
Legal entities	-	37,842
Real persons	-	-
Indirect loans provided to the shareholders	-	-
Loans provided to the employees	138,171	-
Total	138,171	37,842

	Prior Period- December 31, 2017	
	Cash	Non-Cash
Direct loans provided to the shareholders	-	38,243
Legal entities	-	38,243
Real persons	-	-
Indirect loans provided to the shareholders	-	-
Loans provided to the employees	140,344	-
Total	140,344	38,243

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

Current Period-March 31, 2018

Cash Loan	Standard loans	Loans not Subject to Restructuring	Loans under close monitoring	
			Agreement conditions modified	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	189,194,530	3,835,687	108,017	2,262,505
Loans given to enterprises	63,890,660	1,999,316	71,101	1,921,391
Export loans	8,708,757	64,142	2,778	2,318
Import loans	-	-	-	-
Loans given to financial sector	1,435,389	185	-	-
Consumer loans	42,962,624	881,057	-	229,226
Credit cards	6,992,814	126,021	26,883	11,034
Other	65,204,286	764,966	7,255	98,536
Specialized lending	-	-	-	-
Other receivables	-	-	-	-
Total	189,194,530	3,835,687	108,017	2,262,505

Prior Period- December 31, 2017

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	-

Current Period-March 31, 2018	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,541,675	-
Significant Increase in Credit Risk	-	468,183

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

Current Period- March 31, 2018

Number of modifications to extend payment plans	Standard Loans	Loans under close monitoring (*)
Extended for 1 or 2 times	1,994,561	2,370,522
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-
Extended period of time	Standard Loans (*)	Loans under close monitoring (*)
0-6 Months	620	18,536
6 - 12 Months	100,180	56,085
1-2 Years	41,730	97,709
2-5 Years	931,681	1,464,675
5 Years and Over	920,350	733,517

Prior Period- December 31, 2017

Number of modifications to extend payment plans	Standard Loans	Loans under close monitoring (*)
Extended for 1 or 2 times	2,664,938	1,278,943
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-
Extended period of time	Standard Loans (*)	Loans under close monitoring (*)
0-6 Months	11,488	1,035
6 - 12 Months	113,343	8,606
1-2 Years	58,323	23,959
2-5 Years	1,163,249	977,007
5 Years and Over	1,318,535	268,336

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

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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

Current Period- March 31, 2018

	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	544,285	40,622,619	41,166,904
Housing Loans	13,958	19,581,789	19,595,747
Automobile Loans	5,576	431,615	437,191
General Purpose Loans	524,751	20,609,215	21,133,966
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	5,215,506	75,994	5,291,500
With Installment	2,164,859	72,757	2,237,616
Without Installment	3,050,647	3,237	3,053,884
Retail Credit Cards – FC	12,821	-	12,821
With Installment	-	-	-
Without Installment	12,821	-	12,821
Personnel Loans – TL	5,605	66,776	72,381
Housing Loan	12	32	44
Automobile Loans	-	-	-
General Purpose Loans	5,593	66,744	72,337
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	65,059	317	65,376
With Installment	24,366	302	24,668
Without Installment	40,693	15	40,708
Personnel Credit Cards – FC	414	-	414
With Installment	-	-	-
Without Installment	414	-	414
Overdraft Checking Accounts – TL (Real persons)	2,833,456	-	2,833,456
Overdraft Checking Accounts – FC (Real persons)	166	-	166
Total	8,677,312	40,765,706	49,443,018

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Prior Period- December 31, 2017

	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

Current Period- March 31, 2018

	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans–TL	1,129,415	45,402,421	46,531,836
Real Estate Loans	1,047	1,106,254	1,107,301
Automobile Loans	113,844	1,960,006	2,073,850
General Purpose Loans	1,014,524	42,336,161	43,350,685
Other	-	-	-
Installment-based Commercial Loans–FC indexed	2,680	1,559,390	1,562,070
Real Estate Loans	-	-	-
Automobile Loans	-	185,694	185,694
General Purpose Loans	2,680	1,373,696	1,376,376
Other	-	-	-
Installment-based Commercial Loans–FC	99	9,159,665	9,159,764
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	99	9,159,665	9,159,764
Other	-	-	-
Corporate Credit Cards–TL	1,780,014	4,972	1,784,986
With Installment	438,547	4,972	443,519
Without Installment	1,341,467	-	1,341,467
Corporate Credit Cards–FC	1,655	-	1,655
With Installment	-	-	-
Without Installment	1,655	-	1,655
Overdraft Checking Accounts–TL (Corporate)	1,605,552	-	1,605,552
Overdraft Checking Accounts–FC (Corporate)	-	-	-
Total	4,519,415	56,126,448	60,645,863

Prior Period- December 31, 2017

	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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Allocation of domestic and overseas loans

	Current Period- March 31, 2018
Domestic Loans	194,998,910
Foreign Loans	401,829
Total	195,400,739
	Prior Period- December 31, 2017
Domestic Loans	182,540,709
Foreign Loans	391,519
Total	182,932,228

Loans to associates and subsidiaries

	Current Period- March 31, 2018
Direct Loans Provided to the Subsidiaries and Associates	452,438
Indirect Loans Provided to the Subsidiaries and Associates	-
Total	452,438
	Prior Period- December 31, 2017
Direct Loans Provided to the Subsidiaries and Associates	144,551
Indirect Loans Provided to the Subsidiaries and Associates	-
Total	144,551

Specific provisions accounted for loans (Stage 3)

	Current Period- March 31, 2018
Loans with Limited Collectability	291,563
Loans with Doubtful Collectability	584,848
Uncollectible Loans	5,325,498
Total	6,201,909
	Prior Period- December 31, 2017
Specific provisions for loans	150,730
Loans and Receivables with Limited Collectability	419,518
Loans and Receivables with Doubtful Collectability	6,028,571
Uncollectible Loans and Receivables	6,028,571
Total	6,598,819

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Information on non-performing loans (Net)

Information on non-performing loans restructured or rescheduled

	Group III	Group IV	Group V
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period- March 31, 2018			
Gross amounts before the reserves	137,821	145,290	182,212
Loans which are restructured	137,821	145,290	182,212
Prior Period- December 31, 2017			
	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
(Gross amounts before the specific reserves)	80,662	118,684	135,790
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	80,662	118,684	135,790

Movements in non-performing loan groups

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period- March 31, 2018			
Balance at the beginning of the period	753,650	855,985	6,028,571
Additions (+)	728,532	17,911	71,892
Transfers from other categories of non-performing loans (+)	-	796,533	474,961
Transfers to other categories of non-performing loans (-) ^(*)	711,280	564,709	3,115
Collections (-)	117,210	86,650	299,925
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	-	-
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Other</i>	-	-	-
Balance at the end of the period	653,692	1,019,070	6,272,384
Provision (-)	291,563	584,848	5,325,498
Net balance	362,129	434,222	946,886

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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period- December 31, 2017			
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 non-performing loans (+)	-	2,510,046	2,225,124
Transfers to other categories of non-performing loans (-) ^(*)	2,674,478	2,552,971	119,519
Collections (-)	335,405	340,468	677,132
Write-offs (-)	-	-	-
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Other</i>	-	-	-
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 transferred to restructured loan accounts from non performing loan accounts are shown by way of addition to this line.

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

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

Information on non-performing loans in foreign currencies

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period- March 31, 2018			
Balance at the end of the period	1,937	42,229	368,362
Provision (-)	938	30,063	322,135
Net balance on balance sheet	999	12,166	46,227

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period- December 31, 2017			
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	-

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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period- March 31, 2018			
Current Period (Net)	362,129	434,222	946,886
Consumer and Commercial Loans (Gross)	653,612	1,018,934	6,173,950
Provision (-)	291,521	584,732	5,232,955
Consumer and Commercial Loans (Net)	362,091	434,202	940,995
Banks (Gross)	-	-	1,551
Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans (Gross)	80	136	96,883
Provision (-)	42	116	90,992
Other Loans (Net)	38	20	5,891

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period- December 31, 2017			
Prior Period (Net)	602,920	436,467	-
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	-

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

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period- March 31, 2018			
Interest accruals and valuation differences	40,910	5	-
Provision (-)	-	-	-
Prior Period- December 31, 2017(*)			
Interest accruals and valuation differences	-	-	-
Provision (-)	-	-	-

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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

6. Information on measured at amortized cost investments

Measured at amortized cost debt securities issued by the governments

	Current Period- March 31, 2018	
	TL	FC
Government Bonds	20,173,282	2,495,532
Treasury Bills	-	-
Other Securities Issued by the Governments	-	2,879,490
Total	20,173,282	5,375,022

Held-to-maturity debt securities issued by the governments

	Prior Period- December 31, 2017	
	TL	FC
Government Bonds	12,235,406	2,022,702
Treasury Bills	-	-
Other Securities Issued by the Governments	-	2,263,925
Total	12,235,406	4,286,627

Information on measured at amortized cost investment securities

	Current Period- March 31, 2018
Debt Securities	25,753,357
Quoted at Stock Exchanges	25,634,665
Unquoted at Stock Exchanges	118,692
Impairment Losses (-)	-
Total	25,753,357

Information on held-to-maturity investment securities

	Prior Period- December 31, 2017
Debt Securities	16,766,071
Quoted at Stock Exchanges	16,652,591
Unquoted at Stock Exchanges	113,480
Impairment Losses (-)	-
Total	16,766,071

The movement table of the financial assets measured at amortized cost

	Current Period- March 31, 2018
Balances at the beginning of the period	16,766,071
Foreign currency differences on monetary assets	242,174
Purchases during the period	1,228,098
TFRS 9 classification	7,656,572
Disposals through sales/redemptions	(414,068)
Change in Impairment losses	-
Change in amortized costs of the securities (*)	274,510
Balances at the end of the period	25,753,357

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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

The movement table of the held-to-maturity investments

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

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

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

Information on accounts related to financial assets measured at amortized cost

	Cost		Carrying Value	
	TL	FC	TL	FC
Current Period- March 31, 2018				
Collateralized/blocked investment securities	10,366,381	1,923,111	11,739,363	1,946,102
Investments subject to repurchase agreements	5,573,254	2,816,924	6,994,675	2,856,591
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	1,229,370	765,011	1,439,244	777,382
Total	17,169,005	5,505,046	20,173,282	5,580,075

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

Information on held-to-maturity investments

	Cost		Carrying Value	
	TL	FC	TL	FC
Prior Period- December 31, 2017				
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)

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	1,139,555	89,403	8	22,589	1,156	4,489	313	-
2	32,130,260	3,726,797	3,871,951	469,668	115,689	158,428	143,985	3,678,095
3	4,720,403	1,282,109	906,570	5,915	-	74,779	(9,615)	-
4	86,772	53,658	46,024	565	-	4,564	3,416	-
5	287,212	196,196	177,616	2,879	-	12,874	14,597	-
6	143,886	(69,107)	88,086	-	-	(23,422)	(2,975)	-
7	118,239	(36,436)	82,732	-	-	(7,340)	(5,948)	-
8	10,069,021	1,355,493	112,017	123,960	1,017	90,884	59,697	-
9	672,324	495,361	12,352	8,591	-	37,381	63,507	-
10	1,104	(125,554)	-	66	-	(12,193)	(8,988)	-

(*) The financial statement information provided for these associates is taken from the financial statements dated December 31, 2017.

Movement table of investments in associates

Current Period- March 31, 2018	
Balance at the beginning of the period	349,158
Movements during the period	17,435
Transfers	-
Acquisitions and capital increases	-
Bonus shares received	35,061
Income/loss from investments under equity accounting	-
Sales and liquidations	-
Fair value changes	(17,626)
Impairment losses	-
Balance at the end of the period	366,593
Capital commitments	-
Share percentage at the end of the period (%)	-
Prior Period- December 31, 2017	
Balance at the beginning of the period	299,478
Movements during the period	49,680
Transfers	-
Acquisitions and capital increases	-
Bonus shares received	29,498
Income/loss from investments under equity accounting	-
Sales and liquidations	-
Fair value changes	20,182
Impairment losses	-
Balance at the end of the period	349,158
Capital commitments	-
Share percentage at the end of the period (%)	-

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Bankalararası Kart Merkezi AŞ from TL 14,000 to TL 30,000 in the Ordinary General Meeting of the Company dated March 22, 2018. The share of the Bank amounting to TL 1,551 is presented in the movement table of investments in associates as bonus shares received.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,400,000 to TL 2,800,000 in the Ordinary General Meeting of the Company dated March 22, 2018. The share of the Bank amounting to TL 33,510 is presented in the movement table of investments in associates as bonus shares received.

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

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

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

Sectoral distribution of investments in financial associates

	Current Period- March 31, 2018
Banks	348,744
Insurance companies	-
Factoring companies	-
Leasing companies	-
Finance companies	-
Other associates	4,897
Total	353,641
	Prior Period- December 31, 2017
Banks	332,861
Insurance companies	-
Factoring companies	-
Leasing companies	-
Finance companies	-
Other associates	4,897
Total	337,758

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Quoted associates

	Current Period- March 31, 2018
Quoted at domestic stock exchanges	308,224
Quoted at international stock exchanges	-
Total	308,224

	Prior Period- December 31, 2017
Quoted at domestic stock exchanges	292,340
Quoted at international stock exchanges	-
Total	292,340

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

Current Period- March 31, 2018	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
CORE CAPITAL									
Paid-in capital	114,483	109,000	35,000	70,000	270,000	26,500	12,000	217,500	20,000
Capital reserves	-	1,447	137	-	6,112	10,615	15	268,330	93
Equity share premiums	-	-	-	-	655	-	-	246,731	-
Share cancellation profits	-	-	-	-	-	-	-	-	-
Other capital reserves	-	1,447	137	-	5,457	10,615	15	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	20,302	93,575	403	629,821	43,735	59	500	(30)
Other accumulated comprehensive income that will be reclassified in profit or loss	30,997	-	-	-	-	-	-	-	-
Profit reserves	417,741	39,946	15,804	51,448	36,425	123,265	8,399	115,668	395
Legal reserves	10,614	6,301	6,128	5,824	17,179	18,385	1,347	7,543	395
Statutory reserves	-	-	-	-	-	-	-	-	-
Extraordinary reserves	-	33,645	7,368	45,624	19,246	104,880	7,052	108,125	-
Other profit reserves	407,127	-	2,308	-	-	-	-	-	-
Profit or loss	168,511	(4,539)	28,244	19,261	(338,788)	187,163	10,303	2,846	(2,901)
Prior years' profits or losses	157,216	(7,134)	21,170	9,355	(331,938)	154,888	7,801	3,451	(3,008)
Current period net profit or loss	11,295	2,595	7,074	9,906	(6,850)	32,275	2,502	(605)	107
Minority interests	-	60	-	-	-	-	-	-	-
Total Core Capital	731,732	166,216	172,760	141,112	603,570	391,278	30,776	604,844	17,557
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-	-
CAPITAL	731,732	166,216	172,760	141,112	603,570	391,278	30,776	604,844	17,557
NET AVAILABLE EQUITY	731,732	166,216	172,760	141,112	603,570	391,278	30,776	604,844	17,557

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Prior Period- December 31, 2017	Vakıfbank		Vakıf	Vakıf	Güneş	Vakıf	Vakıf Portföy	Gayrimenkul	Vakıf	Vakıf Menkul
	International	Vakıf Finansal	Yatırım							
	AG	Kiralama AŞ	Değerler AŞ	Factoring AŞ	Sigorta AŞ		Yönetimi 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 months. Güneş Sigorta AŞ and Vakıf Emeklilik AŞ that operate in insurance business calculate capital adequacy in accordance with “Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms” published by Republic of Turkey Undersecretariat of Treasury every six month. According to the calculations at March 31, 2018, 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	Istanbul/Turkey	48.02	48.02
2 Vakıf Emeklilik ve Hayat AŞ	Istanbul/ Turkey	53.90	79.67
3 Vakıf Faktoring AŞ	Istanbul/ Turkey	78.39	88.68
4 Vakıf Finansal Kiralama AŞ	Istanbul/ Turkey	58.71	66.23
5 Vakıf Yatırım Menkul Değerler AŞ	Istanbul/ Turkey	99.00	99.48
6 Vakıfbank International AG	Vienna/ Austria	90.00	90.00
7 Vakıf Portföy Yönetimi AŞ	Istanbul/ Turkey	100.00	100.00
8 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	Istanbul/ Turkey	22.89	34.55
9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	Istanbul/ Turkey	38.70	40.86
10 Vakıf Enerji ve Madencilik AŞ (*)	Ankara/ Turkey	65.50	85.52
11 Taksim Otelcilik AŞ	Istanbul/ Turkey	51.00	51.69
12 Vakıf Pazarlama Sanayi ve Ticaret AŞ	Istanbul/ 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	2,151,178	680,245	719,565	24,413	234	1,278	2,377	492,438
2	7,511,914	377,238	136,861	15,853	75	33,758	11,592	1,149,195
3	2,728,606	155,990	576	84,995	-	10,945	5,068	157,611
4	2,266,166	217,702	21,495	41,430	-	12,570	5,870	236,648
5	500,841	172,761	2,382	9,413	7	7,075	3,736	186,870
6	4,566,145	705,018	2,123	25,067	10,232	25,051	6,740	433,568
7	32,094	30,776	417	1,061	14	2,503	1,827	81,031
8	18,027	17,556	20	142	471	107	147	30,023
9	1,245,000	938,856	797,909	563	-	(1,417)	2,398	577,717
10	27,804	12,972	1,040	1,236	-	1,316	6,020	14,494
11	366,819	354,100	216,915	3,648	-	(671)	(2,661)	403,062
12	82,457	57,929	12,016	484	-	352	1,570	49,458
13	31,279	24,523	412	991	-	(1,587)	222	26,479

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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Movement table of investments in subsidiaries

	Current Period- March 31, 2018
Balance at the beginning of the period	2,213,858
Movements during the period	54,926
Transfers	-
Acquisitions and capital increases	-
Bonus shares received	-
Dividends from current year profit	-
Sales and liquidations	-
Fair value changes	54,926
Impairment losses	-
Balance at the end of the period	2,268,784
Capital commitments	-
Share percentage at the end of the period (%)	-
	Prior Period- December 31, 2017
Balance at the beginning of the period	1,797,124
Movements during the period	416,734
Transfers	-
Acquisitions and capital increases	-
Bonus shares received	51,974
Dividends from current year profit	(17,527)
Sales and liquidations	(232)
Fair value changes	371,260
Impairment losses	11,259
Balance at the end of the period	2,213,858
Capital commitments	-
Share percentage at the end of the period (%)	-

Methods to measure investments in subsidiaries

	Current Period- March 31, 2018
Measured at cost	-
Measured at fair value	2,268,784
Equity method of accounting	-
Total	2,268,784
	Prior Period- December 31, 2017
Measured at cost	-
Measured at fair value	2,213,858
Equity method of accounting	-
Total	2,213,858

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Sectoral distribution of investments in financial subsidiaries

	Current Period- March 31, 2018
Insurance companies	390,211
Banks	855,885
Factoring companies	123,551
Leasing companies	138,936
Finance companies	-
Other financial subsidiaries	496,481
Total	2,005,064
	Prior Period- December 31, 2017
Insurance companies	362,247
Banks	835,401
Factoring companies	123,551
Leasing companies	136,632
Finance companies	-
Other financial subsidiaries	492,307
Total	1,950,138

Quoted subsidiaries

	Current Period- March 31, 2018
Quoted at domestic stock exchanges	605,854
Quoted at international stock exchanges	-
Total	605,854
	Prior Period- December 31, 2017
Quoted at domestic stock exchanges	578,891
Quoted at international stock exchanges	-
Total	578,891

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

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

In the prior period, it is decided to sell Güneş Sigorta AŞ’s 500,000 shares, that are traded in the stock market. After the selling, the bank’s share had decreased to TL 129,643 from 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 prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 213,000 to TL 217,500 by a bonus increase of TL 4,500 in the Ordinary General Meeting of the Company dated June 16, 2017. The share of the Bank amounting to TL 1,742 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to 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.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

9. Investments in joint-ventures

None.

10. Information on finance lease receivables (net)

None.

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on investment properties

None.

13. Information on deferred tax assets

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

	Current Period- March 31, 2018
<i>Deferred tax assets:</i>	807,944
Provision for employee termination benefits and unused vacations	105,942
Other provisions	14,318
Valuation differences of associates and subsidiaries	23,456
Valuation differences of financial assets and liabilities	136,218
BRSA - Tax Code depreciation differences	-
Other	2,151
Provisions(General Provision)	525,859
<i>Deferred tax liabilities:</i>	(469,943)
Valuation differences of financial assets and liabilities	(355,005)
Valuation differences of associates and subsidiaries	(56,875)
Valuation differences of properties	(56,854)
BRSA - Tax Code depreciation differences	(1,209)
Deferred tax assets/(liabilities), net	338,001
	Prior Period- December 31, 2017
<i>Deferred tax assets:</i>	218,616
Provision for employee termination benefits and unused vacations	98,052
Other provisions	14,994
Valuation differences of associates and subsidiaries	23,456
Valuation differences of financial assets and liabilities	80,160
BRSA - Tax Code depreciation differences	-
Other	1,954
<i>Deferred tax liabilities:</i>	(332,351)
Valuation differences of financial assets and liabilities	(240,275)
Valuation differences of associates and subsidiaries	(56,408)
Valuation differences of properties	(28,433)
BRSA - Tax Code depreciation differences	(7,235)
Deferred tax assets/(liabilities), net	(113,735)

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

	Current Period- March 31, 2018
As of January 1	(113,735)
January 1 amendment made according to TAS	(40,408)
Deferred tax income/loss	42,399
Deferred tax that is accounted under Equity	(25,723)
Deferred tax that is accounted under general provision	479,084
Exchange differences	(3,616)
Deferred tax asset/(Liability)	338,001
	Prior Period- December 31, 2017
As of January 1	83,109
Deferred tax income/loss	(159,072)
Deferred tax that is accounted under Equity	(36,316)
Exchange differences	(1,456)
Deferred tax asset/(Liability)	(113,735)

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

As at March 31, 2018 assets held for sale and assets related to the discontinued operations amount to TL 1,326,745 (December 31, 2017: TL 1,312,493).

15. Information on other assets

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

	Current Period- March 31, 2018
Receivables from credit card payments	1,195,301
Guarantees given for derivative financial instruments	3,597,483
Prepaid expenses	1,051,175
Receivables from term sale of assets	48,602
Guarantees given for repurchase agreements	7,306
Other	315,390
Total	6,215,257
	Prior Period- December 31, 2017
Receivables from credit card payments	1,173,158
Guarantees given for derivative financial instruments	2,749,121
Prepaid expenses	934,474
Receivables from term sale of assets	11,116
Guarantees given for repurchase agreements	151
Other	1,791,006
Total	6,659,026

16. Information related to expected credit loss for financial assets

	Current Period- March 31, 2018
Cash and balances at Central Bank	1,462
Banks	14,147
Stock Securities Portfolio	3,021
Other assets	73,128
Total	91,758

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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- March 31, 2018	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	6,554,551	-	4,277,820	33,043,406	2,250,361	293,097	169,603	2,469	46,591,307
Foreign Currency									
Deposits	6,289,369	-	2,786,684	28,346,488	1,930,854	1,400,462	5,042,016	-	45,795,873
Residents in Turkey	5,684,495	-	2,773,366	27,892,499	1,552,326	940,688	1,052,481	-	39,895,855
Residents Abroad	604,874	-	13,318	453,989	378,528	459,774	3,989,535	-	5,900,018
Public Sector Deposits	7,376,876	-	5,524,287	8,242,273	818,970	5,135,548	177,699	-	27,275,653
Commercial Deposits	3,170,090	-	5,920,313	11,572,610	2,192,134	197,223	10,519	-	23,062,889
Other	3,826,015	-	1,070,424	3,355,310	789,010	19,901	32,701	-	9,093,361
Precious Metal									
Deposits	1,585,775	-	-	-	-	-	-	-	1,585,775
Bank Deposits	239,072	-	5,390,852	2,265,574	564,387	63,595	126,045	-	8,649,525
Central Bank	1,385	-	-	-	-	-	-	-	1,385
Domestic Banks	66,122	-	5,299,385	979,407	7,619	-	-	-	6,352,533
Foreign Banks	131,205	-	91,467	1,286,167	-	63,595	45,110	-	1,617,544
Participation Banks	40,360	-	-	-	556,768	-	80,935	-	678,063
Other	-	-	-	-	-	-	-	-	-
Total	29,041,748	-	24,970,380	86,825,661	8,545,716	7,109,826	5,558,583	2,469	162,054,383

Prior Period- December 31, 2017	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	6,056,971	-	3,050,910	31,050,795	2,289,658	270,480	177,229	2,178	42,898,221
Foreign Currency									
Deposits	7,173,350	-	2,608,077	24,483,346	1,775,564	1,135,081	4,702,551	-	41,877,969
Residents in Turkey	6,810,525	-	2,606,029	24,058,549	1,430,203	720,911	998,723	-	36,624,940
Residents 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

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

Current Period- March 31, 2018

	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving Deposits	23,524,915	23,066,392
Foreign Currency Saving Deposits	6,505,201	17,153,515
Other Saving Deposits	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-
Total	30,030,116	40,219,907

Prior Period- December 31, 2017

	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving Deposits	21,807,725	21,090,496
Foreign Currency Saving Deposits	6,571,401	15,854,203
Other Saving Deposits	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-
Total	28,379,126	36,944,699

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Saving deposits out of insurance coverage limits

	Current Period- March 31, 2018
Deposits and other accounts at foreign branches	32,157
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	3,009
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	-
	Prior Period- December 31, 2017
Deposits and other accounts at foreign branches	22,958
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	2,399
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-

2. Information on derivative financial liabilities held for trading purpose

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

	Current Period- March 31, 2018	
	TL	FC
Forward Transactions	20,542	8,382
Swap Transactions	1,229,579	154,407
Futures	-	-
Options	46,541	765
Other	-	-
Total	1,296,662	163,554
	Prior Period- December 31, 2017	
	TL	FC
Forward Transactions	19,903	5,240
Swap Transactions	965,364	162,772
Futures	-	-
Options	30,336	915
Other	-	-
Total	1,015,603	168,927

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

3. Information on banks and other financial institutions

	Current Period- March 31, 2018	
	TL	FC
Central Bank of Republic of Turkey	-	381,927
Domestic Bank and Institutions	112,024	1,135,766
Foreign Banks, Institutions and Funds	586,344	28,920,372
Total	698,368	30,438,065

	Prior Period- December 31, 2017	
	TL	FC
Central Bank of Republic of Turkey	-	235,102
Domestic Bank and Institutions	96,890	600,641
Foreign Banks, Institutions and Funds	571,642	26,803,346
Total	668,532	27,639,089

Maturity information of funds borrowed

	Current Period- March 31, 2018	
	TL	FC
Short-term (*)	112,807	3,320,015
Medium and Long term (*)	585,561	27,118,050
Total	698,368	30,438,065

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

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

(*) 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 12.12% (December 31, 2017: 11.45%) of the Bank’s liabilities. There is no risk concentration on funding sources of the Bank.

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

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

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

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

On October 4, 2016, the Bank carried out a securitization transaction in the amount of USD 890 million equivalent in Euros and US Dollars based on foreign money transfers and treasury transactions as part of the securitization program. A total of USD 310 million was provided for 5 years and USD 535 million based on treasury financing transactions was provided with 7 years maturity, based on foreign delegations of the loan provided in seven separate segments. Within the program, 2016-A segment was collected from SMBC, 2016-B segment from Wells Fargo Bank, 2016-C segment from Credit Suisse, 2016-D segment from Standard Chartered Bank, 2016-E segment from EBRD, 2016-F segment from JP Morgan and 2016-G segment from ING Bank. EBRD participated in the securitization loan with the TurSEFF II and TurSEFF III projects. As of March 31, 2018, the sum of the securitization loans amounted to USD 1.309 million and EUR 227 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%.

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

The context of Global Medium Term Notes (GMTN), the Bank has issued 233 private placements with 19 different banks from June 2013 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 4,889 million US Dollar private placements as of the date of March 31, 2018. The total private placements are 102.1 million US Dollar as of the same date on.

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

On October 9, 2017, the bank had issued a private placement for the qualified foreign institutional investor within the context of Global Medium Term Notes (GMTN), with 5.5 years of maturity, and a nominal value of 1,333 million Turkish Liras.

The bank had realized the second Global Medium Term Notes (GMTN) on December 14, 2017 with HSBC Bank Plc with with 5 years of maturity, and a nominal value of 1,333 million Turkish Liras.

On February 28, 2018, the Bank also carried out Covered Bond transaction with a nominal value of TL 1,000 million with a 5-year maturity and realized a total of TL 6.2 billion under the program.

Current Period- March 31, 2018	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	4,554,430	3,816,000	82,827	16,040,335
Cost	4,328,299	3,816,000	82,827	15,951,388
Net Book Value	4,408,481	3,936,495	82,984	16,312,929

Prior Period- December 31, 2017	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

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.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

7. Information on provisions

Information on general provisions

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

Provision for currency exchange loss on foreign currency indexed loans

	Current Period- March 31, 2018
Provision for currency exchange gain/loss on foreign currency indexed loans	171

	Prior Period- December 31, 2017
Provision for currency exchange gain/loss on foreign currency indexed loans	10,253

The Bank has recorded provision amounting to TL 171 (December 31, 2017: TL 10,253) for foreign exchange losses on principal amounts of foreign currency indexed loans and reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.

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

As of March 31, 2018, Bank has recorded TL 23,906 (December 31, 2017: TL 75,942) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on provision for probable risks

As of March 31, 2018, free provision recognized in 2017 amounting to TL 500,000 provided by the Bank, in line with the conservatism principle considering the possible effect of the circumstances that may arise from the negative changes in the economy and market conditions. (December 31, 2017: TL 500,000)

8. Taxation

Current taxes

Tax provision

As at and for the three-month period ended March 31, 2018, the tax provision was amounted to TL 1,225,561 (December 31, 2017: TL 764,909). As at March 31, 2018, corporate tax liabilities of the Bank was amounted to TL 763,490 (December 31, 2017: TL 451,736), after deducting prepaid taxes paid during temporary tax periods amounted to TL 462,071 (December 31, 2017: TL 313,173).

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Information on taxes payable

	Current Period- March 31, 2018
Corporate taxes payable	462,071
Taxation on securities	162,974
Capital gains tax on property	2,984
Taxes on foreign exchange transactions	-
Banking and Insurance Transaction Tax (BITT)	115,706
Value added tax payable	3,185
Other	35,767
Total	782,687

	Prior Period- December 31, 2017
Corporate taxes payable	313,173
Taxation on securities	160,257
Capital gains tax on property	3,045
Taxes on foreign exchange transactions	-
Banking and Insurance Transaction Tax (BITT)	121,325
Value added tax payable	4,234
Other	32,683
Total	634,717

Information on premiums payable

	Current Period- March 31, 2018
Social security premiums- employee share	-
Social security premiums- employer share	-
Bank pension fund premium- employee share	-
Bank pension fund premium- employer share	-
Pension fund membership fees and provisions- employee share	-
Pension fund membership fees and provisions- employer share	-
Unemployment insurance- employee share	1,606
Unemployment insurance- employer share	3,213
Other	29
Total	4,848

	Prior Period- December 31, 2017
Social security premiums- employee share	-
Social security premiums- employer share	-
Bank pension fund premium- employee share	-
Bank pension fund premium- employer share	-
Pension fund membership fees and provisions- employee share	-
Pension fund membership fees and provisions- employer share	7
Unemployment insurance- employee share	887
Unemployment insurance- employer share	1,773
Other	14
Total	2,681

Information on deferred tax liabilities

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

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

None.

10. Information on subordinated loans

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

The Bank has issued secondary subordinated loan (Tier II bond) as at January 2015, which contains Basel-III criteria. In this context, the bond has been issued at the nominal value of US Dollar 500 million with the maturity date of February 3, 2025 and early call option date of February 3, 2020. The issued secondary subordinated loan (Tier-II) 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 February 13, 2017 and the redemption date of the bonds to be exchanged was determined as November 1, 2027, with a maturity of 10 years (recall option in 2022) and coupon rate as 8.00%.

On September 2017, the 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 6,205,560 as of March 31, 2018 (December 31, 2017: TL 5,935,969).

	Current Period- March 31, 2018	
	TL	FC
To be included in the calculation of additional Capital borrowing instruments	-	-
Subordinated Loans	-	-
Subordinated Debt Instruments	-	-
Debt instruments to be included in contribution capital calculation	528,031	5,677,529
Subordinated Loans	-	-
Subordinated Debt Instruments	528,031	5,677,529
Total	528,031	5,677,529

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

11. Information on equity

Paid-in capital

	Current Period- March 31, 2018
Common Stock	2,500,000
Preferred Stock	-

	Prior Period- December 31, 2017
Common Stock	2,500,000
Preferred Stock	-

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

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

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

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.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Valuation differences of the marketable securities

	Current Period- March 31, 2018	
	TL	FC
Associates, subsidiaries and joint ventures	1,104,401	55,258
Financial assets at fair value through other comprehensive income	(35,750)	16,466
Foreign exchange differences	80,727	-
Total	1,149,378	71,724

	Prior Period- December 31, 2017	
	TL	FC
Associates, subsidiaries and joint ventures	1,095,532	54,148
Fair value differences of available-for-sale securities	(299,308)	141,735
Foreign exchange differences	80,727	-
Total	876,951	195,883

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- March 31, 2018	
	Commitments for credit card limits	11,268,867
Loan granting commitments	12,444,590	
Commitments for cheque payments	2,889,596	
Asset purchase sale commitments	2,071,989	
Other	1,811,626	
Total	30,486,668	

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

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

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

The Bank provided specific provision amounting to TL 205,864 (December 31, 2017: TL 169,355) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 23,906 (December 31, 2017: TL 75,942).

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

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period- March 31, 2018
Final letters of guarantee	15,428,602
Letters of guarantee for advances	7,156,353
Letters of guarantee given to custom offices	1,078,947
Provisional letters of guarantee	1,310,011
Other letters of guarantee	18,455,940
Total	43,429,853

	Prior Period- December 31, 2017
Final letters of guarantee	14,073,061
Letters of guarantee for advances	6,684,317
Letters of guarantee given to custom offices	1,053,872
Provisional letters of guarantee	1,180,248
Other letters of guarantee	17,177,322
Total	40,168,820

2. Non-cash loans

	Current Period- March 31, 2018
Non-cash loans given for cash loan risks	4,884,996
<i>With original maturity of 1 year or less</i>	1,553,862
<i>With original maturity of more than 1 year</i>	3,331,134
Other non-cash loans	50,326,361
Total	55,211,357

	Prior Period- December 31, 2017
Non-cash loans given for cash loan risks	3,771,138
<i>With original maturity of 1 year or less</i>	1,216,243
<i>With original maturity of more than 1 year</i>	2,554,895
Other non-cash loans	46,996,446
Total	50,767,584

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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- March 31, 2018			
	TL	%	FC	%
Agricultural	45,214	0.13	301,266	1.43
Farming and Cattle	40,739	0.11	301,266	1.43
Forestry	2,388	0.01	-	0.00
Fishing	2,087	0.01	-	0.00
Manufacturing	13,005,086	38.12	8,448,006	40.06
Mining	317,758	0.93	196,470	0.93
Production	8,519,043	24.97	7,765,487	36.83
Electric, gas and water	4,168,285	12.22	486,049	2.30
Construction	6,575,635	19.27	2,881,187	13.66
Services	13,708,407	40.18	4,646,720	22.03
Wholesale and retail trade	5,465,250	16.02	2,507,514	11.89
Hotel, food and beverage Services	290,092	0.85	16,785	0.08
Transportation and telecommunication	1,778,894	5.21	677,054	3.21
Financial institutions	3,271,839	9.59	260,409	1.23
Real estate and renting Services	1,367,580	4.01	312,436	1.48
Self-employment services	1,361,917	3.99	633,116	3.00
Education services	40,140	0.12	3,502	0.02
Health and social services	132,695	0.39	235,904	1.12
Other	786,065	2.30	4,813,771	22.82
Total	34,120,407	100.00	21,090,950	100.00

	Prior Period- December 31, 2017			
	TL	%	FC	%
Agricultural	40,142	0.13	20,449	0.11
Farming and Cattle	35,606	0.11	20,449	0.11
Forestry	3,213	0.01	-	-
Fishing	1,323	0.01	-	-
Manufacturing	12,256,698	38.17	7,292,016	39.09
Mining	281,602	0.87	175,494	0.94
Production	7,930,683	24.70	6,505,402	34.87
Electric, gas and water	4,044,413	12.60	611,120	3.28
Construction	4,855,489	15.12	1,577,187	8.45
Services	13,929,661	43.38	5,397,807	28.93
Wholesale and retail trade	5,412,904	16.86	3,084,564	16.54
Hotel, food and beverage Services	269,673	0.84	18,654	0.10
Transportation and telecommunication	1,530,254	4.77	754,438	4.04
Financial institutions	3,537,700	11.02	437,212	2.34
Real estate and renting Services	1,558,909	4.85	408,524	2.19
Self-employment services	1,439,047	4.48	682,640	3.66
Education services	37,182	0.12	8,202	0.04
Health and social services	143,992	0.44	3,573	0.02
Other	1,027,932	3.20	4,370,203	23.42
Total	32,109,922	100.00	18,657,662	100.00

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

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

Current Period- March 31, 2018	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	33,843,444	9,270,340	45,962	64,243
Confirmed Bills of Exchange and Acceptances	40,639	1,726,994	-	-
Letters of Credit	26,129	9,934,697	-	-
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	53,045	-	-
Non-Cash Loans	33,910,212	20,985,076	45,962	64,243

Prior Period- December 31, 2017	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

5. Information on derivative transactions

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

6. Services rendered on behalf of third parties

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

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IV. INFORMATION ON DISCLOSURES RELATED TO THE STATEMENT OF INCOME

1. Interest income

Information on interest income received from loans

	Current Period- March 31, 2018	
	TL	FC
Short-term Loans	1,472,791	45,030
Medium and Long-Term Loans	3,189,724	736,268
Non-performing Loans	50,953	-
Premiums Received from Resource Utilization Support Fund	-	-
Total	4,713,468	781,298

	Prior Period- March 31, 2017	
	TL	FC
Short-term Loans	1,131,369	51,778
Medium and Long-Term Loans	2,145,075	571,653
Non-performing Loans	27,576	-
Premiums Received from Resource Utilization Support Fund	-	-
Total	3,304,020	623,431

Information on interest income received from banks

	Current Period- March 31, 2018	
	TL	FC
Central Bank of Republic of Turkey	-	-
Domestic Banks	585	14,339
Foreign Banks	-	13,157
Foreign Head Office and Branches	-	-
Total	585	27,496

	Prior Period- March 31, 2017	
	TL	FC
Central Bank of Republic of Turkey	-	6
Domestic Banks	782	754
Foreign Banks	57	6,113
Foreign Head Office and Branches	-	-
Total	839	6,873

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

Information on interest income received from marketable securities portfolio

	Current Period- March 31, 2018	
	TL	FC
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	147,050	7,892
Financial assets measured at amortized cost	533,359	69,834
Total	680,409	77,726
	Prior Period- March 31, 2017	
	TL	FC
Financial assets held for trading	-	-
Financial assets where fair value change is reflected to income statement	-	-
Financial assets available for sale	423,356	78,115
Investments held to maturity	344,323	311
Total	767,679	78,426

As stated in Section 3 Note VIII, “Fair value through other comprehensive income” and “measured at amortized cost” securities portfolio of the Bank include Consumer Price Indexed (CPI) Bonds. The estimated inflation rate used is updated as needed within the year. In this context, as of March 31, 2018, the valuation of the related securities was based on an annual inflation forecast of 8,40%. If the valuation of these securities indexed to CPI was made according to the reference index valid for March 31, 2018, the Bank’s equity valuation differences on equity would decrease by TL 13 million (full TL) and the net profit for the period would increase by TL 121 million to 1.172 Million TL (full TL amount).

Information on interest income received from associates and subsidiaries

	Current Period- March 31, 2018
Interest Received from Associates and Subsidiaries	1,863
	Prior Period- March 31, 2017
Interest Received from Associates and Subsidiaries	4,175

2. Interest expense

Interest expense on funds borrowed

	Current Period- March 31, 2018	
	TL	FC
Banks	16,779	169,476
Central Bank of Republic of Turkey	-	282
Domestic Banks	1,670	3,348
Foreign Banks	15,109	165,846
Foreign Head Offices and Branches	-	-
Other Institutions	-	13,963
Total	16,779	183,439
	Prior Period- March 31, 2017	
	TL	FC
Banks	16,718	113,771
Central Bank of Republic of Turkey	-	-
Domestic Banks	1,609	1,986
Foreign Banks	15,109	111,785
Foreign Head Offices and Branches	-	-
Other Institutions	-	11,748
Total	16,718	125,519

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

Interest expense paid to associates and subsidiaries

	Current Period- March 31, 2018
Interest Paid to Associates and Subsidiaries	64,677

	Prior Period- March 31, 2017
Interest Paid to Associates and Subsidiaries	14,845

Interest expense on securities issued

Interest paid to securities issued for the three-month period ended March 31, 2018 is TL 407,587 (March 31, 2017: TL 215,292).

Maturity structure of the interest expense on deposits

Current Period- March 31, 2018	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	-	1,705	50,220	-	-	-	-	51,925
Saving deposits	-	118,996	1,064,498	71,594	8,371	4,441	60	1,267,960
Public sector deposits	3,148	113,527	202,066	23,365	140,224	5,171	-	487,501
Commercial deposits	-	135,672	334,138	74,421	6,214	257	-	550,702
Other deposits	-	15,688	94,802	31,275	430	599	-	142,794
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	3,148	385,588	1,745,724	200,655	155,239	10,468	60	2,500,882
<i>FC</i>								
Foreign currency deposits	5,979	8,637	203,941	12,888	5,934	27,971	-	265,350
Interbank deposits	1,065	927	1,820	6,953	2,139	5,400	-	18,304
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	7,044	9,564	205,761	19,841	8,073	33,371	-	283,654
Grand Total	10,192	395,152	1,951,485	220,496	163,312	43,839	60	2,784,536

Prior Period- March 31, 2017	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	-	11,160	14,199	-	-	1,363	-	26,722
Saving deposits	-	44,453	658,632	39,446	7,061	3,840	-	753,432
Public sector deposits	2,635	78,024	152,229	19,999	65,509	2,849	-	321,245
Commercial deposits	-	115,287	174,628	21,491	6,842	227	-	318,475
Other deposits	-	18,957	79,245	21,446	2,089	321	-	122,058
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	2,635	267,881	1,078,933	102,382	81,501	8,600	-	1,541,932
<i>FC</i>								
Foreign currency deposits	5,545	3,968	142,957	10,913	3,766	17,576	-	184,725
Interbank deposits	689	1,298	2,221	62	786	3,560	-	8,616
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	6,234	5,266	145,178	10,975	4,552	21,136	-	193,341
Grand Total	8,869	273,147	1,224,111	113,357	86,053	29,736	-	1,735,273

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

3. Information on trading income/losses

	Current Period- March 31, 2018
Income	8,459,933
Income from capital market operations	30,179
Income from derivative financial instruments	6,595,014
Foreign exchange gains	1,834,740
Losses	(8,347,116)
Loss from capital market operations	(3,278)
Loss from derivative financial instruments	(6,511,849)
Foreign exchange loss	(1,831,989)
Net trading profit/loss	112,817

Net income arising from changes in foreign exchange rates that relate to the Bank’s foreign exchange rate based derivative financial instruments is amounting to TL 46,189 as at and for the three-month period ended March 31, 2018.

	Prior Period- March 31, 2017
Income	3,346,974
Income from capital market operations	27,936
Income from derivative financial instruments	1,458,514
Foreign exchange gains	1,860,524
Losses	(3,229,640)
Loss from capital market operations	(5,709)
Loss from derivative financial instruments	(1,422,747)
Foreign exchange loss	(1,801,184)
Net trading profit/loss	117,334

Net income arising from changes in foreign exchange rates that relate to the Bank’s foreign exchange rate based derivative financial instruments is amounting to TL 11,495 as at and for the three-month period ended March 31, 2017.

4. Information on other operating income

	Current Period- March 31, 2018
Income from reversal of specific provisions for loans	798,855
Communication income	9,150
Gain on sale of assets ^(*)	49,971
Rent income	279
Other income	91,308
Total	949,563

	Prior Period- March 31, 2017
Income from reversal of specific provisions for loans	330,987
Communication income	13,707
Gain on sale of assets ^(*)	35,964
Rent income	213
Other income	58,629
Total	439,500

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

5. Expected Credit Loss

	Current Period- March 31, 2018
Expected Credit Loss	1,283,114
12 month expected credit loss (stage 1)	167,354
Significant increase in credit risk (stage 2)	78,110
Non-performing loans (stage 3)	1,037,650
Marketable Securities Impairment Expense	10,200
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	10,200
Investments in Associates, Subsidiaries and Held-to-maturity	
Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	-
Total	1,293,314

Provision expenses for losses on loans and other receivables

	Prior Period- March 31, 2017
Specific provisions on loans and other receivables	673,673
<i>Loans and receivables in Group III</i>	139,377
<i>Loans and receivables in Group IV</i>	246,305
<i>Loans and receivables in Group V</i>	287,991
Non-performing commissions and other receivables	-
General provision expenses	25,574
Provision for possible losses	-
Impairment losses on securities:	5,876
<i>Trading securities</i>	-
<i>Investment securities available-for-sale</i>	5,876
Impairment losses from associates, subsidiaries, joint ventures, and marketable securities held to maturity :	5,803
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint ventures</i>	-
<i>Investment securities held-to-maturity</i>	5,803
Other ^(*)	22,509
Total	733,435

(*) Other provision expenses of TL 22,509 consists of unindemnified non-cash loans and provision expenses of cheques.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information on other operating expenses

	Current Period- March 31, 2018
Personnel Costs	538,381
Reserve for Employee Termination Benefits	20,213
Deficit Provision for Pension Funds	-
Impairment Losses on Tangible Assets	-
Depreciation Expenses on Tangible Assets	34,153
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortization Expenses on Intangible Assets	6,948
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Losses on Assets to be Disposed	-
Depreciation Expenses on Assets to be Disposed	-
Impairment Losses on Assets Held for Sale	-
Other Operating Expenses	474,148
<i>Operational lease expenses</i>	67,729
<i>Repair and maintenance expenses</i>	13,082
<i>Advertisement expenses</i>	29,260
<i>Other expenses</i>	364,077
Loss on sale of assets	3,149
Other (*)	186,605
Total	1,263,597

(*) Other operating expenses amounting to TL 186,605 is comprised of provision expenses for dividends to the personnel amounting to TL 51,177, tax, fees and funds expenses amounting to TL 47,055, “Saving Deposits Insurance Fund” expenses amounting to TL 45,043 and other expenses amounting to TL 43,330.

	Prior Period- March 31, 2017
Personnel Costs	405,332
Reserve for Employee Termination Benefits	18,814
Deficit Provision for Pension Funds	-
Impairment Losses on Tangible Assets	-
Depreciation Expenses on Tangible Assets	33,614
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortization Expenses on Intangible Assets	6,405
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Losses on Assets to be Disposed	2,761
Depreciation Expenses on Assets to be Disposed	6,151
Impairment Losses on Assets Held for Sale	-
Other Operating Expenses	392,377
<i>Operational lease expenses</i>	55,592
<i>Repair and maintenance expenses</i>	9,828
<i>Advertisement expenses</i>	20,704
<i>Other expenses</i>	306,253
Loss on sale of assets	184
Other (*)	150,817
Total	1,016,455

(*) Other operating expenses amounting to TL 150,817 is comprised of provision expenses for dividends to the personnel amounting to TL 37,098, tax, fees and funds expenses amounting to TL 36,597, “Saving Deposits Insurance Fund” expenses amounting to TL 49,461 and other expenses amounting to TL 27,661.

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

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

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

8. Information on tax provision from discontinued and continuing operations

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

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

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

10. Provision for taxes

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

In the current period, the Bank has recorded a tax charge of TL 290,888 (March 31, 2017: TL 213,052) 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- March 31, 2018
Arising from Origination / (Reversal) of Deductible Temporary Differences	54,295
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(11,896)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
Total	42,399
Sources of deferred tax benefit/charge	Prior Period- March 31, 2017
Arising from Origination / (Reversal) of Deductible Temporary Differences	(14,715)
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(65,071)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
Total	(79,786)

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

11. Information on net profit and loss

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

The Bank has earned TL 6,363,251 interest income, TL 443,857 net fees and commissions income and incurred TL 4,057,080 interest expenses, from ordinary banking transactions (March 31, 2017: TL 4,840,535 interest income, TL 2,463,778 interest expenses, TL 290,876 net fees and commissions income).

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

None.

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

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

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

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

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

Current Period- March 31, 2018	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						
Balance at the beginning of the period			-	38,243	18,110	34,799
Balance at the end of the period	144,551	1,441,249	-	37,842	112,805	46,156
Interest and commission income	1,863	594	-	-	3,461	34

Prior Period- December 31, 2017	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	4,175	435	-	32	-	47

(*) Interest and commission Income line indicates March 31, 2017 balances.

Information on deposits held by the Bank’s risk group

Current Period- March 31, 2018

Bank’s Risk Group	Associates, and Indirect Subsidiaries and Joint-Ventures	Bank’s Direct Shareholders	Other Components in Risk Group
	Current Period	Current Period	Current Period
Deposits			
Balance at the beginning of the period	1,692,043	1,100,243	241,645
Balance at the end of the period	1,723,439	346,819	195,915
Interest on deposits	64,677	31,871	5,044

Prior Period- December 31, 2017

Bank’s Risk Group	Associates, and Indirect Subsidiaries and Joint-Ventures	Bank’s Direct Shareholders	Other Components in Risk Group
	Current Period	Current Period	Current Period
Deposits			
Balance at the beginning of the period	1,055,694	977,319	164,132
Balance at the end of the period	1,692,043	1,100,243	241,645
Interest on deposits(*)	14,845	15,196	81

(*) Interest on deposits line indicates March 31, 2017 balances.

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

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

Current Period- March 31, 2018

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures	Bank's Direct and Indirect Shareholders	Other Components in Risk Group
	Current Period	Current Period	Current Period
Transactions at Fair Value Through Profit or Loss			
Beginning of the Period	441,145	-	-
Balance at the End of the Period	242,675	-	-
Total income/loss	(5,228)	-	-
Transactions for Hedging Purposes			
Beginning of the Period	-	-	-
Balance at the End of the Period	-	-	-
Total income/loss	-	-	-

Prior Period- December 31, 2017

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures	Bank's Direct and Indirect Shareholders	Other Components in Risk Group
	Prior Period	Prior 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)	(749)	-	-

(*) Total Income/(Loss) line indicates 31 March 2017 balances.

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.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 0.29% (December 31, 2017: 0.09%) and 2.95% (December 31, 2017: 2.98%), respectively.

Current Period- March 31, 2018	Amount	Compared to financial statement amount (%)
Cash loans	565,243	0.29 %
Non-cash loans	1,627,133	2.95 %
Deposits	2,266,173	1.40 %
Forward and option agreements	242,675	0.34 %
Prior Period- December 31, 2017	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%

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SECTION SIX

OTHER DISCLOSURES

I. OTHER DISCLOSURES ON THE BANK’S ACTIVITY

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

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

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+

March 2018	Moody’s Investors’ Service
Baseline Credit Assessment	b1
Local Currency Deposit Rating	Ba2/NP
Local Currency Outlook	Stable
Foreign Currency Deposit Rating	Ba3/NP
Foreign Currency Outlook	Stable

May 2018	Standard&Poors
Foreign Currency Counterparty Credit Rating	BB-/B
Foreign Currency Outlook	Stable
Local Currency Counterparty Credit Rating	BB-/B
Local Currency Outlook	Stable
Turkey National Scale	trA+ / - / trA-1

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

(*) Dates represent last report dates.

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OTHER DISCLOSURES (Continued)

**III. SIGNIFICANT EVENTS AND MATTERS SUBSEQUENT TO BALANCE SHEET DATE
THAT ARE NOT RESULTED**

The Bank has issued and offered to public a Vakıfbank bond, which has a value date of April 20, 2018, with nominal value of TL 200,000,000 (Full TL), with 119 days maturity, and maturity date of August 17, 2018, on April 16-17-18, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFB81826, is determined with TL 213,500,283 (Full TL) nominal value, with 119 days maturity and maturity date of August 17, 2018, 14.4771% annual compound interest, 13.8229% simple interest and TL 95,688 issue price.

The Bank has issued and offered to public a Vakıfbank bond, which has a value date of April 20, 2018, with nominal value of TL 100,000,000 (Full TL), with 217 days maturity, and maturity date of November 23, 2018, on April 16-17-18, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFBK1812, is determined with TL 45,034,208 (Full TL) nominal value, with 217 days maturity and maturity date of November 23, 2018, 15.0198% annual compound interest, 14.5920% simple interest and TL 92,017 issue price.

The Bank has provided a multi-currency syndicated loan facility at April 24, 2018 from international markets equivalent to USD 1.3 billion, comprised of USD 329 million and EUR 778.8 million. The USD equivalent of 1.2 billion – has a one year tenor, whereas the 2 year tenor is USD 100 million. All-in cost for the one year tranches are Libor+1.30% p.a. and Euribor+1.20% p.a.; and for 2 year tranche is Libor+2.10% p.a.

Vakıfbank obtained a new foreign borrowing in Euro and USD currencies at May 4, 2018, amounting USD 380 million equivalent in total, within Diversified Payment Rights securitization program based on future flow transactions. The transaction consists of six separate tranches, each of them has 5-year maturity. The transaction was rated BBB + on the investment grade by Fitch Ratings.

SECTION SEVEN

INDEPENDENT AUDITORS’ REVIEW REPORT

I. INFORMATION ON THE INDEPENDENT AUDITORS’ REVIEW REPORT

The Bank’s unconsolidated financial statements and footnotes for the three-month period ended March 31, 2018 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. It was noted in their review report dated May 21, 2018 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated interim financial statements do not give a true and fair view of the Bank’s financial position and results of its operations.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITORS

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

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SECTION EIGHT

INFORMATION ON INTERIM ACTIVITY REPORT

Assessment of Chairman of Board of Directors

In the first quarter of 2018, as its part of commercial protectionism, that US has introduced additional customs duties on its imports had raised the concerns about trade wars. On the other hand, geopolitical developments have also raised the perception of risk globally. Nonetheless, global growth continued to moderate in the first quarter.

Growing 2.9% in the last quarter of 2017, the US economy outperformed expectations in the first quarter of 2018, growing by 2.3% annually. In Europe, together with the asset purchase program and the expansionary monetary policy, growth has been supported and the Euro Area has grown by 2.7% annually in 2017. Developing country growths also played an important role in the growth of the global economy in 2017. The Chinese economy had grown by 6.9% in 2017.

In 2017, Turkey's economy has provided a strong recovery in domestic demand through fiscal incentives and measures supporting economic activities and CGF guaranteed loans allocation and it grew by 7.4% on an annual basis. Leading indicators determined that the economy will maintain its strong growth in 2018.

The Turkish Banking sector continued to support our country's economy in this period as well. It has increased its total assets by 3.60% in the first quarter of 2018 when compared to the end of the previous year. By the loan growth of 4.68%, it continued to support both the real sector and households.

Our Bank, one of the most important players in the Turkish Banking sector, increased its total assets to TL 282 billion in the first quarter of 2018 and continued to grow by supporting the real sector and households. As before, our Bank will continue to support the national economy with all its strength from now on.

In this way, we present our special thanks to our customers who are participants in our success, to our employees for their self-sacrificing works, and to our shareholders and investors who do not spare their supports from us on behalf of our Bank.

Best Regards,

İsmail ALPTEKİN

Chairman of Board of Directors

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Assessment of General Manager

In 2018, the US Federal Reserve Bank (Fed) continued to take steps in normalizing the monetary policy. The Fed raised the interest rate by 25 basis point to a target range of 1.5% to 1.75%. It is expected that The Fed to hike rates three times in 2018. The European Central Bank (ECB), apart from the previous months, omitted "to increase the asset purchase programme if needed" in the minutes of March meeting. The steps taken by central banks of developed countries have led to the rise of long-term bond yields in these countries.

In addition, in the first quarter of 2018; because of geopolitical developments and increased protectionism discourses in international trade, risk perception in the markets has risen from time to time. Nevertheless, global economy continued to moderate growth. The US economy beats expectations by 2.3% GDP growth in the first three months of 2017

Despite predictions to the contrary, Turkey's economy showed a relatively strong performance in the year 2017 and completed the year with 7.4% growth. Leading indicators, which were published in the first three months of the year, showed that the growth continued in 2018 without slowing down. It is also confirmed with revising 2018 Turkey's economy growth estimates of international organizations such as the IMF and the OECD

In the first quarter of 2018, our Bank also provided a healthy asset growth in the direction of profitable, efficient and high quality growth strategy. In this period, while the total assets of the sector increased by 3.60%, the total assets of our Bank increased by 4.22% and reached to 282 billion TL. Our strong support to the national economy continued and our cash and non-cash loans reached to 250 billion TL totally. We had been financially supportive to all small and large segments of our country's real sector from farmers to self-employed, from craftsmen to commercial companies, from exporters to investors. As a matter of fact, our cash-commercial loans, which made available to real sector, increased by 8.13%, reaching approximately 146 billion TL, well above the sector average of 5.51%. In the same period, the amount of retail loans made available to the households increased by 3.11% over the sector average of 2.06% and exceeded 49 billion TL.

On the funding side, our deposits increased by 4.36% to 162 billion TL. In order to reduce the general level of interest rates while our main funding source was deposits, our Bank continued to increase funding diversity in this period. Our loans that were made available, including subordinated loans, increased by 9.05%. In this period, our Bank issued a new Eurobond amounting USD 650 million under the Global Medium Term Notes Programme and amounting TL 1 billion equivalent under the Mortgage Covered Bond Programme. The securities issued increased by 26.97% to 24,7 billion TL thanks to these transactions.

In the first quarter of 2018, our net profit was realized at 1,051 million TL. Our shareholders' equity reached 25 billion TL with an increase of 7.49%. In this period, our return on assets was 1.52%, our return on equity was 17.43% and our capital adequacy ratio was 15.37%.

Our Bank has been honored by the awards that has entitled for its successful results in this period and has been awarded with 'Best Banking Brand' by Global Brands Magazine, one of the UK's most respected magazines, with its performance in areas of innovation, quality, branding activities, customer service, digitalization, environmental awareness and social responsibility. In addition, our Bank has obtained award in the category of "Best Sports Sponsorship in Europe" with its investments made to VakıfBank Sports Club for 32 years, who represent Turkey at international competition as successfully.

VakıfBank will continue to grow, continue to support the real sector, contribute to the sustainable growth of the national economy in all areas and continue to be the strength by its customers.

By this way, we would like to thank to our valued customers, our shareholders and investors for their trust and our employees for their efforts.

Yours Faithfully,

Mehmet Emin ÖZCAN
General Manager Managing
Member of Board of Directors

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Significant Financial Indicators

BALANCE SHEET (TL Million)	MARCH 2018	DECEMBER 2017	DIFFERENCE(%)
TOTAL ASSETS	281,985	270,572	4.22
TOTAL SECURITIES	31,855	30,316	5.07
LOANS (*)	195,401	182,932	6.82
-Corporate and Commercial Loans	145,958	134,980	8.13
-Retail Loans	49,443	47,952	3.11
DEPOSITS	162,054	155,277	4.36
-Term Deposit	133,012	125,160	6.27
-Demand Deposit	29,042	30,117	-3.57
FUNDS BORROWED	31,136	28,308	9.99
SUBORDINATED LOANS	6,206	5,936	4.54
SECURITIES ISSUED (NET)	24,741	19,485	26.97
SHAREHOLDER’S EQUITY	24,999	23,258	7.49
NON-CASH LOANS	55,211	50,768	8.75

INCOME STATEMENT (TL million)	MARCH 2018	MARCH 2017	DIFFERENCE (%)
Net Profit/Loss	1,051	1,225	-14.15

RATIOS (%)	MARCH 2018	DECEMBER 2017
LOAN/TOTAL ASSETS (*)	69.29	67.61
LOAN/DEPOSITS (*)	120.58	117.81
NPL RATIO	3.91	4.01
CAPITAL ADEQUACY RATIO	15.37	15.52
RETURN ON AVERAGE ASSETS (ROAA) (**)	1.52	1.54
RETURN ON AVERAGE EQUITY (ROAE) (**)	17.43	17.52

(*) Excluding non-performing loans.

(**) Calculations are annualized.

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2018 First Quarter Assessment

Having continued its growth in the first quarter of 2018, our Bank increased its total assets by 4.22% to 281,985 million TL. In this period, our performing loans increased by 6.82% reaching to 195,401 million TL and the share of performing loans in total assets was realized as 69.29%. When we look at the breakdown of the loans, it is seen that our commercial loans have reached 145,958 million TL and our total retail loans have reached 49,443 million TL.

In the first quarter of 2018, our Bank deposits increased by 4.36% to 162,054 million TL.

In addition, our Bank has issued domestic bonds and eurobonds in various types and maturities in order to diversify funding sources, to assist in cost control, to reduce interest rate risk, to create additional resources, to contribute positively to liquidity management and to support credit growth.

In the first quarter of 2018, bonds with a nominal value of 3,866 million TL were issued for selling to qualified investors by our Bank.

Our Bank, which is pioneering and innovative one of Turkey in international capital markets, has issued a new Eurobond amounting USD 650 million with 5-year maturity in January in the scope of Global Medium Term Note Programme (GMTN). The total demand from over 150 investors from all over the world has exceeded USD 1.5 billion. The coupon rate was 5.75% and final yield of the transaction which is the highest amount of Eurobond issued by VakıfBank in a single transaction have been set at 5.85%.

Under the Bank’s Mortgage Covered Bond Programme (Covered Bond), the Bank issued a new transaction amounting TL 1 billion in March. In the first quarter of 2018, VakıfBank further supports in particular decreasing and keeping interest rates for TL deposits at reasonable level by carrying on to procure long term non-deposit Turkish Lira funding from international capital markets. Thus, VakıfBank issued covered bonds amounting TL 3.7 billion in total only in the last five months with three different transactions.

Our Bank continued its strong position in terms of profitability and capital structure in the first quarter of 2018. In this period, our Bank delivered TL 1,051 million TL net income. In this period, our average return on equity was 17.43%, our average return on assets was 1.52%, and capital adequacy ratio was 15.37%.

As of March 31, 2018, the number of branches in our Bank reached 935 and the number of employee reached 16,148.

In March, the international credit rating agency Moody's downgrade the Turkey's government debt rating to “Ba2” with stable outlook from “Ba1” with negative outlook. Following the downgrade of the Turkish government’s debt rating, the Bank’s long-term foreign currency rating was downgraded to ‘Ba3’ from ‘Ba2’ and the outlook has been upgraded from ‘Negative’ to ‘Stable’. Similarly, following the downgrade of Turkey’s local currency bond ceiling from ‘Baa1’ to ‘Baa2’, the Mortgage Covered Bond Programme’s rating of our Bank has also been lowered from ‘Baa1’ to ‘Baa2’.

In this period, a contract was signed between our Bank and JCR Eurasia Rating Incorporation Company in order to determine the credit worthiness of the Bank.

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In this context, JCR Eurasia Rating Incorporation Company has completed the rating assessments for our Bank and its ratings are shown in the table below.

	Long	Short
International Foreign Currency	BBB-	A-3
International Local Currency	BBB-	A-3
International Outlook	Stable	Stable
National Local Rating	AAA	A-1 +
National Outlook	Stable	Stable
Support Rating	1	-
Stand-Alone	A	-

Other Significant Developments

- The official address of our Bank's Head Office has been changed to "Saray Mahallesi Dr. Adnan Büyükdenez Caddesi No: 7 / A-B Ümraniye / İstanbul" and the registry process regarding the address change has been completed by Istanbul Chamber of Commerce.
- Our Bank has received the latest "2015" editions of ISO:9001 and ISO:14001 certifications, as a result of audits conducted by TÜV SÜD during this period.
- Our Bank has been awarded in 2 fields by Global Brands Magazine, one of the UK's most respected magazines, and with 6 awards at the Stevie Awards, one of the most prestigious awards of the international business world.

Our Bank was awarded gold in the category of "Mobile Field Sales Practice" and "Business Development Achievement of the Year - Financial Services Industries" at the Stevie Awards, which awarded successful organizations and executives around the world. The same practice has been awarded the bronze award in the categories of "Best Use of Sales Technology", "Sales and Marketing Mobile Application", "Sales Growth Based on Success of the Year" and "Marketing Solution". Our applications of "the calculation of the Tendency in Overdraft and General Purpose Consumer Loans" were awarded bronze award in the category of "Business Development Achievement of the Year - Financial Services Industries".

Our Bank has also been honored with championship award by Global Brands Magazine as "Best Sports Sponsorship in Europe" and "Best Banking Brand".

Amendments in Articles of Incorporation:

There has been no change in the Articles of Association during the period.